

ENWEALTH CAPITAL UNIT TRUST SCHEME  
ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023



**ENWEALTH CAPITAL UNIT TRUST SCHEME**  
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**FOR THE YEAR ENDED 31 DECEMBER 2023**

	<b>Page No</b>
Table of contents	
Unit Trust Scheme Information	1
Corporate Trustee's report	2-4
Statement of Corporate Trustee's responsibilities	5
Fund managers report	6-8
Custodian's report	9
Independent auditor's report	10-12
<b>Financial Statements</b>	
<b>Enwealth Equity Fund</b>	
Statement of profit or loss and other comprehensive income	13
Statement of financial position	14
Statement of changes in unit holder balances	15
Statement of cash flows	16
Notes	17-25
<b>Enwealth Balanced Fund</b>	
Statement of profit or loss and other comprehensive income	26
Statement of financial position	27
Statement of changes in unit holder balances	28
Statement of cash flows	29
Notes	30-39
<b>Enwealth Money Market Fund</b>	
Statement of profit or loss and other comprehensive income	40
Statement of financial position	41
Statement of changes in unit holder balances	42
Statement of cash flows	43
Notes	44-52

**ENWEALTH CAPITAL UNIT TRUST SCHEME**

**UNIT TRUST SCHEME INFORMATION**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

<b>TRUSTEE</b>	Co-operative Bank of Kenya Ltd CIC Plaza, 3rd Floor Mara Road, Upper Hill, Nairobi P.O.Box 48231-00100 Nairobi, Kenya
<b>FUND MANAGER/ CO-SPONSOR</b>	Old Mutual Investment Group Ltd 4th Floor, Old Mutual Tower Upper Hill Road, Nairobi P.O. Box 11589-00400 Nairobi, Kenya
<b>CUSTODIAN</b>	SBM Bank (Kenya) Ltd Riverside Mews Riverside Drive, Nairobi P.O. Box 34886 - 00100 Nairobi, Kenya
<b>INDEPENDENT AUDITOR</b>	Ndakala Advisory LLP Certified Public Accountants (K) 246A, Owashika Road, Lavington P.O. Box 6512 - 00200 Nairobi, Kenya
<b>FUND SPONSOR/ADMINISTRATOR</b>	Enwealth Capital Limited Morningside Office Park 1st Floor suite D2, Ngong Road P.O. Box 52840 - 00200 Nairobi, Kenya

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### CORPORATE TRUSTEE'S REPORT

#### FOR THE YEAR ENDED 31 DECEMBER 2023

The Corporate Trustee has the pleasure of submitting its annual report together with the audited accounts for the year ended 31 December 2023, which disclose the state of affairs of the Funds.

#### ESTABLISHMENT, NATURE AND STATUS OF THE TRUST FUND

The Enwealth Capital Unit Trust Scheme is established and governed by the Trust Deed and Rules dated 2<sup>nd</sup> October, 2023. It is an umbrella fund comprising three sub funds, namely, the Enwealth Money Market Fund, Enwealth Equity Fund, and the Enwealth Balanced Fund. The Enwealth Capital Unit Trust Scheme is approved by Capital Markets Authority, guided by Capital Markets Collective Investment Schemes Regulation, 2001 and tax exempted under the Income Tax Act.

#### OBJECTIVE OF THE SCHEME

The objective of the Enwealth Capital Unit Trust Scheme is to provide a medium whereby investors can obtain undivided participation in a diversified portfolio of securities.

#### INVESTMENT OBJECTIVES

The Enwealth Capital Unit Trust Scheme is an umbrella fund with three sub-Funds each of which is described below:

1. The fundamental investment objective of the **Enwealth Equity Fund** is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to provide total return, in the form of both income and capital growth. This will be consistent with the fund investing a minimum of 60% of the market value of its assets under management in equities listed locally, listed in other regulated exchanges or unlisted equities at all times. Any funds not invested in equities shall only be invested in cash and cash equivalents.

The guiding Investment principles for Enwealth Equity Fund are:

- Solid mix of high-performance shares is selected.
- Realize capital gains when appropriate.
- By thorough research, to select stocks in companies with proven performance and good prospects for growth.
- Spread shareholdings over those economic sectors that meet the criteria of performance and growth.
- Manage the portfolio according to best practice of prudence investment.
- Invest in money market instruments spread amongst institutions of repute.
- Minimize losses, while maximizing on investment returns, by investing in high quality shares and money market investments.
- Ensure the Fund retains an acceptable level of liquidity to meet any liquidation obligations within the promised timelines.

2. The objective of the **Enwealth Balanced Fund** is to seek long-term stability and growth of capital consistent with moderate investment risk and a reasonable level of current income. In order to achieve this object, The Fund Manager shall invest in all eligible asset classes at all times provided that investments in money market, equities and fixed income instruments shall each have a maximum exposure 60% of the market value of assets under management.

The guiding Investment principles for Enwealth Balanced Fund are:

- Invest in money market, debt and equity securities which are usually available to the entire spectrum of investors.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### CORPORATE TRUSTEE'S REPORT (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2023

- Universe of investments includes: interest-bearing securities such as bank deposits, bank acceptances, treasury bills, commercial paper, whether listed or unlisted treasury bonds, corporate bonds and equity whether listed or unlisted.
  - Income yield and capital gains will be primary drivers of investment returns.
  - The portfolio may contain low allocation of off-shore exposure as a hedge against the domestic currency and economy occasionally.
3. The objective of the **Enwealth Money Market Fund** is to generate interest income. This is achieved through investing in interest-earning money market instruments which have a maximum weighted average of 13 months. These interest-bearing money market instruments include; Credit rated private commercial papers/approved public commercial papers, Treasury bills, Government securities, Call Deposits, Certificate of deposit including fixed deposits in commercial banks and deposit taking institutions. Any other like instruments as specified by the Central Bank of Kenya from time to time.

The guiding Investment principles for Enwealth Money Market Fund are:

- To invest only in money market instruments spread amongst institutions of repute.
- To manage the portfolio according to best practice of prudent investing.
- To administer the portfolio according to best practice by treating the generation of income as a higher priority than capital growth.
- To minimize losses, while maximizing on investment returns, by investing in near cash or cash deposits.
- To ensure the Fund retains an acceptable level of liquidity to meet any liquidation obligations with the promised timelines.

#### FUNDS PERFORMANCE

##### INCOME FOR THE YEAR

Year	Enwealth Fund Kshs.	Equity	Enwealth Fund Kshs.	Balanced	Enwealth Money Market Fund Kshs.
2023	(8,371)		43,862		4,898,769

##### FUND VALUE AT THE END OF THE YEAR

Year	Enwealth Fund Kshs.	Equity	Enwealth Fund Kshs.	Balanced	Enwealth Money Market Fund Kshs.
2023	470,684		836,952		177,104,953

#### CORPORATE TRUSTEE

The Corporate Trustee who served during the year is Co-operative Bank of Kenya Ltd.

ENWEALTH CAPITAL UNIT TRUST SCHEME  
CORPORATE TRUSTEE'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2023

INDEPENDENT AUDITOR

The Auditors, Ndakala Advisory LLP, Certified Public Accountants (K), have indicated their willingness to continue in office in accordance to Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The Corporate Trustee monitors the effectiveness, objectivity and independence of the Auditor. This responsibility includes the approval of the audit engagement contract and the audit fees on behalf of the unit holders.

**CORPORATE TRUSTEE**  
Co-operative Bank of Kenya Ltd



2024



28.03.2024

**ENWEALTH CAPITAL UNIT TRUST SCHEME**

**STATEMENT OF CORPORATE TRUSTEE'S RESPONSIBILITIES**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

The Capital Markets (Licensing Requirements) (General) Regulations, 2002 requires the Corporate Trustee to prepare financial statements which give a true and fair view of the state of affairs of the Unit Trust Scheme as at the end of each financial year and of its operating results for that year. It also requires the Corporate Trustees to ensure that the Unit Trust Scheme keeps proper accounting records, which disclose with reasonable accuracy of the financial position of the Unit Trust Scheme. The Corporate Trustee is also responsible for safeguarding the assets of the Unit Trust Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Corporate Trustee accepts responsibility for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Corporate 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 (IFRS) and the manner required by the Kenyan Capital Markets Act. The Corporate Trustee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results as at 31 December 2023. The Corporate Trustee further accept 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.

The statement was approved by the Corporate Trustee on...<sup>28.03</sup> 2024 and signed on its behalf of by:

  
\_\_\_\_\_  
Co-operative Bank of Kenya Ltd



**ENWEALTH CAPITAL UNIT TRUST FUNDS****2023 FINANCIAL STATEMENTS****FUND MANAGER COMMENTARY****GDP**

Kenya's economy remained resilient in 2023, with average GDP growth for the first 3 quarters of the year standing at 5.53%, above the IMF's expected 5.3% growth for 2023. This growth was mainly supported by a rebound in agricultural activities that had contracted in 2022. Nonetheless, leading indicators show emerging headwinds, with The Stanbic Purchasing Managers Index (PMI) closing the year at 48.8 in December 2023. Index readings below 50.0 indicate contraction in business activity. The index trended below the 50.0 mark in 10 out of the 12 months on 2023, indicating an overall deterioration in business activity and output levels in 2023. Business conditions continued to be weighed down by elevated price pressures as input prices continued to rise.

**Inflation & Currency and Interest Rates**

The inflation average for 2023 stood at 7.7%, a slight increase from the annual average in 2022 (7.6%), driven by rising energy prices. The rise in energy prices was in part due to the steep depreciation of the KES against major currencies.

The Kenya Shilling depreciated by 20.4% during the year on reduced foreign exchange earnings and high external debt repayments. High import demand, amid a sluggish rebound in capital inflows due to elevated foreign interest rates also served to increase pressure on the KES.

Interest rates soared during the year on an increase in the Government's borrowing appetite to finance the growing budget deficit. In response to elevated inflationary pressures, the CBK raised the Central Bank Rate by 2% in the last quarter of the year to 12.5%, which served to exert upward pressure on local rates. The 364-day T-Bill rose by 560 basis points to close the year at 15.90%.



## **Investor Returns**

All traditional asset classes registered dismal performances with equities registering negative returns for the second consecutive year. The yield curve rose significantly across all tenors thereby resulting to mark to market losses of bonds. The Money market funds continued to benefit from the prevailing interest rate environment.

The Fund Manager continues to prudently invest client funds with the appropriate tactical plays to maximize on client returns despite the difficult macroeconomic environment. Risk management continues to be at the core of our investment process.

## **2024 Outlook**

Economic performance in 2024 is expected to be positive supported by improved agricultural performance and growth in the services sector despite reduced consumer spending. Increased cost of living, and an increase in excise duties, VAT and income taxes are likely to have a negative impact on demand and household spending. These coupled with high cost of credit, gradual currency weakness pose a risk to this growth outlook. Inflation is expected to remain elevated and within the Central Bank's upper limit of 7.5% in 2024 despite an expected rise in fuel prices and higher taxes. This is likely to be supported by a decline in food prices on improved weather conditions and food productivity.

Interest rates are expected to persist at elevated levels despite the shift towards external funding for the budget deficit in FY2023/24. We expect interest rates on the short end of the yield curve, to rise further. The equity market activity is likely to remain subdued in the first half of 2024 despite a positive banking sector earnings season, and to rebound in the second half as central banks across the developed markets embark on rate cuts. Higher global and local interest rates are likely to result in lower investor participation at the bourse. However, the attractive market dividend yields will remain higher than historical levels. Global central banks are expected to retain a tight monetary policy stance in H1 2024 despite declining inflation. This is likely to impact corporate earnings in the form of reduced consumption and higher finance costs in 2024. Better than anticipated inflation declines and potential interest rate cuts, later in 2024, will likely create a positive market expectation.

**Appreciation**

I also extend my gratitude to our clients and business affiliates for your continued support over the years. We look forward to continuing to work with you in the future.

Thank you.

Anthony Mwithiga

A handwritten signature in black ink, appearing to read 'Anthony Mwithiga', written in a cursive style.

Group Managing Director

OMIG East Africa

**ENWEALTH CAPITAL UNIT TRUST SCHEME  
CUSTODIAN'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between SBM Bank Kenya Limited as the Custodian and Old Mutual Investment Group (Kenya) Limited as the Fund manager, we confirm that;

- a) We have discharged the duties prescribed for a Custodian under Regulation 35 of the regulations, to Enwealth Capital Unit Trust Scheme.
- b) The issue, sale, redemption and cancellation and calculation of the price of the Funds' units and the application of the Funds' income have been carried out in accordance with the Regulation; and
- c) The investment 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 31 December 2023, we have held the assets for the Enwealth Limited Unit Trust Scheme, including securities and income that accrue thereof, to the order of the Fund manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund manager.

We confirm having affected the sale, redemption and cancellation of units in accordance with the creation/liquidation instructions received from the Fund manager.

**By order of the Custodian**

.....  
**SBM Bank Kenya Limited**  
.....28/05.....2024



**REPORT OF THE INDEPENDENT AUDITOR TO THE UNIT HOLDERS OF ENWEALTH CAPITAL UNIT TRUST SCHEME**

**Opinion**

We have audited the accompanying financial statements of the following unit portfolios of the Enwealth Capital Unit Trust Scheme.

- I. Enwealth Equity Fund set out on pages 13 to 25
- II. Enwealth Balanced Fund set out on pages 26 to 39
- III. Enwealth Money Market Fund set out on pages 40 to 52

(the "Fund(s)") which comprise the **respective** Fund's statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, changes in unit holder balances and cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion the accompanying financial statements give a true and fair view of the state of financial affairs of the Funds as at 31 December 2023 and of their financial performance and cash flows for the year ended in accordance with International Financial Reporting Standards (IFRS) and requirements of the Capital Markets Authority (Collective Investment Schemes) Regulation, 2001.

**Basis of opinion**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the Management, and evaluating the overall financial statement presentation.

We are independent of the Unit Trust Scheme 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 other 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 opinion.

**Key Audit matters**

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

There were no key audit matters during the financial year.

**Corporate Trustee's Responsibility for the Financial Statements.**

The Corporate Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Capital Market Act (Collective Investment Schemes) Regulations, 2001. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism 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 Unit Trust Scheme internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporate Trustee.
- Conclude on the appropriateness of the Corporate 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 Unit Trust Scheme ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Unit Trust Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

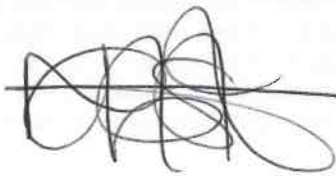
REPORT (CONT'D)

Report on other legal requirements

As required by the Capital Markets Authority (Collective Investment Schemes) Regulation, 2001 we report to you, based on our audit, that:

- i. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii. In our opinion proper books of accounts have been kept by the Unit Trust Scheme, so far as appears from our examination of those books;
- iii. The Funds Statement of Comprehensive Income and Statement of Financial Position are in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent Auditor's **opinion** is CPA Noah O. Ndakala – P/No 2039.



For and on behalf of Ndakala Advisory  
Certified Public Accountants (K)  
Nairobi, Kenya

## ENWEALTH EQUITY FUND

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH EQUITY FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023
	Notes	Kshs
<b>INCOME</b>		
Investment income	5	20,896
Fair value loss on investments at fair value through profit or loss	9	<u>(28,667)</u>
<b>Total Income</b>		<u><b>(7,771)</b></u>
<b>EXPENSES</b>		
Management Expenses	6	-
Administrative Expenses	7	<u>(600)</u>
<b>Total Expenses</b>		<u><b>(600)</b></u>
<b>(Loss) for the year</b>		<u><u><b>(8,371)</b></u></u>



ENWEALTH CAPITAL UNIT TRUST SCHEME

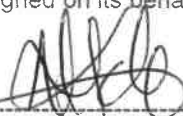
ENWEALTH EQUITY FUND

STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kshs
<b>ASSETS</b>		
<b>Investment Balances</b>		
Fixed & Call Deposits	8	244,500
Quoted Equities	9	219,480
		<u>463,980</u>
<b>Current Assets</b>		
Cash at Bank	10	2,163
Accounts Receivable	11	4,541
		<u>6,704</u>
<b>Total Assets</b>		<u><u>470,684</u></u>
<b>EQUITY</b>		
Unit holder balances	12	470,684
		<u><u>470,684</u></u>

The financial statements on pages 13 to 25 were approved by the Corporate Trustee on 28.03 2024 and signed on its behalf by:



Corporate Trustee, Co-operative Bank of Kenya Ltd.



ENWEALTH CAPITAL UNIT TRUST SCHEME  
 ENWEALTH EQUITY FUND  
 STATEMENT OF CHANGES IN UNIT HOLDER BALANCES  
 FOR THE YEAR ENDED 31 DECEMBER 2023

	Unit holder capital balances Kshs.
As at 1 January 2023	-
<b>Comprehensive income to unit holders:</b>	
(Loss) for the year	(8,371)
<b>Transactions with unit holders:</b>	
Units purchased	(976,330)
Units liquidated	-
Distributions paid out in cash	497,275
Withholding tax on distributions	-
<b>Total transactions with unit holders</b>	<u>(479,055)</u>
As at 31 December 2023	<u><u>470,684</u></u>



ENWEALTH CAPITAL UNIT TRUST SCHEME  
 ENWEALTH EQUITY FUND  
 STATEMENT OF CASHFLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 KShs.
<b>Operating Activities</b>	
	<b>Notes</b>
(Loss) for the year	(8,371)
Increase in receivables	(4,541)
<b>Net Cash Flows (used in) Operating Activities</b>	<u>(12,912)</u>
<b>Financing Activities</b>	
Units purchased	976,330
Distribution paid	(497,275)
	-
<b>Net Cash generated from financing activities</b>	<u>479,055</u>
<b>Net Cash Flows From Investing Activities</b>	
Equities purchases	(219,480)
<b>Net Cash Flows (used in) Investing Activities</b>	<u>(219,480)</u>
Cash and cash equivalents as at the start of year	-
Net changes in cash and cash equivalents	246,663
<b>Cash and cash equivalents as at the end of year</b>	<u>246,663</u>

10

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH EQUITY FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

### 1 GENERAL INFORMATION

Enwealth Capital Unit Trust Scheme ('the fund') is a collective investment scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a Trust Deed dated 2nd October 2022. The address of its registered office is:

Enwealth Capital Limited  
Morningside Office Park,  
1st Floor, Suite D2, Ngong Road  
P.O.Box 52340 - 00200  
Nairobi, Kenya

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out as below:

#### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the trustee to exercise its judgement in the process of applying the Fund's accounting policies. Areas involving a higher degree of judgement or complexity relate to classification of assets, determination of whether the assets are impaired and the tax status of the Fund.

#### b) Changes in accounting policy and disclosures

##### i) New and amended standards adopted

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2023 that would be expected to have a material impact on the Fund.

##### ii) New standards and interpretations not yet adopted

The Fund has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2023 and the trustee do not plan to apply any of them until they become effective. None of these is expected to have significant effect on the financial statements of the Fund.

##### iii) Early Adoption

The Fund did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

**ENWEALTH CAPITAL UNIT TRUST SCHEME**

**ENWEALTH EQUITY FUND**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**c) Revenue recognition**

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the year in which the right to receive payment is established.

**d) Financial Instruments**

**Financial assets**

**(i) Classification and impairment of financial assets**

The Fund classifies its financial assets into the following measurement categories:

- at fair value through profit or loss (FVPL); and
- at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Fund recognises cash at bank, fixed deposits and treasury bills at amortised cost

**(ii) Recognition**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset.

**(iii) Measurement**

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.

Assets measured at FVTPL are subsequently measured at their fair value, with gains or losses on remeasurement recognised in profit or loss.

**(iv) Impairment**

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

ENWEALTH CAPITAL UNIT TRUST SCHEME  
ENWEALTH EQUITY FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Financial Instruments (continued)

(iv) Impairment (cont')

The impairment model applies to the following financial instruments:

- Treasury bills;
- Deposits with financial institutions; and
- Cash and bank balances.

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

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

**Measurement of expected credit losses**

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

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

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

*Expected credit losses*

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

$$ECL = PD \times LGD \times EAD$$

In applying the IFRS 9 impairment requirements, the Fund follows the general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating body S&P.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH EQUITY FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Financial Instruments (continued)

#### (v) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

The Fund classifies all financial liabilities as subsequently measured at amortised cost.

#### (vi) Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### vii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### d) Distribution

All income arising from receipts of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

### e) Unit holder balances

Unit holder balances are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's net asset value. The balances are carried at the redemption amount that is payable at the balance sheet date if the holder exercised their right to redeem the balances.

Unit holder balances are classified as equity.

### f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH EQUITY FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### g) Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002). Whereas income tax including the payment of withholding tax on investment income is exempt as per the laws, the Unit Trust is yet to obtain an exemption certificate to solidify the same. However, distribution to Unit holders is not exempt from tax. With effect from September 2009 distributions (income less expenses) to unit holders are subjected to tax at current withholding tax rates (15% for interest and 5% for dividends) and are recognised in the statement of changes in unit holder balances

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The trustee also needs to exercise judgment in applying the Fund's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

### (a) Measurement of the expected credit loss allowance

A number of significant judgements are required in applying the accounting requirement for measuring ECL, such as:

- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets,
- Determining criteria for significant increase in credit risk,
- Choosing the appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

## 4 RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers under direction of the Enwealth Capital Unit Trust Scheme Board. The Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.



## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH EQUITY FUND

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

##### Liquidity risk

The Fund is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are traded at the Nairobi Securities Exchange.

The Fund's listed securities are considered readily realizable, as they are listed on the Nairobi Securities Exchange.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below shows the Funds' investments in cash and near cash equivalents at 31 December 2023.

Item	2023 Kshs.
Cash and Bank	2,163
Fixed & Call Deposits	244,500
Quoted Equities	219,480
<b>Total</b>	<b><u>466,143</u></b>

##### Unit Holder Balances

Item	2023 Kshs.
Unit holder balances	470,684

##### Capital management

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

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

##### Market risk

###### Price risk

The Fund is exposed to equity securities price risk because of investments in quoted shares and other financial assets classified at fair value through profit or loss. The Fund is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Fund. All quoted shares held by the Fund are traded on the Nairobi Securities Exchange (NSE).

###### Foreign exchange risk

The Fund does not invest offshore and is therefore not exposed to foreign exchange risk.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH EQUITY FUND

#### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

##### Interest rate risk

The Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. Fixed interest rate financial instruments expose the Fund to fair value interest rate risk. Variable interest rate financial instruments expose the Fund to cash flow interest rate risk. The Fund's fixed interest rate financial instruments are government securities and deposits with financial institutions. The Fund's variable interest rate financial instruments relate only to floating rate corporate bonds.

##### Credit risk

The Fund uses external credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Fund uses external rating models tailored to the various categories of counterparty. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

##### Expected Credit loss measurement

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired at initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Fund.
  - If a significant increase in credit risk ("SICR" since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
  - If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to impairment (i.e., amortised cost)

<b>Trading Assets</b>	<b>2023 Kshs.</b>
Fixed Time Deposits	106,517

The expected credit loss amounts arising are not material and have not been adjusted in the financial statements.

##### Write-off policy

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Fund's recovery methods foreclosing on collateral and the value of the collateral is such that there is no reasonable expectations of recovering in full.

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 Kshs
<b>5 Investment income</b>	
Call deposits interest	19,946
Dividend income	950
	<u>20,896</u>
<b>6 Management Expenses</b>	
Custody fees	29,775
	<u>29,775</u>
<p>The custody fee of Kshs. 29,775 was catered for by the administrator</p>	
<b>7 Administrative expense</b>	
Bank charges	(600)
	<u>(600)</u>
<b>8 Financial Investments</b>	
Fixed & Call Deposit	244,500
	<u>244,500</u>
<b>Call deposits</b>	
Opening Balance	-
Purchases	1,105,300
Disposals	(860,800)
Accrued Interest	4,541
<b>Closing Balance</b>	<u>249,041</u>
<b>9 Other Investments</b>	
Quoted Equities	219,480
	<u>219,480</u>
<b>Classification of quoted securities per sector:</b>	
Banking	109,780
Manufacturing and Allied	74,950
Telecommunications and Technology	34,750
	<u>219,480</u>
<b>10 Cash and other Cash Equivalent</b>	
SBM Bank - Nominee	2,163
	<u>2,163</u>
<p>For the purpose of cashflow, the cash and Bank Balance includes cash at bank and Fixed &amp; call deposits</p>	
Cash at bank	2,163
Call and fixed deposits	244,500
	<u>246,663</u>
<b>11 Accounts Receivables</b>	
Call Deposit Interest Receivable	4,541
	<u>4,541</u>

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH EQUITY FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

12 Unit holder liabilities

	No. of units	2023 Value Kshs
At start of year	-	-
Creations	47,525	976,330
Liquidations income available for distribution		(8,371)
Distribution paid in the year		(497,275)
Effects of changes in fair value of investments		-
At the end of the year	<u>47,525</u>	<u>470,684</u>

13 Related party transactions

Enwealth Capital Unit Trust Scheme was established by Enwealth Capital Limited . Enwealth Capital Unit Trust Scheme is administered by Enwealth Capital Limited which is incorporated in Kenya. The ultimate parent of Enwealth Capital Limited is Enwealth Financial Services Limited.

Transactions with related parties were made at terms and conditions similar to those offered to other unit holders.

Unit Holder	No. of Units	2023 Kshs Amount
Enwealth Financial Services Limited	10,000	99,039
	<u>10,000</u>	<u>99,039</u>

## ENWEALTH BALANCED FUND

**ENWEALTH CAPITAL UNIT TRUST SCHEME**

**ENWEALTH BALANCED FUND**

**STATEMENT OF CHANGES IN UNIT HOLDER BALANCES**

**FOR THE YEAR ENDED 31 DECEMBER 2023**

	Unit holder capital balances	Kshs.
As at 1 January 2023		-
<b>Comprehensive income to unit holders:</b>		
Profit for the year		43,862
<b>Transactions with unit holders:</b>		
Units purchased	(930,365)	
Units liquidated	-	
Distributions paid out in cash	137,275	
Withholding tax on distributions	-	
<b>Total transactions with unit holders</b>	<u>(793,090)</u>	
As at 31 December 2023		<u><u>836,952</u></u>



ENWEALTH CAPITAL UNIT TRUST SCHEME  
 ENWEALTH BALANCED FUND  
 STATEMENT OF CASHFLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 KSH
<b>Operating Activities</b>		
Profit for the year		43,862
(Increase) in receivables		(17,259)
<b>Net Cash Flows (used in) Operating Activities</b>		<u>26,603</u>
<b>Financing Activities</b>		
Units purchased		930,365
Distribution paid		(137,275)
<b>Net Cash generated from financing activities</b>		<u>793,090</u>
Cash and cash equivalents as at the start of year		-
Net changes in cash and cash equivalents		<u>819,693</u>
<b>Cash and cash equivalents as at the end of year</b>	<b>8</b>	<u><u>819,693</u></u>

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

### 1 GENERAL INFORMATION

Enwealth Capital Unit Trust Scheme ('the fund') is a collective investment Scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a trust deed dated 2nd October 2022. The address of its registered office is:

Enwealth Capital Limited  
Morningside Office Park,  
1st Floor, Suite D2, Ngong Road  
P.O.Box 52840 - 00200  
Nairobi, Kenya

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out as below:

#### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the trustee to exercise its judgement in the process of applying the Fund's accounting policies. Areas involving a higher degree of judgement or complexity relate to classification of assets, determination of whether the assets are impaired and the tax status of the Fund.

#### b) Changes in accounting policy and disclosures

##### i) New and amended standards adopted

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2023 that would be expected to have a material impact on the Fund.

##### ii) New standards and interpretations not yet adopted

The Fund has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2023 and the trustee do not plan to apply any of them until they become effective. None of these is expected to have significant effect on the financial statements of the Fund.

##### iii) Early Adoption

The Fund did not early adopt any new standards and/or interpretation that are in issue but not yet effective.



## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the year in which the right to receive payment is established.

### d) Financial Instruments

#### Financial assets

##### (i) Classification and impairment of financial assets

The Fund classifies its financial assets into the following measurement categories:

- at fair value through profit or loss (FVPL); and
- at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and  
its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Fund recognises cash at bank, fixed deposits and treasury bills at amortised cost

##### (ii) Recognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset.

##### (iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.

Assets measured at FVTPL are subsequently measured at their fair value, with gains or losses on remeasurement recognised in profit or loss.

##### (iv) Impairment

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

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### (iv) Impairment (cont')

The impairment model applies to the following financial instruments:

- Treasury bills;
- Deposits with financial institutions; and
- Cash and bank balances.

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

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

### Measurement of expected credit losses

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

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

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

### *Expected credit losses*

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

$$ECL = PD \times LGD \times EAD$$

In applying the IFRS 9 impairment requirements, the Fund follows the general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating body S&P.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Financial Instruments (continued)

#### (v) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

The Fund classifies all financial liabilities as subsequently measured at amortised cost.

#### (vi) Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

#### vii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

### d) Distribution

All income arising from receipts of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

### e) Unit holder balances

Unit holder balances are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's net asset value. The balances are carried at the redemption amount that is payable at the balance sheet date if the holder exercised their right to redeem the balances.

Unit holder balances are classified as equity.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

### g) Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002). Whereas income tax including the payment of withholding tax on investment income is exempt as per the laws, the Unit Trust is yet to obtain an exemption certificate to solidify the same. However, distribution to Unit holders is not exempt from tax. With effect from September 2009 distributions (income less expenses) to unit holders are subjected to tax at current withholding tax rates (15% for interest and 5% for dividends) and are recognised in the statement of changes in unit holder balances

## 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The trustee also needs to exercise judgment in applying the Fund's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

### (a) Measurement of the expected credit loss allowance

A number of significant judgements are required in applying the accounting requirement for measuring ECL, such as:

- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets,
- Determining criteria for significant increase in credit risk,
- Choosing the appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

## 4 RISK MANAGEMENT OBJECTIVES AND POLICIES

### Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers under direction of the Enwealth Capital Unit Trust Scheme Board. The Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.

## ENWEALTH CAPITAL LIMITED UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### ACCOUNTING POLICIES

#### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

##### Liquidity risk

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below shows the Funds' investments in cash and near cash equivalents at 31 December 2023.

Item	2023 Kshs.
Cash and Bank	71,407
Fixed & Call Deposits	458,000
Treasury Bills	290,287
<b>Total</b>	<b><u>819,693</u></b>

##### Unit Holder Balances

Item	2023 Kshs.
Unit holder balances	836,952
	<b><u>836,952</u></b>

##### Capital management

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

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

##### Market risk

##### Price risk

The Fund is exposed to equity securities price risk because of investments in quoted shares and other financial assets classified at fair value through profit or loss. The Fund is not exposed to commodity price risk. To manage its price risk arising from investments in equity and debt securities, the Fund diversifies its portfolio. Diversification of the portfolio is done in accordance with limits set by the Fund. All quoted shares held by the Fund are traded on the Nairobi Securities Exchange (NSE).

The Investment Manager moderates this risk through a careful selection and diversification of securities and other financial instruments within specified limits. Total universe of assets in which the Fund could potentially invest are divided into various asset classes namely Quoted securities, bonds, offshore, deposits and cash.

## ENWEALTH CAPITAL LIMITED UNIT TRUST SCHEME

### ENWEALTH BALANCED FUND

#### ACCOUNTING POLICIES

##### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

##### Price risk (Cont'd)

The Fund Manager conducts research on overall the economic performance and determines probable sector performances and, therefore, asset allocation. Typically, the choice of investment involves the following steps tailored to minimize the level of exposure to asset classes and specific securities:

##### 1.Strategic Asset Allocation (SAA)

- This is the first step and sets the minimums and maximums for each asset class; Long term guideline taking to account investment objectives, asset/liability profile and maturity profile of Funds; and

##### 2.Tactical Asset allocation

- Sets the short term (quarterly) ranges for each asset class allowing manager to take advantage of prevailing market conditions,
- Identifies actual assets invested in within each investment class but within the overall strategic range;
- Selection of the specific securities invested in is reviewed monthly by an investment committee.

Moreover, each asset class is benchmarked against appropriate market indices with the primary objective of outperforming the indices over the medium to longer term.

##### Foreign exchange risk

The Fund does not invest offshore and is therefore not exposed to foreign exchange risk.

##### Interest rate risk

The Fund is subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. No limits are placed on the ratio of variable rate financial instruments to fixed rate financial instruments. Fixed interest rate financial instruments expose the Fund to fair value interest rate risk. Variable interest rate financial instruments expose the Fund to cash flow interest rate risk. The Fund's fixed interest rate financial instruments are government securities and deposits with financial institutions.

##### Credit risk

The Fund uses external credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Fund uses external rating models tailored to the various categories of counterparty. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

**Expected Credit loss measurement**

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired at initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Fund.
- If a significant increase in credit risk ("SICR" since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Maximum exposure to credit risk - Financial instruments subject to impairment

The following table contains an analysis of the maximum credit risk exposure from financial assets subject to impairment (i.e., amortised cost)

<b>Trading Assets</b>	<b>2023</b>
	<b>Kshs.</b>
Fixed Time Deposits	458,000
	<u>458,000</u>

The expected credit loss amounts arising are not material and have not been adjusted in the financial statements.

**Write-off policy**

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Fund's recovery methods foreclosing on collateral and the value of the collateral is such that there is no reasonable expectations of recovering in full.

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

<b>5 Investment income</b>	<b>2023</b>
	<b>Kshs</b>
Call deposits interest	31,699
Treasury Bill Discount	12,163
	<u>43,862</u>
<b>6 Management Expenses</b>	
Custody fees	29,775
	<u>29,775</u>
The custody fee of Kshs. 29,775 was catered for by the administrator	
<b>7 Financial Investments</b>	
Treasury Bills	290,287
Fixed & Call Deposits	458,000
	<u>748,287</u>
<b>Treasury Bills</b>	
Opening Bal.	-
Purchases	387,837
Disposal	(97,550)
Discounted Interest receivable	9,713
Closing Bal.	<u>300,000</u>
<b>Call deposits</b>	
Opening Balance	-
Purchases	1,757,000
Disposals	(1,299,000)
Accrued Interest	7,546
<b>Closing Balance</b>	<u>465,546</u>
<b>8 Cash and Cash Equivalents</b>	
SBM Bank - Collection	10,000
SBM Bank - Nominee	61,407
	<u>71,407</u>
For the purpose of cashflow, the cash at Bank Balance includes cash at bank, Treasury bills and call deposits	
Cash at bank	71,407
Call and fixed deposits	458,000
Treasury bills	290,287
	<u>819,693</u>
<b>9 Receivables</b>	
Treasury Bills Interest Receivable	9,713
Call Deposit Interest Receivable	7,546
	<u>17,259</u>



ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH BALANCED FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

10 Unit holder liabilities

	No. of units	2023 Value Kshs
At start of year	-	-
Creations	75,054	930,365
Liquidations income available for distribution		43,862
Distribution paid in the year		(137,275)
Effects of changes in fair value of investments		
At the end of the year	<u>75,054</u>	<u>836,952</u>

11 Related party transactions

Enwealth Capital Unit Trust Scheme was established by Enwealth Capital Limited . Enwealth Capital Unit Trust Scheme is administered by Enwealth Capital Limited which is incorporated in Kenya. The ultimate parent of Enwealth Capital Limited is Enwealth Financial Services Limited.

Transactions with related parties were made at terms and conditions similar to those offered to other unit holders.

Unit Holder	No. Units	2023 Kshs. Amount
Enwealth Financial Services Limited	10,000	108,755
	<u>10,000</u>	<u>108,755</u>

**ENWEALTH MONEY MARKET FUND**

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023
	Notes	Kshs
<b>INCOME</b>		
Investment Balances	5	6,314,867
Revaluation (Loss) on Treasury Bonds	6	(493,342)
<b>Total Income</b>		<u>5,821,524</u>
<b>EXPENSES</b>		
Management Expenses	7	289,377
Administrative Expenses	8	633,378
<b>Total Expenses</b>		<u>922,755</u>
<b>Profit for the year</b>		<u><u>4,898,769</u></u>



ENWEALTH CAPITAL UNIT TRUST SCHEME  
 ENWEALTH MONEY MARKET FUND  
 STATEMENT OF FINANCIAL POSITION  
 FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 Kshs
<b>ASSETS</b>		
<b>Investments</b>		
Treasury Bonds	9	11,963,039
Fixed & Call Deposits	9	159,465,000
		<u>171,428,039</u>
<b>Current Assets</b>		
Cash and other Cash Equivalents	10	577,422
Income receivable	11	5,099,493
		<u>5,676,915</u>
<b>Total Assets</b>		<u><u>177,104,953</u></u>
Unit Holder Balances	12	176,528,477
Accounts Payables	13	576,476
<b>Total Liabilities</b>		<u><u>177,104,953</u></u>

The financial statements on pages 40 to 52 were approved by the Corporate Trustee on 28.03.2024 and signed on its behalf by:

Corporate Trustee, Co-operative Bank of Kenya Ltd



ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

STATEMENT OF CHANGES IN UNIT HOLDER BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2023

	Unit holder capital balances Kshs.
As at 1 January 2023	-
<b>Comprehensive income to unit holders:</b>	
Profit for the year	4,898,769
<b>Transactions with unit holders:</b>	
Units purchased	191,918,947
Units liquidated	-
Distributions paid out in cash	(20,289,239)
Withholding tax on distributions	-
<b>Total transactions with unit holders</b>	<u>171,629,708</u>
As at 31 December 2023	<u><u>176,528,477</u></u>

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 KSH
<b>Operating Activities</b>	
Profit for the year	4,898,769
(Increase) in receivables	(5,099,493)
Increase in payables	576,476
<b>Net Cash Flows generated from Operating Activities</b>	<u>375,753</u>
<b>Financing Activities</b>	
Units purchased	191,918,947
Distribution paid	(20,289,239)
<b>Net Cash used in financing activities</b>	<u>171,629,708</u>
<b>Net Cash Flows From Investing Activities</b>	
Movement in Treasury bonds	(11,963,039)
<b>Net Cash Flows (used in) Investing Activities</b>	<u>(11,963,039)</u>
Cash and cash equivalents as at the start of year	-
Net changes in cash and cash equivalents	160,042,422
<b>Cash and cash equivalents as at the end of year</b>	<u>160,042,422</u>

Notes

10

## ENWEALTH CAPITAL UNIT TRUST SCHEME

## ENWEALTH MONEY MARKET FUND

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 1 GENERAL INFORMATION

Enwealth Capital Unit Trust Scheme ('the fund') is a collective investment scheme which is registered under the Capital Markets Authority Act and is domiciled in Kenya. The Fund was established under a trust deed dated 24th October 2022. The address of its registered office is:

Enwealth Capital Limited  
Morningside Office Park,  
1st Floor, Suite D2, Ngong Road  
P.O.Box 52840 - 00200  
Nairobi, Kenya

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out as below:

#### a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the trustee to exercise its judgement in the process of applying the Fund's accounting policies. Areas involving a higher degree of judgement or complexity relate to classification of assets, determination of whether the assets are impaired and the tax status of the Fund.

#### b) Changes in accounting policy and disclosures

##### i) New and amended standards adopted

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 January 2023 that would be expected to have a material impact on the Fund.

##### ii) New standards and interpretations not yet adopted

The Fund has not applied any new or revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2023 and the trustee do not plan to apply any of them until they become effective. None of these is expected to have significant effect on the financial statements of the Fund.

##### iii) Early Adoption

The Fund did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

### ENWEALTH MONEY MARKET FUND

#### NOTES TO THE FINANCIAL STATEMENTS

##### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### c) Revenue recognition

Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. Dividends are recognised as income in the year in which the right to receive payment is established.

### d) Financial Instruments

#### Financial assets

##### (i) Classification and impairment of financial assets

The Fund classifies its financial assets into the following measurement categories:

- at fair value through profit or loss (FVPL); and
- at amortised cost.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Fund recognises cash at bank, fixed deposits and treasury bills at amortised cost

##### (ii) Recognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Fund commits to purchase or sell the asset.

##### (iii) Measurement

At initial recognition, the Fund measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses.

Assets measured at FVTPL are subsequently measured at their fair value, with gains or losses on remeasurement recognised in profit or loss.

##### (iv) Impairment

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

The impairment model applies to the following financial instruments:

- Treasury bills;
- Deposits with financial institutions; and
- Cash and bank balances.



## ENWEALTH CAPITAL UNIT TRUST SCHEME

## ENWEALTH MONEY MARKET FUND

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2023

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### d) Financial Instruments (continued)

#### (iv) Impairment (cont')

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

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

#### Measurement of expected credit losses

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

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

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

#### *Expected credit losses*

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

$$ECL = PD \times LGD \times EAD$$

In applying the IFRS 9 impairment requirements, the Fund follows the general approach.

Under the general approach, at each reporting date, the Fund determines whether the financial asset is in one of the three stages below, to determine both the amount of ECL to recognise as well as how interest income should be recognised.

An expected credit loss model for deposits and call balances placed with banks will be based on the default rate assigned by global credit rating body S&P.

LGD is the magnitude of the likely loss if there is a default. The Fund estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties.

EAD represents the expected exposure in the event of a default. The Fund derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortisation, and prepayments.

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

c) Financial Instruments (continued)

(v) Financial liabilities

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

The Fund classifies all financial liabilities as subsequently measured at amortised cost.

(vi) Derecognition of financial instruments

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

vii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

d) Distribution

All income arising from receipts of investment income is distributed to unit holders after provision for expenses and taxes. The unit holders have an option of taking their distributions in cash or having the distribution re-invested to form part of the unit holder capital balance.

e) Unit holder balances

Unit holder balances are redeemable on demand at an amount equal to a proportionate share of the unit portfolio's net asset value. The balances are carried at the redemption amount that is payable at the balance sheet date if the holder exercised their right to redeem the balances.

Unit holder balances are classified as equity.

f) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

## ENWEALTH CAPITAL UNIT TRUST SCHEME

## ENWEALTH MONEY MARKET FUND

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2023

#### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### g) Taxation

The unit trust is registered under the Income Tax Act (Collective Investment Scheme Rules 2002). Whereas income tax including the payment of withholding tax on investment income is exempt as per the laws, the Unit Trust is yet to obtain an exemption certificate to solidify the same. However, distribution to Unit holders is not exempt from tax. With effect from September 2009 distributions (income less expenses) to unit holders are subjected to tax at current withholding tax rates (15% for interest and 5% for dividends) and are recognised in the statement of changes in unit holder balances

#### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The trustee also needs to exercise judgment in applying the Fund's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

##### (a) Measurement of the expected credit loss allowance

A number of significant judgements are required in applying the accounting requirement for measuring ECL, such as:

- Determining the appropriate business models and assessing the "solely payments of principal and interest (SPPI)" requirements for financial assets,
- Determining criteria for significant increase in credit risk,
- Choosing the appropriate models and assumptions for the measurement of ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

#### 4 RISK MANAGEMENT OBJECTIVES AND POLICIES

##### Financial risk management

The Fund generates revenues for unit holders by investing in various income generating activities which involve trading in the stock exchange and trading in government securities. These activities expose the Fund to a variety of financial risks, including credit, liquidity risk and the effects of changes in debt and equity market prices and interest rates. The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the investment managers under direction of the Enwealth Capital Unit Trust Scheme Board. The Board works within policies approved by the Fund's Trustee. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against these risks. The Board provides the investment managers with written guidelines for appropriate investments. These guidelines are reviewed on a regular basis and are within the Collective Investment Scheme regulations issued by the Capital Markets Authority.

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

**Liquidity risk**

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis and has developed a comprehensive history of the Fund's daily and/or periodic liquidity requirements. Guided by this history, the manager maintains sufficient cash and near cash investments to meet the day to day redemption requirements.

The table below illustrates the Fund's typical redemption history and cash/near cash holdings over the past one year:

The table below shows the Funds' investments in cash and near cash equivalents at 31 December 2023.

Item	2023 KSHS
Cash and bank balances	577,422
Cash on call and deposits maturing in less than 3 months	171,921,381
	<u>172,498,803</u>

Maturity Analysis of Financial Liabilities and Unit Holders Balances (all on demand)

Item	2023 KSHS
Unit holder balances	176,528,477
Current Liabilities	576,476
	<u>177,104,953</u>

**Market risk**

**Price risk**

The Investment Manager moderates this risk through a careful selection and diversification of securities and other financial instruments within specified limits. The Fund Manager conducts research on overall economic performance and determines probable sector performances and, therefore, asset allocation.

**Foreign exchange risk**

The Fund does not invest offshore and is therefore not exposed to foreign exchange risk.

**Interest rate risk**

The Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. The Fund has not invested in fixed interest rate financial instruments are government securities.

**ENWEALTH CAPITAL UNIT TRUST SCHEME**  
**ENWEALTH MONEY MARKET FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

**4 RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)**

**Credit risk**

The Fund uses external credit risk gradings that reflect its assessment of the probability of defaults of individual counterparties. The Fund uses external rating models tailored to the various categories of counterparty. In addition, the models enable expert judgment from the Credit Risk Officer to be fed into the final internal credit rating for each exposure. This allows for the considerations which may not be captured as part of the other data input into the model.

The credit grades are calibrated such that the risk of default increases exponentially at each higher risk grade. For example, this means that the difference in the PD between A and A- rating grade is lower than the difference in the PD between a B and B- rating grade.

The Funds' internal ratings scale and mapping of external ratings as supplemented by the Funds' own assessment through the use of internal rating tools are as follows:

**Expected Credit loss measurement**

IFRS 9 outlines a "three-stage" model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit impaired at initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Fund.
- If a significant increase in credit risk ("SICR" since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3.

- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

**Maximum exposure to credit risk — Financial instruments subject to impairment**

The following table contains an analysis of the maximum credit risk exposure from financial assets  
Investment balances

	<b>2023</b>
	<b>Kshs.</b>
Fixed deposits	144,701,656
Treasury bonds	12,693,436

The expected credit loss amounts arising are not material and have not been adjusted in the financial statements.

**Capital management**

The capital of the Fund is represented by unit holder balances. The amount of unit holder balances can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objectives when managing capital are to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders.

ENWEALTH CAPITAL UNIT TRUST SCHEME  
ENWEALTH MONEY MARKET FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023
	Kshs
<b>5 Investment income</b>	
Treasury Bonds Interest	987,565
Fixed & Call Deposits Interest	5,327,302
	<u>6,314,867</u>
<b>6 Unrealized income/loss</b>	
Revaluation (Loss) on Treasury Bonds	493,342
	<u>493,342</u>
<b>7 Management Expenses</b>	
Custody Fees	77,997
Management Fees	211,380
	<u>289,377</u>
<b>8 Administrative expense</b>	
Administration Fees	489,140
Corporate Trustees Fees	136,438
Bank charges	7,800
	<u>633,378</u>
<b>9 Fixed income Investments</b>	
Treasury Bonds	11,963,039
Call Deposits	159,465,000
	<u>171,428,039</u>
<b>Treasury Bonds</b>	
Opening Balance	-
Purchase	12,456,381
Disposals	-
Accrued Interest	730,398
Revaluation (Loss)	(493,342)
Closing Balance	<u>12,693,436</u>
<b>Fixed &amp; Call Deposits</b>	
Opening Balance	-
Purchase	228,285,000
Disposals	(68,820,000)
Accrued Interest	4,369,095
Closing Balance	<u>163,834,095</u>
<b>10 Cash and other Cash Equivalents</b>	
SBM Bank - Collection	576,100
SBM Bank - Nominee	427
SBM Bank - Disbursement	895
	<u>577,422</u>
For the purpose of cashflow, the cash at Bank Balance includes cash at bank, call deposits and Fixed deposits	
Cash at bank	577,422
Call and fixed deposits	159,465,000
	<u>160,042,422</u>

ENWEALTH CAPITAL UNIT TRUST SCHEME

ENWEALTH MONEY MARKET FUND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

		2023 Kshs
<b>11 Income Receivable</b>		
Treasury Bonds Interest Receivable		730,398
Call Deposit Interest Receivable		4,369,095
		<u>5,099,493</u>
<b>12 Unit Holder Balances</b>	<b>No. of units</b>	
At start of year		-
Creations	176,111,207	191,918,947
Liquidations		4,898,769
Income available for distribution		-
Distributions paid in the year		(20,289,239)
Effect of changes in fair value of investments		-
	<u>176,111,207</u>	<u>176,528,477</u>
<b>13 Accounts Payables</b>		
Management Fees Payable		211,380
Custody Fees Payable		41,551
Administration Fees Payable		187,108
Corporate Trustees Fees Payable		136,438
		<u>576,476</u>

