



**BRITISH-AMERICAN  
MONEY MARKET 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 Money Market Fund (the "Fund") for the year ended 31 December 2022.

### INVESTMENT OBJECTIVES

The investment objective of the British-American Money Market Fund is to achieve a level of yield while protecting investor's capital.

To achieve this, the portfolio is invested in fixed income securities of various durations at attractive yields to ensure the return on the Fund is maximised.

### 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 lowest absolute yields for the last 5 years were as per the table below:

Year	2022	2021	2020	2019	2018
Highest yield %	8.71	8.75	9.96	11.33	11.77
Lowest yield %	5.75	6.11	7.71	7.38	4.84

### INCOME DISTRIBUTION

The profit 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)	978,473	859,329	667,032	519,319	535,010

### 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)	11,788,700	12,826,611	10,469,770

### AUDITOR

PricewaterhouseCoopers was 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.

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

  
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 applying them consistently; and
- iii) Making judgements and accounting estimates that are reasonable in the circumstances

Having assessed 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:

  
\_\_\_\_\_  
Corporate Trustee

  
\_\_\_\_\_  
Corporate Trustee

Dear Unit Holder,

The fundamental investment objective of the British-American Money Market Fund is to generate a high level of interest income while aiming for the preservation of capital. The Fund does this by investing primarily in fixed income securities of various terms issued by the Kenyan Government and fundamentally sound companies with a strong credit quality.

Britam Asset Managers (Kenya) Limited adopts an investment philosophy that ensures high risk adjusted returns for investors while optimizing overall portfolio risk. We employ a two-pronged strategy to achieve this objective. Firstly, the average term and duration of the portfolio are adjusted based on prevailing interest rate trends, within the acceptable tenors. Thus, as interest rates rise, the average term and duration of the portfolio are shortened, and as interest rates reach a peak or fall, the portfolio's duration and average term are extended.

Secondly, we strive for diversification through investing in corporate bonds and commercial papers which offer attractive spreads above treasury instruments while cushioning the portfolio against interest rate risk. The strategy involves purchasing these securities when the spreads are at their widest points and reducing holdings when corporate bond rates are at their narrowest point relative to rates on treasury instruments. This is all done in an environment of rigorous risk management by investing in fundamentally sound corporates to protect against default risk.

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.

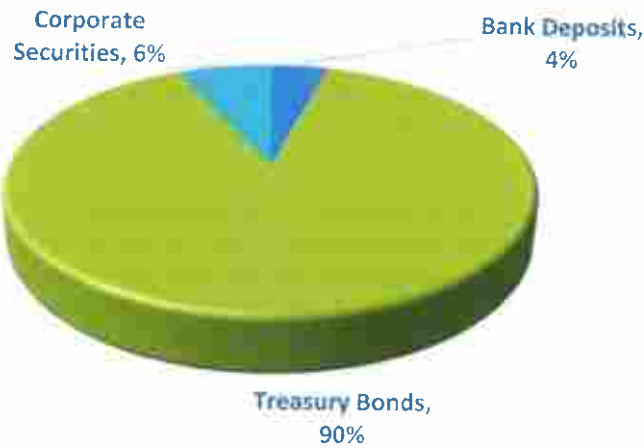
The equities market exhibited high volatility as global risk off sentiment increased due to high inflation and higher benchmark rates. Domestically, concerns around foreign exchange availability caused foreign investors to exit the market. In the year, the NASI was down by 23.4% while the NSE 20 fell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

The Fund generated a return of 7.57 percent during the year, compared to the benchmark return of 9.17 percent.

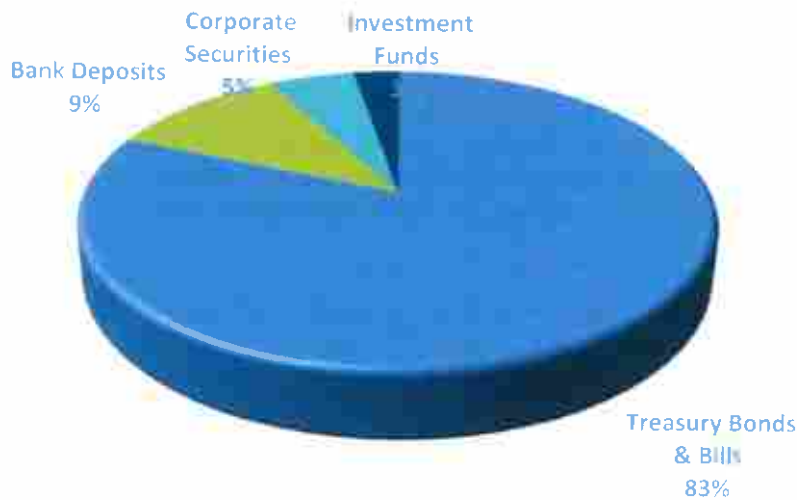
Our disciplined investment strategy, coupled with the philosophy of investing in high-quality fixed income investments with attractive yields, will continue to benefit investors who invest in the Fund in the medium term.

### Asset Allocation Structure

2022



2021



We thank you for choosing to invest in British-American Money Market 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.

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 Money Market Fund;
- We have held the assets for the British-American Money Market 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 Money Market 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.

By order of the Custodian  
Standard Chartered Bank of Kenya Limited

Manager

28 March 2023





## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF BRITISH-AMERICAN MONEY MARKET FUND

### Report on the financial statements

#### *Opinion*

We have audited the accompanying financial statements of British-American Money Market Fund (the "Fund") set out on pages 10 to 26 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the British-American Money Market 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.

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## **INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF BRITISH-AMERICAN MONEY MARKET 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 MONEY MARKET 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.

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

**For and on behalf of PricewaterhouseCoopers LLP  
Certified Public Accountants  
Nairobi**

25 March 2023



**Statement of profit or loss and other comprehensive income**

	Notes	2022 Shs '000	2021 Shs '000
<b>Income</b>			
Interest income	7(i)	1,304,060	1,249,619
Realised gains on investments	7(vii)	25,765	93,208
<b>Total income</b>		1,329,825	1,342,827
Service fees	5	(342,047)	(343,657)
Expected credit loss on investments	7(iv)	(9,305)	(139,841)
<b>Total expenses</b>		(351,352)	(483,498)
<b>Profit before tax</b>		978,473	859,329
Income tax expense	6	-	-
<b>Profit for the year</b>		978,473	859,329
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income for the year</b>		978,473	859,329

**Statement of financial position**

	Note	At 31 December	
		2022 Shs'000	2021 Shs'000
<b>Assets</b>			
Government securities at amortized cost	7(iii)	10,623,878	10,631,965
Corporate bonds at amortized cost	7(iii)	750,176	624,114
Other funds at amortized cost	7(ii)	-	366,970
Deposits with financial institutions at amortized cost	7(iii)	491,238	1,138,794
Cash and bank balances	7(vi)	66,708	110,527
<b>Total assets</b>		<b>11,932,000</b>	<b>12,872,370</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	9	31,291	34,089
Payables to other funds	10(c)	100,000	-
Withholding tax payable	6	12,009	11,670
<b>Liabilities</b>		<b>143,300</b>	<b>45,759</b>
<b>Net assets attributable to unitholders</b>	8	<b>11,788,700</b>	<b>12,826,611</b>

The financial statements on pages 10 to 26 were approved and authorised for issue by the Trustee on 28 March 2023 and signed on its behalf by:

Corporate Trustee

Name

Corporate Trustee

Name



**Statement of changes in unit holders' balances**

	Notes	2022 Shs	2021 Shs
<b>At start of year</b>		12,826,611	10,469,770
Total comprehensive income for the year		978,473	859,329
<b>Total comprehensive profit distributed to unit holders</b>		978,473	859,329
<i>Transactions with unit holders:</i>			
Additional units purchased	8	7,979,997	12,779,092
Units liquidated	8	(9,996,381)	(11,281,580)
		(2,016,384)	1,497,512
Total transactions with unit holders		(2,016,384)	1,497,512
<b>At end of year</b>		11,788,700	12,826,611

**Statement of cash flows**

	Notes	Year ended 31 December	
		2022 Shs'000	2021 Shs'000
<b>Cash flows from operating activities</b>			
Service fees paid		(344,845)	(334,663)
Movement in withholding tax		340	287
Purchase of treasury bonds	7(iii)	(6,994,955)	(13,532,482)
Purchase of treasury bills	7(iii)	-	(155,455)
Purchase of corporate bonds	7(iii)	(596,873)	(595,317)
Addition of bank deposits	7(iii)	(8,162,000)	(19,008,000)
Investment in other funds	7(iii)	-	(4,338,515)
Interest received		1,240,670	1,096,265
Maturity of deposits	7(ii)	8,782,000	20,196,000
Sale of corporate securities	7(iii)	464,730	1,768,004
Sale of government securities	7(iii)	7,017,515	8,743,395
Sale of treasury bills	7(iii)	164,574	232,318
Sale of investments in other funds	7(iii)	301,409	4,338,515
		<hr/>	<hr/>
Net cash generated from/ (used in) operating activities		1,872,565	(1,589,648)
<b>Cash flows from financing activities</b>			
Increase in payables to other funds	10 (c)	100,000	-
Net contribution from unit holders	8	7,979,997	12,779,092
Liquidations by unit holders	8	(9,996,381)	(11,281,580)
		<hr/>	<hr/>
Net cash used in/generated from financing activities		(1,916,384)	1,497,512
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(43,819)	(92,136)
At start of year		110,527	202,663
		<hr/>	<hr/>
Cash and cash equivalents at end of year	7(vi)	66,708	110,527
		<hr/>	<hr/>

## Notes

### 1 General information

The Fund started operations on 1 March 2007. The Fund is governed by a trust deed dated 7 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"), Interpretations issued by IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS and the requirements of the Capital Markets Authority 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 policies and disclosures

##### *i) New standards, amendments and interpretations adopted*

There were no new standards, amendments and interpretations adopted during the year.

##### *ii) New standards, amendments and interpretations not yet adopted*

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 Kenya 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 of the respective entity 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.

## Notes (continued)

### 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. Interest income includes interest from cash and cash equivalents.

#### (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.

##### (iv) 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.

## Notes (continued)

### 2 Summary of significant accounting policies (continued)

#### (d) Financial instruments (continued)

##### *(iv) Debt instruments (continued)*

**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.

**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.

##### *(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.

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 estimates and judgments in applying the Funds' accounting policies is in the measurement of expected credit losses.

The key areas of estimates and judgments in applying the Funds' accounting policies are disclosed below.

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 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%

Below is the asset allocation in comparison to the CMA limits.

Security	Market Value Shs' 000	%	Maximum allowed	Breach %
Cash and interest bearing securities	558,000	5%	100%	-
Securities listed on a securities exchange in Kenya	186,000	2%	80%	-
Any other security not listed on a securities exchange in Kenya	564,000	5%	25%	-
Treasury Bills	-	-	25%	-
Government Treasury Bonds	10,624,000	89%	80%	9%
<b>TOTAL</b>	<b>11,932,000</b>	<b>100%</b>		

**Notes (continued)**

**4 Financial risk management objective and policies (continued)**

As at 31 December 2022, the Fund was in breach of the Treasury Bonds. The Fund Manager is currently undertaking remedial actions to rectify the breaches in 2023

Market risk

(i) Foreign exchange risk

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

(ii) Price risk

The Fund invests in financial instruments (deposits with financial institutions, corporate and government bonds) that are measured at amortised cost. The amortised cost of the debt instruments is considered to be the carrying value of the assets. Therefore, the fund is not exposed to price risk.

Credit risk

The Fund is exposed to credit risk, which is the risk that a 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 Manager

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

	<b>2022</b>	<b>2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Corporate bonds	750,176	624,114
Treasury bonds	10,623,878	10,467,391
Treasury bills	-	164,574
Deposits with financial institutions	491,3238	1,138,794
Other investments	-	366,970
Cash and bank	66,708	110,527
	<u>11,932,000</u>	<u>12,872,370</u>

No collateral is held for any of the above assets. All assets that are not considered to be impaired and are carried at their estimated recoverable value. An analysis of the expected credit losses on these assets is presented in note 7 (iv).

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.



**Notes (continued)**

**4 Financial risk management objective and policies (continued)**

Liquidity risk (continued)

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
<b>At December 2022</b>			
Unit holders' balances (Note 8)	11,788,700	-	11,788,700
Payable to other funds (Note 10 c)	-	100,000	100,000
Accrued expenses (Note 9)	-	31,291	31,291
Withholding tax (Note 6)	-	12,009	12,009
<b>Total Assets</b>	<b>11,788,700</b>	<b>143,300</b>	<b>11,932,000</b>
<b>At December 2021</b>			
Unit holders' balances (Note 8)	12,826,611	-	12,826,611
Accrued expenses (Note 9)	-	34,089	34,089
Withholding tax (Note 6)	-	11,670	11,670
<b>Total Assets</b>	<b>12,826,611</b>	<b>45,759</b>	<b>12,872,370</b>

Fair value estimation

The fund does not hold any investments at fair value, and hence not subject to fair value estimation risks. All investments are measured at amortised cost. The fair value of government bonds as at 31 December 2022 is Shs 8,000,000 (2021: Shs 7,400,000). The fair value of corporate securities as at 31 December 2022 is Shs 262,000,000 (2021: Shs 262,000,000). For assets below one year, the amortised cost is considered to be the fair value.

Interest rate risk

The Fund has invested in Real People Bond whose interest rate was changed from a fixed rate of 13.65% to a variable fixed rate. However, the bond did not earn any interest in the year and therefore no sensitivity analysis is provided. The bond is considered impaired and provisions for impairment have been recognised against its carrying amount.

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 Service fees**

	<b>2022</b>	<b>2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
Fund management fees	290,679	295,845
Audit fees	507	399
Trustee fees	21,508	20,500
Custody fees	28,037	26,650
Annual General Meeting fees	1,273	221
Licence fees	43	42
	<hr/>	<hr/>
Total	342,047	343,657
	<hr/>	<hr/>

Management fees relate to service fees paid to Britam Asset Managers (Kenya) Limited for the professional management of the Fund (Note 10). This is charged at 2% per annum, computed on the daily Fund balances. Audit fees, annual general meeting (AGM) fees and licence 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 1<sup>st</sup> December 2022 and custody fees to 0.125% of daily Fund balances effective 1<sup>st</sup> November 2022.

**6 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 movement in the tax payable balance is as below:

	<b>2022</b>	<b>2021</b>
	<b>Shs '000</b>	<b>Shs '000</b>
At the start of year	11,670	11,384
Withheld during the year	127,559	132,568
Payments	(127,220)	(132,282)
	<hr/>	<hr/>
At the end of year	12,009	11,670
	<hr/>	<hr/>

**7 Investments**

(i) Interest income

Interest from:		
Government securities	1,064,100	780,984
Corporate securities	98,366	117,622
Deposits with financial institutions	58,650	199,831
Other investments	82,944	151,182
	<hr/>	<hr/>
Total	1,304,060	1,249,619
	<hr/>	<hr/>

Notes continued

7 Investments (continued)

(ii) Maturity profile of investments in the money market fund

At 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	-	491,238	-	-	491,238
Treasury bonds	-	2,625,749	6,652,664	1,345,465	10,623,878
Corporate bonds	-	426,579	323,597	-	750,176
<b>Total</b>	-	3,543,566	6,976,261	1,345,465	11,865,292

At 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
Deposits with financial institutions	-	1,138,794	-	-	1,138,794
Treasury bills	-	164,573	6,652,663	864,695	7,681,932
Treasury bonds	-	2,950,033	192,634	-	2,950,033
Corporate bonds	-	431,480	-	-	624,114
	-	366,970	-	-	366,970
<b>Total</b>	-	5,051,850	6,845,298	864,695	12,761,843

**Notes (continued)**

**7 Investments (continued)**

**(iii) Movement in investments**

Year ended 31 December 2022	Carrying value at 1 January	Purchases at cost	Accrued Interest	Sales/ maturities	Provision for expected credit losses	Carrying value at 31 December
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Corporate bonds	624,114	596,873	68	(464,730)	(6,149)	750,176
Treasury bonds	10,467,391	6,994,955	183,454	(7,017,515)	(4,407)	10,623,878
Treasury bills	164,574	-	-	(164,574)	-	-
Deposits with financial institutions	1,138,794	8,162,000	(27,742)	(8,782,000)	186	491,238
Other funds	366,970	-	(66,626)	(301,409)	1,065	-
<b>Total</b>	<b>12,761,843</b>	<b>15,753,828</b>	<b>89,154</b>	<b>(16,730,228)</b>	<b>(9,305)</b>	<b>11,865,292</b>

Year ended 31 December 2021	Carrying value at 1 January	Purchases at cost	Accrued Interest	Sales/ maturities	Provision for expected credit losses	Carrying value at 31 December
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Corporate bonds	1,960,771	595,317	(15,559)	(1,768,004)	(148,411)	624,114
Treasury bonds	5,558,093	13,532,482	121,181	(8,743,395)	(970)	10,467,391
Treasury bills	241,464	155,455	-	(232,318)	(27)	164,574
Deposits with financial institutions	2,336,337	19,008,000	(11,891)	(20,196,000)	2,348	1,138,794
Other funds	331,105	4,338,515	28,645	(4,338,515)	7,220	366,970
<b>Total</b>	<b>10,427,770</b>	<b>37,629,769</b>	<b>122,376</b>	<b>(35,278,232)</b>	<b>(139,840)</b>	<b>12,761,843</b>

**Notes continued**

**7 Investments (continued)**

**(iv) Expected credit loss (ECL) on investments**

The expected credit loss on investments relates to the Fund's investment in bank deposits, government securities, corporate bonds and alternative investments. The table below shows the movement in ECLs during the year.

	<b>Corporate Securities</b>	<b>Government Securities</b>	<b>Deposits with financial institutions</b>	<b>Bank and Cash Balances</b>	<b>Others</b>	<b>Total</b>
	<b>Shs '000'</b>	<b>Shs'000'</b>	<b>Shs '000'</b>	<b>Shs '000'</b>	<b>Shs'000'</b>	<b>Shs '000'</b>
<b>As at 1 Jan 2021</b>	<b>66,581</b>	<b>765</b>	<b>2,683</b>	<b>-</b>	<b>8,285</b>	<b>78,314</b>
Addition / (write back)	148,411	997	(2,348)	1	(7,220)	139,841
<b>As at 31 December 2021</b>	<b>214,992</b>	<b>1,762</b>	<b>335</b>	<b>1</b>	<b>1,065</b>	<b>218,155</b>
As at 1 Jan 2022	214,992	1,762	335	1	1,065	218,155
Addition / (write back)	6,149	4,407	(186)	-	(1,065)	9,305
<b>As at 31 December 2022</b>	<b>221,141</b>	<b>6,169</b>	<b>149</b>	<b>1</b>	<b>-</b>	<b>227,460</b>

**(v) Corporate bonds**

At 31 December 2022, the Fund's assets included investments of Shs 201,050,000 in Real People Kenya Limited. The corporate bond was restructured with its maturity extended from the year 2020 to 2028. The coupon rate was also changed from a fixed rate of 13.65% to a variable rate based on the 91-day Treasury bill rate plus 1%. The total impairment loss recorded against the Real People Bond at 31 December 2022 amounted to Shs 180 million. The Fund Manager will continue monitoring this investment.

**(vi) Cash and cash equivalents**

	<b>2022 Shs '000</b>	<b>2021 Shs '000</b>
Cash and bank balance	66,709	110,528
Expected credit loss	(1)	(1)
<b>Total</b>	<b>66,708</b>	<b>110,527</b>

**Notes (continued)**

**7 Investments (continued)**

**(vii) Realised gains on investments**

The realised gains on investments relates to the Fund's sales of investment in government securities and in particular infrastructure bonds. For the year ended 31 December 2022 the fund's realised gain on investments in government securities amounted to Shs 25,765,000 (2021: Shs 93,208,000).

**8 Unit holders' balances**

	2022		2021	
	No. of units Shs '000	Value Shs '000	No. of units '000	Value Shs '000
At start of year	72,552	12,826,611	56,251	10,469,770
Creations	79,800	7,979,997	127,791	12,779,092
Liquidations	(99,964)	(9,996,381)	(111,490)	(11,281,580)
Distributions	-	978,473	-	859,329
	<hr/>	<hr/>	<hr/>	<hr/>
At end of the year	52,388	11,788,700	72,552	12,826,611
	<hr/>	<hr/>	<hr/>	<hr/>

**9 Accrued expenses**

	2022 Shs '000	2021 Shs '000
Fund Management fees payable	18,223	26,426
Custody fees payable	1,530	2,381
Trustee fees payable	1,383	1,831
Annual General Meeting payable	186	19
Licence fees payable	4	4
Audit fees payable	44	34
Other fund's fees payable	9,921	3,394
	<hr/>	<hr/>
	31,291	34,089
	<hr/>	<hr/>

**10 Related party transactions**

British-American Money Market 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 companies that are related to Britam Asset Managers (Kenya) Limited through common shareholdings or common directorship.

The following transactions were carried out with related parties.

**Notes continued**

**10 Related party transactions (continued)**

<b>(a) Unit holders' balances</b>	<b>2022 Shs '000</b>	<b>2021 Shs '000</b>
Britam Life Assurance Company (Kenya) Limited	1,478	1,386
Britam Asset Managers (Kenya) Limited	7,880	7,394
	<hr/>	<hr/>
	9,858	8,780
	<hr/>	<hr/>
<b>(b) Services fees</b>		
Earned by and payable to Britam Asset Managers (Kenya) Limited	290,679	295,845
	<hr/>	<hr/>
<b>(c) Payable to Britam Wealth Management LLP</b>	100,000	-
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