

AFRICAN ALLIANCE KENYA UNIT TRUST SCHEME
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023
African Alliance Kenya Money Market Fund

A) Statement of Comprehensive Income for the	Year ended 31 Dec 2023 (Kshs'000')	Year ended 31 Dec 2022 (Kshs'000')
1.0 Income		
1.3 Interest Income	25,348	16,552
1.14 Total Income	25,348	16,552
2.0 Expenses		
2.2 Professional fees	(3,750)	(3,199)
2.10 Other Expenses - Distribution	(21,598)	(13,353)
2.11 Total Expenses	(25,348)	(16,552)
3.0 Operating Profit	-	-
7.0 Profit after tax	-	-

B) Statement of Financial Position As At	31 Dec 2023 (Kshs'000')	31 Dec 2022 (Kshs'000')
1.0 Non Current Assets		
1.14 Other long term Assets - Financial assets at amortised costs	52,712	23,325
1.15 Total Non Current Assets	52,712	23,325
2.0 Current Assets		
2.3 Other trade receivables	2,710	1,822
2.10 Total Clients cash and bank balances	130,593	128,725
2.12 Other current assets - Financial assets at amortised costs	51,008	35,576
2.13 Total Current Assets	184,311	166,123
2.14 TOTAL ASSETS	237,023	189,448
4.0 Non-Current Liabilities		
4.5 Other non - Current liabilities - Net Assets attributable to holders	233,610	187,347
4.6 Total Non-current liabilities	233,610	187,347
5.0 Current Liabilities		
5.5 Trade payables	876	768
5.12 Other Current liabilities - Distribution	2,537	1,333
5.13 Total Current Liabilities	3,413	2,101
5.14 TOTAL EQUITY AND LIABILITIES	237,023	189,448

African Alliance Kenya Equity Fund

A) Statement of Comprehensive Income for the	Year ended 31 Dec 2023 (Kshs'000')	Year ended 31 Dec 2022 (Kshs'000')
1.0 Income		
1.3 Interest Income	3,021	4,077
1.4 Dividend Income	15,631	17,134
1.8 Realized profits on investments	(7,216)	4,481
1.9 Unrealized (loss) / profits on investments	(26,046)	(50,803)
1.13 Other Income - Income Equalisation	(3,457)	(538)
1.14 Total Income / (Loss)	(18,067)	(25,649)
2.0 Expenses		
2.2 Professional fees	(5,477)	(8,524)
2.10 Other Expenses - Distribution to unit holders	(10,551)	(11,233)
2.11 Total Expenses	(16,028)	(19,757)
3.0 Operating loss	(34,095)	(45,406)
7.0 Loss after tax	(34,095)	(45,406)

B) Statement of Financial Position As At	31 Dec 2023 (Kshs'000')	31 Dec 2022 (Kshs'000')
2.0 Current Assets		
2.3 Other trade receivables	672	1,816
2.5 Investment in quoted securities	109,767	200,875
2.10 Total Clients cash and bank balances	33,190	33,135
2.13 Total Current Assets	143,629	235,826
2.14 TOTAL ASSETS	143,629	235,826
4.0 Non-Current liabilities		
4.5 Other non - Current liabilities - Net Assets attributable to holders	139,228	232,566
4.6 Total Non-current liabilities	139,228	232,566
5.0 Current Liabilities		
5.5 Trade payables	1,361	1,802
5.12 Other Current liabilities - Distribution	3,040	1,458
5.13 Total Current Liabilities	4,401	3,260
5.14 TOTAL EQUITY AND LIABILITIES	143,629	235,826

African Alliance Kenya Managed Fund

A) Statement of Comprehensive Income for the	Year ended 31 Dec 2023 (Kshs'000')	Year ended 31 Dec 2022 (Kshs'000')
1.0 Income		
1.3 Interest Income	30,279	25,986
1.4 Dividend Income	24,005	34,590
1.8 Realized (loss) / profits on investments	(5,782)	4,204
1.9 Unrealized loss on investments	(34,655)	(74,171)
1.13 Other Income - Income equalisation	(4,294)	(3,553)
1.14 Total Income / (Loss)	9,553	(12,944)
2.0 Expenses		
2.2 Professional fees	(9,310)	(9,544)
2.10 Other Expenses - Distribution	(40,679)	(47,479)
2.11 Total Expenses	(49,989)	(57,023)
3.0 Operating loss	(40,436)	(69,967)
7.0 Loss after tax	(40,436)	(69,967)

B) Statement of Financial Position As At	31 Dec 2023 (Kshs'000')	31 Dec 2022 (Kshs'000')
1.0 Non Current Assets		
1.14 Other long term Assets - Financial assets at fair value through profit & loss	174,351	183,050
1.15 Total Non Current Assets	174,351	183,050
2.0 Current Assets		
2.3 Other trade receivables	7,539	6,647
2.10 Total Clients cash and bank balances	31,711	28,394
2.12 Other current assets - Financial assets through profit and loss	310,503	458,444
2.13 Total Current Assets	349,753	493,485
2.14 TOTAL ASSETS	524,104	676,535
4.0 Non-Current Liabilities		
4.5 Other non - Current liabilities - Net Assets attributable to holders	497,345	647,671
4.6 Total Non-current liabilities	497,345	647,671
5.0 Current Liabilities		
5.5 Trade payables	3,060	2,909
5.12 Other Current liabilities - Distribution	23,699	25,955
5.13 Total Current Liabilities	26,759	28,864
5.14 TOTAL EQUITY AND LIABILITIES	524,104	676,535

African Alliance Kenya Fixed Income Fund

A) Statement of Comprehensive Income for the	Year ended 31 Dec 2023 (Kshs'000')	Year ended 31 Dec 2022 (Kshs'000')
1.0 Income		
1.3 Interest Income	48,385	56,024
1.8 Realized loss on investments	1,870	(1,016)
1.9 Unrealized loss on investments	(24,849)	(17,063)
1.13 Other Income - Income Equalisation	(4,201)	(1,955)
1.14 Total Income	21,205	35,990
2.0 Expenses		
2.2 Professional fees	(10,935)	(13,472)
2.10 Other Expenses - Distribution	(33,249)	(40,597)
2.11 Total Expenses	(44,184)	(54,069)
3.0 Operating Profit	(22,979)	(18,079)
7.0 Loss after tax	(22,979)	(18,079)

B) Statement of Financial Position As At	31 Dec 2023 (Kshs'000')	31 Dec 2022 (Kshs'000')
1.0 Non Current Assets		
1.14 Other long term Assets - Financial assets at fair value through profit and loss	237,054	255,323
1.15 Total Non Current Assets	237,054	255,323
2.0 Current Assets		
2.3 Other trade receivables	10,738	11,430
2.10 Total Clients cash and bank balances	67,854	63,627
2.12 Other current assets - Financial assets at fair value through profit and loss	28,384	94,460
2.13 Total Current Assets	106,776	169,517
2.14 TOTAL ASSETS	343,830	424,840
4.0 Non-Current liabilities		
4.5 Other non - Current liabilities - Net Assets attributable to holders	323,957	403,364
4.6 Total Non-current liabilities	323,957	403,364
5.0 Current Liabilities		
5.5 Trade payables	2,065	2,028
5.12 Other Current liabilities - Distribution	17,808	19,448
5.13 Total Current Liabilities	19,873	21,476
5.14 TOTAL EQUITY AND LIABILITIES	343,830	424,840

African Alliance Kenya Enhanced Yield Fund

A) Statement of Comprehensive Income for the	Year ended 31 Dec 2023 (Kshs'000')	Year ended 31 Dec 2022 (Kshs'000')
1.0 Income		
1.3 Interest Income	8,274	4,956
1.13 Other Income - Income Equalisation		
1.14 Total Income	8,274	4,956
2.0 Expenses		
2.2 Professional fees	(1,080)	(460)
2.10 Other Expenses - Distribution	(7,194)	(4,496)
2.11 Total Expenses	(8,274)	(4,956)
3.0 Operating Profit / (Loss)	-	-
7.0 Profit / loss after tax	-	-

B) Statement of Financial Position As At	31 Dec 2023 (Kshs'000')	31 Dec 2022 (Kshs'000')
1.0 Non Current Assets		
1.14 Other long term Assets - Financial assets at fair value through profit or loss	47,232	26,283
1.15 Total Non Current Assets	47,232	26,283
2.0 Current Assets		
2.3 Other trade receivables	2,729	1,697
2.10 Total Clients cash and bank balances	18,445	10,470
2.12 Other current assets - Financial assets at fair value through profit or loss	13,959	15,434
2.13 Total Current Assets	35,133	27,601
2.14 TOTAL ASSETS	82,365	53,884
4.0 Non-Current liabilities		
4.5 Other non - Current liabilities - Net Assets attributable to holders	81,364	53,348
4.6 Total Non-current liabilities	81,364	53,348
5.0 Current Liabilities		
5.5 Trade payables	171	90
5.12 Other Current liabilities - Distribution	830	446
5.13 Total Current Liabilities	1,001	536
5.14 TOTAL EQUITY AND LIABILITIES	82,365	53,884

AFRICAN ALLIANCE KENYA ASSET MANAGEMENT LIMITED
AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 December 2023	COMPANY	
	31 Dec 2023 Kes '000'	31 Dec 2022 Kes '000'
1.0 Income		
1.1 Brokerage commissions	-	-
1.3 Interest Income	1,639	1,784
1.5 Fund management fees	108,102	98,133
1.13 Other Income (Initial fees, netting profit)	81	442
1.14 Total Income	109,822	100,359
2.0 Expenses		
2.1 Direct expenses	(23,024)	(17,907)
2.2 Professional fees	(376)	-
2.4 Employee costs	(30,256)	(26,977)
2.5 Directors' emoluments	(1,520)	(1,560)
2.6 Operational and administrative expenses	(53,398)	(59,028)
2.8 Depreciation expenses	(2,883)	(3,309)
2.10 Other expenses (fair value adjustment)	(28)	(37)
2.11 Total Expenses	(111,485)	(108,818)
3.0 Operating Loss	(1,663)	(8,459)
4.0 Finance costs	(2,454)	(3,484)
5.0 Loss before tax	(4,117)	(11,943)
6.0 Taxation	26,168	(3,613)
7.0 Loss after tax	22,051	(15,566)

STATEMENT OF FINANCIAL POSITION AS AT	31 Dec 2023 Kes '000'	31 Dec 2022 Kes '000'
1.0 Non Current Assets		
1.1 Property and equipment	281	397
1.5 Deferred tax asset	34,365	-
1.13 Intangible assets	13,834	-
1.14 Other financial assets	1,439	1,441
1.15 Total Non Current Assets	49,919	1,838
2.0 Current Assets		
2.3 Other trade receivables (& VAT recoverable)	25,720	44,999
2.4 Prepayments	2,175	946
2.8 Short term unsecured advances to related parties	-	2,671
2.10 Client cash and bank balances	3,269	966
2.11 Cash and cash equivalents	47,547	40,461
2.12 Tax recoverable, assets held for sale, financial assets	5,744	193
2.13 Total Current Assets	84,455	90,236
2.14 TOTAL ASSETS	134,374	92,074
3.0 Share capital and reserves		
3.1 Paid up ordinary share capital	45,000	45,000
3.4 Retained Earnings / (Accumulated losses)	15,415	(6,635)
3.9 Total Shareholders funds	60,415	38,365
5.0 Current Liabilities		
5.3 Short term unsecured advances from related parties	38,852	38,044
5.5 Trade payables	11,690	7,740
5.7 Accrued expenses	8,116	7,071
5.8 Lease liabilities	15,301	-
5.11 Tax payable	-	854
5.13 Total Current Liabilities	73,959	53,709
5.14 TOTAL EQUITY AND LIABILITIES	134,374	92,074

OTHER DISCLOSURES	COMPANY	
	31 Dec 2023 Kes'000'	31 Dec 2022 Kes'000'
1. Capital Strength		
a. Paid up capital	45,000	45,000
b. Minimum capital required	10,000	10,000
(a-b) Excess / (deficiency)	35,000	35,000
2. Shareholders' funds		
a. Total shareholders' funds	60,415	38,365
b. Minimum shareholders' funds required	10,000	10,000
(a-b) Excess / (deficiency)	50,415	28,365
3. Liquidity		
a. Liquid capital	17,878	33,571
b. Minimum liquid capital (the higher of Kshs 5 M or 8% of liabilities)	5,000	5,000
(a-b) Excess / (deficiency)	12,878	28,571
4. Clients Funds (where applicable)		
b. Client cash and bank balances	3,269	966
(b-a) Excess / (deficiency)	3,269	966

For and on behalf of the Board of African Alliance Kenya Asset Management Limited

Eng. P. Obath (Chairman),
Dr. Dan Kagagi,

African Alliance Kenya Asset Management Limited
(Registration number 123559)
Financial statements
for the year ended 31 December 2023

African Alliance Kenya Asset Management Limited

General Information

Country of incorporation and domicile	Republic of Kenya
Company registration number	123559
Nature of business and principal activities	Asset management services
Business address and registered office	4th Floor, Kenya Re Towers Upper Hill Off Ragati Road Nairobi
Holding company	African Alliance Mauritius Management Company Limited incorporated in the Republic of Mauritius
Ultimate holding company	Cinco Holdings Limited incorporated in the Isle of Man
Banker	Stanbic Bank Kenya Limited
Auditors	PKF Kenya LLP Certified Public Accountants P.O Box 14077, 00800 Kalamu House Grevillea Grove Brookside Westlands Nairobi Kenya
Reporting currency	The annual financial statements are expressed in Kenyan Shillings(KES) the currency of the Republic of Kenya

African Alliance Kenya Asset Management Limited

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African Alliance Kenya Asset Management Limited

Directors' Responsibilities and Approval

The Directors are responsible for preparing the Directors' Report and the annual financial statements in accordance with applicable laws and regulations.

The Kenyan Companies Act, 2015 requires the Directors to prepare the Company financial statements for each financial year, which meet its requirements. In addition, the Directors, have elected to prepare the Company financial statements in accordance with the International Financial Reporting Standards (IFRS).

The Company financial statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for the year.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether they have been prepared in accordance with the International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

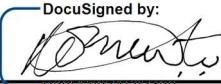
The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that its financial statements comply with the Kenyan Companies Act, 2015. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company to prevent and detect fraud and other irregularities.

The external auditors are responsible for independently auditing and reporting on the company's financial statements. The financial statements have been examined by the company's external auditors and their report is presented on pages 6 to 7.

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

The financial statements set out on pages 8 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 25 March 2024 and were signed on their behalf by:

Approval of financial statements

DocuSigned by:

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Director

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Director

African Alliance Kenya Asset Management Limited

Directors' Report

The directors have pleasure in submitting their report on the financial statements of African Alliance Kenya Asset Management Limited for the year ended 31 December 2023.

1. Incorporation

The company was incorporated on 22 March 2006 and obtained its certificate to commence business on the same day.

2. Nature of business

African Alliance Kenya Asset Management Limited was incorporated in the Republic of Kenya with interests in the Services industry. The company operates in the Republic of Kenya.

3. Review of financial results and activities

The financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these financial statements.

4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

No dividends were declared or paid to the shareholder during the year (2022: Nil).

6. Directorate

The directors in office at the date of this report are as follows:

Directors	Nationality
P O Obath (Chairman)	Kenya
N England	British
D Kagagi	Kenya

7. Holding company

The Company's holding company is African Alliance Mauritius Management Company Limited incorporated in the Republic of Mauritius and holds 100% of the issued share capital.

8. Ultimate holding company

The company's ultimate holding company is Cinco Holdings Limited which is incorporated in the Isle of Man.

9. Events after the reporting period

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

African Alliance Kenya Asset Management Limited

Directors' Report

10. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

11. Secretary

The company secretary is Scribe Services Secretaries.

12. Terms of appointment of the auditor

PKF Kenya LLP were appointed as the company's auditors during the year and continues in office in accordance with the Company's Articles of Association and the Kenyan Companies Act, 2015. The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and related fees.

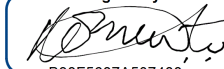
13. Statement of disclosure to the Company's independent auditor

With respect to each person who is a director on the day that this report is approved:

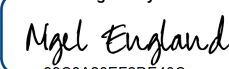
- there is, so far as the person is aware, no relevant audit information of which the company's auditor is unaware; and
- the person has taken all the steps that he/she ought to have taken as a director to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The financial statements set out on pages 8 to 41, which have been prepared on the going concern basis, were approved by the board of directors on 25 March 2024, and were signed on its behalf by:

Approval of financial statements

DocuSigned by:

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Director

DocuSigned by:

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Director



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE KENYA ASSET MANAGEMENT LIMITED**

Opinion

We have audited the accompanying financial statements of the African Alliance Kenya Asset Management Limited (the company) set out on pages 9 to 42, which comprise the statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of African Alliance Kenya Asset Management Limited as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

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

Key Audit Matters

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

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

Other information

The directors are responsible for the other information. The other information comprises the report of the directors, detailed income statement and annexure A – prime interest rates and currencies but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE KENYA ASSET MANAGEMENT LIMITED (CONTINUED)**

Responsibilities of Directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 directors either intends to liquidate the company 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 skepticism throughout the audit. We also:

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



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE KENYA ASSET MANAGEMENT LIMITED (CONTINUED)**

Responsibilities of Directors for the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 matters prescribed by the Kenyan Companies Act, 2015

In our opinion, the information given in the report of the directors on pages 4 to 5 is consistent with the financial statements.

**The engagement partner responsible for the audit resulting in this independent auditor's report is
FCPA Chaudhry Mohamed Asif, Practicing certificate P/No. 2059**



**For and behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya**

27-03- 2024

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PKF Kenya LLP, LLP-8519PL, Kalamu House, Grevillea Grove, Westlands, P.O. Box 14077, 00800, Nairobi, Kenya. +254 20 4270000 +254 732 144000
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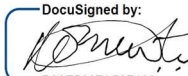
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African Alliance Kenya Asset Management Limited

Statement of Financial Position as at 31 December 2023

Figures in Shillings thousand	Note(s)	2023	2022
Assets			
Non-Current Assets			
Property and equipment	3	281	397
Right-of-use assets	4	13 834	-
Other financial assets	7	1 439	1 441
Deferred tax	8	34 365	-
		49 919	1 838
Current Assets			
Amounts owing by related parties	5	-	2 671
Trade and other receivables	6	27 895	45 945
Other financial assets	7	-	193
Current tax receivable		5 744	-
Client cash and bank balances	9	3 269	966
Cash and cash equivalents	10	47 547	40 461
		84 455	90 236
Total Assets		134 374	92 074
Equity and Liabilities			
Equity			
Share capital	11	45 000	45 000
Retained income/(Accumulated losses)		15 415	(6 636)
		60 415	38 364
Liabilities			
Non-Current Liabilities			
Lease liabilities	4	13 417	-
Current Liabilities			
Trade and other payables	13	19 805	14 812
Amounts owing to related parties	12	38 852	38 044
Lease liabilities	4	1 885	-
Current tax payable		-	854
		60 542	53 710
Total Liabilities		73 959	53 710
Total Equity and Liabilities		134 374	92 074

The Financial statements and the notes on pages 4 to 42, were approved by the board of directors on the 25 March 2024 and were signed on its behalf by:

DocuSigned by:

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Director

DocuSigned by:

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Director

The accounting policies on pages 13 to 25 and the notes on pages 26 to 42 form an integral part of the financial statements.

African Alliance Kenya Asset Management Limited

Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings thousand	Note(s)	2023	2022
Operating income	14	108 184	98 273
Other operating losses	15	(14 216)	(2 891)
Movement in credit loss allowances	16	825	3 633
Other operating expenses		(98 095)	(109 259)
Operating loss	16	(3 302)	(10 244)
Investment income	17	1 639	1 784
Finance costs	18	(2 454)	(3 484)
Loss before taxation		(4 117)	(11 944)
Taxation	19	26 168	(3 613)
Profit (loss) for the year		22 051	(15 557)
Other comprehensive income		-	-
Total comprehensive income (loss) for the year		22 051	(15 557)

The accounting policies on pages 13 to 25 and the notes on pages 26 to 42 form an integral part of the financial statements.

African Alliance Kenya Asset Management Limited

Statement of Changes in Equity

	Share capital	Retained income/(Accumulated losses)	Total equity
Figures in Shillings thousand			
Balance at 01 January 2022	317 210	8 921	326 131
Loss for the year	-	(15 557)	(15 557)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	-	(15 557)	(15 557)
Reduction in share capital	(272 210)	-	(272 210)
Balance at 01 January 2023	45 000	(6 636)	38 364
Profit for the year	-	22 051	22 051
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	22 051	22 051
Balance at 31 December 2023	45 000	15 415	60 415

Note(s)

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The accounting policies on pages 13 to 25 and the notes on pages 26 to 42 form an integral part of the financial statements.

African Alliance Kenya Asset Management Limited

Statement of Cash Flows

Figures in Shillings thousand	Note(s)	2023	2022
Cash flows from operating activities			
Cash generated from operations	20	23 995	278 660
Interest income	17	1 639	1 784
Finance costs	18	(2 454)	(3 484)
Tax paid	21	(14 795)	(3 535)
Net cash from operating activities		8 385	273 425
Cash flows from investing activities			
Purchase of property and equipment	3	-	(300)
Cash flows from financing activities			
Buy back of share capital	11	-	(272 210)
Cash repayments on lease liabilities	4	(1 299)	(3 821)
Net cash from financing activities		(1 299)	(276 031)
Total cash movement for the year		7 086	(2 906)
Cash and cash equivalents at the beginning of the year		40 461	43 367
Cash and cash equivalents at the end of the year	10	47 547	40 461

The accounting policies on pages 13 to 25 and the notes on pages 26 to 42 form an integral part of the financial statements.

African Alliance Kenya Asset Management Limited

Accounting Policies

1. Material accounting policy information

The principal accounting policies applied in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Standards Interpretations Committee ("IFRS IC") interpretations issued and effective at the time of preparing these financial statements and the Kenyan Companies Act, 2015.

The financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Shillings, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the financial statements, are outlined as follows:

Going concern

The Company's Management has made the assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, Management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Key sources of estimation uncertainty

Fair value estimation

Trade receivables and payables are shown at carrying value less impairment provision as the effect of discounting is immaterial. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company and Company for similar financial instruments.

Impairment of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.2 Significant accounting judgements, estimates and assumptions (continued)

Useful lives, depreciation methods and residual values of property and equipment and right-of-use asset

The Company tests annually whether the useful life and residual value estimates were appropriate and in accordance with its accounting policy. Useful lives and residual values of property, plant and equipment and intangible assets have been determined based on previous experience and anticipated disposal values when the asset are disposed. During the financial year, the directors determined no significant changes in the useful lives and residual values. The carrying amounts of property and equipment, right-of-use asset are disclosed in notes 3 and 4, respectively.

Measurement of expected credit losses (ECL)

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

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

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

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

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD). The ECL model applied for financial assets, other than trade receivables, contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

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

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

Provision for expected credit losses of trade receivables and contract assets

The company uses a provision matrix to calculate ECLs for trade receivables and contract assets.

The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

African Alliance Kenya Asset Management Limited

Accounting Policies

1.2 Significant accounting judgements, estimates and assumptions (continued)

The provision matrix is initially based on the group's historical observed default rates. The company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amounts of the company's financial assets that are subject to impairment assessment are disclosed in note 6.

Accounting for leases under IFRS 16

Management has made various judgements and estimates under IFRS 16 as detailed below:

Incremental borrowing rate: To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g.. term, country, currency and security.

Lease term/period: In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of warehouses, retail stores and equipment, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate). Otherwise, the company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

Most extension options in offices and vehicles leases have not been included in the lease liability, because the company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The carrying amounts of lease liabilities and right-of-use assets are disclosed in note 4.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.2 Significant accounting judgements, estimates and assumptions (continued)

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.

Fair value measurement of financial instruments

The fair value of financial instruments, such as unlisted equity investments and equity derivatives, that are not quoted in active markets are determined using valuation techniques. Wherever possible, models use only observable market data. Where required, these models incorporate assumptions that are not supported by prices from observable current market transactions in the same instrument and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of financial instruments.

The fair value of investments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Company is the current bid price.

1.3 Property and equipment

Property and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the company, and the cost of the item can be measured reliably.

Property and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	8 years
Motor vehicles	Straight line	4 years
Office equipment	Straight line	8 years
IT equipment	Straight line	3 years
Leasehold improvements	Straight line	over the period of the lease, up to a maximum of 10 years

African Alliance Kenya Asset Management Limited

Accounting Policies

1.3 Property and equipment (continued)

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.4 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. (This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination).

Financial assets which are debt instruments:

- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Fair value through other comprehensive income. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments); or
- Mandatorily at fair value through profit or loss. (This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Derivatives which are not part of a hedging relationship:

- Mandatorily at fair value through profit or loss.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.4 Financial instruments (continued)

Financial liabilities:

- Amortised cost; or
- Mandatorily at fair value through profit or loss. (This applies to contingent consideration in a business combination or to liabilities which are held for trading); or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

Note 23 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Amounts owing by related parties (note 5) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a loan. In contrast, 12 month ECL represents the portion of lifetime ECL that is expected to result from default events on a loan that are possible within 12 months after the reporting date.

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.4 Financial instruments (continued)

Write off policy

The company writes off a loan when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Loans written off may still be subject to enforcement activities under the company recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance (note 16).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.4 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 13), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 18).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value, net of bank overdraft.

Derecognition

Financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The company derecognises financial liabilities when, and only when, the company obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.4 Financial instruments (continued)

Reclassification

Financial assets

The company only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

Other financial liabilities

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.5 Tax (continued)

Value added tax

Revenues, expenses and assets are recognised net of the amount of value added tax (VAT), except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of the receivables or payables in the statement of financial position.

1.6 Leases

The company assesses whether a contract is, or contains a lease, at the inception of the contract.

A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the company has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

Company as lessee

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the company is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the company recognises the lease payments as an operating expense (note 16) on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The various lease and non-lease components of contracts containing leases are accounted for separately, with consideration being allocated to each lease component on the basis of the relative stand-alone prices of the lease components and the aggregate stand-alone price of the non-lease components (where non-lease components exist).

However as an exception to the preceding paragraph, the company has elected not to separate the non-lease components for leases of land and buildings.

Details of leasing arrangements where the company is a lessee are presented in note 4 Leases (company as lessee).

1.7 Impairment of assets

The company assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the company also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.7 Impairment of assets (continued)

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.8 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

1.9 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the business or part of a business concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for terminating their services;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.9 Provisions and contingencies (continued)

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note .

1.10 Government grants

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

1.11 Revenue

Revenue is recognised using the 5 step model as defined below:

- Identify the contract – this would be a matter of law but collection needs to be probable, has to have commercial substance, rights to goods and services and payment obligations can be identified and that both parties are committed to their obligations.
- Identify the performance obligations – where there are multiple performance obligations, an assessment is required whether these can be separately enjoyed and if so need to be recognised as such.
- Determine the transaction price – a risk of revenue reversal as well as a significant finance component need to be factored in. In our situation the high level of roll overs which result in unearned origination fees being reversed necessitates deferring such revenue. Non cash consideration is also factored in.
- Allocate the transaction price – the transaction price needs to be allocated to the performance obligations. This must be done using stand alone selling prices to the extent that they are available. In the absence of these an expected cost plus margin or market assessment approach is to be used.
- Recognise revenue when the entity satisfies a performance obligation. Indicators of this are a present obligation to pay, physical possession, legal title, risk and rewards and acceptance. If these criteria are met over time then allocation can be done using an objective allocation method based on inputs or outputs.

Revenue is recognised over time of the contract.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Asset management fees are recognised as the related services performed and are based on the assets under administration over the period during which the service is performed.

1.12 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset when it is probable that they will result in future economic benefits to the Company and the costs can be measured reliably. Other borrowing costs are recognised as an expense in the period in which they are incurred.

African Alliance Kenya Asset Management Limited

Accounting Policies

1.13 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Shillingss, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Shillingss by applying to the foreign currency amount the exchange rate between the Shillings and the foreign currency at the date of the cash flow.

1.14 Client cash and bank balances

Client cash and bank balances include client monies held with financial institutions. They are measured at initial recognition at fair value, and are subsequently measured at amortised cost using effective interest method.

1.15 Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Company has a currently enforceable legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

1.16 Finance income and expense

The Company's finance income and finance costs include interest income and expense. Interest income and expense are recognised using the effective interest method.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

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2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Initial application of IFRS 17 and IFRS 9 - Comparative information

A narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time. The amendment regards financial assets for which comparative information is presented on initial application of IFRS 17 and IFRS 9, but where this information has not been restated for IFRS 9. Under the amendment, an entity is permitted to present comparative information about a financial asset as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset before. The option is available on an instrument-by-instrument basis. In applying the classification overlay to a financial asset, an entity is not required to apply the impairment requirements of IFRS 9.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Deferred tax related to assets and liabilities arising from a single transaction - Amendments to IAS 12

The amendment adds an additional requirement for transactions which will not give rise to the recognition of a deferred tax asset or liability on initial recognition. Previously, deferred tax would not be recognised on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting profit or loss. The additional requirement provides that the transaction, at the time of the transaction must not give rise to equal taxable and deductible temporary differences.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Disclosure of accounting policies: Amendments to IAS 1 and IFRS Practice Statement 2.

IAS 1 was amended to require that only material accounting policy information shall be disclosed in the financial statements. The amendment will not result in changes to measurement or recognition of financial statement items, but management will undergo a review of accounting policies to ensure that only material accounting policy information is disclosed.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

Definition of accounting estimates: Amendments to IAS 8

The definition of accounting estimates was amended so that accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

2. New Standards and Interpretations (continued)

Classification of Liabilities as Current or Non-Current - Amendment to IAS 1

The amendment changes the requirements to classify a liability as current or non-current. If an entity has the right at the end of the reporting period, to defer settlement of a liability for at least twelve months after the reporting period, then the liability is classified as non-current.

If this right is subject to conditions imposed on the entity, then the right only exists, if, at the end of the reporting period, the entity has complied with those conditions.

In addition, the classification is not affected by the likelihood that the entity will exercise its right to defer settlement. Therefore, if the right exists, the liability is classified as non-current even if management intends or expects to settle the liability within twelve months of the reporting period. Additional disclosures would be required in such circumstances.

The effective date of the amendment is for years beginning on or after 01 January 2023.

The company has adopted the amendment for the first time in the 2023 financial statements.

The impact of the amendment is not material.

IFRS 17 Insurance Contracts

The IFRS establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts issued.

The effective date of the standard is for years beginning on or after 01 January 2023.

The company expects to adopt the standard for the first time in the 2023 financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 01 January 2024 or later periods:

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

If a parent loses control of a subsidiary which does not contain a business, as a result of a transaction with an associate or joint venture, then the gain or loss on the loss of control is recognised in the parents' profit or loss only to the extent of the unrelated investors' interest in the associate or joint venture. The remaining gain or loss is eliminated against the carrying amount of the investment in the associate or joint venture. The same treatment is followed for the measurement to fair value of any remaining investment which is itself an associate or joint venture. If the remaining investment is accounted for in terms of IFRS 9, then the measurement to fair value of that interest is recognised in full in the parents' profit or loss.

The effective date of the amendment is to be determined by the IASB.

It is unlikely that the amendment will have a material impact on the company's financial statements.

Lease liability in a sale and leaseback

The amendment requires that a seller-lessee in a sale and leaseback transaction, shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognise any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

The effective date of the amendment is for years beginning on or after 01 January 2024.

The company expects to adopt the amendment for the first time in the 2024 financial statements.

It is unlikely that the amendment will have a material impact on the company's financial statements.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

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3. Property and equipment

	2023			2022		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	462	(462)	-	471	(463)	8
Office equipment	1 879	(1 600)	279	1 879	(1 541)	338
IT equipment	3 484	(3 482)	2	3 484	(3 433)	51
Leasehold improvements	1 094	(1 094)	-	1 094	(1 094)	-
Total	6 919	(6 638)	281	6 928	(6 531)	397

Reconciliation of property and equipment - 2023

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	8	-	(8)	-	-
Office equipment	338	-	-	(59)	279
IT equipment	51	8	-	(57)	2
	397	8	(8)	(116)	281

Reconciliation of property and equipment - 2022

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	8	-	-	8
Office equipment	93	300	(55)	338
IT equipment	128	-	(77)	51
	229	300	(132)	397

4. Leases (company as lessee)

The company leases rental space for offices.

Details pertaining to leasing arrangements, where the company is lessee are presented below:

Company - 2023

Right-of-use asset	No of right-of-use assets leased	Range of remaining lease term	Average remaining lease term	No of leases with extension options	No of leases with options to purchase	No of leases with variable payments linked to an index	No of leases with termination options
Office rental space	1	5 years	5 years	1	-	-	1

	2023			2022		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Office rental space	16 601	(2 767)	13 834	-	-	-

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand	2023	2022
4. Leases (company as lessee) (continued)		
The right-of-use assets can be reconciled as follows:		
Value in use asset	16 601	-
Carrying amount as at 01 January	16 601	-
Depreciation	(2 767)	-
Carrying amount as at 31 December	13 834	-
Other disclosures		
Interest expense on lease liabilities	2 263	146
Leases of low value assets included in operating expenses	-	(1 110)
Lease liabilities		
Gross lease liabilities - minimum lease payments:		
6 months or less	909	-
6 - 12 months	976	-
1 - 5 years	13 417	-
	15 302	-
Non-current liabilities	13 417	-
Current liabilities	1 885	-
	15 302	-
The lease liabilities can be reconciled as follows:		
At start of year	-	3 821
Interest accrued on lease	2 263	-
Interest on lease payment	(2 263)	-
Lease liability payment	(1 299)	(3 821)
Amounts financed through leases	16 601	-
At end of year	15 302	-
The average weighted effective interest rate was 14.39% for 2023 (2022: Nil).		
5. Amounts owing by related parties		
Current		
African Alliance Mauritius Management Company Limited	-	2 671
Unless specified, the loans are current, unsecured and have no fixed terms of repayment. Interest is charged at 2 % over the prime interest rate of the lender's functional currency [Annexure A]		
Split between non-current and current portions		
Current assets	-	2 671

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

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6. Trade and other receivables

Financial instruments:

Trade receivables	24 198	35 074
Expected credit losses	(737)	(1 561)
Trade receivables at amortised cost	23 461	33 513
Deposits - CDSC Guarantee Fund	-	10 325
Deposits - Other	2 244	1 146
Trade receivables - Custodians	15	15

Non-financial instruments:

Prepaid expenses	2 175	946
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Total trade and other receivables

27 895 **45 945**

Exposure to credit risk

The company's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles. The loss allowance provision is determined as follows:

	2023	2023	2022	2022
	Trade receivables	Expected credit losses	Trade receivables	Expected credit losses
Expected credit loss rate:				
Current	23 461	-	21 588	(39)
>30 days	-	-	9 853	(495)
>60 days	-	-	2 682	(76)
>90 days	737	(737)	951	(951)
Total	24 198	(737)	35 074	(1 561)

31 December 2023

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2023	21 589	12 534	951	35 074
Transactions during the year	223 741	44 168	18 640	286 549
Received during the year	(232 216)	(49 352)	(15 857)	(297 425)
Movement between stages	(926)	3 923	(2 997)	-
Carrying amount as at 31 December 2023	12 188	11 273	737	24 198

31 December 2022

	Stage 1	Stage 2	Stage 3	Total
Carrying amount as at 1 January 2022	18 024	20 914	847	39 785
Transactions during the year	171 028	8 127	-	179 155
Received during the year	(155 838)	(16 756)	(11 272)	(183 866)
Movement between stages	(11 625)	249	11 376	-
Carrying amount as at 31 December 2022	21 589	12 534	951	35 074

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand	2023	2022
7. Other financial assets		
At fair value through profit or loss - designated		
Unit trusts	1 439	1 441
<i>Statutory investments in unit trusts</i>		
Unit trusts	-	193
<i>Trading investments in unit trusts</i>		
	1 439	1 634
Split between non-current and current portions		
Non-current assets	1 439	1 441
Current assets	-	193
	1 439	1 634
At start of year	1 634	1 615
Fair value movement	(195)	19
	1 439	1 634
8. Deferred tax		
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax asset	34 365	-
Reconciliation of deferred tax asset / (liability)		
Tax loss available for set off against future taxable income	30 697	-
Temporary difference movement on tangible fixed assets	714	-
Unrealised foreign exchange	4 294	-
Provisions	(1 340)	-
	34 365	-
9. Client cash and bank balances		
Client cash held with financial institutions	3 269	966
10. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Cash on hand	85	85
Bank balances	22 032	26 281
African Alliance Kenya Shilling Fund	25 430	14 095
	47 547	40 461

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand 2023 2022

10. Cash and cash equivalents (continued)

Currencies

Cash balances are denominated in the following currencies:

Kenyan Shilling (KES)	47 461	40 381
United States Dollar (USD)	86	80
	<u>47 547</u>	<u>40 461</u>
Client cash held with financial institutions - KES	9 3 269	966
	<u>50 816</u>	<u>41 427</u>

11. Share capital

Authorised

950 000 Ordinary shares of KES 100 each	95 000	95 000
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Issued

450 000 Ordinary shares of KES 100 each (2022: 450 000 of KES 100 each)	45 000	45 000
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Ordinary shares rank equally with regard to the Company's residual assets. The holders of the ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company.

12. Amounts owing to related parties

Current

Pivot Limited	33 841	34 612
African Alliance Limited	2 775	1 550
African Alliance Advisory (Pty) Limited	2 236	1 882
	<u>38 852</u>	<u>38 044</u>

Balances held with related parties are based on agreed terms and conditions as per Service Level Agreement (SLA) and are mostly payable on demand. This limits credit risk exposure and as at reporting date no impairment is required. As per the SLA, the service provider shall be entitled in its sole and absolute discretion to charge the fees if the business is in a profitable state. The amounts owed to related parties at 2% over prime interest rate of the related party's functional currency.

Split between non-current and current portions

Current liabilities	38 852	38 044
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The carrying amounts owing to related parties are denominated in the following currency:

Shilling amount

Common Monetary Area	2 236	1 882
US Dollar	2 775	1 550
Mauritian Rupees	8 380	34 612
	<u>13 391</u>	<u>38 044</u>

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

13. Trade and other payables

Financial instruments:

Trade payables	9 304	5 121
Accrued expense	8 116	7 071

Non-financial instruments:

Value added tax	2 385	2 620
	19 805	14 812

14. Operating income

Asset management fees	7 290	8 280
Segregated fund fees	100 813	89 853
Initial fees	9	93
Netting profit	72	47
	108 184	98 273

15. Other operating losses

Gains/(losses) on disposals

Property, plant and equipment	3	-	302
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Foreign exchange gains/(losses)

Net foreign exchange gains/(losses)		(14 188)	(3 156)
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Fair value gains/(losses)

Other financial assets		(28)	(37)
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Total other operating gains (losses)

	(14 216)	(2 891)
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16. Operating profit/(loss)

Operating loss for the year is stated after charging/(crediting) the following, amongst others:

Auditor's remuneration - external

Audit fees		3 560	3 555
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Remuneration, other than to employees

Administrative and managerial services		16 670	42 181
Consulting and professional services		2 381	2 182
Secretarial services		188	188
		19 239	44 551

Employee costs

Salaries, wages, bonuses and other benefits		31 776	28 538
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Average number of persons employed during the year

Asset management division		9	9
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Leases

Lease rentals on operating leases		-	(1 110)
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African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand		2023	2022
16. Operating profit/(loss) (continued)			
Depreciation and amortisation			
Depreciation of property, plant and equipment	3	116	132
Depreciation of right-of-use assets	4	2 767	3 177
Total depreciation and amortisation		2 883	3 309
Movement in credit loss allowances			
Trade and other receivables	6	(825)	(3 633)
17. Investment income			
Interest income			
Interest income from group companies	22	230	308
Other interest income		-	574
Unit trusts		1 409	902
Total interest income		1 639	1 784
18. Finance costs			
Interest paid to group companies	22	191	3 338
Lease liabilities	4	2 263	146
Total finance costs		2 454	3 484
19. Taxation			
Major components of the tax income			
Current			
Kenya		-	(1 097)
Withholding tax		8 197	4 710
		8 197	3 613
Deferred			
Deferred tax		(34 365)	-
		(26 168)	3 613
Reconciliation of the tax expense			
Reconciliation between applicable tax rate and average effective tax rate.			
Applicable tax rate		30.00 %	30.00 %
Temporary differences		406.49 %	(20.82)%
Withholding tax		199.12 %	(39.43)%
		635.61 %	(30.25)%

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand	2023	2022
20. Cash generated from operations		
Profit/(loss) before taxation	(4 117)	(11 944)
Adjustments for non-cash items:		
Depreciation, amortisation, impairments and reversals of impairments	2 058	3 309
Losses on exchange differences	14 188	3 156
Fair value losses	28	37
Adjust for items which are presented separately:		
Interest income	(1 639)	(1 784)
Finance costs	2 454	3 484
Changes in working capital:		
(Increase) decrease in trade and other receivables	18 875	2 256
(Increase) decrease in other financial asset	167	(56)
Increase (decrease) in trade and other payables	4 993	(5 654)
(Increase) decrease in clients cash and bank balances	(2 303)	661
Net movement in balance held with related parties	(10 709)	285 195
	23 995	278 660

21. Tax paid

Balance at beginning of the year	(854)	(776)
Current tax recognised in profit or loss	(8 197)	(3 613)
Balance at end of the year	(5 744)	854
	(14 795)	(3 535)

22. Related parties

Relationships

Ultimate holding company	Cinco Holdings Limited, incorporated in the Isle of Man
Holding company	African Alliance Mauritius Management Company Limited, incorporated in the Republic of Mauritius
Fellow subsidiaries of Cinco Holdings Limited:	African Alliance Advisory (Pty) Limited, incorporated in the Republic of South Africa African Alliance Limited, incorporated in the Isle of Man African Alliance Eswatini Management Company Limited, incorporated in the Kingdom of Eswatini Pivot Limited, incorporated in the Republic of Mauritius
Collective investment schemes managed:	African Alliance Kenya Equity Fund African Alliance Kenya Fixed Income Fund African Alliance Kenya Managed Fund African Alliance Kenya Money Market Fund African Alliance Kenya Enhanced Yield Fund

Related party balances

Related party balances are set out in note 5 and 12 of the financial statements.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

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22. Related parties (continued)

Related party transactions

African Alliance Kenya collective investment schemes

Asset management and unit trust commission

African Alliance Kenya Managed Fund		3 670	4 938
African Alliance Kenya Fixed Income Fund		1 014	1 054
African Alliance Kenya Equity Fund		354	442
African Alliance Kenya Shilling Fund		1 746	1 493
African Alliance Kenya Enhanced Yield Fund		506	353
		7 290	8 280

Interest received

African Alliance Mauritius Management Company Limited	17	230	308
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Interest paid

African Alliance Advisory (Pty) Limited		(136)	(130)
Pivot Limited		(44)	(3 208)
African Alliance Eswatini Management Company Limited		(11)	-
	18	(191)	(3 338)

Compensation to directors and other key management

Short-term employee benefits		(1 640)	(1 560)
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All group transactions are made at terms equivalent to those prevailing in arm's length transactions. There have been no guarantees provided or received for any related party receivables or payables. The Company has not recorded any impairment of receivables relating to amounts owed by related parties during the year.

23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2023

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Other financial assets	7	1 439	-	1 439
Trade and other receivables	6	-	25 720	25 720
Cash and cash equivalents	10	-	47 547	47 547
Client cash and bank balances	9	-	3 269	3 269
		1 439	76 536	77 975

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

2022

23. Financial instruments and risk management (continued)

2022

	Note(s)	Fair value through profit or loss	Amortised cost	Total
Amounts owing by related parties	5	-	2 671	2 671
Other financial assets	7	1 634	-	1 634
Trade and other receivables	6	-	44 999	44 999
Cash and cash equivalents	10	-	40 461	40 461
Client cash and bank balances	9	-	966	966
		1 634	89 097	90 731

Categories of financial liabilities

2023

	Note(s)	Amortised cost	Total
Trade and other payables	13	17 421	17 421
Amounts owing to related parties	12	38 852	38 852
		56 273	56 273

2022

	Note(s)	Amortised cost	Total
Trade and other payables	13	12 193	12 193
Amounts owing to related parties	12	38 044	38 044
		50 237	50 237

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

2022

23. Financial instruments and risk management (continued)

Capital risk management

The board policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The board of directors monitors the return on capital which the company defines as net operating income divided by total shareholders' equity. The board of directors also monitors the level of dividends to ordinary shareholders.

The board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

There were no changes to the company's approach to capital management during the year.

The Company is subject to minimum capital requirements as prescribed under Section 98 of the Securities Act 2005 and the Financial Services (Consolidated Licensing and Fees) Rules 2008.

The Company must have minimum equity of KES 1 000 000. The Company was compliant at the end of the year with an equity of KES'000 60 415 (2022: KES'000 38 364).

Financial risk management

Overview

The Company's and the Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account their financial position, past experience and other factors.

Individual limits are set based on internal or external information in accordance with limits set by the management. The utilisation of credit limits is regularly monitored.

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

For this purpose, default is defined as having occurred if the debtor is in breach of contractual obligations, or if information is available internally or externally that suggests that the debtor is unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

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

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

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

2022

23. Financial instruments and risk management (continued)

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

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

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

		2023			2022		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Amounts owing by related parties	5	-	-	-	2 671	-	2 671
Trade and other receivables	6	28 632	(737)	27 895	47 506	(1 561)	45 945
Client cash and bank balances	9	3 269	-	3 269	966	-	966
Cash and cash equivalents	10	47 547	-	47 547	40 461	-	40 461
		79 448	(737)	78 711	91 604	(1 561)	90 043

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

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

Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. Cash flows forecasting is performed by the finance department of the group by monitoring the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The Company's risk to liquidity is a result of the funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future commitments and credit facilities.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

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23. Financial instruments and risk management (continued)

2023

		Less than 1 year	2 to 5 years	Total	Carrying amount
Non-current liabilities					
Lease liabilities	4	-	13 417	13 417	13 417
Current liabilities					
Trade and other payables	13	17 421	-	17 421	17 423
Amounts owing to related parties	12	38 852	-	38 852	38 852
Lease liabilities		1 885	-	1 885	1 885
		58 158	13 417	71 575	71 577

2022

		Less than 1 year	Total	Carrying amount
Current liabilities				
Trade and other payables		13	12 191	12 193
Amounts owing to related parties		12	38 044	38 852
		50 235	50 235	51 045

The maturity profile of contractual cash flows of derivative financial liabilities are as follows:

Foreign currency risk

The Company does not hedge foreign exchange fluctuations.

If the Kenyan Shilling had weakened by 1 % against the following currencies pre-tax profit for the year would change as follows:

Exposure in Shillings

US Dollar exposure:

Current assets:

Cash and cash equivalents		10	(9)	(8)
---------------------------	--	----	-----	-----

Current liabilities:

Amount owing to related parties			28	16
---------------------------------	--	--	----	----

Net US Dollar exposure

			19	8
--	--	--	-----------	----------

MUR exposure

Current liabilities:

Amount owing to related parties			84	346
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Net exposure to foreign currency in Shillings

			103	354
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African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

2022

23. Financial instruments and risk management (continued)

Interest rate risk

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Carrying amount	
		2023	2022
Variable rate instruments:			
Assets			
Amounts owing by related parties	5	-	2 671
Cash and cash equivalents	10	47 462	40 376
		47 462	43 047
Liabilities			
Amounts owing to related parties	12	(38 852)	(38 044)
		8 610	5 003
Net variable rate financial instruments			

Interest rate sensitivity analysis

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2022.

	2023	2023	2022	2022
	Increase	Decrease	Increase	Decrease
Increase or decrease in rate				
Impact on profit or loss:				
Variable rate instruments (100 bps)	341	(341)	50	(50)

24. Fair value information

The different levels are based on the extent that quoted prices are used in the calculation of the fair value of the financial instruments and the levels have been defined as follows:

- Level 1 – fair values are based on quoted market prices (unadjusted) in active markets for an identical instrument.
- Level 2 – fair values are calculated using valuation techniques based on observable inputs, either directly (ie as prices) or indirectly (ie derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3 – fair values are based on valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

African Alliance Kenya Asset Management Limited

Notes to the Financial Statements

Figures in Shillings thousand

2023

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25. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors are satisfied that the company is in a sound financial position and that it has access to current cash resources and sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

African Alliance Kenya Asset Management Limited

Detailed Income Statement

Figures in Shillings thousand	Note(s)	2023	2022
Other operating income			
Asset management fees		7 290	8 280
Segregated fund fees		100 813	89 853
Initial fees		9	93
Netting profit		72	47
	14	108 184	98 273
Other operating gains (losses)			
Gains on disposal of assets		-	302
Foreign exchange gains/(losses)		(14 188)	(3 156)
Fair value losses		(28)	(37)
	15	(14 216)	(2 891)
Movement in credit loss allowances	16	825	3 633
Other operating expenses			
Administration expenses		(16 670)	(42 181)
Advertising		(424)	(936)
Auditor's remuneration	16	(3 560)	(3 555)
Bad debts		(5 618)	48
Bank charges		(594)	(280)
Commission paid		(23 024)	(17 907)
Computer expenses		(2 308)	(4 446)
Consultancy expense		(2 005)	(2 182)
Professional fees		(376)	-
Depreciation		(2 883)	(3 309)
Directors' emolument		(1 520)	(1 560)
Employee costs		(30 256)	(26 978)
Loss on unit trust investments - unrealised		-	(13)
Office expenses		(1 996)	(1 766)
Donations		(145)	(200)
Insurance		(1 915)	(1 422)
Lease rentals on operating leases		-	1 110
Motor vehicle expenses		(735)	(738)
Postage		(78)	(63)
Printing and stationery		(149)	(177)
Repairs and maintenance		-	(24)
Secretarial fees		(188)	(188)
Security		(60)	(60)
Subscriptions		(1 074)	(980)
Telephone and fax		-	(30)
Training		(21)	(220)
Travel		(2 496)	(1 202)
		(98 095)	(109 259)
Operating loss	16	(3 302)	(10 244)
Investment income	17	1 639	1 784
Finance costs	18	(2 454)	(3 484)
Loss before taxation		(4 117)	(11 944)
Taxation	19	26 168	(3 613)
Profit (loss) for the year		22 051	(15 557)

African Alliance Kenya Asset Management Limited

Annexure A - Prime interest rates and currencies

2023 2022

Prime Interest rates (as quoted by a reputable local bank)

Botswana	6.76 %	5.25 %
Ghana	30.00 %	27.00 %
Isle of Man	5.25 %	3.50 %
Kenya	13.50 %	12.39 %
Lesotho	10.75 %	8.56 %
Malawi	22.70 %	16.60 %
Mauritius	9.50 %	9.00 %
South African	11.75 %	10.50 %
Eswatini	11.00 %	10.00 %
Uganda	17.95 %	18.98 %

100 Kenyan Shillings equals:

Botswana Pula (BWP)	11.71	10.33
Euro (EUR)	0.74	0.76
South African Rand (ZAR)	8.60	13.80
Uganda Shilling (UGX)	3 025.00	3 011.15
United States Dollar (USD)	0.77	0.81



African Alliance Kenya Unit Trust Scheme

Annual financial statements
for the year ended 31 December 2023

African Alliance Kenya Unit Trust Scheme

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African Alliance Kenya Unit Trust Scheme

Management Company and Trustee's responsibilities and approval

The Management Company and the Trustee are required by the Capital Markets (Collective Investment Schemes) Regulations, 2001 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Scheme as at 31 December 2023 and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards, the Trust Deeds and Capital Markets (Collective Investment Schemes) Regulations, 2001 and for such internal controls as the Management Company and Trustee determine as necessary to enable the preparation of the financial statements that are free from material misstatements whether due to fraud or error.

The annual financial statements are prepared in accordance with International Financial Reporting Standards, the Trust Deeds and Capital Markets (Collective Investment Schemes) Regulations, 2001 and are based upon appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Management Company and Trustee are of the opinion, based on the information and explanations given by Management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The external Trustee is responsible for independently reviewing and reporting on the Scheme's financial statements. The Unit Trust Funds report is on pages 8 - 12.

The Management Company and Trustee are also responsible for the Scheme's system of internal financial control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect misstatement and loss. Nothing has come to the attention of the Management Company and Trustee to indicate that any material breakdown in the functioning of these controls, procedures and systems has occurred during the period under review.

The annual financial statements have been prepared on the going concern basis, since the Management Company and Trustee have every reason to believe that the Scheme has adequate resources in place to continue in operation for at least the next twelve months from the date of this statement.

The Management Company and the Trustee are required to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the trust as at the end of the financial period and the results of its operations and cash flows for the period then ended, are in conformity with International Financial Reporting Standards.

The Management Company and the Trustee acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The annual financial statements set out on pages 14 - 122, which have been prepared on the going concern basis, were approved and authorised for issue by the Management Company and the Trustee on 25 March 2024:

**Stanbic Bank Kenya Limited
(Trustee)**

DocuSigned by:

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**African Alliance Kenya Asset Management Limited
(Management Company)**

Date: 25 March 2024

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE UNIT TRUST SCHEME**

Opinion

We have audited the accompanying financial statements of the following funds of the African Alliance Kenya Unit Trust Scheme (the "Fund(s)") set out on page 14 to 122:

- i) African Alliance Kenya Equity Fund
- ii) African Alliance Fixed Income Fund
- iii) African Alliance Kenya Managed Fund
- iv) African Alliance Kenya Money Market Fund
- v) African Alliance Kenya Enhanced Yield Fund

The financial statements comprise of the respective Fund's statement of financial position as at 31 December 2023, statement of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of African Alliance Kenya Unit Trust Scheme Funds as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Capital Markets (Collective Investment 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 Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE UNIT TRUST SCHEME (CONTINUED)**

Other information

The trustee is responsible for the other information. The other information comprises the Trustee's Report, the statement of the Trustee's responsibilities, the Fund managers' Report and the Custodian's report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustee for the financial statements

The trustee is responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Capital Markets (Collective Investment Schemes) regulations, 2001, and for such internal control as the trustee's determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustee is responsible for assessing the Funds' 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 Funds or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

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.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE UNIT TRUST SCHEME (CONTINUED)**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of 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 Funds' 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 Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, 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 OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF AFRICAN ALLIANCE UNIT TRUST SCHEME (CONTINUED)**

Report on Other Legal and Regulatory Requirements

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

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

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is FCPA Chaudhry Mohamed Asif, Practicing certificate P/No. 2059



For and behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

27-03-2024

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African Alliance Kenya Unit Trust Scheme

Unit Trust Funds report

The Trustee has the pleasure in presenting its report for African Alliance Kenya Unit Trust Scheme for the year ended 31 December 2023.

The unit portfolios

The African Alliance Kenya Unit Trust Scheme consists of the following five unit portfolios:

African Alliance Kenya Equity Fund

Date of establishment: 03 January 2007

Fund objective: 'Is to comprise a mix of securities, as well as liquid assets. Such securities may be held directly by the Fund, or indirectly by means of another similar investment vehicle that in turn invests in a mix of securities and liquid assets.'

Investment policy: The Fund will normally consist of equities, cash and money market instruments. However, the Fund may also invest in other similar equity funds which the Management Company believes to be of the appropriate credit quality and which are consistent with the fund's objectives.

Fees: A maximum fee of 2% p.a. is permissible in terms of clause 8.2 of the supplemental trust deed. However, where the unit holders are other African Alliance Kenya Unit Trusts, the Management Company reduces the fees. Initial fees of 5% are permissible in terms of clause 8.1 but the Management Company has waived these on all investments made by other African Alliance Kenya Unit Trusts.

African Alliance Kenya Fixed Income Fund

Date of establishment: 14 January 2003

Fund objective: 'Is to seek medium-term stability and growth of capital consistent with moderate investment risk and a reasonable level of current income.'

Investment policy: Asset weightings are adapted to create a fixed income fund that achieves the best risk-adjusted returns. Such securities may be held directly by the Unit Portfolio, or indirectly by means of another similar investment vehicle.

Fees: A maximum fee of 2% p.a. is permissible in terms of clause 8.2 of the supplemental trust deed. However, where the unit holders are other African Alliance Kenya Unit Trusts, the Management Company reduces the fees. Initial fees of 5% are permissible in terms of clause 8.1 but the Management Company has waived these on all investments made by other African Alliance Kenya Unit Trusts.

African Alliance Kenya Managed Fund

Date of establishment: 14 January 2003

Fund objective: 'Is to seek long-term stability and growth of capital consistent with moderate investment risk and reasonable level of current income.'

Investment policy: Asset weightings are adapted to create a balanced fund that achieves the best risk adjusted returns. Such securities may be held directly by the Unit Portfolio, or indirectly by means of a similar investment vehicle.

Fees: A maximum fee of 2% p.a. is permissible in terms of clause 8.2 of the supplemental trust deed. Initial fees of 5% are permissible in terms of clause 8.1.

African Alliance Kenya Unit Trust Scheme

Unit Trust Funds report

The unit portfolios (continued)

African Alliance Kenya Money Market Fund

Date of establishment: 14 January 2003

Fund objective: 'Is to seek capital preservation and an attractive level of current income.'

Investment policy: Asset weightings are adapted to create a money market fund that achieves the best risk adjusted returns. Such securities may be held directly by the Unit Portfolio, or indirectly by means of another similar investment vehicle.

Fees: A maximum fee of 1% p.a. is permissible in terms of clause 8.2 of the supplemental trust deed. Initial fees are not charged by the Management Company.

African Alliance Kenya Enhanced Yield Fund

Date of establishment: 4 January 2017

Fund objective: 'Is to preserve capital over the medium-term whilst providing consistent income generation within moderate risk parameters by investing in a diversified portfolio of domestic short and medium-term corporate and sovereign debt securities.'

Investment policy: Invest in portfolio comprising a broad range of secured and unsecured, listed and unlisted securities, corporate and government bonds, debentures, medium term notes and bills of exchange that are consistent with the portfolio's investment policy.

Fees: A maximum fee of 0.75% p.a. is permissible in terms of clause 8.2 of the supplemental trust deed. Initial fees are not charged by the Management Company.

The Fund became operational in September 2018.

1. Trustee and custodian

The Trustee and Custodian in office as at 31 December 2023 and throughout the year, in compliance with the Capital Markets Act Chapter 485A, is as follows:

Name: Stanbic Bank Kenya Limited

Business Address: Stanbic Centre
Chiromo Road
Nairobi
Kenya

Postal address : P. O. Box 30500- 00100
Nairobi
Kenya

African Alliance Kenya Unit Trust Scheme

Unit Trust Funds report

2. Management company

The Management Company of the Trust Scheme is African Alliance Kenya Asset Management Limited, a company incorporated in Kenya (registered number 123559). African Alliance Kenya Asset Management Limited is licensed by the Capital Markets Authority.

The address of the Management Company is as follows:

Business address: 4th Floor
Kenya Re Tower
Upper Hill
Nairobi
Kenya

Postal address: P. O. Box 27639 - 00506
Nairobi
Kenya

3. Portfolio Managers, investment administrators and advisors

African Alliance Kenya Asset Management Limited, the Management Company, acted as portfolio managers, investment administrators and advisors to the Unit Trust Scheme during the entire financial period.

4. Review of activities

The Unit Trust Scheme generated income and incurred expenses during the year, excluding fair value gains/(losses), as set out in the following table:

	<u>African Alliance Kenya Equity Fund</u>	<u>African Alliance Kenya Fixed Income Fund</u>	<u>African Alliance Kenya Managed Fund</u>	<u>African Alliance Kenya Money Market Fund</u>	<u>African Alliance Kenya Enhanced Yield Fund</u>
31 December 2023					
Income	15 194 891	44 184 752	49 989 436	25 348 605	8 274 103
Expenditure	5 476 626	10 935 360	9 310 090	3 750 189	1 080 043
Operating profit	9 718 265	33 249 392	40 679 346	21 598 416	7 194 060
31 December 2022					
Income	20 673 166	54 068 743	57 023 127	16 552 280	4 955 611
Expenditure	8 523 868	13 472 085	9 543 910	3 199 568	460 000
Operating profit	12 149 298	40 596 658	47 479 217	13 352 712	4 495 611

African Alliance Kenya Unit Trust Scheme

Unit Trust Funds report

4. Review of activities (continued)

	African Alliance Kenya Equity Fund	African Alliance Kenya Fixed Income Fund	African Alliance Kenya Managed Fund	African Alliance Kenya Money Market Fund	African Alliance Kenya Enhanced Yield Fund
31 December 2021					
Income	14 596 970	53 579 178	53 381 638	14 327 203	1 740 687
Expenditure	9 474 296	13 396 014	12 411 807	3 358 954	169 582
Operating profit	5 122 674	40 183 164	40 969 831	10 968 249	1 571 105
31 December 2020					
Income	14 923 042	52 801 909	58 406 524	16 600 601	1 076 655
Expenditure	8 932 951	13 761 043	10 941 904	3 721 209	518 415
Operating profit	5 990 091	39 040 866	47 464 620	12 897 392	558 240
31 December 2019					
Income	25 234 044	53 659 831	67 250 202	19 463 727	781 351
Expenditure	12 554 430	14 403 994	12 752 822	4 358 905	-
Operating profit	12 679 614	39 255 837	54 497 380	15 104 822	781 351

Fund distributions

Total distributions to unit holders of the Unit Trust Scheme during the year are set out below:

	African Alliance Kenya Equity Fund	African Alliance Kenya Fixed Income Fund	African Alliance Kenya Managed Fund	African Alliance Kenya Money Market Fund	African Alliance Kenya Enhanced Yield Fund
31 December 2023	10 551 153	33 249 392	40 679 344	21 598 416	7 194 060
31 December 2022	11 233 183	40 596 673	47 479 219	13 352 712	4 495 611
31 December 2021	5 139 461	40 205 723	41 066 642	10 968 249	1 571 105
31 December 2020	6 119 225	39 003 446	47 708 177	12 879 392	558 240
31 December 2019	12 538 957	39 270 697	54 157 797	15 384 035	781 351

Open derivative positions

None of the unit portfolios had any open derivative positions at the reporting date.

Stock lending

None of the unit portfolios engaged in any stock lending activities during the year under review.

African Alliance Kenya Unit Trust Scheme

Unit Trust Funds report

4. Review of activities (continued)

Net asset values

	African Alliance Kenya Equity Fund	African Alliance Kenya Fixed Income Fund	African Alliance Kenya Managed Fund	African Alliance Kenya Money Market Fund	African Alliance Kenya Enhanced Yield Fund
31 December 2023					
Net asset value for fund pricing	139 228 265	323 957 376	497 344 631	233 609 593	81 364 539
Units in issue	1 178 635	32 836 491	29 006 046	233 609 594	813 645
Net asset value per unit	118,13	9,87	17,15	1,00	100,00
31 December 2022					
Net asset value for fund pricing	232 566 548	403 363 786	647 671 486	187 347 121	53 347 954
Units in issue	1 648 313	38 352 337	35 261 099	187 347 122	533 479
Net asset value per unit	141,09	10,52	18,37	1,00	100,00
31 December 2021					
Net asset value for fund pricing	342 541 614	475 319 617	817 646 025	167 960 335	36 615 307
Units in issue	2 079 600	43 545 910	40 725 716	167 960 336	366 153
Net asset value per unit	164,72	10,92	20,08	1,00	100,01
31 December 2020					
Net asset value for fund pricing	319 576 604	459 259 584	789 131 962	180 060 334	12 426 193
Units in issue	2 185 430	41 337 202	40 670 724	180 060 335	124 262
Net asset value per unit	146,23	11,11	19,40	1,00	100,00
31 December 2019					
Net asset value for fund pricing	427 817 288	482 290 207	883 440 747	216 307 103	8 785 305
Units in issue	2 501 909	43 733 720	43 986 193	216 307 104	87 862
Net asset value per unit	171,00	11,03	20,08	1,00	100,00

Unit prices

The highest and lowest unit prices during the reporting periods are set out below:

31 December 2023					
Highest unit price	144,24	10,82	18,71	1,00	100,00
Lowest unit price	113,02	9,87	17,15	1,00	100,00
31 December 2022					
Highest unit price	167,06	11,14	20,27	1,00	100,00
Lowest unit price	133,03	10,52	18,37	1,00	100,00
31 December 2021					
Highest unit price	178,31	11,47	21,05	1,00	100,00
Lowest unit price	146,25	10,92	19,39	1,00	100,00
31 December 2020					
Highest unit price	174,39	11,58	20,34	1,00	104,70
Lowest unit price	128,91	11,03	18,49	1,00	100,00
31 December 2019					
Highest unit price	171,27	11,67	21,02	1,00	104,40
Lowest unit price	143,27	10,87	18,70	1,00	100,00

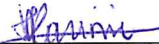
Custodian 's report

**African Alliance Kenya Unit Trust Scheme
Report of the Custodian
For the year ended 31 December 2023**

- a) In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between **Stanbic Bank Kenya Limited** as the custodians and **African Alliance Kenya Asset Management Limited as the Fund Manager**, we confirm that we have discharged the duties prescribed for a Custodian under Regulation 35 of the regulations, **to African Alliance Kenya Unit Trust Scheme.**
- b) For the period 1 January 2023 to 31 December 2023, we have held the assets for the **African Alliance Kenya Unit Trust Scheme.**; including securities and income that accrue thereof, to the order of the Trustees and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund manager.



Stanbic Bank Kenya Limited
(Custodian)
Date: 25 March 2024



Stanbic Bank Kenya Limited
(Custodian)

Stanbic Bank Kenya Ltd.
Corporate and Investment Banking
P. O. Box 30550 - 00100
Nairobi

African Alliance Kenya Unit Trust Scheme

Accounting policies

1. Basis of accounting

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standard Board (IASB), and interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC).

The annual financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss.

The annual financial statements are presented in Kenyan Shilling, which is the Scheme's functional currency. All values are rounded to the nearest Kenyan Shilling, except where otherwise indicated.

Summary of significant accounting policies

The Scheme has consistently applied the following accounting policies to all periods presented in these financial statements.

1.1 Significant accounting judgments, estimates and assumptions

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Judgments

In the process of applying the Scheme's accounting policies, the following judgments, having the most significant effect on the amounts recognised in the financial statements, have been made.

Going concern

The Scheme's management has made an assessment of the Scheme's ability to continue as a going concern and is satisfied that the Scheme has the resources to continue in business for the foreseeable future. The financial position of the Scheme is set out in the statement of financial position. Disclosure in respect of risk management and capital management are set out in the notes in the individual Funds' financial statements. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Scheme's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

Estimates and assumptions

The Scheme did not apply any estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Scheme. Such changes will be reflected in those assumptions when they occur.

The Scheme has applied IFRS 9 ECL assessment on all financial assets held at amortised cost. No expected credit loss adjustment has been made to the financial statements since same was not material.

African Alliance Kenya Unit Trust Scheme

Accounting policies

Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the Statement of financial position cannot be derived from active markets, their fair values are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include considerations of liquidity and model inputs, such as credit risks (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of financial position and the level where the instruments are disclosed in the fair value hierarchy.

1.2 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Scheme becomes a party to the contractual provisions of the instruments.

The Scheme classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value. On initial recognition, financial asset is classified as amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss (FVPL). The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Impairment of financial assets

Debt instruments that are subsequently measured at amortised cost or at FVOCI are subject to impairment assessment. No impairment loss is recognised on investments measured at FVPL.

The Scheme recognises a loss allowance for expected credit losses on all other financial assets. The amount of expected credit losses is updated at each reporting date.

Loss allowance for all receivables is determined as lifetime expected credit losses (simplified approach). Loss allowance for receivables is determined in the same manner as prescribed for all financial assets at amortised cost.

Measurement and recognition of expected credit losses

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

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

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

African Alliance Kenya Unit Trust Scheme

Accounting policies

1.2 Financial instruments (continued)

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

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

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

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

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

The Scheme makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

The investment base is widespread and does not show significantly different loss patterns for different investment segments. The loss allowance is calculated on a collective basis for all trade and other receivables in totality.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Scheme's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

An impairment gain or loss is recognised in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in other operating expenses in profit or loss as a movement in credit loss allowance.

The carrying amounts of the Scheme's financial assets that are subject to impairment assessment are disclosed in notes 11, 12 and 13 in the individual Funds' financials.

African Alliance Kenya Unit Trust Scheme

Accounting policies

1.2 Financial instruments (continued)

Write off policy

The Scheme writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the Scheme recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Accounts and other receivables

Accounts receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest method. The Scheme recognises loss allowances for Expected Credit Losses (ECLs) on accounts receivable. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit - impaired financial asset).

Accounts and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. They are measured at amortised cost.

Bank overdraft and other financial liabilities

Bank overdrafts, borrowings and trade and other payables are initially measured at fair value and subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Scheme's accounting policy for borrowing costs.

Other financial liabilities are measured initially at fair value and subsequently at amortised cost, using the effective interest method.

African Alliance Kenya Unit Trust Scheme

Accounting policies

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when :

- the rights to receive cash flows from the asset have expired; and
- the Scheme has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Scheme has transferred substantially all the risks and rewards of the asset, or (b) the Scheme had neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Scheme has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Scheme's continuing involvement in the asset. In that case, the Scheme also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Scheme has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Scheme could be required to repay.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

When the existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit and loss.

1.2 Financial instruments (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if :

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

1.3 Functional and presentation currency

The Scheme's functional currency is the Kenyan Shilling, which is the currency of the primary economic environment in which it operates. The Scheme's performance is evaluated and its liquidity is managed in Kenyan Shilling. Therefore, the Kenyan Shilling is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Scheme's presentation currency is also the Kenyan Shilling.

1.4 Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on translation are recognised in profit or loss as net foreign exchange gain/(loss), except for those arising on financial instruments at fair value through profit or loss, which are recognised as a component of net gain from financial instruments at fair value through profit or loss.

1.5 Net gain/(loss) from the financial assets at fair value through profit or loss

Net gain/(loss) from financial asset at fair value through profit or loss includes all realised and unrealised fair value changes but excludes interest and dividend income.

African Alliance Kenya Unit Trust Scheme

Accounting policies

1.6 Redeemable participating units

Redeemable participating units are redeemable at the unit holders' option and are classified as financial liabilities. The liabilities arising from the redeemable units are carried at the redemption amount, being the net asset value calculated in accordance with the Trust Deed.

The Scheme issues units at the net asset value of the existing units. The holder of participating units can redeem at any time during the year for cash equal to a proportionate unit of the Scheme's net asset value (calculated in accordance with redemption requirements). The Scheme's net asset value per unit is calculated by dividing the net assets attributable to unit holders (calculated in accordance with redemption requirements) by the number of units in issue.

1.7 Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Scheme in the management of short-term commitments, other than cash collateral provided in respect of derivatives and securities borrowing transactions.

1.8 Distributions to unit holders

In accordance with the Scheme's constitution, the Scheme fully distributes its distributable income to unit holders.

Proposed distributions to unit holders are recognised in profit or loss on the Scheme's ex-date. The distribution expense is recognised in profit or loss.

Distributable income excludes capital gains arising from the disposal of investments and unrealised gains or losses on revaluation of investments.

1.9 Interest income

Interest income is recognised in the profit or loss for all interest-earning financial instruments using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable are recognised in profit or loss as interest income.

1.10 Dividend income

Dividend income is recognised in profit or loss on the date that the right to receive payment is established. For quoted equity securities this is usually the ex-dividend date. For unquoted securities, this is usually the date when the shareholders have approved the payment of a dividend.

Dividend income from equity securities designated as at fair value through profit or loss is recognised in the profit or loss as a separate line item.

1.11 Fees

Unless included in the effective interest calculation, fees are recognised on an accrual basis.

African Alliance Kenya Unit Trust Scheme

Accounting policies

1.12 Income taxes

The Scheme is exempt from all forms of taxation in the Republic of Kenya, provided the unit holders are currently entitled to the income of the Scheme and the Scheme fully distributes its net taxable income. However, in some instances, investment income and capital gains are subject to withholding tax deducted at the source of the income. The Scheme presents the withholding tax separately from the gross investment income in the Statement of profit or loss and other comprehensive income. For the purpose of the Statement of cash flows, cash inflows from investments are presented net of withholding taxes, when applicable.

1.13 Changes in accounting policies and disclosures

The Scheme has consistently applied the accounting policies as set out in Note 1.1 to 1.12 to all periods presented in these financial statements.

The annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), on a basis consistent with the prior year except for the adoption of the following new or revised standards.

1.14 New and amended standards and interpretations adopted by the Scheme

Amendments mandatorily effective for the year ended 31 December 2023

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Scheme.

- Amendments to IAS 1 and IFRS Practice Statement 2- 'Disclosure of Accounting Policies'
- Amendments to IAS 8 'Definition of accounting Estimates'

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policy information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Scheme's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Scheme's financial statements.

Amendments to IAS 8 'Definition of Accounting Estimates'

The amendments introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments had no impact on the Scheme's financial statements.

African Alliance Kenya Unit Trust Scheme

Accounting policies

1.14 New and amended standards and interpretations (continued)

Not yet mandatorily effective for the year ending 31 December 2023

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2023, and have not been applied in preparing the financial statements. Those which may be relevant to the Scheme are set out below. The Scheme does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenant' (issued in January 2020 and October 2022)

Amendments to IAS 1 'Classification of Liabilities as Current or Non-current' and 'Non-current Liabilities with Covenants' (issued in January 2020 and October 2022), effective for annual periods beginning or after 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

It is unlikely that the amendment will have a material impact on the Scheme's annual financial statements.



African Alliance Kenya Equity Fund

Annual financial statements
for the year ended 31 December 2023

African Alliance Kenya Equity Fund

Statement of financial position as at 31 December 2023

Figures in Kenyan Shilling	Note	2023	2022
Assets			
Investments	1	109 767 334	200 875 107
Dividend receivable		132 099	929 359
Interest receivable		539 871	887 017
Cash and cash equivalents	2	33 190 407	33 135 184
Total assets		143 629 711	235 826 667
Liabilities			
Management fees	11	281 831	462 332
Custody fees	11	30 010	52 078
Trustee fees	11	9 378	16 274
Audit fees		716 440	1 014 121
Other payable		323 261	256 945
Distributions	7	3 040 526	1 458 369
Total liabilities excluding net assets attributable to unit holders		4 401 446	3 260 119
Net assets attributable to unit holders		139 228 265	232 566 548
Represented by :			
Net assets attributable to unit holders		139 228 265	232 566 548

The accounting policies on pages 14 to 21 and notes on pages 27 to 41 are an integral part of these annual financial statements.

African Alliance Kenya Equity Fund

Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

Figures in Kenyan Shilling	Note	2023	2022
Income			
Fair value adjustments	1	(33 261 877)	(46 321 705)
Interest income	4	3 020 895	4 076 905
Dividend income		15 631 429	17 134 085
Income equalisation	5	(3 457 433)	(537 824)
Total income		(18 066 986)	(25 648 539)
Expenses			
Management fees	11	(4 063 904)	(6 748 020)
Custody fees	11	(490 598)	(795 655)
Trustee fees	11	(294 653)	(334 048)
Audit fees		(561 319)	(561 319)
Sundry expenses		(66 152)	(84 826)
Total expenses		(5 476 626)	(8 523 868)
Operating loss before distribution		(23 543 612)	(34 172 407)
Distributions to unit holders	6	(10 551 153)	(11 233 183)
Decrease in net assets attributable to unit holders		(34 094 765)	(45 405 590)

The accounting policies on pages 14 to 21 and notes on pages 27 to 41 are an integral part of these annual financial statements.

African Alliance Kenya Equity Fund

Statement of changes in net assets attributable to unit holders for the year ended 31 December 2023

Figures in Kenyan Shilling	Note	Net assets attributable to unit holders	Number of units	Net asset value per unit
Balance at 01 January 2022		342 541 614	2 079 600	164,72
Issue of units during the year	8	17 606 908	118 665	
Redemption of units during the year	8	(82 176 384)	(549 952)	
Decrease in net assets attributable to unit holders		(45 405 590)	-	
Balance at 31 December 2022	9	232 566 548	1 648 313	141,09
Balance at 01 January 2023		232 566 548	1 648 313	141,09
Issue of units during the year	8	13 650 863	104 565	
Redemption of units during the year	8	(72 894 381)	(574 243)	
Decrease in net assets attributable to unit holders		(34 094 765)	-	
Balance at 31 December 2023	9	139 228 265	1 178 635	118,13

The accounting policies on pages 14 to 21 and notes on pages 27 to 41 are an integral part of these annual financial statements.

African Alliance Kenya Equity Fund

Statement of cash flows for the year ended 31 December 2023

Figures in Kenyan Shilling	Note	2023	2022
Cash flow from operating activities			
Proceeds from sale of financial assets at fair value through profit or loss		63 325 597	61 392 146
Payments for acquisition of financial assets at fair value through profit or loss	1	(5 479 701)	(16 545 447)
Interest received		3 368 042	3 478 067
Dividend received		16 428 690	17 418 461
Management fees paid		(4 244 406)	(6 943 440)
Custody fees paid		(501 015)	(821 185)
Trustee fees paid		(313 206)	(342 026)
Audit fees paid		(859 000)	(165 104)
Other expenses paid		169	(18 510)
Net cash generated from operating activities		71 725 170	57 452 962
Cash flow from financing activities			
Proceeds from issue of units	8	4 748 302	7 362 933
Payment on redemption of units	8	(76 385 058)	(82 731 053)
Distributions paid to unit holders	7	(33 191)	(28 480)
Net cash used in financing activities		(71 669 947)	(75 396 600)
Net increase / (decrease) in cash and cash equivalents		55 223	(17 943 638)
Cash and cash equivalents at the beginning of the year		33 135 184	51 078 822
Cash and cash equivalents at the end of the year	2	33 190 407	33 135 184

The accounting policies on pages 14 to 21 and notes on pages 27 to 41 are an integral part of these annual financial statements.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling	2023	2022
1. Financial assets at fair value through profit or loss		
Listed equities	109 767 334	195 875 107
Fixed deposits	-	5 000 000
	109 767 334	200 875 107

Net change in fair value of financial assets at fair value through profit or loss is analysed as follows:

Opening balance	200 875 107	292 043 511
Additions	5 479 701	16 545 447
Disposals	(70 541 099)	(56 910 924)
Unrealised fair value movement	(26 046 375)	(50 802 927)
Closing balance	109 767 334	200 875 107

Net change in fair value of financial assets at fair value through profit or loss is analysed as follows:

Realised	(7 215 502)	4 481 222
Unrealised	(26 046 375)	(50 802 927)
	(33 261 877)	(46 321 705)

Refer to Note 3, Fair value of financial instruments for further details and Note 14, Analysis of total assets, for terms and conditions of the above securities.

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and liquid investments	33 190 407	33 135 184
Analysed as:		
Money market investments	16 023 375	31 335 227
Cash at bank	17 167 032	1 799 957
	33 190 407	33 135 184

Money market investments are highly liquid investments and are subject to insignificant risks of changes in value.

Refer to Note 14, Analysis of total assets, for further details.

3. Fair value of financial instruments

The following table refers to financial instruments recognised at fair value, analysed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1),
- those involving inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - Level 2, and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) - Level 3.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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3. Fair value of financial instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Listed equities				
Bamburi Cement Limited	3 100 846	-	-	3 100 846
Bank of Baroda Uganda Limited	6 379 221	-	-	6 379 221
British American Tobacco Kenya Limited	9 995 975	-	-	9 995 975
CFC Liberty Holding Ltd	365 214	-	-	365 214
Development Finance Company of Uganda Limited	2 257 043	-	-	2 257 043
Equity Bank Limited	15 472 034	-	-	15 472 034
Flame Tree Group Holdings Limited	976 986	-	-	976 986
Kengen Company Limited	885 061	-	-	885 061
Kenya Commercial Bank Limited	14 229 722	-	-	14 229 722
Safaricom Limited	12 811 018	-	-	12 811 018
Stanbic Bank Uganda Limited	10 587 558	-	-	10 587 558
The Co-Operative Bank of Kenya Limited	18 039 918	-	-	18 039 918
The Standard Chartered Bank of Kenya Limited	8 265 241	-	-	8 265 241
UMEME Limited (Kenya)	1 393 457	-	-	1 393 457
UMEME Limited (Uganda)	5 008 040	-	-	5 008 040
	109 767 334	-	-	109 767 334
<u>2022</u>				
Listed equities				
Bamburi Cement Limited	2 724 593	-	-	2 724 593
British American Tobacco Kenya Limited	11 283 800	-	-	11 283 800
Bank of Baroda Uganda Limited	4 879 564	-	-	4 879 564
CFC Liberty Holding Ltd	554 254	-	-	554 254
Development Finance Company of Uganda Limited	4 411 580	-	-	4 411 580
East African Breweries Limited	24 164 388	-	-	24 164 388
Equity Bank Limited	40 143 139	-	-	40 143 139
Flame Tree Group Holdings Limited	1 014 563	-	-	1 014 563
Kengen Company Limited	1 417 859	-	-	1 417 859
Kenya Commercial Bank Limited	35 408 578	-	-	35 408 578
Safaricom Limited	39 404 492	-	-	39 404 492
Stanbic Bank Uganda Limited	5 627 326	-	-	5 627 326
The Co-Operative Bank of Kenya Limited	19 464 123	-	-	19 464 123
The Standard Chartered Bank of Kenya Limited	2 286 855	-	-	2 286 855
UMEME Limited (Kenya)	646 215	-	-	646 215
UMEME Limited (Uganda)	2 443 778	-	-	2 443 778
Fixed deposits	5 000 000	-	-	5 000 000
	200 875 107	-	-	200 875 107

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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4. Interest income

Money market investments	1 993 674	1 459 381
Cash at bank	1 027 221	2 164 647
Fixed income securities	-	452 877
	3 020 895	4 076 905

5. Income equalisation

Income equalisation on issue of units	33 244	16 845
Income equalisation on redemption of units	(3 490 677)	(554 669)
Net expense for the year	(3 457 433)	(537 824)

Income equalisation is accrued income / (expense) included in the price of units created and redeemed by the Fund during the accounting period. The subscription price of the units is deemed to include a deemed income payment calculated by reference to the accrued income of the units. The redemption price of each unit will also include a payment in respect of the accrued income of the unit up to the date of the redemption.

6. Distributions to unit holders

	<u>Distribution per unit at</u>		<u>Distributions at</u>	
	2023	2022	2023	2022
Distributions declared at:				
June	6,80	4,78	7 510 627	9 774 815
December	2,58	0,88	3 040 526	1 458 368
			10 551 153	11 233 183

7. Distributions paid to unit holders

Opening balance	(1 458 369)	(514 486)
Distributions for the year (Note 6)	(10 551 153)	(11 233 183)
Closing balance	3 040 526	1 458 369
	(8 968 996)	(10 289 300)
Distributions reinvested	8 935 805	10 260 820
Distributions paid	33 191	28 480
	8 968 996	10 289 300

8. Issue and redemption of units during the year

Units created during the year	13 650 863	17 606 908
Distributions reinvested (Note 7)	(8 935 805)	(10 260 820)
Income equalisation adjustment (Note 5)	33 244	16 845
Proceeds from issue of units	4 748 302	7 362 933

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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8. Issue and redemption of units during the year (continued)

Units redeemed during the year	(72 894 381)	(82 176 384)
Income equalisation adjustment (Note 5)	(3 490 677)	(554 669)
Payment on redemption of units	(76 385 058)	(82 731 053)

9. Redeemable participating units

The Fund's capital is represented by these redeemable participating units. Quantitative information about the Fund's capital is provided in the Statement of changes in net assets attributable to unit holders.

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unit holders have various rights under the Fund's Trust Deed, including the right to:

- have their unit redeemed at a proportionate unit price based on the Fund's net asset value per unit on the redemption date,
- receive income distributions, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of issue and redemption of units, the net assets attributable to unit holders is calculated in accordance with the Fund's Trust Deed.

10. Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's Trust Deed.

The Fund's objectives for managing capital are:

- to invest in instruments meeting the description, risk exposure and expected return indicated in its Trust Deed,
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by participating in other capital markets and by using various investment strategies, and
- to maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.

Refer to Note 12, Financial risk management objectives and policies, for the policies and processes applied by the Fund in managing its capital.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties

Relationship - Trustee and custodian

Stanbic Bank Kenya Limited, a company incorporated in the Republic of Kenya, provides trustee and custodian services to the Fund and receives, in return, a fee collected monthly.

Custody fees payable	30 010	52 078
Trustee fees payable	9 378	16 274
Custody fees charged for the year	490 598	795 655
Trustee fees charged for the year	294 653	334 048

Investments held with Stanbic Bank Kenya Limited

Cash at bank	3 167 032	748 892
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Relationship - Management Company

The Fund is managed by African Alliance Kenya Asset Management Limited, a company incorporated in the Republic of Kenya. African Alliance Kenya Asset Management Limited provides management services to the Fund and receives, in return, an annual fee, collected monthly, based on the total asset value of the Fund at a rate not exceeding 2%.

Management fees payable	281 831	462 332
Management fees charged for the year	4 063 904	6 748 020

Investment in the Fund made by the Management Company:

African Alliance Kenya Asset Management Limited

	Number of Units held	Value of units held	% of units held	Distributions to unit holders*	Distributions payable
Opening balance - 01 January 2022	2 287	377 656	0,11		476
Units acquired	588	85 436			
Units disposed	(235)	(35 291)			
Closing balance - 31 December 2022	2 640	373 235	0,16	10 337	1 754
Opening balance - 01 January 2023	2 640	373 235	0,16		1 754
Units acquired	146	18 832			
Units disposed	(457)	(57 335)			
Closing balance - 31 December 2023	2 329	280 969	0,20	18 831	5 414

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Related parties (continued)

Investments in the Fund made by other African Alliance Unit Trusts:

	Number of Units held	Value of units held	% of units held	Distributions to unit holders*	Distributions payable
<u>African Alliance Kenya Managed Fund</u>					
Opening balance - 01 January 2022	1 671 946	276 152 643	80,40		413 633
Units acquired	98 193	14 579 006			
Units disposed	(482 350)	(72 800 000)			
Closing balance - 31 December 2022	<u>1 287 789</u>	<u>182 111 936</u>	<u>78,13</u>	<u>8 515 783</u>	<u>1 139 388</u>
Opening balance - 01 January 2023	1 287 789	182 111 936	78,13		1 139 388
Units acquired	75 937	9 970 884			
Units disposed	(549 096)	(72 966 497)			
Closing balance - 31 December 2023	<u>814 630</u>	<u>98 330 914</u>	<u>69,12</u>	<u>6 315 987</u>	<u>2 101 499</u>

*Distribution to unit holders represents distributions paid/reinvested during the year

Investments made by the Fund in other African Alliance Unit Trusts:

African Alliance Kenya Money Market Fund

Opening balance - 01 January 2022	5 576 066	5 576 066	3,32		32 701
Units acquired	8 759 161	8 759 161			
Closing balance - 31 December 2022	<u>14 335 227</u>	<u>14 335 227</u>	<u>7,65</u>	<u>673 802</u>	<u>103 463</u>
Opening balance - 01 January 2023	14 335 227	14 335 227	7,65		103 463
Units acquired	1 688 148	1 688 148			
Closing balance - 31 December 2023	<u>16 023 375</u>	<u>16 023 375</u>	<u>6,86</u>	<u>1 515 400</u>	<u>176 103</u>

12. Financial risk management objectives and policies

Introduction

The Fund's objective in managing risk is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risks (which include interest rate risks, currency risks and price risks), liquidity risks and credit risks arising from the financial instruments it holds.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Risk management structure

The Fund's Management Company is responsible for identifying and controlling risks. The Management Company, via its Board, are ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Financial risk is managed through the regulatory framework under the Collective Investment Undertakings Regulation 2001, which imposes strict and specific regulations regarding the instruments that may be held by the scheme. The Scheme is additionally governed by a Trust Deed, which commits the funds to specific investment objectives and requires the investment manager to manage the Scheme in accordance therewith. Compliance limits are built into the daily pricing systems and processes. Independent checks are also carried out by the Trustee as well as the compliance functions of the Management Company to ensure compliance with limitations specified in the Trust Deed and the regulations determined under the Collective Investments Undertakings Regulation, 2001.

Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities or reliance on a particular market to realise liquid assets.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Management Company is instructed to reduce exposure to manage excessive risk concentrations when they arise.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, equity prices and foreign exchange rates, will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is to enhance returns and control risks. The Fund's market risk is managed on a daily basis by the Management Company in accordance with policies and procedures put in place.

Details of the Fund's investment portfolio at the reporting date are disclosed in Note 14.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

Interest rate exposure arises on money market investments and cash at bank.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rate, with all other variables held constant. The sensitivity of the change in net assets attributable to unit holders is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Change in basis points	Sensitivity of interest income
31 December 2023	+/- 10	+/- 17 167
31 December 2022	+/- 10	+/- 16 135

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Consequently, the Fund is exposed to risks that the exchange rate of its currency, relative to other currencies, may change in a manner that has an adverse effect on the fair value or future cash flows of the portion of the Fund's assets and liabilities denominated in currencies other than the Kenyan Shilling.

The Fund invests in securities and other investments that are denominated in currencies other than the Kenyan Shilling.

	Change in currency rate (%)	Effect of the change in net assets attributable to unit holders
Assets		
Uganda Shilling	10	2 423 186 1 736 225

Concentration of foreign currency exposure

The following table sets out the Fund's exposure to foreign currency exchange rates on monetary financial assets and liabilities and total financial assets and liabilities at the reporting date.

	% of total assets
Assets	
Uganda Shilling	16,87 7,36

Price risk

Price risk is the risk of unfavourable changes in the fair values of equities and Fund value as a result of changes in the levels of equity indices and the value of individual securities and fund prices.

Price risk is managed by the Investment Manager by diversifying the portfolio as set out by the Trust Deed.

Considering the reasonably possible increase of 10% in security indices and individual security and fund prices, the effect on the Fund's net assets attributable to unit holders is as follows:

Effect of a 10% change in equity price	10 976 733	19 587 511
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A weakening of equity prices would result in an equal but opposite effect to the amounts shown.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Price risk (continued)

Concentration of equity price risk

The following table contains an analysis of the Fund's concentration of equity price risk by geographical distribution, based on counterparties' place of primary listing or place of domicile, if not listed.

	% of equity securities	
Republic of Kenya	77,92	91,36
Outside the Republic of Kenya	22,08	8,64
	100,00	100,00

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holders' option, based on the Fund's Net Asset Value (NAV) per unit at the time of the redemption, calculated in accordance with the Fund's Trust Deed.

The Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- allowing for the redemptions, payments to be made within 7 days of the redemption instructions being received,
- searching for new investors,
- withdrawal of cash deposits,
- disposal of highly liquid assets, and
- disposal of other assets.

It is the Fund's policy that the Investment Manager monitors the Fund's liquidity position on a daily basis and that the directors of the management company review it on a quarterly basis.

The following table summarises the maturity profile of the Fund's financial liabilities based on the contractual undiscounted cash flows.

Based on the nature of the business of the Trust Scheme, the realisation of the assets will depend on the redemption requirements of the investors, as well as the investment strategy.

For financial liabilities, the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund is required to pay.

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
2023			
Financial liabilities			
Management fees	-	281 831	281 831
Custody fees	-	30 010	30 010
Trustee fees	-	9 378	9 378
Audit fees	-	716 440	716 440
Other payable	-	323 261	323 261
Distributions	-	3 040 526	3 040 526
Net assets attributable to unit holders	139 228 265	-	139 228 265
	139 228 265	4 401 446	143 306 450
2022			
Financial liabilities			
Management fees	-	462 332	462 332
Custody fees	-	52 078	52 078
Trustee fees	-	16 274	16 274
Audit fees	-	1 014 121	1 014 121
Other payable	-	256 945	256 945
Distributions	-	1 458 369	1 458 369
Net assets attributable to unit holders	232 566 548	-	232 566 548
	232 566 548	3 260 119	235 826 667

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Management Company closely monitors the creditworthiness of the Fund's counterparties (for example, brokers, custodians, managers and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table contains an analysis of the Fund's maximum exposure to credit risks, which are the instruments' carrying amounts in the financial statements.

Financial instruments

Dividend receivable	132 099	929 359
Interest receivable	539 871	887 017
Cash and cash equivalents	33 190 407	33 135 184
Total credit risk exposure	33 862 377	34 951 560

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

The above financial assets are subject to the expected credit loss model and no impairment has been identified for the year under review.

Fair value

The fair values of the Fund's financial assets and liabilities approximate their carrying amounts.

13. Financial assets and liabilities by category

The following table analyses the carrying amounts of the financial assets and financial liabilities by category as defined in IFRS 9.

Financial assets at fair value through profit or loss

Held for trading	109 767 334	200 875 107
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Amortised cost

Dividend receivable	132 099	929 359
Interest receivable	539 871	887 017
Cash and cash equivalents	33 190 407	33 135 184

Total financial assets

143 629 711	235 826 667
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Financial liabilities

Management fees	281 831	462 332
Custody fees	30 010	52 078
Trustee fees	9 378	16 274
Audit fees	716 440	1 014 121
Other payable	323 261	256 945
Distributions	3 040 526	1 458 369
Net assets attributable to unit holders	139 228 265	232 566 548

Total financial liabilities

143 629 711	235 826 667
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African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets

	Currency	Country	Price per unit	Holdings	Fair value	% of Gross assets
2023						
Financial assets at fair value through profit or loss						
Current:						
Listed equities						
Bamburi Cement Limited	KES	Kenya	35,85	86 495	3 100 846	2,16
Bank of Baroda Uganda Limited	UGX	Uganda	0,62	10 330 620	6 379 221	4,44
British American Tobacco Kenya Limited	KES	Kenya	407,50	24 530	9 995 975	6,96
CFC Liberty Holding Ltd	KES	Kenya	3,69	98 974	365 214	0,25
Development Finance Company of Uganda Limited	UGX	Uganda	9,26	243 673	2 257 043	1,57
Equity Bank Limited	KES	Kenya	33,65	459 793	15 472 034	10,77
Flame Tree Group Holdings Limited	KES	Kenya	1,04	939 410	976 986	0,68
Kengen Company Limited	KES	Kenya	2,01	440 329	885 061	0,62
Kenya Commercial Bank Limited	KES	Kenya	21,90	649 759	14 229 722	9,91
Safaricom Limited	KES	Kenya	13,90	921 656	12 811 018	8,92
Stanbic Bank Uganda Limited	UGX	Uganda	1,32	8 037 034	10 587 558	7,37
The Co-Operative Bank of Kenya Limited	KES	Kenya	11,40	1 582 449	18 039 918	12,56
The Standard Chartered Bank of Kenya Limited	KES	Kenya	162,00	51 020	8 265 241	5,75
UMEME Limited (Kenya)	KES	Kenya	16,00	87 091	1 393 457	0,97
UMEME Limited (Uganda)	UGX	Uganda	16,47	304 129	5 008 040	3,49
					109 767 334	76,42
Financial assets at amortised costs						
Dividend receivable					132 099	0,09
Interest receivable					539 871	0,38

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate per annum	Holdings	Fair value	% of Gross assets
2023 (continued)							
Financial assets at amortised costs (continued)							
Cash and cash equivalents							
Current:							
Money market investments							
African Alliance Kenya Money Market Fund	KES	Kenya		13,20 %	16 023 375	16 023 375	11,16
Call Accounts							
Equity Bank Limited	KES	Kenya		15,00 %	9 000 000	9 000 000	6,27
The Co-operative Bank of Kenya Limited	KES	Kenya		15,10 %	5 000 000	5 000 000	3,47
						30 023 375	20,90
Banks							
Current Account							
Stanbic Bank Kenya Limited					3 167 032	3 167 032	2,20
Total						143 629 711	100,00
Financial assets at fair value through profit or loss denominated in:							
Kenyan Shilling						85 535 472	59,55
Uganda Shilling						24 231 862	16,87

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Price per unit	Holdings	Fair value	% of Gross assets
2022							
Financial assets at fair value through profit or loss							
Current:							
Listed equities							
Bamburi Cement Limited	KES	Kenya		31,50	86 495	2 724 593	1,16
British American Tobacco Kenya Limited	KES	Kenya		460,00	24 530	11 283 800	4,78
Bank of Baroda Uganda Limited	UGX	Uganda		2,84	1 720 770	4 879 564	2,07
CFC Liberty Holding Ltd	KES	Kenya		5,60	98 974	554 254	0,24
Development Finance Company of Uganda Limited	UGX	Uganda		18,10	243 673	4 411 580	1,87
East African Breweries Limited	KES	Kenya		167,50	144 265	24 164 388	10,25
Equity Bank Limited	KES	Kenya		44,50	902 093	40 143 139	17,02
Flame Tree Group Holdings Limited	KES	Kenya		1,08	939 410	1 014 563	0,43
Kengen Company Limited	KES	Kenya		3,22	440 329	1 417 859	0,60
Kenya Commercial Bank Limited	KES	Kenya		38,10	929 359	35 408 578	15,01
Safaricom Limited	KES	Kenya		24,15	1 631 656	39 404 492	16,71
Stanbic Bank Uganda Limited	UGX	Uganda		0,70	8 037 034	5 627 326	2,39
The Co-Operative Bank of Kenya Limited	KES	Kenya		9,22	2 110 091	19 464 123	8,25
The Standard Chartered Bank of Kenya Limited	KES	Kenya		142,75	16 020	2 286 855	0,97
UMEME Limited (Kenya)	KES	Kenya		7,42	87 091	646 215	0,27
UMEME Limited (Uganda)	UGX	Uganda		8,04	304 129	2 443 778	1,04
						195 875 107	83,06
Financial assets at amortised costs							
Fixed deposit							
The Cooperative Bank of Kenya Limited	KES	Kenya	23 Jan 23	3,45 %	5 000 000	5 000 000	2,12
						200 875 107	85,18
Dividend receivable						929 359	0,39
Interest receivable						887 017	0,38

African Alliance Kenya Equity Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Price per unit	Holdings	Fair value	% of Gross assets
2022 (continued)							
Financial assets at amortised costs							
Cash and cash equivalents							
Fixed deposits							
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	6 000 000	6 000 000	2,54
NCBA Bank Kenya Plc	KES	Kenya	06 Feb 23	10,75 %	11 000 000	11 000 000	4,66
						17 000 000	7,20
Banks							
Current account							
Stanbic Bank Kenya Limited	KES	Kenya			1 799 957	1 799 957	0,76
Money market investments							
African Alliance Kenya Money Market Fund	KES	Kenya		8,67 %	14 335 227	14 335 227	6,08
Cash and cash equivalents						33 135 184	7,96
Total						235 826 667	100,00
Financial assets at fair value through profit or loss denominated in:							
Kenyan Shilling						178 512 859	75,70
Uganda Shilling						17 362 248	7,36

15. Reconciliation of net asset value per unit

Published price (calculated in accordance with redemption requirements)	120,71	141,42
Adjusted for:		
- Distributions payable	(2,58)	(0,88)
- Income / (expense) adjustment	-	0,55
Net asset value as per IFRS	118,13	141,09

16. Events after the reporting period

There are no significant events that have occurred in respect of the Fund and the management company, subsequent to the year end, that may be relevant to the accuracy of these financial statements.



African Alliance Kenya Fixed Income Fund

Annual financial statements
for the year ended 31 December 2023

African Alliance Kenya Fixed Income Fund
Statement of financial position as at 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Assets			
Investments	1	265 438 233	349 783 231
Interest receivable		10 738 203	11 429 934
Cash and cash equivalents	2	67 654 151	63 626 770
Total assets		343 830 587	424 839 935
Liabilities			
Management fees	11	672 519	833 213
Custody fees	11	73 395	94 007
Trustee fees	11	25 714	25 714
Audit fees		937 360	815 093
Publication costs		356 382	260 413
Distributions	7	17 807 841	19 447 709
Total liabilities excluding net assets attributable to unit holders		19 873 211	21 476 149
Net assets attributable to unit holders		323 957 376	403 363 786
Represented by :			
Net assets attributable to unit holders		323 957 376	403 363 786

The accounting policies on pages 14 to 21 and notes on pages 47 to 62 are an integral part of the annual financial statements.

African Alliance Kenya Fixed Income Fund
Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Income			
Fair value adjustments	1	(22 979 276)	(18 078 709)
Interest income	4	48 385 884	56 023 781
Income equalisation	5	(4 201 132)	(1 955 038)
Total income		21 205 476	35 990 034
Expenses			
Management fees	11	(8 622 821)	(10 793 518)
Custody fees	11	(1 011 217)	(1 246 708)
Trustee fees	11	(393 086)	(523 623)
Audit fees		(812 267)	(812 267)
Other operating expenses		(95 969)	(95 969)
Total expenses		(10 935 360)	(13 472 085)
Operating profit before distribution		10 270 116	22 517 949
Distributions to unit holders	6	(33 249 392)	(40 596 673)
Decrease in net assets attributable to unit holders		(22 979 276)	(18 078 724)

The accounting policies on pages 14 to 21 and notes on pages 47 to 62 are an integral part of the annual financial statements.

African Alliance Kenya Fixed Income Fund
Statement of changes in net assets attributable to unit holders for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	Net assets attributable to unit holders	Number of units	Net asset value per unit
Balance at 01 January 2022		475 319 617	43 545 910	10,92
Issue of units during the year	8	53 949 557	4 976 636	
Redemption of units during the year	8	(107 826 664)	(10 170 209)	
Decrease in net assets attributable to unit holders		(18 078 724)	-	
Balance at 31 December 2022	9	403 363 786	38 352 337	10,52
Balance at 01 January 2023		403 363 786	38 352 337	10,52
Issue of units during the year	8	43 715 390	4 176 829	
Redemption of units during the year	8	(100 142 524)	(9 692 675)	
Decrease in net assets attributable to unit holders		(22 979 276)	-	
Balance at 31 December 2023	9	323 957 376	32 836 491	9,87

The accounting policies on pages 14 to 21 and notes on pages 47 to 62 are an integral part of the annual financial statements.

African Alliance Kenya Fixed Income Fund
Statement of cash flows for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Cash flow from operating activities			
Proceeds from sales of investments		95 974 258	140 280 711
Purchase of investments	1	(34 608 536)	(78 281 325)
Interest received		49 077 615	58 492 228
Trustee fees paid		(393 075)	(523 623)
Custodian fees paid		(1 031 840)	(1 264 723)
Management fees paid		(8 783 515)	(10 940 183)
Audit fees paid		(690 000)	(504 783)
Net cash generated from operating activities		99 544 907	107 258 302
Cash flow from financing activities			
Proceeds from issue of units	8	9 119 613	12 182 371
Payment on redemption of units	8	(104 512 228)	(110 021 402)
Distributions paid to unit holders	7	(124 911)	(155 410)
Net cash used in financing activities		(95 517 526)	(97 994 441)
Net movement in cash and cash equivalents during the year		4 027 381	9 263 861
Cash and cash equivalents at the beginning of the year		63 626 770	54 362 909
Cash and cash equivalents at the end of the year	2	67 654 151	63 626 770

The accounting policies on pages 14 to 21 and notes on pages 47 to 62 are an integral part of the annual financial statements.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling	2023	2023	2022
1. Investments			
Fixed rate government bonds	257 936 197	309 577 071	
Corporate bonds	4 502 036	30 706 160	
Fixed deposits	3 000 000	9 500 000	
	265 438 233	349 783 231	
Opening balance	349 783 231	429 861 326	
Additions	34 608 536	78 281 325	
Disposals	(94 104 213)	(141 296 427)	
Unrealised fair value adjustment	(24 849 321)	(17 062 993)	
Closing balance	265 438 233	349 783 231	
Net change in fair value of investments analysed as follows:			
Realised	1 870 045	(1 015 716)	
Unrealised	(24 849 321)	(17 062 993)	
	(22 979 276)	(18 078 709)	

Refer to *Note 3, Fair value of financial instruments*, for further details and *Note 14, Analysis of total assets*, for terms and conditions of the above securities.

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and liquid investments	67 654 151	63 626 770
Analysed as:		
Money market investments	37 039 518	47 766 071
Call deposit	28 000 000	14 900 000
Current account	2 614 633	960 699
	67 654 151	63 626 770

Money market investments are highly liquid investments and are subject to insignificant risks of changes in value. Refer to *Note 14, Analysis of total assets*, for further details.

3. Fair value of financial instruments

The following table refers to financial instruments recognised at fair value, analysed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1),
- those involving inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - Level 2, and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) - Level 3.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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3. Fair value of financial instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Government of Kenya-fixed rate bonds	257 936 197	-	-	257 936 197
Corporate bonds	-	4 502 036	-	4 502 036
Fixed deposit	-	3 000 000	-	3 000 000
	257 936 197	7 502 036	-	265 438 233
<u>2022</u>				
Government of Kenya - fixed rate bonds	309 577 071	-	-	309 577 071
Corporate bonds	-	30 706 160	-	30 706 160
Fixed deposit	9 500 000	-	-	9 500 000
	319 077 071	30 706 160	-	349 783 231

Financial instruments not measured at fair value

Type

Corporate bonds and treasury bills and treasury bonds

Valuation technique

Discounted cash flows : The valuation model considers the present value of expected receipts, discounted using a yield rates derived from active markets.

4. Interest income

Fixed income investments	38 795 606	51 617 674
Money market investments	4 861 257	3 465 808
Cash at bank	4 729 021	940 299
	48 385 884	56 023 781

5. Income equalisation

Income equalisation on issue of units	168 572	239 700
Income equalisation on redemption of units	(4 369 704)	(2 194 738)
Net expense for the year	(4 201 132)	(1 955 038)

Income equalisation is accrued income / (expense) included in the price of units created and redeemed by the Fund during the accounting period. The subscription price of the units is deemed to include a deemed income payment calculated by reference to the accrued income of the units and the first distribution in respect of any unit will include a payment of capital usually equal to the amount of such income. The redemption price of each unit will also include a payment in respect of the accrued income of the unit up to the date of the redemption.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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6. Distributions to unit holders

	<u>Distribution per unit at</u>		<u>Distributions at</u>	
	2023	2022	2023	2022
Distributions declared at:				
June	0,50	0,48	15 441 551	21 148 964
December	0,54	0,51	17 807 841	19 447 709
			33 249 392	40 596 673

7. Distributions paid to unit holders

Opening balance	(19 447 709)	(21 013 332)
Distributions for the year (Note 6)	(33 249 392)	(40 596 673)
Closing balance	17 807 841	19 447 709
	(34 889 260)	(42 162 296)
Distributions reinvested	34 764 349	42 006 886
Distributions paid	124 911	155 410
	34 889 260	42 162 296

8. Issue and redemption of units during the year

Units created during the year	43 715 390	53 949 557
Distributions reinvested (Note 7)	(34 764 349)	(42 006 886)
Income equalisation adjustment (Note 5)	168 572	239 700
Proceeds from issue of units	9 119 613	12 182 371
Units redeemed during the year	(100 142 524)	(107 826 664)
Income equalisation adjustment (Note 5)	(4 369 704)	(2 194 738)
Payment on redemption of units	(104 512 228)	(110 021 402)

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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9. Redeemable participating units

The Fund's capital is represented by these redeemable participating units. Quantitative information about the Fund's capital is provided in the *Statement of changes in net assets attributable to unit holders*.

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unit holders have various rights under the Fund's Trust Deed, including the right to:

- have their unit redeemed at a proportionate unit price based on the Fund's net asset value per unit on the redemption date,
- receive income distributions, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of issue and redemption of units, the net assets attributable to unit holders is calculated in accordance with the Fund's Trust Deed.

10. Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's Trust Deed.

The Fund's objectives for managing capital are:

- to invest the capital investments meeting the description, risk exposure and expected return indicated in its Trust Deed,
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by participating in other capital markets and by using various investment strategies, and
- to maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.

Refer to *Note 12, Financial risk management objectives and policies*, for the policies and processes applied by the Fund in managing its capital.

11. Related parties

Relationship - Trustee and custodian

Stanbic Bank Kenya Limited, a company incorporated in the Republic of Kenya, provides trustee and custodian services to the Fund and receives, in return, a fee collected monthly.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties (continued)

Custody fees payable	73 395	94 007
Trustee fees payable	25 714	25 714
Custody fees charged for the year	1 011 217	1 246 707
Trustee fees charged for the year	393 086	523 623

Investments held with Stanbic Bank Kenya Limited:

Current account	2 614 633	960 699
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Relationship - Investment Manager

The Fund is managed by African Alliance Kenya Asset Management Limited, a company incorporated in the Republic of Kenya. African Alliance Kenya Asset Management Limited provides management services to the Fund and receives, in return, an annual fee, collected monthly, based on the total asset value of the Fund at a rate not exceeding 2%.

Management fees payable	672 519	833 213
Management fees charged for the year	8 622 821	10 793 518

Investment in the Fund made by the Fund Investment Manager:

African Alliance Kenya Asset Management Limited

	Number of Units held	Value of units held	% of units held	Distributions to unit holders	Distributions payable
Opening balance - 01 January 2022	36 241	413 076	0,08		14 865
Units acquired	2 785	30 276			
Closing balance - 31 December 2022	39 026	430 251	0,10	30 276	16 821
Opening balance - 01 January 2023	39 026	430 251	0,10		16 821
Units acquired	4 286	44 760			
Units disposed	(473)	(4 839)			
Closing balance - 31 December 2023	42 839	445 877	0,13	19 748	34 026

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties (continued)

Investments made by the Fund in other African Alliance Unit Trusts:

	Number of Units held	Value of units held	% of units held	Distributions received	Distributions receivable
<u>African Alliance Kenya Money Market Fund</u>					
Opening balance - 01 January 2022	17 962 678	17 962 678	10,69		104 039
Units acquired	8 242 751	8 242 751			
Units disposed	(9 806 000)	(9 806 000)			
Closing balance - 31 December 2022	16 399 429	16 399 429	8,75	1 075 830	118 361
Opening balance - 01 January 2023	16 399 429	16 399 429	8,75		118 361
Units acquired	1 931 232	1 931 232			
Closing balance - 31 December 2023	18 330 661	18 330 661	7,85	1 733 609	201 461
<u>African Alliance Kenya Enhanced Yield Fund</u>					
Opening balance - 01 January 2022	153 501	15 350 065	41,92		111 038
Units acquired	15 166	1 516 577			
Closing balance - 31 December 2022	168 667	16 866 642	31,62	1 516 577	140 374
Opening balance - 01 January 2023	168 667	16 866 642	31,62		140 374
Units acquired	18 422	1 842 215			
Closing balance - 31 December 2023	187 089	18 708 857	22,99	1 842 215	191 086

Investments made in the Fund by other African Alliance Unit Trusts and Funds:

	Number of Units held	Value of units held	% of units held	Distributions to unit holders	Distributions payable
<u>African Alliance Kenya Managed Fund</u>					
Opening balance - 01 January 2022	25 379 512	289 273 747	58,28		12 247 032
Units acquired	2 928 735	31 868 661			
Units disposed	(7 891 448)	(84 900 000)			
Closing balance - 31 December 2022	20 416 799	225 082 957	53,23	25 132 529	10 352 953
Opening balance - 01 January 2023	20 416 799	225 082 957	53,23		10 352 953
Units acquired	2 060 171	21 670 368			
Units disposed	(8 550 651)	(92 402 183)			
Closing balance - 31 December 2023	13 926 319	144 946 410	42,41	16 875 562	7 552 502

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the period 31 December 2023

12. Financial risk management objectives and policies

Introduction

The Fund's objective in managing risk is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risks (which include interest rate risks, currency risks and price risks), liquidity risks and credit risks arising from the financial instruments it holds.

Risk management structure

The Fund's Management Company is responsible for identifying and controlling risks. The Management Company, via its Board, are ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Financial risk is managed through the regulatory framework under the Collective Investment Undertakings Regulation 2001, which imposes strict and specific regulations regarding the instruments that may be held by the scheme. The Scheme is additionally governed by a Trust Deed, which commits the funds to specific investment objectives and requires the investment manager to manage the Scheme in accordance therewith. Compliance limits are built into the daily pricing systems and processes. Independent checks are also carried out by the Trustee as well as the compliance functions of the Management Company to ensure compliance with limitations specified in the Trust Deed and the regulations determined under the Collective Investments Undertakings Regulation, 2001.

Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities or reliance on a particular market to realise liquid assets.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, equity prices and foreign exchange rates will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is to enhance returns and control risks. The Fund's market risk is managed on a daily basis by the Management Company in accordance with policies and procedures put in place. Details of the Fund's investment portfolio at the reporting date are disclosed in Note 14.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

The interest rate exposure arises on money market investments and cash at bank.

The following table demonstrates the sensitivity of the Fund's profit or loss for the period to a reasonable possible change in interest rate, with all other variables held constant. The sensitivity of the change in net assets attributable to unit holders is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Change in basis points	Sensitivity of interest income
31 December 2023	+/- 10	+/- 30 615
31 December 2022	+/- 10	+/-49 127

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Consequently, the Fund is exposed to risks that the exchange rate of its currency, relative to other currencies, may change in a manner that has an adverse effect on the fair value or future cash flows of the portion of the Fund's assets and liabilities denominated in currencies other than the Kenyan Shilling.

The Fund is currently not exposed to currency risk since all assets and liabilities are denominated in Kenyan Shilling.

Price risk

Price risk is the risk of unfavourable changes in the fair values of investments and Fund value as a result of changes in the value of individual securities.

Price risk is managed by the Investment Manager by diversifying the portfolio as set out by the Trust Deed.

Considering the reasonably possible increase of 10% in individual security prices, the effect on the Fund's net assets attributable to unit holders is as follows:

Effect of a 10% change in prices	10	<u>26 543 823</u>	34 978 323
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A weakening of bond prices would result in an equal but opposite effect to the amounts shown above.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holders' option, based on the Fund's Net Asset Value (NAV) per unit at the time of the redemption, calculated in accordance with the Fund's Trust Deed.

The Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- allowing for the redemptions, payments to be made within 7 days of the redemption instructions being received,
- searching for new investors,
- withdrawal of cash deposits,
- disposal of highly liquid assets, and
- disposal of other assets.

It is the Fund's policy that the Management Company monitors the Fund's liquidity position on a daily basis and that the directors of the management company review it on a quarterly basis.

The following table summarises the maturity profile of the Fund's financial liabilities based on the contractual undiscounted cash flows.

Based on the nature of the Trust Scheme's business, the assets realisation will depend on the redemption requirements of the investors as well as the investment strategy of the Fund.

For financial liabilities, the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund is required to pay.

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
<u>2023</u>			
Financial liabilities			
Management fees	-	672 519	672 519
Custody fees	-	73 395	73 395
Trustee fees	-	25 714	25 714
Audit fees	-	937 360	937 360
Publication costs	-	356 382	356 382
Distributions	-	17 807 841	17 807 841
Net assets attributable to unit holders	323 957 376	-	323 957 376
	323 957 376	19 873 211	343 830 587

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
<u>2022</u>			
Financial liabilities			
Management fees	-	833 213	833 213
Custody fees	-	94 007	94 007
Trustee fees	-	25 714	25 714
Audit fees	-	815 093	815 093
Publication costs	-	260 413	260 413
Distributions	-	19 447 709	19 447 709
Net assets attributable to unit holders	403 363 786	-	403 363 786
	<u>403 363 786</u>	<u>21 476 149</u>	<u>424 839 935</u>

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Management Company closely monitors the creditworthiness of the Fund's counterparties (for example, brokers, custodians, managers and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table contains an analysis of the Fund's maximum exposure to credit risks, which are the instruments' carrying amounts in the financial statements.

African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial instruments

Interest receivable	10 738 203	11 429 934
Cash and cash equivalents	67 654 151	63 626 770
Total credit risk exposure	78 392 354	75 056 704

IFRS 9 requires expected credit loss to be assessed on financial assets at amortized cost. The Fund Manager has a policy under which it places its cash with reputable commercial banks and investments with Government of Kenya and reputable corporate institutions with sound credit ratings. The assessed credit for financial assets was deemed to be low with immaterial impact to the financial statements hence no expected credit loss adjustment has been made to the financial statements.

Fair value

The fair values of the Fund's financial assets and liabilities not measured at fair value approximate their carrying amounts due to their short term nature.

13. Financial assets and liabilities by category

The following table analyses the carrying amounts of the financial assets and financial liabilities by category as defined in IFRS 9.

Financial assets at fair value through profit or loss

Held for trading	265 438 233	349 783 231
------------------	--------------------	-------------

Financial assets at amortised costs

Interest receivable	10 738 203	11 429 934
Cash and cash equivalents	67 654 151	63 626 770

Total financial assets

343 830 587	424 839 935
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Financial liabilities

Management fees	672 519	833 213
Custody fees	73 395	94 007
Trustee fees	25 714	25 714
Audit fees	937 360	815 093
Publication costs	356 382	260 413
Distributions	17 807 841	19 447 709
Net assets attributable to unit holders	323 957 376	403 363 786

Total financial liabilities

343 830 587	424 839 935
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African Alliance Kenya Fixed Income Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets

	Currency	Country	Maturity date	Interest rate / Price per unit	Holdings	% of Gross assets	% of Gross assets
2023							
Financial assets at fair value through profit or loss							
Current:							
Fixed deposits							
Family Bank Limited	KES	Kenya	26 Feb 24	15,75 %	3 000 000	3 000 000	0,87
Government bonds - fixed rate							
Current:							
Government of Kenya	KES	Kenya	19 Feb 24	11,30 %	5 800 000	5 761 355	1,68
Government of Kenya	KES	Kenya	06 May 24	10,87 %	14 450 000	14 198 416	4,13
Government of Kenya	KES	Kenya	07 Oct 24	12,50 %	4 150 000	4 143 267	1,21
Government of Kenya	KES	Kenya	02 Dec 24	11,00 %	1 300 000	1 281 949	0,37
Non-current:							
Government of Kenya	KES	Kenya	05 May 25	11,67 %	4 000 000	3 738 747	1,09
Government of Kenya	KES	Kenya	17 Aug 26	15,04 %	5 000 000	4 838 908	1,41
Government of Kenya	KES	Kenya	12 Oct 26	11,00 %	5 910 243	5 695 463	1,66
Government of Kenya	KES	Kenya	19 Jul 27	12,97 %	16 600 000	14 513 799	4,22
Government of Kenya	KES	Kenya	06 Sept 27	11,00 %	7 000 000	5 733 373	1,67
Government of Kenya	KES	Kenya	10 Apr 28	12,00 %	14 750 000	12 211 360	3,55
Government of Kenya	KES	Kenya	10 Jul 28	16,84 %	5 000 000	4 689 371	1,36
Government of Kenya	KES	Kenya	14 Aug 28	12,69 %	18 750 000	15 795 932	4,59
Government of Kenya	KES	Kenya	27 Nov 28	13,22 %	4 150 000	4 042 988	1,18
Government of Kenya	KES	Kenya	04 Dec 28	12,50 %	16 900 000	14 169 231	4,12
Government of Kenya	KES	Kenya	12 Feb 29	12,44 %	27 400 000	22 929 605	6,67
Government of Kenya	KES	Kenya	02 Apr 29	12,30 %	4 700 000	3 912 037	1,14
Government of Kenya	KES	Kenya	02 Apr 29	10,85 %	1 900 000	1 755 223	0,51
Government of Kenya	KES	Kenya	06 Aug 29	11,52 %	2 800 000	2 255 147	0,66
Government of Kenya	KES	Kenya	12 Nov 29	12,28 %	9 700 000	8 076 873	2,35
Government of Kenya	KES	Kenya	06 May 30	17,93 %	20 000 000	20 068 816	5,84
Government of Kenya	KES	Kenya	03 May 32	13,49 %	12 000 000	10 693 286	3,11
Government of Kenya	KES	Kenya	01 Nov 32	12,00 %	10 000 000	8 238 086	2,40
Government of Kenya	KES	Kenya	09 May 33	12,65 %	11 250 000	9 577 063	2,79
Government of Kenya	KES	Kenya	03 Oct 33	12,75 %	28 750 000	24 547 779	7,14
Government of Kenya	KES	Kenya	09 Jan 34	12,86 %	9 400 000	8 062 113	2,34
Government of Kenya	KES	Kenya	24 Apr 34	12,73 %	2 450 000	2 081 130	0,61
Government of Kenya	KES	Kenya	10 Jul 34	12,34 %	14 000 000	11 597 376	3,37
Government of Kenya	KES	Kenya	21 Mar 39	12,87 %	3 750 000	3 133 935	0,91
Government of Kenya	KES	Kenya	28 Jan 41	12,97 %	11 000 000	10 193 569	2,96
						257 936 197	75,02

African Alliance Kenya Fixed Income Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate / Price per unit	Holdings	% of Gross assets	% of Gross assets
2023 (continued)							
<u>Financial assets at fair value through profit or loss (continued)</u>							
<u>Non-current (continued)</u>							
Corporate bonds - fixed rate							
East African Breweries Limited	KES	Kenya	29 Oct 26	12,25 %	2 670 000	2 637 162	0,77
Kenya Mortgage Refin Co Ltd	KES	Kenya	23 Feb 29	12,50 %	1 895 033	1 864 874	0,54
						4 502 036	1,31
						265 438 233	77,20
<u>Financial assets at amortised costs</u>							
Interest receivable							
						10 738 203	3,12
Money market investments							
African Alliance Kenya Enhanced Yield Fund	KES	Kenya		12,30 %	18 708 857	18 708 857	5,44
African Alliance Kenya Money Market Fund	KES	Kenya		13,20 %	18 330 661	18 330 661	5,33
						37 039 518	10,77
Banks							
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	2 614 633	2 614 633	0,76
The Cooperative Bank of Kenya Limited	KES	Kenya		15,10 %	28 000 000	28 000 000	8,14
						30 614 633	8,90
Cash and cash equivalents							
						67 654 151	19,68
Total							
						343 830 587	100,00

African Alliance Kenya Fixed Income Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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2022
14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
2022							
Financial assets at amortised costs							
Current:							
Fixed deposits							
The Cooperative Bank of Kenya Limited	KES	Kenya	23 Jun 23	9,50 %	9 500 000	9 500 000	2,24
Financial assets at fair value through profit or loss							
Corporate bond							
Select Management Services Limited	KES	Kenya	30 Jun 23	16,00 %	26 002 012	26 002 012	6,12
						35 502 012	8,36
Government bonds - fixed rate:							
Current							
Government of Kenya	KES	Kenya	13 Mar 23	12,50 %	24 900 000	25 033 223	5,89
Government of Kenya	KES	Kenya	20 Mar 23	12,30 %	8 300 000	8 345 595	1,96
Government of Kenya	KES	Kenya	19 Jun 23	12,37 %	23 150 000	23 405 323	5,51
Government of Kenya	KES	Kenya	18 Sep 23	12,00 %	2 150 000	2 174 846	0,51
						58 958 987	13,88
Non-current							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	19 Feb 24	11,30 %	5 800 000	5 818 685	1,37
Government of Kenya	KES	Kenya	06 May 24	10,87 %	14 450 000	14 340 811	3,38
Government of Kenya	KES	Kenya	07 Oct 24	12,50 %	4 150 000	4 161 386	0,98
Government of Kenya	KES	Kenya	02 Dec 24	11,00 %	1 300 000	1 277 333	0,30
Government of Kenya	KES	Kenya	05 May 25	11,67 %	4 000 000	3 949 261	0,93
Government of Kenya	KES	Kenya	12 Oct 26	11,00 %	5 910 243	5 640 511	1,33
Government of Kenya	KES	Kenya	19 Jul 27	12,97 %	16 600 000	16 339 441	3,85
Government of Kenya	KES	Kenya	06 Sep 27	11,00 %	7 000 000	6 404 491	1,51
Government of Kenya	KES	Kenya	10 Apr 28	12,00 %	14 750 000	13 883 441	3,27
Government of Kenya	KES	Kenya	14 Aug 28	12,69 %	18 750 000	18 075 223	4,25
Government of Kenya	KES	Kenya	27 Nov 28	13,22 %	4 150 000	4 173 360	0,98
Government of Kenya	KES	Kenya	04 Dec 28	12,50 %	16 900 000	16 139 669	3,80
Government of Kenya	KES	Kenya	12 Feb 29	12,44 %	27 400 000	26 054 100	6,13
Government of Kenya	KES	Kenya	02 Apr 29	12,30 %	4 700 000	4 437 605	1,04
Government of Kenya	KES	Kenya	02 Apr 29	10,85 %	1 900 000	1 784 850	0,42
Government of Kenya	KES	Kenya	06 Aug 29	11,52 %	2 800 000	2 543 518	0,60
Government of Kenya	KES	Kenya	12 Nov 29	12,28 %	9 700 000	9 108 973	2,14
Government of Kenya	KES	Kenya	03 May 32	13,49 %	12 000 000	11 833 894	2,79
Government of Kenya	KES	Kenya	01 Nov 32	12,00 %	10 000 000	9 053 655	2,13
Government of Kenya	KES	Kenya	09 May 33	12,65 %	11 250 000	10 542 911	2,48
Government of Kenya	KES	Kenya	03 Oct 33	12,75 %	28 750 000	27 039 360	6,36
Government of Kenya	KES	Kenya	09 Jan 34	12,86 %	9 400 000	8 887 853	2,09
Government of Kenya	KES	Kenya	24 Apr 34	12,73 %	2 450 000	2 296 043	0,54
Government of Kenya	KES	Kenya	10 Jul 34	12,34 %	14 000 000	12 796 841	3,01
Government of Kenya	KES	Kenya	21 Mar 39	12,87 %	3 750 000	3 482 204	0,82
Government of Kenya	KES	Kenya	28 Jan 41	12,97 %	11 000 000	10 552 665	2,48
						250 618 084	58,99

African Alliance Kenya Fixed Income Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
<u>2022 (continued)</u>							
<u>Financial assets at fair value through profit or loss (continued)</u>							
<u>Non-current (continued)</u>							
Corporate bonds - fixed rate							
East African Breweries Limited	KES	Kenya	29 Oct 26	12,25 %	2 670 000	2 636 848	0,62
Kenya Mortgage Refin Co Ltd	KES	Kenya	23 Feb 29	12,50 %	2 100 000	2 067 300	0,49
						<u>4 704 148</u>	<u>1,11</u>
						<u>349 783 231</u>	<u>82,34</u>
<u>Financial assets at amortised costs</u>							
Interest receivable							
						<u>11 429 934</u>	<u>2,69</u>
Money market investments							
African Alliance Kenya Money Market Fund	KES	Kenya		8,67 %	16 399 429	16 399 429	3,86
African Alliance Kenya Enhanced Yield Fund	KES	Kenya		9,84 %	16 866 642	16 866 642	3,97
						<u>33 266 071</u>	<u>7,83</u>
Banks							
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	960 699	960 699	0,23
Kenya Commercial Bank Limited	KES	Kenya		9,50 %	12 400 000	12 400 000	2,92
Kenya Commercial Bank Limited	KES	Kenya		10,00 %	2 500 000	2 500 000	0,59
						<u>15 860 699</u>	<u>3,73</u>
Fixed deposits							
Kenya Commercial Bank Limited	KES	Kenya	16 Jan 23	10,00 %	10 000 000	10 000 000	2,35
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	4 500 000	4 500 000	1,05
						<u>14 500 000</u>	<u>3,41</u>
Cash and cash equivalents							
						<u>63 626 770</u>	<u>14,98</u>
Total							
						<u>424 839 935</u>	<u>100,00</u>

Effective interest rates, at the reporting date, are based on either the 91-days or 182-days treasury bills' rates applicable on each security's last interest rate reset date, plus a margin as per the prospectus.

African Alliance Kenya Fixed Income Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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15. Reconciliation of net asset value per unit

Published price (calculated in accordance with redemption requirements)	10,41	11,02
Adjusted for:		
- Distributions payable	(0,54)	(0,50)
Net asset value as per IFRS	9,87	10,52

16. Events after the reporting period

There are no significant events that have occurred in respect of the Fund and the Management Company, subsequent to the year end, that may be relevant to the accuracy of these financial statements.



African Alliance Kenya Managed Fund

Annual financial statements
for the year ended 31 December 2023

African Alliance Kenya Managed Fund

Statement of financial position as at 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Assets			
Investments	1	484 853 660	641 494 472
Interest receivable		7 539 302	6 647 060
Cash and cash equivalents	2	31 711 007	28 394 031
Total assets		524 103 969	676 535 563
Liabilities			
Management fees	11	1 028 227	1 329 143
Custody fees	11	92 059	92 963
Trustee fees	11	27 618	27 889
Audit fees		1 570 873	1 279 805
Publication costs		341 702	179 127
Distributions	7	23 698 859	25 955 150
Total liabilities excluding net assets attributable to unit holders		26 759 338	28 864 077
Net assets attributable to unit holders		497 344 631	647 671 486
Represented by :			
Net assets attributable to unit holders		497 344 631	647 671 486

The accounting policies on pages 14 to 21 and notes on pages 68 to 83 are an integral part of the audited financial statements.

African Alliance Kenya Managed Fund
Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Income			
Fair value adjustments	1	(40 436 406)	(69 966 997)
Interest income	4	30 278 907	25 986 086
Dividend income		24 004 630	34 590 147
Income equalisation	5	(4 294 101)	(3 553 106)
Total income		9 553 030	(12 943 870)
Expenses			
Management fees	11	(5 632 634)	(5 299 958)
Custody fees	11	(1 519 492)	(1 882 206)
Trustee fees	11	(619 320)	(823 102)
Audit fees		(1 376 069)	(1 376 069)
Other operating expenses		(162 575)	(162 575)
Total expenses		(9 310 090)	(9 543 910)
Operating (loss) / profit before distributions		242 940	(22 487 780)
Distributions to unit holders	6	(40 679 344)	(47 479 219)
Decrease in net assets attributable to unit holders		(40 436 404)	(69 966 999)

The accounting policies on pages 14 to 21 and notes on pages 68 to 83 are an integral part of the annual financial statements.

African Alliance Kenya Managed Fund
Statement of changes in Net assets attributable to unit holders for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	Net assets attributable to unit holders	Number of units	Net asset value per unit
Balance at 01 January 2022		817 646 025	40 725 716	20,08
Issue of units during the year	8	101 221 736	5 298 454	
Redemption of units during the year	8	(201 229 276)	(10 763 071)	
Decrease in net assets attributable to unit holders		(69 966 999)	-	
Balance at 31 December 2022	9	647 671 486	35 261 099	18,37
Balance at 01 January 2023		647 671 486	35 261 099	18,37
Issue of units during the year	8	104 040 319	5 814 365	
Redemption of units during the year	8	(213 930 770)	(12 069 418)	
Decrease in net assets attributable to unit holders		(40 436 404)	-	
Balance at 31 December 2023	9	497 344 631	29 006 046	17,15

The accounting policies on pages 14 to 21 and notes on pages 68 to 83 are an integral part of the annual financial statements.

African Alliance Kenya Managed Fund

Statement of cash flows for the year ended 31 December 2023

Figures in Kenyan Shilling	Note	2023	2022
Cash flow from operating activities			
Proceeds from sale of investments		167 844 366	177 450 001
Purchase of investments	1	(51 639 960)	(56 246 648)
Interest received		29 386 664	25 235 103
Dividend received		24 004 630	34 590 147
Trustee fees paid		(619 591)	(823 988)
Custodian fees paid		(1 520 396)	(1 885 158)
Management fees paid		(5 933 550)	(5 615 050)
Audit fees paid		(1 085 000)	(2 033 764)
Net cash generated by operating activities		160 437 163	170 670 643
Cash flow from financing activities			
Proceeds from issue of units	8	64 110 084	60 539 657
Payment on redemption of units	8	(221 038 592)	(207 467 859)
Distributions paid to unit holders	7	(191 679)	(109 147)
Net cash used in financing activities		(157 120 187)	(147 037 349)
Net movement in cash and cash equivalents during the year		3 316 976	23 633 294
Cash and cash equivalents at the beginning of the year		28 394 031	4 760 737
Cash and cash equivalents at the end of the year	2	31 711 007	28 394 031

The accounting policies on pages 14 to 21 and notes on pages 68 to 83 are an integral part of the annual financial statements.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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1. Investments

Unit Trust investments	290 551 966	439 754 385
Fixed rate Government bonds	180 371 149	180 691 187
Equity investments	9 418 362	16 363 557
Corporate bonds	4 512 183	4 685 343
	484 853 660	641 494 472
Opening balance	641 494 472	832 664 822
Additions	51 639 960	56 246 648
Disposals	(173 625 909)	(173 245 443)
Unrealised fair value movement	(34 654 863)	(74 171 555)
Closing balance	484 853 660	641 494 472

Net change in fair value of investments is analysed as follows:

Realised	(5 781 543)	4 204 558
Unrealised	(34 654 863)	(74 171 555)
	(40 436 406)	(69 966 997)

Refer to *Note 3, Fair value of financial instruments*, for further details and *Note 14, Analysis of total assets*, for terms and conditions of the above securities.

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and liquid investments	31 711 007	28 394 031
Analysed as:		
Money market investments	6 002 195	7 401 964
Cash at bank	25 708 812	20 992 067
	31 711 007	28 394 031

Money market investments are highly liquid investments and are subject to insignificant risks of changes in value.

Refer to *Note 14, Analysis of total assets*, for further details.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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3. Fair value of financial instruments

The following table refers to financial instruments recognised at fair value, analysed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1),
- those involving inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - Level 2, and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) - Level 3.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
2023				
Unit trust investments				
Hausmann Rech Global Managed Fund	-	47 274 642	-	47 274 642
African Alliance Kenya Equity Fund	-	98 330 914	-	98 330 914
African Alliance Kenya Fixed Income Fund	-	144 946 410	-	144 946 410
Government of Kenya				
Fixed rate bonds	180 371 149	-	-	180 371 149
Equity investments				
Safaricom Limited	9 418 362	-	-	9 418 362
Corporate bonds	-	4 512 183	-	4 512 183
	189 789 511	295 064 149	-	484 853 660
2022				
Unit trust investments				
Hausmann Rech Global Managed Fund	-	32 559 492	-	32 559 492
African Alliance Kenya Equity Fund	-	182 111 936	-	182 111 936
African Alliance Kenya Fixed Income Fund	-	225 082 957	-	225 082 957
Government of Kenya				
Fixed rate bonds	180 691 187	-	-	180 691 187
Corporate bonds				
	-	4 685 343	-	4 685 343
Equity investments				
Safaricom Limited	16 363 557	-	-	16 363 557
	197 054 744	444 439 728	-	641 494 472

Financial instruments not measured at fair value

Type	Valuation technique
Corporate bonds	Discounted cash flows : The valuation model considers the present value of expected receipt, discounted using yield rates derived from active markets.
Unit trust investments	Net asset value price per unit calculated on daily basis.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

2023 2022

4. Interest income

Fixed income securities	24 767 150	25 023 108
Money market investments	1 543 785	79 023
Cash at bank	3 967 972	883 955
	30 278 907	25 986 086

5. Income equalisation

Income equalisation on issue of units (Note 8)	2 813 721	2 685 477
Income equalisation on redemption of units (Note 8)	(7 107 822)	(6 238 583)
Net expense for the year	(4 294 101)	(3 553 106)

Income equalisation is accrued income / (expense) included in the price of units created and redeemed by the Fund during the accounting period. The subscription price of the units is deemed to include a deemed income payment calculated by reference to the accrued income of the units and the first distribution in respect of any unit will include a payment of capital usually equal to the amount of such income. The redemption price of each unit will also include a payment in respect of the accrued income of the unit up to the date of the redemption.

6. Distributions to unit holders

	<u>Distribution per unit at</u>		<u>Distributions at</u>	
	2023	2022	2023	2022
Distributions declared at:				
June	0,58	0,76	16 980 485	21 524 069
December	0,82	0,74	23 698 859	25 955 150
			40 679 344	47 479 219

7. Distributions paid to unit holders

Opening balance	(25 955 150)	(21 952 634)
Distributions for the year (Note 6)	(40 679 344)	(47 479 219)
Closing balance	23 698 859	25 955 150
	(42 935 635)	(43 476 703)
Distributions reinvested	42 743 956	43 367 556
Distributions paid	191 679	109 147
	42 935 635	43 476 703

8. Issue and redemption of units during the year

Units created during the year	104 040 319	101 221 736
Distributions reinvested	(42 743 956)	(43 367 556)
Income equalisation adjustment (Note 5)	2 813 721	2 685 477
Proceeds from issue of units	64 110 084	60 539 657

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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8. Issue and redemption of units during the year (continued)

Units redeemed during the year	(213 930 770)	(201 229 276)
Income equalisation adjustment (Note 5)	(7 107 822)	(6 238 583)
Payment on redemption of units	<u>(221 038 592)</u>	<u>(207 467 859)</u>

9. Redeemable participating units

The Fund's capital is represented by these redeemable participating units. Quantitative information about the Fund's capital is provided in the *Statement of changes in net assets attributable to unit holders*.

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unit holders have various rights under the Fund's Trust Deed, including the right to:

- have their unit redeemed at a proportionate unit price based on the Fund's net asset value per unit on the redemption date,
- receive income distributions, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of issue and redemption of units, the net assets attributable to unit holders is calculated in accordance with the Fund's Trust Deed.

10. Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's Trust Deed.

The Fund's objectives for managing capital are:

- to invest in instruments meeting the description, risk exposure and expected return indicated in its Trust Deed,
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by participating in other capital markets and by using various investment strategies,
- to maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise, and

Refer to *Note 12, Financial risk management objectives and policies*, for the policies and processes applied by the Fund in managing its capital.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties

Relationship - Trustee and custodian

Stanbic Bank Kenya Limited, a company incorporated in the Republic of Kenya, provides trustee and custodian services to the Fund and receives, in return, a monthly fee.

Custody fees payable	92 059	92 963
Trustee fees payable	27 618	27 889
Custody fees charged for the year	1 519 492	1 882 206
Trustee fees charged for the year	<u>619 320</u>	<u>823 102</u>

Investments held with Stanbic Bank Kenya Limited:

Current account	<u>13 708 811</u>	<u>892 067</u>
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Relationship - Investment Manager

The Fund is managed by African Alliance Kenya Asset Management Limited, a company incorporated in the Republic of Kenya. African Alliance Kenya Asset Management Limited provides management services to the Fund and receives, in return, an annual fee, collected monthly, based on the total asset value of the Fund at a rate not exceeding 2%.

Management fees payable	1 028 227	1 329 143
Management fees charged for the year	<u>5 632 634</u>	<u>5 299 958</u>

Investment in the Fund made by the Fund Investment Manager:

African Alliance Kenya Asset Management Limited

	Number of Units held	Value of units held	% of units held	Distributions to unit holders	Distributions payable
Opening balance - 01 January 2022	23 538	485 261	0,06		11 479
Units acquired	2 125	41 391			
Units disposed	<u>(1 359)</u>	<u>(26 461)</u>			
Closing balance - 31 December 2022	<u>24 304</u>	<u>464 340</u>	0,07	22 316	15 505
Opening balance - 01 January 2023	24 304	464 340	0,07		15 505
Units acquired	2 915	53 803			
Units disposed	<u>(1 513)</u>	<u>(27 141)</u>			
Closing balance - 31 December 2023	<u>25 706</u>	<u>461 800</u>	0,09	28 586	18 692

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties (continued)

Investments made by the Fund in other African Alliance Unit Trusts and Funds:

	Number of Units held	Value of units held	% of units held	Distributions received	Distributions receivable
<u>African Alliance Kenya Equity Fund</u>					
Opening balance - 01 January 2022	1 671 946	276 152 643	80,40		413 633
Units acquired	98 193	14 579 006			
Units disposed	(482 350)	(72 800 000)			
Closing balance - 31 December 2022	<u>1 287 789</u>	<u>182 111 936</u>	78,13	8 515 783	1 139 388
Opening balance - 01 January 2023	1 287 789	182 111 936	78,13		1 139 388
Units acquired	75 937	9 970 884			
Units disposed	(549 096)	(72 966 497)			
Closing balance - 31 December 2023	<u>814 630</u>	<u>98 330 914</u>	69,12	6 315 987	2 101 499
<u>African Alliance Kenya Fixed Income Fund</u>					
Opening balance - 01 January 2022	25 379 512	266 195 902	55,68		10 489 772
Units acquired	2 928 735	31 868 661			
Units disposed	(7 891 448)	(84 900 000)			
Closing balance - 31 December 2022	<u>20 416 799</u>	<u>225 082 957</u>	53,23	25 132 529	10 352 953
Opening balance - 01 January 2023	20 416 799	225 082 957	53,23		10 352 953
Units acquired	2 060 171	21 670 368			
Units disposed	(8 550 651)	(92 402 183)			
Closing balance - 31 December 2023	<u>13 926 319</u>	<u>144 946 410</u>	42,41	16 875 562	7 552 502

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Related parties (continued)

Investments made by the Fund in other African Alliance Unit Trusts and Funds (continued):

	Number of Units held	Value of units held	% of units held	Distributions received	Distributions receivable
<u>African Alliance Kenya Money Market Fund</u>					
Opening balance - 01 January 2022	1 800	1 800	0,001		10,55
Units acquired	164	164			
Closing balance - 31 December 2022	1 964	1 964	0,001	143	14,18
Opening balance - 01 January 2023	1 964	1 964	0,001		14,18
Units acquired	232	232			
Closing balance - 31 December 2023	2 196	2 196	0,001	207	24,13

Hausmann Rech Global Managed Fund

Opening balance - 01 January 2022	245 240	35 006 766	1,94		-
Units disposed	-	-			
Closing balance - 31 December 2022	245 240	32 559 492	1,93	-	-
Opening balance - 01 January 2023	245 240	32 559 492	1,93		-
Units acquired	-	-			
Closing balance - 31 December 2023	245 240	47 274 642	2,16	-	-

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

12. Financial risk management objectives and policies

Introduction

The Fund's objective in managing risk is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risks (which include interest rate risks, currency risks and price risks), liquidity risks and credit risks arising from the financial instruments it holds.

Risk management structure

The Fund's Investment Manager is responsible for identifying and controlling risks. The directors of the management company supervise the Investment Manager and are ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Financial risk is managed through the regulatory framework under the Collective Investment Undertakings Regulation 2001, which imposes strict and specific regulations regarding the instruments that may be held by the scheme. The Scheme is additionally governed by a Trust Deed, which commits the funds to specific investment objectives and requires the investment manager to manage the Scheme in accordance therewith. Compliance limits are built into the daily pricing systems and processes. Independent checks are also carried out by the Trustee as well as the compliance functions of the Management Company to ensure compliance with limitations specified in the Trust Deed and the regulations determined under the Collective Investments Undertakings Regulation, 2001.

Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities or reliance on a particular market to realise liquid assets.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, equity prices and foreign exchange rates will affect the fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is to enhance returns and control risks. The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures put in place. Details of the Fund's investment portfolio at the reporting date are disclosed in Note 14.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

Interest rate risk (continued)

The interest rate exposure arises on money market investments and cash at bank.

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rate, with all other variables held constant. The sensitivity of the change in net assets attributable to unit holders is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Change in basis points	Sensitivity of interest income
31 December 2023	+/- 10	+/- 25 711
31 December 2022	+/- 10	+/- 20 994

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Consequently, the Fund is exposed to risks that the exchange rate of its currency, relative to other currencies, may change in a manner that has an adverse effect on the fair value or future cash flows of the portion of the Fund's assets and liabilities denominated in currencies other than the Kenyan Shilling.

The Fund invest in securities and other investments that are denominated in currencies other than the Kenyan Shilling.

Accordingly, the value of the Fund's assets may be affected favourably or unfavourably by fluctuations in currency rates and therefore, the Fund may be subject to foreign exchange risks.

<u>Assets</u>	Change in currency rate (%)	Effect on the change in net assets attributable to unit holders	
US Dollar	10	4 727 464	3 255 949

Concentration of foreign currency exposure

The following table sets out the Fund's exposure to foreign currency exchange rates on monetary financial assets and liabilities and total financial assets and liabilities at the reporting date.

<u>Assets</u>	% of total assets	
US Dollar	9,02	4,81

Price risk

Price risk is the risk of unfavourable changes in the fair values of equities and Fund value as a result of changes in the levels of equity indices and the value of individual securities and fund prices.

Price risk is managed by the Investment Manager by diversifying the portfolio as set out by the Trust Deed.

Considering the reasonably possible increase of 10% in security indices and individual security and fund prices, the effect on the Fund's net assets attributable to unit holders is as follows:

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

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12. Financial risk management objectives and policies (continued)

Effect of a 10% change in equity and bond prices	48 485 366	64 149 447
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A weakening of equity prices would result in an equal but opposite effect to the amounts shown above.

Concentration of equity price risk

The following table contains an analysis of the Fund's concentration of equity price risk by geographical distribution, based on counterparties' place of primary listing or place of domicile, if not listed.

	<u>% of equity securities</u>	
Republic of Kenya	84,24	94,80
Outside the Republic of Kenya	15,76	5,20
	100,00	100,00

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holders' option, based on the Fund's Net Asset Value (NAV) per unit at the time of the redemption, calculated in accordance with the Fund's Trust Deed.

The Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- allowing for the redemptions, payments to be made within 7 days of the redemption instructions being received,
- searching for new investors,
- withdrawal of cash deposits,
- disposal of highly liquid assets, and
- disposal of other assets.

It is the Fund's policy that the Investment Manager monitors the Fund's liquidity position on a daily basis and that the directors of the management company review it on a quarterly basis.

The following table summarises the maturity profile of the Fund's financial assets and financial liabilities based on the contractual undiscounted cash flows.

Based on the nature of the business of the Trust Scheme, the realisation of the assets will depend on the redemption requirements of the investors, as well as the investment strategy.

For financial liabilities, the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund is required to pay.

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

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12. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
<u>2023</u>			
Financial liabilities			
Net assets attributable to unit holders	497 344 631	-	497 344 631
Management fees	-	1 028 227	1 028 227
Custody fees	-	92 059	92 059
Trustee fees	-	27 618	27 618
Audit fees	-	1 570 873	1 570 873
Publication costs	-	341 702	341 702
Distributions	-	23 698 859	23 698 859
	497 344 631	26 759 338	524 103 969
<u>2022</u>			
Financial liabilities			
Net assets attributable to unit holders	647 671 486	-	647 671 486
Management fees	-	1 329 143	1 329 143
Custody fees	-	92 963	92 963
Trustee fees	-	27 889	27 889
Audit fees	-	1 279 805	1 279 805
Publication costs	-	179 127	179 127
Distributions	-	25 955 150	25 955 150
	647 671 486	28 864 077	676 535 563

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Management Company closely monitors the creditworthiness of the Fund's counterparties (for example, brokers, custodians, managers and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table contains an analysis of the Fund's maximum exposure to credit risks, which are the instruments' carrying amounts in the financial statements.

Financial instruments

Interest receivable	7 539 302	6 647 060
Cash and cash equivalents	31 711 007	28 394 031
Total credit risk exposure	39 250 309	35 041 091

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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12. Financial risk management objectives and policies (continued)

IFRS 9 requires expected credit loss to be assessed on financial assets at amortized cost. The Fund Manager has a policy under which it places its cash with reputable commercial banks and investments with Government of Kenya and reputable corporate institutions with sound credit ratings. The assessed credit for financial assets was deemed to be low with immaterial impact to the financial statements hence no expected credit loss adjustment has been made to the financial statements.

Fair value

The fair values of the Fund's financial assets and liabilities not measured at fair value approximate their carrying amounts due to their short term nature.

13. Financial assets and liabilities by category

The following table analyses the carrying amounts of the financial assets and financial liabilities by category as defined in *IFRS 9*.

Financial assets at fair value through profit or loss		
Held for trading	484 853 660	641 494 472
Financial assets at amortised costs		
Interest receivable	7 539 302	6 647 060
Cash and cash equivalents	31 711 007	28 394 031
Total financial assets	524 103 969	676 535 563
Financial liabilities		
Management fees	1 028 227	1 329 143
Custody fees	92 059	92 963
Trustee fees	27 618	27 889
Audit fees	1 570 873	1 279 805
Publication costs	341 702	179 127
Distributions	23 698 859	25 955 150
Net assets attributable to unit holders	497 344 631	647 671 486
Total financial liabilities	524 103 969	676 535 563

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

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14. Analysis of total assets

	Currency	Country	Maturity date	Interest rate / price per unit	Holdings	Fair value	% of Gross assets
2023							
Financial assets at fair value through profit or loss							
Current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	06 May 24	10,87 %	5 450 000	5 355 112	1,02
Government of Kenya	KES	Kenya	02 Dec 24	11,00 %	5 250 000	5 177 101	0,99
						10 532 213	2,01
Unit Trust & Equity investments							
African Alliance Kenya Equity Fund	KES	Kenya		120,71	814 630	98 330 914	18,76
African Alliance Kenya Fixed Income Fund	KES	Kenya		10,41	13 926 319	144 946 410	27,66
Safaricom Limited	KES	Kenya		13,90	677 580	9 418 362	1,80
Hausmann Rech Global Managed Fund	USD	Mauritius		192,77	245 240	47 274 642	9,01
						299 970 328	57,23
Non-current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	10 Mar 25	10,25 %	2 850 000	2 652 686	0,51
Government of Kenya	KES	Kenya	05 May 25	11,67 %	2 000 000	1 869 374	0,36
Government of Kenya	KES	Kenya	09 Nov 26	11,00 %	10 000 000	8 537 168	1,63
Government of Kenya	KES	Kenya	06 Sep 27	11,00 %	9 700 000	7 944 817	1,52
Government of Kenya	KES	Kenya	07 Feb 28	11,25 %	15 000 000	12 175 669	2,32
Government of Kenya	KES	Kenya	10 Apr 28	12,00 %	5 000 000	4 139 444	0,79
Government of Kenya	KES	Kenya	10 Jul 28	16,84 %	10 000 000	9 677 817	1,85
Government of Kenya	KES	Kenya	14 Aug 28	12,69 %	29 650 000	24 978 634	4,77
Government of Kenya	KES	Kenya	04 Dec 28	12,50 %	17 750 000	14 881 885	2,84
Government of Kenya	KES	Kenya	12 Feb 29	12,44 %	12 300 000	10 293 217	1,96
Government of Kenya	KES	Kenya	02 Apr 29	12,30 %	5 750 000	4 786 003	0,91
Government of Kenya	KES	Kenya	12 Nov 29	12,28 %	14 300 000	11 907 143	2,27
Government of Kenya	KES	Kenya	06 May 30	17,93 %	10 000 000	10 034 408	1,91
Government of Kenya	KES	Kenya	01 Nov 32	12,00 %	7 000 000	5 766 659	1,10

African Alliance Kenya Managed Fund
Notes to the financial statements for the year ended 31 December 2023

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate / price per unit	Holdings	Fair value	% of Gross assets
<u>2023 (continued)</u>							
<u>Financial assets at fair value through profit or loss (continued)</u>							
<u>Non-current (continued):</u>							
<u>Government bonds - fixed rate (continued)</u>							
Government of Kenya	KES	Kenya	03 Oct 33	12,75 %	12 750 000	10 886 406	2,08
Government of Kenya	KES	Kenya	09 Jan 34	12,86 %	6 750 000	5 789 283	1,10
Government of Kenya	KES	Kenya	10 Jul 34	12,34 %	14 000 000	11 597 374	2,21
Government of Kenya	KES	Kenya	01 Mar 38	13,20 %	1 700 000	1 457 081	0,28
Government of Kenya	KES	Kenya	21 Mar 39	12,87 %	3 650 000	3 050 363	0,58
Government of Kenya	KES	Kenya	28 Jan 41	12,97 %	8 000 000	7 413 505	1,41
						169 838 936	32,41
<u>Corporate bond - fixed rate</u>							
East African Breweries Plc	KES	Kenya	29 Oct 26	12,25 %	2 950 000	2 913 719	0,56
Kenya Mortgage Refin. Co	KES	Kenya	23 Feb 29	12,50 %	1 624 314	1 598 464	0,30
						4 512 183	0,86
						484 853 660	92,51
<u>Financial assets at amortised costs</u>							
<u>Interest receivable</u>						7 539 302	1,44
<u>Cash and cash equivalents</u>							
<u>Current:</u>							
<u>Money market investments</u>							
African Alliance Kenya Money Market Fund	KES	Kenya		13,20 %	2 196	2 196	-
<u>Banks</u>							
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	13 708 811	13 708 811	2,62
<u>Fixed deposit</u>							
Stanbic Bank Kenya Limited	KES	Kenya	22 Jan 24	16,40 %	6 000 000	6 000 000	1,14
<u>Call account</u>							
The Cooperative Bank of Kenya Limited	KES	Kenya		15,10 %	12 000 000	12 000 000	2,29
						18 000 000	3,43
<u>Cash and cash equivalents</u>						31 711 007	6,05
Total						524 103 969	100,00

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate / price per unit	Holdings	Fair value	% of Gross assets
2022							
Financial assets at fair value through profit or loss							
Current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	19 Sep 23	12,00 %	2 300 000	2 326 579	0,34
Unit trust investments							
Hausmann Rech Global Managed Fund	USD	Mauritius		132,77	245 240	32 559 492	4,81
African Alliance Kenya Equity Fund	KES	Kenya		141,41	1 287 789	182 111 936	26,92
African Alliance Kenya Fixed Income Fund	KES	Kenya		11,02	20 416 799	225 082 957	33,27
Safaricom Limited	KES	Kenya		24,15	677 580	16 363 557	2,42
						456 117 942	67,42
Non-current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	06 May 24	10,87 %	5 450 000	5 408 818	0,80
Government of Kenya	KES	Kenya	02 Dec 24	11,00 %	5 250 000	5 158 459	0,76
Government of Kenya	KES	Kenya	10 Mar 25	10,25 %	2 850 000	2 742 118	0,41
Government of Kenya	KES	Kenya	05 May 25	11,67 %	2 000 000	1 974 630	0,29
Government of Kenya	KES	Kenya	09 Nov 26	11,00 %	10 000 000	9 472 714	1,40
Government of Kenya	KES	Kenya	06 Sep 27	11,00 %	9 700 000	8 874 795	1,31
Government of Kenya	KES	Kenya	07 Feb 28	11,25 %	15 000 000	13 747 220	2,03
Government of Kenya	KES	Kenya	10 Apr 28	12,00 %	5 000 000	4 706 251	0,70
Government of Kenya	KES	Kenya	14 Aug 28	12,69 %	29 650 000	28 582 953	4,22
Government of Kenya	KES	Kenya	04 Dec 28	12,50 %	17 750 000	16 951 427	2,51
Government of Kenya	KES	Kenya	12 Feb 29	12,44 %	12 300 000	11 695 819	1,73
Government of Kenya	KES	Kenya	02 Apr 29	12,30 %	5 750 000	5 428 984	0,80
Government of Kenya	KES	Kenya	12 Nov 29	12,28 %	14 300 000	13 428 691	1,98
Government of Kenya	KES	Kenya	01 Nov 32	12,00 %	7 000 000	6 337 559	0,94
Government of Kenya	KES	Kenya	03 Oct 33	12,75 %	12 750 000	11 991 368	1,77
Government of Kenya	KES	Kenya	09 Jan 34	12,86 %	6 750 000	6 382 234	0,94
Government of Kenya	KES	Kenya	10 Jul 34	12,34 %	14 000 000	12 796 841	1,89
Government of Kenya	KES	Kenya	01 Mar 38	13,20 %	1 700 000	1 619 714	0,24
Government of Kenya	KES	Kenya	21 Mar 39	12,87 %	3 650 000	3 389 345	0,50
Government of Kenya	KES	Kenya	28 Jan 41	12,97 %	8 000 000	7 674 668	1,13
						178 364 608	26,36
Corporate bonds - fixed rate							
East African Breweries Plc	KES	Kenya	29 Oct 26	12,25 %	2 950 000	2 913 371	0,43
Kenya Mortgage Refin Co	KES	Kenya	23 Feb 29	12,50 %	1 800 000	1 771 972	0,26
						4 685 343	0,69

African Alliance Kenya Managed Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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14. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate / price per unit	Holdings	Fair value	% of Gross assets	
<u>2022 (continued)</u>							641 494 472	94,81
<u>Financial assets at amortised costs</u>								
Interest receivable							6 647 060	0,98
<u>Current:</u>								
Money market investments								
African Alliance Kenya Money Market Fund	KES	Kenya		8,67 %	1 964	1 964	-	
Banks								
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	892 067	892 067	0,13	
Call account								
Kenya Commercial Bank Limited	KES	Kenya		9,50 %	20 100 000	20 100 000	2,97	
Fixed deposits								
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	2 400 000	2 400 000	0,35	
Kenya Commercial Bank Limited	KES	KES	06 Feb 23	10,00 %	5 000 000	5 000 000	0,95	
							27 500 000	4,06
Cash and cash equivalents							28 394 031	4,20
Total							676 535 563	100,00

15. Reconciliation of Net Asset Value per unit

Published price (calculated in accordance with redemption requirements)	17,96	19,11
Adjusted for:		
- Distributions payable	(0,81)	(0,74)
Net asset value as per IFRS	17,15	18,37

16. Events after the reporting period

There are no significant events that have occurred in respect of the Fund and the management company, subsequent to the year end, that may be relevant to the accuracy of these financial statements.



African Alliance Kenya Money Market Fund

Annual financial statements
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African Alliance Kenya Money Market Fund

Statement of financial position as at 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Assets			
Investments	1	103 719 160	58 900 977
Interest receivable		2 710 419	1 822 333
Cash and cash equivalents	2	130 592 613	128 725 257
Total assets		237 022 192	189 448 567
Liabilities			
Management fees	10	229 434	183 353
Custody fees	10	68 830	55 006
Trustee fees	10	17 207	13 751
Audit fees		325 209	314 379
Publication costs		234 651	201 943
Distributions	6	2 537 268	1 333 014
Total liabilities excluding net assets attributable to unit holders		3 412 599	2 101 446
Net assets attributable to unit holders		233 609 593	187 347 121
Represented by :			
Net assets attributable to unit holders		233 609 593	187 347 121

The accounting policies on pages 14 to 21 and notes on pages 89 to 103 are an integral part of the annual financial statements

African Alliance Kenya Money Market Fund
Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Income			
Interest income	4	25 348 605	16 552 280
Expenses			
Management fees	10	(2 409 519)	(2 010 434)
Custody fees	10	(714 476)	(559 913)
Trustee fees	10	(316 656)	(319 441)
Audit fees		(276 831)	(276 831)
Other operating expenses		(32 707)	(32 949)
Total operating expenses		(3 750 189)	(3 199 568)
Operating profit for the year		21 598 416	13 352 712
Distributions to unit holders	5	(21 598 416)	(13 352 712)
Decrease in net assets attributable to unit holders		-	-

The accounting policies on pages 14 to 21 and notes on pages 89 to 103 are an integral part of the annual financial statements.

African Alliance Kenya Money Market Fund
Statement of changes in net assets attributable to unit holders for the year ended 31 December 2023

Figures in Kenyan Shilling	Note	Net assets attributable to unit holders	Number of units	Net asset value per unit
Balance at 01 January 2022		167 960 335	167 960 336	1,00
Issue of units during the year	7	74 414 663	74 414 663	
Redemption of units during the year		(55 027 877)	(55 027 877)	
Increase in net assets attributable to unit holders		-	-	
Balance at 31 December 2022	8	187 347 121	187 347 122	1,00
Balance at 01 January 2023		187 347 121	187 347 122	1,00
Issue of units during the year	7	110 085 469	110 085 469	
Redemption of units during the year		(63 822 997)	(63 822 997)	
Increase in net assets attributable to unit holders		-	-	
Balance at 31 December 2023	8	233 609 593	233 609 594	1,00

The accounting policies on pages 14 to 21 and notes on pages 89 to 103 are an integral part of the annual financial statements.

African Alliance Kenya Money Market Fund
Statement of cash flows for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Cash flow from operating activities			
Net movement in investments		(44 818 182)	74 536 811
Interest received		24 460 520	14 997 372
Trustee fees paid		(313 200)	(313 200)
Custodian fees paid		(700 652)	(562 714)
Management fees paid		(2 363 440)	(1 994 113)
Audit fees paid		(266 000)	(351 836)
Other expenses paid		-	(240)
Net cash (used in) /generated from operating activities		(24 000 954)	86 312 080
Cash flow from financing activities			
Proceeds from issue of units	7	92 322 139	63 066 271
Payment on redemption of units		(63 822 997)	(55 027 877)
Distributions paid to unit holders	6	(2 630 832)	(1 658 101)
Net cash generated from financing activities		25 868 310	6 380 293
Net movement in cash and cash equivalents during the year		1 867 356	92 692 373
Cash and cash equivalents at the beginning of the year		128 725 257	36 032 884
Cash and cash equivalents at the end of the year	2	130 592 613	128 725 257

The accounting policies on pages 14 to 21 and notes on pages 89 to 103 are an integral part of the annual financial statements.

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling	2023	2022
1. Investments		
Fixed rate Government bonds	54 285 810	23 324 350
Treasury bills	-	8 805 631
Fixed deposits	48 211 086	13 764 291
Variable rate Corporate bonds	1 222 264	13 006 705
	103 719 160	58 900 977

Fair value information

Opening balance	58 900 977	133 437 788
Additions	78 312 201	47 447 091
Disposals	(35 515 489)	(120 619 307)
Movement in interest accrued	2 021 471	(1 364 595)
Closing balance	103 719 160	58 900 977

Refer to *Note 13, Analysis of total assets*, for terms and conditions of the above securities.

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and liquid investments	130 592 613	128 725 257
Analysed as:		
Fixed deposits	33 000 000	92 900 000
Call deposits	96 000 000	35 000 000
Current account	1 592 613	825 257
	130 592 613	128 725 257

Money market investments are highly liquid investments and are subject to insignificant risks of changes in value. Refer to *Note 13, Analysis of total assets*, for further details.

3. Fair value of financial instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable directly (that is, as prices) or indirectly (that is, derived from prices). This category includes instruments using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less active, or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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3. Fair value of financial instruments (continued)

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs that are not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued, based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Financial instruments not measured at fair value

The carrying amount of the financial instruments that are not measured at fair value approximate their fair value and the fair value hierarchy of those financial assets is summarised below:

- Debt instruments, interest receivable and cash and cash equivalents are classified as level 2.
- Net assets attributable to unit holders are classified as level 2.
- Payables are measured at amortised costs.

4. Interest income

Financial assets at amortised costs	6 126 054	3 530 463
Fixed deposits and treasury bills	12 911 527	7 765 341
Cash at bank	6 311 024	5 256 476
	25 348 605	16 552 280

5. Distributions to unit holders

Distributions declared at:

January	1 359 773	1 015 277
February	1 341 930	951 424
March	1 528 606	1 092 431
April	1 560 853	976 112
May	1 641 164	1 036 559
June	1 678 838	1 007 455
July	1 756 731	1 233 954
August	1 810 484	1 129 588
September	1 890 865	1 153 106
October	2 202 551	1 174 032
November	2 289 357	1 249 760
December	2 537 264	1 333 014
	21 598 416	13 352 712

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling	2023	2022
6. Distributions paid to unit holders		
Opening balance	(1 333 014)	(986 795)
Distributions for the year(Note 5)	(21 598 416)	(13 352 712)
Closing balance	2 537 268	1 333 014
	(20 394 162)	(13 006 493)
Distributions reinvested (Note 7)	17 763 330	11 348 392
Distributions paid	2 630 832	1 658 101
	20 394 162	13 006 493

7. Issue and redemption of units during the year

Units created during the year	110 085 469	74 414 663
Distributions reinvested (Note 6)	(17 763 330)	(11 348 392)
Proceeds from issue of units	92 322 139	63 066 271
Redemption of units during the year	(63 822 997)	(70 944 907)

8. Redeemable participating units

The Fund's capital is represented by these redeemable participating units. Quantitative information about the Fund's capital is provided in the *Statement of changes in net assets attributable to unit holders*.

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unit holders have various rights under the Fund's Trust Deed, including the right to:

- have their unit redeemed at a proportionate unit price based on the Fund's net asset value per unit on the redemption date,
- receive income distributions, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of issue and redemption of units, the net assets attributable to unit holders is calculated in accordance with the Fund's Trust Deed.

9. Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's Trust Deed.

The Fund's objectives for managing capital are:

- to invest in instruments meeting the description, risk exposure and expected return indicated in its Trust Deed,

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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9. Capital management (continued)

- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by participating in other capital markets and by using various investment strategies,
- to maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise, and

Refer to *Note 11, Financial risk management objectives and policies*, for the policies and processes applied by the Fund in managing its capital.

10. Related parties

Relationship - Trustee and custodian

Stanbic Bank Kenya Limited, a company incorporated in the Republic of Kenya, provides trustee and custodian services to the Fund and receives, in return, a monthly fee.

Custody fees payable	68 830	55 006
Trustee fees payable	17 207	13 751
Custody fees charged for the year	714 476	559 913
Trustee fees charged for the year	316 656	319 441

Investments held with Stanbic Bank Kenya Limited:

Current account	1 592 613	825 257
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African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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10. Related parties (continued)

Relationship - Investment Manager

The Fund is managed by African Alliance Kenya Asset Management Limited, a company incorporated in the Republic of Kenya. African Alliance Kenya Asset Management Limited provides management services to the Fund and receives, in return, an annual fee, collected monthly, based on the total asset value of the Fund at a rate not exceeding 1%.

Management fees payable	229 434	183 353
Management fees charged for the year	2 409 519	2 010 434

Investment in the Fund made by the Fund Investment Manager:

African Alliance Kenya Asset Management Limited

	Number of Units held	Value of units held	% of units held	Distributions to unit holders	Distributions payable
Opening balance - 01 January 2022	13 501 000	13 501 000	8,04		67 461
Units acquired	1 598 832	1 598 832			
Units disposed	(679 852)	(679 852)			
Closing balance - 31 December 2022	<u>14 419 980</u>	<u>14 419 980</u>	7,70	901 512	88 422
Opening balance - 01 January 2023	14 419 980	14 419 980	7,70		88 422
Units acquired	12 051 725	12 051 725			
Units disposed	(693 879)	(693 879)			
Closing balance - 31 December 2023	<u>25 777 826</u>	<u>25 777 826</u>	11,03	1 417 885	280 805

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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10. Related parties (continued)

Investments made in the Fund by other African Alliance Unit Trusts and Funds:

	Number of Units held	Value of units held	% of units held	Distributions to unit holders	Distributions payable
<u>African Alliance Kenya Equity Fund</u>					
Opening balance - 01 January 2022	5 576 066	5 576 066	3,32		32 701
Units acquired	8 759 161	8 759 161			
Closing balance - 31 December 2022	<u>14 335 227</u>	<u>14 335 227</u>	7,65	673 802	103 463
Opening balance - 01 January 2023	14 335 227	14 335 227	7,65		103 463
Units acquired	1 688 148	1 688 148			
Closing balance - 31 December 2023	<u>16 023 375</u>	<u>16 023 375</u>	6,86	1 515 400	176 103
<u>African Alliance Kenya Fixed Income Fund</u>					
Opening balance - 01 January 2022	17 962 678	17 962 678	10,69		104 039
Units acquired	8 242 751	8 242 751			
Units disposed	(9 806 000)	(9 806 000)			
Closing balance - 31 December 2022	<u>16 399 429</u>	<u>16 399 429</u>	8,75	1 075 830	118 361
Opening balance - 01 January 2023	16 399 429	16 399 429	8,75		118 361
Units acquired	1 931 232	1 931 232			
Closing balance - 31 December 2023	<u>18 330 661</u>	<u>18 330 661</u>	7,85	1 733 610	201 461
<u>African Alliance Kenya Managed Fund</u>					
Opening balance - 01 January 2022	1 800	1 800	0,001		10,55
Units acquired	164	164			
Closing balance - 31 December 2022	<u>1 964</u>	<u>1 964</u>	0,001	143	14,18
Opening balance - 01 January 2023	1 964	1 964	0,001		14,18
Units acquired	232	232			
Closing balance - 31 December 2023	<u>2 196</u>	<u>2 196</u>	0,001	207	24,13

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

11. Financial risk management objectives and policies

Introduction

The Fund's objective in managing risk is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risks (which include interest rate risks and currency risks), liquidity risks and credit risks arising from the financial instruments it holds.

Risk management structure

The Fund's Investment Manager is responsible for identifying and controlling risks. The directors of the management company supervise the Investment Manager and are ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Financial risk is managed through the regulatory framework under the Collective Investment Undertakings Regulation 2001, which imposes strict and specific regulations, regarding the instruments that may be held by the scheme. The Scheme is additionally governed by a Trust Deed, which commits the funds to specific investment objectives and requires the investment manager to manage the Scheme in accordance therewith. Compliance limits are built into the daily pricing systems and processes. Independent checks are also carried out by the Trustee as well as the compliance functions of the Management Company, to ensure compliance with limitations specified in the Trust Deed and the regulations determined under the Collective Investments Undertakings Regulation, 2001.

Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of liquidity risk may arise from the repayment terms of financial liabilities or reliance on a particular market to realise liquid assets.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Financial risk management objectives and policies (continued)

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, equity prices and foreign exchange rates will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is to enhance returns and control risks. The Fund's market risk is managed on a daily basis by the investment manager in accordance with policies and procedures put in place. Details of the Fund's investment portfolio at the reporting date are disclosed in Note 13.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

The interest rate exposure arises on loans and receivables, money market investments and cash at bank.

The following table demonstrates the sensitivity of the Fund's profit or loss for the year to a reasonably possible change in interest rate, with all other variables held constant. The sensitivity of the change in net assets attributable to unit holders is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Change in basis points	Sensitivity of interest income
31 December 2023	+/- 10	+/- 97 593
31 December 2022	+/- 10	+/- 35 825

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Consequently, the Fund is exposed to risks that the exchange rate of its currency, relative to other currencies, may change in a manner that has an adverse effect on the fair value or future cash flows of the portion of the Fund's assets and liabilities denominated in currencies other than the Kenyan Shilling.

The Fund is currently not exposed to currency risk since all assets and liabilities are denominated in Kenyan Shilling

Price risk

Price risk is the risk of unfavourable changes in the fair values of investments and Fund value as a result of changes in the value of individual securities.

Price risk is managed by the Investment Manager by diversifying the portfolio as set out by the Trust Deed.

The Fund did not hold any listed security at the reporting date.

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holders' option, based on the Fund's Net Asset Value (NAV) per unit at the time of the redemption, calculated in accordance with the Fund's Trust Deed.

The Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- allowing for the redemptions, payments to be made within 7 days of the redemption instructions being received,
- searching for new investors,
- withdrawal of cash deposits,
- disposal of highly liquid assets, and
- disposal of other assets.

It is the Fund's policy that the Investment Manager monitors the Fund's liquidity position on a daily basis and that the directors of the management company review it on a quarterly basis.

The following table summarises the maturity profile of the Fund's financial assets and financial liabilities based on the contractual undiscounted cash flows.

Based on the nature of the Trust Scheme's business, the assets realisation will depend on the redemption requirements of the investors as well as the investment strategy.

For financial liabilities, the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund is required to pay.

	<u>On demand</u>	<u>Within 1 month</u>	<u>Total</u>
2023			
Financial liabilities			
Management fees	-	229 434	229 434
Custody fees	-	68 830	68 830
Trustee fees	-	17 207	17 207
Audit fees	-	325 209	325 209
Publication costs	-	234 651	234 651
Distributions	-	2 537 268	2 537 268
Net assets attributable to unit holders	233 609 593	-	233 609 593
	233 609 593	3 412 599	237 022 192

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<u>On demand</u>	<u>Within 1 month</u>	<u>Total</u>
<u>2022</u>			
Financial liabilities			
Management fees	-	183 353	183 353
Custody fees	-	55 006	55 006
Trustee fees	-	13 751	13 751
Audit fees	-	314 379	314 379
Publication costs	-	201 943	201 943
Distributions	-	1 333 014	1 333 014
Net assets attributable to unit holders	187 347 121	-	187 347 121
	<u>187 347 121</u>	<u>2 101 446</u>	<u>189 448 567</u>

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions. It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Management Company closely monitors the creditworthiness of the Fund's counterparties (for example, brokers, custodians, managers and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table contains an analysis of the Fund's maximum exposure to credit risks, which are the instruments' carrying amounts in the financial statements.

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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11. Financial risk management objectives and policies (continued)

Credit risk (continued)

Financial instruments

Investments	103 719 160	58 900 977
Interest receivable	2 710 419	1 822 333
Cash and cash equivalents	130 592 613	128 725 257
Total credit risk exposure	237 022 192	189 448 567

IFRS 9 requires expected credit loss to be assessed on financial assets at amortized cost. The Fund Manager has a policy under which it places its cash with reputable commercial banks and investments with Government of Kenya and reputable corporate institutions with sound credit ratings. The assessed credit for financial assets was deemed to be low with immaterial impact to the financial statements hence no expected credit loss adjustment has been made to the financial statements.

Fair value

The fair values of the Fund's financial assets and liabilities not measured at fair value approximate their carrying values due to their short term nature.

12. Financial assets and liabilities by category

The following table analyses the carrying amounts of the financial assets and financial liabilities by category as defined in *IFRS 9*.

Financial assets at amortised costs

Investments	103 719 160	58 900 977
Interest receivable	2 710 419	1 822 333
Cash and cash equivalents	130 592 613	128 725 257
Total financial assets	237 022 192	189 448 567

Financial liabilities

Management fees	229 434	183 353
Custody fees	68 830	55 006
Trustee fees	17 207	13 751
Audit fees	325 209	314 379
Publication costs	234 651	201 943
Distributions	2 537 268	1 333 014
Net assets attributable to unit holders	233 609 593	187 347 121
Total financial liabilities	237 022 192	189 448 567

African Alliance Kenya Money Market Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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13. Analysis of total assets

	Currency	Country	Maturity date	Interest rate	Holdings	Amortised cost	% of Gross assets
2023							
Financial assets at amortised costs							
Non - Current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	05 May 25	10,93 %	500 000	521 291	0,22
Government of Kenya	KES	Kenya	05 May 25	11,42 %	3 000 000	3 078 558	1,30
Government of Kenya	KES	Kenya	18 Aug 25	16,97 %	5 000 000	5 310 071	2,24
Government of Kenya	KES	Kenya	17 Aug 26	16,03 %	2 000 000	2 047 499	0,86
Government of Kenya	KES	Kenya	07 Feb 28	11,76 %	1 000 000	1 011 814	0,43
Government of Kenya	KES	Kenya	07 Feb 28	11,79 %	2 000 000	2 026 201	0,85
Government of Kenya	KES	Kenya	05 Jun 28	12,75 %	400 000	430 837	0,18
Government of Kenya	KES	Kenya	10 Jul 28	16,85 %	7 000 000	7 543 367	3,18
Government of Kenya	KES	Kenya	12 Nov 29	12,45 %	3 000 000	3 002 091	1,27
Government of Kenya	KES	Kenya	06 May 30	17,93 %	7 000 000	7 168 981	3,02
Government of Kenya	KES	Kenya	06 May 30	17,94 %	10 000 000	10 241 506	4,32
Government of Kenya	KES	Kenya	05 May 31	11,25 %	1 000 000	896 082	0,38
Government of Kenya	KES	Kenya	03 May 32	13,49 %	800 000	814 528	0,34
Government of Kenya	KES	Kenya	03 May 32	13,55 %	1 000 000	1 012 319	0,43
Government of Kenya	KES	Kenya	01 Nov 32	12,26 %	600 000	592 758	0,25
Government of Kenya	KES	Kenya	01 Nov 32	11,95 %	1 000 000	1 021 261	0,43
Government of Kenya	KES	Kenya	10 Jul 34	12,57 %	2 000 000	2 031 921	0,86
Government of Kenya	KES	Kenya	28 Jan 41	13,04 %	1 000 000	1 033 505	0,44
						49 784 590	21,00
Corporate bond							
Kenya Mortgage Refin Co Ltd	KES	Kenya	23 Feb 29	12,50 %	1 173 116	1 222 264	0,52
Current							
Government of Kenya	KES	Kenya	06 May 24	10,10 %	2 000 000	2 069 507	0,87
Government of Kenya	KES	Kenya	06 May 24	10,10 %	2 350 000	2 431 713	1,03
						4 501 220	1,90

African Alliance Kenya Money Market Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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	Currency	Country	Maturity date	Interest rate	Holdings	Amortised cost	% of Gross assets
13. Analysis of total assets (continued)							
2023 (continued)							
Financial assets at amortised costs (continued)							
Fixed deposit							
Current							
Family Bank Limited	KES	Kenya	08 Jan 24	15,00 %	15 000 000	15 628 767	6,59
Stanbic Bank Kenya Limited	KES	Kenya	08 Jan 24	14,85 %	21 500 000	22 409 715	9,45
Family Bank Limited	KES	Kenya	26 Feb 24	15,75 %	10 000 000	10 172 604	4,29
						48 211 086	20,34
Interest receivable						2 710 419	1,14
Cash and cash equivalents							
Fixed deposits							
Equity Bank Kenya Limited	KES	Kenya	15 Jan 24	15,80 %	3 000 000	3 000 000	1,27
Stanbic Bank Kenya Limited	KES	Kenya	15 Jan 24	16,40 %	12 000 000	12 000 000	5,06
Kenya Commercial Bank Limited	KES	Kenya	21 Jan 24	16,00 %	18 000 000	18 000 000	7,59
						33 000 000	13,92
Call deposits							
The Cooperative Bank of Kenya Limited	KES	Kenya		15,00 %	13 500 000	13 500 000	5,70
The Cooperative Bank of Kenya Limited	KES	Kenya		15,10 %	42 000 000	42 000 000	17,72
Equity Bank Kenya Limited	KES	Kenya		15,00 %	36 500 000	36 500 000	15,40
Kenya Commercial Bank Limited	KES	Kenya		15,00 %	4 000 000	4 000 000	1,69
						96 000 000	38,82
Current account							
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	1 592 613	1 592 613	0,66
Cash and cash equivalents						130 592 613	55,10
Total						237 022 192	100,00

African Alliance Kenya Money Market Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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13. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Amortised cost	% of Gross assets
2022							
Financial assets at amortised costs							
Non-current:							
Kenya Mortgage	KES	Kenya	23 Feb 29	12,50 %	1 300 000	1 354 018	0,71
Government bonds -fixed rate							
Government of Kenya	KES	Kenya	06 May 24	10,10 %	2 350 000	2 431 061	1,28
Government of Kenya	KES	Kenya	06 May 24	10,10 %	2 000 000	2 068 951	1,09
Government of Kenya	KES	Kenya	05 May 25	10,93 %	500 000	521 141	0,28
Government of Kenya	KES	Kenya	07 Feb 28	11,42 %	3 000 000	3 077 617	1,62
Government of Kenya	KES	Kenya	07 Feb 28	11,76 %	1 000 000	1 011 490	0,53
Government of Kenya	KES	Kenya	07 Feb 28	11,79 %	2 000 000	2 025 553	1,07
Government of Kenya	KES	Kenya	05 Jun 28	12,75 %	400 000	430 697	0,23
Government of Kenya	KES	Kenya	12 Nov 29	12,45 %	3 000 000	3 001 065	1,58
Government of Kenya	KES	Kenya	05 May 31	11,25 %	1 000 000	895 773	0,47
Government of Kenya	KES	Kenya	03 May 32	11,25 %	800 000	814 231	0,43
Government of Kenya	KES	Kenya	03 May 32	13,49 %	1 000 000	1 011 947	0,53
Government of Kenya	KES	Kenya	01 Nov 32	12,26 %	600 000	592 556	0,31
Government of Kenya	KES	Kenya	01 Nov 32	12,21 %	1 000 000	1 020 933	0,54
Government of Kenya	KES	Kenya	10 Jul 34	12,57 %	2 000 000	2 052 397	1,08
Government of Kenya	KES	Kenya	28 Jan 41	13,04 %	1 000 000	1 014 920	0,54
						21 970 332	11,60
Current							
Treasury bills							
Government of Kenya	KES	Kenya	27 Mar 23	9,77 %	3 644 960	3 917 092	2,07
Government of Kenya	KES	Kenya	03 Apr 23	9,70 %	4 559 000	4 888 539	2,58
						8 805 631	4,65

African Alliance Kenya Money Market Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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13. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Amortised cost	% of Gross assets
2022 (continued)							
Financial assets at amortised costs (continued)							
Current (continued)							
Select Management Services Limited	KES	Kenya	30 Jun 23	16,00 %	13 001 006	13 006 705	6,87
Fixed deposits							
Equity Bank Kenya Limited	KES	Kenya	23 Jan 23	9,55 %	3 300 000	3 594 428	1,90
Kenya Commercial Bank Limited	KES	Kenya	06 Nov 23	10,00 %	10 000 000	10 169 863	5,36
						<u>26 770 996</u>	<u>14,13</u>
						58 900 977	31,09
<u>Interest receivable</u>						1 822 333	0,96
Cash and cash equivalents							
Fixed deposits							
Kenya Commercial Bank Limited	KES	Kenya	16 Jan 23	10,00 %	2 000 000	2 000 000	1,06
Kenya Commercial Bank Limited	KES	Kenya	16 Jan 23	10,00 %	20 000 000	20 000 000	10,56
Kenya Commercial Bank Limited	KES	Kenya	16 Jan 23	10,00 %	1 000 000	1 000 000	0,53
Kenya Commercial Bank Limited	KES	Kenya	23 Jan 23	10,00 %	30 000 000	30 000 000	15,84
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,50 %	2 000 000	2 000 000	1,06
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	5 000 000	5 000 000	2,64
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	30 000 000	30 000 000	15,84
Kenya Commercial Bank Limited	KES	Kenya	06 Feb 23	10,00 %	1 500 000	1 500 000	0,79
Kenya Commercial Bank Limited	KES	Kenya	06 Feb 23	10,00 %	1 400 000	1 400 000	0,74
						<u>92 900 000</u>	<u>49,04</u>
Banks							
Call deposits							
NCBA Bank Kenya Plc	KES	Kenya		10,00 %	3 000 000	3 000 000	1,58
Kenya Commercial Bank Limited	KES	Kenya		9,50 %	25 500 000	25 500 000	13,46
Kenya Commercial Bank Limited	KES	Kenya		9,50 %	6 500 000	6 500 000	3,43
						<u>35 000 000</u>	<u>18,47</u>
Current account							
Stanbic Bank Kenya Limited	KES	Kenya		2,00 %	825 257	825 257	0,43
Cash and cash equivalents						<u>128 725 257</u>	<u>67,95</u>
Total						<u>189 448 567</u>	<u>100,00</u>

14. Events after the reporting period

There are no significant events that have occurred in respect of the Fund and the management company, subsequent to the year that may be relevant to the accuracy of these financial statements.



African Alliance Kenya Enhanced Yield Fund

Annual financial statements
for the year ended 31 December 2023

African Alliance Kenya Enhanced Yield Fund
Statement of financial position as at 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Assets			
Investments	1	61 190 543	41 717 779
Interest receivables		2 729 389	1 696 801
Cash and cash equivalents	2	18 445 388	10 469 616
Total assets		82 365 320	53 884 196
Liabilities			
Management fees	10	60 441	39 806
Custody fees	10	23 054	-
Trustee fees	10	26 601	-
Audit fees		60 999	50 640
Distributions	6	829 686	445 796
Total liabilities excluding net assets attributable to unit holders		1 000 781	536 242
Net assets attributable to unit holders		81 364 539	53 347 954
Represented by :			
Net assets attributable to unit holders		81 364 539	53 347 954

The accounting policies on pages 14 to 21 and notes on pages 109 to 122 are an integral part of the annual financial statements.

African Alliance Kenya Enhanced Yield Fund
Statement of profit or loss and other comprehensive income for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Income			
Interest income	4	8 274 103	4 955 611
Total income		8 274 103	4 955 611
Expenses			
Management fees	10	(587 089)	(409 360)
Custody fees	10	(225 892)	-
Trustee fees	10	(209 301)	-
Audit fees		(57 761)	(50 640)
Total expenses		(1 080 043)	(460 000)
Operating profit before distribution		7 194 060	4 495 611
Distributions to unit holders	5	(7 194 060)	(4 495 611)
Increase in net assets attributable to unit holders		-	-

The accounting policies on pages 14 to 21 and notes on pages 109 to 122 are an integral part of the annual financial statements.

African Alliance Kenya Enhanced Yield Fund
Statement of changes in net assets attributable to unit holders for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	Share capital	Number of Units	Net Asset Value
Balance at 01 January 2022		36 615 307	366 153	100,00
Issue of units during the year	7	25 082 647	250 826	
Redemption of units during the year	7	(8 350 000)	(83 500)	
Increase in net assets attributable to unit holders		-	-	
Balance at 31 December 2022	8	53 347 954	533 479	100,00
Balance at 01 January 2023		53 347 954	533 479	100,00
Issue of units during the year	7	48 487 772	484 878	
Redemption of units during the year	7	(20 471 187)	(204 712)	
Increase in net assets attributable to unit holders		-	-	
Balance at 31 December 2023	8	81 364 539	813 645	100,00

The accounting policies on pages 14 to 21 and notes on pages 109 to 122 are an integral part of the annual financial statements.

African Alliance Kenya Enhanced Yield Fund
Statement of cash flows for the year ended 31 December 2023

Figures in Kenyan Shilling	Notes	2023	2022
Cash flow from operating activities			
Proceeds from sale of investments		15 565 903	11 938 846
Purchase of investments	1	(35 038 667)	(29 286 788)
Interest received		7 241 516	4 307 280
Trustee fees paid		(182 700)	-
Custodian fees paid		(250 241)	-
Management fees paid		(566 454)	(396 682)
Net cash used in operating activities		(13 230 643)	(13 437 344)
Cash flow from financing activities			
Proceeds from issue of units	7	42 045 623	20 985 007
Payment on redemption of units	7	(20 471 187)	(8 350 000)
Distributions paid to unit holders	6	(368 021)	(216 693)
Net cash generated from financing activities		21 206 415	12 418 314
Net increase / (decrease) in cash and cash equivalents during the year		7 975 772	(1 019 030)
Cash and cash equivalents at the beginning of the year		10 469 616	11 488 646
Cash and cash equivalents at the end of the year	2	18 445 388	10 469 616

The accounting policies on pages 14 to 21 and notes on pages 109 to 122 are an integral part of the audited financial statements.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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1. Investments

Fixed deposits	4 000 000	8 500 000
Government securities	48 998 307	25 984 247
Corporate bonds	270 720	1 816 784
Treasury bills	7 921 516	5 416 748
	61 190 543	41 717 779
Opening balance	41 717 779	24 369 837
Additions	35 038 667	29 286 787
Disposals	(15 565 903)	(11 938 845)
Closing balance	61 190 543	41 717 779

Refer to *Note 3, Fair value of financial instruments*, for further details and *Note 13, Analysis of total assets*, for terms and conditions of the above securities.

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances and liquid investments	18 445 388	10 469 616
Analysed as:		
Money market investments	4 000 000	2 700 000
Call deposit	13 700 000	7 150 000
Current account	745 388	619 616
	18 445 388	10 469 616

Money market investments are highly liquid investments and are subject to insignificant risks of changes in value. Refer to *Note 13, Analysis of total assets*, for further details.

3. Fair value of financial instruments

The following table refers to financial instruments recognised at fair value, analysed between those whose fair value is based on:

- quoted prices in active markets for identical assets or liabilities (Level 1),
- those involving inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) - Level 2, and
- those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) - Level 3.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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3. Fair value of financial instruments (continued)

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>2023</u>				
Fixed deposits	4 000 000	-	-	4 000 000
Government securities	48 998 307	-	-	48 998 307
Corporate bonds	-	270 720	-	270 720
Treasury bills	7 921 516	-	-	7 921 516
	60 919 823	270 720	-	61 190 543
<u>2022</u>				
Fixed deposits	8 500 000	-	-	8 500 000
Government securities	25 984 247	-	-	25 984 247
Corporate bonds	-	1 816 784	-	1 816 784
Treasury bills	5 416 748	-	-	5 416 748
	39 900 995	1 816 784	-	41 717 779

Financial instruments not measured at fair value Type

Corporate bonds and treasury bills

Valuation technique

Discounted cash flows : The valuation model considers the present value of expected receipts, discounted using a yield rates derived from active markets.

4. Interest income

Fixed income investments	5 063 658	3 664 745
Money market investments	1 820 327	701 433
Cash at bank	1 390 118	589 433
	8 274 103	4 955 611

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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5. Distributions to unit holders

	2023	2022
Distributions declared at:		
January	448 673	282 981
February	382 128	248 174
March	436 848	331 637
April	474 158	348 407
May	484 010	375 307
June	476 220	373 433
July	577 474	421 897
August	727 313	418 943
September	750 909	408 729
October	814 410	416 537
November	792 231	423 770
December	829 686	445 796
	7 194 060	4 495 611

6. Distributions paid to unit holders

Opening balance	(445 796)	(264 518)
Distributions for the year (5)	(7 194 060)	(4 495 611)
Closing balance	829 686	445 796
	(6 810 170)	(4 314 333)
Distributions reinvested	6 442 149	4 097 640
Distributions paid	368 021	216 693
	6 810 170	4 314 333

7. Issue and redemption of units during the year

Units created during the year	48 487 772	25 082 647
Distributions reinvested (Note 6)	(6 442 149)	(4 097 640)
Proceeds from issue of units	42 045 623	20 985 007
	(20 471 187)	(8 350 000)

8. Redeemable participating units

The Fund's capital is represented by these redeemable participating units. Quantitative information about the Fund's capital is provided in the *Statement of changes in net assets attributable to unit holders*.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling

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8. Redeemable participating units (continued)

Each unit issued confers upon the unit holder an equal interest in the Fund, and is of equal value. A unit does not confer any interest in any particular asset or investment of the Fund. Unit holders have various rights under the Fund's Trust Deed, including the right to:

- have their unit redeemed at a proportionate unit price based on the Fund's net asset value per unit on the redemption date,
- receive income distributions, and
- participate in the termination and winding up of the Fund.

The rights, obligations and restrictions attached to each unit are identical in all respects. For the purpose of issue and redemption of units, the net assets attributable to unit holders is calculated in accordance with the Fund's Trust Deed.

9. Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue or redemption of redeemable units beyond those included in the Fund's Trust Deed.

The Fund's objectives for managing capital are:

- to invest the capital investments meeting the description, risk exposure and expected return indicated in its Trust Deed,
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by participating in other capital markets and by using various investment strategies, and
- to maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise.

Refer to *Note 11, Financial risk management objectives and policies*, for the policies and processes applied by the Fund in managing its capital.

10. Related parties

Relationship - Trustee and custodian

Stanbic Bank Kenya Limited, a company incorporated in the Republic of Kenya, provides trustee and custodian services to the Fund and receives, in return, a fee collected monthly.

Custody fees payable	23 054	-
Trustee fees payable	26 601	-
Custody fees charged for the year	225 892	-
Trustee fees charged for the year	209 301	-
Current account	745 388	619 616

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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10. Related parties (continued)

Relationship - Investment Manager

The Fund is managed by African Alliance Kenya Asset Management Limited, a company incorporated in the Republic of Kenya. African Alliance Kenya Asset Management Limited provides management services to the Fund and receives, in return, an annual fee, collected monthly, based on the total asset value of the Fund at a rate not exceeding 2%. Management fees has been provided during the period.

Management fees payable	60 441	39 806
Management fees charged for the year	587 089	409 360

Investments made by the Fund in other African Alliance Unit Trusts and Funds :

	Number of units held	Value of units held	% of units held	Distributions received	Distributions receivable
African Alliance Kenya Fixed Income Fund					
Opening balance -01 January 2022	153 501	15 350 065	41,92		111 038
Units acquired	15 166	1 516 577			
Units disposed	-	-			
Closing balance - 31 December 2022	<u>168 667</u>	<u>16 866 642</u>	31,62	1 516 577	140 374
Opening balance - 01 January 2023	168 667	16 866 642	31,62		140 374
Units acquired	18 422	1 842 215			
Units disposed	-	-			
Closing balance - 31 December 2023	<u>187 089</u>	<u>18 708 857</u>	22,99	1 842 215	191 086

11. Financial risk management objectives and policies

Introduction

The Fund's objective in managing risk is the creation and protection of unit holder value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risks limits and other controls. The process of risk management is critical to the Fund's continuing profitability. The Fund is exposed to market risks (which include interest rate risks, currency risks and price risks), liquidity risks and credit risks arising from the financial instruments it holds.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Financial risk management objectives and policies (continued)

Risk management structure

The Fund's Management Company is responsible for identifying and controlling risks. The Management Company, via its Board, are ultimately responsible for the overall risk management of the Fund.

Risk measurement and reporting system

Financial risk is managed through the regulatory framework under the Collective Investment Undertakings Regulation 2001, which imposes strict and specific regulations regarding the instruments that may be held by the scheme. The Scheme is additionally governed by a Trust Deed, which commits the funds to specific investment objectives and requires the investment manager to manage the Scheme in accordance therewith. Compliance limits are built into the daily pricing systems and processes. Independent checks are also carried out by the Trustee as well as the compliance functions of the Management Company to ensure compliance with limitations specified in the Trust Deed and the regulations determined under the Collective Investments Undertakings Regulation, 2001.

Risk mitigation

The Fund has investment guidelines that set out its overall business strategies, its tolerance for risk and its general risk management philosophy.

Excessive risk concentration

Concentration of risk indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or that have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of liquidity risk may arise from the repayment terms of financial liabilities or reliance on a particular market to realise liquid assets.

In order to avoid excessive concentrations of risk, the Fund's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. The Investment Manager is instructed to reduce exposure to manage excessive risk concentrations when they arise.

Market risk

Market risk is the risk that changes in the market prices, such as interest rates, equity prices and foreign exchange rates will affect the Fund's income or the fair value of its holdings of financial instruments.

The Fund's strategy for the management of market risk is driven by the Fund's investment objective. The investment objective of the Fund is to enhance returns and control risks. The Fund's market risk is managed on a daily basis by the Management Company in accordance with policies and procedures put in place. Details of the Fund's investment portfolio at the reporting date are disclosed in Note 13.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Financial risk management objectives and policies (continued)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rate will affect future cash flows or the fair values of financial instruments.

The interest rate exposure arises on money market investments and cash at bank.

The following table demonstrates the sensitivity of the Fund's profit or loss for the period to a reasonable possible change in interest rate, with all other variables held constant. The sensitivity of the change in net assets attributable to unit holders is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets held at the end of the reporting period.

In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be significant.

	Change in basis points	Sensitivity of interest income
31 December 2023	+/- 10	+/- 14 445
31 December 2022	+/- 10	+/- 7 770

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Consequently, the Fund is exposed to risks that the exchange rate of its currency, relative to other currencies, may change in a manner that has an adverse effect on the fair value or future cash flows of the portion of the Fund's assets and liabilities denominated in currencies other than the Kenyan Shilling.

The Fund is currently not exposed to currency risk since all assets and liabilities are denominated in Kenyan Shilling.

Price risk

Price risk is the risk of unfavourable changes in the fair values of investments and Fund value as a result of changes in the value of individual securities.

Price risk is managed by the Investment Manager by diversifying the portfolio as set out by the Trust Deed.

Considering the reasonably possible increase of 10% in individual security prices, the effect on the Fund's net assets attributable to unit holders is as follows:

Effect of a 10% change in bond prices	6 119 054	4 171 778
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A weakening of bond prices would result in an equal but opposite effect to the amounts shown above.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Financial risk management objectives and policies (continued)

Liquidity risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Exposure to liquidity risk arises because of the possibility that the Fund could be required to pay its liabilities or redeem its units earlier than expected. The Fund is exposed to cash redemptions of its redeemable units on a regular basis. Units are redeemable at the holders' option, based on the Fund's Net Asset Value (NAV) per unit at the time of the redemption, calculated in accordance with the Fund's Trust Deed.

The Fund manages its obligation to repurchase the units when required to do so and its overall liquidity risk by:

- allowing for the redemptions, payments to be made within 7 days of the redemption instructions being received,
- searching for new investors,
- withdrawal of cash deposits,
- disposal of highly liquid assets, and
- disposal of other assets.

It is the Fund's policy that the Management Company monitors the Fund's liquidity position on a daily basis and that the directors of the management company review it on a quarterly basis.

The following table summarises the maturity profile of the Fund's financial liabilities based on the contractual undiscounted cash flows.

Based on the nature of the Trust Scheme's business, the assets realisation will depend on the redemption requirements of the investors as well as the investment strategy of the Fund.

For financial liabilities, the maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date. When a counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Fund is required to pay.

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
<u>2023</u>			
Financial liabilities			
Management fees	-	60 441	60 441
Custody fees	-	23 054	23 054
Trustee fees	-	26 601	26 601
Audit fees	-	60 999	60 999
Distributions	-	829 686	829 686
Net assets attributable to unit holders	81 364 539	-	81 364 539
	81 364 539	1 000 781	82 365 320

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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11. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Total</u>
<u>2022</u>			
Financial liabilities			
Management fees	-	39 806	39 806
Distributions	-	445 796	445 796
Net assets attributable to unit holders	53 347 954	-	53 347 954
	<u>53 347 954</u>	<u>536 242</u>	<u>53 884 196</u>

Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge an obligation.

The Fund is exposed to the risk of credit-related losses that can occur as a result of a counterparty or issuer being unable or unwilling to honour its contractual obligations. These credit exposures exist within financing relationships and other transactions.

It is the Fund's policy to enter into financial instruments with reputable counterparties.

The Management Company closely monitors the creditworthiness of the Fund's counterparties (for example, brokers, custodians, managers and banks) by reviewing their credit ratings, financial statements and press releases on a regular basis.

The following table contains an analysis of the Fund's maximum exposure to credit risks, which are the instruments' carrying amounts in the financial statements.

Financial instruments

Interest receivables	2 729 389	1 696 801
Cash and cash equivalents	18 445 388	10 469 616
Total credit risk exposure	<u>21 174 777</u>	<u>12 166 417</u>

IFRS 9 requires expected credit loss to be assessed on financial assets at amortized cost. The Fund Manager has a policy under which it places its cash with reputable commercial banks and investments with Government of Kenya and reputable corporate institutions with sound credit ratings. The assessed credit for financial assets was deemed to be low with immaterial impact to the financial statements hence no expected credit loss adjustment has been made to the financial statements.

Fair value

The fair values of the Fund's financial assets and liabilities not measured at fair value approximate their carrying amounts due to their short term nature.

African Alliance Kenya Enhanced Yield Fund

Notes to the financial statements for the year ended 31 December 2023

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12. Financial assets and liabilities by category

The following table analyses the carrying amounts of the financial assets and financial liabilities by category as defined in IFRS 9.

Financial assets at fair value through profit or loss		
Held for trading	61 190 543	41 717 779
Financial assets at amortised costs		
Interest receivables	2 729 389	1 696 801
Cash and cash equivalents	18 445 388	10 469 616
Total financial assets	82 365 320	53 884 196
Financial liabilities		
Management fees	60 441	39 806
Custody fees	23 054	-
Trustee fees	26 601	-
Audit fees	60 999	50 640
Distributions	829 686	445 796
Net assets attributable to unit holders	81 364 539	53 347 954
Total financial liabilities	82 365 320	53 884 196

13. Analysis of total assets

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
2023							
Financial assets at fair value through profit or loss							
Current:							
Fixed deposits							
Family Bank Kenya Limited	KES	Kenya	08 Jan 24	15,00 %	4 000 000	4 000 000	4,85
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	19 Feb 24	10,59 %	1 000 000	1 017 757	1,24
Government of Kenya	KES	Kenya	06 May 24	10,09 %	1 000 000	1 019 461	1,24
						2 037 218	2,47
Treasury bills - fixed rate							
Government of Kenya	KES	Kenya	29 Jan 24	12,39 %	3 484 686	3 484 686	4,23
Government of Kenya	KES	Kenya	29 Jul 24	12,73 %	4 436 830	4 436 830	5,39
						7 921 516	9,62

African Alliance Kenya Enhanced Yield Fund
Notes to the financial statements for the year ended 31 December 2023

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13. Analysis of total assets (continued)
2023 (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
Financial assets at fair value through profit or loss (continued)							
Non-current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	05 May 25	11,41 %	3 000 000	3 025 323	3,67
Government of Kenya	KES	Kenya	18 Aug 25	16,97 %	3 000 000	3 000 000	3,64
Government of Kenya	KES	Kenya	17 Aug 26	16,03 %	3 000 000	2 895 487	3,52
Government of Kenya	KES	Kenya	09 Nov 26	11,28 %	1 700 000	1 700 000	2,06
Government of Kenya	KES	Kenya	19 Jul 27	11,85 %	1 700 000	1 823 326	2,21
Government of Kenya	KES	Kenya	06 Sep 27	11,34 %	300 000	293 394	0,36
Government of Kenya	KES	Kenya	07 Feb 28	11,64 %	1 300 000	1 267 423	1,54
Government of Kenya	KES	Kenya	07 Feb 28	11,96 %	900 000	858 237	1,04
Government of Kenya	KES	Kenya	07 Feb 28	11,85 %	3 000 000	2 892 161	3,51
Government of Kenya	KES	Kenya	10 Jul 28	16,85 %	3 000 000	2 999 611	3,64
Government of Kenya	KES	Kenya	12 Nov 29	12,44 %	1 000 000	987 364	1,20
Government of Kenya	KES	Kenya	06 May 30	17,93 %	3 000 000	3 000 000	3,64
Government of Kenya	KES	Kenya	06 May 30	17,94 %	3 400 000	3 400 000	4,13
Government of Kenya	KES	Kenya	10 Jun 30	15,84 %	5 000 000	4 969 544	6,03
Government of Kenya	KES	Kenya	03 May 32	13,49 %	800 000	800 000	0,97
Government of Kenya	KES	Kenya	03 May 32	13,55 %	1 000 000	994 080	1,21
Government of Kenya	KES	Kenya	03 May 32	13,43 %	1 000 000	1 005 970	1,22
Government of Kenya	KES	Kenya	01 Nov 32	12,26 %	200 000	193 923	0,24
Government of Kenya	KES	Kenya	01 Nov 32	12,27 %	800 000	775 591	0,94
Government of Kenya	KES	Kenya	09 May 33	12,65 %	1 500 000	1 500 697	1,82
Government of Kenya	KES	Kenya	10 Jul 34	12,59 %	1 000 000	966 923	1,17
Government of Kenya	KES	Kenya	10 Jul 34	12,64 %	2 000 000	1 923 866	2,34
Government of Kenya	KES	Kenya	10 Jul 34	12,78 %	1 000 000	945 112	1,15
Government of Kenya	KES	Kenya	20 Feb 40	14,40 %	2 700 000	2 700 000	3,28
Government of Kenya	KES	Kenya	28 Jan 41	12,94 %	2 000 000	2 043 057	2,48
						46 961 089	57,02
Corporate bonds - fixed rate							
Non-current							
Kenya Mortgage	KES	Kenya	23 Feb 29	12,50 %	270 720	270 720	0,33
						61 190 543	74,29
Financial assets at amortised costs							
Interest receivables						2 729 389	3,31

African Alliance Kenya Enhanced Yield Fund
Notes to the financial statements for the year ended 31 December 2023

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13. Analysis of total assets (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
2023 (continued)							
<u>Financial assets at amortised costs (continued)</u>							
Banks							
Stanbic Bank Kenya Limited	KES	Kenya		- %	745 388	745 388	0,90
The Cooperative Bank of Kenya Limited	KES	Kenya		15,00 %	700 000	700 000	0,85
The Cooperative Bank of Kenya Limited	KES	Kenya		15,10 %	10 000 000	10 000 000	12,14
Equity Bank Kenya Limited	KES	Kenya		15,00 %	3 000 000	3 000 000	3,64
						14 445 388	5,39
Fixed deposits							
Stanbic Bank Kenya Limited	KES	Kenya	22 Jan 24	16,40 %	4 000 000	4 000 000	4,86
						18 445 388	22,40
Cash and cash equivalents							
						82 365 320	100,00
<u>2022</u>							
<u>Financial assets at fair value through profit or loss</u>							
<u>Current:</u>							
Fixed deposits							
The Cooperative Bank of Kenya Limited	KES	Kenya	23 Jan 23	9,05 %	2 000 000	2 000 000	3,71
Equity Bank of Kenya Limited	KES	Kenya	01 Feb 23	9,50 %	2 000 000	2 000 000	3,71
The Cooperative Bank of Kenya Limited	KES	Kenya	02 Oct 23	10,25 %	2 500 000	2 500 000	4,64
Kenya Commercial Bank Limited	KES	Kenya	02 Oct 23	10,00 %	2 000 000	2 000 000	3,71
						8 500 000	15,77
Corporate bonds - variable rate							
Select Management Services Limited	KES	Kenya	30 Jun 22	16,00 %	1 516 784	1 516 784	2,81
Treasury bills - fixed rate							
Government of Kenya	KES	Kenya	23 Jan 23	9,39 %	955 260	955 260	1,77
Government of Kenya	KES	Kenya	27 Feb 23	9,78 %	911 140	911 140	1,69
Government of Kenya	KES	Kenya	27 Feb 23	9,76 %	364 508	364 508	0,68
Government of Kenya	KES	Kenya	27 Mar 23	9,77 %	1 366 860	1 366 860	2,54
Government of Kenya	KES	Kenya	19 Jun 23	9,99 %	909 400	909 400	1,69
Government of Kenya	KES	Kenya	24 Jul 23	9,97 %	909 580	909 580	1,69
						5 416 748	10,05

African Alliance Kenya Enhanced Yield Fund
Notes to the financial statements for the year ended 31 December 2023

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2022 (continued)

	Currency	Country	Maturity date	Interest rate	Holdings	Fair value	% of Gross assets
Non-current:							
Government bonds - fixed rate							
Government of Kenya	KES	Kenya	19 Feb 24	10,59 %	1 000 000	1 017 758	1,89
Government of Kenya	KES	Kenya	06 May 24	10,09 %	1 000 000	1 019 461	1,89
Government of Kenya	KES	Kenya	05 May 25	11,41 %	3 000 000	3 025 323	5,61
Government of Kenya	KES	Kenya	09 Nov 26	11,28 %	1 700 000	1 700 000	3,15
Government of Kenya	KES	Kenya	19 Jul 27	11,85 %	1 700 000	1 823 326	3,38
Government of Kenya	KES	Kenya	06 Sep 27	11,34 %	300 000	293 394	0,54
Government of Kenya	KES	Kenya	07 Feb 28	11,96 %	900 000	843 491	1,57
Government of Kenya	KES	Kenya	07 Feb 28	11,85 %	3 000 000	2 892 161	5,37
Government of Kenya	KES	Kenya	07 Feb 28	11,64 %	1 300 000	1 267 423	2,35
Government of Kenya	KES	Kenya	12 Nov 29	12,44 %	1 000 000	987 364	1,83
Government of Kenya	KES	Kenya	03 May 32	13,43 %	1 000 000	994 080	1,84
Government of Kenya	KES	Kenya	03 May 32	13,55 %	1 000 000	1 005 970	1,87
Government of Kenya	KES	Kenya	03 May 32	13,49 %	800 000	800 000	1,48
Government of Kenya	KES	Kenya	01 Nov 32	12,26 %	200 000	193 923	0,36
Government of Kenya	KES	Kenya	01 Nov 32	12,27 %	800 000	775 591	1,44
Government of Kenya	KES	Kenya	09 May 33	12,65 %	1 500 000	1 500 697	2,79
Government of Kenya	KES	Kenya	10 Jul 34	12,78 %	1 000 000	966 923	1,79
Government of Kenya	KES	Kenya	10 Jul 34	12,59 %	1 000 000	945 112	1,75
Government of Kenya	KES	Kenya	10 Jul 34	12,64 %	2 000 000	1 923 866	3,57
Government of Kenya	KES	Kenya	28 Jan 41	12,94 %	2 000 000	2 008 384	3,73
						25 984 247	48,22
Non-current							
Corporate bonds - fixed rate							
Kenya Mortgage Refin Limited	KES	Kenya	23 Feb 29	12,50 %	300 000	300 000	0,56
						41 717 779	77,42
Financial assets at amortised costs							
Interest receivables							
						1 696 801	3,15
Banks							
Stanbic Bank Kenya Limited	KES	Kenya		- %	619 616	619 616	1,15
Kenya Commercial Bank Limited	KES	Kenya		9,50 %	6 400 000	6 400 000	11,88
Kenya Commercial Bank Limited	KES	Kenya		10,00 %	750 000	750 000	1,39
						7 769 616	14,42
Fixed deposits							
Kenya Commercial Bank Limited	KES	Kenya	09 Jan 23	10,00 %	400 000	400 000	0,74
Kenya Commercial Bank Limited	KES	Kenya	16 Jan 23	10,00 %	500 000	500 000	0,93
Kenya Commercial Bank Limited	KES	Kenya	30 Jan 23	10,00 %	1 800 000	1 800 000	3,34
						2 700 000	5,01
Cash and cash equivalents							
						10 469 616	19,43
Total							
						53 884 196	100,00

African Alliance Kenya Enhanced Yield Fund
Notes to the financial statements for the year ended 31 December 2023

Figures in Kenyan Shilling	2023	2022
14. Reconciliation of net asset value per unit		
Published price (calculated in accordance with redemption requirements)	100,00	100,00
Adjusted for:		
Net asset value as per IFRS	100,00	100,00

15. Events after the reporting period

There are no significant events that have occurred in respect of the Fund and the Management Company, subsequent to the year end, that may be relevant to the accuracy of these financial statements.