Britam
With you every step of the way

BRITISH-AMERICAN BALANCED FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

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Fund Manager	Britam Asset Managers (Kenya) Limited Britam Centre, 5th Floor Junction of Mara and Ragati Roads Upper Hill P.O. Box 30375-00100 Nairobi, Kenya
Trustee	KCB Bank Kenya Limited KCB Tower, 7th Floor, Upper Hill P.O. Box 30664-00100 Nairobi, Kenya
Custodian	Standard Chartered Bank of Kenya Limited Standard Chartered Securities Services Kenya Standard Chartered @ Chiromo, Level 5 48 Westlands Road P O Box 40984-00100 Nairobi, Kenya
Auditor	PricewaterhouseCoopers LLP Certified Public Accountants PwC Tower, Waiyaki Way/Chiromo Road P.O. Box 43963 - 00100 Nairobi, Kenya
Lawyer	CMS Daly Inamdar Advocates ABC Place Waiyaki Way P.O. Box 40034-00100 Nairobi, Kenya

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

INVESTMENT OBJECTIVES

The objective of the British-American Balanced Fund is to achieve a reasonable level of current income and enhance capital growth. This is achieved by investing in a diversified spread of shares and fixed income securities. The Fund will have a bias towards equities offering long term value.
The key investment philosophies for the British-American Balanced Fund are:

- To maintain a balanced and optimal portfolio by investing in shares of companies with strong potential of growth and fixed income instruments with attractive yields.
- To achieve its performance objectives through well-researched and superior share selection.
- To invest in quality businesses diligently selected based upon attractive long-term fundamentals.

CHANGES TO INCORPORATION DOCUMENTS

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

FUND PERFORMANCE

The highest and the lowest bid prices for the last 5 years were as per the table below.

Year	**2022**	**2021**	**2020**	**2019**	**2018**
Highest price	147.99	152.22	167.64	179.60	213.83
Lowest price	134.62	147.17	148.87	164.04	167.38

INCOME DISTRIBUTION

The profit/(loss) realised by the Fund for the last 5 years has been distributed to the unit holders as per the table below.

Year	**2022**	**2021**	**2020**	**2019**	**2018**
Amount (Shs '000)	(6,090)	(25,077)	(16,035)	7,939	(97,017)

TOTAL VALUE OF THE FUND

The total book value of the Fund for the last 3 years is as per the below table.

Year	**2022**	**2021**	**2020**
Amount (Shs '000)	489,981	500,566	590,499

AUDITOR

PricewaterhouseCoopers were appointed in accordance with the Fund's Trust Deed and Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

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

Signed on behalf of the Trustee on 28 March 2023.

Corporate Trustee

Corporate Trustee

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

The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the 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 Fund's ability to continue as a going concern, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

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

Approved by the Trustee on 28 March 2023 and signed on its behalf by:

RCimo

Corporate Trustee | Corporate Trustee

Dear Unit Holder,

The fundamental investment objective of the British-American Balanced Fund is dual, achieving a high level of current income and offering investors long term capital growth. To meet this objective, the Fund invests in a diversified spread of treasury securities, equities and fixed income securities of fundamentally sound businesses based within Kenya and the region. The Fund offers investors exposure to various asset classes by investing offshore as a hedge against long-term inflation and local currency weakness.

Britam Asset Managers (Kenya) Limited has an investment philosophy that ensures the Fund maintains a balanced and optimal portfolio. The fixed income portion of the Fund provides stability during volatile years in the markets. The equity portion is invested in companies with quality businesses which are trading at attractive valuations. We actively monitor and invest in companies that match our criteria, namely: consistent financial performance, specialized competitive advantage, positive earnings outlook and sound management.

Global economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. Global growth is forecast to slow from 6.0 percent in 2021 to 3.2 percent in 2022 and 2.7 percent in 2023. This is the weakest growth profile since 2001 except for the global financial crisis and the acute phase of the COVID-19 pandemic.

Kenya's economic performance moderated in Q3 2022 to report a growth of 4.7% compared to a growth of 9.3% in the corresponding quarter of 2021. This performance was on the backdrop of a slowdown in economic activity occasioned by the general elections held in August 2022. Growth was anchored by a 6.6% and 3.1% growth in the service and industry sectors as the adverse impact of the drought conditions in the country saw the agriculture sector contract by 0.6%, marking the fourth consecutive quarter of contraction.

Increased pressures on food and fuel prices led to inflation rising above the CBK upper range of 7.5% to close the year at 9.1%. Headline inflation averaged of 7.6% in 2022, compared to 6.1% recorded in 2021. Interest rates continued to rise in 2022 as the 91-day, 182-day and 365-day yields rose 210 bps, 185 bps and 104 bps respectively as liquidity tightened.

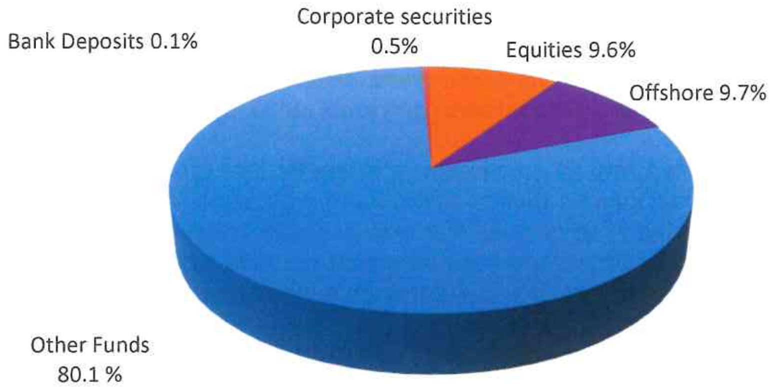
The Kenya Shilling (Shs) weakened by 9.0%% and 2.0% against the US Dollar (USD) and Euro to 123.37 and 131.27 respectively and strengthened by 3.0% against the Sterling pound close at 148.47 as at 31 December 2022. The depreciation is attributable sustained US Dollar strength as well as a wider current account deficit as a result of higher import expense. Foreign reserves stood at USD 7.4 billion in December 2022, which represents a 4.2 months import cover an decrease from USD 8.8 billion at the end of 2021.

The equities market exhibited high volatility as global risk off sentiment increased due to high inflation and higher benchmark rates. Domestically, concerns around foreign exchange availability caused foreign investors to exit the market In the year, the NASI was down by 23.4% while the NSE 20 fell by 11.9%. The Fund generated a return of -8.76 percent during the year, compared to the benchmark return of -7.22 percent.

Our disciplined investment strategy, coupled with the philosophy of investing in high-quality fixed income investments with attractive yields, will continue to benefit investors who invest in the Fund in the medium term.

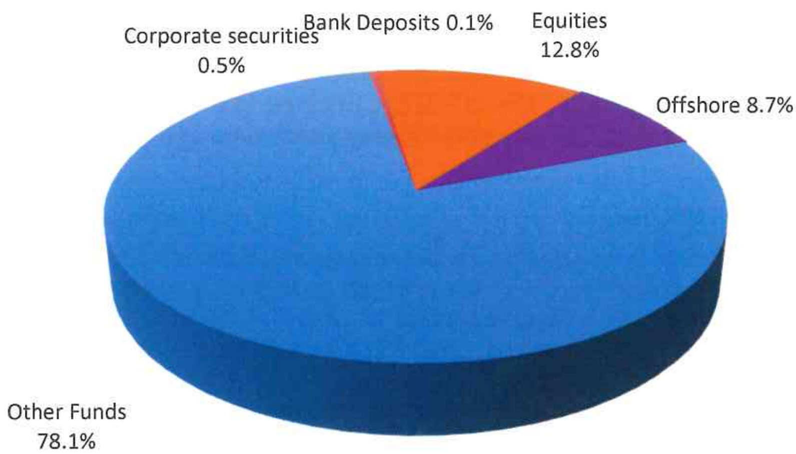
Asset Allocation Structure

2022



2021

2021



We thank you for your choice of investing in British-American Balanced Fund. The team at Britam Asset Managers (Kenya) Limited looks forward to working closely with you in meeting and exceeding your financial and investment objectives.

We extend our best wishes for 2023.

Yours sincerely,

Signed on behalf of the Fund Manager

28 March 2023

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Standard Chartered Bank of Kenya Limited as the Custodians and Britam Asset Managers (Kenya) Limited as the Fund Manager, we confirm that for the year ended 31 December 2022:

- We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the British-American Balanced Fund;
- We have held the assets for the British-American Balanced Fund, including securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

For the year ended 31 December 2022, we have held the assets of the British-American Balanced Fund, which include title deeds, securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager in accordance with the provisions of the Capital Markets (Collective Investment Schemes) Regulations, 2001.

STANDARD CHARTERED BANK KENYA LTD.
Manager..

By order of the Custodian
Standard Chartered Bank of Kenya Limited

28 March 2023

pwc

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF BRITISH-AMERICAN BALANCED FUND

Report on the financial statements

Opinion

We have audited the accompanying financial statements of British-American Balanced Fund (the "Fund") set out on pages 10 to 30 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

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

Other information

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

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.

pwc

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF BRITISH-AMERICAN BALANCED FUND (CONTINUED)

Responsibilities of the Trustee for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF BRITISH-AMERICAN BALANCED FUND (CONTINUED)

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

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 Investment Schemes) Regulations, 2001 also requires that in carrying out our audit we consider and report to you on the following matters:

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

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

Richard Njoroge

FCPA Richard Njoroge, Practicing Certificate Number 1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

28 March **2023**

Statement of profit or loss and other comprehensive income

	Notes	2022 Shs '000	2021 Shs '000
Income			
Interest and dividend income	5	3,154	2,377
Realised gains on investments	6	774	8,554
Fair value losses on investments at fair value through profit loss	9 (ii)	5,927	(18,644)
Total income		9,855	(7,713)
Service fees	7	(15,945)	(18,516)
Expected credit loss on investments	9(ii)	-	1,152
Loss before income tax		(6,090)	(25,077)
Income tax expense	8	-	-
Loss for the year		(6,090)	(25,077)
Other comprehensive income		-	-
Total comprehensive loss for the year		(6,090)	(25,077)

Statement of financial position

	Notes	2022 Shs '000	2021 Shs '000
Assets			
Corporate securities at fair value through profit or loss	9 (ii)	2,524	2,524
Offshore funds at fair value through profit or loss	9 (ii)	47,464	43,527
Quoted ordinary shares at fair value through profit or loss	9 (ii)	47,186	63,964
Other funds at fair value through profit or loss	9 (ii)	393,006	391,478
Deposits with financial institutions at amortized cost	9 (ii)	502	-
Other receivables		196	262
Cash and bank balances	9 (v)	401	349
Total assets		491,279	502,104
Liabilities			
Current liabilities			
Accrued expenses	11	1,387	1,538
Withholding tax payable	8	1	-
Total liabilities		1,388	1,538
Net assets attributable to unitholders	10	489,891	500,566

The financial statements on pages 10 to 30 were approved and authorised for issue by the Trustee on 28 March 2023 and signed on its behalf by:

Corporate Trustee

RCIM

Corporate Trustee

Statement of changes in unit holders' balances

	Notes	2022 Shs'000	2021 Shs'000
At start of year		500,566	590,499
Total comprehensive (loss) distributed to unit holders		(6,090)	(25,077)
Transactions with unit holders:			
Additional units purchased	10	1,571	201,173
Units liquidated	10	(6,156)	(266,029)
Total transactions with unit holders		(4,585)	(64,856)
At end of year		489,891	500,566

Statement of cash flows

	Notes	2022 Shs '000	2021 Shs '000
Cash flows from operating activities			
Service fees paid		(16,031)	(16,396)
Movement in withholding tax		1	(31)
Addition of bank deposits	9 (ii)	(6,300)	(46,800)
Purchase of quoted ordinary shares	9 (ii)	-	(5)
Purchase of corporate securities	9 (ii)	-	(10,500)
Interest and dividends received		3,927	11,560
Maturity of deposits	9 (ii)	5,800	66,800
Sale of government securities	9 (ii)	-	4,241
Sale of quoted shares	9 (ii)	3,295	45,581
Sale of corporate securities	9 (ii)	-	10,500
Sale of other funds	9 (ii)	13,945	-
Net cash generated from operating activities		4,637	64,950
Cash flows from financing activities			
Net contribution from unit holders	10	1,571	201,173
Liquidations by unit holders	10	(6,156)	(266,029)
Net cash used in financing activities		(4,585)	(64,856)
Net increase in cash and cash equivalents		52	94
Cash and cash equivalents at start of year		349	255
Cash and cash equivalents at end of year	9 (v)	401	349

Notes

1 General information

The Fund started operations on 1 July 2005. The Fund is governed by a Trust Deed dated 7th June 2005, is registered under the Capital Markets Authority Act and is domiciled in Kenya. The address of its registered office is:

Britam Centre
Junction of Mara and Ragati Roads
Upper Hill
P.O. Box 30375-00100
Nairobi, Kenya

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"), interpretation issued by IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS and the requirements of the Capital Markets Authorities Act. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Fund

The Fund has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2022.

a) Amendment to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

b) Reference to the Conceptual Framework – Amendments to IFRS 3

There were minor amendments made to IFRS 3 Business Combinations to update the references to the Conceptual Framework for Financial Reporting and to add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis for preparation (continued)

(ii) New and amended standards adopted by the Fund (continued)

c) Annual Improvements to IFRS Standards 2018-2020 Cycle

The following improvements make amendments to the following standards and were finalised in May 2020:

• **IFRS 9: Financial Instruments** - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

None of the above amendments had a significant impact on the Fund's financial statements.

(ii) New standards and interpretations not yet effective and have not been early adopted

There are some amendments to existing standards, new accounting standards and interpretations that have been published but are not mandatory for 31 December 2022 reporting periods. These are not expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions. These amendments, standards and interpretations are summarised below:

New standards and Amendments to standards	**Effective for annual periods beginning on or after**
Amendment to IAS 1, Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8 - Definition of Accounting Estimates	1 January 2023

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

The narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis for preparation (continued)

(ii) New standards and interpretations not yet effective and have not been early adopted (continued)

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

The amendments require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IFRS Practice Statement 2 Making Materiality Judgements was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

b) Amendments to IAS 8 - Definition of Accounting Estimates

The amendment clarifies how Funds should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, whereas changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

(iii) Early adoption of standards

The Fund did not early adopt any new or amended standards in the financial year. No standards, amendments and interpretations not yet adopted are expected to have a significant impact on the financial statements.

(b) Foreign currency translation

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

(c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Interest income includes interest from cash and cash equivalents.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments

(i) Classification

The Fund classifies its financial assets in the following measurement categories: those to be measured subsequently at fair value, and those to be measured at amortised cost.

ii) *Recognition and derecognition*

Financial assets are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

iii) *Measurement*

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

Debt instruments

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

Classification and subsequent measurement of debt instruments depends on:
(i) the Fund's business model for managing the financial assets; and
(ii) the cash flow characteristics of the asset.

Based on these factors, the Fund classifies its debt instruments into one of the following three measurement categories:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

iii) Measurement (continued)

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

Equity instruments

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

The Fund subsequently measures all equity investments at fair value. Where the Fund's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/ (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on the Stock Exchange. The quoted market price used for financial assets held is the current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. For example, a market is inactive when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

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:

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Financial instruments (continued)

(iv) Determination of fair value (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).

(v) Impairment

The Fund assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment (a credit-impaired financial asset). If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

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

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

In applying IFRS 9 impairment requirements, the Fund follows the general approach for all its financial assets.

The General Approach

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

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(e) Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

(f) Distribution

All income or loss arising from operations is distributed to unit holders after provision for expenses. All distributions including unclaimed distributions are reinvested in the unit holders' account.

(g) Unit holder balances

Unit holders' funds 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 financial reporting date if the holder exercised their right to redeem the balances.

(h) Cash and cash equivalents

Cash and cash equivalent are carried in the statement of financial position at cost. For the purposes of the statement of cash flow, cash and cash equivalents comprise cash at bank and deposits held at call with banks maturing within three months from the contract dates.

3 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. Areas involving a higher degree of judgement or complexity or where assumptions and estimates are significant to the financial statements relate to classification of and valuation of assets. In addition, judgement is required in determination of whether the assets are impaired and tax status of the Fund as disclosed in Note 6

The key areas of estimate and judgment in applying the Funds' accounting policies is in the measurement of expected credit losses.

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of models and significant assumptions about future economic conditions and credit behaviour.

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

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

Notes (continued)

4 Financial risk management objective and policies

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in market prices and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance. There is no concentration of risk at year end.

Risk management is carried out by the Fund Manager, Britam Asset Managers (Kenya) Limited. Britam Asset Managers (Kenya) Limited identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

The Fund's risk management policies include the use of guidelines governing the acceptance of clients and investment policies are in place which help manage liquidity and seek to maximise return within an acceptable level of interest rate risk.

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

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

The table below summarises the Fund's asset allocation as at 31 December 2022 in comparison to the CMA limits:

Security	Market Value Shs' 000	%	Maximum allowed	Breach %
Cash and interest-bearing securities	903	0.2%	100%	-
Securities listed on a securities exchange in Kenya	49,710	10%	80%	-
Any other security not listed on a securities exchange in Kenya	428,809	87%	25%	62%
Other collective investment schemes including umbrella schemes	11,661	2.8%	25%	-
Total	491,083	100%		

As at 31 December 2022, the Fund was in breach of the unlisted securities limit. The fund manager is currently undertaking remedial actions to rectify the breach in 2023.

Notes (continued)

4 Financial risk management objective and policies (continued)

Market risk

(i) Foreign exchange risk

As at 31 December 2022 and 2021, the Fund had exposure to foreign exchange risk. At 31 December 2022, the Fund had investments in offshore instruments and is therefore exposed to the Mauritian Rupee.

At 31 December 2022, if the Shilling had weakened/strengthened by 5% (2021: 5%) against the Mauritian Rupee with all other variables held constant, income available for distribution would have been Shs 2,508,173 (2021: Shs 1,084,083) higher/lower, mainly as a result of the foreign currency denominated offshore investments.

(ii) Price risk

The Fund invests in financial instruments that are subject to price risk. These are monitored closely by the management team to ensure risks are mitigated.

As at 31 December 2022, if the Securities Exchange Indexes of all the countries the securities are invested in had increased/decreased by 15% (2021:15%), with all other variables held constant and all the funds equity instrument moved according to the historical correlation to the indexes, income available for distribution for the year would have been Shs Nil higher/lower (2021: Shs Nil).

(iii) Cash flow and fair value interest rate risk

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

Credit risk

The Fund is exposed to credit risk, which is the risk that counterparty will be unable to pay amounts in full when they fall due. In accordance with the Funds' policy, the fund manager monitors the Funds' credit position on a daily basis, and it is reviewed on a quarterly basis by the Fund's investments committee.

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

	2022	**2021**
	Shs'000	**Shs'000**
Deposits with financial institutions	502	-
Other receivables	196	262
Bank and cash balances	401	349
Total	1,099	611

No collateral is held for any of the above assets. All assets that are considered impaired are carried at their estimated recoverable value. An analysis of the expected credit losses on these assets is presented in note 9(iv).

Notes (continued)

4 Financial risk management objective and policies (continued)

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily withdrawal of Funds by investors. The Fund does not maintain cash balances to meet all of these needs as experience shows that a certain amount of withdrawals is requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing Funds available to meet such calls and on the minimum level of Funds that should be in place to cover withdrawals at unexpected levels of demand.

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

	Due on demand Shs '000	Due within 3 months Shs '000	Total Shs '000
At December 2022			
Unit holders' balances (Note 10)	489,981	-	489,981
Accrued expenses (Note 11)	-	1387	1,387
Withholding tax payable (Note 8)	-	1	1
Total Assets	489,981	1,388	491,369
At December 2021			
Unit holders' balances (Note 10)	500,566	-	500,566
Accrued expenses (Note 11)	-	1,538	1,538
Total Assets	500,566	1,538	502,104

Fair value estimation

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

Notes (continued)

4 Financial risk management objective and policies (continued)

Fair value estimation (continued)

At 31 December 2022 **Assets**	**Level 1 Shs '000**	**Level 2 Shs '000**	**Level 3 Shs '000**	**Total Shs '000**
Financial assets at fair value through profit or loss:				
- Quoted ordinary shares	47,186	-	-	47,186
- Offshore funds	-	47,464	-	47,464
- Other funds	-	-	362,670	362,670
- Deposits with financial institutions	-	-	502	502
- Corporate securities	-	2,524	-	2,524
Total assets	47,186	49,988	363,172	460,346

At 31 December 2021 **Assets**	**Level 1 Shs '000**	**Level 2 Shs '000**	**Level 3 Shs '000**	**Total Shs '000**
Financial assets at fair value through profit or loss:				
- Quoted ordinary shares	63,964	-	-	63,964
- Offshore funds	-	43,527	-	43,527
- Other investments	-	-	391,478	391,478
- Corporate securities	-	2,524	-	2,524
Total assets	63,964	46,051	391,478	501,493

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

The fair value of financial instruments that are not traded in an active market (for example, unit trusts and offshore shares 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.

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

Capital risk management

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

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

Notes (continued)

5 Interest and dividend income

	2022 Shs '000	2021 Shs '000
Interest income	50	1,294
Dividend income	3,104	1,083
	3,154	2,377

6 Realized gains / (losses) on investments

	2022 Shs '000	2021 Shs '000
Realised gains/(losses) on equities	(280)	9,489
Realised (losses)/gains on treasury bonds	-	(133)
Realised loss on other investments	-	(800)
Realised loss on corporate bonds	1,054	-
Realised gains on deposits	-	(2)
	774	8,554

7 Service fees

Management fees relate to service fees paid to Britam Asset Managers (Kenya) Limited for the professional management of the Fund (Note 12). This is charged at 2% per annum, computed on the daily Fund balances. Audit fees, annual general meeting (AGM) fees and license fees are charged based on amounts agreed between the Fund Manager and the service providers. Trustee fees and custody fees are computed on the daily Fund balances at a rate of 0.17% and 0.21% respectively. Trustee fees were revised to 0.10% of daily Fund balances effective 1st December 2022 and custody fees to 0.125% of daily Fund balances effective 1st November 2022.

	2022 Shs '000	2021 Shs '000
Management fees	13,694	16,047
Audit fees	304	232
Trustee fees	798	892
Custody fees	1,016	1,160
Annual general meeting costs	91	142
Licence fees	42	43
	15,945	18,516

Notes (continued)

8 Taxation

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

On 11 September 2009, Kenya Revenue Authority issued a public notice requiring the Fund to withhold tax on distributions to unit holders and dividend income. Tax is withheld at a rate of 5% and 15% for dividend and interest income respectively after the issue of the legal notice. Investments in Infrastructure bonds and the KenGen bond are however tax exempt.

The movements in the withholding tax during the year are as below;

	2022 Shs '000	2021 Shs '000
At start of year	-	32
Withheld during the year	34	301
Payments	(33)	(333)
At end of year	1	-

Notes (continued)

9 Investments

(i) Maturity profile of investments

31 December 2022	Upto 3 months Shs'000	Due between 3 & 12 months Shs'000	Due between 1 & 5 years Shs'000	Due after 5 years Shs'000	Totals Shs'000
Deposits with financial institutions	-	502	-	-	502
Corporate bonds	-	-	2,524	-	2,524
Total	-	502	2,524	-	3,026

31 December 2021	Upto 3 months Shs'000	Due between 3 & 12 months Shs'000	Due between 1 & 5 years Shs'000	Due after 5 years Shs'000	Totals Shs'000
Corporate bonds	-	-	2,524	-	2,524

Notes (continued)

9 Investments (continued)

(ii) Movement in investments

	Carrying value at 1 January	Purchases at cost	Accrued Interest	Sales/ maturities	Change in fair value	Provision for ECL 2022	Carrying value at 31 December
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Year ended 31 December 2022							
Quoted ordinary shares	63,964	-	-	(3,295)	(13,483)	-	47,186
Offshore funds	43,527	-	-	-	3,937	-	47,464
Corporate securities	2,524	-	-	-	-	-	2,524
Deposits with financial institutions	-	6,300	2	(5,800)	-	-	502
Unit trusts	-	-	-			-	
Other funds	391,478			(13,945)	15,473	-	393,006
Total	501,493	6,300	2	(23,039)	5,927	-	490,682

Year ended 31 December 2021	Carrying value at 1 January	Purchases at cost	Accrued Interest	Sales/ maturities	Change in fair value	Provision for ECL 2021	Carrying value at 31 December
Quoted ordinary shares	102,131	4	-	(45,581)	7,410	-	63,964
Offshore funds	65,209	-	-	-	(21,682)	-	43,527
Corporate securities	9,071	10,500	(348)	(10,500)	(7,350)	1,151	2,524
Government securities	4,277	-	(115)	(4,241)	79	-	-
Deposits with financial institutions	20,164	46,800	(165)	(66,800)	-	1	-
Unit trusts	-	-	-	-	-	-	-
Other funds	388,579	-	-	-	2,899	-	391,478
Total	589,431	57,304	(628)	(127,122)	(18,644)	1,152	501,493

Notes (continued)

9 Investments (continued)

	2022	2021
(iii) Classification of Quoted ordinary shares per sector:	Shs '000	Shs '000
Kenya:		
- Commercial and services		
- Finance and investment	19,605	24,803
- Industrial and allied	20,322	19,858
	7,259	19,303
	47,186	63,964

(iv) Expected Credit loss on investments

The expected credit loss on investments relates to the Fund's investment in bank deposits, government securities, corporate bonds and alternative investments that are held to maturity. The Fund is holding a provision of Shs nil (2021: Shs 1,152,000) being the amount whose recoverability was assessed as being doubtful on the investments. The table below displays the movement of the expected credit loss between 31 December 2021 and 31 December 2022:

	Corporate Securities Shs '000'	Government Securities Shs'000'	Deposits with financial institutions Shs '000'	Bank and Cash Balances Shs '000'	Others Shs '000'	Total Shs '000'
As at 1 January 2021	1,151	-	1	-	-	1,152
Addition / (write back)	(1,151)	-	(1)	-	-	(1,152)
As at 31 December 2021	-	-	-	-	-	-
As at 1 January 2022	-	-	-	-	-	-
Addition / (write back)	-	-	-	-	-	-
As at 31 December 2022	-	-	-	-	-	-

	2022 Shs '000	2021 Shs '000
(v) Cash and cash equivalents		
Cash and bank balance	401	349

Notes (continued)

10 Unit holders' balances

	2022 No. of units '000	2022 Shs '000	2021 No. of units '000	2021 Shs '000
At start of year	2,877	500,566	3,313	590,499
Creations	12	1,571	1,352	201,173
Liquidations	(45)	(6,156)	(1,788)	(266,029)
Distributions for the year	-	(6,090)	-	(25,077)
At end of year	2,844	489,891	2,877	500,566

11 Accrued expenses

	2022 Shs '000	2021 Shs '000
Management fees payable	1,144	1,263
Custody fees payable	57	90
Trustee fees payable	69	69
Annual general meeting payables	4	12
Licence fees payable	4	4
Audit fees payable	26	20
Other fund fees payable	83	80
Service fees payable to Britam Asset Managers (Kenya) Limited	1,387	1,538

12 Related party transactions

British-American Balanced Fund is managed by Britam Asset Managers (Kenya) Limited. Britam Asset Managers (Kenya) Limited is controlled by Britam Holdings Plc, a company incorporated in Kenya. There are other entities that are related to Britam Asset Managers (Kenya) Limited through common shareholdings or common directorship.

The following transactions were carried out with related parties.

Service fees

	2022 Shs'000	2021 Shs'000
Britam Asset Managers (Kenya) Limited (Note 7)	13,694	16,048

Balances dues to Britam Asset Managers (Kenya) Limited are included in Note 11.

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