AMANA UNIT TRUST SHILLING FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Trustee	NATBANK TRUSTEE and Investment Services Limited P.O Box 72866-00200 Nairobi
Registered Office and Principal Place of Business	Amana Unit Trust Saachi Plaza Block C 2nd Floor Argwings Kodhek Road PO Box 9480 – 00100 Kilimani, Nairobi, Kenya.
Promoter	Amana Capital Limited.
Fund Manager	Amana Capital Limited P.O. Box 9480 – 00100 Nairobi.
Custodian	Standard Chartered Securities Services Standard Chartered Chiromo, level 5 48, Westlands Road P.O Box 40984 – 00100 Nairobi.
Independent Auditor	Parker Randall Eastern Africa Certified Public Accountants Block 2 (A) Galleria Business Park P.O Box 25426 - 00100 Nairobi.

The trustee submits the Amana shilling fund (the 'Fund') report together with the audited financial statements for the year ended 31 December 2020.

Establishment, Nature and Status of the fund

The trust was established and is governed by an irrevocable Trust deed dated 10th September 2009. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act.

The Fund's primary objective is preservation of capital whilst providing a predictable and attractive level of periodic income. The Fund invests in money market and short-term debt securities provided that such debt securities do not have a tenor exceeding 12 months.

The Fund is a unit trust 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.

It is an approved collective investment scheme within the meaning of the Capital Markets Act and the holders are not liable for the debts of the Fund.

Changes to Incorporation Documents

There were no changes made to the trust deed during the year.

Fund Performance

The highest and lowest absolute yields and highest and lowest price during the year were as below:

Fund Type	2020		2019	
	Max Yield/Price	Min Yield/Price	Max Yield/Price	Min Yield/Price
Amana Shilling	9.8%	8.72%	8.85%	8.26%

Total Value of the Fund

The market value of the Fund as at 31 December 2020 was Kshs. 115,167,359 (2019: Kshs. 184,886,820).

Terms of appointment of Auditors

Parker Randall Eastern Africa continue in office in accordance with the Funds Trust Deed and section 55A of the capital markets (Licensing requirements) (general regulations) of 2002.

The trustee monitors the effectiveness objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associate's fees on behalf of the unit holders.

By order of the trustee

...../ 2021
Trustee

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

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

i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;

ii. Selecting suitable accounting policies and then apply them consistently; and

iii. Making judgements and accounting estimates that are reasonable in the circumstances.

The Trustee is of the opinion that the financial statements give a true and fair view of the financial affairs of the Amana Shilling Fund and its operating results.

In preparing the financial statements, the Trustee has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. The trustee shares the auditors opinion on the funds' going concern, including managements' responsibility to ascertain the funds' going concern ability.

The Trustee wishes to state that via a letter dated 7 October 2020, the Trustee resigned by giving the fund manager the requisite 3 months' notice and continues to carry out its fiduciary responsibility until a replacement is appointed to avoid leaving a vacuum in line with regulation 29 of The Capital Markets (Collective Investment Schemes) Regulations, 2001.

The financial statements set out on page 15 to 25, were approved by the trustee on 20 April .....2021 and were signed on its behalf by:

...../ 2021
Trustee

Dear Unit Holder,

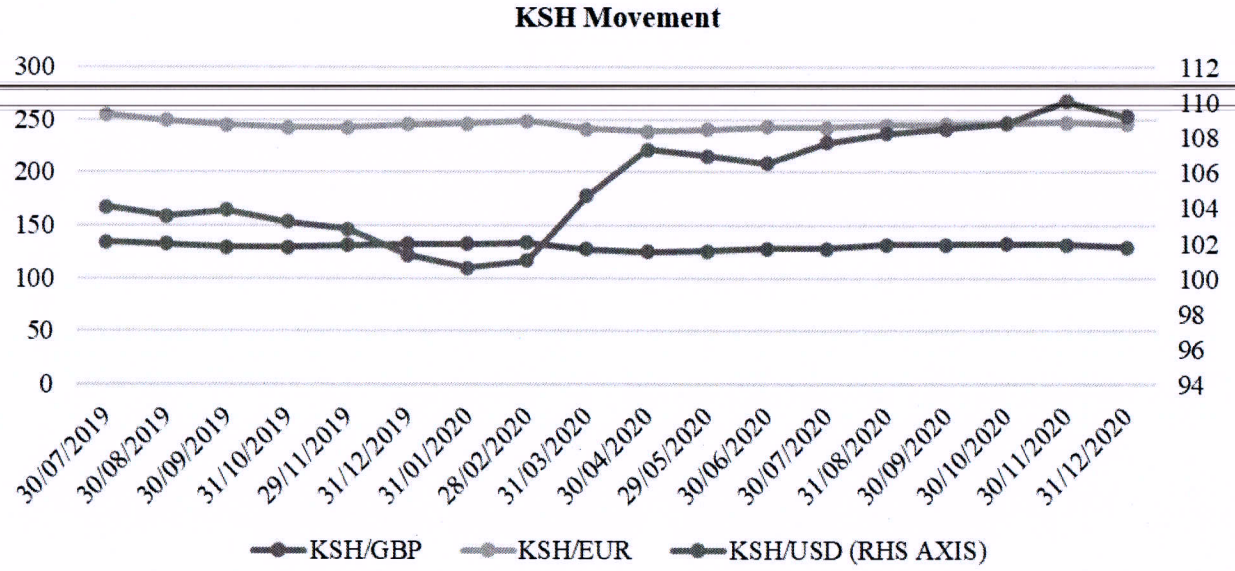
Economic outlook 2020

The year began with a slow-down in global growth, which was weighed down by the negative effects of the trade conflicts among the major economies along with related uncertainties following the outcome of Brexit. Economies were negatively impacted by the corona virus (COVID-19) pandemic, which defined the course of most economies through 2020.

Economy: The Kenyan economy was negatively affected by the pandemic in the first half of the year, contracting by 0.4 percent, with a 5.7 percent decline in Q2'2020 compared to a 5.3 percent growth in a similar timeframe in 2019. The contraction was largely led by an 83.3 percent drop in the lodging and food sector as a result of the closing of most facilities, as well as a decrease in tourist arrivals into the region. Other industries, such as fisheries, aided in preventing the economy from further deterioration. The economic implications of the unfolding COVID-19 pandemic triggered the economic plight.

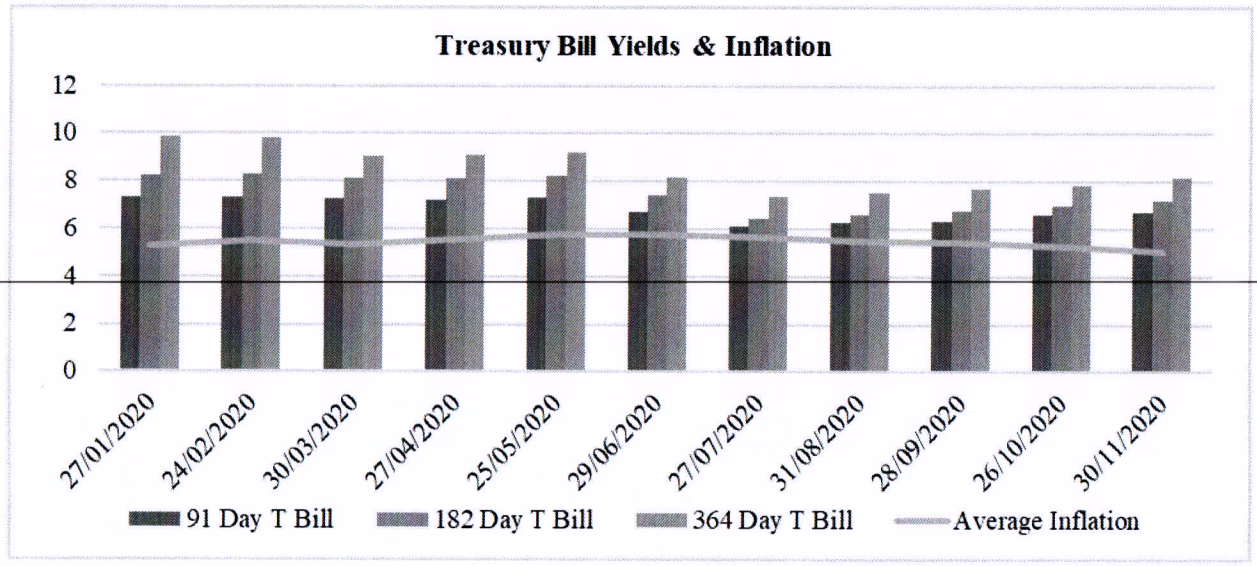
Inflation: In 2020, the inflation rate was relatively low as we had anticipated, with an annual monthly inflation rate of 5.2 percent. The December estimates were 5.6 percent higher than 5.5 percent in November and 5.8 percent lower than the December 2019 figure. Low inflation can be was attributed to the low fuel prices encountered throughout the first half of the year, along with the favourable weather conditions experienced at the end of the year that ensured that food product prices stayed low for much of the year.

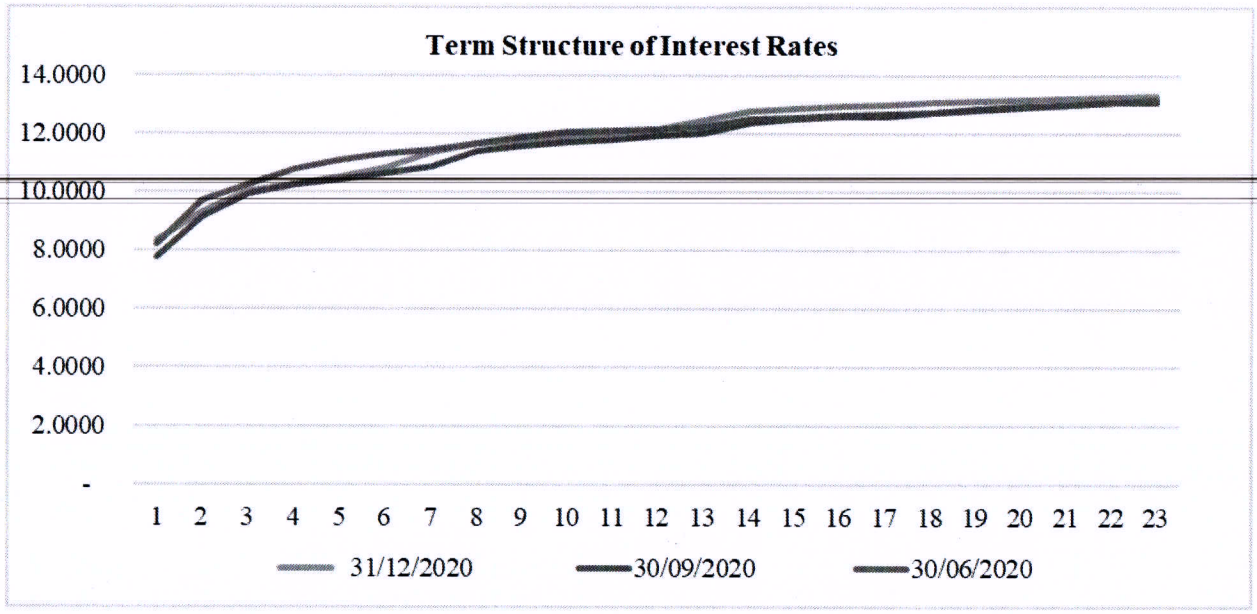
Currency: The Kenya shilling fell 7.7 percent against the US dollar in 2020, closing at Kshs 109.2 from Kshs 101.3 at the end of 2019. The shilling was under pressure due to increased dollar demand as individuals and institutions tend to keep foreign currency during periods of uncertainty, as well as a fall in dollar inflows from both goods and services which includes tourism. The Central Bank, on the other hand, was involved in the market to sustain the currency.



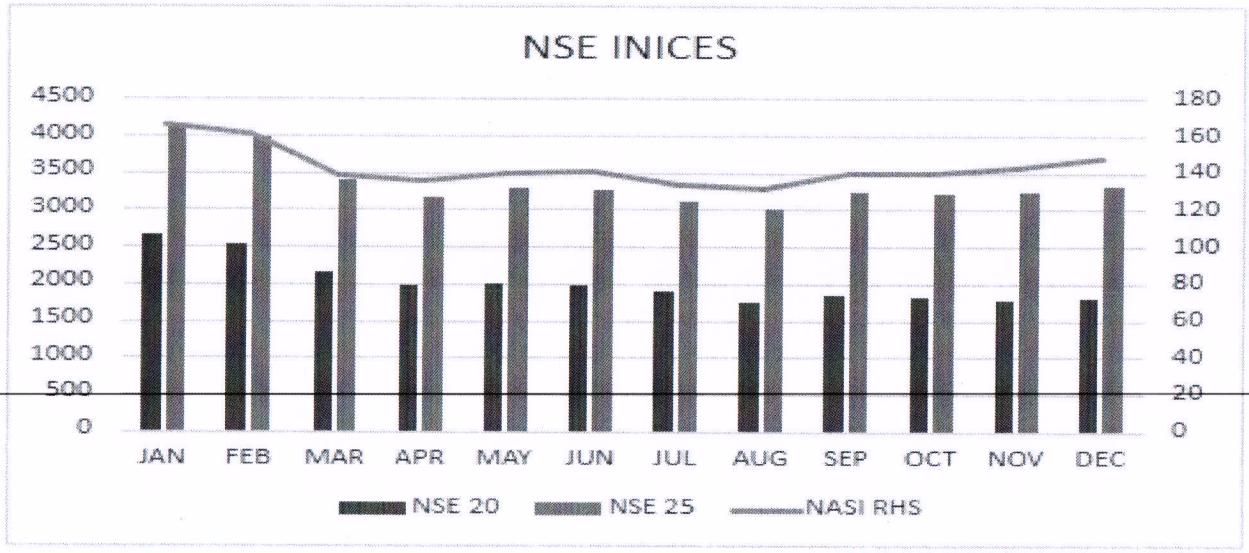
Interest rates: At its most recent meeting on November 26, 2020, the MPC held the CBR at 7.0 percent for the fifth time in a row, indicating that the cut from 7.25 percent in March last year, had the desired impact on the economy. The Committee concluded that, in addition to fiscal reforms, new accommodative monetary policies are now being communicated, with the aim of stimulating the economy in spite of the ongoing COVID-19 challenges.

Inflation: With an average monthly inflation rate of 5.2 percent in 2020, the inflation rate was moderately low. December projections were 5.6 percent higher than November estimates and 5.8 percent lower than December 2019 estimates. Low inflation can be attributed to low fuel prices in the first half of the year, as well as favourable weather conditions at the end of the year, which meant that food commodity prices remained low for most of the year





Equities: During the year, the Kenyan equities market declined by 8.6 percent, 16.7 percent, and 29.6 percent, on the NASI, NSE 25, and NSE 20 indices respectively. Equity turnover fell 5.9 percent year on year to USD 1.4 billion, down from USD 1.5 billion in FY2019. Foreign buyers turned net sellers, with a net outflow of USD 280.9 million, relative to net inflows of USD 10.7 million in fiscal year 2019. The stock market is currently trading at a price to earnings ratio (P/E) of 11.3x, down from 11.8x at the end of 2019, and 12.9 percent lower than the 11-year median average of 12.9x. The estimated annual dividend yield was 4.6 percent, which was 0.5 percentage point higher than the historical average of 4.1 percent.



Investment outlook & Strategy 2021

We anticipate that the economy will rebound in 2021, with GDP growth ranging from 3.9 to 4.1 percent.

Economy

A recovery in the business climate has been reported, as indicated by PMI index numbers in the second half of the year, which averaged 54.2, higher than the H1'2020 average of 42.4, where a reading of 50 suggests changes in the business environment and a reading below 50 indicates a deteriorating outlook. With the vaccines now available for sale, we anticipate that the eventual easing of travel controls would reduce global supply chain delays while also helping to increase consumer demand.

Following the favourable weather in Q4'2020 and early 2021, as well as the re-opening of the economies of some of Kenya's main trading partners could potentially spur gradual growth. Against the prospect of a trifling locust invasion, where immature locust swarms have been reported in the country's arid and semi-arid regions, the sector is expected to support expansion.

Private sector credit growth has been remarkably steady, averaging about 7.7 percent even through the pandemic. According to the most recent Monetary Policy Committee data, credit rose by 22.7 percent, 18.7 percent, 14.5 percent, and 12.8 percent, respectively, in the manufacturing, trade, transportation, and communication, and real estate sectors.

Currency

We expect the shilling to stay range-bound this year, backed by strong Diaspora inflows, which increased 10.7 percent to a record high of USD 3,094 mn for 2020, up from USD 2,796.6 mn in 2019. It increased by 19.5 percent to USD 299.0 million in December 2020, from USD 250.3 million in December 2019. This has been made possible by financial developments that have made it easier for Kenyans in the diaspora to trade, as well as CBK's supporting practices by free market operations such as selling and repurchase agreements. The improvement of the current account status which narrowed to 4.7 percent of GDP in the 12 months to November 2020, down from 5.4 percent of GDP in the same timeframe in 2019. This would be primarily motivated by increased tea and horticulture exports and would further improve foreign exchange earnings.

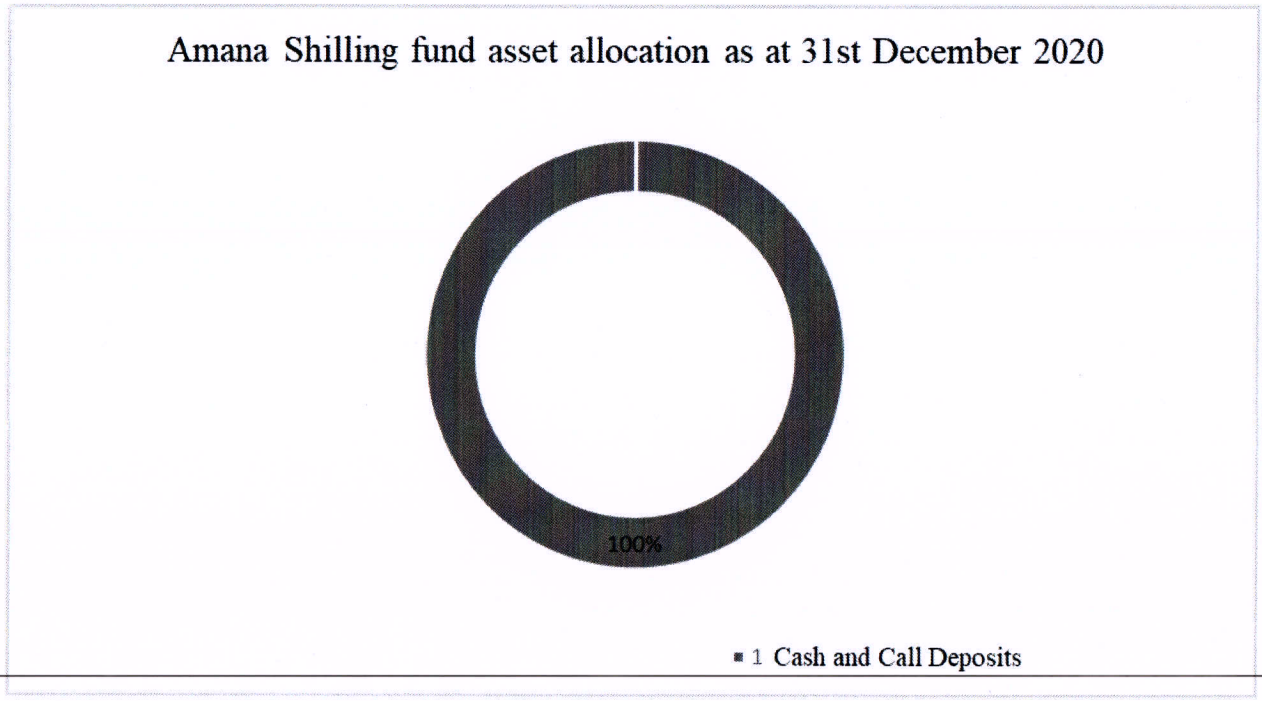
Inflation

We forecast 5.2 percent inflation in 2021, which is below the government's target range of 2.5 percent to 7.5 percent, with inflationary pressure steadily easing due to increased agricultural productivity. According to the UN, there is a possibility that a few locust swarms will breach the central region, but the majority will be limited to semi-arid areas.

Interest Rates:

The Central Bank Rate is expected to remain stable as the governments seeks to continue supporting the economy from the adverse effects of the pandemic. This is in-line with the policy stance in other developed economies such as the United States as well as the United Kingdom and various counties in Asia and the middle east.

We expect the investment environment in 2021 to present opportunities for growth but will be challenging as well. Our investment strategy remains largely unchanged; up to 70 percent of the funds will be invested in fixed income while 30% will be invested in equities. This will effectively manage our exposure to uncertainties as brought about by the knock-on effects of COVID – 19 on the markets.



6-Year Performance Table

	2020	2019	2018	2017	2016	2015
Amana Shilling Fund	9.88%	8.61%	6.91%	10.39%	13.58%	13.16%
91 Day Treasury Bill	6.85%	6.9%	7.73%	8.35%	8.63%	10.48%
NSE 20 Share Index Return	-28.15%	-6.33%	2.70%	16.5%	21.15%	-20.97%

.....

Signed on behalf of the fund manager

30/04/.....**2021**

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Standard Chartered Bank Kenya Limited as the Custodians and Amana Capital Limited as the Fund Manager, we confirm that for the year ended 31 December 2020:

- We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to Amana Unit Trust Balanced Fund;

- We have held the assets for the Amana Unit Trust Balanced Fund, including securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

STANDARD CHARTERED BANK KENYA LTD.

Manager.....

By order of the Custodian
Standard Chartered Bank Kenya Limited

...../ 2021

REPORT OF THE INDEPENDENT AUDITOR
TO THE UNIT HOLDERS OF AMANA UNIT TRUST SHILLING FUND
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Amana Shilling Fund set out on pages 10 to 27, which comprise the statement of financial position as at 31 December 2020, statement of profit or loss, statement of changes in net assets and statement of cash flows for the period then ended, and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Amana Shilling Fund as at 31 December 2020, and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of Kenyan Capital Markets (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 firm in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Going Concern

The accompanying financial statements have been prepared assuming that the fund will continue as a going concern.

While it is not the auditor's responsibility to determine whether, or not, the company can prepare its financial statements under the going concern presumption; this is the responsibility of the management. Our responsibility under ISA 570 is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation of the financial statements, and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern.
We are also required to report to you if we have anything material to add or to draw attention to in relation to the management's statement about whether they considered it appropriate to adopt the going concern basis in preparing the accounts

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters (Continued)

Key Audit Matter:	**How our audit addressed the key audit matter:**
Investments We focused on the valuation and existence of the investments in other funds (the "underlying funds") because these investments represent the principal element of the net asset value as disclosed in the statement of financial position in the financial statements	We understood and evaluated controls exercised by management in order to ensure valuations are appropriately performed in accordance with the international financial reporting standards. We reviewed the valuation models and evaluated the underlying assumptions used in the valuation of each significant investment, appropriateness of the valuation method used and validity of data used in the process. We tested the accuracy of the computations and assessed the adequacy of disclosures in the financial statements.

Other information

The Trustee is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information 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, we conclude that there is material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the trustee for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Capital Markets Authority (Collective Investment Schemes) Regulations, 2001, and for such internal control as the Trustee determine 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 Fund or to cease operations, or has no realistic alternative but to do so.

The Trustee is responsible for overseeing the Funds' financial reporting processes

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 judgment 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 company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of management'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 a significant doubt on the firm's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures or in the financial statements or, if such disclosures are inadequate, to modify our opinion.

- Our conclusions are based on the audit evidence up to the date of the auditor's report. However, future events or conditions may cause the firm 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 those charged with governance 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 Funds' financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal Requirements

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

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

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records;

- If the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of his audit; or

Report on Other Legal Requirements (Continued)

- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

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

Parker Randall Eastern Africa

Certified Public Accountants
Nairobi.

30/04 **/ 2021**

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Victor Majani – Practising Certificate No. 1546

	Notes	2020 KShs	2019 KShs
INCOME			
Interest earned	4	10,404,074	31,993,939
Total income		10,404,074	31,993,939
EXPENDITURE	5		
Management fees		4,243,340	6,031,364
Publishing		466,800	339,194
Custodial fees		291,628	777,248
Audit remuneration		176,462	222,680
Trustee fees		293,378	573,883
Other expenses		1,262,848	2,479,912
Nakumatt Commercial Paper write-off		-	375,086,657
		6,734,456	385,510,938
Profit/(Loss) for the year		**3,669,618**	**(353,516,999)**

The notes set out on pages 21 to 27 form an integral part of the financial statements.

	Notes	2020 Kshs	2019 Kshs
Assets			
Investments	6	13,399,475	186,230,123
Bank balances	7	103,791,601	832,892
		117,191,076	**187,063,015**
Unit holders fund		115,167,359	184,886,820
Total unit holders fund	9	115,167,359	184,886,820
Accrued liabilities	8	2,023,717	2,176,195
		117,191,076	**187,063,015**

The financial statements on page 17 to 27 were approved for issue by the Trustee on 30/4/2021 and signed on its behalf by:

.....

Trustee

.....

Name

The notes set out on pages 21 to 27 form an integral part of the financial statements.

	2020 Kshs	2019 Kshs
At the beginning of the year	184,886,820	741,354,407
Net unit holders cash outflow	(73,389,079)	(202,950,588)
Profit / (Deficit) for the year	3,669,618	(353,516,999)
Funds attributable to unit holders at the end	**115,167,359**	**184,886,820**

The notes set out on pages 21 to 27 form an integral part of the financial statements.

	NOTES	2020 Kshs	2019 Kshs
CASHFLOW FROM OPERATING ACTIVITIES			
Surplus for the year		3,669,618	(353,516,999)
Changes in working capital:			
(Decrease) / Increasein trade and other payables	8	(152,478)	1,249,339
CashGenerated from/(used) in operating activities		**3,517,140**	**(352,267,660)**
CASH FLOW FROM INVESTING ACTIVITIES			
Net movement due to purchase/sales of investments	6	172,830,648	547,060,191
Net cash generated from/(used in) investing activities		**172,830,648**	**547,060,191**
CASH FLOW FROM FINANCING ACTIVITIES			
(Decrease) / Increase in unit holder funds	9	(73,389,079)	(202,950,588)
Net cash used in financing activities		**(73,389,079)**	**(202,950,588)**
Increase in cash and cash equivalents		102,958,709	(8,158,057)
As at the beginning of the year		832,892	8,990,949
As at the end of the year	**7**	**103,791,601**	**832,892**

The notes set out on pages 21 to 27 form an integral part of the financial statements.

1. Summary of significant accounting policies

a) Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and the Capital Markets Authority Act. The financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings (Kshs).

b) Changes in Accounting Policy and Disclosures

New and Amended Standards not yet adopted by the Fund

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Fund.

IFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments.

IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted. The Trustees are of the view that there will be no significant impact on the adoption of IFRS 9.

1. Summary of significant accounting policies (Continued)

c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires trustees to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

d) Revenue Recognition

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Fund and the amount of income can be measured reliably. Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset net the carrying amount on initial recognition

Funds invested by unit holders are shown at cost. Gain or loss for the investment transactions during the year are transferred in the period of revision and future periods, where applicable.

Dividend Income

Dividend income is accounted for in the period in which it is received.

e) Provisions and accruals

Provisions are recognized when the Trust has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

f) Taxation

The trust is exempt from tax under the Income Tax Act (Cap 470)

1. Summary of significant accounting policies (Continued)

g) Investments

An investment is carried at fair value and gain or loss on change in fair value of investments is taken to income and expenditure statement.

h) Unit Holder Balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and term deposits with banking institutions.
For purposes of the cash flow statement cash and cash equivalents comprise cash in hand and in bank.

2. Financial Risk Management Objectives and Policies

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

Risk management is carried out by the Fund Manager, Amana Capital Limited. The Fund Manager identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

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

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

- Listed securities on the Nairobi Stock Exchange – 80%
- Securities issued by the Government of Kenya – 80%
- Immovable property – 25%
- Other collective investment schemes including umbrella schemes – 25% • Other securities not listed on a securities exchange in Kenya – 25%
- Off-shore investments – 10% The Fund had complied with these requirements as at 31 December 2020 and 2019.

2. Financial Risk Management Objectives and Policies (Continued)

a) Credit Risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. In accordance with the Fund's policy, the Fund Manager monitors the Fund's credit position on a daily basis and it is reviewed on a quarterly basis by the Fund's Investments Committee.

No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits and no receivables have had their terms renegotiated. All receivables past due by more than 60 days are considered to be impaired and are carried at their estimated recoverable value

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 at the risk of damaging the Fund's reputation.

The Fund is exposed to daily withdrawal of funds by investors. The Fund maintains cash balances to meet all of these needs as experience shows that a certain amount of withdrawals is requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and on the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

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

2. Financial Risk Management Objectives and Policies (Continued)

b) Liquidity Risk (Continued)

	Due on Demand
	Kshs
As at December 2020	
Unit holders balances	115,167,359
Payables and accruals	2,023,717
Total	**117,191,076**
As at December 2019	
Unit holders balances	184,886,820
Payables and accruals	2,176,195
Total	**187,063,015**

c) Market Risk

(i) Cash Flow and Fair Value Interest Rate Risk the Fund's interest bearing financial assets are commercial paper, government securities and deposits with financial institutions, which are at fixed rate and on which it is therefore not exposed to cash flow and interest rate risk.

The Fund Manager regularly monitors financing options available to ensure optimum interest rates are obtained.

(ii) Foreign Exchange Risk as at 31 December 2020 and 2019, the Fund had no exposure to foreign exchange risk

3. CAPITAL MANAGEMENT

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

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

		2020 Kshs	2019 Kshs
4	**Interest Income**		
	Interest earned	10,404,074	31,993,939
5	**Expenditure**		
	Management and administration fees	4,243,340	6,031,364
	Marketing fees	593,344	1,642,152
	Publishing	466,800	339,194
	AGM fees	319,726	345,000
	Trustee fees	293,378	573,883
	Custodial fees	291,628	777,248
	Audit fees	176,462	222,680
	Other expenses	130,855	-
	CMA fees	130,571	141,418
	Legal fees	88,353	132,541
	Actuarial fees	-	199,200
	Filing returns	-	11,600
	Stamps	-	8,000
	Nakumatt Holdings Write-off	-	375,086,657
		6,734,456	385,510,937
6	**Investments**		
	Short Term Investments	13,399,475	186,230,123
	Unit Trusts	-	-
		13,399,475	186,230,123

7 Bank balances

	2020 Kshs	2019 Kshs
Standard Chartered Bank Kenya Limited	102,513,884	99,894
Equity Bank	812,178	58,378
National Bank of Kenya Limited	283,392	283,392
Standard Chartered Custody Services Limited	161,148	370,229
The Co-operative Bank of Kenya Limited	21,000	21,000
	103,791,601	832,892

8 Accrued liabilities

Management and Administration fees	976,670	1,710,830
Publishing fees	466,800	-
Trustee fees	293,378	168,818
Custody expenses	258,706	101,918
Audit remuneration	28,163	194,630
	2,023,717	2,176,195

9 Unit holder fund funds

Amount invested	111,497,741	716,264,393
Surplus/ (Deficit) for the year	3,669,618	(531,377,573)
	115,167,359	184,886,820

10. Service Fees

Management fees relate to fees paid to Amana Capital in respect of Investment Management services rendered. The fees charged for Amana Shilling Fund 2.00% The Trustee fees are paid at a rate of 0.15% across the Unit Trust Scheme.

11. Comparative Information

Where applicable, comparative figures have been adjusted to conform to changes in presentation in the current year.

12 Restructure of the Fund

During the year, the fund manager held an AGM to present to the Unit Holders options for recovery of the funds impaired in 2019. The impaired amounts which represent 59% of the fund value would be converted to shareholding in Amana capital Limited, the Fund Manager. The final conversion into shareholding will be completed in the 2021 Financial Year.