NCBA

UNIT TRUST FUNDS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2023

NCBA UNIT TRUST FUNDS

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

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CORPORATE INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2023

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 Annex
3rd Floor, Upper Hill
P.O. Box 44559, 00100
Nairobi, Kenya

CUSTODIAN

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

AUDITOR

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way, Muthangari Drive
P.O. Box 40092, 00100
Nairobi, Kenya

TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Trustee submits its report together with the audited financial statements for the year ended 31 December 2023 that disclose the state of affairs of the Funds.

INVESTMENT OBJECTIVES

NCBA Unit Trust Fund is an umbrella with five 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 Fixed Income 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 Fixed Income 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 Fixed Income 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 Fixed Income 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.

4. The objective of the **NCBA Fixed Income Basket Note (KES and USD) Income Funds** is to offer investors an opportunity to earn a competitive fixed return over pre-determined investment tenors backed by low risk fixed income instruments. The fund provides a short to medium term investment, denominated in either Kenya Shillings or United States Dollars, whereby investors can obtain participation in a diversified portfolio of securities and earn a pre-determined fixed return over the fixed investment period.

TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

FUND PERFORMANCE

Fund	Year	Highest Price (based on repurchase price) Kes.	Lowest Price (based on repurchase price) Kes.
NCBA Equity Fund	2023	151.77	127.93
	2022	169.16	138.56
	2021	180.86	151.48
	2020	176.33	133.96

Fund	Year	Highest Yield (based on repurchase price) Kes.	Lowest Yield (based on repurchase price) Kes.
NCBA Fixed Income Fund	2023	11.4%	9.25%
	2022	9.89%	8.16%
	2021	8.33%	6.93%
	2020	8.47%	7.03%

Fund	Year	Highest Yield (based on repurchase price) Kes.	Lowest Yield (based on repurchase price) Kes.
NCBA Dollar Fixed Income Fund	2023	5.52%	2.36%
	2022	2.90%	3.75%
	2021	3.75%	2.53%
	2020	3.69%	2.81%

FUND GROWTH

Fund	2023	2022	2021	2020	2019
NCBA Equity Fund growth	-14.15%	-4.37%	2.05%	-2.43%	4.60%
NCBA Fixed Income Fund Growth	4.00%	12.78%	38.07%	70.26%	30.31%
NCBA Dollar Fixed Income Fund	45.08%	14.29%	78.71%	109.51	304.48%
NCBA Fixed Income Basket (KES) Fund	24.06%	100%	-	-	-
NCBA Fixed Income Basket (USD) Fund	70.58%	100%	-	-	-

INCOME OR LOSS FOR THE YEAR

Year	NCBA Equity Fund (Kes.)	NCBA Fixed Income Fund (Kes.)	NCBA Dollar Fixed Income Fund (Kes.)	NCBA Fixed Income Basket (KES) Fund (Kes)	NCBA Fixed Income Basket (USD) Fund (Kes)
2023	(8,950,670)	975,536,196	984,449,066	367,288,723	147,632,633
2022	(8,746,621)	871,173,452	(116,972,162)	185,023,815	8,394,088
2021	8,241,539	925,054,977	59,813,100	-	-
2020	(8,513,625)	651,091,108	26,742,909	-	-
2019	13,217,421	441,827,732	13,768,145	-	-

TRUSTEE'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

FUND VALUE AT END OF THE YEAR

Year	NCBA Equity Fund (Kes.)	NCBA Fixed Income Fund (Kes.)	NCBA Dollar Fixed Income Fund (Usd.)	NCBA Fixed Income Basket (Kes)	NCBA Fixed Income Basket (Usd)
2023	68,436,691	17,839,964,138	6,393,510,258	5,815,348,204	931,678,081
2022	78,120,963	17,125,319,409	3,511,414,574	4,416,252,742	274,094,859
2021	81,433,739	15,149,958,976	2,806,786,288	-	-
2020	79,797,123	10,972,700,172	1,519,198,440	-	-
2019	81,781,311	6,444,791,860	673,102,056	-	-

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

Deloitte & Touche LLP are the appointed auditors 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

27 March 2024

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

NCBA UNIT TRUST FUNDS

STATEMENT OF TRUSTEE'S RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2023

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 27 March 2024 and signed on its behalf by:

By order of the trustee
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

CHAIRMAN'S STATEMENT TO UNIT HOLDERS FOR THE YEAR ENDED 31 DECEMBER 2023

STATEMENT TO THE NCBA UNIT HOLDERS

Dear Unit holders;

I present to you the annual report and financial statements for the year ended 31 December 2023 of the NCBA Unit Trust Funds ("funds").

We appreciate your continued patronage of the NCBA Unit Trust Funds and trust that the funds met your investment and service expectations during the year.

1. Composition of the NCBA Unit Trust Scheme.

The scheme comprises of various funds as listed below:

Fund	Suitability and Salient Features
NCBA Fixed Income Fund	The fund is denominated in Kenya Shillings, offers daily liquidity and pays interest income determined daily and compounded on a monthly basis. The fund is accessible to all investors, subject to a minimum investment, top up and withdrawal amount of Kes 1,000. This is fund is appropriate for investors whose primary objective is to preserve capital whilst generating a regular interest income.
NCBA Dollar Fixed Income Fund	The fund is denominated in US Dollars, offers daily liquidity and pays interest income determined daily and compounded on a monthly basis. The fund is accessible to investors with a minimum investment, top up and withdrawal amount of USD 100. The fund is suitable for investors with dollar cash flows who would like to continue earning dollar returns, or for investors looking to diversify their local currency investments by including some foreign currency exposure.
NCBA Equity Fund	This fund is denominated in Kenya Shillings and is appropriate for investors who are seeking exposure to shares listed on the stock market and wish to create an asset base that offers capital appreciation over a medium to long term. The fund is accessible to investors with a minimum investment, top up and withdrawal amount of Kes 1,000.
NCBA Fixed Income Basket Note (Kes) Fund	The fund is a Fixed Income product that offers clients a competitive yield for a specified period. The solution is suitable for clients who are seeking investment structures akin to fixed deposits with the applicable tenors being 3 months, 6 months, 1 year and 2 years. Clients that seek to exit before maturity will be subject to a penalty on the interest earned. The minimum investment amount is KES 5,000,000.
NCBA Fixed Income Basket Note (Usd)Fund	The fund is a Fixed Income product that offers client a competitive yield for a specified period. The solution is suitable for clients who are seeking for USD denominated investment structures akin to fixed deposits with the applicable tenors being 3 months, 6 months, 1 year and 2 years. Clients that seek to exit before maturity will be subject to a penalty on the interest earned. The minimum investment amount is USD 50,000.

2. Economic Review - 2023

In 2023, inflation remained stubbornly high across the world driven by tight labour markets and pass-through effects of prior commodities price shock.

In response, monetary authorities tightened their policy rates leading to a widespread expectation of slow economic growth. However, advanced economies, especially the United States (US), remained resilient on the face of strong consumption growth and a reliance on financial buffers built during the Covid-19 pandemic. Unlike the U.S., Europe's growth slowed down significantly while China's economy growth decelerated following problems in its property sector.

In Kenya, the rebound from the pandemic continued as summarized below;

STATEMENT TO THE NCBA UNIT HOLDERS (Continued)

2. Economic Review – 2023 (Continued)

GDP Growth Rate

- The Kenyan economy grew by 5.9% in the third quarter of 2023 compared to 4.7% growth in the same quarter of 2022. The growth rate was underpinned by the agricultural sector which grew by 6.7% compared to a contraction of 1.3% in the third quarter of 2022. The improved performance was attributed to favorable weather conditions witnessed in the first half of the year.
- In addition, growth was buoyed by significant growths in accommodation & food service (26.0%), financial and insurance (14.7%) and information and communication (7.3%) activities.

Inflation

- Average inflation in 2023 stood at 7.6% compared to 7.7% in 2022. The high inflation rate is due to pass-through effects of commodities price shock and the accelerated depreciation of the Kenya Shilling.

Exchange Rate

- During 2023, the Kenya Shilling depreciated against the US Dollar, the Pound and the Euro by 26.8%, 34.6% and 32.4%, respectively. The depreciation was on the back of a strong dollar, risk aversion by investors who held on to their dollar deposits while simultaneously selling their Shilling denominated assets and weak receipts from foreign direct investments and slowdown of portfolio flows.
- The exchange rates at the end of year were Kes.156.46/USD, Kes.199.81/GBP and Kes.173.78/Euro respectively.

Interest rate- Central Bank Rate

- The Central Bank Rate raised the CBR from 8.75% to 12.50% to anchor inflation expectations.

Interest Rate- Government Securities

- In 2023, interest rates increased across all tenors on the yield curve. The 91Day, 182 Day and 364 Day Treasury bills increased from 8.17%, 8.98% and 9.88% at the end of 2022 to 15.70%, 15.79% and 15.90%.
- The Treasury bonds yields rose during the year with the largest upward shift concentrated in the bonds between 3 – 5 years tenor.
- The increase in rates was a reflection of pricing in rising inflation and concerns about the Government's fiscal and liquidity position.

Equity Markets

- The stock exchange posted a negative return for the year with Nairobi All Shares Index (NASI) and NSE-20 Index decreasing by 27.7% and 10.4%, respectively. The NASI and NSE-20 indices closed the year at 92.11 and 1,501.16, respectively.
- The poor performance is attributed to the weak operating environment of the listed companies, foreign investor flight from the bourse, and better than expected macroeconomic outlook in developed economies.

3. Economic Outlook – 2023

- Globally, the tight monetary policy and depleting financial buffers is expected to slow down economic growth. Global growth is forecast to slow to 2.4% in 2024.
- Monetary authorities are expected to cut their policy rates as inflation rates slowly cool down to their target levels.
- Locally, Kenya's economy is projected to grow by 5.5% in 2024 according to the National Treasury Draft 2024 Budget Policy Statement. The easing of inflationary pressures is expected to result in a rebound of household disposable income which will in turn support household consumption. Moreover, GDP growth will be supported by a resilient services sector.
- We expect investor interest in Government securities to remain biased towards tenor below 5 years as the country grapples with how to alleviate its debt sustainability concerns amid high inflation.
- Despite the negative returns in 2023, the equity market is trading at an attractive valuation level with potentially high dividend yields.

4. Review of the NCBA Unit Trust Scheme.

4.1 Assets under Management

The assets under management of the Scheme increased from Kes 25.4Bn in 2022 to Kes 31.0Bn in 2023 (a 22 % increase) as summarized in the table below;

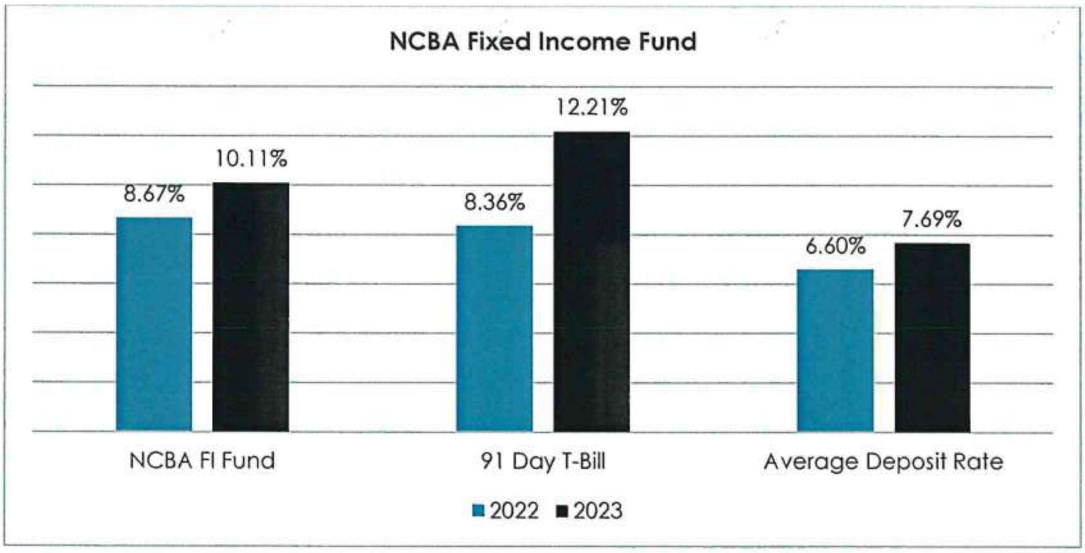
Fund	2022 (Kes.)	2023 (Kes.)
NCBA Fixed Income Fund	17,125,319,409	17,839,964,138
NCBA Dollar Fixed Income Fund	3,529,059,840	6,393,510,258
NCBA Fixed Income Basket Note (Kes) Fund	4,416,252,742	5,815,348,204
NCBA Equity Fund	78,120,963	68,436,690
NCBA Fixed Income Basket Note (USD) Fund	275,472,200	931,678,081
Total	**25,424,225,154**	**31,048,937,371**

The growth was driven predominantly by the increase in assets under management of the NCBA Dollar Fixed Income Fund and the new products, the NCBA Fixed Income Basket Note (Kes & USD) Funds.

4.2. Fund's performance

The charts below summarize the performance of the NCBA Unit Trust Scheme funds for the year ended 31 December 2023 with a comparison to the performance in 2022 and against the relevant benchmarks.

4.2.1. NCBA Fixed Income Fund (Kenya Shillings)

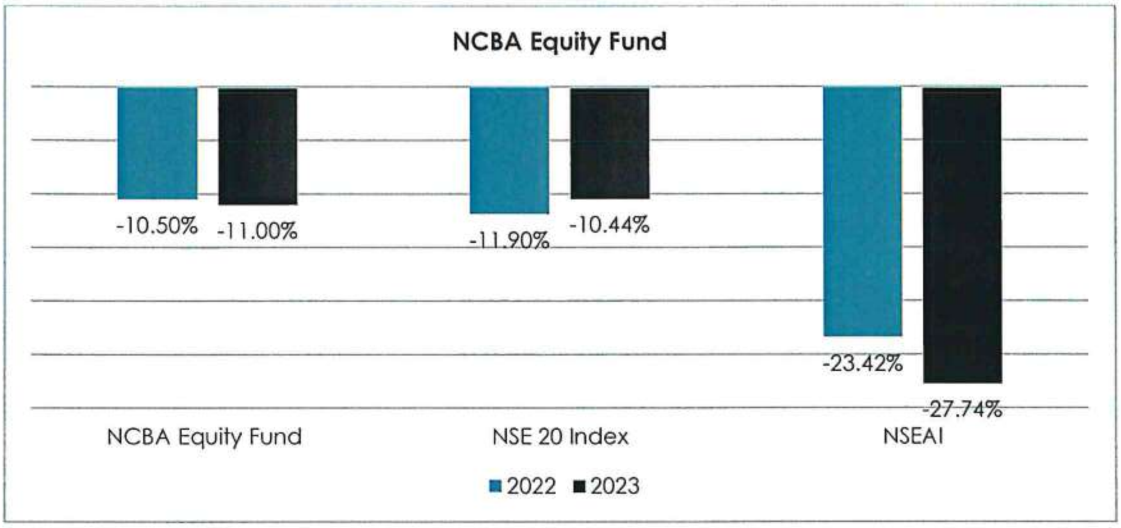


The Fixed Income Fund's average return (gross of taxes) performance for 2023, was 10.11% against a performance of 8.67% in 2022. Outperformance against the benchmark has been sustained during the year.

4. Review of the NCBA Unit Trust Scheme.

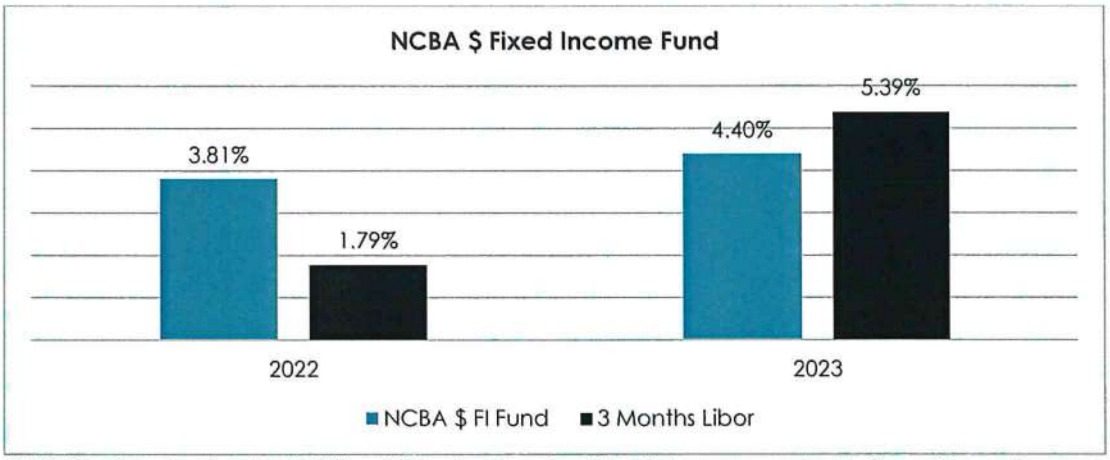
4.2. Fund's performance (Continued)

4.2.2. NCBA Equity Fund (Kenya Shillings)



The Equity Fund's performance for 2023, was a valuation loss of 11% against a valuation loss of 10.50% in 2022. Outperformance of the benchmark has been sustained over the year with the NASI losing value by 27.74%.

4.2.3. NCBA Dollar Fixed Income Fund



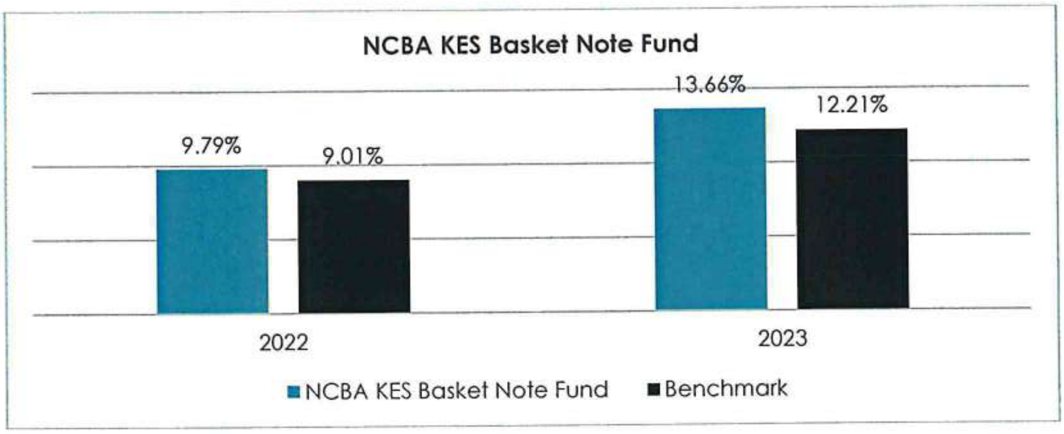
*LIBOR - London Interbank Offered Rate is a key benchmark interest rate that indicates borrowing costs between banks.

The Dollar Fixed Income fund's performance for 2023, was 4.40% against a performance of 3.81% in 2022. The fund underperformed against the benchmark with the Fund at 4.40% against the 3 Months LIBOR at 5.39%.

4. Review of the NCBA Unit Trust Scheme.

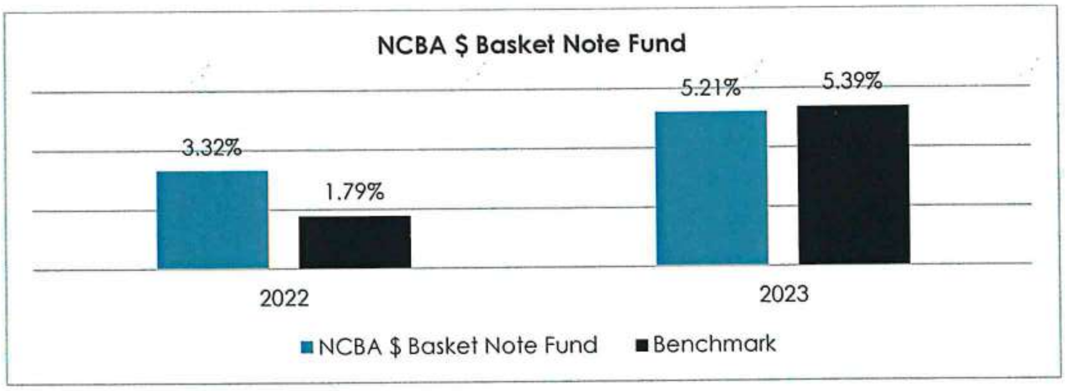
4.2. Fund's performance (Continued)

4.2.4. NCBA Fixed Income Basket Note (Kes) Fund



The weighted fund net return earned by the NCBA Fixed Income Basket Note (Kes) fund in 2023 was 13.66% against a benchmark (weighted average T-Bill rate) of 12.21%.

4.2.5. NCBA Fixed Income Basket Note (USD) Fund



The weighted fund return earned by the NCBA Fixed Income Basket Note (USD) fund in 2023 was 5.21% against a benchmark (Overnight LIBOR) of 5.39% during the year.

5. Conclusion

We continue to manage the funds towards delivering competitive and sustainable returns and ensuring the safety of your funds despite the current unpredictable economic and market environment, for your benefit as unitholders.

I take this chance to thank the service providers to the funds namely; the Fund Trustee-KCB Bank Kenya Limited, Fund Custodian-NCBA Bank Kenya Plc and the Investment Manager-NCBA Investment Bank Limited for their diligence in ensuring the safety of your investments.

Yours,

John Gachora,
Chairman,
NCBA Unit Trust Scheme.

REPORT OF THE CUSTODIAN
FOR THE YEAR ENDED 31 DECEMBER 2023

a) In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between 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 2023 to 31 December 2023, we have held the assets for the NCBA Unit Trust Funds, including 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.

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

By order of the custodian
NCBA Bank Kenya PLC

Deloitte & Touche LLP
Deloitte Place
Waiyaki Way
Muthangari
P.O. Box 40092 - GPO 00100
Nairobi
Kenya

Tel: +254 (20) 423 0000
Cell: +254 (0) 719 039 000
Email: admin@deloitte.co.ke
www.deloitte.com

REPORT OF THE INDEPENDENT AUDITORS 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 2023, set out on pages 15 to 32;
ii) NCBA Fixed Income Fund for the year ended 31 December 2023, set out on pages 33 to 49; and
iii) NCBA Dollar Fixed Income Fund for the year ended 31 December 2023, set out on pages 50 to 67
iv) NCBA Fixed Income Basket (KES) Fund for the ended 31 December 2023, set on pages 68 to 84
v) NCBA Fixed Income Basket (USD) Fund for the year ended 31 December 2023, set on pages 85-102

(The "Fund(s)") which comprise the respective Funds' statement of financial position at 31 December 2023 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 2023 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.

MAKING AN IMPACT THAT MATTERS since 1845

Report on the audit of the financial statements (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.

- 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.

REPORT OF THE INDEPENDENT AUDITORS
TO THE UNIT HOLDERS OF NCBA UNIT TRUST FUNDS (CONTINUED)

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

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

We communicate with 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Charles Munkonge Luo,** Practising certificate **No. 2294.**

Charles Luo

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

27 March **2024**

NCBA

EQUITY FUND

NCBA EQUITY FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
INCOME			
Interest and dividend income	5	7,174,877	5,769,479
Fair value loss on financial assets fair value through profit or loss	10	(13,231,598)	(11,674,631)
Total loss from investing activities		**(6,056,721)**	**(5,905,152)**
EXPENSES			
Service fees and other expenses	6	(2,893,949)	(2,841,469)
Loss for the year		**(8,950,670)**	**(8,746,621)**

NCBA EQUITY FUND

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
ASSETS			
Investment balances	9 (i)	68,093,894	77,363,976
Receivables	9 (iv)	-	211,220
Bank balances	9 (iii)	342,797	545,767
TOTAL ASSETS		**68,436,691**	**78,120,963**
EQUITY			
Unit holder balances	10	68,022,936	77,878,956
LIABILITIES			
Accruals and other liabilities	11	413,755	242,007
TOTAL EQUITY AND LIABILITIES		**68,436,691**	**78,120,963**

The financial statements on pages 15 to 32 were approved for issue by the Trustee 27 March 2024 and signed on its behalf by:

Trustee, KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

NCBA EQUITY FUND

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unit-holder balances Kes.
At 1 January 2022		**81,188,770**
Total comprehensive income		**(8,746,621)**
Transactions with unit holders:		
Additional units purchased	10	37,938,564
Units liquidated	10	(32,501,757)
Total transactions with unit holders		**5,436,807**
At 31 December 2022		**77,878,956**
At 1 January 2023		**77,878,956**
Total comprehensive loss		**(8,950,670)**
Transactions with unit holders:		
Additional units purchased	10	97,173,347
Units liquidated	10	(98,078,697)
Total transactions with unit holders		**(905,350)**
At 31 December 2023		**68,022,936**

NCBA EQUITY FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Operating activities			
Interest and dividend income received		7,835,315	5,037,722
Service fees and other expenses paid		(2,636,391)	(2,843,303)
Net proceeds from sale of investments		(3,483,647)	(10,376,335)
Net cash generated from/(used in) operating activities		1,715,277	(8,181,916)
Cash flows from financing activities			
Net proceeds from (redemption)/sales of units		(1,053,189)	5,435,679
Net cash (used in)/generated from financing activities		(1,053,189)	5,435,679
Increase/(decrease) in cash and cash equivalents		662,088	(2,746,237)
At start of the year		2,702,776	5,449,012
At end of year	9 (iii)	3,364,864	2,702,775

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 Annex
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).

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 4.

(iii) Changes in accounting policy and disclosures

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(ii) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2023 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(iii) Early adoption

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

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'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 instruments

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

Financial Assets

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) **Financial instruments (continued)**

Financial Assets (continued)

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.

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.

Financial liabilities

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

(j) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no presentation changes in these financial statements.

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:

	2023 Kes.	2022 Kes.
Annual redemption	98,078,697	32,501,757
Annual daily average	377,226	125,007

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

Item	2023 Kes.	2022 Kes.
Unit holder balances	68,022,936	77,878,956
Current liabilities	413,755	242,007
Total	68,436,691	78,120,963

Maturity profile of investments in the Equity Fund:

Maturity profile as at 31 December 2023 (Kes)

	On Demand Kes	1- 12 months Kes	Total Kes
Assets			
Bank balance	342,797	-	342,797
Fixed deposits		17,437,459	17,437,459
Call deposits	3,022,067		3,022,067
Total assets	3,364,864	17,437,459	20,802,323
Liabilities			
Other liabilities	413,755	-	413,755
Total	413,755	-	413,755

3. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

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

Maturity profile as at 31 December 2022 (Kes)

	On Demand Kes	1 - 3 months Kes	Total Kes
Assets			
Cash	545,767	-	545,767
Fixed deposits		17,905,377	17,905,377
Treasury bills	2,157,008		2,157,008
Total assets	2,702,775	17,905,377	20,608,152
Liabilities			
Other liabilities	242,007	-	242,007
Total	242,007	-	242,007

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).

Foreign exchange risk

The Fund does not invest offshore or in any foreign currency denominated investments 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 2023 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.

3. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

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 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 19 banks ("Approved Banks") out of 42 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31 December 2023.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2023 and 31 December 2022 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 2023 or 31 December 2022. 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 2023.

3. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

Fair value estimation

The following table presents the Fund's assets that are measured at fair value at 31 December 2023.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds	-	-	-	-
Equity securities	47,634,368	-	-	47,634,368
Total	47,634,368	-	-	47,634,368

The following table presents the Fund's assets that are measured at fair value at 31 December 2022.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury bonds	-	1,872,645	-	1,872,645
Equity securities	55,428,945	-	-	55,428,945
Total	55,428,945	1,872,645	-	57,301,590

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.

(i) 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 AND DIVIDEND INCOME

	2023 Kes	2022 Kes
Interest income	2,696,044	1,796,887
Dividend income	4,478,833	3,972,592
	7,174,877	**5,769,479**

6 SERVICE FEES AND OTHER EXPENSES

	2023 Kes	2022 Kes
Fund Management service fee	2,281,102	2,344,648
Custodian fee	184,331	177,818
Trustee fee	346,458	313,874
CMA Levy	437	
Bank charges	79,571	720
AGM fee	2,050	4,409
	2,893,949	**2,841,469**

Fund management fees are paid to NCBA Investment Bank Limited for the professional management of the Fund. These 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.

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR

i) Investment balances

	2023 Kes	2022 Kes
Deposits with financial institutions at amortised cost	20,459,526	20,062,385
Quoted equity securities at FVTPL	47,634,368	55,428,945
Treasury bonds and bills at amortised cost	-	1,872,646
	68,093,894	**77,363,976**

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR (Continued)

ii) Classification of quoted securities per sector

	2023 Kes	2022 Kes
Telecommunication and technology	7,981,241	10,775,489
Banking	29,401,931	29,335,395
Insurance	2,442,075	5,080,714
Industrial and allied	7,809,122	10,237,347
	47,634,369	**55,428,945**

iii) Cash and cash equivalents

Bank balance	342,797	545,767
Call deposits	3,022,067	2,157,008
	3,364,864	**2,702,775**

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

iv) Receivables

Dividend	-	211,220
	-	**211,220**

v) Fixed Deposits

Deposits on fixed term	17,000,000	17,000,000
Accrued interest on fixed term deposits	437,459	905,377
	17,437,459	**17,905,377**

vi) Treasury Bonds

At 1 January	1,872,645	-
Purchases	-	1,820,040
Withdrawals/maturities	(1,872,645)	-
Changes in fair value	-	52,605
At 31 December	-	**1,872,645**

The weighted average rate on fixed deposits was 10.1% (2022; 9.9%) and the weighted average interest rate on Call deposits was 10.1% (2022; 9.8%).

The weighted average rate on Treasury bills was 12.73% (2022; 9.9%)

10. UNIT HOLDER LIABILITIES

	No. of units	2023 Value Kes	No. of units	2022 Value Kes
At start of year	524,367	77,878,956	486,067	81,188,770
Creations	580,301	97,173,347	255,725	37,938,564
Liquidations	(589,580)	(98,078,697)	(217,426)	(32,501,757)
Income available for distribution	-	4,280,928	-	2,928,010
Changes in fair value of investments	-	(13,231,598)	-	(11,674,631)
At end of the year	**515,088**	**68,022,936**	**524,366**	**77,878,956**

11 ACCRUALS AND OTHER PAYABLES

	2023 Kes.	2022 Kes.
Service fees payable to NCBA Investment Bank Limited	291,619	166,748
VAT	46,659	26,680
Custodian fee	13,496	15,367
Trustee fee	58,000	29,000
CMA fee	1,700	1,700
AGM expenses	2,281	2,512
	413,755	**242,007**

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

	2023 Kes.	2022 Kes.
Unit holder balances:		
NCBA Bank	16,772,646	18,847,664

b) Service fees

Service fees to related parties were as follows:

NCBA Investment Bank Limited	1,991,348	2,072,348

12 RELATED PARTY TRANSACTIONS (Continued)

	2023 Kes.	2022 Kes.
c) Balances due to related parties		
Service fees payable to NCBA Investment Bank Limited	291,619	166,748

13 EVENTS AFTER THE REPORTING PERIOD

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure.

NCBA FIXED INCOME FUND

NCBA FIXED INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Income			
Interest income	5	2,374,210,974	1,781,879,389
Fair value loss on investments at fair value through profit or loss	9(iv)	(887,666,375)	(479,985,599)
Total income from investing activities		1,486,544,599	1,301,893,790
Expenses			
Service fees and other expenses	6	(511,008,403)	(430,720,338)
Profit before tax		975,536,196	871,173,452
Profit for year		975,536,196	871,173,452
Total comprehensive income for the year		**975,536,196**	**871,173,452**

NCBA FIXED INCOME FUND

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
ASSETS			
Investment balances	9 (i)	17,822,360,263	17,091,215,319
Bank balances	9 (ii)	17,603,875	34,104,090
TOTAL ASSETS		**17,839,964,138**	**17,125,319,409**
EQUITY			
Unit holder balances	10	17,756,167,490	17,086,287,049
LIABILITIES			
Accruals and other liabilities	11	83,796,648	39,032,360
TOTAL EQUITY AND LIABILITIES		**17,839,964,138**	**17,125,319,409**

The financial statements on pages 33 to 49 were approved for issue by the Trustee on ………………….. 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

NCBA FIXED INCOME FUND

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unit holder balances Kes.
At 1 January 2022		15,115,007,614
Total comprehensive income		871,173,452
Transactions with unit holders:		
Additional units purchased	10	21,706,139,809
Units liquidated	10	(20,606,033,826)
Total transactions with unit holders		1,100,105,983
At 31 December 2022		17,086,287,049
At 1 January 2023		17,086,287,049
Total comprehensive income		975,536,196
Transactions with unit holders:		
Additional units purchased	10	25,785,668,207
Units liquidated	10	(26,091,323,962)
Total transactions with unit holders		(305,655,755)
At 31 December 2023		17,756,167,490

NCBA FIXED INCOME FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Cash flows from operating activities			
Interest income received		2,227,751,546	1,641,105,966
Fees paid		(461,790,476)	(424,016,491)
Net proceeds from sale of investments		(1,397,390,180)	(2,218,978,442)
Net cash generated from/(used in) operating activities		368,570,890	(1,001,888,967)
Cash flows from financing activities			
Net proceeds from sale of units		(292,017,364)	1,098,368,821
Net cash generated from/(used in) financing activities		(292,017,364)	1,098,368,821
Net increase in cash and cash equivalents		76,553,526	96,479,854
At start of year		561,041,761	464,561,907
At end of year	9 (ii)	637,595,287	561,041,761

1 GENERAL INFORMATION

NCBA Fixed Income 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 Annex
Hospital road, Upper Hill
P.O Box 44599, 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).
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (continued)

(i) 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 4.

(ii) Changes in accounting policy and disclosures

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(iii) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(ii) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2023 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(iii) Early adoption

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

Financial assets

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.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments (continued)

Financial Assets (continued)

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.

(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.

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 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:

	2023	2022
	Kes	Kes
Annual redemption	26,091,323,962	20,606,033,826
Annual daily average	100,351,246	79,253,976

The table below shows the Funds' investments in cash and near cash equivalents at 31 December 2022 and 31 December 2023.

Item	2023	2022
	Kes	Kes
Cash	17,603,875	34,104,090
Cash on call and fixed deposits and treasury bills maturing in less than 3 months	5,211,040,316	3,516,463,794
Total	**5,228,644,191**	**3,550,567,884**

3 **FINANCIAL RISK MANAGEMENT (Continued)**

Liquidity risk (continued)

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

Item	2023 Kes	2022 Kes
Unit holder balances	17,756,167,490	17,086,287,049
Accruals and other payables	83,796,648	39,032,360
Total	**17,839,964,138**	**17,125,319,409**

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

Maturity profile -2022 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	526,937,671	2,260,608,318	742,411,271	258,338,356	506,784,932	**4,295,080,548**
Treasury bills and bonds	1,127,790,753	97,179,155	50,527,733	2,005,779,478	9,154,667,106	**12,435,944,225**
Corporate bonds	-	-	-	324,516,198	35,674,349	**360,190,547**
Total Assets	**1,654,728,425**	**2,357,787,473**	**792,939,004**	**2,588,634,031**	**9,697,126,387**	**17,091,215,320**
Liabilities						
Other liabilities	39,032,360	-	-	-	-	**39,032,360**
Total	**39,032,360**	-	-	-	-	**39,032,360**

Maturity profile -2023 – (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	619,991,412	4,591,048,904	1,169,602,189	-	-	**6,380,642,505**
Treasury bills and bonds	-	50,831,084	-	3,082,007,631	7,952,199,521	**11,085,038,236**
Corporate bonds	-	-	-	324,487,099	32,192,423	**356,679,522**
Total Assets	**619,991,412**	**4,641,879,988**	**1,169,602,189**	**3,406,494,730**	**7,984,391,944**	**17,822,360,263**
Liabilities						
Accruals and other liabilities	83,796,647	-	-	-	-	**83,796,647**
Total	**83,796,647**	-	-	-	-	**83,796,647**

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 2023 were all at fixed rates and therefore do not pose interest rate risk.

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 19 banks ("Approved Banks") out of 42 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31st December 2023.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2023 and 31 December 2022 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 2023 or 31 December 2022. The assessed impairment provision is insignificant.

Fair value estimation

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

3 FINANCIAL RISK MANAGEMENT (Continued)

Fair value estimation

- 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 2023.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds	-	11,085,038,236	-	11,085,038,236
Corporate bonds	-	356,679,522	-	356,679,522
Total	-	**11,441,717,758**	-	**11,441,717,758**

The following table presents the Fund's assets that are measured at fair value at 31 December 2022.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds	-	11,372,178,577	-	11,372,178,577
Corporate bonds	-	360,190,546	-	360,190,546
Total	-	**11,732,369,123**	-	**11,732,369,123**

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 2023 and 31 December 2022. There were no transfers between levels in 2023 and 2022. 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.

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.

	2023 Kes	2022 Kes
Corporate Bonds	45,294,744	44,840,504
Government Bonds	1,494,467,190	1,285,845,976
Certificate of Deposits	741,479,438	355,372,889
Treasury Bills	92,969,602	95,820,020
Interest Income	**2,374,210,974**	**1,781,879,389**

6 SERVICE FEES AND OTHER EXPENSES

Fund management fees	435,585,057	365,845,696
Custodian fees	43,766,757	40,796,242
Trustee fees	26,229,091	22,008,891
CMA Levy	57,081	
Bank charges	4,566,634	1,494,917
AGM Expenses	803,783	574,592
	511,008,403	**430,720,338**

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.

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 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR

(i) Investment balances

	2023 Kes.	2022 Kes.
Deposits with financial institutions	6,380,642,505	4,295,080,548
Treasury Bills	-	1,063,765,648
Kenya Government securities	11,085,038,236	11,372,178,577
Corporate bonds	356,679,522	360,190,546
	17,822,360,263	**17,091,215,319**

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR (Continued)

	2023 Kes.	2022 Kes.
(ii) Cash and cash equivalents		
Bank balances	17,603,875	34,104,090
Call deposits	619,991,412	526,937,671
	637,595,287	**561,041,761**
(iii) Fixed Deposits		
Deposits on fixed term	5,647,300,000	3,691,031,538
Accrued interest	113,351,093	77,111,339
Deposits on call	618,900,000	525,000,000
Accrued interest deposits on call	1,091,412	1,937,671
	6,380,642,505	**4,295,080,548**
(iv) Treasury Bonds		
At 1 January	11,372,178,577	9,248,616,145
Purchases	626,121,242	5,744,242,862
Withdrawals/maturities	(25,595,208)	(3,140,694,831)
Changes in fair value	(887,666,375)	(479,985,599)
At 31 December	**11,085,038,236**	**11,372,178,577**
(v) Corporate Bonds		
At 1 January	360,190,546	324,432,428
Purchases	-	34,300,000
Withdrawals/maturities	(3,472,400)	-
Accrued Interest	(38,624)	1,458,119
At 31 December	**356,679,522**	**360,190,547**

10 UNIT HOLDER LIABILITIES

	2023 Kes.	2022 Kes.
At start of year	17,086,287,049	15,115,007,614
Creations	25,785,668,207	21,706,139,809
Liquidations	(26,091,323,962)	(20,606,033,826)
Income available for distribution	975,536,196	871,173,452
Distributions paid in the year	-	-
At end of the year	**17,756,167,490**	**17,086,287,049**

Each unit in the Fixed Income Fund represents one shilling in investment.

11 ACCRUALS AND OTHER PAYABLES

	2023 Kes.	2022 Kes.
Service fees payable to NCBA Investment Bank Limited	75,200,539	33,187,207
Custodian fee	3,518,765	3,373,607
Trustee fee	4,354,283	1,985,386
CMA fee	95,740	134,400
Audit fee	155,260	155,259
AGM fee	472,061	196,501
	83,796,648	**39,032,360**

12 RELATED PARTY TRANSACTIONS

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:

	2023 Kes	2022 Kes
NCBA Investment Bank Limited	**378,075,740**	**312,161,576**

(b) Balances due to related parties

Service fees payable to NCBA Investment Bank Limited (Note 11)	**64,828,051**	**29,801,741**

13 EVENTS AFTER THE REPORTING PERIOD

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure.

NCBA DOLLAR FIXED INCOME FUND

NCBA DOLLAR FIXED INCOME FUND

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Income			
Interest income	5	288,522,290	235,060,936
Fair value gain/(loss) on investments at fair value through profit or loss	9(iv)	763,590,347	(309,696,759)
Total income/(loss) from investing activities		1,052,112,637	(74,635,823)
Expenses			
Service fees and other expenses	6	(67,663,571)	(42,336,339)
Profit/(loss) for year		984,449,066	(116,972,162)
Total comprehensive income/(loss) for the year		**984,449,066**	**(116,972,162)**

NCBA DOLLAR FIXED INCOME FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
ASSETS			
Investment balances	9 (i)	6,382,281,833	3,502,101,643
Bank balances	9 (ii)	11,228,425	9,312,931
TOTAL ASSETS		**6,393,510,258**	**3,511,414,574**
EQUITY			
Unit holder balances	10	6,381,803,783	3,506,735,718
LIABILITIES			
Accruals and other liabilities	11	11,706,475	4,678,856
TOTAL EQUITY AND LIABILITIES		**6,393,510,258**	**3,511,414,574**

The financial statements on pages 50 to 67 were approved for issue by the trustee on and signed on its behalf by:

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

Trustee, KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.
....
CORPORATE TRUSTEE

STATEMENT OF CHANGES IN UNIT HOLDER FOR THE PERIOD ENDED 31 DECEMBER 2023

	Notes	Unit holder balances Kes
At 1 January 2022		3,060,957,126
Total comprehensive income		(116,972,162)
Transactions with unit holders:		
Additional units purchased	10	4,689,694,784
Units liquidated	10	(4,126,944,030)
Total transactions with unit holders		562,750,754
At 31 December 2022		3,506,735,718
At 1 January 2023		3,506,735,718
Total comprehensive income		984,449,066
Transactions with unit holders:		
Additional units purchased	10	6,839,627,776
Units liquidated	10	(4,949,008,777)
Total transactions with unit holders		1,890,618,999
At 31 December 2023		6,381,803,783

NCBA DOLLAR FIXED INCOME FUND

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Operating activities			
Interest income received		233,632,320	178,524,327
Fees paid		(68,685,414)	(56,030,843)
Net proceeds from sale of investments		(1,389,365,934)	(647,141,614)
Net cash used in operating activities		(1,224,419,028)	(524,648,130)
Cash flows from financing activities			
Net proceeds from sale of units		1,474,258,474	562,009,857
Net cash generated from financing activities		1,474,258,474	562,009,857
Increase in cash and cash equivalents		249,839,446	37,361,727
Movement in cash and cash equivalents			
Cash and cash equivalents as at 1 January		130,580,278	93,223,133
Net increase in cash and cash equivalents		249,839,446	37,361,727
Cash and cash equivalents as at 31 December	9 (ii)	380,419,724	130,584,860

1 GENERAL INFORMATION

NCBA Dollar Fixed Income 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 1 October 2019. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Annex
Hospital Road, Upper Hill
P.O. Box 44599, 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.

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

(i) Standards and interpretations affecting amounts reported in the current period

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(ii) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2022 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(iii) Early adoption

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

(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'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 instruments

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

Financial assets

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Financial instruments

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.

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.

Financial liabilities

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

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.

(j) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no presentation changes in these financial statements.

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 2023

	2023	2022
	Kes.	Kes.
Annual redemption	4,949,008,777	4,126,944,030
Annual daily average	**19,034,649**	**15,872,862**

3. FINANCIAL RISK MANAGEMENT (Continued)

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

Item	2023 Kes	2022 Kes
Unit holder balances	6,381,803,783	3,506,735,718
Accruals and other payables	11,706,475	4,678,856
Total	**6,393,510,258**	**3,511,414,574**

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

Maturity profile -2023 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with Financial Institutions	369,191,298	2,374,131,494	1,407,772,214	-	-	**4,151,095,006**
Euro bonds	-	-	618,575,115	734,644,011	700,025,184	**2,053,244,310**
Offshore Investments	-	-	-	-	157,466,617	**157,466,617**
Bank balances & Interest Receivable	11,228,425	-	-	20,475,900	-	**31,704,325**
Total	**380,419,723**	**2,374,131,494**	**2,026,347,329**	**755,119,911**	**857,491,801**	**6,393,510,258**
Liabilities						
Accruals and other payables	11,706,475	-	-	-	-	11,706,475
Total	**11,706,475**	-	-	-	-	**11,706,475**

Maturity profile -2022 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	121,271,929	1,764,496,738	248,895,462	-	-	**2,134,664,129**
Euro bonds	-	-	-	440,473,921	791,905,400	**1,232,379,321**
Offshore Investments	-	-	-	-	124,019,479	**124,019,479**
Bank balances & Interest Receivable	9,312,931	-	-	11,038,714	-	**20,351,645**
Total	**130,584,860**	**1,764,496,738**	**248,895,462**	**451,512,635**	**915,924,879**	**3,511,414,574**
Liabilities						
Accruals and other payables	4,678,873	-	-	-	-	**4,678,873**
Total	**4,678,873**	-	-	-	-	**4,678,873**

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 2023 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 arising substantially from revision of interest rates on underlying investments.

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 42 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31st December 2023.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2023 is illustrated below:

	2023 Kes.	2022 Kes.
Euro bonds	2,053,244,310	1,232,379,321
Deposits with financial institutions	4,151,095,006	2,134,664,129
Cash and bank balances	11,228,425	9,312,931
Off Shore Investment	157,466,617	124,019,479
Interest Receivable	20,475,900	11,038,714
	6,393,510,258	**3,511,414,574**

3 FINANCIAL RISK MANAGEMENT (Continued)

d) 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 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Euro Bonds	-	2,053,244,310	-	**2,053,244,310**
Total	-	**2,053,244,310**	-	**2,053,244,310**

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.

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.

	2023 Kes	2022 Kes
Interest income	**288,522,290**	**235,060,936**

6 SERVICE FEES AND OTHER EXPENSES

	2023 Kes	2022 Kes
Gross Service fees	50,725,923	33,145,758
Custodian fees	10,894,241	6,442,108
Trustee fees	5,805,803	2,748,483
CMA Fees	33,484	-
AGM Fees	204,120	-
	67,663,571	**42,336,349**

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.

8 DISTRIBUTION

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

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR

(i) Investment balances

	2023 Kes.	2022 Kes.
Deposits with financial institutions	4,151,095,006	2,134,664,129
Euro Bonds	2,053,244,310	1,232,379,321
Off Shore investment	157,466,617	124,019,479
Interest Receivable	20,475,900	11,038,714
	6,382,281,833	**3,502,101,643**

(ii) Cash and cash equivalents

Cash and bank balances	11,228,425	9,312,931
Call deposits	369,191,298	121,271,929
	380,419,723	**130,584,860**

(iii) Fixed Deposits

Deposits on Fixed Term	3,736,504,459	2,001,833,579
Accrued interest	45,399,249	11,558,621
Deposits on call	366,617,728	120,912,361
Accrued interest Deposits on Call	2,573,570	359,568
	4,151,095,006	**2,134,664,129**

(iv) Euro Bonds

At 1 January	1,232,379,321	1,073,674,104
Purchases	201,617,680	468,401,929
Withdrawals/maturities	(144,343,038)	-
Changes in fair value	763,590,347	(309,696,712)
At 31 December	**2,053,244,310**	**1,232,379,321**

(v) Offshore

At 1st January	124,019,479	63,662,476
Offshore Placement	-	59,723,693
Accrued Interest	33,447,138	633,310
At 31 December	**157,466,617**	**124,019,479**

10 UNIT HOLDER LIABILITIES

	2023 Kes.	2022 Kes.
At start of year	3,506,735,718	3,060,957,126
Creations	6,839,627,776	4,689,694,784
Liquidations	(4,949,008,777)	(4,126,944,030)
Income available for distribution Unrealized losses	984,449,066	(116,972,162)
At end of the year	**6,381,803,783**	**3,506,735,718**

Each unit in the Dollar Fixed Income Fund represents one shilling in investment.

11 ACCRUALS AND OTHER PAYABLES

	2023	2022
Service fees payable	8,871,433	3,489,800
Custodian fee	1,290,158	745,735
Trustee fee	1,387,860	418,888
CMA fee	42,464	13,886
AGM fee	114,560	10,547
	11,706,475	**4,678,856**

12 RELATED PARTY TRANSACTIONS

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

a) Unit holder balances

	2023	2022
NCBA Bank	**42,313,934**	**31,921,552**

b) Service fees

	2023	2022
Service fees to related parties were as follows: NCBA Investment Bank Limited	**47,047,674**	**28,251,485**

c) Balances due to related parties

	2023	2022
Service fees payable to NCBA Investment Bank Limited.	**7,647,780**	**3,008,449**

13 EVENTS AFTER THE REPORTING PERIOD

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure.

NCBA FIXED INCOME BASKET KES FUND

NCBA FIXED INCOME BASKET KES FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Income			
Interest income	5	753,365,913	260,741,993
Fair value loss on investments at fair value through profit or loss	9(iv)	(302,093,255)	(38,176,688)
Total income from investing activities		451,272,658	222,565,305
Expenses			
Service fees and other expenses	6	(83,983,935)	(37,541,490)
Profit for year		367,288,723	185,023,815
Total comprehensive income for the year		**367,288,723**	**185,023,815**

NCBA FIXED INCOME BASKET KES FUND

STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
ASSETS			
Investment balances	9 (i)	5,814,656,355	4,406,755,853
Bank balances	9 (ii)	691,849	9,496,889
TOTAL ASSETS		**5,815,348,204**	**4,416,252,742**
EQUITY			
Unit holder balances	10	5,799,329,926	4,398,066,807
LIABILITIES			
Accruals and other liabilities	11	16,018,278	18,185,935
TOTAL EQUITY AND LIABILITIES		**5,815,348,204**	**4,416,252,742**

The financial statements on pages 68 to 84 were approved for issue by the Trustee …………………… and signed on its behalf by:

Trustee, KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.
……………………………………
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.
……………………………………
CORPORATE TRUSTEE

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unit holder balances Kes.
At 1 January 2022		-
Total comprehensive income		185,023,814
Transactions with unit holders:		
Units purchased	10	7,722,151,089
Units liquidated	10	(3,918,996,916)
Distributions paid out in cash	10	409,888,820
Total transactions with unit holders		4,213,042,993
At 31 December 2022		4,398,066,807
At 1 January 2023		4,398,066,807
Total comprehensive income		367,288,723
Transactions with unit holders:		
Units purchased	10	5,081,995,413
Units liquidated	10	(4,063,444,118)
Distributions paid out in cash	10	15,423,101
Total transactions with unit holders		1,033,974,396
At 31 December 2023		5,799,329,926

NCBA FIXED INCOME BASKET KES FUND

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Operating activities			
Interest income received		675,337,625	131,691,895
Fees paid		(85,609,965)	(18,973,794)
Net proceeds from sale of investments		(2,244,218,320)	(3,296,598,419)
Net cash used in operating activities		(1,654,490,660)	(3,183,880,318)
Cash flows from financing activities			
Net proceeds from sale of units		1,438,944,002	3,802,772,412
Net cash generated from financing activities		1,438,944,002	3,802,772,412
Movement in cash and cash equivalents			
As at 1 January		618,892,094	-
Net (decrease)/ increase in cash and cash equivalents		(215,546,658)	618,892,094
Cash and cash equivalents as at 31 December	9 (ii)	403,345,436	618,892,094

1 GENERAL INFORMATION

NCBA Fixed Income Basket KES 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 August 2021. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Annex
Hospital road, Upper Hill
P.O Box 44599, 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).
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of preparation (continued)

(i) 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 4.

(ii) Changes in accounting policy and disclosures

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(iii) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(iv) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2022 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(v) Early adoption

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

b) Translation of foreign currencies

(iii) 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.

(iv) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

Financial assets

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.

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (continued)

Financial Assets (continued)

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.

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.

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 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:

	2023	2022
	Kes	Kes
Annual redemption	4,063,444,118	3,918,996,916
Annual daily average	15,628,631	15,073,065

The table below shows the Funds' investments in cash and near cash equivalents as at 31 December 2022.

Item	2023	2022
	Kes	Kes
Cash	691,849	9,496,889
Cash on call and fixed deposits and treasury bills maturing in less than 3 months	1,464,519,273	1,562,631,332
Total	**1,465,211,122**	**1,572,128,221**

3 **FINANCIAL RISK MANAGEMENT (Continued)**

Liquidity risk (continued)

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

Item	2023 Kes	2022 Kes
Unit holder balances	5,799,329,926	4,398,066,807
Accruals and other payables	16,018,278	18,185,935
Total	**5,815,348,204**	**4,416,252,742**

The maturity profile of investments is as below:

Maturity profile -2023 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	402,653,587	1,374,680,069	-	-	152,035,479	**1,929,369,135**
Treasury bills and bonds		50,645,946	2,005,806	755,890,807	2,982,290,657	**3,790,833,216**
Corporate bonds	-	-	-	36,316,038	19,334,225	**55,650,263**
Mutual Funds Investment	38,803,741					**38,803,741**
Bank Balances	691,849					**691,849**
Total Assets	**442,149,177**	**1,425,326,015**	**2,005,806**	**792,206,845**	**3,153,660,361**	**5,815,348,204**
Liabilities						
Other liabilities	16,018,278	-	-	-	-	**16,018,278**
Total	**16,018,278**	-	-	-	-	**16,018,278**

Maturity profile -2022 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	609,395,205	795,246,268	72,455,631		152,035,479	**1,629,132,583**
Treasury bills and bonds		169,567,899		287,471,133	1,832,367,997	**2,289,407,029**
Corporate bonds	-	-	-	36,316,038	21,425,411	**57,741,449**
Mutual Funds Investment	430,474,792					**430,474,792**
Bank Balances	9,496,889					**9,496,889**
Total Assets	**1,049,366,886**	**964,814,167**	**72,455,631**	**323,787,171**	**2,005,828,887**	**4,416,252,742**
Liabilities						
Other liabilities	18,185,935	-	-	-	-	**18,185,935**
Total	**18,185,935**	-	-	-	-	**18,185,935**

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 2023 were all at fixed rates and therefore do not pose interest rate risk.

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 19 banks ("Approved Banks") out of 42 financial institutions licensed by the Central Bank of Kenya (CBK) as at 31st December 2023.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2023 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 2023. The assessed impairment provision is insignificant.

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 2023.

Assets	Level 1 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Treasury Bonds	-	3,771,226,474	-	3,771,226,474
Corporate bonds	-	55,650,263	-	55,650,263
Total	-	**3,826,876,737**	-	**3,826,876,737**

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 2023. There were no transfers between levels in 2023. 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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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.

	2023 Kes	2022 Kes
Interest income	**753,365,913**	**260,741,993**

6. SERVICE FEES AND OTHER EXPENSES

	2023 Kes	2022 Kes
Fund management fees	66,903,670	27,442,317
Custodian fees	8,561,468	5,571,541
Trustee fees	7,911,724	4,145,870
Bank charges	541,627	381,762
CMA Levy	65,446	-
	83,983,935	**37,541,490**

Fund management fees were paid to NCBA Investment Bank Limited for the professional management of the Fund. They are charged at a rate of 1% 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.

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR

	2023 Kes.	2022 Kes.
(i) Investment balances		
Deposits with financial institutions	1,929,369,135	1,629,132,583
Treasury Bills	19,606,742	169,567,899
Kenya Government securities	3,771,226,474	2,119,839,130
Corporate bonds	55,650,263	57,741,449
Mutual Funds Investment	38,803,741	430,474,792
	5,814,656,355	**4,406,755,853**
(ii) Cash and cash equivalents		
Bank balances	691,849	9,496,889
Call deposits	402,653,587	609,395,205
	403,345,436	**618,892,094**
(iii) Fixed Deposits		
Fixed Deposits on Fixed Term	1,485,000,000	996,351,233
Accrued interest	41,715,548	23,386,145
Deposits on call	400,200,000	600,000,000
Accrued interest deposits on call	2,453,587	9,395,205
	1,929,369,135	**1,629,132,583**
(iv) Treasury Bonds		
At 1 January	2,119,839,130	-
Purchases	1,953,480,599	2,158,015,818
Withdrawals/maturities	-	
Changes in fair value	(302,093,255)	(38,176,688)
At 31 December	**3,771,226,474**	**2,119,839,130**
(v) Corporate Bonds		
At 1 January	57,741,449	-
Purchases		58,231,140
Withdrawals/maturities	(2,030,571)	(489,691)
Accrued Interest	(60,615)	-
At 31 December	**55,650,263**	**57,741,449**

10 UNIT HOLDER LIABILITIES

	2023 Kes.	2022 Kes
At start of year	4,398,066,807	-
Creations	5,081,995,413	7,722,151,089
Liquidations	(4,063,444,118)	(3,918,996,916)
Income available for distribution	367,288,723	185,023,814
Unrealized gains/losses	15,423,101	409,888,820
At end of the year	**5,799,329,926**	**4,398,066,807**

Each unit in the Fixed Income Fund represents one shilling in investment.

11 ACCRUALS AND OTHER PAYABLES

	2023 Kes.	2022 Kes
Service fees payable to NCBA Investment Bank Limited	10,472,739	8,468,524
Custodian fee	1,437,008	5,571,541
Trustee fee	4,075,808	4,145,870
CMA Levy	32,723	
	16,018,278	**18,185,935**

12 RELATED PARTY TRANSACTIONS

NCBA Fixed Income Basket (KES) 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:

	2023 Kes	2022 Kes
NCBA Investment Bank Limited	**9,028,525**	**7,205,674**

(b) Balances due to related parties

	2023 Kes	2022 Kes
Other fees payable to NCBA Investment Bank Limited	**6,989,753**	**10,980,261**

13 EVENTS AFTER THE REPORTING PERIOD.

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure.

NCBA FIXED INCOME BASKET USD FUND

NCBA FIXED INCOME BASKET USD FUND

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Income			
Interest income	5	33,533,619	9,288,176
Fair value gain/(loss) on investments at fair value through profit or loss	9(iv)	120,657,310	(208,096)
Total income from investing activities		154,190,929	9,496,272
Expenses			
Service fees and other expenses	6	(6,558,296)	(1,102,184)
Profit for year		147,632,633	8,394,088

NCBA FIXED INCOME BASKET USD FUND

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
ASSETS			
Investment balances	9 (i)	931,151,016	274,074,948
Bank balances	9 (ii)	527,065	19,911
TOTAL ASSETS		**931,678,081**	**274,094,859**
EQUITY			
Unit holder balances	10	929,060,484	272,992,674
LIABILITIES			
Accruals and other liabilities	11	2,617,597	1,102,185
TOTAL EQUITY AND LIABILITIES		**931,678,081**	**274,094,859**

The financial statements on pages 85 to 102 were approved for issue by the trustee and signed on its behalf by:

For: KCB BANK KENYA LTD.
CORPORATE TRUSTEE

Trustee, KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.
CORPORATE TRUSTEE

NCBA FIXED INCOME BASKET USD FUND

STATEMENT OF CHANGES IN UNIT HOLDER
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	Unit holder balances Kes
At 1 January 2022		-
Total comprehensive income		8,394,088
Transactions with unit holders:		
Additional units purchased	10	325,536,263
Units liquidated	10	(194,525,020)
Interest gains on mutual funds		133,587,343
Total transactions with unit holders		264,598,586
At 31 December 2022		272,992,674
At 1 January 2023		272,992,674
Total comprehensive income		147,632,633
Transactions with unit holders:		
Additional units purchased	10	835,257,011
Units liquidated	10	(332,539,018)
Interest gains on mutual funds		5,717,184
Total transactions with unit holders		508,435,177
At 31 December 2023		929,060,484

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kes.	2022 Kes.
Operating activities			
Interest income received		22,618,525	3,058,452
Fees paid		(5,277,778)	-
Net proceeds from sale of investments		(630,679,335)	(134,049,784)
Net cash used in operating activities		(613,338,588)	(130,991,332)
Cash flows from financing activities			
Net proceeds from sale of units		654,762,616	131,011,243
Net cash generated from financing activities		654,762,616	131,011,243
Increase in cash and cash equivalents		41,420,668	19,911
Movement in cash and cash equivalents			
As at 1 January		19,911	-
Net Increase in cash and cash equivalents		41,424,028	19,911
Cash and cash equivalents as at 31 December	9 (ii)	41,443,939	19,911

1 GENERAL INFORMATION

NCBA Fixed Income Basket USD 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 August 2021. The address of its registered office is:

NCBA Investment Bank Limited
NCBA Annex
Hospital Road, Upper Hill
P.O. Box 44599, 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).

(ii) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Basis of preparation (continued)

(ii) 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.

(iv) Changes in accounting policy and disclosures

(i) Standards and interpretations affecting amounts reported in the current period

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(ii) Standards and interpretations issued but not yet effective

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2023 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact on the financial statements of the Company.

(iii) Early adoption

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

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'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 instruments

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

Financial assets

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Financial instruments (continued)

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.

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.

Financial liabilities

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

j) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no presentation changes in these financial statements.

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.

3 FINANCIAL RISK MANAGEMENT (Continued)

c) 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 2023:

	2023	2022
	Kes.	Kes.
Annual redemption	332,539,018	194,525,020
Annual daily average	1,278,996	748,173

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

Item	2023	2022
	Kes	Kes
Unit holder balances	929,060,484	272,992,674
Accruals and other payables	2,617,597	1,102,184
Total	931,678,081	274,094,859

3. FINANCIAL RISK MANAGEMENT (Continued)

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

Maturity profile -2023 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions	40,916,874	534,561,324	62,684,830			**638,163,029**
Euro bonds	-	-	151,205,544	103,607,685	28,669,530	**283,482,759**
Offshore Investments	-	-	-	-	-	**-**
Investment in Mutual Funds	9,505,228					**9,505,228**
Bank balances	527,065	-	-	-	-	**527,065**
Total	**50,949,167**	**534,561,324**	**213,890,374**	**103,607,685**	**28,669,530**	**931,678,081**
Liabilities						
Accruals and other payables	2,617,597	-	-	-	-	**2,617,597**
Total	**2,617,597**	**-**	**-**	**-**	**-**	**2,617,597**

Maturity profile -2022 (Kes)

	On Demand	Due within 3 to 5 months	Due within 6 months and 1 year	Due within 1 and 5 years	Due after 5 years	Total
Assets						
Deposits with financial institutions		12,464,670	12,464,671			**24,929,341**
Euro bonds	-	-	-	45,254,934	66,028,013	**111,282,947**
Offshore Investments	-	-	-	-	-	**-**
Investment in Mutual Funds	137,862,660					**137,862,660**
Bank balances	19,911	-	-	-	-	**19,911**
Total	**137,882,571**	**12,464,670**	**12,464,671**	**45,254,934**	**66,028,013**	**274,094,859**
Liabilities						
Accruals and other payables	1,102,184	-	-	-	-	**1,102,184**
Total	**1,102,184**	**-**	**-**	**-**	**-**	**1,102,184**

3. FINANCIAL RISK MANAGEMENT (Continued)

d) 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 2023, 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 arising substantially from revision of interest rates on underlying investments.

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 2023.

The Funds' maximum exposure to credit risk in each of the above categories of assets as at 31 December 2023 is illustrated below:

	2023 Kes.	2022 Kes.
Euro bonds	283,482,759	111,282,947
Deposits with financial institutions	638,163,029	24,929,341
Cash and bank balances	527,065	19,911
Off Shore Investment	-	-
Investment in Mutual Funds	9,505,228	137,862,660
	931,678,081	**274,094,859**

3. RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

d) 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 Kes	Level 2 Kes	Level 3 Kes	Total balance Kes
Euro Bonds	-	283,480,484	-	**283,480,484**
Total	-	**283,480,484**	-	**283,480,484**

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.

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.

	2023 Kes	2022 Kes
Interest income	**33,533,619**	**9,288,176**

6 SERVICE FEES AND OTHER EXPENSES

	2023 Kes	2022 Kes
Gross Service fees	4,797,190	620,239
Custodian fees	1,128,892	276,487
Trustee fees	629,226	205,459
CMA Fees	2,988	-
AGM Fees	-	-
	6,558,296	**1,102,185**

Services fees paid to NCBA Investment Bank Limited for the professional management of the Fund 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.

8 DISTRIBUTION

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

9 CLASSIFICATION OF QUOTED SECURITIES PER SECTOR

(i) Investment balances

	2023 Kes.	2022 Kes.
Deposits with financial institutions	638,163,029	24,929,341
Euro Bonds	283,482,759	111,282,947
Investments in Mutual Funds	9,505,228	137,862,660
	931,151,016	**274,074,948**

(ii) Cash and cash equivalents

	2023 Kes.	2022 Kes.
Cash and bank balances	527,065	19,911
Call Deposits	40,916,874	-
	41,443,939	**19,911**

(iii) Fixed Deposits

	2023 Kes.	2022 Kes.
Maturing within 364 Days	590,674,386	24,676,000
Accrued interest	6,571,769	253,341
	597,246,155	**24,929,341**

(iv) Euro Bonds

	2023 Kes.	2022 Kes.
At 1 January	111,282,947	-
Purchases	51,542,502	111,074,819
Withdrawals/maturities		-
Changes in fair value	120,657,310	208,128
At 31 December	**283,482,759**	**111,282,947**

10 UNIT HOLDER LIABILITIES

	2023 Kes	2022 Kes
At start of year	272,992,674	-
Creations	835,257,011	325,536,263
Liquidations	(332,539,018)	(194,525,020)
Income available for distribution	147,632,633	133,587,343
Investment on Mutual Funds	5,717,184	8,394,088
At end of the year	**929,060,484**	**272,992,674**

Each unit in the Dollar Fixed Income Fund represents one shilling in investment.

	2023 Kes	2022 Kes
11 ACCRUALS AND OTHER PAYABLES		
Service fees payable	1,485,398	620,239
Custodian fee	706,605	276,487
Trustee fee	423,699	205,458
CMA fee	1,895	-
AGM fee		-
	2,617,597	**1,102,184**

12 RELATED PARTY TRANSACTIONS

NCBA Fixed Income Basket USD Fund is currently managed by NCBA Investment Bank Limited. The Fund is related to NCBA Group PLC.

a) Service fees

	2023 Kes	2022 Kes
Service fees to related parties were as follows:		
NCBA Investment Bank Limited	**1,280,518**	**534,729**

b) Balances due to related parties

	2023 Kes	2022 Kes
Other fees payable to NCBA Investment Bank Limited	**1,337,079**	**567,426**

13 EVENTS AFTER THE REPORTING PERIOD

There were no significant adjusting events subsequent to the period end that required adjustment or disclosure.