

**CIC UNIT TRUST SCHEME**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



**CIC UNIT TRUST SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**CIC UNIT TRUST SCHEME  
TRUSTEE AND PROFESSIONAL ADVISERS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**CORPORATE TRUSTEE**

KCB Bank Kenya Limited  
7<sup>th</sup> Floor, KCB Towers, Upper Hill  
P. O. Box 30664 - 00100  
Nairobi

**REGISTERED OFFICE**

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Upper Hill Mara Road  
P. O. Box 59485 - 00200  
Nairobi

**FUND MANAGERS AND ADMINISTRATORS**

CIC Asset Management Limited  
8<sup>th</sup> Floor, CIC Plaza 2  
P. O. Box 59485 - 00200  
Nairobi

**CUSTODIAN**

The Co-operative Bank of Kenya Limited  
KUSCCO Centre  
Kilimanjaro Avenue  
P. O. Box 48231 - 00100  
Nairobi

**AUDITOR**

PricewaterhouseCoopers LLP  
Certified Public Accountants  
PwC Tower, Westlands  
Waiyaki Way/Chiromo Road  
P.O. Box 43963 - 00100  
Nairobi GPO - Kenya

**CIC UNIT TRUST SCHEME  
REPORT OF THE TRUSTEE  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The trustee is pleased to submit the CIC Unit Trust Scheme's (the "Fund" or the "Scheme") report together with the audited financial statements for the year ended 31 December 2022.

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

The scheme was established and is governed by a trust deed dated 6 January 2011 as a CIC unit trust scheme. The scheme is registered with the Kenyan Capital Markets Authority and approved under the Income Tax Act. The scheme is tax exempt and only withholds tax on interest distributed to unit holders on monthly basis.

**INVESTMENT OBJECTIVES**

The CIC unit trust scheme comprises of six funds; Money Market Fund, Balanced Fund, Equity Fund, Fixed Income Fund, Wealth Management Fund and Dollar Fund, each of which is described below;

- The primary objective of the CIC Money Market Fund is to seek short term capital growth and income consistent with moderate investment risk from a wide range of securities thereby allowing access to diverse investment assets and returns. It ultimately aims to mobilize savings and allow access to investment assets and returns in money market instruments otherwise restricted to persons with access to large amounts of capital. The Fund primarily invests in interest bearing financial instruments.
- The primary objective of the CIC Balanced Fund is to seek long term capital growth and income consistent with moderate investment risk from a wide range of securities thereby allowing access to diverse investment assets and returns. The Balanced Fund ultimately aims to mobilize savings and allow access to investment assets and returns in both equities and money market instruments otherwise restricted to persons with access to large amounts of capital. The fund primarily invests in quoted equity securities, corporate bonds and government securities.
- The primary objective of the CIC Equity Fund is to seek long term capital growth and income consistent with moderate investment risk from a wide range of securities thereby allowing access to diverse investment assets and returns. It ultimately aims to mobilize savings and allow access to investment assets and returns in equities otherwise restricted to persons with access to large amounts of capital. The fund primarily invests in quoted equity securities.
- The primary objective of the CIC Fixed Income fund is to seek long term capital growth and income consistent with moderate investment risk from a wide range of securities thereby allowing access to diverse investment assets and returns. It ultimately aims to mobilize savings and allow access to investment assets and returns in money markets otherwise restricted to persons with access to large amounts of capital. The fund primarily invests in interest bearing financial instruments.
- The primary objective of the CIC Wealth Management Fund is to attain an enhanced level of return while preserving capital. It ultimately aims to mobilize savings and allow access to investment assets and returns in money markets otherwise restricted to persons with access to large amounts of capital. The fund primarily invests in interest bearing financial instruments.
- The primary objective of the CIC Dollar Fund is to seek short-term capital growth and income in US dollar terms. It is structured to suit investors with obligations denominated in the foreign currency to hedge against currency risk and those who want to conveniently invest their dollar earnings without the hustle of currency translation. The fund primarily invests in interest-bearing financial instruments in local and offshore capital markets denominated in US dollars.

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 trustee who is responsible for its affairs.

The funds are an approved collective investment scheme within the meaning of the Kenyan Capital Markets Act; and the unit holders are not liable for the debts of the fund.

**FINANCIAL REVIEW**

The statement of profit or loss and other comprehensive income for the CIC Money Market Fund on page 12 shows a profit for the year of KShs 3,715,104,000 (2021: profit of KShs 2,662,899,000) and the statement of financial position on page 13 shows that the unit holder balances as at 31 December 2022 amounted to KShs 60,231,866,000 (2021: KShs 55,137,402,000)

The statement of profit or loss and other comprehensive income for the CIC Balanced Fund on page 33 shows a loss for the year of KShs 1,792,189 (2021: Profit of KShs 20,704,344) and the statement of financial position on page 34 shows that the unit holder balances as at 31 December 2022 amounted to KShs 283,872,666 (2021: KShs 289,497,277).

**CIC UNIT TRUST SCHEME  
REPORT OF THE TRUSTEE (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**FINANCIAL REVIEW (continued)**

The statement of profit or loss and other comprehensive income for the CIC Equity Fund on page 52 shows loss for the year of KShs 22,127,860 (2021: profit of KShs 17,631,274). The statement of financial position on page 53 shows that the unit holder balances as at 31 December 2022 amounted to KShs 215,535,441 (2021: KShs 220,670,119).

The statement of profit or loss and other comprehensive income for the CIC Fixed Income Fund on page 70 shows a profit for the year of KShs. 7,908,067 (2021: profit of KShs 6,434,619) and the statement of financial position on page 71 shows that the unit holder balances as at 31 December 2022 amounted to KShs. 177,185,671 (2021: KShs 108,219,221).

The statement of profit or loss and other comprehensive income for the CIC Wealth Management Fund on page 89 shows a profit for the year of KShs. 22,880,441 (2021: profit of KShs. 17,404,201) and the statement of financial position on page 90 shows that the unit holder balances as at 31 December 2022 amounted to KShs. 158,925,886 (2021: KShs. 362,044,346).

The statement of profit or loss and other comprehensive income for the CIC Dollar Fund on page 105 shows a loss for the year of USD 583,612 (2021: profit of USD 21,746) and the statement of financial position on page 106 shows that the unit holder balances as at 31 December 2022 amounted to USD 9,679,711 (2021: USD 8,038,836)

**PERFORMANCE RECORD**

The performance record of the funds, over the last five years is shown in appendices for each fund. This being the second reporting period for the CIC Dollar Fund, the performance record is provided for the last two years.

There has not been any amalgamation or reconstruction of the current units in the funds that have had a material effect on the size of the funds.

**INVESTMENT**

Under the terms of their appointment, CIC Asset Management Limited are responsible for the investments of funds. The overall responsibility for investment and performance lies with the Trustee.

**MEMBERSHIP**

As at 31 December 2022, the CIC Money Market Fund had 76,050 unit holders (2021: 53,636 unit holders).

As at 31 December 2022, the CIC Balanced Fund had 1,545 unit holders (2021: 1,317 unit holders)

As at 31 December 2022, the CIC Equity fund had 2,375 unit holders (2021: 2,175 unit holders)

As at 31 December 2022, the CIC Fixed Income fund had 2,079 unit holders (2021: 1,805 unit holders)

As at 31 December 2022, the CIC Wealth Management fund had 10 unit holders (2021: 6 unit holders)

As at 31 December 2022, the CIC Dollar fund had 450 unit holders (2021:211 unit holders)

**FUND ADVISORS**

The names and addresses of the fund manager and administrator and corporate trustee and custodian are as shown on page 1.

**AUDITOR**

PricewaterhouseCoopers LLP continue in office in accordance with the Fund's Trust Deed and section 55(4) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The trustee monitors the effectiveness, objectivity and independence of the auditor. The 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

For: KCB BANK KENYA LTD.

...7...March 2023

  
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

CIC UNIT TRUST SCHEME  
STATEMENT OF TRUSTEE'S RESPONSIBILITIES ON THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

Approved by the Trustee on 7 March 2023 and signed on its behalf by:

For: KCB BANK KENYA LTD.

By order of the Trustee



CORPORATE TRUSTEE

KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.



CORPORATE TRUSTEE



**CIC UNIT TRUST SCHEME  
FUND MANAGER'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

We would like to thank the unit holders for their continued trust in the CIC Unit Trust Scheme since its inception in 2011. During the past one year, the Funds remained focused on obtaining a high level of current income for investors while preserving capital and ensuring high liquidity.

We remain committed to our investment philosophy of capital growth, providing our clients with competitive returns and cushioning them from market volatility.

On average, the economy grew by 5.6% in the third quarter of 2022 compared to a growth of 7.8% over the same period in 2021. The slowdown in growth compared to the previous year was caused by several factors including supply chain disruptions, high input costs, the elections in 2022 and unfavourable weather conditions. The services sector however continued to perform strongly with trade and accommodation and food services sectors growing by 9.1% and 22.9% respectively. Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. Growth in 2023 is expected to average 5% with risks to growth still pointing to the downside amid global growth uncertainties driven by supply chain disruptions, high inflation and interest rate levels, a looming global recession, unfavourable weather conditions, reduced disposable incomes and high debt levels.

Inflation remained elevated in 2022 averaging 7.5% from 6.11% in 2021 largely driven by supply side factors that exerted upward pressure on food and energy prices. The uptick in the cost of living reduces the purchasing power of households and subsequently leads to lower savings and investments in the economy. Domestic price pressures will remain elevated hence we anticipate inflation to remain above the CBK's upper target band of 7.5% for the major part of 2023.

The Kenya Shilling depreciated by 9.04% to the USD in 2022. Several factors such as a rise in our import bill, reduced inflows and a globally strengthening USD contributed to the depreciation. We expect the shilling to remain under pressure owing to the country's trade imbalance, higher crude oil prices and a strengthening dollar in the global markets. The country's forex reserves provide some flexibility to the central bank to cushion the shilling against any short-term volatilities. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets.

The yield curve went up as both short term and long term rates rose in 2022. High inflation levels, high external financing costs and government borrowing pressure to finance the budget gap culminated to an increase in interest rates. The Monetary Policy Committee (MPC) raised the central bank rate (CBR) to 8.75% in 2022 from 7% in 2021 in a move aimed at taming inflation. We expect the rise in yields across the curve to continue as the government seeks to plug the budget deficit in 2023.

The equities market registered losses in 2022 with the NASI & NSE-20 losing 23.42% and 11.90% respectively. This is despite the improved corporate performance in 2022. This was driven by the prevailing tough macro conditions and foreign investor sell-offs. Rate hikes in advanced markets, global inflation pressures and a rationing of hard currency in Kenya have also not helped the cause. We expect the market to continue exhibiting weakness as foreign outflows persist with some global economies anticipated to slip into recession. Lower valuations however provide opportune entry points for investment in equities.

Industrial real estate has broadly been the best performing and most resilient property sub sector. The essence of in-person collaborations has aided the resilience of the office market. The presence of multinational corporations has created an opportunity to develop housing solutions for international organizations. The rental stock of retail spaces has forced landlords to be more in step with the markets' spending power whilst previously they demanded higher rents. Increased investor awareness and expansion of multinational corporations (MNC) into the Kenyan market has heightened the focus on sustainability in the real estate sector with preference for developments that incorporate various Environmental, Social, and Governance (ESG) elements. Capital gains tax (CGT) has tripled as at 1st January 2023, with the enactment of the finance bill of 2023. CGT and rental tax are expected to be incorporated into rental and sales prices and we continue to observe the response by market players and the impact on yields and returns.

CIC UNIT TRUST SCHEME  
FUND MANAGER'S REPORT(CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022

**Money Market and Fixed Income Funds**

These funds invest in liquid, high yielding short term and long-term interest-bearing instruments, mainly bank deposits, corporate and government securities. The low-risk nature of these funds, accessibility and increased financial awareness has continued attracting investors seeking low risk investments. Consequently, the assets under management for these funds grew 9.16% in the last one year.

**Equity and Balanced Funds**

Investments in shares listed in the NSE provides investors with a diversification option albeit with higher risk. We witnessed significant foreign investor sell-offs amid rising interest rates and global macro-economic uncertainties. Local investors have also reduced holdings and stacked their cash in government securities. As global growth uncertainties persist, we still expect to see a lull equities market in 2023.

**Wealth Management Fund**

The fund invests in higher yielding bank deposits and commercial papers. Earnings uncertainties brought about increased risk in corporate notes and hence reduced investor appetite. With the continued improvement in the economy, we expect the corporate notes market to regain vibrancy. While bank deposits are preferred, they will not provide higher yield compensation as they are slightly less risky compared to corporate notes.

**Dollar Fund**

The fund invests in high-quality money market and fixed income instruments denominated in US dollars with a maturity profile that ensures adequate liquidity. It has become an excellent parking bay for investors who prefer to invest in dollars to mitigate against the depreciating local currency. The fund has posted good growth since its launch.

Accordingly, we intend to maintain our precautionous investment approach anchored on safeguarding capital value. In this regard, we will not shy away from taking up any bargain opportunities that may arise either in the debt or equity markets. We are confident that through our disciplined investment philosophy and robust investment strategy, the delivery of predictable and consistent competitive returns throughout the year is achievable. We wish to reiterate our commitment towards ensuring the realization of the specific underlying objectives of each of the funds including offering above average returns while providing adequate liquidity to meet ongoing obligations, capital preservation and conservative risk exposure to the investors.

We would like to thank you for selecting CIC Asset Management Limited as your investment vehicle of choice and look forward to working closely with you to realize and exceed your financial and investment objectives.



Signed on behalf of the Fund Manager

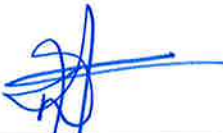
...7.....March 2023

CIC UNIT TRUST SCHEME  
REPORT OF THE CUSTODIAN  
FOR THE YEAR ENDED 31 DECEMBER 2022


In accordance with the Capital Markets (Collective Investment Schemes) Regulations 2001, (the Regulations) and the Custody Agreement between The Co-operative Bank of Kenya Limited as the Custodians and CIC Asset Management Limited as the Fund Manager, we confirm that:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the CIC Unit trust scheme,
- b) the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income have been carried out in accordance with the Regulations; and,
- c) the investment and borrowing powers and restrictions applicable to the scheme in accordance with the Regulations and the documents of incorporation have not been exceeded.

For the year ended 31 December 2022, we have held the assets for the scheme, including title deeds, securities and income that accrue thereof, to the order of the Fund Manager and administrator and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

  
By order of the Custodian

.....7..... March 2023







## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF CIC UNIT TRUST SCHEME

### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of the following funds of the CIC Unit Trust Scheme (the "Fund(s)")

- CIC Money Market Fund for the year ended 31 December 2022, set out on pages 12 to 30; and 120 to 130;
- CIC Balanced Fund for the year ended 31 December 2022, set out on pages 33 to 49; and 120 to 130;
- CIC Equity Fund for the year ended 31 December 2022, set out on pages 52 to 67; and 120 to 130;
- CIC Fixed Income Fund for the year ended 31 December 2022, set out on pages 70 to 86; and 120 to 130;
- CIC Wealth Management Fund for the year ended 31 December 2022, set out on pages 89 to 102; and 120 to 130; and
- CIC Dollar Fund for the year ended 31 December 2022, set out on pages 105 to 118; and 120 to 130.

The financial statements comprise the respective Fund's statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holder 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 CIC Unit Trust Scheme Funds at 31 December 2022 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

#### *Basis for opinion*

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

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

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

#### *Key audit matters*

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

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



## **INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CIC UNIT TRUST SCHEME (CONTINUED)**

### *Other information*

The other information comprises the trustee and professional advisers, the report of the trustee, the statement of trustees' responsibilities, the fund manager's report, the report of the custodian and the Funds' performance record which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which is expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will 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 have received prior to the date of this auditor's report 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.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *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 the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### *Auditor's responsibilities for the audit of the financial statements*

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

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF CIC UNIT TRUST SCHEME  
(CONTINUED)**

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

- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

*Report on other legal requirements*

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

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

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

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

**FCPA Richard Njoroge, Practising certificate Number 1244  
Engagement partner responsible for the audit**

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

21 March 2023





**CIC MONEY MARKET FUND**



**CIC MONEY MARKET FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs '000	2021 KShs '000
Other interest and investment income	3(a)	733,259	45,485
Interest income calculated using effective interest rate method	3(b)	4,456,907	3,680,325
Fair value (loss)/ gain on Government securities at fair value through profit or loss	4(a)	(88,735)	63,358
Other income	4(b)	-	2,801
Increase in allowance for expected credit losses	4(c)	(17,825)	(2,346)
Operating expenses	5	<u>(1,368,503)</u>	<u>(1,126,725)</u>
Profit before income tax		<u>3,715,103</u>	<u>2,662,898</u>
Income tax expense		<u>-</u>	<u>-</u>
Profit for the year before distribution to the unit holders		<u>3,715,103</u>	<u>2,662,898</u>

CIC MONEY MARKET FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Notes	2022 KShs '000	2021 KShs '000
<b>ASSETS</b>			
Government securities at fair value through profit or loss- treasury bonds	7	14,896,252	3,098,586
Government securities at amortised cost-treasury bills	8	10,538,598	18,678,029
Corporate bonds at amortised cost	9	131,371	-
Fixed deposits with financial institutions	10	32,712,896	32,682,223
Demand deposits with financial institutions	11	1,818,292	787,241
Commercial papers at amortised cost	12	258,079	-
Bank balances	13(a)	<u>1,969</u>	<u>377</u>
<b>TOTAL ASSETS</b>		<b><u>60,357,457</u></b>	<b><u>55,246,456</u></b>
<b>LIABILITIES</b>			
Payables and accruals	14	125,590	109,054
Unit holder balances		<u>60,231,867</u>	<u>55,137,402</u>
<b>Total Liabilities</b>		<b><u>60,357,457</u></b>	<b><u>55,246,456</u></b>

The financial statements were approved by the trustee on .....7..... March 2023 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

Corporate Trustee

For: KCB BANK KENYA LTD.

  
TRUSTEE

**CIC MONEY MARKET FUND  
STATEMENT OF CHANGES IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 KShs '000	2021 KShs '000
Unit holder balance at 1 January		55,137,402	42,306,963
Net proceeds from units traded in the year	16	6,545,405	14,924,732
Profit before distributions to unit holders		3,715,103	2,662,898
Distributions payable in the year	17	<u>(5,166,043)</u>	<u>(4,757,191)</u>
<b>UNIT HOLDER BALANCE AT 31 DECEMBER</b>		<u><b>60,231,867</b></u>	<u><b>55,137,402</b></u>

CIC MONEY MARKET FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs '000	2021 KShs '000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		3,715,103	2,662,898
<i>Adjustments</i>			
Fair value loss/(gain) on government securities at fair value through profit or loss	4	88,735	(63,358)
Accrued interest on financial assets at amortised cost-commercial Papers	12	(9,376)	-
Accrued interest on financial assets at amortised cost-Corporate Bonds	9	(434)	-
Accrued interest on treasury bills	8	2,291	(26,114)
Increase in expected credit losses-corporate bonds	4(c)	4,063	-
Increase in expected credit losses-fixed deposits	4(c)	11,949	3,113
Increase in expected credit losses-demand deposits	4(c)	516	8
Increase in expected credit losses- commercial papers	4(c)	1,297	(775)
<b>Changes in operating assets and liabilities:</b>			
Maturities of treasury bonds at fair value through profit or loss	7	3,289,000	800,000
Purchase of treasury bonds at fair value through profit or loss	7	(15,175,400)	(2,560,000)
Purchase of corporate bonds at amortised cost	9	(135,000)	-
Purchase of treasury bills	8	(10,074,962)	(18,113,376)
Maturity of treasury bills	8	18,212,102	18,110,800
Net investment in fixed deposits with financial institutions	10	3,252,746	10,136,748
Maturity of commercial papers at amortised cost	12	-	154,961
Purchase of commercial papers at amortised cost	12	(250,000)	-
Increase in payables and accruals	14	<u>16,536</u>	<u>24,956</u>
Net cash used in operating activities		<u>2,949,166</u>	<u>(9,143,635)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net Proceeds from units issued	16	6,545,405	14,924,732
Distributions paid in the year	17	<u>(5,166,043)</u>	<u>(4,757,191)</u>
Net cash generated from financing activities		<u>1,379,362</u>	<u>10,167,541</u>
INCREASE IN CASH AND CASH EQUIVALENTS		4,328,528	1,023,906
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>4,431,531</u>	<u>3,407,625</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	<u>8,760,059</u>	<u>4,431,531</u>

CIC MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies on pages 120 to 130 form part of these financial statements.

1. FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which include trading in the bond market, commercial papers and bank deposits. These activities expose the Fund to a variety of financial risks, these include; credit risk, liquidity risk, market risk, operating and business risks. The Trust Deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on its financial performance.

Risk management structure

The Fund manager is responsible for identifying and managing risks. The Trustee supervises the fund manager and is ultimately responsible for the overall risk management of the Fund.

a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

The Fund's internal rating process

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the expected credit losses (ECL's). The ratings are determined incorporating both qualitative and quantitative information from external parties that could affect the counterparty's behaviour. The Fund reassesses the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Significant increase in credit risk, default and cure

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties.

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 30 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

31 December 2022

	High grade KShs '000	Standard grade KShs '000	Past due but not impaired KShs '000	Individually impaired KShs '000	Total KShs '000
Demand deposits	1,818,292	-	-	-	1,818,292
Fixed deposits	32,712,896				32,712,896
Corporate Bonds	131,371				131,371
Commercial Paper	258,079				258,079
Treasury bonds at fair value	14,896,252				14,896,252
Treasury bills at amortized cost	10,538,597				10,538,597
Cash and bank balances	<u>1,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,969</u>
	<u>60,357,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,357,456</u>



CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

31 December 2021

	High grade KShs '000	Standard grade KShs '000	Past due but not impaired KShs '000	Individually impaired KShs '000	Total KShs '000
Demand deposits	787,241	-	-	-	787,241
Fixed deposits	32,682,223				32,682,223
Treasury bonds at fair value	3,097,038				3,097,038
Treasury bills at amortised cost	18,668,690				18,668,690
Cash and bank balances	<u>377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>377</u>
	<u>55,235,569</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,235,569</u>

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

Commercial papers

	2022 KShs '000	2021 KShs '000
Gross	259,376	-
Less: Loss allowance	<u>(1,297)</u>	<u>-</u>
Net carrying amount	<u>258,079</u>	<u>-</u>

Fixed deposits with financial institutions

	2022 KShs '000	2021 KShs '000
Gross	32,771,342	32,728,720
Less: Loss allowance	<u>(58,446)</u>	<u>(46,497)</u>
Net carrying amount	<u>32,712,896</u>	<u>32,682,223</u>

Demand deposits with financial institutions

	2022 KShs '000	2021 KShs '000
Gross	1,819,202	787,635
Less: Loss allowance	<u>(910)</u>	<u>(394)</u>
Net carrying amount	<u>1,818,292</u>	<u>787,241</u>

Corporate Bonds

	2022 KShs '000	2021 KShs '000
Gross	135,434	-
Less: Loss Allowance	<u>(4,063)</u>	<u>-</u>
Net carrying amount	<u>131,371</u>	<u>-</u>

No loss allowance has been recognised on treasury bills at amortised cost as there is no history of loss.

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Reconciliation of loss allowance accounts

	At 1 January 2022	Increase in loss allowance	At 31 December 2022
	KShs'000	KShs'000	KShs'000
Government securities at amortised cost – treasury bills	-	-	-
Demand deposits with financial institutions	394	516	910
Fixed deposits with financial institutions	46,497	11,949	58,446
Commercial papers	-	1,297	1,297
Corporate Bonds	-	<u>4,063</u>	<u>4,063</u>
	<u>46,891</u>	<u>17,825</u>	<u>64,716</u>

	At 31 December 2020	Increase/ (decrease) in loss allowance	At 31 December 2021
	KShs'000	KShs'000	KShs'000
Government securities at amortised cost – treasury bills	-	-	-
Demand deposits with financial institutions	387	7	394
Fixed deposits with financial institutions	43,385	3,112	46,497
Commercial papers	<u>775</u>	<u>(775)</u>	-
	<u>44,547</u>	<u>2,344</u>	<u>46,891</u>

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Concentration of credit risk is managed by industry sector

The following table analyses the concentration of credit risk by industry sector.

2022 Financial assets	Financial institutions KShs '000	Government KShs '000	Others* KShs '000	Total KShs '000
Government securities at amortised cost	-	10,538,598	-	10,538,598
Bank balances	1,969	-	-	1,969
Demand deposits with financial institutions	1,818,292	-	-	1,818,292
Fixed deposits with financial institutions	32,712,896	-	-	32,712,896
Commercial Papers	-	-	258,079	258,079
Corporate Bonds	-	-	<u>131,371</u>	<u>131,371</u>
	<u>34,533,157</u>	<u>10,538,598</u>	<u>389,450</u>	<u>45,461,205</u>
 2021 Financial assets				
Government securities at cost		18,668,690		
Bank balances	377	-	-	377
Demand deposits with financial institutions	787,241	-	-	787,241
Fixed deposits with financial institutions	<u>32,682,223</u>	-	-	<u>32,682,223</u>
	<u>33,469,841</u>	<u>18,668,690</u>	-	<u>52,138,531</u>

\*Other industries are represented by microfinance, construction and the commercial services sector

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the Fund's reputation.

The table below summarises the maturity profile of the undiscounted cash flows of the Fund's financial assets and liabilities as at 31 December.

	6 months or on demand KShs '000	Between 6 months and 1 year KShs '000	More than 1 year KShs '000	No maturity stated	Total KShs '000
<b>31 December 2022</b>					
<b>Financial assets</b>					
Government securities at fair value through profit or loss-treasury bonds	829,300	-	28,239,618		29,068,918
Government securities at fair value through profit or loss-treasury bills	7,935,533	3,434,708	-		11,370,241
Fixed deposits with financial institutions	15,045,458	18,035,251	-		33,080,709
Demand deposits with financial institutions	1,818,292	-	-		1,818,292
Bank balances	<u>1,969</u>	<u>-</u>	<u>-</u>		<u>1,969</u>
<b>Total</b>	<b><u>25,630,552</u></b>	<b><u>21,469,959</u></b>	<b><u>28,239,618</u></b>	<b>-</b>	<b><u>75,340,129</u></b>
<b>Financial liabilities</b>					
Financial Liabilities - Payables and accruals	<u>125,590</u>	<u>-</u>	<u>-</u>		<u>125,590</u>
Unit holder balances				<u>60,231,587</u>	<u>60,231,587</u>
<b>Total</b>	<b><u>125,590</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>60,231,587</u></b>	<b><u>60,357,177</u></b>
<b>Net liquidity gap</b>	<b><u>25,504,962</u></b>	<b><u>21,469,959</u></b>	<b><u>28,239,618</u></b>	<b><u>(60,231,587)</u></b>	<b><u>14,982,952</u></b>
<b>31 December 2021</b>					
<b>Financial assets</b>					
Government securities at fair value through profit or loss-treasury bonds	847,100	813,798	1,774,530		3,435,428
Government securities at fair value through profit or loss-treasury bills	8,201,488	12,352,145	-		20,553,633
Fixed deposits with financial institutions	12,455,677	20,535,133	-		32,990,810
Demand deposits with financial institutions	787,241	-	-		787,241
Bank balances	<u>377</u>	<u>-</u>	<u>-</u>		<u>377</u>
<b>Total</b>	<b><u>22,291,883</u></b>	<b><u>33,701,076</u></b>	<b><u>1,774,530</u></b>	<b>-</b>	<b><u>57,767,489</u></b>
<b>Financial liabilities</b>					
Financial Liabilities - Payables and accruals	<u>109,055</u>	<u>-</u>	<u>-</u>		<u>109,055</u>
Unit holder balances				<u>55,137,402</u>	<u>55,137,402</u>
<b>Total</b>	<b><u>109,055</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>55,137,402</u></b>	<b><u>109,055</u></b>
<b>Net liquidity gap</b>	<b><u>22,182,828</u></b>	<b><u>33,701,076</u></b>	<b><u>1,774,530</u></b>	<b><u>(55,137,402)</u></b>	<b><u>2,521,032</u></b>

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT

(b) Liquidity risk (continued)

The Fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant.

The undiscounted values for the government securities corporate bonds and commercial papers have been determined using Free Cash Flow (FCF) method at the average coupon rates based on period to maturity. There are no legal or regulatory restrictions in trading with the above financial instruments in the day to day operations of the Fund or in settling financial obligations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The Fund is exposed to price risk as a result of its holdings in quoted debt instruments investments, carried at fair value through profit or loss. Exposure to quoted debt instruments in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

An increase/decrease of 5% in bond prices would cause the profit for the year and net assets to increase/decrease by KShs 744,457,000 (2021: KShs 154,930,074).

(ii) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities that are measured at fair value through profit or loss. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates at the reporting date.

The Fund's manager monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of 5% in all yield curves of financial assets and financial liabilities.

The Fund is not exposed to interest rate risk as all financial assets are at fixed interest rates.

(iii) Foreign exchange risk

The Fund has no financial instruments that would be subject to the foreign exchange risk.

(d) Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Securities by government of Kenya 80%	Kenya government treasury bills and treasury bonds	80%	42%
Cash and cash equivalents 80%	Bank deposits and cash balances	80%	58%
Related party balances 10%	Related party balances	10%	13%

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

	Level 1	Level 2	Level 3	Total	Carrying value
	KShs '000	KShs '000	KShs '000	KShs '000	KShs'000
<i>Recurring fair value measurement</i>					
At 31 December 2022					
Government securities at fair value through profit or loss-treasury bonds	<u>14,896,252</u>	<u>-</u>	<u>-</u>	<u>14,896,252</u>	<u>14,896,252</u>
	<u>14,896,252</u>	<u>-</u>	<u>-</u>	<u>14,896,252</u>	<u>14,896,252</u>
At 31 December 2021					
Government securities at fair value through profit or loss-treasury bonds	<u>3,097,038</u>	<u>-</u>	<u>-</u>	<u>3,097,038</u>	<u>3,097,038</u>
	<u>21,765,728</u>	<u>-</u>	<u>-</u>	<u>21,765,728</u>	<u>21,765,728</u>
<i>Non-recurring fair value measurement</i>					
<i>Fair value of financial assets at amortised cost</i>					
At 31 December 2022					
Government securities at amortised cost-treasury bills	<u>10,538,598</u>	<u>-</u>	<u>-</u>	<u>10,538,59</u>	<u>10,538,598</u>
	<u>10,538,598</u>	<u>-</u>	<u>-</u>	<u>10,538,59</u>	<u>10,538,598</u>
At 31 December 2021					
Government securities at amortised cost-treasury bills	<u>18,668,690</u>	<u>-</u>	<u>-</u>	<u>18,668,690</u>	<u>18,668,690</u>
	<u>18,668,690</u>	<u>-</u>	<u>-</u>	<u>18,668,690</u>	<u>18,668,690</u>

The Trustee assessed that the fair values of cash, fixed and demand deposits, commercial papers, net assets attributable to unit holders and payables and accruals approximate their carrying amounts largely due to short-term maturities of these instruments.

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

3	INVESTMENT INCOME	2022	2021
	Analysed as follows:	KShs '000	KShs '000
(a)	Other interest and investment income		
	Interest on treasury bonds at fair value through profit or loss	733,259	45,485
		<u>733,259</u>	<u>45,484</u>
(b)	Interest revenue calculated using effective interest rate method		
	At amortised cost		
	Interest on commercial paper at amortised cost	9,376	14,605
	Interest on demand deposits with financial institutions	108,719	51,141
	Interest on fixed deposits with financial institutions	2,880,783	2,209,187
	Interest on corporate bonds at amortised cost	9,422	-
	Accrued interest on treasury bills	<u>(2,291)</u>	<u>26,114</u>
	Interest on treasury bills	1,450,898	1,379,278
		<u>4,456,907</u>	<u>3,680,325</u>
4.	(a) FAIR VALUE GAINS/ (LOSSES) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
		2022	2021
		KShs '000	KShs '000
	Fair value (losses)/gains on Government bonds (note 7)	(88,735)	63,358
		<u>(88,735)</u>	<u>63,358</u>
	(b) OTHER INCOME		
		2022	2021
		KShs '000	KShs '000
	*Proceeds from Imperial Bank Limited deposits	-	<u>2,801</u>
	*Proceeds from Imperial Bank Limited deposit relate to recoveries on fixed deposits which had been impaired in the previous years.		
	(c) ALLOWANCE FOR EXPECTED CREDIT LOSSES		
		2022	2021
		KShs '000	KShs '000
	Increase in ECL on:		
	Corporate bonds (note 9)	4,063	-
	Fixed deposits (note 10)	11,949	3,113
	Demand deposits (note 11)	516	8
	Commercial papers (note 12)	<u>1,297</u>	<u>(775)</u>
		<u>17,825</u>	<u>2,346</u>

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

5. OPERATING EXPENSES	2022 KShs '000	2021 KShs '000
Fund management fees	1,163,630	957,131
Trustee's fee	120,654	99,139
Custodial fee	81,017	67,764
Audit fees	1,861	1,340
Capital Markets Authority levy	38	38
Annual General meeting expenses	<u>1,303</u>	<u>1,313</u>
	<u>1,368,503</u>	<u>1,126,725</u>

6. TAX CHARGE

The Fund is exempt from income tax. However, it withholds tax on interest distributed to unit holders.

7. GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - TREASURY BONDS

	2022 KShs '000	2021 KShs '000
As at 1 January	3,098,587	1,275,229
Additions	15,175,400	2,560,000
Maturities/disposals	(3,289,000)	(800,000)
Fair value (loss)/gain	<u>(88,735)</u>	<u>63,357</u>
	<u>14,896,252</u>	<u>3,098,586</u>
Maturity analysis		
Maturing within 1 year	807,948	1,886,145
Maturing after 1 year	<u>14,088,304</u>	<u>1,212,441</u>
	<u>14,896,252</u>	<u>3,098,586</u>

The weighted average effective interest rate on treasury bonds as at 31 December 2022 was 13% p.a. (2021: 11.95% p.a.).



CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

8. GOVERNMENT SECURITIES AT AMORTISED COST - TREASURY BILLS

	2022	2021
	KShs '000	KShs '000
At January 1	18,678,029	18,649,339
Additions	10,074,962	18,113,376
Maturities	(18,212,102)	(18,110,800)
Accrued interest	(2,291)	26,114
Expected credit losses	=	=
	<u>10,538,598</u>	<u>18,678,029</u>

9. CORPORATE BONDS AT AMORTISED COST

	2022	2021
	KShs '000	KShs '000
At January 1	=	=
Additions	135,000	=
Accrued interest	434	=
Expected credit losses	(4,063)	=
	<u>131,371</u>	<u>=</u>

ALLOWANCE FOR EXPECTED CREDIT LOSSES

As at 1 January	=	=
Increase in allowance for expected credit losses	4,063	=
As at 31 December	<u>4,063</u>	<u>=</u>

CIC MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

10. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS	2022 KShs '000	2021 KShs '000
Co-operative Bank of Kenya Limited	7,949,727	4,316,817
National Bank of Kenya Limited	1,212,293	255,441
Credit Bank Limited	107,832	827,235
Family Bank Limited	2,879,710	2,008,358
United Bank of Africa Limited	-	1,162,529
Victoria Commercial Bank Limited	1,340,512	953,262
Kingdom Bank	1,494,917	24,108
NCBA Bank Limited	5,156,888	7,202,032
Equity Bank Kenya Limited	2,989,326	7,616,623
I&M Bank	5,988,101	6,150,765
Sidian Bank	740,745	213,101
Development Bank of Kenya	903,017	621,437
SBM Bank	959,894	809,032
Middle East Bank	724,645	567,980
Access Bank Kenya PLC	<u>323,735</u>	=
	<u>32,771,342</u>	<u>32,728,720</u>
Maturing within 3 months	6,938,888	3,643,520
Maturing between 3 months and 12 months	<u>25,832,454</u>	<u>29,085,200</u>
	<u>32,771,342</u>	<u>32,728,720</u>
Allowance for expected credit losses	<u>(58,446)</u>	<u>(46,497)</u>
Net deposits	<u>32,712,896</u>	<u>32,682,223</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	46,497	43,384
Increase in allowance for expected credit losses	<u>11,949</u>	<u>3,113</u>
As at 31 December	<u>58,446</u>	<u>46,497</u>

The weighted average effective interest rate on fixed deposits as at 31 December 2022 was 9.40%p.a. (2021: 8.97% p.a.)

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

11. DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS	2022	2021
	KShs '000	KShs '000
NCBA Bank Kenya Limited	1,210,697	293,269
Co-operative Bank of Kenya Limited	150,859	369,402
Equity Bank Kenya Limited	457,646	105,184
Family Bank of Kenya	-	<u>19,780</u>
	<u>1,819,202</u>	<u>787,635</u>
Allowance for expected credit losses	(910)	(394)
Net deposits	<u>1,818,292</u>	<u>787,241</u>
Maturity analysis		
Maturing within 90 days	<u>1,818,292</u>	<u>787,241</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	394	386
Increase in allowance for expected credit losses	<u>516</u>	<u>8</u>
As at 31 December	<u>910</u>	<u>394</u>
The weighted average effective interest rate on demand deposits as at 31 December 2022 was 8.34% p.a. (2021: 7.75% p.a.)		
12. COMMERCIAL PAPER AT AMORTISED COST	2022	2021
	KShs '000	KShs '000
At 1 January	-	154,186
Addition	250,000	-
Maturity	-	(154,961)
Accrued interest	<u>9,376</u>	-
(Allowance)/write back for expected credit losses	<u>(1,297)</u>	<u>775</u>
	<u>-</u>	<u>-</u>
Maturity analysis		
Maturing within 1 year	<u>258,079</u>	<u>-</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	-	775
Increase in allowance for expected credit losses	<u>1,297</u>	<u>(775)</u>
As at 31 December	<u>1,297</u>	<u>-</u>

CIC MONEY MARKET FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

13.	CASH AND CASH EQUIVALENTS	2022	2021
		KShs '000	KShs '000
	(a) Bank balances	1,969	377
	(b) Demand deposits with financial institutions (note 11)	1,819,202	787,635
	(c) Fixed deposits with financial institutions (note 10)	<u>6,938,888</u>	<u>3,643,520</u>
		<u>8,760,059</u>	<u>4,431,532</u>

There are no cash & cash equivalents that are not available for fund's day to day operations.

14.	PAYABLES AND ACCRUALS	2022	2021
		KShs '000	KShs '000
	Audit fees	1,528	1,100
	Trustee and custody fees	17,712	16,183
	Due to CIC Asset Management Limited (note 15)	<u>106,350</u>	<u>91,771</u>
		<u>125,590</u>	<u>109,054</u>

15. RELATED PARTY BALANCES AND TRANSACTIONS

CIC Money Market Fund is managed by CIC Asset Management Limited as its Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group PLC which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables.

There were no provisions made or amounts written off on related party balances during the year (2021 nil). The amounts due to related parties are non-interest bearing and the balances are not secured.

As at 31 December 2022, the balances and transactions with the CIC Asset Management Limited were as follows:

	2022	2021
	KShs '000	KShs '000
Investment held on behalf of related party		
CIC Asset Management Limited	<u>35,696</u>	<u>133,710</u>

Transactions with related party during the year are as follows:

Fund management fees (note 5)	<u>1,163,630</u>	<u>957,131</u>
Due to CIC Asset Management Limited (Note 14)	<u>106,350</u>	<u>91,771</u>

Due to related parties relates to management fees owed to CIC Asset Management Limited as well as trustee, custody and CMA fees paid on behalf of the Fund by the CIC Asset Management Limited.

16. TRANSACTIONS OF UNITS

	2022	2021
	KShs '000	KShs '000
Purchases	61,364,517	53,969,785
Sales	<u>(54,819,112)</u>	<u>(39,045,053)</u>
Net proceeds	<u>6,545,405</u>	<u>14,924,732</u>

17. DISTRIBUTION

The total income paid to unit holders during the year totalled KShs 5,166,043 (2021 – KShs 4,757,191).

**CIC MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**18. CURRENCY**

The financial statements are presented in the Fund's functional currency, Kenya Shillings (KShs).

**19. CONTINGENT LIABILITIES AND COMMITMENTS**

There were no contingent liabilities and commitments during the year.

**20. EVENTS AFTER THE REPORTING PERIOD**

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

**21. REGISTRATION**

The Fund is registered in Kenya under the Capital Markets (Collective Investment Schemes) Regulations, 2001.

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**CIC MONEY MARKET FUND  
PERFORMANCE RECORD  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Appendix i (Unaudited)**

The cumulative average growth rate of the Fund's invested in the Fund:

	2018	2019	2020	2021	2022
Growth rate	38.23%	32%	32%	30%	9%

The closing, lowest and highest daily and annual yield of the units of the Fund

	2018	2018	2019	2019	2020	2020	2021	2021	2022	2022
	Daily Yield	Annual Yield	Daily Yield	Annual Yield	Daily Yield	Annual Yield	Daily Yield	Annual Yield	Daily Yield	Annual Yield
	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.	% p.a.
Closing unit price	9.48%	9.90%	9.41%	9.83%	8.81%	9.17%	9.00%	9.38%	8.82%	9.19%
Lowest unit price	9.10%	9.49%	9.32%	9.73%	8.75%	9.11%	8.67%	9.02%	8.52%	8.85%
Highest unit price	10.43%	10.94%	9.52%	9.95%	9.46%	9.88%	9.11%	9.50%	9.00%	9.30%

The total Fund value, number of units and net income distributed is as shown below:

	2018	2019	2020	2021	2022
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Total Fund value (KShs)	19,756,676	28,879,762	42,306,963	55,126,514	60,231,866
Number of units in issue	19,756,676	28,879,762	42,306,963	55,126,514	60,231,866
Net income distributed (% of units held)	9.06%	10.06%	8.56%	8.63%	8.60%





**CIC BALANCED FUND**



**CIC BALANCED FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Interest income calculated using effective interest rate method	3(a)	3,202,535	5,305,997
Other interest and investment income	3(b)	24,257,075	15,636,300
Fair value (loss)/gain on financial assets at fair value through profit or loss	4	(20,444,941)	8,373,911
Increase in allowance for expected credit losses	5	(12,414)	174,770
Operating expenses	6	<u>(8,794,444)</u>	<u>(8,786,634)</u>
(Loss)/profit before tax		<u>(1,792,189)</u>	<u>20,704,344</u>
Income tax expense		-	-
(Loss)/profit before distributions to unit holders		<u>(1,792,189)</u>	<u>20,704,344</u>

CIC BALANCED FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>ASSETS</b>			
Government securities at fair value through profit or loss- treasury bonds	8	144,675,528	128,758,048
Equity instruments at fair value through profit or loss	9	97,977,894	114,106,024
Fixed deposits with financial institutions	12	24,703,743	28,903,190
Demand deposits with financial institutions	13	17,480,454	18,433,034
Bank balances	14a)	<u>40,384</u>	<u>244,001</u>
<b>TOTAL ASSETS</b>		<b><u>284,878,003</u></b>	<b><u>290,444,297</u></b>
<b>LIABILITIES</b>			
Payables and accruals	15	1,005,337	947,020
Unit holders' balances		<u>283,872,666</u>	<u>289,497,277</u>
<b>Total liabilities</b>		<b><u>284,878,003</u></b>	<b><u>290,444,297</u></b>

The financial statements were approved by the trustee on...7..... March 2023 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

TRUSTEE

For: KCB BANK KENYA LTD.

TRUSTEE

**CIC BALANCED FUND  
STATEMENT OF CHANGES IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Unit holder balance at 1 January		289,497,277	266,299,129
		<u>289,497,277</u>	<u>266,299,129</u>
Net proceeds from units traded in the year	18	20,675,083	25,097,951
(Loss)/profit before distributions to unit holders		(1,792,189)	20,704,344
Distributions payable in the year	17	<u>(24,507,505)</u>	<u>(22,604,147)</u>
<b>UNIT HOLDER BALANCE AT 31 DECEMBER</b>		<u><b>283,872,666</b></u>	<u><b>289,497,277</b></u>

CIC BALANCED FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		(1,792,189)	20,704,344
<b>Adjustments</b>			
Fair value loss/(gain) on financial assets at fair value through profit or loss	4	20,444,941	(8,373,911)
Amortisation of corporate bonds		-	76,634
(Decrease)/increase in expected credit losses-Corporate bonds	10	-	(10,883)
(Decrease)/increase in expected credit losses-Commercial Papers	11	-	(84,821)
Increase in expected credit losses-Fixed deposits	12	12,890	(80,764)
Increase/ (decrease) in expected credit losses-Demand deposits	13	(476)	1,698
Accrued interest on financial assets at amortised cost-commercial Papers		-	(679,653)
<b>Changes in operating assets and liabilities:</b>			
Purchase of equity Instruments	9	(5,012,898)	(25,820,363)
Proceeds from sale of equity Instruments	9	6,478,607	9,799,084
Maturity of corporate bonds	10	-	2,100,000
Maturity of commercial paper	11	-	17,643,925
Increase in payables and accruals	15	58,317	132,275
Sale of Government securities	8	15,000,000	28,400,000
Purchase of Government securities	8	(36,700,000)	(44,000,000)
Net investment on fixed deposits	12	<u>4,186,557</u>	<u>1,281,781</u>
Net cash generated from/(used in) operating activities		<u>2,675,749</u>	<u>1,089,346</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from units issued	18	20,675,083	25,097,951
Distributions paid during the year	17	<u>(24,507,505)</u>	<u>(22,604,147)</u>
Net cash used in financing activities		<u>(3,832,422)</u>	<u>2,493,804</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,156,673)	3,583,150
CASH AND CASH EQUIVALENTS AT JANUARY	14	<u>18,686,256</u>	<u>15,103,106</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14	<u>17,529,583</u>	<u>18,686,256</u>

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies on pages 120 to 130 form part of these financial statements.

### 1. FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which includes trading in the bond market, the equities market, bank deposits and commercial papers. These activities expose the Fund to a variety of financial risks, risks, these includes; in credit risk, liquidity risk, market risk, operational and business 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 minimise potential adverse effects on its financial performance.

#### Risk management structure

The Fund manager is responsible for identifying and controlling risks. The Trustee supervises the Fund manager and is ultimately responsible for the overall risk management of the Fund.

#### a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

#### The Fund's internal rating process

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the expected credit loss (ECL). The ratings are determined incorporating both qualitative and quantitative information from external parties, ratings supplemented with information specific to the counterparty that could affect the counterparty's behaviour. The Fund reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES (continued)

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Significant increase in credit risk, default and cure

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default;
- The counterparty having past due liabilities to public creditors or employees;
- The counterparty filing for bankruptcy application; and
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties.

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 30 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

31 December 2022

	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Fixed deposits with financial institutions	24,703,743	-	-	-	24,703,743
Demand deposits with financial institutions	17,480,454				17,480,454
Cash and bank balances	<u>40,384</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>40,384</u>
	<u>42,224,581</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,224,581</u>



CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

31 December 2021

	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Fixed deposits with financial institutions	28,903,190	-	-	-	28,903,190
Demand deposits with financial institutions	18,433,034	-	-	-	18,433,034
Cash and bank balances	<u>244,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>244,001</u>
	<u>47,580,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,580,225</u>

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

*Fixed deposits with financial institutions*

	2022 KShs	2021 KShs
Gross	24,731,092	28,917,649
Less: Loss allowance	<u>(27,349)</u>	<u>(14,459)</u>
Net carrying amount	<u>24,703,743</u>	<u>28,903,190</u>

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

*Impairment losses on financial assets subject to impairment assessment (continued)*

*Demand deposits with financial institutions*

	2022 KShs	2021 KShs
Gross	17,489,199	18,442,255
Less: Loss allowance	<u>(8,745)</u>	<u>(9,221)</u>
Net carrying amount	<u>17,480,454</u>	<u>18,433,034</u>

Reconciliation of loss allowance accounts

	At 31 December 2021 KShs	Increase/ (decrease) in loss allowance KShs	At 31 December 2022 KShs
Demand deposits with financial institutions	9,221	(476)	8,745
Fixed Deposits with financial institutions	14,459	12,890	27,349
	<u>23,680</u>	<u>12,414</u>	<u>36,094</u>

	At 31 December 2020 KShs	Increase/ (decrease) in loss allowance KShs	At 31 December 2021 KShs
Corporate bonds	10,883	(10,883)	-
Demand deposits with financial institutions	7,523	1,698	9,221
Fixed Deposits with financial institutions	95,223	(80,764)	14,459
Commercial papers	84,821	(84,821)	-
	<u>127,789</u>		<u>23,680</u>

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk

Risk concentrations of the maximum exposure to credit risk

The following table analyses the concentration of credit risk by industry sector.

31 December 2022	Financial institutions KShs	Others KShs	Total KShs
Financial assets			
Bank balances	40,384	-	40,384
Demand deposits with financial institutions	17,480,454	-	17,480,454
Fixed deposits with financial institutions	<u>24,703,743</u>	-	<u>24,703,743</u>
	<u>42,224,581</u>	=	<u>42,224,581</u>
31 December 2021	Financial institution KShs	Others KShs	Total KShs
Financial assets			
Bank balances	244,001	-	244,001
Demand deposits with financial institutions	18,433,034	-	18,433,034
Fixed deposits with financial institutions	<u>28,903,190</u>	-	<u>28,903,190</u>
	<u>47,580,225</u>	=	<u>47,580,225</u>

No collateral was held for these assets and none of them is either past due or impaired

\*Other industries are represented by the manufacturing, microfinance, commercial services and the construction sectors.

The fund does not have any commitment and guarantees. As a result, it does not have any credit exposure relating to the commitment and guarantee.

b) Liquidity risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations when they fall due. The fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the fund's reputation.

The table below summarizes the maturity profile of the undiscounted cash flows of the fund's financial assets and liabilities as at 31 December 2022.

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk (continued)

	6 months or on Demand	Between 6 months and 1 year	More than 1 year	No maturity stated	Total
	KShs	KShs	KShs	Kshs	KShs
<b>31 December 2022</b>					
Financial assets					
Financial assets at FVTPL -					
Government securities	-	6,368,700	371,897,586		378,266,286
Fixed deposits with financial institutions	10,942,779	14,347,556	-		25,290,335
Demand deposits with financial institutions	17,489,199	-	-		17,489,199
Bank balances	<u>40,384</u>	-	-	=	<u>40,384</u>
<b>Total</b>	<u>28,472,362</u>	<u>20,716,256</u>	<u>371,897,586</u>	=	<u>421,086,204</u>
Financial liabilities					
Payables and accruals	<u>1,005,337</u>	-	-		<u>1,005,337</u>
Unit holder balances				283,872,666	283,872,666
<b>Total</b>	<u>1,005,337</u>	-	-	<u>283,872,666</u>	<u>284,878,003</u>
<b>Net liquidity gap</b>	<u>27,467,025</u>	<u>20,716,256</u>	<u>371,897,586</u>	<u>(283,872,666)</u>	<u>136,208,201</u>
<b>31 December 2021</b>					
Financial assets at FVTPL -					
Government securities	-	-	286,190,403		286,190,403
Fixed deposits with financial institutions	11,058,876	18,565,315	-		29,624,191
Demand deposits with financial institutions	18,442,255	-	-		18,442,255
Bank balances	<u>244,001</u>	-	-	=	<u>244,001</u>
<b>Total</b>	<u>29,745,132</u>	<u>18,565,315</u>	<u>286,190,403</u>		<u>334,500,850</u>
Financial liabilities					
Payables and accruals	<u>947,020</u>	-	-	=	<u>947,020</u>
Unit holder balances				289,497,277	289,497,277
<b>Total</b>	<u>947,020</u>	-	-	<u>289,497,277</u>	<u>290,444,297</u>
<b>Net liquidity gap</b>	<u>28,798,112</u>	<u>18,565,315</u>	<u>286,190,403</u>	<u>(289,497,277)</u>	<u>44,056,553</u>

The Fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant. The undiscounted values for the government securities corporate bonds and medium-term notes have been determined using Free Cash Flow (FCF) method at the average coupon rates and based on years to maturity. There are no legal restriction on fund's liquidity position

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The Fund is exposed to price risk as a result of its holdings in quoted debt instruments and equity investments, carried at fair value through profit or loss. Exposure to quoted debt instruments in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange:

As at 31 December 2022, an increase/decrease of 5% on the prices of securities would result to an increase/(decrease) in net returns on investments of approximately KShs 12,133,671 (2021: KShs 12,142,250).

(ii) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities that are measured at amortised cost and at fair value through profit or loss. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date.

The fund's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of 5% in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the fund's overall exposure to interest rate sensitivities included in the fund's Asset Liability Management (ALM) framework and its impact in the fund's net returns on investment.

An increase/decrease of 5% in interest yields would cause the net return on investments to increase/decrease by KShs 938,144 (2021: KShs 2,810,777).

(iii) Foreign exchange risk

The fund has no financial instruments that would be subject to the foreign exchange risk.

(d) Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Listed securities 60%	Shares and stocks listed at the NSE	60%	34%
Securities by government of Kenya 60%	Kenya government treasury bills and treasury bonds	60%	51%
Cash and cash equivalents 60%	Bank deposits and cash balances	80%	15%
Related party balances 10%	Related party balances	10%	6%

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair values hierarchy:

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 - 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 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
<b>At 31 December 2022</b>				
Equity Investments at fair value through profit or loss	97,977,894	-	-	97,977,894
Government securities at fair value through profit or loss	144,675,528	-	-	144,675,528
	<u>242,653,422</u>	<u>-</u>	<u>-</u>	<u>242,653,422</u>
<b>At 31 December 2021</b>				
Equity Investments at fair value through profit or loss	114,106,024	-	-	114,106,024
Government securities at fair value through profit or loss	128,693,669	-	-	128,693,669
	<u>242,799,693</u>	<u>-</u>	<u>-</u>	<u>242,799,693</u>

The trustee assessed that the fair values of cash, fixed and demand deposits, commercial papers, Net assets attributable to unit holders and payables and accruals approximate their carrying amounts largely due to short-term maturities of these instruments.

CIC BALANCED FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

3.	INVESTMENT INCOME	2022 KShs	2021 KShs
(a)	Interest revenue calculated using effective interest rate method		
	At amortised cost		
	Interest on fixed deposits with financial institutions	2,322,453	2,755,343
	Interest on demand deposits with financial institutions	880,082	757,090
	Interest on corporate bonds at amortised cost	-	146,161
	Interest on commercial papers at amortised cost	<u>-</u>	<u>1,647,403</u>
		<u>3,202,535</u>	<u>5,305,997</u>
(b)	Other interest and investment income		
	Interest on financial assets at FVTPL - Treasury bonds	17,253,210	12,536,611
	Dividend income	<u>7,003,865</u>	<u>3,099,689</u>
		<u>24,257,075</u>	<u>15,636,300</u>
4	FAIR VALUE GAIN/(LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
	Fair value (loss)/gain on equity instruments (note 9)	(14,662,421)	7,970,887
	Fair value (loss)/gain on government securities (note 8)	<u>(5,782,520)</u>	<u>403,024</u>
		<u>(20,444,941)</u>	<u>8,373,911</u>
5	ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	Decrease/(increase) in allowance for expected credit losses- Corporate bonds (note 10)	-	10,883
	Decrease/ (increase) in allowance for expected credit losses- Commercial Papers (note 11)	-	84,821
	Increase in allowance for expected credit losses-Fixed deposits (note 12)	12,890	80,764
	Decrease in allowance for expected credit losses-Demand deposits (note 13)	<u>(476)</u>	<u>(1,698)</u>
		<u>12,414</u>	<u>174,770</u>
6.	OPERATING EXPENSES		
	Management fees	7,376,240	7,365,271
	Trustees fees	662,139	659,081
	Capital Markets Authority levy	37,500	37,500
	Audit fees	225,600	192,000
	Custodial fee	443,784	490,926
	Audit disbursements	<u>49,181</u>	<u>41,856</u>
		<u>8,794,444</u>	<u>8,786,634</u>
7.	TAXATION		
	The fund is exempt from income tax. Tax is however withheld on the income distributed quarterly to investors.		

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

8. GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - TREASURY BONDS.

	2022 KShs	2021 KShs
As at 1 January	128,758,048	112,755,024
Addition	36,700,000	44,000,000
Maturities/disposals	(15,000,000)	(28,400,000)
Fair value (loss)/gain	<u>(5,782,520)</u>	<u>403,024</u>
<b>As at 31 December</b>	<b><u>144,675,528</u></b>	<b><u>128,758,048</u></b>
Maturity analysis		
Maturing in less than 1 year	6,118,176	15,396,308
Maturing in 1 to 5 years	41,084,330	41,739,646
Maturing in more than 5 years	<u>97,473,022</u>	<u>71,622,094</u>
	<b><u>144,675,528</u></b>	<b><u>128,758,048</u></b>

The average interest rate on Treasury bond at 31 December 2022 was 12.71% p.a. (2021: 12.43% p.a.)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-EQUITY INSTRUMENTS

	2022 KShs	2021 KShs
At January	114,106,024	90,113,858
Additions	5,012,898	25,820,363
Disposals	(6,478,607)	(9,799,084)
Fair value (loss)/gain	<u>(14,662,421)</u>	<u>7,970,887</u>
	<b><u>97,977,894</u></b>	<b><u>114,106,024</u></b>

Fair values for quoted shares are determined by reference to the closing Nairobi Securities Exchange prices at the end of the reporting period.

10. FINANCIAL ASSETS AT AMORTISED COST-CORPORATE BONDS

	2022 KShs	2021 KShs
At 1 January	-	2,165,751
Maturity	-	(2,100,000)
Amortisation	=	<u>(76,634)</u>
	=	<u>(10,883)</u>
Expected credit losses	-	<u>10,883</u>
	=	=
Maturity analysis		
Maturing in 1 to 2 years	=	=
	=	=
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	-	10,883
Decrease in allowance for expected credit losses	-	<u>(10,883)</u>
	=	=
As at 31 December	=	=



CIC BALANCED FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

11. FINANCIAL ASSETS AT AMORTISED COST-COMMERCIAL PAPERS	2022 KShs	2021 KShs
At 1 January	-	16,879,451
Purchase	-	-
Maturity	-	(17,643,925)
Accrued interest	-	<u>679,653</u>
	-	(84,821)
Expected credit losses	-	<u>84,821</u>
	-	-
Maturity analysis	-	-
Maturing within 12 months	-	-
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	-	84,821
Decrease increase in allowance for expected credit losses	-	<u>(84,821)</u>
As at 31 December	-	-
	2022 KShs	2021 KShs
<b>12. FIXED DEPOSIT WITH FINANCIAL INSTITUTIONS</b>		
Co-operative Bank of Kenya Limited	14,601,503	-
Middle East Bank Kenya Limited	10,129,589	-
NCBA Bank Kenya Limited	-	9,778,247
Equity Bank Kenya Limited	-	<u>19,139,402</u>
	<u>24,731,092</u>	<u>28,917,649</u>
Maturity analysis		
Maturing within 3months	-	-
Maturing between 3months and 12 months	<u>24,731,092</u>	<u>28,917,649</u>
	<u>24,731,092</u>	<u>28,917,649</u>
Allowance for expected credit losses	<u>(27,349)</u>	<u>(14,459)</u>
	<u>24,703,743</u>	<u>28,903,190</u>
	<u>24,703,743</u>	<u>28,903,190</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	14,459	95,223
Increase/( Decrease) in allowance for expected credit losses	<u>12,890</u>	<u>(80,764)</u>
As at 31 December	<u>27,349</u>	<u>14,459</u>

The weighted average effective interest rate on fixed deposits at 31 December 2022 was 10.00% p.a. (2021: 8.63% p.a.).

CIC BALANCED FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	KShs	KShs
<b>13. DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS</b>		
Maturing within 90 days		
Co-operative Bank of Kenya Limited	3,348,144	4,014,384
Equity Bank Kenya Limited	3,045,014	
NCBA Bank of Kenya Limited	<u>11,096,041</u>	<u>14,427,871</u>
	17,489,199	18,442,255
Allowance for expected credit losses	<u>(8,745)</u>	<u>(9,221)</u>
	<u>17,480,454</u>	<u>18,433,034</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	9,221	7,523
(Decrease)/Increase in allowance for expected credit losses	<u>(476)</u>	<u>1,698</u>
As at 31 December	<u>8,745</u>	<u>9,221</u>
The weighted average effective interest rate on short term deposits at 31 December 2022 was 9.4% p.a. (2021: 7.52% p.a.).		
<b>14. Cash and cash equivalents</b>		
	2022	2021
	KShs	KShs
(a) Bank balances	40,384	244,001
(b) Demand deposits (note 13)	17,489,199	18,442,255
(c) Fixed deposits (note 12)	<u>-</u>	<u>-</u>
	<u>17,529,583</u>	<u>18,686,256</u>
There are no cash & cash equivalents that are not available for fund's day to day operations.		
<b>15. PAYABLES AND ACCRUALS</b>		
	2022	2021
	KShs	KShs
Audit fees	274,781	192,000
Trustee and custody fees	93,510	98,715
Due to CIC Asset Management Limited (note 16)	<u>637,046</u>	<u>656,305</u>
	<u>1,005,337</u>	<u>947,020</u>

CIC BALANCED FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

16. RELATED PARTY TRANSACTIONS

CIC Balanced Fund has CIC Asset Management Limited as its Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group Limited which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables. There were no provisions made or amounts written off on related party balances during the year (2021: nil). The amounts due to related parties are non- interest bearing and the balances are not secured.

As at 31 December the balances and transactions with the CIC Asset Management Limited were as follows:

	2022 KShs	2021 KShs
Transactions with related party during the year are as follows:		
CIC Asset Management Limited Management fees	<u>7,376,240</u>	<u>7,365,271</u>

The balance outstanding at year end was as follows:

Due to CIC Asset Management (Note 15)	<u>637,046</u>	<u>656,305</u>
---------------------------------------	----------------	----------------

Due to related parties relates to management fees owed to CIC Asset Management Limited as well as trustee, custody and Capital Markets Authority fees paid on behalf of the Fund by the CIC Asset Management Limited.

17. DISTRIBUTIONS

The total income paid to unit holders during the year totalled KShs 24,507,505 (2021: 22,604,147)

18. TRANSACTIONS OF UNITS

	2022 KShs	2021 KShs
Purchases	32,990,432	36,899,837
Sales	<u>(12,315,349)</u>	<u>(11,801,886)</u>
Net proceeds	<u>20,675,083</u>	<u>25,097,951</u>

19. CURRENCY

The financial statements are presented the fund's functional currency, in Kenya shillings (KShs).

20. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments during the year.

21. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

22. REGISTRATION

The Fund is registered in Kenya under the Capital Markets (Collective Investment Schemes) Regulations, 2001.

CIC BALANCED FUND  
 PERFORMANCE RECORD  
 FOR THE YEAR ENDED 31 DECEMBER 2022

Appendix ii (Unaudited)

The cumulative average growth rate of the Funds invested in the Fund:

	2018	2019	2020	2021	2022
Growth rate	-5.77%	9.64%	-3.63%	-3.63%	-1.94%

The closing, lowest and highest unit prices of the units of the Fund during the year were as follows

	2018	2019	2020	2021	2022
	Bid price KShs	Bid price KShs	Bid price KShs	Bid price KShs	Bid price KShs
Closing unit price	9.03	9.17	8.23	8.18	7.46
Lowest unit price	8.98	8.99	8.05	8.00	7.37
Highest unit price	10.20	9.99	9.29	8.55	8.24
	Offer price KShs	Offer price KShs	Offer price KShs	Offer price KShs	Offer price KShs
	9.44	9.58	8.42	8.36	7.63
	9.38	9.39	8.23	8.18	7.37
	10.66	9.99	9.50	8.74	8.43

The total Fund value, number of units and net income distributed at the end of the year is as shown below:

	2018	2019	2020	2021	2022
Total fund value (KShs)	252,048	276,318	266,299	289,497	283,873
Number of units in issue	31,545	33,718	36,479	39,579	43,260
Net income distributed per unit (KShs)	0.54	0.67	0.62	0.14	0.15

**CIC EQUITY FUND**



**CIC EQUITY FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Interest revenue calculated using effective interest rate method	3(a)	1,750,132	4,168,767
Other interest and investment income	3(b)	12,224,944	5,325,233
Fair value (loss)/ gain	4	(29,780,675)	14,710,602
Increase in allowance for expected credit losses	5	<u>(3,688)</u>	<u>121,045</u>
		(15,809,287)	24,325,647
Operating expenses	6	<u>(6,318,573)</u>	<u>(6,694,373)</u>
(Loss)/profit before tax		<u>(22,127,860)</u>	<u>17,631,274</u>
Income tax expense		<u>-</u>	<u>-</u>
(Loss)/profit before distributions to unit holders		<u>(22,127,860)</u>	<u>17,631,274</u>

**CIC EQUITY FUND**  
**STATEMENT OF FINANCIAL POSITION**  
**As AT 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
<b>ASSETS</b>			
Financial assets at fair value through profit or loss- Equity investments	9	193,441,868	205,688,347
Fixed deposits with financial institutions	10	4,931,568	6,820,641
Demand deposits with financial institutions	11	17,920,795	8,659,657
Bank balances	12(a)	<u>52,013</u>	<u>255,547</u>
<b>TOTAL ASSETS</b>		<b><u>216,346,244</u></b>	<b><u>221,424,192</u></b>
<b>LIABILITIES</b>			
Payables and accruals	13	810,803	754,073
Unit holders' balances		<u>215,535,441</u>	<u>220,670,119</u>
<b>Total liabilities</b>		<b><u>216,346,244</u></b>	<b><u>221,424,192</u></b>

The financial statements were approved by the Trustee on.....7..... March 2023 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

  
 .....  
 TRUSTEE CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

  
 .....  
 TRUSTEE CORPORATE TRUSTEE



**CIC EQUITY FUND  
STATEMENT OF CHANGES IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Unit holder balances at 1 January		220,670,119	198,574,961
Net proceeds from units traded in the year	16	29,250,743	13,329,382
Loss/(profit) before distributions to unit holders		(22,127,860)	17,631,274
Distributions payable in the year	15	<u>(12,257,561)</u>	<u>(8,865,498)</u>
<b>UNIT HOLDER BALANCES AT 31 DECEMBER</b>		<u><b>215,535,441</b></u>	<u><b>220,670,119</b></u>

CIC EQUITY FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit/(loss) before tax		(22,127,860)	17,631,274
Accrued interest on fixed deposits		-	-
Fair value loss / (gain) on equity instruments at fair value	4	29,780,675	(14,710,602)
Increase/ (decrease) in expected credit losses - commercial papers	9	-	(120,708)
(Decrease)/increase in expected credit losses - fixed deposits	11	(945)	(461)
Increase/ (decrease) in expected credit losses-demand deposits	12	4,633	124
Accrued interest on financial assets at amortised cost commercial Paper	8	-	<u>(967,198)</u>
		<u>7,656,503</u>	<u>1,832,429</u>
<b>Working capital changes:</b>			
Maturity of financial assets at amortised cost-commercial paper		-	25,108,663
Purchase of financial assets at fair value through profit or loss-equity instruments	9	(29,035,634)	(53,345,418)
Proceed from financial assets at fair value through profit or loss-equity instruments	9	11,501,438	21,373,133
Decrease/(Increase) in Payables and accruals	13	56,730	125,131
Net investment in fixed deposit	10	<u>1,890,018</u>	<u>922,251</u>
Net cash generated from / (used) in operating activities		<u>(7,930,945)</u>	<u>(3,983,811)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from units issued	17	29,250,743	13,329,382
Distributions paid during the year	1	<u>(12,257,561)</u>	<u>(8,865,498)</u>
Net cash used in financing activities		<u>16,993,182</u>	<u>4,463,884</u>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>9,062,237</b>	<b>480,073</b>
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	12	<u><b>8,919,536</b></u>	<u><b>8,439,463</b></u>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>	12	<u><b>17,981,773</b></u>	<u><b>8,919,536</b></u>

**SIGNIFICANT ACCOUNTING POLICIES.**

**1. FINANCIAL RISK MANAGEMENT**

The Fund generates revenues for the members by investing in various income generating activities which include trading in the equities market, commercial papers and bank deposits. These activities expose the Fund to a variety of financial risks, these includes; in credit risk, liquidity risk, market risk, operational and business 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 minimise potential adverse effects on its financial performance.

**Risk management structure**

The Fund manager is responsible for identifying and controlling risks. The Trustee supervises the Fund manager and is ultimately responsible for the overall risk management of the Fund.

**a) Credit risk**

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

**The Fund's internal rating process**

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECLs. The ratings are determined incorporating both qualitative and quantitative information from external parties ratings supplemented with information specific to the counterparty that could affect the counterparty's behaviour. The Fund reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

2022

	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Demand deposits	17,920,795	-	-	-	17,920,795
Deposits with financial institutions	4,931,568	-	-	-	4,931,568
Cash and bank balances	<u>52,013</u>	-	-	-	<u>52,013</u>
	<u>22,904,376</u>	-	-	-	<u>22,904,376</u>

2021

	High grade KShs '000	Standard grade KShs '000	Past due but not impaired KShs '000	Individually impaired KShs '000	Total KShs '000
Demand deposits	8,659,657	-	-	-	8,659,657
Deposits with financial institutions	6,820,641	-	-	-	6,820,641
Cash and bank balances	<u>255,547</u>	-	-	-	<u>255,547</u>
	<u>15,735,845</u>	-	-	-	<u>15,735,845</u>

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)  
 (a) Credit risk (continued)

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

Fixed deposits with financial institutions

	2022	2021
	KShs	KShs
Gross	4,934,035	6,824,053
Less: Loss allowance	<u>(2,467)</u>	<u>(3,412)</u>
Net carrying amount	<u>4,931,568</u>	<u>6,820,641</u>

Demand deposits with financial institutions

Gross	17,929,760	8,664,989
Less: Loss Allowance	<u>(8,965)</u>	<u>(4,332)</u>
Net carrying amount	<u>17,920,795</u>	<u>8,660,657</u>

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FINANCIAL RISK MANAGEMENT (continued)  
 (a) Credit risk (continued)

*Impairment losses on financial assets subject to impairment assessment (continued)*

Reconciliation of loss allowance accounts

	At 31 December 2021	Increase/(decrease) in loss allowance	At 31 December 2022
	KShs	KShs	KShs
Demand deposits with financial institutions	4,332	4,633	8,965
Fixed deposits with financial institutions	3,412	(945)	2,467
	<u>7,744</u>	<u>3,688</u>	<u>11,432</u>

	At 31 December 2020	Increase/(decrease) in loss allowance	At 31 December 2021
	KShs	KShs	KShs
Demand deposits with financial institutions	4,208	124	4,332
Fixed Deposits with financial institutions	3,873	(461)	3,412
Commercial papers	120,708	(120,708)	-
	<u>128,789</u>	<u>(121,045)</u>	<u>7,744</u>

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Risk concentrations of the maximum exposure to credit risk

The following table analyses the concentration of credit risk by industry sector

2022	Financial institutions	Government	*Others	Total
Financial assets	KShs	KShs	KShs	KShs
Bank balances	52,013	-	-	52,013
Demand deposits with financial institutions	17,920,795	-	-	17,920,795
Fixed deposits with financial institutions	4,931,568	-	-	4,931,568
Financial assets at amortised cost-Commercial paper	-	-	-	-
	<u>22,904,376</u>	<u>-</u>	<u>-</u>	<u>22,904,376</u>

2021	Financial institution	Government	Others	Total
Financial assets	KShs '000	KShs '000	KShs '000	KShs '000
Bank balances	255,547	-	-	255,547
Demand deposits with financial institutions	8,659,657	-	-	8,659,657
Fixed deposits with financial institutions	6,820,641	-	-	6,820,641
Financial assets at amortised cost-Commercial paper	-	-	-	-
	<u>15,735,845</u>	<u>-</u>	<u>-</u>	<u>15,735,845</u>

No collateral was held for these assets. None of the above assets are either past due or impaired except for the following amounts in the Fund's corporate bonds

\*Others are represented by the commercial services and the microfinance sectors

The Fund does not have any commitment and guarantees. As a result, it does not have any credit exposure relating to the commitment and guarantee.

THE CIC EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the fund will not be able to meet its financial obligations when they fall due. The fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the Fund's reputation.

The table below summarises the maturity profile of the undiscounted cash flows of the Fund's financial assets and liabilities as at 31 December.

	6 months or on demand	Between 6 months and 1 year	More than 1 year	Undetermined maturity date	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>31 December 2022</b>					
<b>Financial assets</b>					
Financial assets at fair value through profit or loss- equity investments	-	-	-	193,441,868	193,441,868
Fixed deposits with financial institutions	4,931,213	-	-	-	4,931,213
Demand deposits with financial institutions	17,920,795	-	-	-	17,920,795
Bank balances	<u>52,013</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,547</u>
<b>Total</b>	<b><u>22,904,021</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>193,441,868</u></b>	<b><u>216,549,423</u></b>
<b>Financial liabilities</b>					
Payables and accruals	<u>810,803</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>810,803</u>
Unit holder balance	-	-	-	<u>215,535,441</u>	<u>215,535,441</u>
<b>Total</b>	<b><u>810,803</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>215,535,441</u></b>	<b><u>216,346,244</u></b>
<b>Liquidity Gap</b>	<b><u>22,093,218</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>(22,093,573)</u></b>	<b><u>(355)</u></b>
<b>31 December 2021</b>					
<b>Financial assets at fair value through profit or loss- equity investments</b>					
Financial assets at fair value through profit or loss- equity investments	-	-	-	205,688,347	205,688,347
Fixed deposits with financial institutions	-	7,107,187	-	-	7,107,187
Demand deposits with financial institutions	8,659,657	-	-	-	8,659,657
Bank balances	<u>255,547</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,547</u>
<b>Total</b>	<b><u>8,915,204</u></b>	<b><u>7,107,187</u></b>	<b><u>-</u></b>	<b><u>205,688,347</u></b>	<b><u>221,710,738</u></b>
<b>Financial liabilities</b>					
Payables and accruals	<u>754,073</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>754,073</u>
Unit holder balance	-	-	-	<u>220,670,119</u>	<u>220,670,119</u>
<b>Total</b>	<b><u>754,073</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>220,670,119</u></b>	<b><u>221,424,192</u></b>
<b>Liquidity Gap</b>	<b><u>8,161,131</u></b>	<b><u>7,107,187</u></b>	<b><u>-</u></b>	<b><u>(14,981,772)</u></b>	<b><u>286,546</u></b>

The fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant. The undiscounted values for the government securities corporate bonds and commercial papers have been determined using Free Cash Flow (FCF) method at the average coupon rates based on period to maturity. There are no legal restriction on fund's liquidity position.



THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The fund is exposed to equity and bond price risk because of investments in both quoted shares and the bond market. The Trust Deed sets out the following guiding principles for the Fund Manager in order to manage this risk:

- invest in a solid spread of high-performance securities;
- take capital profits when appropriate;
- select investments in companies with proven performance and good prospects for growth;
- spread securities over those economic sectors that meet the criteria of performance and growth; and
- administer the portfolio according to best practice.

All quoted shares held by the fund are traded on the Nairobi Securities Exchange (NSE).

As at 31 December 2022, an increase/ (decrease) of 5% on the prices of equities would cause profit for the year and net assets to an increase/ (decrease) by KShs 9,672,093 (2021: KShs 10,284,409).

(ii) Interest rate risk

The fund has no financial instruments that would be subject to the interest rate risk.

(iii) Foreign exchange risk

The fund has no financial instruments that would be subject to the foreign exchange risk.

(iv) Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Listed securities minimum 60%	Shares and stocks listed at the NSE	100%	84%
Cash and cash equivalents 40%	Bank deposits and cash balances	40%	16%
Related party balances 10%	Related party balances	10%	7%

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair values hierarchy:

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 - 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 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

There were no financial assets classified under level 2 in the year. There were no transfers from level 1 to level 3 during the year. The assets classified under level 1 and 3 at the end of the reporting period include:

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
<b>At 31 December 2022</b>				
Equity Investments at fair value through profit or loss	193,441,868	-	-	193,441,868
	<u>193,441,868</u>	<u>-</u>	<u>-</u>	<u>193,441,868</u>
<b>At 31 December 2021</b>				
Equity Investments at fair value through profit or loss	205,688,347	-	-	205,688,347
	<u>205,688,347</u>	<u>-</u>	<u>-</u>	<u>205,688,347</u>

The trustees assessed that the fair values of cash, fixed, demand deposits and commercial paper, payables and accruals approximates their carrying amounts largely due to short-term maturities of these instruments.

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

3.	INVESTMENT INCOME	2022 KShs	2021 KShs
(a)	Interest revenue calculated using effective interest rate method		
	At amortised cost		
	Interest on fixed deposits with financial institutions	296,450	574,248
	Interest on demand deposits with financial institutions	1,453,682	1,250,138
	Interest on financial assets at amortised cost-commercial paper	<u>-</u>	<u>2,344,381</u>
		<u>1,750,132</u>	<u>4,168,767</u>
(b)	Other interest and investment income		
	Dividend income	<u>12,224,944</u>	<u>5,325,233</u>
4	FAIR VALUE (LOSS)/GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
	Fair value (loss)/gain on equity instruments (note 10)	<u>(29,780,675)</u>	<u>14,710,602</u>
5	ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	Increase/(decrease) in allowance for expected credit losses-commercial papers (note 9)	-	(120,708)
	Decrease/(increase)/ in allowance for expected credit losses-fixed deposits (note 11)	(945)	(461)
	Increase/(decrease) in allowance for expected credit losses-demand deposits (note 12)	<u>4,633</u>	<u>124</u>
		<u>3,688</u>	<u>(121,045)</u>
6.	OPERATING EXPENSES		
	Fund management fees	5,202,249	5,524,041
	Trustees fees	466,887	498,503
	Custodial fees	337,156	400,473
	Capital Markets Authority levy	37,500	37,500
	Audit fees	225,600	192,000
	Audit disbursements	<u>49,181</u>	<u>41,856</u>
		<u>6,318,573</u>	<u>6,694,373</u>

7. TAXATION

The fund is exempt from income tax. Tax is withheld on the income distributed semi-annually to unit holders.

THE CIC EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

8. FINANCIAL ASSETS AT AMORTISED COST-COMMERCIAL PAPERS	2022 KShs	2021 KShs
At 1 January	-	24,020,757
Purchase	-	-
Maturity/Disposals	-	(25,108,663)
Accrued interest	<u>-</u>	<u>967,198</u>
	<u>-</u>	<u>(120,708)</u>
Expected credit losses	<u>-</u>	<u>120,708</u>
At 31 December	<u>-</u>	<u>-</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	-	120,708
Increase/(decrease) in allowance for expected credit losses	<u>-</u>	<u>(120,708)</u>
As at 31 December	<u>-</u>	<u>-</u>

The weighted average effective interest rate on commercial paper as at 31 December 2022 was Nil (2021: 16.50%)

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS-EQUITY INSTRUMENTS	2022 KShs	2021 KShs
At 1 January	205,688,347	159,005,460
Purchases	29,035,634	53,345,418
Disposals	(11,501,438)	(21,373,133)
Fair value (loss)/gain	<u>(29,780,675)</u>	<u>14,710,602</u>
	<u>193,441,868</u>	<u>205,688,347</u>

10. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS		
Equity Bank Kenya Limited	1,362,507	3,360,711
NCBA Bank Kenya Limited	<u>3,571,528</u>	<u>3,463,342</u>
Net investment in fixed deposits	<u>4,934,035</u>	<u>6,824,053</u>
Maturity analysis		
Maturity within 6 months	-	-
Maturity after 6 months	<u>4,934,035</u>	<u>6,824,053</u>
	<u>4,934,035</u>	<u>6,824,053</u>
Allowance for expected credit losses	<u>(2,467)</u>	<u>(3,412)</u>
	<u>4,931,568</u>	<u>6,820,641</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	3,412	3,873
Decrease in allowance for expected credit losses	<u>(945)</u>	<u>(461)</u>
As at 31 December	<u>2,467</u>	<u>3,412</u>

The weighted average effective interest rate on fixed deposits at 31 December 2022 was 10% p.a. (2021: 7.95% p.a.).

THE CIC EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS (Continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

11.	<b>DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS</b>	<b>2022</b>	<b>2021</b>
		KShs	KShs
	Co-operative Bank of Kenya Limited	2,848,370	-
	Equity Bank Kenya Limited	15,081,390	4,006,411
	NCBA Bank Kenya Limited	<u>-</u>	<u>4,657,578</u>
	Net investment in fixed deposits	<u>17,929,760</u>	<u>8,663,989</u>
	Maturity analysis		
	Maturing within 3 months	<u>17,929,760</u>	<u>8,663,989</u>
	Allowance for expected credit losses	<u>(8,965)</u>	<u>(4,332)</u>
		<u>17,920,795</u>	<u>8,659,657</u>
	<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
	As at 1 January	4,332	4,208
	Increase in allowance for expected losses	<u>4,633</u>	<u>124</u>
	As at 31 December	<u>8,965</u>	<u>4,332</u>
	The weighted average effective interest rate on demand deposits at 31 December 2022 was 9.40% p.a. (2021: 6.79% p.a.).		
12.	<b>CASH AND CASH EQUIVALENTS</b>	<b>2022</b>	<b>2021</b>
		KShs	KShs
	(a) Bank balances	52,013	255,547
	(b) Demand deposits with financial institutions (note 11)	<u>17,929,760</u>	<u>8,663,989</u>
		<u>17,981,773</u>	<u>8,919,536</u>
	There are no cash & cash equivalents that are not available for funds day to day operations.		
13.	<b>PAYABLES AND ACCRUALS</b>		
	Audit fees	274,781	192,000
	Trustee and custody fees	72,708	73,402
	Due to CIC Asset Management Ltd (note 15)	<u>463,314</u>	<u>488,671</u>
		<u>810,803</u>	<u>754,073</u>

THE CIC EQUITY FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

14. RELATED PARTY TRANSACTIONS

CIC Equity Fund is managed by CIC Asset Management Limited as their Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group PLC which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables.

There were no provisions made or amounts written off on related party balances during the year (2021: nil). The amounts due to related parties are non- interest bearing and the balances are not secured.

As at 31 December 2022, the balances and transactions with the CIC Asset Management Limited were as follows:

	2022 KShs	2021 KShs
Investment held on behalf of related party CIC Asset Management Limited	97,470,753	/4,290,957

Transactions with related party during the year are as follows:

CIC Asset Management Limited Management fees	5,202,249	5,524,041
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The balance outstanding at year end was as follows:

Due to CIC Asset Management (Note 13)	<u>463,314</u>	<u>489,671</u>
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Due to related parties relates to management fees owed to CIC Asset Management Limited as well as trustee, custody, audit fees and CMA fees paid on behalf of the Fund by CIC Asset Management Limited.

15. DISTRIBUTIONS

The total income paid to unit holders semi-annually totalled KShs 12,257,561 (2021: KShs 8,865,498)

16. TRANSACTIONS OF UNITS

	2022 KShs	2021 KShs
Purchases	60,165,417	27,659,378
Sales	<u>(30,914,674)</u>	<u>(14,329,996)</u>
Net proceeds	<u>29,250,743</u>	<u>13,329,382</u>

17. CURRENCY

The financial statements are presented in the fund's functional currency, Kenya shillings (KShs).

18. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments during the year.

19. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

20. REGISTRATION

The Fund is registered in Kenya under the Kenyan Capital Markets (Collective Investments Schemes) Regulations, 2001.

THE CIC EQUITY FUND  
PERFORMANCE RECORD  
FOR THE YEAR ENDED 31 DECEMBER 2022

Appendix III (Unaudited)

The cumulative average growth rate of the funds invested in the Fund:

	2018	2019	2020	2021	2022
Growth rate	-17.79%	5%	%	%	-2%

The closing, lowest and highest daily and annual yield of the units of the Fund

	2018	2018	2019	2019	2020	2020	2021	2021	2022	2022
	Bid price	Offer price	Bid price	Offer price	Bid price	Offer price	Bid price	Offer price	Bid price	Offer price
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Closing unit price	8.67	9.10	8.95	9.40	7.35	7.53	7.56	7.75	6.42	6.58
Lowest unit price	8.6	9.03	8.31	8.73	6.78	6.95	7.17	7.35	5.74	5.88
Highest unit price	11.01	11.56	9.62	10.10	9.15	9.38	8.23	8.44	7.76	7.95

The total fund value, number of units and net income distributed at the end of the year is as shown below:

	2018	2019	2020	2021	2022
	KShs	KShs	KShs	KShs	KShs
Total fund value (KShs)	225,566,801	236,783,703	198,574,961	220,670,119	215,535,441
Number of units in issue	27,398,447	27,838,555	29,505,406	31,673,981	37,042,816
Net income distributed per unit (KShs)	0.56	0.52	0.39	0.14	0.17





**CIC FIXED INCOME FUND**



**CIC FIXED INCOME FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
AS AT 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Interest revenue calculated using effective interest rate method	3(a)	1,733,200	2,618,399
Other interest and investment income	3(b)	12,785,442	4,045,014
Fair value(loss)/ gain on financial assets at fair value through profit or loss	4	(2,965,887)	2,111,449
Increase in allowance for expected credit losses	5	2930	75,121
Operating expenses	6	<u>(3,647,618)</u>	<u>(2,415,364)</u>
Profit before tax		<u>7,908,067</u>	<u>6,434,619</u>
Income tax expense		—	—
Profit before distributions to unit holders		<u>7,908,067</u>	<u>6,434,619</u>

CIC FIXED INCOME FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>ASSETS</b>			
Financial assets at fair value through profit or loss-Government securities	8	143,926,894	80,992,781
Fixed deposits with financial institutions	11	10,099,633	13,115,015
Demand deposits with financial institutions	12	23,148,882	14,273,923
Bank balances	13(a)	<u>540,531</u>	<u>188,597</u>
<b>TOTAL ASSETS</b>		<b><u>177,715,940</u></b>	<b><u>108,570,316</u></b>
<b>LIABILITIES</b>			
Payables and accruals	14	530,269	351,095
Unit holders' balances		<u>177,185,671</u>	<u>108,219,221</u>
<b>Total liabilities</b>		<b><u>177,715,940</u></b>	<b><u>108,570,316</u></b>

The financial statements were approved by the Trustee on **7**

March 2023 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

For: KCB BANK KENYA LTD.

*[Signature]*

*[Signature]*

Corporate Trustee

CORPORATE TRUSTEE

**CIC FIXED INCOME FUND  
STATEMENT OF CHANGE IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Unit holder balances at 1 January		108,219,221	54,898,799
Net proceeds from units traded in the year	17	75,342,779	56,175,777
Profit before distributions to unit holders		7,908,067	6,434,619
Distributions payable in the year	16	<u>(14,284,396)</u>	<u>(9,289,974)</u>
<b>UNIT HOLDER BALANCES AT 31 DECEMBER</b>		<u><b>177,185,671</b></u>	<u><b>108,219,221</b></u>

CIC FIXED INCOME FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		7,908,067	6,434,619
Adjustments			
Fair value loss/(gain)	8	2,965,887	(2,111,449)
Accrued interest on financial assets at amortised cost-Commercial Paper	10	-	(298,002)
Decrease in expected credit losses-Corporate Bonds	9	-	(4,146)
Decrease in expected credit losses- commercial paper	10	-	(37,191)
Decrease In expected credit losses-fixed deposits	11	(1,509)	(38,795)
Increase in expected credit losses-Demand Deposits	12	4,439	5,011
Changes in operating assets and liabilities:			
Purchase of financial assets at fair value through profit or loss-Government Securities	8	(65,900,000)	(63,500,000)
Maturity of financial assets at fair value through profit or loss-Government Securities	8	-	12,000,000
Purchase of financial assets at amortized cost-corporate bonds	9	-	(1,500,000)
Maturity of financial assets at amortized cost-corporate bonds	9	-	2,329,194
Maturity of financial assets at amortised cost-commercial paper	10	-	7,736,183
Net investment in fixed deposit	11	(10,104,685)	15,208,384
Increase in payables and accruals		<u>179,174</u>	<u>158,863</u>
Net cash used in operating activities		<u>(64,948,627)</u>	<u>(23,617,329)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from units issued	17	75,342,779	56,175,777
Distributions paid during the year	16	<u>(14,284,396)</u>	<u>(9,289,974)</u>
Net cash generated from financing activities		<u>61,058,383</u>	<u>46,885,803</u>
INCREASE IN CASH AND CASH EQUIVALENTS		(3,890,244)	23,268,474
CASH AND CASH EQUIVALENTS AT 1 JANUARY		<u>27,584,096</u>	<u>4,315,622</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13	<u>23,693,852</u>	<u>27,584,096</u>

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies on pages 120 to 130 form part of these financial statements.

### 1 FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which include trading mainly in the bond market, corporate bonds and bank deposits. These activities expose the Fund to a variety of financial risks, these includes; credit risk, liquidity risk, market risk, operational and business risks. The Trust Deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on its financial performance.

#### Risk management structure

The Fund manager is responsible for identifying and controlling risks. The Trustee supervises the fund manager and is ultimately responsible for the overall risk management of the Fund.

#### a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

#### The Fund's internal rating process

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECI's. The ratings are determined incorporating both qualitative and quantitative information from external parties ratings supplemented with information specific to the counterparty that could affect the counterparty's behaviour. The Fund reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

Significant increase in credit risk, default and cure

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties.

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 90 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

31 December 2022	High grade	Standard grade	Past due but not impaired	Individually impaired	Total
	KShs	KShs	KShs	KShs	KShs
Fixed deposits with financial institutions	10,099,633	-	-	-	10,099,633
Demand deposits with financial institutions	23,148,882	-	-	-	23,148,882
Cash and bank balances	<u>540,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,531</u>
	<u>33,789,046</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,789,046</u>



CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

31 December 2021

	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Fixed deposits with financial institutions	13,115,015	-	-	-	13,115,015
Demand deposits with financial institutions	14,273,923	-	-	-	14,273,923
Cash and bank balances	<u>188,597</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>188,597</u>
	<u>27,577,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,577,535</u>

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

*Demand deposits with financial institutions*

Gross	23,160,462	14,281,064
Less: Loss allowance	<u>(11,580)</u>	<u>(7,141)</u>
Net carrying amount	<u>23,148,882</u>	<u>14,273,923</u>

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

*Impairment losses on financial assets subject to impairment assessment (continued)*

Fixed Deposits with financial institutions

Gross	10,104,685	13,181,576
Less: Loss allowance	<u>(5,052)</u>	<u>(6,561)</u>
Net carrying amount	<u>10,099,633</u>	<u>13,175,015</u>

Reconciliation of loss allowance accounts

	At 31 December 2021	Increase/ (decrease) in loss allowance	At 31 December 2022
	KShs	KShs	KShs
Demand deposits with financial institutions	7,141	4,439	11,580
Fixed Deposits with financial institutions	6,561	(1,509)	5,052
	<u>13,702</u>	<u>2,930</u>	<u>16,632</u>

	At 31 December 2020	Increase/ (decrease) in loss allowance	At 31 December 2021
	KShs	KShs	KShs
Corporate bonds	4,146	(4,146)	-
Demand deposits with financial institutions	2,130	5,011	7,141
Fixed Deposits with financial institutions	45,356	(38,795)	6,561
Commercial papers	37,191	(37,191)	-
	<u>88,823</u>	<u>(75,121)</u>	<u>13,702</u>

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

Risk concentrations of the maximum exposure to credit risk

Concentration of credit risk is managed by industry sector.

The following table analyses the concentration of credit risk by industry sector

31 December 2022	Financial institution KShs	Government KShs	*Others KShs	Total KShs
Bank balances	540,531	-	-	540,531
Demand deposits with financial institutions	23,148,882	-	-	23,148,882
Fixed deposits with financial institutions	<u>10,099,633</u>	-	-	<u>10,099,633</u>
	<u>33,789,046</u>	-	-	<u>33,789,046</u>
31 December 2021	Financial institution KShs	Government KShs	Others KShs	Total KShs
Bank balances	188,597	-	-	188,597
Demand deposits with financial institutions	14,273,923	-	-	14,273,923
Fixed deposits with financial institutions	<u>13,115,015</u>	-	-	<u>13,115,015</u>
	<u>27,577,535</u>	-	-	<u>27,577,535</u>

No collateral was held for these assets. None of the above assets is either past due or impaired except for Chase Bank Limited corporate bond.

\*Others is represented by the manufacturing, microfinance, commercial services and construction sectors.

The fund does not have any commitment and guarantees. As a result, it does not have any credit exposure relating to the commitment and guarantee.

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the Fund's reputation.

The table below summarises the maturity profile of the undiscounted cash flows of the fund's financial assets and liabilities as at 31 December.

	6 months or on demand KShs	More than 1 year KShs	No maturity stated Kshs	Total KShs
<b>31 December 2022</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit or loss -government securities	-	480,340,091		480,340,091
Fixed deposits with financial institutions	9,842,417	-		9,842,417
Demand deposits with financial institutions	23,148,882	-		23,148,882
Bank balances	<u>540,531</u>	-	=	<u>540,531</u>
<b>Total</b>	<b><u>33,531,830</u></b>	<b><u>480,340,091</u></b>	<b>=</b>	<b><u>513,871,921</u></b>
<b>Financial liabilities</b>				
Payables and accruals	<u>530,269</u>	-		<u>530,269</u>
Unit holder balances			<u>177,185,671</u>	<u>177,185,671</u>
<b>Total</b>	<b><u>530,269</u></b>	<b>-</b>	<b><u>177,185,671</u></b>	<b><u>177,715,940</u></b>
<b>Liquidity gap</b>	<b><u>33,001,561</u></b>	<b><u>480,340,091</u></b>	<b><u>(177,185,671)</u></b>	<b><u>336,155,981</u></b>
<b>31 December 2021</b>				
<b>Financial assets at fair value through profit or loss -government securities</b>				
Fixed deposits with financial institutions	6,595,520	6,375,978		12,971,498
Demand deposits with financial institutions	14,273,923	-		14,273,923
Bank balances	<u>188,597</u>	-		<u>188,597</u>
<b>Total</b>	<b><u>21,058,040</u></b>	<b><u>263,152,126</u></b>	<b>=</b>	<b><u>284,210,166</u></b>
<b>Financial liabilities</b>				
Payables and accruals	<u>351,095</u>	-		<u>351,095</u>
Unit holder balances			<u>108,219,221</u>	<u>108,219,221</u>
<b>Total</b>	<b><u>351,095</u></b>	<b>-</b>	<b><u>108,219,221</u></b>	<b><u>108,570,316</u></b>
<b>Liquidity gap</b>	<b><u>20,706,945</u></b>	<b><u>263,152,126</u></b>	<b><u>(108,219,221)</u></b>	<b><u>175,639,850</u></b>

The fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant. The undiscounted values for the government securities and corporate bonds have been determined using Free Cash Flow (FCF) method at the average coupon rates and based on period to maturity. There is no legal restriction on fund's liquidity position.

1 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The Fund is exposed to price risk as a result of its holdings in quoted debt instruments investments, carried at fair value through profit or loss. Exposure to quoted debt instruments in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

An increase/decrease of 5% in bond prices would cause the profit for the year and net assets to increase/decrease by KShs 7,194,860 (2021: KShs 4,050,657)

(ii) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities that are measured at fair value through profit or loss. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates at the reporting date.

The fund's management monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of 5% in all yield curves of financial assets and financial liabilities. These particular exposures illustrate the fund's overall exposure to interest rate sensitivities included in the fund's Asset and Liability Management (ALM) framework and its impact in the fund's profit or loss.

An increase/decrease of 5% in interest yields would cause the net return on investments to increase/decrease by KShs 2,173,750 (2021: KShs 1,627,678).

(iii) Foreign exchange risk

The fund has no financial instruments that would be subject to the foreign exchange risk.

(d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Securities by government of Kenya minimum 60%	Kenya government treasury bills and treasury bonds	Min 60%	81%
Cash and cash equivalents 40%	Bank deposits and cash balances	40%	19%
Related party balances 10%	Related party balances	10%	7%

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Determination of fair value and fair values hierarchy:

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

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 - 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 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
<b>At 31 December 2022</b>				
Financial assets at fair value through profit or loss-Government securities	143,926,894	-	-	143,926,894
	<u>143,926,894</u>	<u>-</u>	<u>-</u>	<u>143,926,894</u>
<b>At 31 December 2021</b>				
Financial assets at fair value through profit or loss-Government securities	80,952,285	-	-	80,952,285
	<u>80,952,285</u>	<u>-</u>	<u>-</u>	<u>80,952,285</u>

The trustee assessed that the fair values of cash, fixed and demand deposits, payables and accruals, net assets attributable to unit holders and commercial papers approximates their carrying amounts largely due to short-term maturities of these instruments.

CIC FIXED INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

3	INVESTMENT INCOME	2022 KShs	2021 KShs
(a)	Interest revenue calculated using effective interest rate method At amortised cost		
	Interest on financial assets at amortised cost-commercial paper	-	722,323
	Interest on call deposits	663,476	345,987
	Interest on fixed deposits	1,069,724	1,492,352
	Interest on financial assets at amortised cost-Corporate bonds	<u>-</u>	<u>57,737</u>
		<u>1,733,200</u>	<u>2,618,399</u>
(b)	Other interest and investment income		
	Interest on financial assets at fair value through profit or loss-Government securities	<u>12,785,442</u>	<u>4,045,014</u>
4	FAIR VALUE GAIN ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS		
	Fair value (loss)/gain (note 8)	<u>(2,965,887)</u>	<u>2,111,449</u>
5	ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	Increase in allowance for expected credit losses-corporate bonds (note 9)	-	(4,146)
	Decrease in allowance for expected credit losses-commercial paper (note 10)	-	(37,191)
	Decrease in allowance for expected credit losses-fixed deposits (note 11)	(1,509)	(38,795)
	Increase in allowance for expected credit losses-demand deposits (note 12)	<u>4,439</u>	<u>5,011</u>
		<u>2,930</u>	<u>(75,121)</u>
6	OPERATING EXPENSES		
	Management fees	2,967,237	1,881,836
	Trustee fees	265,360	208,800
	Custodial fees	237,268	167,864
	Audit fees	115,150	98,000
	Capital Markets Authority levy	37,500	37,500
	Audit fee disbursements	<u>25,103</u>	<u>21,364</u>
		<u>3,647,618</u>	<u>2,415,364</u>
7	TAX CHARGE		

The fund is exempt from income tax. Tax is withheld on the income distributed semi-annually to unit holders.

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

8	GOVERNMENT SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	2022 KShs	2021 KShs
	1 January	80,992,781	27,381,332
	Additions	65,900,000	63,500,000
	Maturities/Disposals	-	(12,000,000)
	Fair value (loss)/gain	<u>(2,965,887)</u>	<u>2,111,449</u>
		<u>143,926,894</u>	<u>80,992,781</u>
	<b>Maturity analysis</b>		
	Maturing between 1 year and 5 years	-	-
	Maturing after 5 years	<u>143,926,894</u>	<u>80,952,285</u>
		<u>143,926,894</u>	<u>80,952,285</u>
	The weighted average effective interest rate on treasury bonds as at 31 December 2022 was 13.23% p.a. (2021: 12.95%).		
9	FINANCIAL ASSETS AT AMORTISED COST CORPORATE BONDS	2022 KShs	2021 KShs
	At 1 January	-	825,048
	Purchase	-	1,500,000
	Maturity	-	(2,329,194)
		-	<u>(4,146)</u>
	Expected credit losses	-	<u>4,146</u>
	At 31 December	-	-
	<b>Maturity analysis</b>		
	Maturing in 1 to 2 years	-	-
		-	-
	<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
	As at 1 January	-	4,146
	Decrease in allowance for expected credit losses	-	<u>(4,146)</u>
	As at 31 December	-	-



CIC FIXED INCOME FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

10	FINANCIAL ASSETS AT AMORTISED COST COMMERCIAL PAPERS	2022 KShs	2021 KShs
	At 1 January	-	7,400,990
	Maturity	-	(7,736,183)
	Accrued interest	<u>-</u>	<u>298,002</u>
		<u>-</u>	<u>(37,191)</u>
	Expected credit losses	<u>-</u>	<u>37,191</u>
	At 31 December	<u>-</u>	<u>-</u>
	<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
	As at 1 January	-	37,191
	Increase/ (decrease) in allowance for expected credit losses	<u>-</u>	<u>(37,191)</u>
	As at 31 December	<u>-</u>	<u>-</u>
11	FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS	2022 KShs	2021 KShs
	NCBA Bank of Kenya	-	6,314,466
	Co-operative Bank of Kenya Ltd	8,527,836	-
	Kingdom Bank Kenya Ltd	1,576,849	-
	Equity Bank Kenya Ltd	<u>-</u>	<u>6,807,110</u>
		<u>10,104,685</u>	<u>13,121,576</u>
	Maturity analysis		
	Maturing within 3 months	-	13,121,576
	Maturing between 3 months and 13 months	<u>10,104,685</u>	<u>-</u>
		<u>10,104,685</u>	<u>13,121,576</u>
	Allowance for expected credit losses	<u>(5,052)</u>	<u>(6,561)</u>
		<u>10,099,633</u>	<u>13,115,015</u>
	<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
	As at 1 January	6,561	45,356
	Decrease in allowance for expected losses	<u>(1,509)</u>	<u>(38,795)</u>
	As at 31 December	<u>5,052</u>	<u>6,561</u>

The weighted average effective interest rate on fixed deposits at 31 December 2022 was 10.00 % p.a. (2021: 8.72% p.a.).

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

12	DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS	2022 KShs	2021 KShs
	Maturing within 90 days		
	NCBA Bank Kenya Limited	13,629,226	11,760,088
	Equity Bank Kenya Limited	5,066,455	-
	The Co-operative Bank of Kenya Limited	<u>4,464,781</u>	<u>2,520,976</u>
		<u>23,160,462</u>	<u>14,281,064</u>
	Allowance for expected credit losses	<u>(11,580)</u>	<u>(7,141)</u>
		<u>23,148,882</u>	<u>14,273,923</u>
	<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
	As at 1 January	7,141	2,130
	Increase in allowance for expected credit losses	<u>4,439</u>	<u>5,011</u>
	As at 31 December	<u>11,580</u>	<u>7,141</u>
	The weighted average effective interest rate on demand deposits at 31 December 2022 was 9.40% p.a. (2021: 7.96% p.a.)		
13	CASH AND CASH EQUIVALENTS	2022 KShs	2021 KShs
	(a) Bank balances	540,531	188,597
	(b) Demand deposits with financial institutions (note 12)	23,148,882	14,273,923
	(c) Fixed deposits with financial institutions (note 11)	-	<u>13,121,576</u>
		<u>23,689,413</u>	<u>27,584,096</u>
	There are no cash & cash equivalents that are not available for fund's day to day operations.		
14	PAYABLES AND ACCRUALS	2022 KShs	2021 KShs
	Audit fees	140,253	98,000
	Trustee and custody fees	56,187	55,559
	Due to CIC Asset Management Limited (note 15)	<u>333,829</u>	<u>197,536</u>
		<u>530,269</u>	<u>351,095</u>

CIC FIXED INCOME FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

15 RELATED PARTY TRANSACTIONS

CIC Fixed Income Fund has CIC Asset Management Limited as its Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group PLC which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables.

There were no provisions made or amounts written off on related party balances during the year (2021: nil). The amounts due to related parties are non- interest bearing and the balances are not secured.

As at 31 December 2022, the balances and transactions with the CIC Asset Management Limited were as follows:

	2022 KShs	2021 KShs
Transactions with related party during the year are as follows:		
CIC Asset Management Limited		
Management fees	2,967,237	1,881,836
The balance outstanding at year end was as follows:		
Due to CIC Asset Management Limited (Note 14)	<u>333,829</u>	<u>197,536</u>

16. DISTRIBUTIONS

The total income paid to unit holders semi-annually amounted to KShs. 14,284,396 (2021: KShs. 9,289,974).

17. TRANSACTIONS OF UNITS

	2022 KShs	2021 KShs
Purchases	107,526,946	63,845,469
Sales	<u>(32,184,167)</u>	<u>(7,669,692)</u>
Net proceeds	<u>75,342,779</u>	<u>56,175,777</u>

18. CURRENCY

The financial statements are presented in the fund's functional currency, Kenya Shillings (KShs).

19. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments during the year.

20. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

21. REGISTRATION

The Fund is registered in Kenya under the Kenyan Capital Markets (Collective Investments Schemes) Regulations, 2001.

**CIC FIXED INCOME FUND  
PERFORMANCE RECORD  
FOR THE YEAR ENDED 31 DECEMBER 2022**  
Appendix iv (Unaudited)

The cumulative average growth rate of the funds invested in the Fund:

	2018	2019	2020	2021	2022
Growth rate	2.00%	18.75%	26.00%	97.05%	63.73%

The closing, lowest and highest unit prices of the units of the fund

	2018	2018	2018	2019	2019	2019	2020	2020	2020	2021	2021	2021	2022	2022	2022
	Bid price	Offer price	Bid price	Bid price	Offer price	Offer price	Bid price	Offer price	Bid price	Offer price	Bid price	Offer price	Bid price	Offer price	Offer price
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Closing unit price	9.01	9.24	8.80	8.80	9.02	9.02	8.46	8.59	8.33	8.45	8.09	8.21	8.09	8.21	8.21
Lowest unit price	8.97	9.19	8.80	8.80	9.02	9.02	8.42	8.55	8.28	8.40	7.96	8.08	7.96	8.08	8.08
Highest unit price	10.31	10.56	9.15	9.15	9.38	9.38	8.87	9.00	8.48	8.61	8.24	8.36	8.24	8.36	8.36

The total fund value, number of units and net income distributed at the end of the year:

	2018	2019	2020	2021	2022
	KShs	KShs	KShs	KShs	KShs
Total fund value (KShs)	36,557,111	43,402,329	54,898,799	108,219,221	177,185,671
Number of units in issue	4,099,301	4,898,360	6,689,197	12,599,618	22,163,198
Net income distributed per unit (KShs)	0.49	0.54	0.80	0.74	0.13

## **CIC WEALTH MANAGEMENT FUND**



**CIC WEALTH MANAGEMENT FUND  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
AS AT 31 DECEMBER 2022**

	Note	2022 KShs	2021 KShs
Interest revenue calculated using effective interest rate method	3	26,571,431	20,015,809
Decrease/(Increase) in allowance for expected credit losses	4	664,185	(832,740)
Operating expenses	5	<u>(4,355,175)</u>	<u>(1,778,868)</u>
Profit before tax		<u>22,880,441</u>	<u>17,404,201</u>
Income tax expense		<u>-</u>	<u>-</u>
Profit before distributions to unit holders		<u>22,880,441</u>	<u>17,404,201</u>

CIC WEALTH MANAGEMENT FUND  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>ASSETS</b>			
Fixed deposits with financial institutions	7	159,935,256	362,639,963
Demand deposits with financial institutions	8	2,431,053	912,300
Bank balances	9(a)	<u>27</u>	<u>46,929</u>
<b>TOTAL ASSETS</b>		<b><u>162,366,336</u></b>	<b><u>363,599,192</u></b>
<b>LIABILITIES</b>			
Payables and accruals	10	3,440,450	1,554,846
Unit holders' balances		<u>158,925,886</u>	<u>362,044,346</u>
<b>Total liabilities</b>		<b><u>162,366,336</u></b>	<b><u>363,599,192</u></b>

The financial statements were approved by the Trustee on .....7.....March 2023 and were signed on behalf of the Trustee

by: KCB BANK KENYA LTD.

.....  
 Corporate Trustee

KCB BANK KENYA LTD.

.....  
 Corporate Trustee



**CIC WEALTH MANAGEMENT FUND  
STATEMENT OF CHANGE IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022 KShs	2021 KShs
Unit holder balance at 1 January		<u>362,044,346</u>	<u>27,252,181</u>
Net proceeds from units traded in the year	12	(225,998,901)	317,387,964
Profit before distributions to unit holders		<u>22,880,441</u>	<u>17,404,201</u>
<b>UNIT HOLDER BALANCE AT 31 DECEMBER</b>		<u><b>158,925,886</b></u>	<u><b>362,044,346</b></u>

CIC WEALTH MANAGEMENT FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs	2021 KShs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		22,880,441	17,404,201
<b>Adjustments</b>			
Accrued interest on financial assets at amortised cost-Commercial Paper		-	(779,736)
Provision for expected credit losses-Commercial Paper	4	-	(103,731)
Provision for expected credit losses-Fixed deposits	4	(664,945)	937,162
Provision for expected credit losses-Demand deposits	4	760	(891)
<b>Changes in operating assets and liabilities:</b>			
Maturity of financial assets at amortized cost-commercial paper		-	21,525,959
Net Investment in Fixed Deposits	7	182,761,694	(308,895,154)
Increase in payables and accruals	10	<u>1,885,604</u>	<u>(1,691,064)</u>
Net cash used in operating activities		<u>206,863,554</u>	<u>(271,603,054)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from units issued	12	(225,998,901)	317,387,964
Distributions paid during the year		-	-
Net cash (used in)/generated from financing activities		<u>(225,998,901)</u>	<u>317,387,964</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(19,135,347)</b>	<b>45,784,910</b>
<b>BEGINNING CASH AND CASH EQUIVALENTS</b>		<b><u>55,640,509</u></b>	<b><u>9,855,599</u></b>
<b>CASH AND CASH EQUIVALENTS AT 31 DECEMBER</b>		<b><u>36,505,162</u></b>	<b><u>55,640,509</u></b>

CIC WEALTH MANAGEMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

SIGNIFICANT ACCOUNTING POLICIES

The accounting policies on pages 120 to 130 form part of these financial statements.

1 FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which include trading in the bond market. These activities expose the Fund to a variety of financial risks, these includes; credit risk, liquidity risk, market risk, operational and business risks. The Trust Deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on its financial performance.

Risk management structure

The Fund manager is responsible for identifying and controlling risks. The Trustee supervises the fund manager and is ultimately responsible for the overall risk management of the Fund.

a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

The Fund's internal rating process

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the ECL's. The ratings are determined incorporating both qualitative and quantitative information from external parties ratings supplemented with information specific to the counterparty that could affect the counterparty's behaviour. The Fund reassess the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

Significant increase in credit risk, default and cure

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12mECL or LTECL, the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties.

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 30 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

2022	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Commercial papers	-	-	-	-	-
Fixed deposits	159,935,256	-	-	-	159,935,256
Demand deposits	2,431,053	-	-	-	2,431,053
Cash and bank balances	27	-	-	-	27
	<u>162,366,336</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,366,336</u>
2021	High grade KShs	Standard grade KShs	Past due but not impaired KShs	Individually impaired KShs	Total KShs
Commercial papers	-	-	-	-	-
Fixed deposits	362,639,963	-	-	-	362,639,963
Demand deposits	912,300	-	-	-	912,300
Cash and bank balances	46,929	-	-	-	46,929
	<u>363,599,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>363,599,192</u>

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

*Fixed deposits with financial institutions*

Gross	160,245,327	363,614,978
Less: Loss allowance	<u>(310,071)</u>	<u>(975,016)</u>
Net carrying amount	<u>159,935,256</u>	<u>362,639,962</u>

*Demand deposits with financial institutions*

Gross	2,432,269	912,756
Less: Loss allowance	<u>(1,216)</u>	<u>(456)</u>
Net carrying amount	<u>2,431,053</u>	<u>912,300</u>

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk(continued)

*Impairment losses on financial assets subject to impairment assessment. (continued)*

Reconciliation of loss allowance accounts

	At 31 December 2021	Increase/ (decrease) in loss allowance	At 31 December 2022
	KShs	KShs	KShs
Demand deposits with financial institutions	456	760	1,216
Fixed Deposits with financial institutions	<u>975,016</u>	<u>(664,945)</u>	<u>310,071</u>
	<u>975,472</u>	<u>(664,185)</u>	<u>311,287</u>

	At 31 December 2020	Increase/ (decrease) in loss allowance	At 31 December 2021
	KShs	KShs	KShs
Commercial papers	103,731	(103,731)	-
Demand deposits with financial institutions	1,147	(691)	456
Fixed Deposits with financial institutions	<u>37,854</u>	<u>937,162</u>	<u>975,016</u>
	<u>142,732</u>	<u>832,740</u>	<u>975,472</u>

Risk concentrations of the maximum exposure to credit risk

Concentration of credit risk is managed by industry sector.

The following table analyses the concentration of credit risk by industry sector

2022	Financial institution KShs	Government KShs	Others* KShs	Total KShs
Bank balances	27	-	-	27
Demand deposits with financial institutions	2,432,269	-	-	2,432,269
Fixed deposits with financial institutions	<u>159,935,256</u>	<u>-</u>	<u>-</u>	<u>159,935,256</u>
	<u>162,367,552</u>	<u>-</u>	<u>-</u>	<u>162,367,552</u>
2021	Financial institution KShs	Government KShs	Others* KShs	Total KShs
Bank balances	46,929	-	-	46,929
Demand deposits with financial institutions	912,300	-	-	912,300
Fixed deposits with financial institutions	<u>362,639,963</u>	<u>-</u>	<u>-</u>	<u>362,639,963</u>
	<u>363,599,192</u>	<u>-</u>	<u>-</u>	<u>363,599,192</u>

No collateral was held for these assets. None of the above assets is either past due or impaired.

\* Other industries are represented by commercial services (49%) and construction (51%) sectors. The fund does not have any commitment and guarantees. As a result, it does not have any credit exposure relating to the commitment and guarantee.

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT (continued)

a) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the Fund's reputation.

The table below summarises the maturity profile of the undiscounted cash flows of the fund's financial assets and liabilities as at 31 December.

	6 months or on demand KShs	More than 1 year KShs	Maturity not stated Kshs	Total KShs
<b>31 December 2022</b>				
<b>Financial assets</b>				
Financial assets at amortised cost-Commercial paper	-	-	-	-
Fixed deposits with financial institutions	160,245,327	-	-	160,245,327
Demand deposits with financial institutions	2,432,269	-	-	2,432,269
Bank balances	<u>27</u>	<u>-</u>	<u>-</u>	<u>27</u>
<b>Total</b>	<b><u>162,677,623</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>162,677,623</u></b>
<b>Financial liabilities</b>				
Payables and accruals	<u>3,440,450</u>	<u>-</u>	<u>-</u>	<u>3,440,450</u>
Unit holder balance	-	-	<u>158,925,886</u>	<u>158,925,886</u>
<b>Liquidity gap</b>	<b><u>159,237,173</u></b>	<b><u>-</u></b>	<b><u>(158,925,886)</u></b>	<b><u>311,287</u></b>
	6 months or on demand KShs	More than 1 year KShs	Maturity not stated Kshs	Total KShs
<b>31 December 2021</b>				
<b>Financial assets</b>				
Financial assets at amortised cost-Commercial paper	-	-	-	-
Fixed deposits with financial institutions	363,614,978	-	-	363,614,978
Demand deposits with financial institutions	912,756	-	-	912,756
Bank balances	<u>46,929</u>	<u>-</u>	<u>-</u>	<u>46,929</u>
<b>Total</b>	<b><u>364,574,663</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>364,574,663</u></b>
<b>Financial liabilities</b>				
Payables and accruals	<u>1,554,846</u>	<u>-</u>	<u>-</u>	<u>1,554,846</u>
Unit holder balance	-	-	<u>362,044,346</u>	<u>362,044,346</u>
<b>Total</b>	<b><u>1,554,846</u></b>	<b><u>-</u></b>	<b><u>362,044,346</u></b>	<b><u>363,599,192</u></b>
<b>Liquidity gap</b>	<b><u>363,019,818</u></b>	<b><u>-</u></b>	<b><u>(362,044,346)</u></b>	<b><u>975,472</u></b>

The fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant. The undiscounted values for the government securities and corporate bonds have been determined using Free Cash Flow (FCF) method at the average coupon rates and based on period to maturity. There are no legal restriction on fund's liquidity position.

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1 FINANCIAL RISK MANAGEMENT(CONTINUED)

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The Fund is exposed to price risk as a result of its holdings in quoted debt instruments investments, carried at fair value through profit or loss. Exposure to quoted debt instruments in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

(ii) Interest rate risk

The fund has no financial instruments that would be subject to the interest rate risk. The fund holds only bank deposits which are measured at amortised cost.

(iii) Foreign exchange risk

The fund has no financial instruments that would be subject to the foreign exchange risk.

(d) Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Cash and cash equivalents	Bank deposits and cash balances	100%	100%
Related party balances 10%	Related party balances	10%	0%



**CIC WEALTH MANAGEMENT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Determination of fair value and fair values hierarchy:

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

This hierarchy requires the use of observable market data when available. The fund considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

	Level 1 KShs	Level 2 KShs	Level 3 KShs	Total KShs
<b>At 31 December 2022</b>				
Fixed deposits with financial institutions	-	159,935,256	-	362,639,963
Demand deposits with financial institutions	-	2,431,053	-	912,300
Bank balances	-	27	-	46,929
	-	<u>162,366,336</u>	-	<u>363,599,192</u>
<b>At 31 December 2021</b>				
Fixed deposits with financial institutions	-	362,639,963	-	362,639,963
Demand deposits with financial institutions	-	912,300	-	912,300
Bank balances	-	46,929	-	46,929
	-	<u>363,599,192</u>	-	<u>363,599,192</u>

The trustee assessed that the fair values of payables and accruals, net assets attributable to unit holders and commercial papers approximates their carrying amounts largely due to short-term maturities of these instruments.

CIC WEALTH MANAGEMENT FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

3	INVESTMENT INCOME	2022 KShs	2021 KShs
	Interest revenue calculated using effective interest rate method At amortised cost		
	Interest on financial assets at amortised cost-commercial paper	-	1,960,411
	Interest on fixed deposits	26,373,533	17,974,258
	Interest on demand deposits	<u>197,898</u>	<u>81,140</u>
		<u>26,571,431</u>	<u>20,015,809</u>
4	ALLOWANCE FOR EXPECTED CREDIT LOSSES (Decrease)/Increase in allowance for expected Credit Loses- Commercial Paper	-	103,731
	Increase in allowance for expected Credit Loses-Fixed deposits	664,945	(937,162)
	Increase in allowance for expected Credit Loses-Demand deposits	<u>(760)</u>	<u>691</u>
		<u>664,185</u>	<u>(832,740)</u>
5	OPERATING EXPENSES		
	Management fees	3,248,097	867,979
	Trustee fees	556,799	467,852
	Custodial fees	410,026	323,673
	Audit fees	115,150	98,000
	Audit fee disbursements	<u>25,103</u>	<u>21,364</u>
		<u>4,355,175</u>	<u>1,778,868</u>

6 TAX CHARGE

The fund is exempt from income tax. Tax is withheld on the income distributed to unit holders.

CIC WEALTH MANAGEMENT FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

7	FIXED DEPOSITS IN FINANCIAL INSTITUTIONS	2022 KShs	2021 KShs
	Development bank of Kenya Limited	-	66,175,342
	Credit Bank of Kenya Limited	-	64,353,335
	Sidian Bank	34,074,082	66,470,000
	Family Bank	61,301,561	60,593,425
	Kingdom Bank	64,869,684	60,577,809
	SBM Bank	-	45,445,068
		<u>160,245,327</u>	<u>363,614,978</u>
	Maturity analysis		
	Maturing within 3months	34,074,082	54,681,280
	Maturing between 3months and 12months	126,171,245	308,933,698
		<u>160,245,327</u>	<u>363,614,979</u>
	Allowance on expected credit losses	<u>(310,071)</u>	<u>(975,016)</u>
		<u>159,935,256</u>	<u>362,639,963</u>

The weighted average effective interest rate on fixed Deposits as at 31 December 2022 was 11.20% p.a. (2021:9.91%)

8	DEMAND DEPOSITS IN FINANCIAL INSTITUTIONS	2022 KShs	2021 KShs
	Co-operative bank of Kenya Limited	<u>2,432,269</u>	<u>912,756</u>
		<u>2,432,269</u>	<u>912,756</u>
	Allowance on expected credit losses	<u>(1,216)</u>	<u>(456)</u>
		<u>2,431,053</u>	<u>912,300</u>

The weighted average effective interest rate on demand deposits as at 31 December 2022 was 10.00% p.a. (2021: 5.32%)

9	CASH AND CASH EQUIVALENTS	2022 KShs	2021 KShs
	(a) Bank balances	27	46,929
	(b) Demand deposits with financial institutions (note 8)	2,431,053	912,300
	(c) Fixed deposits with financial institutions (note 7)	<u>34,074,082</u>	<u>54,681,280</u>
		<u>36,505,162</u>	<u>55,640,509</u>

There are no cash & cash equivalents that are not available for the fund's day to day operations.

10	PAYABLES AND ACCRUALS	2022 KShs	2021 KShs
	Audit fees	140,253	98,000
	Trustee and custody fees	51,220	567,504
	Due to CIC Asset Management Limited (note 12)	<u>3,248,977</u>	<u>889,342</u>
		<u>3,440,450</u>	<u>1,554,846</u>

## CIC WEALTH MANAGEMENT FUND

### NOTES TO THE FINANCIAL STATEMENTS (continued) FOR THE YEAR ENDED 31 DECEMBER 2022

#### 11 RELATED PARTY TRANSACTIONS

CIC Wealth Management Fund has CIC Asset Management Limited as its Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group PLC which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables.

There were no provisions made or amounts written off on related party balances during the year (2021: nil). The amounts due to related parties are non-interest bearing and the balances are not secured.

As at 31 December 2022, the balances and transactions with the CIC Asset Management Limited were as follows:

	2022 KShs	2021 KShs
Transactions with related party during the year are as follows:		
CIC Asset Management Limited Management fees	3,248,097	889,342
The balance outstanding at year end was as follows:		
Due to CIC Asset Management Limited (Note 11)	<u>3,248,097</u>	<u>889,342</u>

#### 12 TRANSACTIONS OF UNITS

	2022 KShs	2021 KShs
Purchases	103,000,000	565,000,000
Sales	(328,998,901)	(247,612,036)
Net proceeds	<u>(225,998,901)</u>	<u>317,387,964</u>

#### 13 CURRENCY

The financial statements are presented in the fund's functional currency, Kenya Shillings (KShs).

#### 14 CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments during the year.

#### 15 EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

#### 16 REGISTRATION

The Fund is registered in Kenya under the Kenyan Capital Markets (Collective Investments Schemes) Regulations, 2001.

CIC WEALTH MANAGEMENT FUND  
 PERFORMANCE RECORD  
 FOR THE YEAR ENDED 31 DECEMBER 2022  
 Appendix v (Unaudited)

The cumulative average growth rate of the funds invested in the Fund:

	2020	2021	2022
Growth rate	-60%	1,090%	-56%

The closing, lowest and highest unit prices of the units of the fund

	2019 Daily yield % p.a.	2019 Annual yield % p.a.	2020 Daily yield % p.a.	2020 Annual yield % p.a.	2021 Daily yield % p.a.	2021 Annual yield % p.a.	2022 Daily yield % p.a.	2022 Annual yield % p.a.
Closing unit price	10.00%	10.00%	9.50%	9.50%	9.35%	9.35%	9.50	9.50
Lowest unit price	10.00%	10.00%	9.50%	9.50%	9.35%	9.35%	9.00	9.50
Highest unit price	10.00%	10.00%	9.50%	9.50%	9.35%	9.35%	9.75	9.75

The total fund value, number of units and net income distributed at the end of the year:

	2019 KShs	2020 KShs	2021 KShs	2022 KShs
Total fund value (KShs)	76,836,828	27,252,181	362,044,346	158,925,886
Number of units in issue	76,836,828	27,252,181	362,044,346	158,925,886
Income distributed per unit (% of units held)	10.00%	9.50%	9.35%	9.35%



**CIC DOLLAR FUND**





**CIC DOLLAR FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 DECEMBER 2022**


	Note	2022 USD	2021 USD
Other interest and investment income/(loss)	3(a)	275,807	(273,983)
Interest income calculated using effective interest rate method	3(b)	197,343	83,104
Fair value (loss)/gain on government securities at fair value through profit or loss	4(a)	(886,540)	256,782
Increase in allowance for expected credit losses	4(b)	(22,998)	(2,149)
Operating expenses	5	<u>(147,224)</u>	<u>(42,008)</u>
(Loss)/profit before tax		(583,612)	21,746
Income tax expense		<u>-</u>	<u>-</u>
(Loss)/profit for the year before distribution to the unit holders		<u>(583,612)</u>	<u>21,746</u>

CIC DOLLAR FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2022

	Notes	2022 USD	2021 USD
<b>ASSETS</b>			
Government securities at fair value through profit or loss	7	4,035,242	3,021,782
Fixed deposits with financial institutions	8	3,234,780	4,780,331
Demand deposits with financial institutions	9	2,422,569	246,876
Bank balances	10(a)	<u>58</u>	<u>341</u>
<b>TOTAL ASSETS</b>		<b><u>9,692,649</u></b>	<b><u>8,049,330</u></b>
<b>LIABILITIES</b>			
Payables and accruals	11	12,938	10,494
Unit holder balances		<u>9,679,711</u>	<u>8,038,836</u>
<b>Total Liabilities</b>		<b><u>9,692,649</u></b>	<b><u>8,049,330</u></b>

The financial statements were approved by the trustee on .....7..... March 2023 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

Corporate Trustee

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

**CIC DOLLAR FUND  
STATEMENT OF CHANGES IN UNIT HOLDER BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	Notes	2022 USD	2021 USD
Unit holder balance at 1 January		8,038,836	-
Net proceeds from units traded in the year	13	2,528,143	8,162,191
Profit before distributions to unit holders		(583,612)	21,746
Distributions payable in the year	14	<u>(303,656)</u>	<u>(145,101)</u>
<b>UNIT HOLDER BALANCE AT 31 DECEMBER</b>		<u><b>9,679,711</b></u>	<u><b>8,038,836</b></u>

CIC DOLLAR FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 USD	2021 USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		(583,612)	21,746
<i>Adjustments</i>			
Fair value (loss) / gain on Government Securities at fair value through profit or loss	7	886,540	(256,782)
Accrued interest on fixed deposits		-	(27,309)
Expected credit losses-Fixed deposits	4(b)	11,989	2,025
Expected credit losses-Demand deposits	4(b)	11,009	124
<b>Changes in operating assets and liabilities:</b>			
Purchase of treasury bonds at fair value through profit or loss	7	(1,900,000)	(2,765,000)
Net investment in fixed deposits with financial institutions	8	1,103,721	(3,660,000)
Payables and accruals	11	<u>2,444</u>	<u>10,494</u>
Net cash used in operating activities		<u>(467,909)</u>	<u>(6,674,702)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net Proceeds from units issued	13	2,528,143	8,162,191
Distributions paid in the year	14	<u>(303,656)</u>	<u>(145,101)</u>
Net cash generated from financing activities		<u>2,224,487</u>	<u>8,017,090</u>
INCREASE IN CASH AND CASH EQUIVALENTS		1,756,578	1,342,388
CASH AND CASH EQUIVALENTS AT 1 NOVEMBER 2020		<u>1,342,388</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	10	<u>3,098,966</u>	<u>1,342,388</u>

## SIGNIFICANT ACCOUNTING POLICIES

The accounting policies on pages 120 to 130 form part of these financial statements.

### 1. FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which include trading in the bond market, commercial papers and bank deposits. These activities expose the Fund to a variety of financial risks, these include; credit risk, liquidity risk, market risk, operating and business risks. The Trust Deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on its financial performance.

#### Risk management structure

The Fund manager is responsible for identifying and managing risks. The Trustee supervises the fund manager and is ultimately responsible for the overall risk management of the Fund.

#### a) Credit risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Fund is exposed to credit risk from its operating activities (primarily investments), including deposits with financial institutions and other financial instruments.

#### The Fund's internal rating process

The Fund's investment team prepares internal ratings for financial instruments in which counterparties are rated using internal grades. These are used to determine whether an instrument has had a significant increase in credit risk and to estimate the expected credit losses (ECL's). The ratings are determined incorporating both qualitative and quantitative information from external parties ratings supplemented with information specific to the counterparty that could affect the counterparty's behaviour. The Fund reassesses the internal credit rating of the financial instruments at every reporting period and considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due as well as other forward-looking information. This would result in change in the internal credit rating. When there has been a significant increase in credit risk since origination the allowance would be based on the life time ECL.

At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The Fund's internal credit rating grades is as follows:

Internal rating grade	Internal rating description
0	High grade
1	High grade
2	Standard grade
3	Sub-standard grade
4	Past due but not impaired
5	Individually impaired

CIC DOLLAR FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Significant increase in credit risk, default and cure

The Fund continuously monitors all assets subject to ECLs. In order to determine whether an instrument or portfolio of instruments is subject to 12 month ECL (12mECL) or life time ECL (LTECL), the Fund assesses whether there has been a significant increase in credit risk since initial recognition.

The Fund considers that there has been a significant increase in credit risk when any contractual payments are more than 30 days past due. In addition, the Fund also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include:

- Internal rating of the counterparty indicating default or near default
- The counterparty having past due liabilities to public creditors or employees
- The counterparty filing for bankruptcy application
- Counterparty's listed debt or equity suspended at the primary exchange because of rumours or facts of financial difficulties.

The Fund considers a financial instrument defaulted and, therefore, credit impaired for ECL calculations in all cases when the counterparty becomes 30 days past due on its contractual payments. The Fund may also consider an instrument to be in default when internal or external information indicates that the Fund is unlikely to receive the outstanding contractual amounts in full. In such cases, the Fund recognises a lifetime ECL.

In rare cases when an instrument identified as defaulted, it is the Fund's policy to consider the financial instrument as "cured" and therefore re-classified out of credit-impaired when none of the default criteria have been present for at least twelve consecutive months.

*Credit risk exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Fund by classifying assets according to the Fund's credit ratings of counter parties.

31 December 2022

	High grade USD	Standard grade USD	Past due but not impaired USD	Individually impaired USD	Total USD
Demand deposits with financial institutions	2,422,569	-	-	-	2,422,569
Fixed deposits with financial institutions	3,234,780	-	-	-	3,234,780
Cash and bank balances	58	-	-	-	58
	<u>5,657,407</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,657,407</u>

31 December 2021

	High grade USD	Standard grade USD	Past due but not impaired USD	Individually impaired USD	Total USD
Demand deposits with financial institutions	246,876	-	-	-	246,876
Fixed deposits with financial institutions	4,780,331	-	-	-	4,780,331
Cash and bank balances	341	-	-	-	341
	<u>5,027,548</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,027,548</u>

*Impairment losses on financial assets subject to impairment assessment.*

The tables below show the credit quality and maximum exposure to credit risk based on the Fund's internal credit rating system and analysis of changes in the gross carrying amount and the corresponding ECL's.

CIC DOLLAR FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE PERIOD ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

*Fixed deposits with financial institutions*

	2022	2021
	USD	USD
Gross	3,248,794	4,782,356
Less: Loss allowance	<u>(14,014)</u>	<u>(2,025)</u>
Net carrying amount	<u>3,234,780</u>	<u>4,780,331</u>

*Demand deposits with financial institutions*

	2022	2021
	USD	USD
Gross	2,433,702	247,000
Less: Loss allowance	<u>(11,133)</u>	<u>(124)</u>
Net carrying amount	<u>2,422,569</u>	<u>246,876</u>

Reconciliation of loss allowance accounts

	At 31 December 2021	Increase/(decrease) in loss allowance	At 31 December 2022
	USD	USD	USD
Fixed deposits with financial institutions	2,025	11,989	14,014
Demand Deposits with financial institutions	<u>124</u>	<u>11,009</u>	<u>11,133</u>
	<u>2,149</u>	<u>22,998</u>	<u>25,147</u>

	At 31 December 2021
	USD
Fixed deposits with financial institutions	2,025
Demand Deposits with financial institutions	<u>124</u>
	<u>2,149</u>

CIC DOLLAR FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2022

1. FINANCIAL RISK MANAGEMENT (continued)

a) Credit risk (continued)

Concentration of credit risk is managed by industry sector

The following table analyses the concentration of credit risk by industry sector.

2022	Financial institutions	Government	Others	Total
Financial assets	USD	USD	USD	USD
Bank balances	58	-	-	58
Demand deposits with financial institutions	2,422,569	-	-	2,422,569
Fixed deposits with financial institutions	<u>3,234,780</u>	-	-	<u>3,234,780</u>
	<u>5,657,407</u>	-	-	<u>5,657,407</u>
2021	Financial institutions	Government	Others*	Total
Financial assets	USD	USD	USD	USD
Bank balances	341	-	-	341
Demand deposits with financial institutions	246,876	-	-	246,876
Fixed deposits with financial institutions	<u>4,780,331</u>	-	-	<u>4,780,331</u>
	<u>5,027,548</u>	-	-	<u>5,027,548</u>

b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or the risk of damaging the Fund's reputation.

The table below summarises the maturity profile of the undiscounted cash flows of the Fund's financial assets and liabilities as at 31 December.

	6 months or on demand	Between 6 months and 1 year	More than 1 year	No maturity stated	Total
	USD	USD	USD	USD	USD
31 December 2022					
Financial assets					
Financial assets at fair value through profit or loss-					
Government Securities	-	-	4,035,242	-	4,035,242
Fixed deposits with financial institutions	2,540,540	708,254	-	-	3,248,794
Demand deposits with financial institutions	2,433,702	-	-	-	2,433,702
Bank balances	<u>58</u>	-	-	-	<u>58</u>
Total	<u>4,974,300</u>	<u>708,254</u>	<u>4,035,242</u>	-	<u>9,717,796</u>
Financial liabilities					
Financial Liabilities - Payables and accruals	<u>12,938</u>	-	-	-	<u>12,938</u>
Unit holder balance	-	-	-	<u>9,679,711</u>	<u>9,679,711</u>
Net liquidity gap	<u>4,961,362</u>	<u>708,254</u>	<u>4,035,242</u>	<u>(9,679,711)</u>	<u>25,147</u>



CIC DOLLARFUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE PERIOD ENDED 31 DECEMBER 2022

2. FINANCIAL RISK MANAGEMENT

(b) Liquidity risk (continued)

	6 months or on demand USD	Between 6 months and 1 year USD	More than 1 year USD	No maturity stated USD	Total USD
31 December 2021					
Financial assets					
Financial assets at fair value through profit or loss-					
Government Securities	-	-	4,774,622		4,774,622
Fixed deposits with financial institutions	2,016,777	2,815,687	-		4,832,464
Demand deposits with financial institutions	247,000	-	-		247,000
Bank balances	<u>341</u>	<u>-</u>	<u>-</u>		<u>341</u>
<b>Total</b>	<b><u>2,264,118</u></b>	<b><u>2,815,687</u></b>	<b><u>4,774,622</u></b>		<b><u>9,854,427</u></b>
Financial liabilities					
Financial Liabilities - Payables and accruals					
Unit holder balances	<u>10,494</u>	<u>-</u>	<u>-</u>	<u>8,038,836</u>	<u>8,038,836</u>
<b>Net liquidity gap</b>	<b><u>2,253,624</u></b>	<b><u>2,815,687</u></b>	<b><u>4,774,622</u></b>	<b><u>(8,038,836)</u></b>	<b><u>1,805,097</u></b>

The Fund's financial liabilities relate to the payable balances of which are payable within one year hence the discounting effect is not significant.

The undiscounted values for the government securities corporate bonds and commercial papers have been determined using Free Cash Flow (FCF) method at the average coupon rates based on period to maturity. There are no legal or regulatory restrictions in trading with the above financial instruments in the day to day operations of the Fund or in settling financial obligations.

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

(i) Price risk

The Fund is exposed to price risk as a result of its holdings in quoted debt instruments investments, carried at fair value through profit or loss. Exposure to quoted debt instruments in aggregate is monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes. Investments held are listed and traded on the Nairobi Securities Exchange.

An increase/decrease of 5% in bond prices would cause the profit for the year and net assets to increase/decrease by USD 222,574 (2021: USD 150,776).

(ii) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities that are measured at fair value through profit or loss. The sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument would fluctuate because of changes in market interest rates at the reporting date.

The Fund's manager monitors the sensitivity of reported interest rate movements on a monthly basis by assessing the expected changes in the different portfolios due to a parallel movement of 5% in all yield curves of financial assets and financial liabilities.

The Fund is not exposed to interest rate risk as all financial assets are at fixed interest rates.

(iii) Foreign exchange risk

The Fund has no financial instruments that would be subject to the foreign exchange risk.

**CIC DOLLARFUND**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**FOR THE PERIOD ENDED 31 DECEMBER 2022**

(d) Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but it endeavours to manage these risks through a control framework and by monitoring and responding to potential risks.

The CMA sets out that the book value of the fund's investment should not exceed the statutory limits:

Statutory limits	Security	Allowed limit	Fund's investment
Securities by government of Kenya 80%	Kenya government treasury bills and treasury bonds	80%	42%
Cash and cash equivalents 80%	Bank deposits and cash balances	80%	58%
Related party balances 10%	Related party balances	10%	0%

**2. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

Determination of fair value and fair value hierarchy

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments traded on exchanges.

Level 2 – 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 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

	Level 1 USD	Level 2 USD	Level 3 USD	Total USD
<b>At 31 December 2022</b>				
Government securities at fair value through profit or loss	<u>4,035,242</u>	<u>-</u>	<u>-</u>	<u>4,035,242</u>
	<u>4,035,242</u>	<u>-</u>	<u>-</u>	<u>4,035,242</u>
<b>At 31 December 2021</b>				
Government securities at fair value through profit or loss	<u>3,020,271</u>	<u>-</u>	<u>-</u>	<u>3,020,271</u>
	<u>3,020,271</u>	<u>-</u>	<u>-</u>	<u>3,020,271</u>

CIC DOLLARFUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2022

3.	<b>INVESTMENT INCOME</b>	<b>2022</b>	<b>2021</b>
	Analysed as follows:	USD	USD
	(a) Other interest and investment income/(loss)		
	Interest on treasury bonds at fair value through profit or loss	<u>275,807</u>	<u>(273,983)</u>
	(b) Interest revenue calculated using effective interest rate method		
	At amortised cost		
	Interest on fixed deposits with financial institutions	185,455	82,904
	Interest on demand deposits with financial institutions	<u>11,888</u>	<u>200</u>
		<u>197,343</u>	<u>83,104</u>
4.	(a) FAIR VALUE (LOSSES)/ GAINS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	<b>2022</b>	<b>2021</b>
		USD	USD
	Fair value gains(losses) on Government bonds (note 7)	<u>(886,540)</u>	<u>256,782</u>
	(b) ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	Increase in allowance for expected credit losses- fixed deposits (note 8)	11,989	2,025
	Allowance for expected credit losses- demand deposits (note 9)	<u>11,009</u>	<u>124</u>
		<u>22,998</u>	<u>2,149</u>
5.	<b>OPERATING EXPENSES</b>	<b>2022</b>	<b>2021</b>
		USD	USD
	Fund management fees	114,917	26,338
	Trustee's fee	20,605	9,883
	Custodial fee	10,566	5,034
	Audit fees	933	618
	Other operating expenses	<u>203</u>	<u>135</u>
		<u>147,224</u>	<u>42,008</u>

6. TAX CHARGE

The Fund is exempt from income tax. However, it withholds tax on interest distributed to unit holders.

CIC DOLLAR FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2022

7. TREASURY BONDS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 USD	2021 USD
As at 1 January 2021	3,021,782	-
Additions	1,900,000	2,765,000
Fair value (loss)/ gain	<u>(886,540)</u>	<u>256,782</u>
	<u>4,035,242</u>	<u>3,021,782</u>
<b>Malurity analysis</b>		
Maturing in more than 5 years	<u>4,035,242</u>	<u>3,021,782</u>

The weighted average effective interest rate on treasury bonds as at 31 December 2022 was 7.85% p.a. (2021: 7.75%)

8. FIXED DEPOSITS WITH FINANCIAL INSTITUTIONS

	2022 USD	2021 USD
Credit Bank Limited	194,529	980,089
Family Bank Limited	576,665	1,010,576
National Bank of Kenya Limited	-	1,000,118
SBM Bank	151,572	879,994
Victoria Commercial Bank	<u>2,326,028</u>	<u>911,579</u>
	<u>3,248,794</u>	<u>4,782,356</u>
Maturing within 3 months	665,206	1,095,047
Maturing between 3 months and 12 months	<u>2,583,588</u>	<u>3,687,309</u>
	<u>3,248,794</u>	<u>4,782,356</u>
Allowance for expected credit losses	<u>(14,014)</u>	<u>(2,025)</u>
Net deposits	<u>3,234,780</u>	<u>4,780,331</u>
<b>ALLOWANCE FOR EXPECTED CREDIT LOSSES</b>		
As at 1 January	2,025	-
Increase in allowance for expected credit losses	<u>11,989</u>	<u>2,025</u>
As at 31 December	<u>14,014</u>	<u>2,025</u>

The weighted average effective interest rate on fixed deposits as at 31 December 2022 was 3.98%p.a.(2021: 3.37%)

CIC DOLLAR FUND  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE PERIOD ENDED 31 DECEMBER 2022

9.	DEMAND DEPOSITS WITH FINANCIAL INSTITUTIONS	2022 USD	2021 USD
	NCBA Bank Kenya Limited		247,000
	Co-operative Bank of Kenya Limited	230,028	-
	National Bank of Kenya Limited	<u>2,203,674</u>	<u>-</u>
		<u>2,433,702</u>	<u>247,000</u>
	Allowance for expected credit losses	<u>(11,133)</u>	<u>(124)</u>
	Net deposits	<u>2,422,569</u>	<u>246,876</u>
	Maturity analysis		
	Maturing within 90 days	<u>2,422,569</u>	<u>246,876</u>
	ALLOWANCE FOR EXPECTED CREDIT LOSSES		
	As at 1 January	124	-
	Allowance for expected credit losses	<u>11,009</u>	<u>124</u>
	As at 31 December	<u>11,133</u>	<u>124</u>
	The weighted average effective interest rate on demand deposits as at 31 December 2022 was 3.50% p.a (2021: 0.50%).		
10.	CASH AND CASH EQUIVALENTS	2022 USD	2021 USD
	(a) Bank balances	58	341
	(b) Demand deposits with financial institutions (note 9)	2,433,702	247,000
	(c) Fixed deposits with financial institutions (note 8)	<u>665,206</u>	<u>1,095,047</u>
		<u>3,098,966</u>	<u>1,342,388</u>
	There are no cash & cash equivalents that are not available for fund's day to day operations.		
11.	PAYABLES AND ACCRUALS	2022 USD	2021 USD
	Audit fees	1,136	715
	Trustee and custody fees	2,750	6,284
	Due to CIC Asset Management Limited (note 12)	<u>9,052</u>	<u>3,495</u>
		<u>12,938</u>	<u>10,494</u>

CIC DOLLAR FUND  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE PERIOD ENDED 31 DECEMBER 2022

12. RELATED PARTY BALANCES AND TRANSACTIONS

CIC Dollar Fund is managed by CIC Asset Management Limited as its Fund manager. CIC Asset Management Limited is a subsidiary of The CIC Insurance Group PLC which is a holding Company and owns a number of other subsidiaries which are sister companies to CIC Asset Management Limited. The Fund transacts with the Fund Manager. There have been no guarantees provided for any related party payables.

There were no provisions made or amounts written off on related party balances during the year. The amounts due to related parties are non-interest bearing and the balances are not secured.

As at 31 December 2022, the balances and transactions with the CIC Asset Management Ltd were as follows:

	2022 USD	2021 USD
Investment held on behalf of related party CIC Asset Management Limited	<u>186,972</u>	<u>181,904</u>
Transactions with related party during the year are as follows:		
Fund management fees (note 5)	<u>114,917</u>	<u>26,338</u>
Due to CIC Asset Management (note 11)	<u>9,052</u>	<u>3,495</u>

Due to related parties relates to management fees owed to CIC Asset Management Limited as well as trustee, custody and CMA fees paid on behalf of the Fund by the CIC Asset Management Limited.

13. TRANSACTIONS OF UNITS

	2022 USD	2021 USD
Purchases	18,012,533	8,770,810
Sales	<u>(15,484,390)</u>	<u>(608,619)</u>
Net proceeds	<u>2,528,143</u>	<u>8,162,191</u>

14. DISTRIBUTION

The total income paid to unit holders during the year totalled USD 303,656 (2021: USD145,101).

15. CURRENCY

The financial statements are presented in the Fund's functional currency, United States Dollar (USD).

16. CONTINGENT LIABILITIES AND COMMITMENTS

There were no contingent liabilities and commitments during the year.

17. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date that would require adjustments to, or disclosure in, the financial statements.

18. REGISTRATION

The Fund is registered in Kenya under the Capital Markets (Collective Investment Schemes) Regulations, 2001

**CIC DOLLAR FUND  
PERFORMANCE RECORD  
FOR THE PERIOD ENDED 31 DECEMBER 2022  
Appendix vi (Unaudited)**

The cumulative average growth rate of the Fund's invested in the Fund:

	2021	2022
Growth rate	-	20%

The closing, lowest and highest daily and annual yield of the units of the Fund

	2021	2021	2022	2022
	Daily Yield	Annual Yield	Daily Yield	Annual Yield
	% p.a.	% p.a.	% p.a.	% p.a.
Closing unit price	4.05%	4.13%	3.57%	3.62%
Lowest unit price	2.96%	3.00%	2.06%	2.11%
Highest unit price	4.14%	4.22%	3.90%	3.95%

The total Fund value, number of units and net income distributed is as shown below:

	2021	2022
	USD	USD
Total Fund value (USD)	8,038,836	9,679,711
Number of units in issue	8,038,836	9,679,711
Net income distributed (% of units held)	3.73%	3.13%

## CIC UNIT TRUST SCHEME

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

#### 1. SIGNIFICANT ACCOUNTING POLICIES

##### (a) Basis of preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS) and the requirements of the Capital Markets Authority Act. The financial statements have been prepared on a historical cost basis, except otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Kshs), save for the CIC Dollar Fund, which is also the functional currency.

The financial statements comprise the statement of profit or loss and other comprehensive income, statements of financial position, statements of changes in equity, statements of cash flows, and notes to the financial statement. Income and expenses, excluding the components of other comprehensive income, are recognised in the profit or loss. Other comprehensive income is recognised in the statement of comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the profit or loss as required or permitted by IFRS. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

The funds present their statement of financial position broadly in order of liquidity from the least liquid to the most liquid. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the notes.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Scheme'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 2.

##### (b) New and amended standards and interpretations

The table below provides a summary of (i) new standards and amendments that are effective for the first time for periods commencing on or after 1 January 2022 (i.e. years ending 31 December 2022), and (ii) forthcoming requirements, being standards and amendments that will become effective on or after 1 January 2023.

##### i. New standards and amendments - applicable 1 January 2022

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2022:



CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New and amended standards and interpretations (continued)

i. New standards and amendments – applicable 1 January 2022 (continued)

Title	Key requirements	Effective Date *
Contracts – Cost of Fulfilling a Contract Amendments to IAS 37	The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	The following improvements were finalised in May 2020 and these amendments include minor changes to: (a). IFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities. (b). IFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	The amendment to IAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is ‘testing whether the asset is functioning properly’ when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity’s ordinary activities. Henceforth, the proceeds from selling such items, together with the costs of producing them, are recognised in profit or loss.	1 January 2022
COVID-19-related Rent Concessions – Amendments to IFRS 16	As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions. * The relief was originally limited to reduction in lease payments that were due on or before 30 June 2021. However, the IASB subsequently extended this date to 30 June 2022. If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment. However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.	1 June 2020/1 April 2021*

None of these amendments have had any significant impact on the financial statements.

CIC UNIT TRUST SCHEME  
 NOTES TO THE FINANCIAL STATEMENTS (continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) New and amended standards and interpretations (continued)

ii. New and amended standards in issue but not yet effective in the year ended 31 December 2022.

Title	Key requirements	Date *
Classification of Liabilities as Current or Non-current - Amendment to IAS 1	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 expectations of the entity or events after the reporting date (e.g. the receipt of a waiver 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. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting	1 January 2023 (deferred from 1 January 2022)
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	The IASB amended IAS 1 to 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.	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities. The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with: <ul style="list-style-type: none"> <li>• right-of-use assets and lease liabilities, and</li> <li>• decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets. The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.</li> </ul>	1 January 2023

\* applicable to reporting periods commencing on or after the given date.

These standards will not have a significant impact on the scheme.

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

Interest income is recognised in the statement of profit or loss as it accrues and is calculated by using the effective interest rate (EIR) method. Interest income is recognised using EIR method for all financial assets measured at amortised cost. Interest income on interest bearing financial assets measured at fair value through OCI under IFRS 9 is also recorded using the EIR method. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or liability or when appropriate, a shorter period, to the gross carrying amount of the financial asset.

The EIR (and therefore the amortised cost of the financial asset) is calculated taking into account transaction costs and any discount or premium on acquisition of the financial asset, as well as fees and costs that are an integral part of the EIR. The Fund recognises interest income using the EIR method.

Realised / unrealised gains and losses

Unrealised / realised gains and losses on valuation of financial assets at the reporting date or sale of financial assets are recognised in profit or loss. Gain and losses on the sale of investments are calculated as the difference between net sale proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

(d) Provisions

Provisions for liabilities are recognised when there is a present obligation (legal or constructive) resulting from a past event, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the monetary value of the obligation. Where the Fund expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Expenses

Expenses are recognised in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets.

- i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the expense associated with the using up of assets such as property and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
- ii) An expense is recognised immediately in profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

(f) Fair value measurement

The scheme measures financial instruments such as investment in government securities at fair value at each reporting date. Fair value disclosures for financial instruments at fair value or where fair value is disclosed are summarised in note 4 to the financial statements of the four funds.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the scheme. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The scheme uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2-Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3-Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the scheme determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the scheme has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the scheme's business model for managing them. With the exception of other receivables, which do not contain significant financing component, the scheme initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Scheme's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the scheme commits to purchase or sell the asset.

*Subsequent measurement*

For purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through profit or loss

*Financial assets at amortised cost (debt instruments)*

The Scheme measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Scheme's financial assets at amortised cost includes bank balances, deposits with financial institutions, demand deposits with financial institutions, commercial papers and corporate bonds,

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

*Business model assessment*

The scheme determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The scheme holds financial assets to generate returns and provide a capital base to provide for settlement of fund withdrawals as they arise. The Fund considers the timing, amount, and volatility of cash flow requirements to support the financial need of the fund in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The expected frequency, value, and timing of asset sales are important aspects of the scheme's assessment.

The business model assessment is based on reasonably expected scenarios without taking "worst case" or "stress case" scenarios into account. If cash flows after initial recognition are realised in a way that is different from the scheme's original expectations, the scheme does not change the classification of the remaining financial assets held in that business model but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

*The SPPI test*

As a second step of its classification process the scheme assesses the contractual terms to identify whether they meet the SPPI test.

"Principal" for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significance elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the scheme applies judgement and considers relevant factors such as the period for which the interest is set.

*Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

The scheme funds have designated government securities and classified quoted equity instruments in this category.

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

*Derecognition*

*Derecognition other than for substantial modification*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Funds statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Funds have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Funds have transferred substantially all the risks and rewards of the asset, or (b) the Funds have neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Funds have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Funds also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

*Derecognition due to substantial modification of terms and conditions*

The Funds derecognises a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new instrument, with the difference recognised as derecognition gain or loss. When assessing whether or not to derecognise an instrument, amongst others, the Fund considers the following factors: introduction of an equity feature, change in counterparty and if the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result into cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Funds records a modification gain or loss.

*Impairment of financial assets*

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL).

The 12mECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The scheme has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

CIC UNIT TRUST SCHEME  
NOTES TO THE FINANCIAL STATEMENTS (continued)  
FOR THE YEAR ENDED 31 DECEMBER 2022  
1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

*Impairment of financial assets (continued)*

Overview of ECL principles

The calculation of ECLs

The scheme calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. Company considers three scenarios (a base case, optimistic (upside) and pessimistic (downside), which are weighted at 30%, 30% and 40% respectively. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

- PD The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- EAD The Exposure at Default is an estimate of the exposure at a future default date, considering expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
- LGD The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

The maximum period for which the credit losses are determined is the contractual life of a financial asset at amortised cost unless the Fund has the legal right to call it earlier.

The scheme allocates its assets subject to ECL calculations into these categories determined as follows:

12MECL-The 12mECL is calculated as the portion of the LTECL that represents the ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. The Fund calculates the 12mECL allowance based on the expectation of a default occurring within 12 months following the reporting date.

LTECL-This is recorded when a financial instrument has shown a significant increase in credit risk since origination.

Impairment-For debt instruments considered credit-impaired, the scheme recognises the lifetime expected credit losses for these instruments.

Write offs

Financial assets are written off either partially or in entirety only when the scheme has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. There were no write offs over the period reported in these financial statements.

*Financial liabilities*

*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss if they meet the definition for trading or at amortised cost.



1. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial instruments (continued)

*Financial liabilities (continued)*

*Subsequent measurement*

The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

The Funds have not designated any financial liability at fair value through profit or loss.

*Other payables*

After initial recognition, other payables are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to other payables and the net assets attributable to unitholders.

*Derecognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

*Offsetting of financial assets and financial liabilities*

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(h) Taxation

The scheme is exempt from income tax, but it withholds tax on interest paid out to unit holders on regular basis.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Bank balances call deposits and fixed deposits maturing within three months from the reporting date are designated as cash and cash equivalents.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES

In the process of applying the scheme's accounting policies described above, the trustee has made estimates and assumptions that have a significant effect on the amounts recognized in the financial statements that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments 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 key areas of judgment in applying the scheme's accounting policies relates to the following:

*Impairment of financial assets*

The funds recognise an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Company did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant.

*(a) Fair value of financial assets*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include considerations of liquidity risk, credit risk, and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity and financial conditions of counterparties. Discount rates are influenced by risk free interest rates and credit risk. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Refer to note 4 for the four funds for details.

*(b) Going concern*

Trustee has assessed the scheme's ability to continue as a going concern and is satisfied that the scheme has the resources to continue in business for the foreseeable future. Trustee is not aware of any other material uncertainties that may cast significant doubt on the scheme's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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