



The Gencap Hazina Fund
Annual Report and Financial Statements
for the year ended December 31, 2019

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

General Information

Corporate Trustee	KCB Bank Kenya Limited 7th Floor, KCB Towers Upperhill P.O. Box 30664 - 00100 Nairobi
Registered Office	1st Floor, Purshottam Place Westlands Road P. O. Box 9959-00100 Nairobi
Fund Manager	British-American Asset Managers Limited Head Office Britam Centre P.O. Box 30375 - 00100 Nairobi
Custodian	SBM Bank (Kenya) Limited Central Office, Riverside Mews P.O. Box 34886-00100 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (K) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi

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Report of the Trustee

The trustee has pleasure in submitting the fund's report together with the audited financial statements for the year ended December 31, 2019.

1. Establishment, nature and status of the fund

The fund was established, and is governed by a trust deed dated December 1, 2012 as a bond fund. The fund is registered with the Capital Markets Authority.

The primary objective of the Gencap Hazina Fund is to generate total return through investing in a range of sovereign and corporate debt securities, money market instruments or near cash and cash holdings in Kenya and off-shore, thus offering a diversified fixed income portfolio with only a medium risk level to the investor.

2. Financial review

The statement of profit or loss and other comprehensive income on page 11 shows a profit for the year ended December 31, 2019 of K Sh 240,815 (2018: K Sh 969,152) and the statement of financial position on page 12 show the net assets as at December 31, 2019 of K Sh 8,281,141 (2018: K Sh 10,435,328).

3. Performance record

The performance record of the fund over the year is as shown below:

a) The cumulative average growth rate of the funds invested in the fund for the year was as follows:

	2019	2018	2017	2016	2015
Growth rate	5.28%	9.25%	11.23%	(75.35)%	7.13%
Annual Distribution	(2,395,002)	(1,003,374)	(120,692)	(30,075,52)	(220,929)

b) The closing, lowest and highest unit prices of the units of the fund during the year were as follows:

	2019 Bid price	2019 Offer price	2018	2017	2016	2015
Closing unit price	151.42	151.42	143.83	134.90	117.04	110.34
Lowest unit price	12.30	12.30	111.68	106.09	106.35	108.37
Highest unit price	152.06	152.06	144.43	134.90	117.04	120.30

c) The total fund value, number of units and net income distributed for one unit held at the end of the period is as shown below:

	2019	2018	2017	2016	2015
Total fund value (K Sh)	8,281,141	10,435,328	10,469,550	9,819,897	39,908,030
Number of units issued	63,996	76,392	83,677	83,795	360,596
Fund value per unit (K Sh)	129.40	136.60	125.12	117.19	110.67

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

d) The comparative performance of the fund is as follows:

	2019	2018	2017	2016	2015
Total comprehensive income / (loss) for the year	240,815	969,152	770,345	(12,605)	3,948,266

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Report of the Trustee

4. Investment

Under the terms of their appointment, British American Asset Managers are responsible for the investment of funds. The overall responsibility for investment and performance lies with the fund managers.

The Custodian has confirmed that The Fund Manager has in all material respects managed the scheme in accordance with the provisions of the CMA Regulations, Incorporation documents, the Information Memorandum and the rules of Collective Investment Scheme.

5. Membership

As at 31 December 2019 the fund had 21 members (2018: 24 members).

6. Fund advisors

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

7. Events after the reporting period

The financial statements have been prepared based on trustees estimates, judgements and assumptions on a going concern basis as at the reporting date. Subsequent to the year-end there has been an outbreak of COVID-19 global pandemic, the trustees recognise that there could be potential impact on the Fund performance, including slowdown in revenue growth and subsequently negative impact on the cash flow position. The Trustees continue to assess the long term effect of the outbreak on the Fund's performance, but at the moment do not expect any significant impact on the fund's ability to continue as a going concern.

8. Independent auditor

The Fund's Auditor, Messrs Grant Thornton, has indicated willingness to continue in office in accordance with the Trustees Act (Cap 167), 2012..

Signed on behalf of the trustee.

For: KCB BANK KENYA LTD.


CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.


CORPORATE TRUSTEE

The Gencap Hazina Fund

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Statement of Trustee's Responsibilities

The Capital Markets Act and the trust deed require the trustee to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the fund at the end of the financial year and of the funds operating results for that year. It also requires the trustee to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Capital Markets Act, and for such internal controls as the trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The trustee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of Capital Markets Act. The trustee is of the opinion that the financial statements give a true and fair view of the financial affairs of the GENCAP Hazina Fund and of its operating results. The trustee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the trustee to indicate that the GENCAP Hazina Fund will not be able to meet its maturing obligations for at least the next twelve months from the date of this statement.

For: KCB BANK KENYA LTD.

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CORPORATE TRUSTEE

Signed on behalf of the Trustee

For: KCB BANK KENYA LTD.

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CORPORATE TRUSTEE

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Fund Manager's Report

We would like to thank the unit holders for their continued trust in the Gencap Unit Trust Scheme, through their investments in the Gencap Hazina Fund. In 2019, the Fund remained committed to creating real wealth for our clients recording a return of 4.96 percent during the year.

The performance of the fund during the period is highlighted below:

	Performance since inception of the Fund		
	Full year 2019 (Jan-Dec)	Cumulative	Annualized
The Gencap Hazina Fund	9.25 %	78.22 %	9.86 %

The Kenyan macroeconomic environment remained largely stable in 2019. The economy recorded a notable slow-down in the third quarter with real GDP Growth of 5.1 percent compared to 6.4 percent the same quarter in 2018. The deceleration was on account of pressure on key sectors. Agricultural production was subdued owing to delayed short-rains early 2019. Inflation over the year remained within CBK target banks despite an uptick in the last quarter, closing the year at 5.8 percent. The headwinds facing the macro-economic environment were however offset by a stable KES, narrowing account deficit, and inflation remaining within CBKs target band and a slight improvement in private sector credit growth. The Kenya Shilling faced some minor shocks in the year on account of overvaluation claims, seasonal dollar demand pressures and high liquidity levels in the markets.

Inflationary pressure remained subdued in the year reaching a low of 3.8 percent in September 2019 as a result of overall lower food prices offsetting increased prices in some foods and alcoholic drinks. Fuel inflation trended lower during the year closing at 1.45 percent in 2019 even as spikes in fuel prices were felt through some months. Stability of Crude oil prices also kept the transport, electricity and fuel indices largely contained despite some OPEC oil cut supplies in the year. Overall, headline inflation closed the year at 5.8 percent remaining within the government's target range of 2.5 percent and 7.5 percent. Going forward, the Consumer Price Index is expected to remain stable around the CBK's medium term target of 5.0 percent over the coming months supported by stable food and non-food non-fuel prices.

The Kenya Shilling came under pressure during the year in July hitting highs of 104.05 against the Dollar, levels last seen 2 years ago. The weakness coincided with increased KES liquidity amid demonetization efforts. That peak was however momentary and the shilling regained some ground and stabilized, closing the year at 101.34 against the Dollar, even as it recorded mixed performance with other major international currencies. The shilling was supported by a contracting current account deficit due to reduced imports and robust foreign currency reserves. The local currency appreciated against the Dollar and the Euro by 0.5 percent and 2.6 percent respectively while depreciating against the pound by 3 percent in 2019. Regionally, the Kenya Shilling appreciated against the Tanzanian shilling and Rwandan Franc by 0.4 percent and 6.7percent respectively and depreciated against the Ugandan shilling by 0.8 percent over the same period.

The interest rate environment continued to exhibit stability during the year with a slight uptick at the close of the year attributable to the repeal of the caps on interest rates. The Central Bank Interbank rate trended lower as ample liquidity among the large banks continued to support short term rates. The yields on the 3-month, 6-month and 1-year Treasury Bills declined across the board to 7.2 percent, 8.2 percent and 9.8 percent respectively. The monetary policy committee lowered the Central Bank Rate to 8.5 percent at the close of the year, reflective of the benign inflationary environment in the year. The money market remained liquid during the year, depicted by the average interbank rate closed the year at 5.46 percent from 6.73 percent in 2018. Liquidity remained skewed to the large banks while CBK intervened in the money markets to offer liquidity support to the smaller banks through reverse repos.

The equities market rallied at the end of 2019 with the Nairobi All Share Index gaining 18.5 percent. This was despite the **challenging** macro-economic environment characterized by drought at the beginning of the year and a slowed private sector credit growth. The equities market recovery was largely on the back of the repeal of the interest rate cap which came in later in the year. Large cap stocks and the banking sector shored up most of the gains on account of improved investor sentiment on earnings post the cap. The local market performance was also in tandem with the global stock markets where we saw huge gains over the year. The market was also boosted by attractive dividend yields especially across the banking sector.

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.

The Gencap Hazina Fund

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Fund Manager's Report

We would like to thank you for selecting GENCAP Hazina Fund as your investment vehicle of choice.



Signed on behalf of the Fund Manager



The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Report of the Custodian

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between SBM Bank (Kenya) Custodial Services as the Custodians and Gencap Limited as the fund administrator, we confirm that:

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

For the year ended December 31, 2019, we have held the assets for the 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.

In our opinion, the Fund Manager has in all material respects managed the scheme in accordance with the provisions of the Capital Markets (Collective Investment Schemes) Regulations, 2001, incorporation documents, the information memorandum and the rules of the collective investment scheme.



Signed on behalf of the Custodian



Independent Auditor's Report

To the shareholder of The Gencap Hazina Fund

Report on the Audit of the Annual Report And Financial Statements

Opinion

We have audited the annual report and financial statements of The Gencap Hazina Fund set out on pages 11 to 22, which comprise the statement of financial position as at December 31, 2019, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the year then ended, and notes to the annual report and financial statements, including a summary of significant accounting policies.

In our opinion, the annual report and financial statements present fairly, in all material respects, the financial position of The Gencap Hazina Fund as at December 31, 2019, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the annual report and financial statements section of our report. We are independent of the fund in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of annual report and financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. 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 judgement, were of most significance in our audit of the annual report and financial statements of the current period. These matters were addressed in the context of our audit of the annual report and financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report.

Other information

The trustee is responsible for the other information. The other information comprises the Report of the Custodian and Report of the Trustee as required by the Kenyan Companies Act, 2015 of Kenya, which we obtained prior to the date of this report. Other information does not include the annual report and financial statements and our auditor's report thereon.

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

In connection with our audit of the annual report and financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual report and 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 a 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 Annual Report And Financial Statements

The trustee is responsible for the preparation and fair presentation of the annual report and financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the trustee determine is necessary to enable the preparation of annual report and financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report

Auditor's responsibilities for the audit of the Annual Report And Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual report and 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 International Standards on Auditing 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 annual report and financial statements.

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

- Identify and assess the risks of material misstatement of the annual report and financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustee.
- Conclude on the appropriateness of the trustee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual report and financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual report and financial statements, including the disclosures, and whether the annual report and financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

In our opinion the information given in the report of the trustee on page 8 is consistent with the annual report and financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was A. K. Siele - P/No 1690.



Grant Thornton
Certified Public Accountants (Kenya)
Nairobi

30TH APRIL 2020

G/078/1219/103/0420/AUD

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Shillings	Note(s)	2019	2018
Investment income	2	387,485	1,106,789
Administrative expenses	3	(146,670)	(137,637)
Operating profit		240,815	969,152
Profit for the year		240,815	969,152
Other comprehensive income		-	-
Total comprehensive income for the year		240,815	969,152

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Statement of Financial Position as at December 31, 2019

Figures in Shillings	Note(s)	2019	2018
Assets			
Non-Current Assets			
Fixed deposits	4	260,000	-
Call deposits	5	4,768,834	10,091,690
Treasury bonds	6	103,028	101,792
		<u>5,131,862</u>	<u>10,193,482</u>
Current Assets			
Cash and cash equivalents	7	3,473,818	426,314
Total Assets		<u>8,605,680</u>	<u>10,619,796</u>
Equity and Liabilities			
Equity			
Unit holders funds		<u>8,281,141</u>	<u>10,435,328</u>
Liabilities			
Current Liabilities			
Accruals	8	324,539	184,468
Total Equity and Liabilities		<u>8,605,680</u>	<u>10,619,796</u>

The annual report and financial statements and the notes on pages 8 to 22, were approved by the Trustees on the April 30, 2020 and were signed on its behalf by:

For: KCB BANK KENYA LTD.

For: KCB BANK KENYA LTD.


CORPORATE TRUSTEE


CORPORATE TRUSTEE

Corporate trustee

The accounting policies on pages 15 to 17 and the notes on pages 18 to 22 form an integral part of the annual report and financial statements.

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Statement of Changes in Net Assets

Figures in Shillings	Unit holders funds	Total equity
Balance at January 1, 2018	10,469,550	10,469,550
Profit for the year	969,152	969,152
Distributions paid	(1,003,374)	(1,003,374)
Balance at January 1, 2019	10,435,328	10,435,328
Profit for the year	240,815	240,815
Other comprehensive income	-	-
Distributions paid	(2,395,002)	(2,395,002)
Balance at December 31, 2019	8,281,141	8,281,141

The accounting policies on pages 15 to 17 and the notes on pages 18 to 22 form an integral part of the annual report and financial statements.

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Statement of Cash Flows

Figures in Shillings	Note(s)	2019	2018
Cash flows from operating activities			
Cash generated from operations	9	<u>380,886</u>	<u>873,468</u>
Cash flows from investing activities			
Purchase of fixed deposits	4	(260,000)	-
Purchase of call deposits	5	-	(7,169,216)
Sale of call deposits	5	5,322,856	-
Purchase of treasury bonds	6	(1,236)	-
Sale of treasury bonds	6	-	7,540,287
Net cash from investing activities		<u>5,061,620</u>	<u>371,071</u>
Cash flows from financing activities			
Distributions paid		<u>(2,395,002)</u>	<u>(1,003,374)</u>
Total cash and cash equivalents movement for the year		<u>3,047,504</u>	<u>241,165</u>
Cash and cash equivalents at the beginning of the year	7	426,314	185,139
Total cash and cash equivalents at end of the year	7	<u>3,473,818</u>	<u>426,304</u>

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual report and financial statements are set out below.

1.1 Basis of preparation

The annual report and financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual report and financial statements and the Kenyan Companies Act, 2015.

The annual report and financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Shillingss, which is the fund's functional currency and rounded off to the nearest Shilling.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual report and financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

The annual report and financial statements do not include assets or liabilities whose carrying amounts were determined based on estimations for which there is a significant risk of material adjustments in the following financial year as a result of the key estimation assumptions.

1.3 Financial instruments

Financial instruments held by the fund are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the fund ,as applicable, are as follows:

Financial assets which are equity instruments:

- Mandatorily at fair value through profit or loss.

Financial liabilities:

- Amortised cost.

Note 10 Financial instruments and risk management presents the financial instruments held by the fund based on their specific classifications.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the fund are presented below:

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Accounting Policies

1.3 Financial instruments (continued)

Other payables

Classification

Accruals (note 8) excluding amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the fund becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest 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 (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Trade and other payables expose the fund to liquidity risk and possibly to interest rate risk. Refer to note 10 for details of risk exposure and management thereof.

Derecognition

Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is **deemed** to be fair value.

Derecognition

Financial assets

The fund derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the fund neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the fund recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the fund retains substantially all the risks and rewards of ownership of a transferred financial asset, the fund continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities

The fund derecognises financial liabilities when, and only when, the fund obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability **derecognised** and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Accounting Policies

1.3 Financial instruments (continued)

Reclassification

Financial assets

The fund only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.4 Revenue

Interest income 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 using the effective interest rate applicable.

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Annual Report And Financial Statements for the year ended December 31, 2019

Notes to the Annual Report And Financial Statements

2. Investment income

Investment income	387,485	1,106,789
Interest on fixed deposits	12,493	-
Interest on call deposits	349,223	472,229
Total interest income	361,716	472,229
At fair value through Profit or Loss		
Interest on corporate bonds	-	304,608
Interest on government securities	10,717	10,971
Fair value gain on corporate bond	-	100,388
Fair value gain on treasury bonds	-	2,842
Realized gains on corporate bonds	-	150,751
Reversal of prior year impairment	-	65,000
Fair value gain on government bonds	15,052	-
	387,485	1,106,789

3. Administrative expenses

Auditors remuneration	140,070	130,326
Banks charges	6,600	7,311
	146,670	137,637

4. Fixed deposits

Maturing within 90 days	260,000	-
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5. Call deposits

Maturing within 90 days	4,619,357	9,760,000
Accrued interest	149,477	331,690
	4,768,834	10,091,690

6. Treasury bonds

Cost	100,000	84,245
Fair value gain	2,139	16,375
Interest	889	1,172
	103,028	101,792

7. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3,473,818	426,314
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Exposure to currency risk

Shillings amount		
Shillings	3,473,818	426,314

The Gencap Hazina Fund

Annual Report And Financial Statements for the year ended December 31, 2019

Notes to the Annual Report And Financial Statements

Figures in Shillings 2019 2018

8. Accruals

Financial instruments:

Audit fees	324,539	120,326
License fees	-	28,526
Publishing costs	-	3,641
AGM costs	-	31,975
	324,539	184,468

Exposure to currency risk

The net carrying amounts, in Shillings, of accruals, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Shillings by converting the foreign currency amount at the closing rate at the reporting date.

Shillings Amount		
Shillings	324,539	184,468

Exposure to liquidity risk

Refer to note 10 Financial instruments and financial risk management for details of liquidity risk exposure and management.

9. Cash generated from operations

Profit before taxation	240,815	969,152
Adjustments for:		
Investment income	(11,616)	(1,106,789)
Interest received	11,616	1,106,779
Changes in working capital:		
Accruals	140,071	(95,674)
	380,886	873,468

10. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note(s)	Amortised cost	Total	Fair value
Cash and cash equivalents	7	3,473,818	3,473,818	3,473,818
Fixed deposits		260,000	260,000	260,000
Call deposits		4,768,834	4,768,834	4,768,834
Treasury bonds		103,028	103,028	103,028
		8,605,680	8,605,680	8,605,680

2018

	Note(s)	Amortised cost	Total	Fair value
Cash and cash equivalents	7	426,314	426,314	-
Call deposits		10,091,690	10,091,690	10,091,690
Treasury bonds		101,792	101,792	101,792
		10,619,796	10,619,796	10,193,482

The Gencap Hazina Fund

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Figures in Shillings

2019

2018

10. Financial instruments and risk management (continued)

Categories of financial liabilities

2019

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	8	324,539	324,539	-

2018

	Note(s)	Amortised cost	Total	Fair value
Trade and other payables	8	184,468	184,468	-

Capital risk management

Trade and other payables	8	324,539	184,468
Cash and cash equivalents	7	(3,473,818)	(426,314)
Net borrowings		(3,149,279)	(241,846)

Equity		8,281,141	10,435,328
Gearing ratio		(38.03)%	(2.00)%

Financial risk management

Overview

The fund is exposed to the following risks from its use of financial instruments:

- Credit risk; and
- Liquidity risk

Credit risk

Credit risk is the risk of financial loss to the fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost / fair value	Gross carrying amount	Credit loss allowance	Amortised cost / fair value
Fixed deposits	4	260,000	-	260,000	-	-	-
Call deposits	5	4,768,834	-	4,768,834	10,091,690	-	10,091,690
Treasury bonds	6	103,028	-	103,028	101,792	-	101,792
Cash and cash equivalents	7	3,473,818	-	3,473,818	426,314	-	426,314
		8,605,680	-	8,605,680	10,619,796	-	10,619,796

The Gencap Hazina Fund

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10. Financial instruments and risk management (continued)

Liquidity risk

The fund is exposed to liquidity risk, which is the risk that the fund will encounter difficulties in meeting its obligations as they become due.

2019

		Less than 1 year	Total	Carrying amount
Current liabilities				
Accruals	8	324,539	324,539	324,539

2018

		Less than 1 year	Total	Carrying amount
Current liabilities				
Accruals	8	184,468	184,468	184,468

11. Registration

The fund is registered in Kenya under the Capital Markets Authority (CMA) Act.

12. Contingencies

There were no contingencies for the year for the year ended December 31, 2019.

13. Commitments

There were no commitments for the year for the year ended December 31, 2019.

14. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the fund can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

Assets

Financial assets designated at fair value through profit (loss)

Treasury bonds		103,028	101,792
Total		103,028	101,792

Corporate bond

The Gencap Hazina Fund

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14. Fair value information (continued)

The fund has used the quoted bid price available in an active market to derive the fair value of the bonds.

15. Comparative figures

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

16. Events after the reporting period

The annual report and financial statements have been prepared based on trustees estimates, judgements and assumptions on a going concern basis as at the reporting date. Subsequent to the year-end there has been an outbreak of COVID-19 global pandemic, the trustees recognise that there could be potential impact on the Fund performance, including slowdown in revenue growth and subsequently negative impact on the cash flow position. The Trustees continue to assess the long term effect of the outbreak on the Fund's performance, but at the moment do not expect any significant impact on the fund's ability to continue as a going concern.