

AMANA UNIT TRUST SHILLING FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

<b>CONTENTS</b>	<b>PAGE</b>
Trust information	1
Report of the trustees	2 - 3
Statement of trustees' responsibilities	4
Fund Managers report	5 - 8
Custodians report	9
Independent auditors report	10 - 14
<b><i>Financial statements:-</i></b>	
Statement of profit or loss and other comprehensive income	15
Statement of financial position	16
Statement of changes in net assets	17
Statement of cash flows	18
Notes to the financial statements	19 - 24

**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 2021.

**Establishment, Nature and Status of the fund**

The trust was established and is governed by an irrevocable Trust deed dated 10<sup>th</sup> 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	20202021		20192020	
	Max Yield/Price	Min Yield/Price	Max Yield/Price	Min Yield/Price
Amana Shilling	7.54%	1.03%	9.8%8.85%	8.72%8.26%

**Total Value of the Fund**

The market value of the Fund as at 31 December 2021 was Kshs. 17,410,463 (2020: Kshs. 115,167,359 ).

**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**

...../ 2022  
**Trustee**

AMANA UNIT TRUST SHILLING FUND  
STATEMENT OF TRUSTEE'S RESPONSIBILITIES  
ON THE FINANCIAL STATEMENTS

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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.

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 opinion of the auditor that there exists serious doubts whether the fund will remain a going concern for at least the next 12 months.

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

The Financial statements set out on page 15 to 25, were approved by the Amana Capital Limited on 31.MARCH. 2022 as Amana Capital Limited does not have a trustee in place and is not currently accepting new funds.

  
.....  
**Director**

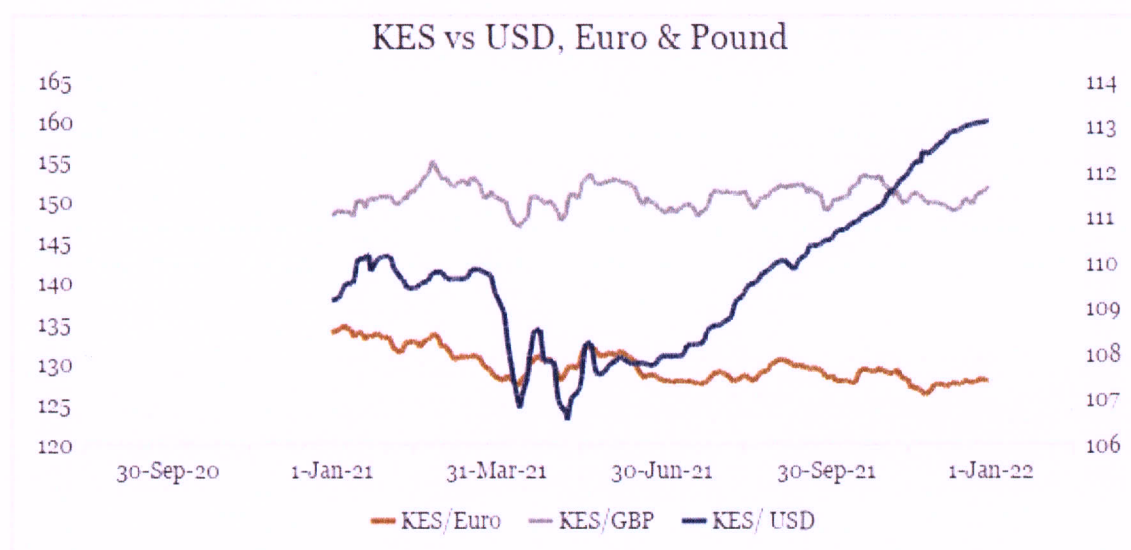
**Dear Unit holder,**

2021 saw the economy recover from the Covid-19 pandemic as the vaccine presented an opportunity for relaxation of measures put in place in to stem the spread of the pandemic.

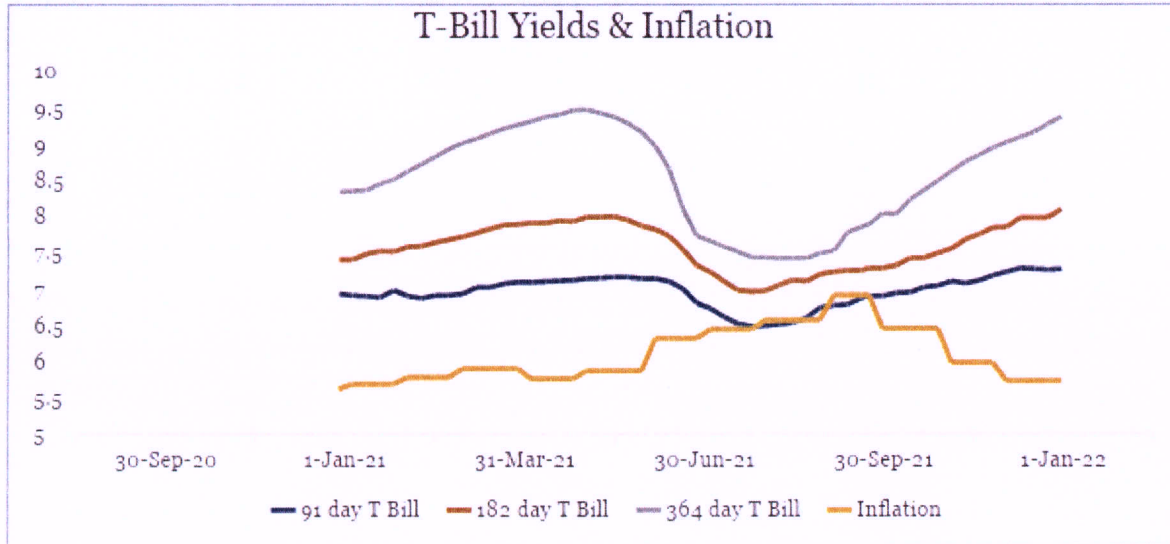
**Economy:** The Kenyan economy rebounded strongly based on Gross Domestic Product (GDP) data released by the Kenya National Bureau of Statistics (KNBS). Q1'2021, Q2'2021 and Q3'2021 economic growth came in at 0.1%, 10.1% and 9.9% respectively on the back of significant rebounds in manufacturing, education, transport & storage, accommodation & food services, and financial and insurance activities. However, harsh weather conditions caused growth in agricultural activities to contract.

**Inflation:** The monthly average inflation rate for 2021 increased to 6.1% from 5.2% in 2020. The increase in inflation was precipitated by higher energy costs due to recovery in crude oil prices while harsh weather conditions contributed to higher food prices.

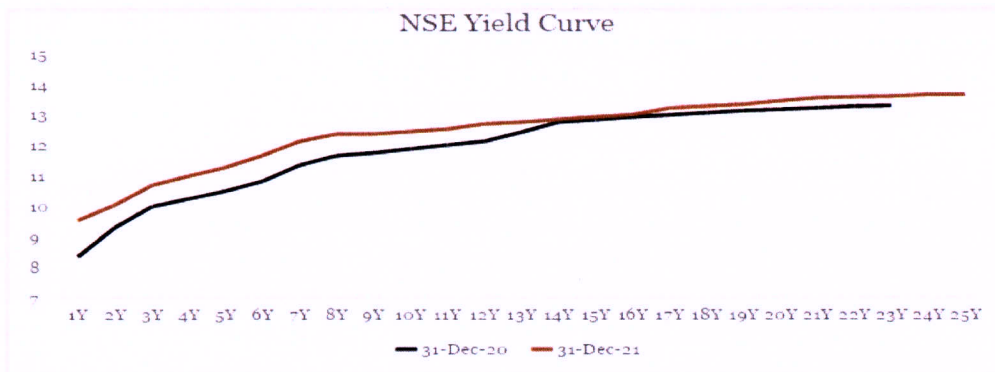
**Currency:** The Kenya Shilling depreciated further against the US Dollar in 2021 however at a slower pace compared to 2020. It depreciated by 3.6% in 2021 compared to 7.7% in 2020. It also depreciated by 2.5% against the British Pound but gained against the Euro by 4.4% in 2021. The weakness of the Shilling against the US Dollar was precipitated by a faster growth in imports compared to exports further widening the current account deficit.



**Interest rates:** Treasury Bills which serve as a benchmark for money market investments closed 2021 at higher levels as investors sought higher yields due to a deterioration in purchasing power precipitated by higher inflation and depreciation of the shilling. The 91, 182 and 364 Treasury Bill yields closed the year at 7.3%, 8.1% and 9.4% respectively compared to 6.9%, 7.4% and 8.3% as at end of 2020 respectively.

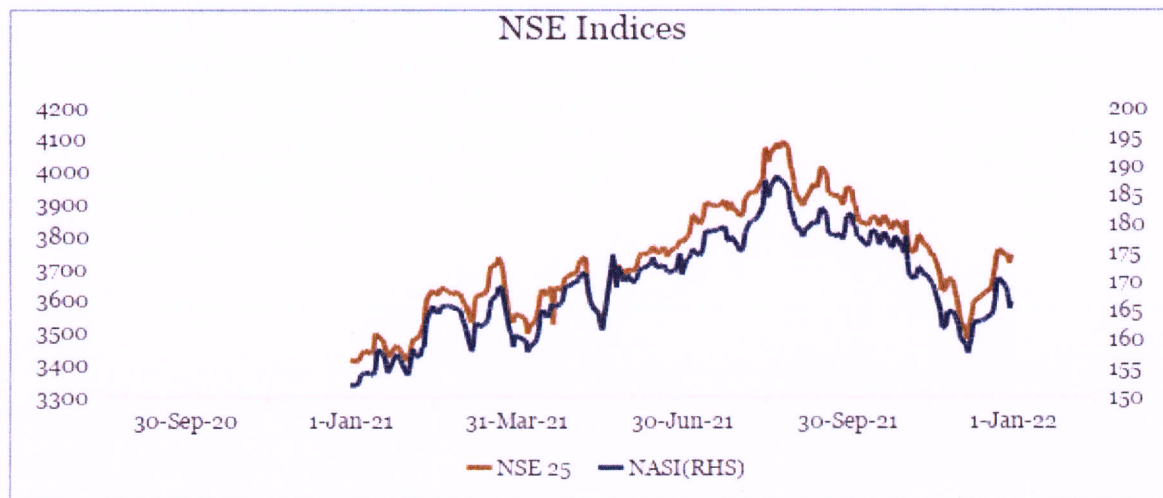


The yield curve which serves as benchmark for long-term investing shifted upwards year-on-year. The upward shift indicates that yields for Treasury Bonds increased, these has two implications; 1) investors who invested in bonds especially in Q3'2021 and Q4'2021 benefitted from higher yields on their bond investments and 2) because of the inverse relationship of bond prices and yields, valuation of existing bonds were negatively affected.



**Equities:** The Nairobi Securities Exchange (NSE) indices rebounded on improved corporate earnings. The NASI, NSE 20 and NSE 25 indices increased by 9.4%, 1.8% and 9.6% respectively in 2021 compared to -8.6%, -29.6% and -16.7% respectively in 2020. There was pull back in the market towards the end of the year caused by emergence of the Covid-19 Omicron variant and winding up of monetary policy stimulus programs in developed economies. The monetary policy stimulus programs supported equity markets across the globe and the winding up of the stimulus saw investors cut back their holding especially of growth stocks which benefit from lower interest rates.





### Investment outlook and Strategy 2022

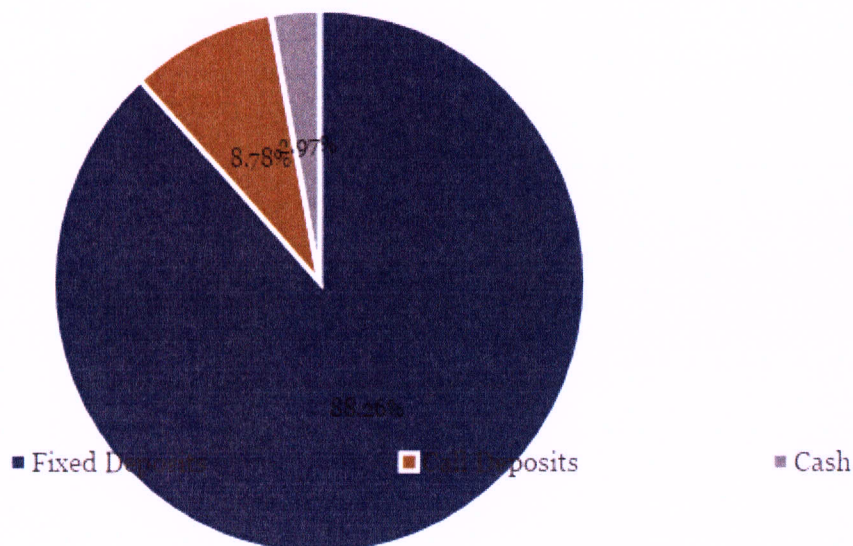
The key investment themes we expect for 2022 will be driven by the following:

1. Inflation: General increase in prices of goods and services will persist because of higher energy prices which now have to content with geo-political tensions following the invasion of Ukraine by Russia. Commodity prices such as for wheat, palm oil and metals have also come under pressure and are expected to put further pressure on inflation.
2. Interest rates: Global Central Banks have indicated that they will combat high inflation through increasing interest rates, this is expected to lead to capital flight from frontier markets such as Kenya.
3. Exchange rate: We foresee further depreciation of the KES due to global increase in interest rates and increase in commodity prices especially crude oil. We expect the Central Bank of Kenya to use interest rates especially on Treasury Bills and Bonds to curb depreciation of the shilling.

Based on the above, our investment strategy for 2022 will be as follows:

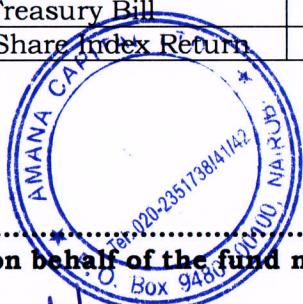
1. We will prefer investments in money market securities as we monitor changes in interest rates. We expect the yield curve to shift upwards and we want to be liquid to take advantage of rising yields.
2. Our key strategy for equities will be driven by dividends, exposure to banking stocks as the benefit from higher interest rates and companies whose revenues are more export oriented and have lower liabilities in foreign currency.

Amana Shilling Fund Asset Allocation as at 31st December 2021



**6-year performance Table**

	2021	2020	2019	2018	2017	2016
Amana Growth Fund	7.07%	2.5%	11.55%	1.49%	10.06%	-0.63%
Amana Shilling Fund	6.10%	-	8.61%	6.91%	10.39%	13.58%
Amana Balanced Fund	6.88%	4.57%	2.91%	1.93%	4.54%	-9.09%
91 Day Treasury Bill	6.96%	6.85%	6.9%	7.73%	8.35%	8.63%
NSE 20 Share Index Return	1.83%	-28.15%	-6.33%	2.70%	16.5%	21.15%



Signed on behalf of the fund manager

31/March/2022

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 Ltd as the Fund Manager, we confirm that for the year ended 31 December 2021:

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

**By Order of Custodian**  
STANDARD CHARTERED BANK KENYA LTD.

Manager.....

.....  
**Standard Chartered Securities Services (Kenya) Limited**

30 MARCH 2022

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE UNIT HOLDERS OF AMANA UNIT TRUST SHILLING FUND  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**Opinion**

We have audited the financial statements of Amana Unit Trust Shilling Fund set out on pages 15 to 24, which comprise the statement of financial position as at 31 December 2021, 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 Unit Trust Shilling Fund as at 31 December 2021, 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:
<p><b>Investments</b></p> <p>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</p>	<p>We understood and evaluated controls exercised by management in order to ensure valuations are appropriately performed in accordance with the international financial reporting standards.</p> <p>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.</p> <p>We tested the accuracy of the computations and assessed the adequacy of disclosures in the financial statements.</p>

## 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.
- 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.

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

- 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
- 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.

**Report on Other Legal Requirements (Continued)**

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Michelle Okonji – Practicing Certificate No. 2423



.....  
**Partner**

**For and on behalf;**



**Certified Public Accountants  
Nairobi.**

*cy/mail*.....2022



AMANA UNIT TRUST SHILLING FUND  
 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 31 DECEMBER 2021

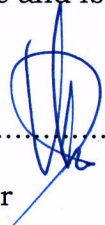
	<b>Notes</b>	<b>2021 KShs</b>	<b>2020 KShs</b>
<b>INCOME</b>			
Interest earned	<b>4</b>	<u>2,431,512</u>	<u>10,404,074</u>
<b>Total income</b>		<u>2,431,512</u>	<u>10,404,074</u>
<b>EXPENDITURE</b>			
Management fees	<b>5</b>	1,280,374	4,243,340
Publishing		49,200	466,800
Custodial fees		141,201	291,628
Audit remuneration		179,803	176,462
Trustee fees		23,130	293,378
Other expenses		<u>112,622</u>	<u>1,262,848</u>
		<u>1,786,430</u>	<u>6,734,456</u>
<b>Profit/(Loss) for the year</b>		<u><b>645,082</b></u>	<u><b>3,669,618</b></u>

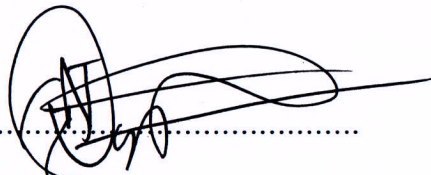
The notes set out on pages 19 to 24 form an integral part of the financial statements.

AMANA UNIT TRUST SHILLING FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021

	Notes	2021 Kshs	2020 Kshs
<b>Assets</b>			
Investments	6	16,203,664	13,399,475
Bank balances	7	1,639,641	103,791,601
		<u>17,843,305</u>	<u>117,191,076</u>
Unit holders fund		17,410,463	115,167,359
Total unit holders fund	9	17,410,463	115,167,359
Accrued liabilities	8	432,842	2,023,717
		<u>17,843,305</u>	<u>117,191,076</u>

The Financial statements set out on page 15 to 24, were approved by the Amana Capital Limited on ~~31. MARCH~~ 2022 as Amana Capital Limited does not have a trustee in place and is not currently accepting new funds.

.....  
  
 Director

.....  
  
 Director

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

AMANA UNIT TRUST SHILLING FUND  
STATEMENT OF CHANGES IN UNIT HOLDERS FUNDS  
AS AT 31 DECEMBER 2021

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	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year	115,167,359	184,886,820
Net unit holders cash outflow	(98,401,978)	(73,389,079)
Profit at end of the period	<u>645,082</u>	<u>3,669,618</u>
<b>Funds attributable to unit holders</b>	<b><u>17,410,463</u></b>	<b><u>115,167,359</u></b>

The notes set out on pages 19 to 24 form an integral part of the financial statements.

AMANA UNIT TRUST SHILLING FUND  
STATEMENT OF CASH FLOWS  
AS AT 31 DECEMBER 2021

	NOTES	2021 Kshs	2020 Kshs
<b>CASHFLOW FROM OPERATING ACTIVITIES</b>			
Surplus for the year		645,082	3,669,618
<b>Changes in working capital:</b>			
(Decrease) / Increase in trade and other payables	8	<u>(2,456,559)</u>	<u>(152,478)</u>
<b>CashGenerated from/( used) in operating activities</b>		<u><b>(1,811,477)</b></u>	<u><b>3,517,140</b></u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Net movement due to purchase/sales of investments	6	<u>(1,938,505)</u>	<u>172,830,648</u>
<b>Net cash generated from/( used in) investing activities</b>		<u><b>(1,938,505)</b></u>	<u><b>172,830,648</b></u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
(Decrease) / Increase in unit holder funds	9	<u>(98,401,978)</u>	<u>(73,389,079)</u>
<b>Net cash used in financing activities</b>		<u><b>(98,401,978)</b></u>	<u><b>(73,389,079)</b></u>
<b>Increase in cash and cash equivalents</b>		(102,151,960)	102,958,709
<b>As at the beginning of the year</b>		<u>103,791,601</u>	<u>832,892</u>
<b>As at the end of the year</b>	7	<u><u><b>1,639,641</b></u></u>	<u><u><b>103,791,601</b></u></u>

The notes set out on pages 19 to 24 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) 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.

### **c) 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.

### **d) 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.

### **e) Taxation**

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

## **1. Summary of significant accounting policies (Continued)**

### **f) 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.

### **g) 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.

### **h) 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 2021 and 2020.

## **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)

	<b>Due on Demand</b>
	<b>Kshs</b>
<b>As at December 2021</b>	
Unit holders balances	17,410,463
Payables and accruals	432,842
<b>Total</b>	<b>17,843,305</b>
<b>As at December 2020</b>	
Unit holders balances	115,167,359
Payables and accruals	2,023,717
<b>Total</b>	<b>117,191,076</b>

### 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 2021 and 2020, 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.



AMANA UNIT TRUST SHILLING FUND  
 NOTES TO THE FINANCIAL STATEMENTS (Continued)  
 FOR THE YEAR ENDED 31 DECEMBER 2021

	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>4 Interest Income</b>		
Interest earned	<u>2,431,512</u>	<u>10,404,074</u>
<b>5 Expenditure</b>		
Management and administration fees	1,280,374	4,243,340
Marketing fees	62,537	593,344
Publishing	49,200	466,800
AGM fees	33,699	319,726
Trustee fees	23,130	293,378
Custodial fees	141,201	291,628
Audit fees	179,903	176,462
Other expenses	-	130,855
CMA fees	16,386	130,571
Legal fees	-	88,353
	<u>1,786,430</u>	<u>6,734,456</u>
<b>6 Investments</b>		
Short Term Investments	<u>16,203,664</u>	<u>13,399,475</u>
	<u>16,203,664</u>	<u>13,399,475</u>
<b>7 Bank balances</b>		
Standard Chartered Bank Kenya Limited	475,071	102,513,884
Equity Bank	860,778	812,178
National Bank of Kenya Limited	283,392	283,392
Standard Chartered Custody Services Limited	-	161,148
The Co-operative Bank of Kenya Limited	20,400	21,000
	<u>1,639,641</u>	<u>103,791,601</u>

<b>8 Accrued liabilities</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Management and Administration fees	52,353	976,670
Publishing fees	49,200	466,800
Trustee fees	23,130	293,378
Custody expenses	15,634	258,706
Marketing/ Advertising Fees	62,537	-
AGM Fees	33,699	-
CMA Fees	16,386	-
Audit remuneration	179,903	28,163
	<u>432,842</u>	<u>2,023,717</u>

<b>9 Unit holder fund funds</b>		
Amount invested	16,765,381	111,497,741
Surplus/ (Deficit) for the year	645,082	3,669,618
	<u>17,410,463</u>	<u>115,167,359</u>

#### **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.