

**GENAFRICA UNIT TRUST SCHEME**  
**FINANCIAL STATEMENTS**  
**FOR THE 13 MONTHS ENDED 31 DECEMBER 2023**

<b>Table of contents</b>	<b>Page No</b>
Trustee and professional advisors	1
Corporate trustee's report	2
Statement of trustee's responsibilities	5
Fund manager's report	6
Custodian's report	8
Independent auditor's report	9
Financial statements:	
Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in unit holder balances	15
Statement of cash flows	16
Notes to the financial statements	17

The Corporate Trustee has the pleasure in submitting the GenAfrica Unit Trust Scheme (the "Scheme") report together with the audited financial statements for the year ended 31 December 2023.

## **ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME**

The Scheme was established and is governed by a Trust Deed dated 03 February 2022 as GenAfrica Unit Trust Scheme. The Scheme is registered with the Capital Markets Authority, 2001 and approved under the Income Tax Act, 2012. The scheme is tax exempt and only withholds and pays to Kenya Revenue Authority applicable tax on interest distributed to the Unit Holders.

GenAfrica Unit Trust Scheme is an umbrella with three sub - Funds each of which is described below:

1. GenAfrica Money Market Fund  
The primary objective of the GenAfrica Money Market Fund is to achieve a reasonable level of return while preserving capital and liquidity. The Fund primarily invests in high quality money market instruments with maturity profile to ensure liquidity and optimal income generation. It started its operations in December 2022.
2. GenAfrica Equity Fund  
The primary objective of GenAfrica Equity Fund is to achieve long term capital appreciation by investing in a diversified portfolio of equity securities of East African companies. The Fund is yet to start operations.
3. GenAfrica Fixed Income Fund  
The primary objective of GenAfrica fixed Income fund is to seek medium term stability and growth of capital consistent with moderate investment risk and a reasonable level of income in Kenya Market. The Fund is yet to start operations.

The Funds are all unit trusts, and the interest of the individual members is determined by the value of their units. It is administered by the Corporate Trustee who is responsible for its affairs. It is an approved collective investment scheme within the meaning of the Capital Markets Act, 2001.

## **CHANGES TO INCORPORATION DOCUMENTS**

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

## **INVESTMENT**

Under the terms of their appointment, GenAfrica Asset Managers Limited is the Fund Manager and supports the Corporate Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Corporate Trustee.

## TERMS OF APPOINTMENT OF THE AUDITOR

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

The Corporate 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 Corporate Trustee

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE

28 MARCH 2024

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE

## **GENAFRICA MONEY MARKET FUND**

**Dear Unit Holder,**

The GenAfrica Money Market Fund aims to deliver a competitive rate of return relative to average banks' fixed deposits. The Fund is conservative in nature and seeks capital preservation while offering ease of access to liquidity.

In 2023, the Fund recorded a return of 11.3% over 13 months. This was supported by allocation to fixed deposits and treasury securities which offer a competitive return. This return was competitive despite the upward trend on interest rates for most of the year.

### **Review of operating environment and outlook**

In 2023, liquidity in the money markets experienced a significant tightening, with interbank rates surging to an average of 9.82% from 4.86% recorded in 2022, closing the year at 14.44% compared to 6.49% the previous year. The 91-day, 182-day, and 364-day papers experienced significant increases, of 4.01%, 3.40% and 2.87%, respectively to average 12.18%, 12.36%, and 12.75% during the year. The papers closed the year at 15.88%, 15.97%, and 15.90%, respectively.

In 2023, the Central Bank of Kenya raised Shs 1.38trn in T-bill sales, a significant increase from KES 1.04trn raised the previous year. This increase in collection was driven by the government's increased reliance on domestic borrowing, as external markets offered unfavourable borrowing conditions. Investors predominantly favoured shorter-dated papers, seeking to mitigate duration risk amidst heightened economic volatility.

The monetary policy committee increased Central bank rates by 3.75%, from 8.75% in 2022 to 12.50% in 2023. This adjustment aimed to curb inflation rates, which it effectively achieved, and alleviate exchange rate pressures to mitigate the inflationary impact on external debt in local currency terms.

In 2023, annual inflation averaged 7.69%, compared to an average of 7.64% recorded in 2022. The elevated rates were attributed to a 4.12% increase in the transport index to an average of 12.16%, largely driven by escalating fuel costs. Additionally, commodities under housing, water, electricity, gas, and other fuels increased by 2.19% to an average of 8.11%, mainly due to increased electricity costs. However, there was a notable decrease in the food index which dropped by 3.31% to 9.77%. This improvement was supported by improved harvests resulting from favourable weather conditions.

GenAfrica Unit Trust Scheme  
Custodian's report  
For the 13 months period ended 31 December 2023

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In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Standard Chartered Bank Kenya Limited as the Custodians and GenAfrica Asset Managers Limited as the Fund Manager, we confirm that for the period ended 31 December 2023:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the GenAfrica Unit Trust Scheme; and
- b) we have held the assets for the GenAfrica Unit Trust Scheme; 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.



By order of the Custodian  
Standard Chartered Bank Kenya Limited

28 MARCH 2024





## REPORT OF THE INDEPENDENT AUDITOR TO THE UNITHOLDERS OF GENAFRICA UNIT TRUST SCHEME

### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of GenAfrica Money Market Fund (the "Fund"), a sub-Fund of the GenAfrica Unit Trust Scheme (the "Scheme") set out on pages 13 to 26 which comprise the statement of financial position at 31 December 2023, the statements of profit or loss and other comprehensive income, changes in unit holder balances and cash flows for the period then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of GenAfrica Unit Trust Scheme as at 31 December 2023, and of its financial performance and its cash flows for the period then ended in accordance with IFRS Accounting Standards and the requirements of the Capital Markets Act (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 Scheme 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 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. These matters were addressed in the context of our audit of the Funds' financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

There were no key audit matters identified from our audit

#### *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.

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



**REPORT OF THE INDEPENDENT AUDITOR TO THE UNITHOLDERS OF GENAFRICA UNIT TRUST SCHEME (CONTINUED)**

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

- Conclude on the appropriateness of Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

*Report on other legal requirements*

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

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

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

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



**FCPA Kang'e Saiti - Practising Certificate Number 1652**  
**Engagement partner responsible for the audit**

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

28 March 2024

# **GENAFRICA MONEY MARKET FUND**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<b>Notes</b>	<b>2023 Shs</b>
Investment income	5	16,834,011
Operating expenses	6	(1,385,604)
Allowance for expected credit losses	9(ii)	<u>(474,811)</u>
<b>Profit before income tax</b>		14,973,595
Income tax expense		<u>-</u>
<b>Profit for the period</b>		14,973,595
Other comprehensive income		<u>-</u>
<b>Total comprehensive income for the period</b>		<u>14,973,595</u>

**STATEMENT OF CHANGES IN UNIT HOLDER BALANCES**

	<b>2023</b>
	<b>Shs</b>
<b>At start of period</b>	-
Total comprehensive income	14,973,595
<b>Transactions with unitholders</b>	
Units purchased	531,525,285
Units liquidated	(125,031,229)
Withholding tax on distributions	(2,317,727)
<b>Total transactions with unit holders</b>	404,176,329
<b>At end of period</b>	419,149,924

## Notes

### 1. General information

The Fund started operations on 08 December 2022 and is governed by a Trust Deed dated 03 February 2022, the Fund is registered with the Capital Markets Authority, 2001 and is domiciled in Kenya. The address of its registered office is.

GenAfrica Asset Managers Limited  
1<sup>st</sup> Floor, Arlington Block  
14 Riverside  
P.O. Box 79217 – 00200  
Nairobi, Kenya.

The material 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.

### 2. Summary of material accounting policies

#### (i) Basis of preparation

The financial statements have been prepared in accordance with IFRS Accounting Standards. 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).

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

Amendments to IAS 1 '*Presentation of Financial statements*' Practice statement 2 and IAS 8 '*Accounting Policies, Changes in Accounting Estimates and Errors*'

The amendment aims to improve accounting policy disclosures and help users of the financial statements to distinguish change in accounting policies from changes in accounting estimates.

The amendments above had no material impact on the financial statements of the Fund.

##### *ii. New standards and interpretations not yet adopted*

The Fund has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year ended 31 December 2023 and the Trustee does not plan to apply any of them until they become effective. None of these are expected to have a material effect on the financial statements of the Fund.

**Notes (continued)**

**2. Summary of material accounting policies (continued)**

**(iii) Measurement (continued)**

*Debt instruments (continued)*

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.

**(iv) Impairment**

The Fund assesses on a forward-looking basis the expected credit loss associated with its financial instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

No impairment loss is recognized on financial assets measured at FVTPL.

The Fund recognizes loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

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

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

*Measurement of expected credit losses*

ECLs are a probability-weighted estimate of credit losses and will be measured as follows.

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls - i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows.

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

*Expected credit losses*

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$\text{ECL} = \text{PD} \times \text{LGD} \times \text{EAD}$$

**Notes (continued)**

**2. Summary of material accounting policies (continued)**

**Financial assets (continued)**

**(v) Financial liabilities**

Financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities are derecognized when they have been redeemed or otherwise extinguished. The Fund classifies all financial liabilities as subsequently measured at amortized cost.

**(e) Functional and presentational 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 'Kenyan Shillings (Shs), which is the Fund's presentation currency.

**(f) Distribution**

All income or loss arising from investment is distributed to unit holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

**(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.

**3. Critical accounting estimates and judgements**

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2(e). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The impairment requirements of IFRS 9 require the Trustee judgement, estimates and assumptions, particularly in the following areas: assessing whether the credit risk of an instrument has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECLs.

**4. Financial risk management objectives and policies**

The Fund generates revenues for the members by investing in various income generating activities which involve trading in various short terms securities. These activities expose the Fund to a variety of financial risks, including credit risk and the effects of changes in market dynamics. The Trust Deed sets out the investment policy and management of the Fund's assets to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Fund Manager, GenAfrica Asset Managers Limited. The Fund Manager 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 maximize return within an acceptable level of interest rate risk.

**Notes (continued)**

**b) 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	Due within 3 months Shs	Total Shs
<b>At December 2023</b>			
Unit holder balances	419,149,924	-	419,149,924
Due to related parties	-	704,521	704,521
	<hr/>	<hr/>	<hr/>
	419,149,924	704,521	419,854,445
	<hr/>	<hr/>	<hr/>

**c) Market risk**

**i. Cashflow and fair value interest rate risk**

The fund's interest-bearing financial assets are commercial paper, government corporate bonds and deposits with financial institutions, which are at a fixed rate, and on which it is therefore not exposed to cash flow and interest rate risk. The Fund Manager regularly monitors financing options available to ensure optimum interest rates are obtained.

**ii. Foreign exchange risk**

At 31 December 2023, the Fund had no exposure to foreign exchange risk.

**iii. Price risk**

At 31 December 2023, the Fund had no exposure to price risk.

**d) Fair value estimation**

For the Fund, all investments are measured at amortized cost.

**e) Capital management**

The capital of the Fund is represented by unit holder balances. The amount of unit holder balances 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 unitholders.

GenAfrica Money Market Fund  
Financial statements  
For the 13 months period ended 31 December 2023

Notes (continued)

9. Investments

i) Maturity profile of investments

	Up to 3 months Shs	Due within 1 to 5 years Shs	Allowance for ECL Shs	Total Shs
<b>At 31 December 2023</b>				
Deposits with financial institutions	351,392,774	-	(461,443)	350,931,331
Government securities	44,202,304	25,424,556	(13,368)	69,613,492
	395,595,078	25,424,556	(474,811)	420,544,823

ii) Movement in investments

	At 01 December 2022	Purchase at cost Shs	Sales/maturities Shs	Amortized Shs	Accrued interest charge Shs	Provision for ECL Shs	At 31 December 2023 Shs
<b>Year ended 31 December 2023</b>							
Deposits with financial institutions	-	1,260,613,670	(911,361,986)	-	2,141,090	(461,443)	350,931,331
Government securities	-	24,820,124	(155,869)	59,712	700,589	(4,881)	25,419,675
T bills	-	43,345,125	-	857,179	-	(8,487)	44,193,817
	-	1,328,778,919	(911,517,855)	916,891	2,841,679	(474,811)	420,544,823