



NCBA

UNIT TRUST FUNDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2020

Table of Contents	Page No
Corporate information	1
Trustee's report	2 - 4
Statement of Trustee's responsibilities	5
Chairman's message to unit holders	6 - 8
Performance graphs	9 - 11
Report of the custodian	12
Report of the independent auditor	13 - 15
Financial statements	
NCBA Equity Fund:	16
Statement of comprehensive income	17
Statement of financial position	18
Statement of changes in unit holder balances	19
Statement of cash flows	20
Notes to the financial statements	21- 35
NCBA Money Market Fund:	36
Statement of comprehensive income	37
Statement of financial position	38
Statement of changes in unit holder balances	39
Statement of cash flows	40
Notes to the financial statements	41- 54
NCBA Dollar Investment Fund:	55
Statement of comprehensive income	56
Statement of financial position	57
Statement of changes in unit holder balances	58
Statement of cash flows	59
Notes to the financial statements	60- 73

TRUSTEE

KCB Bank Kenya Limited
7th Floor, KCB Towers, Upper Hill
Junction of Hospital and Kenya Road, Upper Hill
P.O. Box 30664 - 00100
Nairobi, Kenya

FUND MANAGER

NCBA Investment Bank Limited
NCBA Centre
1st Floor, Upper Hill
P.O. Box 30664, 00100
Nairobi, Kenya

CUSTODIAN

NCBA Bank Kenya PLC
NCBA House
3rd Floor, Masaba Road, Upperhill,
P.O. Box 44559 - 00100
Nairobi, Kenya

AUDITOR

PricewaterhouseCoopers LLP
PwC Tower, Waiyaki way, Westlands
P.O. Box 43963, 00100
Nairobi, Kenya

The Trustee submits its report together with the audited financial statements for the year ended 31 December 2020 that disclose the state of affairs of the Funds.

INVESTMENT OBJECTIVES

NCBA Unit Trust Fund is an umbrella with three sub Funds each of which is described below:

1. The objective of the **NCBA Equity Fund** is to generate long-term capital growth through investing principally in equities i.e. stocks or shares in corporations' earnings and assets, providing a medium to high-risk profile by investing in stocks of several sectors of the Kenyan economy.

The guiding principles of the NCBA Equity Fund are:

- To research and select a solid spread of shares in companies with proven performance and good prospects for growth.
 - To administer the portfolio according to best practice by taking capital profits when appropriate and by spreading shareholding over those economic sectors that meet the criteria of performance and growth.
2. The objective of the **NCBA Money Market Fund** is to generate a total return through investing in a range of debt securities, and fixed deposit instruments or near cash holdings in the Kenyan market, while offering maximum security to the investors.

The guiding principles for the NCBA Money Market Fund are:

- To invest only in first class money market instruments spread between institutions of repute.
 - To administer the portfolio according to best practice.
 - To minimise losses, while maximising on investment returns, by investing in near cash or cash deposits.
 - To treat the generation of income as a higher priority than capital growth or as the case may be to place equal emphasis on the generation of income and on capital growth and that (in either case) this may accordingly constrain capital growth.
3. The objective of the **NCBA Dollar Investment Fund** is to generate total return through investing in a range of low risk debt securities, fixed deposit instruments or near cash holdings in the Kenyan market and offshore. These would generate competitive returns on the capital invested and be denominated in US Dollars.

The guiding principles for the NCBA Dollar Investment Fund are:

- To only invest in instruments issued by institutions of repute.
- To manage and administer the portfolio according to best practice.
- To minimize losses, while maximizing on investment returns, by investing in near cash or cash deposits.
- To disclose investments on a weighted average basis.

CHANGES TO INCORPORATION DOCUMENTS

There were no changes made to incorporation documents (Trust Deed, Information Memorandum, Rules of the scheme) during the year.

FUND PERFORMANCE

Fund	Year	Highest Price (based on repurchase price)	Lowest Price (based on repurchase price)
		Kes	Kes
NCBA Equity Fund	2020	176.33	133.96
	2019	171.99	143.50
	2018	181.73	144.57
	2017	171.61	130.74
	2016	149.69	138.12

Fund	Year	Highest Annualised Yield (based on repurchase price)	Lowest Annualised Yield (based on repurchase price)
		Kcs	Kcs
NCBA Money Market Fund	2020	8.47%	7.03%
	2019	8.83%	7.67%
	2018	8.24%	7.64%
	2017	8.35%	7.35%
	2016	12.61%	6.33%

Fund	Year	Highest Yield (based on repurchase price)	Lowest Yield (based on repurchase price)
		Kes	Kes
NCBA Dollar Fund	2020	3.69%	2.81%
	2019	3.80%	2.46%
	2018	3.62%	2.70%

FUND GROWTH

Fund	2020	2019	2018	2017	2016
NCBA Equity Fund growth	-2.43%	4.60%	-12.63%	31.94%	-13.32%
NCBA Money Market Fund Growth	70.26%	30.31%	20.99%	39.83%	80.78%
NCBA Dollar Fund	109.51%	304.48%	100%	N/A	N/A

INCOME FOR THE YEAR

Year	NCBA Equity Fund (Kes)	NCBA Money Market Fund (Kes)	NCBA Dollar Fund (Usd)
2020	(8,513,625)	651,091,107	244,965
2019	13,217,421	441,827,732	94,119
2018	(8,946,453)	259,967,808	6,455
2017	13,053,459	246,800,042	-
2016	815,643	169,597,310	-

FUND VALUE AT END OF THE YEAR

Year	NCBA Equity Fund (Kes)	NCBA Money Market Fund (Kes)	NCBA Dollar Fund (Usd)
2020	79,797,123	10,972,700,172	13,915,858
2019	81,781,311	6,444,791,860	6,642,239
2018	78,182,727	4,958,111,523	1,642,164
2017	89,487,815	4,097,933,870	-
2016	67,188,625	2,922,286,052	-

DISCLOSURE TO THE AUDITOR

The Trustee confirms that at the time of approval of this report;

- a. there is, no relevant audit information of which the Funds' auditor was unaware of; and
- b. the Trustee has taken all steps that ought to have been taken as Trustee so as to be aware of any relevant audit information and to establish that the Funds' auditor is aware of that information.

TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Funds' Trust Deed and Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The Trustee monitors the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the unit holders.

By order of the Trustee
KCB Bank Kenya Limited
2021
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.
CORPORATE TRUSTEE

NCBA Unit Trust Funds
Statement of Trustee's responsibilities
For the year ended 31 December 2020

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

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

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

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

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

Approved by the Trustee on _____ 2021 and signed on its behalf by:

For: KCB BANK KENYA LTD.

By order of the Trustee
CORPORATE TRUSTEE
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

STATEMENT TO THE NCBA UNIT HOLDERS

Dear Unit holders of the NCBA Unit Trust Funds ("Funds") I present the annual report and financial statements for the year ended 31 December 2020.

Background

Global and Sub-Saharan Economic performance and outlook

2020 was negatively impacted by the Covid-19 pandemic that adversely affected growth and consumer demand. IMF forecasts global economy to contract by 3.5%. Closer home, Sub-Saharan Africa GDP is expected to contract by 3.0%. As economies gradually re-open following enforcement of Covid-19 prevention measures and Covid-19 vaccine rollouts, GDP is expected to recover. It is likely to post a growth of 5.5% globally and 3.2% in Sub-Saharan Africa.

Kenya Economic Review 2020

According to the Kenya National Treasury, GDP growth is expected to slow down to 0.6% in 2020 from the 5.6% in 2019. This is mostly due to economic disruption brought about by Covid-19 pandemic. Most of the sectors were negatively impacted with the worst hit sectors being manufacturing; Accommodation and hospitality. However, Agriculture remained resilient supported by favourable weather conditions. This combined with recovery in the service sector following easing of movement restrictions had a positive effect on the economy.

Inflation

The average annual inflation was relatively unchanged year on year at 5.2%. This was mainly supported by lower food and fuel prices in the period under review. Inflation remains within the Central Bank's medium-term target range of 2.5% - 7.5% that is necessary to support vibrant economic activity.

Exchange Rate

The local currency weakened against the global currencies in 2020. The shilling depreciated against the USD by 8.1%, the Euro by 17.4% and GBP by 11.0% to close the year at 109.17/USD, 133.37/Euro and 148.79/GBP.

Interest rate- Central Bank Rate

The Monetary Policy Committee revised the Central Bank Rate (CBR) downwards twice. From 8.25% to 7.25% before holding it at 7.00%. During the year, the Cash Reserve ratio (CRR) was also lowered to 4.25% from 5.25% to avail more liquidity in the economy and reduce the economic effects of the pandemic.

Interest Rate- Government Securities

Investors continued to allocate a higher proportion of their assets to Government Securities as high liquidity persisted in the market. Short to medium term interest rates declined during the year while long-term rates on bonds held steady. Treasury-bills' interest rates at the end of 2020 were 6.91%, 7.40% and 8.35% for the 91,182 and 364 Days tenors having closed the prior year-2019 at 7.20%, 8.15% and 9.82% for these tenors, respectively.

Equity Markets

Equities closed 2020 in negative territory, as foreign investors preferred the more developed market and technology related global stocks. Local Investor preference for fixed income coupled with foreign investor exits adversely affected the market. NASI and NSE-20 declined by 8.6% and 29.6%. NASI and NSE-20 values as at 31st Dec 2020 were 152.11 and 1,868.39 respectively.

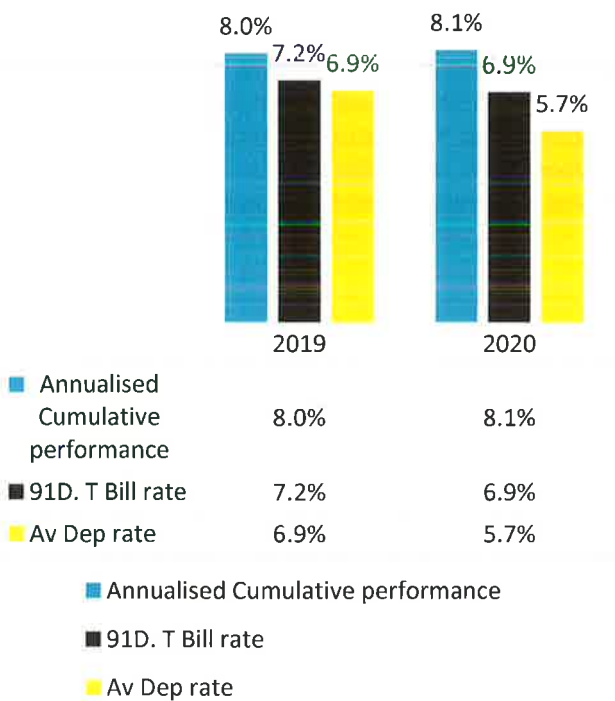
2021 Economic Outlook

Economic growth in 2021 is expected to recover to 6.9% as forecast by the World Bank. Recovery will be driven by re-opening of the economy. The risk to the economy is new waves of the COVID-19 that hamper complete re-opening of the economy. Inflation may remain within the target band of 5%+/- 2.5% although with an upward bias driven by rising commodity prices and taxes. The Shilling may experience weakening from higher import demand as the economy recovers.

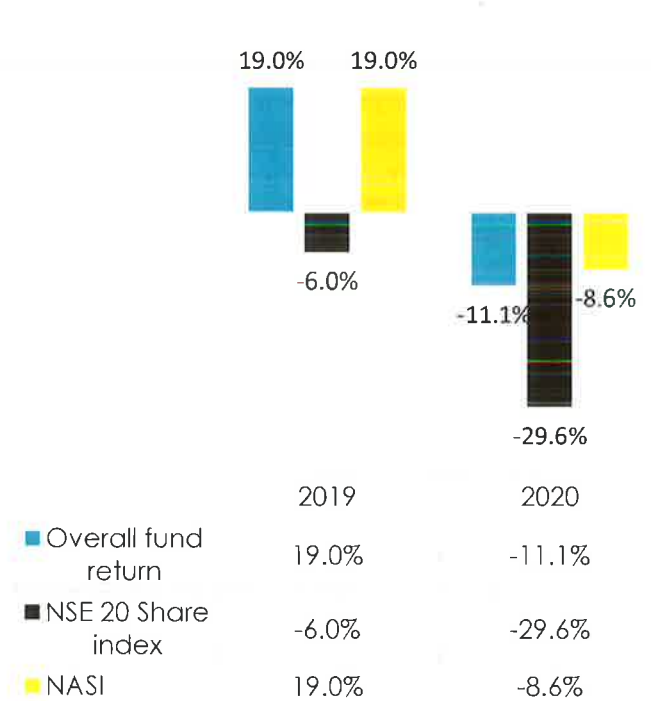
NCBA Unit Trust Fund Performance

The chart below summarizes performance of the NCBA Unit Trust Funds for the year ended 31st December 2020 with a comparison to the performance in 2019 and against relevant benchmarks and market indicators.

NCBA KES Money Market Fund

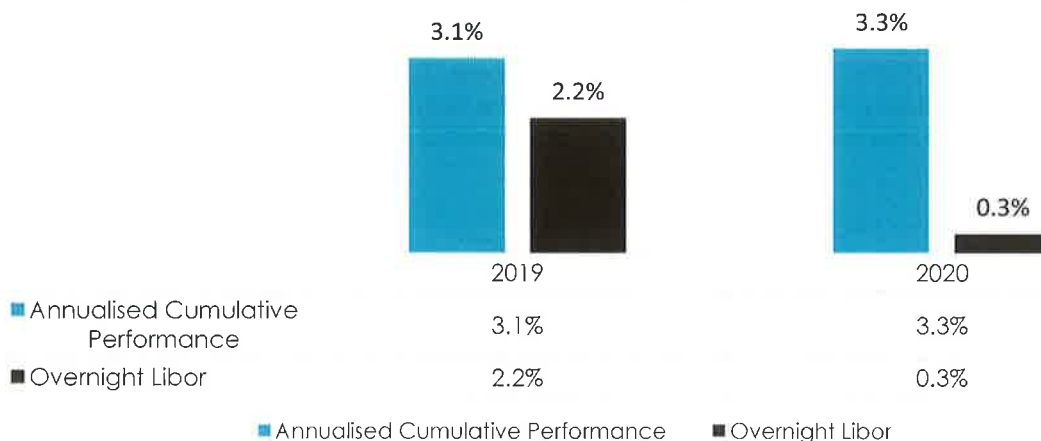


NCBA KES Equity Fund



The NCBA Dollar Investment Fund, which was launched in October 2018 earned an annualized return of 3.3% in US Dollars compared to an annualized return of 0.3% on its benchmark, the average overnight Libor rate.

NCBA USD Dollar Money Market



NCBA Unit Trust Funds
Chairman's Message to Unit Holders
For the year ended 31 December 2020

The funds have consistently outperformed their respective benchmarks providing a competitive return to the investors while managing the overall investment risk. We expect this outperformance will be sustained into FY 2021.

Conclusion

Thank you to the service Providers; the Fund Trustee-KCB Bank Ltd, the Custodian-NCBA Bank (Kenya) Plc and the Fund Manager-NCBA Investment Bank for their service during the year.

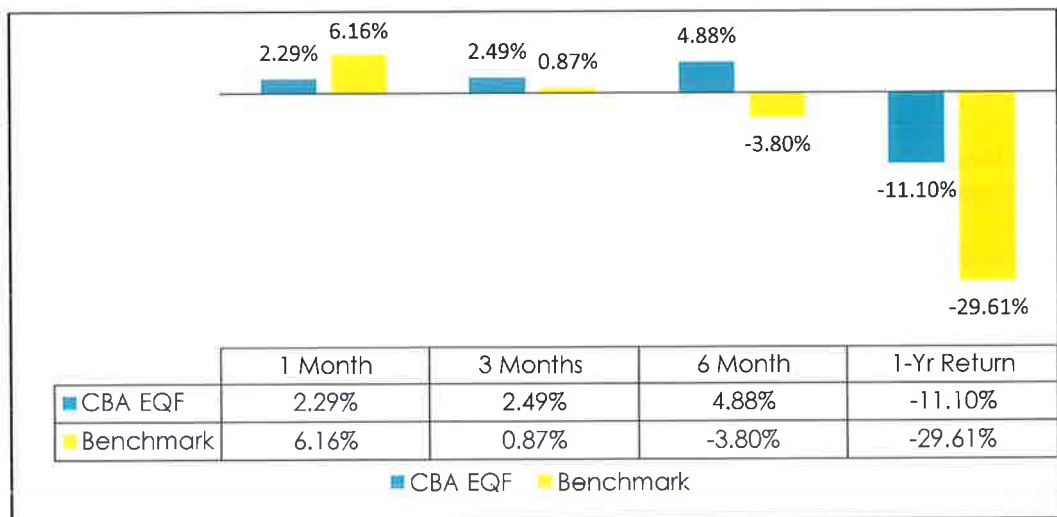
We also appreciate your support and investment into our funds as unit holders.

Yours faithfully,



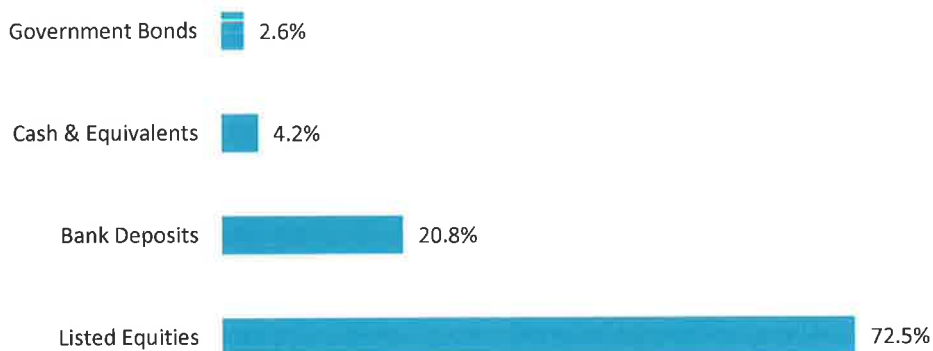
John Gachora
NCBA Bank Kenya PLC

NCBA Equity Fund performance against NSE 20 share index Benchmark



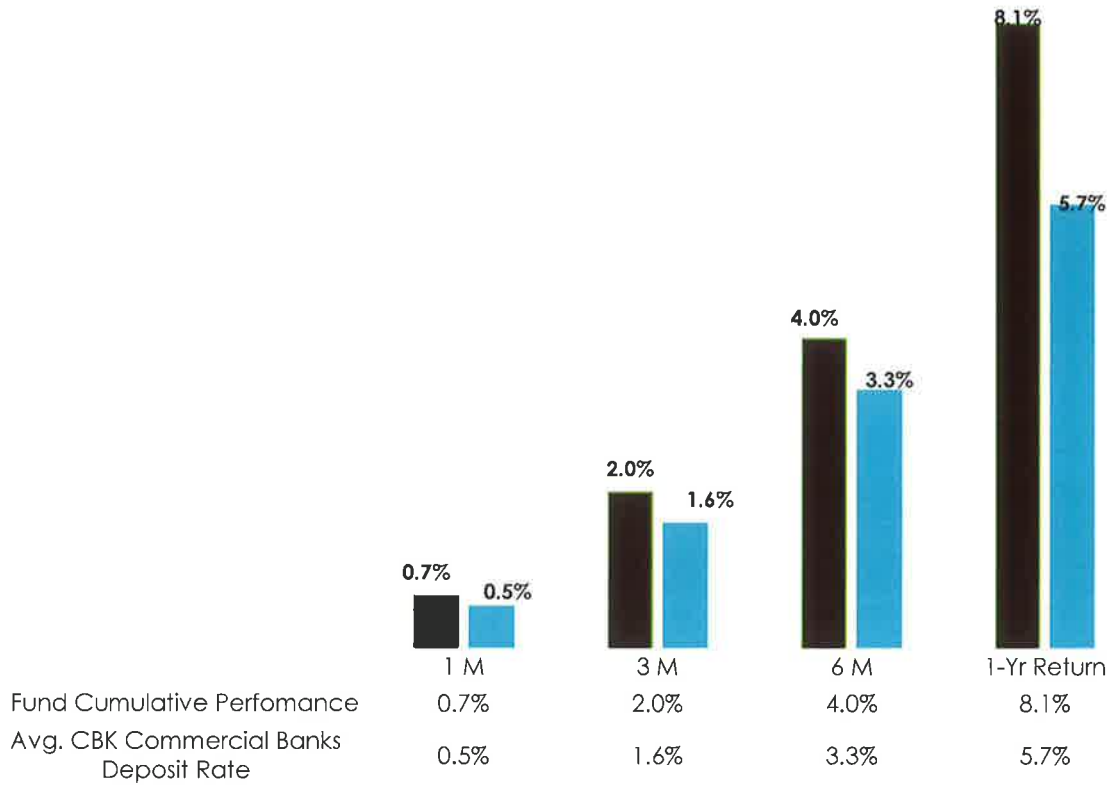
The yield above is arrived at after netting off Fund expenses from the Fund’s investment income and fair value changes

The Benchmark above is NSE 20 Index.



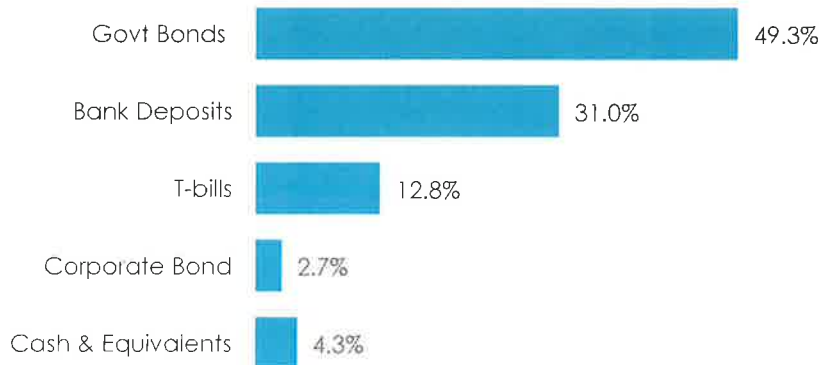
NCBA Equity Fund asset allocation as at 31 December 2020

NCBA Money Market Fund performance against Commercial Banks Deposit Rates

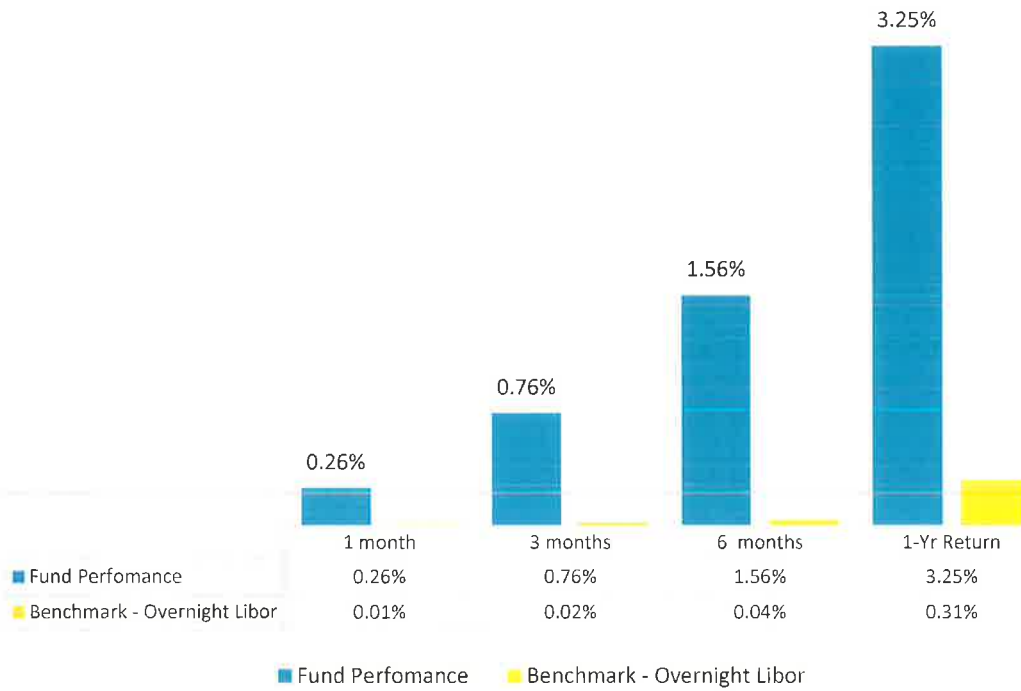


The yield above is arrived at after netting of Fund expenses from the Fund's investment income

NCBA Money Market Fund asset allocation as at 31 December 2020

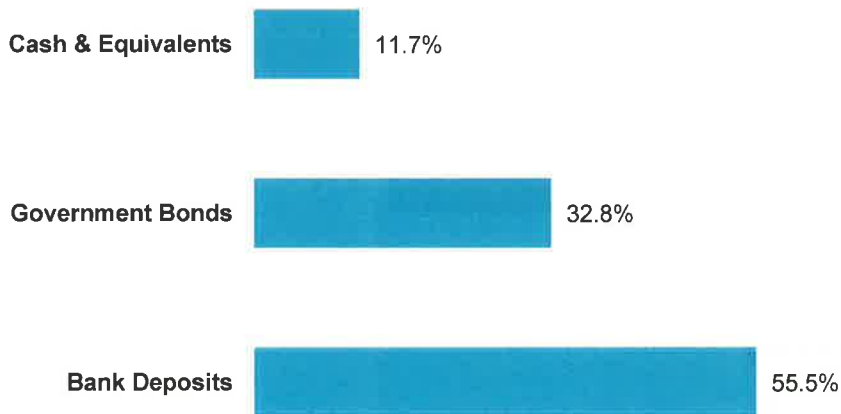


NCBA Dollar Investment Fund performance against Average Overnight US Dollar Libor Rate



The rate provided is net of applicable management fees and Fund expenses.

NCBA Dollar Investment Funds Asset Allocation as at 31 December 2020



- a) In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between NCBA Bank Kenya PLC as the custodian and NCBA Investment Bank Limited as the Fund managers, we confirm that we have discharged the duties prescribed for a Custodian under Regulation 35 of the regulations, NCBA Unit Trusts Funds.

For the year 1 January 2020 to 31 December 2020, we have held the assets for the NCBA Unit Trust Funds, including title deeds, securities and income that accrue thereof, to the order of the Fund managers and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund manager.

- b) We confirm having effected the sale, redemption and cancellation of units in accordance with the creation/liquidation instructions received from the Fund manager.

By order of the custodian
NCBA Bank Kenya PLC



_____ 2021

 **NCBA** CUSTODIAL SERVICES
P. O. Box 44599 - 00100
NAIROBI, KENYA



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NCBA UNIT TRUST FUNDS

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of the following unit portfolios of NCBA Unit Trust Funds:

- i) NCBA Equity Fund for the year ended 31 December 2020, set out on pages 17 to 35;
- ii) NCBA Money Market Fund for the year ended 31 December 2020, set out on pages 37 to 54; and
- iii) NCBA Dollar Investment Fund for the year ended 31 December 2020, set out on pages 56 to 73

(the "Fund(s)") which comprise the respective Fund's statement of financial position at 31 December 2020 and the statements of comprehensive income, changes in unit holder balances and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of NCBA Unit Trust Funds at 31 December 2020 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (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 Funds in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Norbert's B Okundi K Saiti



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NCBA UNIT TRUST FUNDS (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we 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 the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF NCBA UNIT TRUST FUNDS (CONTINUED)

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

- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on other legal requirements

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

The Capital Markets Authority (Collective 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.

**Certified Public Accountants
Nairobi**

30 March 2021

**FCPA Richard Njoroge, Practising certificate No. 1244.
Signing partner responsible for the independent audit.**

NCBA

EQUITY FUND

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Kes	2019 Kes
INCOME			
Interest and dividend income	5	4,249,807	5,518,617
Fair value (loss) / gain on investments at fair value through profit or loss	10	(10,090,343)	10,769,521
Total income from investing activities		(5,840,536)	16,288,138
EXPENSES			
Service fees and other expenses	6	(2,673,089)	(3,070,717)
(Loss) / profit before income tax		(8,513,625)	13,217,421
Income tax expense	7	-	-
(Loss) / profit for the year		(8,513,625)	13,217,421
Other comprehensive income, net of tax		-	-
Total comprehensive (loss) / income for the year		(8,513,625)	13,217,421

STATEMENT OF FINANCIAL POSITION

	Notes	2020 Kes	2019 Kes
ASSETS			
Investment balances	9 (i)	79,545,225	80,891,858
Receivables		1,370	-
Bank and cash balances	9 (iii)	250,528	889,453
		<hr/>	<hr/>
TOTAL ASSETS		79,797,123	81,781,311
		<hr/> <hr/>	<hr/> <hr/>
LIABILITIES			
Accruals and other payables	11	239,004	321,300
Unit holder balances	10	79,558,119	81,460,011
		<hr/>	<hr/>
TOTAL LIABILITIES		79,797,123	81,781,311
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 17 to 35 were approved for issue by the Trustee on _____
 2021 and signed on its behalf by:

For: KCB BANK KENYA LTD.



Trustee, KCB Bank Kenya Limited
 CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES

	Notes	Unit holder balances
		Kes
At 1 January 2019		77,556,010
Total comprehensive income		13,217,421
Transactions with unit holders:		
Additional units purchased	10	16,522,940
Units liquidated	10	(25,836,360)
Total transactions with unit holders		(9,313,420)
At 31 December 2019		81,460,011
At 1 January 2020		81,460,011
Total comprehensive income		(8,513,625)
Transactions with unit holders:		
Additional units purchased	10	15,968,039
Units liquidated	10	(9,356,306)
Total transactions with unit holders		6,611,733
At 31 December 2020		79,558,119

STATEMENT OF CASH FLOWS

	Notes	2020 Kes	2019 Kes
Cashflows from operating activities			
Interest and dividend income received		3,646,068	5,660,036
Service fees and other expenses paid		(2,748,535)	(3,380,185)
Net proceeds from sale of investments		(10,645,041)	10,446,047
Net cash (used in) / generated from operating activities		(9,747,509)	12,725,899
Cashflows from financing activities			
Net proceeds from redemption of units		6,611,733	(9,309,369)
Net cash generated from / (used in) financing activities		6,611,733	(9,309,369)
(Decrease) / increase in cash and cash equivalents		(3,135,776)	3,416,530
Movement in cash and cash equivalents			
At start of year		6,703,075	3,286,545
Net (decrease) / increase in cash and cash equivalents		(3,135,776)	3,416,530
At end of year	9 (iii)	3,567,299	6,703,075

Notes

1 General information

NCBA Equity Unit Trust Fund ('the Fund') is a collective investment scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a trust deed dated 19 April 2006. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Centre
Mara Road, Upper Hill
P.O Box 30664, 00100
Nairobi.

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(i) Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Fund uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Measurement basis (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Fund at the end of the reporting period during which the change occurred.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(iii) Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Fund

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The change did not have a material impact on the financial statements of the Fund.

New standards, amendments and interpretations not yet adopted by the Fund

A number of new standards and interpretations have been published that are not mandatory for annual periods commencing 1 January 2020 and have not been early adopted by the Fund. None of these is expected to have a significant effect on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

b) Translation of foreign currencies

(i) Functional and presentation currency

The accounting records are maintained in the currency of the primary economic environment in which the Fund operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings, which the Fund's functional and presentation currency. The figures shown in the financial statements are stated Kenya Shilling (Shs), rounded to the nearest thousand.

(ii) Transactions and balances

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

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

(c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective interest rate on the asset. Dividends are recognised as income in the year in which the right to receive payment is established.

The Fund recognises revenue when it satisfies its performance obligations by delivering the services (or portions thereof) to a customer. The amount of revenue recognised is the amount the Fund expects to receive in line with the contractual terms of delivery of services, which are triggered when specific criteria have been met for each of the Fund's activities as described below. The Fund bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Financial assets

i) Debt instruments

The Fund determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The Fund classifies its financial assets into the following categories:

1. Financial assets at fair value through profit or loss ("FVTPL");
2. Financial assets measured at amortised cost
3. Financial assets at fair value through other comprehensive income ("FVTOCI")

The Fund's classification is based on the contractual cash flow characteristics of the asset and the business model for managing the financial assets.

Financial assets (except those carried at fair value through profit or loss) are initially recognised in the financial statements at fair value plus transaction costs.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

ii) Debt instruments (continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

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

Fund's business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

(ii) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Fund measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are subsequently not reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Fund's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Fair value gain/(loss)" line in the statement of comprehensive income.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Fund:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Fund under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Fund retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Fund retains a subordinated residual interest.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

Impairment of financial assets

The Fund assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(e) Distribution

All income arising from receipts of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

(f) Unit holder balances

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

Unit holder balances are classified as liabilities.

(g) Cash and cash equivalents

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

(h) Accrued expenses

Accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accrued expenses are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

Notes (continued)

2 Summary of significant accounting policies (continued)

(i) Provisions

Provisions are recognised when; the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3 Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers under direction of the NCBA Investment Bank Limited Board. The NCBA Investment Bank Limited Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The NCBA Investment Bank Limited Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.

Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are traded at the Nairobi Securities Exchange. The Fund invests only a limited proportion of its assets in investments that are not actively traded; mainly local commercial paper. The Fund's listed securities are considered readily realizable, as they are listed on the Nairobi Securities Exchange.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below illustrates the Fund's typical redemption history and cash/near cash holdings over the past two years:

	2020	2019
	Kes	Kes
Annual redemption	9,356,306	25,836,360
Annual daily average	35,986	99,371

Notes (continued)

3. Financial risk management (continued)

Liquidity risk (continued)

Maturity Analysis of financial liabilities and Unit Holders balances (all on demand)

Item	2020 Kes	2019 Kes
Unit holder balances	79,558,119	81,460,011
Current liabilities	239,004	321,300
Total	79,797,124	81,781,311

Maturity profile of investments in the Equity Fund:

Maturity profile as at 31 December 2020 (Kes)

	On Demand Kes	1- 12 months Kes	Total Kes
Assets			
Cash	250,528	-	250,528
Fixed deposits	3,316,770	16,525,590	19,842,360
Treasury bonds	-	2,054,388	2,054,388
Total assets	3,567,298	18,579,978	22,147,276
Liabilities			
Other liabilities	239,004	-	239,004
Total	239,004	-	239,004

Maturity profile as at 31 December 2019 (Kes)

	On Demand Kes	1 - 3 months Kes	Total Kes
Assets			
Cash	889,453	-	889,453
Fixed deposits	3,911,279	7,774,696	11,685,975
Corporate bonds	-	2,011,178	2,011,178
Treasury bills	-	963,363	963,363
Total assets	4,800,732	10,749,237	15,549,969
Liabilities			
Other liabilities	321,300	-	321,300
Total	321,300	-	321,300

Notes (continued)

3. Financial risk management (continued)

Market risk

Price risk

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

At 31 December 2020, had the general prices of shares and debt securities changed by 1%, the Fund's earnings would have changed by Kes 597,029 (2019: Kes 662,313).

Foreign exchange risk

The Fund does not invest offshore and is therefore not exposed to foreign exchange risk.

Interest rate risk

The Fund is subject to risk due to fluctuations in the prevailing levels of market interest rates. No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. Fixed interest rate financial instruments expose the Fund to fair value interest rate risk. Variable interest rate financial instruments expose the Fund to cash flow interest rate risk. The Fund's fixed interest rate financial instruments are government securities, deposits with financial institutions, all of which are at fixed rate.

The Fund's investment at 31 December 2020 were all at fixed rates and therefore do not pose interest rate risk.

Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash equivalents and fixed deposits held in banks, interest bearing investments with Government of Kenya (GoK) and corporate bonds with various entities.

In assessing whether the credit risk on a financial asset has increased significantly, the Fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition.

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

Notes (continued)

3. Financial risk management (continued)

Credit risk (continued)

If the Fund does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are, to the extent of materiality, recognised on a collective basis. 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 significant financial difficulty of the debtor resulting to long outstanding debt (more than 90 days), a breach of contract etc.

The Government of Kenya has an S&P long term rating of B+ for both long term foreign currency debt and long term local currency debt. The Fund also undertakes further financial analysis and measures to ensure that the institutions issuing the securities are of sound financial health.

The investment manager, through a centralized, NCBA Group, counterparty review team carries out a quarterly annual due diligence investigation on banks to determine those that qualify for deposits. The criteria used in the due diligence exercise is rigorous and assess such parameters as capital adequacy ratios, liquidity ratios, non-performing loans ratios and other financial ratios. Based on the outcome of this investigation a maximum exposure is set for each financial institution. The latest due diligence approved 34 banks ("Approved Banks") out of 47 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31 December 2016.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2020 and 31 December 2019 is represented by the carrying value of financial assets on the statement of financial position.

None of the balances were past due or impaired as at 31 December 2020 or 31 December 2019. The assessed impairment provision is insignificant.

Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Fund's assets that are measured at fair value at 31 December 2020.

Notes (continued)

3. Financial risk management (continued)

Fair value estimation

The following table presents the Fund's assets that are measured at fair value at 31 December 2020.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds		2,054,388		2,054,388
Equity securities	57,648,477	-	-	57,648,477
Total	57,648,477	2,054,388	-	59,702,865

The following table presents the Fund's assets that are measured at fair value at 31 December 2019.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Equity securities	66,231,342	-	-	66,231,342
Corporate bonds	-	2,011,178	-	2,011,178
Total	66,231,342	2,011,178	-	68,242,520

None of the Fund's liabilities are measured at fair value.

The carrying value of all other financial assets and liabilities represents their fair value due to their short datedness and ability to reprice.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Measurement of expected credit loss allowance

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 assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets.

Notes (continued)

5 Interest and dividend income

	2020 Kes	2019 Kes
Interest income	1,660,080	2,069,456
Dividend income	2,589,727	3,449,161
	4,249,807	5,518,617

6 Service fees and other expenses

Fund management Service fee	2,147,330	2,039,077
Custodian fee	171,742	353,586
Trustee fee	349,750	349,084
CMA fee	1,700	-
Bank charges	1,530	-
Audit fee	-	328,970
AGM fee	1,037	-
	2,673,089	3,070,717

Fund management fees are paid to NCBA Investment Bank Limited for the professional management of the Fund. They are charged at a rate of 2.53% inclusive of taxes per annum, computed on the daily Fund balances.

7 Taxation

Tax status

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002), and is exempt from income tax.

8 Distribution

Income is distributed to unit holders semi-annually.

Notes (continued)

9 (i) Investment balances

	2020 Kes	2019 Kes
Deposits with financial institutions at amortised cost	19,842,360	11,685,975
Quoted equity securities at FVTPL	57,648,477	66,231,342
Corporate bonds at FVTPL	-	2,011,178
Treasury bonds and bills at amortised cost	2,054,388	963,363
	79,545,225	80,891,858

(ii) Classification of quoted securities per sector:

Telecommunication and technology	19,333,783	21,927,150
Banking	24,871,182	30,734,610
Insurance	6,645,088	4,615,332
Industrial and allied	6,798,424	8,954,250
	57,648,477	66,231,342

(iii) Cash and cash equivalents

Bank and cash balances	250,529	889,454
Deposits on demand	3,316,770	5,813,621
	3,567,299	6,703,075

For purposes of the cash-flow statement, cash and cash equivalents are represented by the above balances.

Notes (continued)

10. Unit holder liabilities

	No. of units	2020 Value Kes	No. of units	2019 Value Kes
At start of year	473,758	81,460,011	534,155	77,556,010
Creations	109,155	15,968,039	106,362	16,522,940
Liquidations	(56,662)	(9,356,306)	(166,759)	(25,836,360)
Income available for distribution	-	1,576,718	-	2,447,900
Changes in fair value of investments	-	(10,090,343)	-	10,769,521
At end of the year	526,251	79,558,119	473,758	81,460,011

11 Accruals and other payables

	2020 Kes	2019 Kes
Service fees payable	168,252	169,419
Other payables	70,752	151,881
	239,004	321,300

Notes (continued)

12 Related party transactions

NCBA Equity Fund is currently managed by NCBA Investment Bank Limited. The Fund is related to NCBA Group PLC.

a) Purchases of units by related parties

	2020 Kes	2019 Kes
<u>Unit holder balances:</u>		
NCBA Group PLC	19,235,779	21,787,697

b) Service fees

Service fees to related parties were as follows:

NCBA Investment Bank Limited	1,876,703	2,037,017
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(c) Balances due to related parties

Service fees payable to NCBA Investment Bank Limited	168,253	169,419
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NCBA

MONEY MARKET FUND

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Kes	2019 Kes
Income			
Interest income	5	852,289,920	600,828,067
Fair value gains (loss)/ on investments at fair value through profit or loss		27,505,024	15,299,558
Total income from investing activities		879,794,944	616,127,625
Expenses			
Service fees and other expenses	6	(228,703,837)	(157,986,201)
Write-off impaired assets	9 (i)	-	(16,313,692)
Profit before tax		651,091,107	441,827,732
Income tax expense	7	-	-
Profit for year		651,091,107	441,827,732
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		651,091,107	441,827,732


STATEMENT OF FINANCIAL POSITION

	Notes	2020 Kes	2019 Kes
ASSETS			
Investment balances	9(i)	10,971,611,114	6,444,622,411
Cash and bank balances	9(ii)	1,089,058	169,449
TOTAL ASSETS		10,972,700,172	6,444,791,860
LIABILITIES			
Unit holder balances	10	10,948,713,692	6,429,849,462
Accruals and other payables	11	23,986,480	14,942,398
TOTAL LIABILITIES		10,972,700,172	6,444,791,860

The financial statements on pages 37 to 54 were approved for issue by the Trustee on 2021 and signed on its behalf by:

For: KCB BANK KENYA LTD.

 Trustee, KCB Bank Kenya Limited
 CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

 CORPORATE TRUSTEE

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES

	Notes	Unit holder balances Kes
Year ended 31 December 2019		
At 1 January 2019		4,946,913,661
Total comprehensive income		441,827,732
Transactions with unit holders:		
Additional units purchased	10	5,907,618,712
Units liquidated	10	(4,815,573,476)
Distributions paid out in cash	10	(50,937,167)
Total transactions with unit holders		1,041,108,069
At 31 December 2019		6,429,849,462
Year ended 31 December 2020		
At 1 January 2020		6,429,849,462
Total comprehensive income		651,091,107
Transactions with unit holders:		
Additional units purchased	10	12,177,453,128
Units liquidated	10	(8,240,708,145)
Distributions paid out in cash	10	(68,971,862)
Total transactions with unit holders		3,867,773,122
At 31 December 2020		10,948,713,692

STATEMENT OF CASH FLOWS

	Notes	2020 Kes	2019 Kes
Cashflows from operating activities			
Interest income received		627,460,344	467,547,665
Fees paid		(285,238,481)	(136,529,164)
Net proceeds from sale of investments		(3,837,765,539)	(1,525,581,203)
Income tax paid		-	(18,437,770)
Net cash used in operating activities		(3,495,543,676)	(1,213,000,473)
Cashflows from financing activities			
Net proceeds from sale of units		3,936,744,984	1,038,203,201
Net cash generated from financing activities		3,936,744,984	1,038,203,201
Increase in cash and cash equivalents		441,201,308	(174,797,271)
Movement in cash and cash equivalents			
At start of year		59,084,374	233,881,645
Net increase in cash and cash equivalents		441,201,308	(174,797,271)
At end of year	9 (ii)	500,285,682	59,084,374

Notes

1 General information

NCBA Money Market Unit Trust Fund ('the Fund') is a collective investment scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a trust deed dated 19 April 2006. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Centre
Mara Road, Upper Hill
P.O Box 30059, 00100
Nairobi.

2 Summary of significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(i) Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Fund uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Measurement basis (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Fund at the end of the reporting period during which the change occurred.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(iii) Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Fund

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies'

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The change did not have a material impact on the financial statements of the Fund.

New standards, amendments and interpretations not yet adopted by the Fund

A number of new standards and interpretations have been published that are not mandatory for annual periods commencing 1 January 2020 and have not been early adopted by the Fund. None of these is expected to have a significant effect on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

b) Translation of foreign currencies

(i) Functional and presentation currency

The accounting records are maintained in the currency of the primary economic environment in which the Fund operates (the "Functional Currency"). The financial statements are presented in Kenya Shillings, which the Fund's functional and presentation currency. The figures shown in the financial statements are stated Kenya Shilling (Shs), rounded to the nearest thousand.

(ii) Transactions and balances

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

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

(c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

The Fund recognises revenue when it satisfies its performance obligations by delivering the services (or portions thereof) to a customer. The amount of revenue recognised is the amount the Fund expects to receive in line with the contractual terms of delivery of services, which are triggered when specific criteria have been met for each of the Fund's activities as described below. The Fund bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Financial assets

iii) Debt instruments

The Fund determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The Fund classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss ("FVTPL");
- Financial assets measured at amortised cost
- Financial assets at fair value through other comprehensive income ("FVTOCI")

The Fund's classification is based on the contractual cash flow characteristics of the asset and the business model for managing the financial assets.

Financial assets (except those carried at fair value through profit or loss) are initially recognised in the financial statements at fair value plus transaction costs.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

i) Debt instruments (continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

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

Fund's business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

(ii) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Fund measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are subsequently not reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Fund's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Other income" line in the statement of comprehensive income.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Fund:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Fund under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Fund retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Fund retains a subordinated residual interest.

Impairment of financial assets

The Fund assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Distribution

All income arising from receipt of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

(f) Unit holder balances

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

Unit holder balances are classified as liabilities.

(g) Cash and cash equivalents

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

(h) Accrued expenses

Accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accrued expenses are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

(i) Provisions

Provisions are recognised when; the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes (continued)

3 Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers under direction of the NCBA Investment Bank Limited Board. The NCBA Investment Bank Limited Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The NCBA Investment Bank Limited Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.

Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable Units. It therefore invests the majority of its assets in bank deposits and treasury bills traded at the Nairobi Securities Exchange. The Fund's listed securities are considered readily realizable, as they are listed on the Nairobi Securities Exchange.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below illustrates the Fund's typical redemption history and cash/near cash holdings over the past two years:

	2020	2019
	Kes	Kes
Annual redemption	8,240,708,145	4,815,573,476
Annual daily average	31,695,031	18,521,436

The table below shows the Funds' investments in cash and near cash equivalents at 31 December 2020 and 31 December 2019.

Item	2020	2019
	Kes	Kes
Cash	1,089,058	169,449
Cash on call and fixed deposits and treasury bills maturing in less than 3 months	1,919,592,346	1,642,095,702
Total	1,920,681,404	1,642,265,151

Notes (continued)

3 Financial risk management

Liquidity risk (continued)

Maturity analysis of financial liabilities and Unit Holders Balances (all on demand)

Item	2020	2019
	Kes	Kes
Unit holder balances	10,948,713,692	6,429,849,462
Current liabilities	23,986,480	14,942,398
Total	10,972,700,172	6,444,791,860

(i) The maturity profile of investments is as below:

Maturity profile -2020 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months & 1 year	Due within 1 & 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	1,701,210,416	565,668,806	1,468,848,343	153,195,369	-	3,888,922,935
Treasury bills & Bonds	239,381,693	525,125,281	917,789,290	653,803,739	4,455,639,417	6,791,739,420
Corporate bonds	-	-	-	290,948,759	-	290,948,759
Total Assets	1,940,592,109	1,090,794,088	2,386,637,633	1,097,947,867	4,455,639,417	10,971,611,114
Liabilities						
Other liabilities	23,986,480	-	-	-	-	23,986,480
Total	23,986,480	-	-	-	-	23,986,480

Maturity profile -2019 – Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months & 1 year	Due within 1 & 5 years	Due after 5 years	Total
Assets						
Cash	169,449	-	-	-	-	169,449
Deposits with financial institutions	1,389,017,873	523,519,541	421,925,753	8,862,201	-	2,343,325,368
Treasury bills & Bonds	253,077,830	476,654,942	486,087,989	1,264,029,368	1,281,998,187	3,761,848,315
Corporate bonds	8,598,061	28,052,709	12,067,068	290,730,890	-	339,448,728
Total assets	1,642,265,152	1,028,227,192	920,080,810	1,563,622,459	1,281,998,187	6,444,791,860
Liabilities						
Other liabilities	14,942,398	-	-	-	-	14,942,398
Total	14,942,398	-	-	-	-	14,942,398

Notes (continued)

3 Financial risk management (continued)

Market risk

Price risk

The Investment Manager moderates this risk through a careful selection and diversification of securities and other financial instruments within specified limits. Total universe of assets in which the Fund could potentially invest are divided into various asset classes namely equities, bonds, deposits and cash. The Fund Manager conducts research on overall economic performance and determines probable sector performances and, therefore, asset allocation. Typically, the choice of investment involves the following steps tailored to minimize the level of exposure to asset classes and specific securities:

1. Strategic Asset Allocation (SAA)

- Is the first step and sets the minimums and maximums for each asset class;
- Long term guideline taking to account investment objectives, asset/liability profile and maturity profile of Funds; and
- Guided in-depth research

Moreover, each asset class is benchmarked against appropriate market indices with the primary objective of outperforming the indices over the medium to longer term

2. Tactical Asset allocation

- Sets the short term (quarterly) ranges for each asset class allowing manager to take advantage of prevailing market conditions;
- Identifies actual assets invested in within each investment class but within the overall strategic range;
- Selection of the specific securities invested in is reviewed monthly by an investment committee.

Foreign exchange risk

The Fund does not invest offshore and is therefore not exposed to foreign exchange risk.

Interest rate risk

The majority of the Fund's financial assets are interest bearing. As a result, the Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Fixed interest rate financial instruments expose the Fund to fair value interest rate risk. Variable interest rate financial instruments expose the Fund to cash flow interest rate risk. The Fund's fixed interest rate financial instruments are government securities, deposits with financial institutions.

The Fund's investment at 31 December 2020 were all at fixed rates and therefore do not pose interest rate risk.

Notes (continued)

3 Financial risk management (continued)

Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash equivalents and fixed deposits held in banks, interest bearing investments with Government of Kenya (GOK) and commercial paper and corporate bonds with various entities.

In assessing whether the credit risk on a financial asset has increased significantly, the Fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort.

There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. 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 Fund does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are, to the extent of materiality, recognised on a collective basis. 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 significant financial difficulty of the debtor resulting to long outstanding debt (more than 90 days), a breach of contract etc.

The Government of Kenya has a long term rating of B (Stable) by Standard and Poors (S&P). GoK has not defaulted on debt obligation in the past. The Fund also undertakes further financial analysis and measures to ensure that the institutions issuing the securities are of sound financial health.

The investment manager carries out a quarterly due diligence investigation on banks to determine those that qualify for deposits. The criteria used in the due diligence exercise is rigorous and assess such parameters as capital adequacy ratios, liquidity ratios, non-performing loans ratios and other financial ratios. Based on the outcome of this investigation a maximum exposure is set for each financial institution. The latest due diligence approved 43 banks ("Approved Banks") out of 47 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31st December 2014.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2020 and 31 December 2019 is represented by the carrying value of financial assets on the statement of financial position.

None of the balances were past due or impaired as at 31 December 2020 or 31 December 2019. The assessed impairment provision is insignificant.

Notes (continued)

3 Financial risk management (continued)

Fair value estimation

IFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Fund's assets that are measured at fair value at 31 December 2020.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds		5,393,825,300		5,393,825,300
Corporate bonds	-	290,948,759	-	290,948,759
Total	-	5,684,774,059	-	5,684,774,059

The following table presents the Fund's assets that are measured at fair value at 31 December 2019.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds		2,689,745,124		2,689,745,124
Corporate bonds	-	339,448,728	-	339,448,728
Total	-	3,029,193,852	-	3,029,193,852

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

The Fund had no financial instruments classified as level 3 at 31 December 2020 and 31 December 2019. There were no transfers between levels in 2020 and 2019. The carrying value of all other financial assets and liabilities represents their fair value due to their short datedness and ability to reprice.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Notes (continued)

4 Critical accounting estimates and judgements

Measurement of expected credit loss allowance

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 assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the appropriate business models and assessing the “solely payments of principal and interest (SPPI)” requirements for financial assets.

5. Interest income

The income of the Fund is derived from liquid assets in the portfolio such as treasury bills, bonds and deposits with financial institutions.

	2020 Kes	2019 Kes
Interest income	852,289,920	600,828,067

6. Service fees and other expenses

Fund management fees	193,202,172	136,052,577
Custodian fees	20,084,389	13,702,329
Trustee fees	14,348,950	7,419,208
CMA fees	134,400	-
Bank charges	657,491	645,695
AGM Fees	276,435	166,392
	228,703,837	157,986,201

Fund management fees were paid to NCBA Investment Bank Limited for the professional management of the Fund. They are charged at a rate of 2% inclusive of taxes per annum, computed on the daily Fund balances.

Notes (continued)

7 Taxation

Tax status

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002) and is exempt from income tax.

8 Distribution

All of the Fund's income is distributed to unit holders on a monthly basis.

9 (i) Investment balances

	2020 Kes	2019 Kes
Deposits with financial institutions at amortised cost	3,888,922,935	2,359,639,059
Treasury bonds and bills at amortised cost	6,791,739,420	3,761,848,315
Corporate bonds at fair value through profit or loss	290,948,759	339,448,728
Write-off of impaired assets	-	(16,313,692)
	10,971,611,114	6,444,622,411

ii) Cash and cash equivalents

Cash and bank balances	1,089,058	169,449
Demand deposits	499,196,623	58,914,925
	500,285,682	59,084,374

The write-off of impaired assets related to Chase Bank (in receivership) deposits included in deposits with financial institutions which is deemed unrecoverable

10 Unit holder liabilities

At start of year	6,429,849,462	4,946,913,661
Creations	12,177,453,128	5,907,618,712
Liquidations	(8,240,708,145)	(4,815,573,476)
Income available for distribution	651,091,107	441,827,732
Distributions paid in the year	(68,971,862)	(50,937,167)
	10,948,713,692	6,429,849,462

Each unit in the money market Fund represents one shilling in investment.

Notes (continued)

11 Accruals and other payables

	2020 Kes	2019 Kes
Service fees payable	20,140,948	10,835,880
Other expenses payable	3,845,532	4,106,518
	23,986,480	14,942,398

12 Related party transactions

NCBA Money Market Fund was managed by Old Mutual Investment Services (Kenya) Limited (OMIS), which is not a related party until 31 October 2014. The Fund is currently managed by NCBA Investment Bank Limited. The Fund is related to NCBA Group PLC.

(a) Service fees

Service fees to related parties were as follows:

	2020 Kes	2019 Kes
NCBA Investment Bank Limited	184,835,375	114,109,858

(b) Balances due to related parties

Service fees payable to NCBA Investment Bank Limited (Note 11)

20,140,948	10,835,880
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NCBA

DOLLAR INVESTMENT FUND

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2020 Usd	2019 Usd
Income			
Interest income	5	468,136	198,186
Fair value loss on investments at fair value through profit or loss		(73,523)	(41,747)
Total income from investing activities		394,613	156,439
Expenses			
Service fees and other expenses	6	(149,648)	(62,320)
Profit before tax		244,965	94,119
Income tax expense		-	-
Profit for the year		244,965	94,119
Other comprehensive income, net of tax		-	-
Total comprehensive income for the year		244,965	94,119

STATEMENT OF FINANCIAL POSITION

	Notes	2020 Usd	2019 Usd
ASSETS			
Investment balances	9(i)	13,912,523	6,641,899
Cash and cash balances	9(ii)	3,335	340
TOTAL ASSETS		13,915,858	6,642,239
LIABILITIES			
Unit holder balances	10	13,877,127	6,583,384
Accruals and other payables	11	38,731	58,855
TOTAL EQUITY AND LIABILITIES		13,915,858	6,642,239

The financial statements on pages 56 to 74 were approved for issue by the trustee on _____ 2021 and signed on its behalf by:

For: KCB BANK KENYA LTD.



 Trustee, KCB Bank Kenya Limited
 CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.



 CORPORATE TRUSTEE

STATEMENT OF CHANGES IN UNIT HOLDER

	Notes	Unit holder balances Usd
Year ended 31 December 2019		
At 1 January 2019		1,638,746
Total comprehensive income		94,119
Transactions with unit holders:		
Additional units purchased	10	9,084,770
Units liquidated	10	(4,234,251)
Total transactions with unit holders		4,850,519
At 31 December 2019		6,583,384
Year ended 31 December 2020		
At 1 January 2020		6,583,384
Total comprehensive income		244,965
Transactions with unit holders:		
Additional units purchased	10	11,769,470
Units liquidated	10	(4,720,692)
Total transactions with unit holders		7,048,778
At 31 December 2020		13,877,127

STATEMENT OF CASH FLOWS

	Notes	2020 Usd	2019 Usd
Cashflows from operating activities			
Interest income received		271,827	176,141
Fees paid		(211,272)	(5,130)
Net proceeds from sale of investments		(7,106,337)	(5,021,451)
		(7,045,782)	(4,850,440)
Cashflows from financing activities			
Net proceeds from sale of units	10	7,048,777	4,850,519
		7,048,777	4,850,519
Net cash generated from financing activities			
		2,995	79
Movement in cash and cash equivalents			
At start of year		340	261
Net increase in cash and cash equivalents		2,995	79
		3,335	340
At end of year	9 (ii)	3,335	340

Notes

1 General information

NCBA Dollar Investment Fund ('the Fund') is a collective investment scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a trust deed dated 1st October 2018. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Centre
Mara Road, Upper Hill
P.O Box 30059, 00100
Nairobi.

2 Summary of significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in US Dollars (USD).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the trustee to exercise its judgement in the process of applying the Fund's accounting policies.

a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

(i) Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Fund uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Fund using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(i) Measurement basis (continued)

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised by the Fund at the end of the reporting period during which the change occurred.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

(iii) Changes in accounting policy and disclosures

New standards, amendments and interpretations adopted by the Fund

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies'

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- Use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- Clarify the explanation of the definition of material; and
- Incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The change did not have a material impact on the financial statements of the Fund.

New standards, amendments and interpretations not yet adopted by the Fund

A number of new standards and interpretations have been published that are not mandatory for annual periods commencing 1 January 2020 and have not been early adopted by the Fund. None of these is expected to have a significant effect on the financial statements of the Fund.

Notes (continued)

2 Summary of significant accounting policies (continued)

b) Translation of foreign currencies

(i) Functional and presentation currency

The accounting records are maintained in the currency of the primary economic environment in which the Fund operates (the "Functional Currency"). The financial statements are presented in US Dollars (USD), which the Fund's functional and presentation currency. The figures shown in the financial statements are stated in US Dollars (USD), rounded to the nearest thousand.

(ii) Transactions and balances

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

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

(c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. The Fund recognises revenue when it satisfies its performance obligations by delivering the services (or portions thereof) to a customer. The amount of revenue recognised is the amount the Fund expects to receive in line with the contractual terms of delivery of services, which are triggered when specific criteria have been met for each of the Fund's activities as described below. The Fund bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Financial assets

i) Debt instruments

The Fund determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The Fund classifies its financial assets into the following categories:

- Financial assets at fair value through profit or loss ("FVTPL");
- Financial assets measured at amortised cost
- Financial assets at fair value through other comprehensive income ("FVTOCI")

The Fund's classification is based on the contractual cash flow characteristics of the asset and the business model for managing the financial assets.

Financial assets (except those carried at fair value through profit or loss) are initially recognised in the financial statements at fair value plus transaction costs.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

ii) Debt instruments (continued)

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Fair value through the profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises. Interest income and credit related income from these financial assets is included in "interest income" using the effective interest rate method.

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

Fund's business model: The business model reflects how the Fund manages the assets in order to generate cash flows. That is, whether the Fund's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Fund in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated.

The Fund reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial assets (continued)

(ii) Equity Instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets e.g. basic ordinary shares.

The Fund measures all equity investments at fair value through profit or loss, except where the Fund's management has elected, at initial recognition, to irrevocably designate an equity investment at fair value through other comprehensive income. The Fund's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are subsequently not reclassified to profit or loss, including on disposal. Impairment losses (and reversals of impairment losses) are not reported separately from other changes in fair values.

Dividends, when representing a return on such investments, continue to be recognised in profit or loss as other income when the Fund's right to receive payment is established. Gains and losses on equity investments at FVPL are included in the "Other income" line in the statement of comprehensive income.

Impairment of financial assets

The Fund assesses on a forward-looking basis, the expected credit losses ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Fund transfers substantially all the risks and rewards of ownership, or (ii) the Fund neither transfers nor retains substantially all the risks and rewards of ownership and the Fund has not retained control.

The Fund enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards. These transactions are accounted for as "pass through" transfers that result in derecognition if the Fund:

- (i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
- (ii) Is prohibited from selling or pledging the assets; and
- (iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Fund under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Fund retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Fund retains a subordinated residual interest.

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Distribution

All income arising from receipt of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

(f) Unit holder balances

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

Unit holder balances are classified as liabilities.

(g) Cash and cash equivalents

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

(h) Accrued expenses

Accrued expenses are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Accrued expenses are recognised initially at fair value and subsequently at amortised cost using the effective interest method.

(i) Provisions

Provisions are recognised when; the Fund has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes (continued)

2 Summary of significant accounting policies (continued)

3 Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The investment managers under direction of the NCBA Investment Bank Limited Board carry out risk management. The NCBA Investment Bank Limited Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures.

They then arrive at strategies to mitigate against these risks. The NCBA Investment Bank Limited Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.

a) Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable Units. It therefore invests the majority of its assets in bank deposits and treasury bills traded at the Nairobi Securities Exchange. The Fund's listed securities are considered readily realizable, as they are listed on the Nairobi Securities Exchange.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below illustrates the Fund's typical redemption history and cash/near cash holdings at 31 December 2020:

	2020	2019
	Usd	Usd
Redemption for the period	4,720,692	4,234,251
Daily average	18,157	16,286

Notes (continued)

3. Financial risk management (continued)

Maturity Analysis of Financial Liabilities and Unit Holders Balances (all on demand)

Item	2020	2019
	Usd	Usd
Unit holder balances	13,877,127	6,583,384
Current liabilities	38,731	58,855
Total	13,915,858	6,642,239

(i) The maturity profile of investments is as below:

Maturity profile -2020 (Usd)

	On Demand	Due within 3 to 5 months	Due within 6 months & 1 year	Due after 5 years	Total
Assets					
Deposits with financial institutions	4,424,855	985,355	2,596,841	-	8,007,051
Euro bonds	-	-	600,917	3,954,406	4,555,323
Cash and bank balances	3,335				3,335
Demand deposits	1,350,149	-	-	-	1,350,149
Total Assets	5,778,338	985,355	3,197,758	3,954,405	13,915,858
Liabilities					
Other liabilities	38,731	-	-	-	38,731
Total	38,731	-	-	-	38,731

Maturity profile -2019 (Usd)

	On Demand	Due within 3 to 5 months	Due within 6 months & 1 year	Due after 5 years	Total
Assets					
Deposits with financial institutions	612,449	1,970,488	383,991	-	2,966,928
Euro bonds	-	484,042	460,051	1,725,310	2,669,403
Cash and bank balances	340	-	-	-	340
Demand deposits	1,005,568	-	-	-	1,005,568
Total Assets	1,618,357	2,454,530	844,042	1,725,310	6,642,239
Liabilities					
Other liabilities	58,855	-	-	-	58,855
Total	58,855	-	-	-	58,855

Notes (continued)

3. Financial risk management (continued)

b) Market risk

Price risk

The Investment Manager moderates this risk through a careful selection and diversification of securities and other financial instruments within specified limits. Total universe of assets in which the Fund could potentially invest are divided into various asset classes namely equities, bonds, deposits and cash.

The Fund Manager conducts research on overall economic performance and determines probable sector performances and, therefore, asset allocation. Typically, the choice of investment involves the following steps tailored to minimize the level of exposure to asset classes and specific securities:

1. Strategic Asset Allocation (SAA)

- Is the first step and sets the minimums and maximums for each asset class;
- Long term guideline taking to account investment objectives, asset/liability profile and maturity profile of Funds; and
- Guided in-depth research

Moreover, each asset class is benchmarked against appropriate market indices with the primary objective of outperforming the indices over the medium to longer term

2. Tactical Asset allocation

- Sets the short term (quarterly) ranges for each asset class allowing manager to take advantage of prevailing market conditions;
- Identifies actual assets invested in within each investment class but within the overall strategic range;
- Selection of the specific securities invested in is reviewed monthly by an investment committee.

Foreign exchange risk

The Fund invests in offshore investments in dollars and makes payments to clients in the same currency. The fund is therefore not exposed to foreign exchange risk.

Interest rate risk

The majority of the Fund's financial assets are interest bearing. As a result, the Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

Fixed interest rate financial instruments expose the Fund to fair value interest rate risk. Variable interest rate financial instruments expose the Fund to cash flow interest rate risk. The Fund's fixed interest rate financial instruments are government securities, deposits with financial institutions.

At 31 December 2020, an increase/decrease in interest rates of 100 basis points with all other variables held constant would have resulted in a decrease/increase in profit before tax of Usd 125,592(2019: 66,400) arising substantially from revision of interest rates on underlying investments.

Notes (continued)

3. Financial risk management (continued)

c) Credit risk

The Fund takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash equivalents and fixed deposits held in banks, interest bearing investments with Government of Kenya (GoK) and commercial paper and corporate bonds with various entities.

In assessing whether the credit risk on a financial asset has increased significantly, the Fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. 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 Fund does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are, to the extent of materiality, recognised on a collective basis. 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 significant financial difficulty of the debtor resulting to long outstanding debt (more than 90 days), a breach of contract etc.

The Government of Kenya has a long term rating of B (Stable) by Standard and Poors (S&P). GoK has not defaulted on debt obligation in the past. The Fund also undertakes further financial analysis and measures to ensure that the institutions issuing the securities are of sound financial health.

The investment manager carries out a quarterly due diligence investigation on banks to determine those that qualify for deposits. The criteria used in the due diligence exercise is rigorous and assess such parameters as capital adequacy ratios, liquidity ratios, non-performing loans ratios and other financial ratios. Based on the outcome of this investigation a maximum exposure is set for each financial institution. The fund has 19 approved banks out of 38 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31st December 2020.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2020 is illustrated below:

	2020 Usd	2019 Usd
Euro bonds	4,555,323	2,669,403
Deposits with financial institutions	9,357,200	3,972,496
Cash and bank balances	3,335	340
	13,915,858	6,642,239

Notes (continued)

3. Risk management objectives and policies (continued)

d) Fair value estimation

Fair value estimation

Effective 1 January 2009, the Fund adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fund does not currently have any investments stated at fair value.

The fair value of financial assets stated at amortised cost is:

Assets	Level 1 Usd	Level 2 Usd	Level 3 Usd	Total balance Usd
Euro Bonds	-	4,998,874	-	4,998,874
Total	-	4,998,874	-	4,998,874

The fair value of financial instruments that are not traded in an active market (for example, government bonds) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Measurement of expected credit loss allowance

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 assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

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

- Determining criteria for significant increase in credit risk;
- Choosing the appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL;
- Determining the appropriate business models and assessing the “solely payments of principal and interest (SPPI)” requirements for financial assets.

Notes (continued)

5 Interest income

The income of the Fund is derived from liquid assets in the portfolio such as treasury bills, bonds and deposits with financial institutions.

	2020 Usd	2019 Usd
Interest income	468,136	198,186

6 Service fees and other expenses

Gross Service fees	112,052	46,541
Custodian fees	21,755	9,387
Trustee fees	15,547	6,392
AGM Fees	162	-
CMA fees	131	-
	149,647	62,320

Services fees were paid to NCBA Investment Bank Limited for the professional management of the Fund. They are charged at a rate of 2% inclusive of taxes per annum, computed on the daily Fund balances.

7 Taxation

Tax status

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002) and is exempt from income tax.

Notes (continued)

8 Distribution

All of the Fund's income is distributed to unit holders on a monthly basis.

9 (i) Investment balances

	2020 Usd	2019 Usd
Deposits with financial institutions at amortised cost	9,357,200	3,972,496
Euro bonds at amortised cost	4,555,323	2,669,403
	13,912,523	6,641,899

(ii) Cash and cash equivalents

Cash and bank balances	3,335	340
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10 Unit holder liabilities

At start of period	6,583,384	1,638,746
Creations	11,769,470	9,084,770
Liquidations	(4,720,692)	(4,234,251)
Income available for distribution	244,965	94,119
	13,877,127	6,583,384

Each unit in the dollar investment Fund represents one shilling in investment.

11 Accruals and other payables

	2020 Usd	2019 Usd
Service fees payable	25,750	40,974
Other expenses payable	12,981	17,881
	38,731	58,855

Notes (continued)

12 Related party transactions

NCBA Dollar Investment Fund is currently managed by NCBA Investment Bank Limited. The Fund is related to NCBA Group PLC.

a) Unit holder balances

	2020 Usd	2019 Usd
NCBA Group PLC	243,137	235,182

b) Service fees

Service fees to related parties were as follows:
 NCBA Investment Bank Limited

116,599	40,975
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c) Balances due to related parties

Service fees payable to NCBA Investment Bank Limited (Note 10)

25,750	40,974
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