APOLLO MONEY MARKET FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Corporate Trustee	KCB Bank Kenya Limited KCB Towers 7th Floor, Upper Hill Junction of Kenya Road & Hospital Road P O Box 30664 - 00100 Nairobi, Kenya
Registered office	Apollo Asset Management Company Limited Apollo Centre, 3rd Floor Ring Road Parklands, Westlands P O Box 30389 - 00100 Nairobi, Kenya
Independent auditor	PricewaterhouseCoopers LLP PwC Tower, Waiyaki Way/Chiromo Road, Westlands P O Box 43693 - 00100 Nairobi, Kenya
Custodian	The Co-operative Bank of Kenya Limited KUSCCO Centre, Ground Floor Kilimanjaro Avenue- Upper Hill P O Box 48231 - 00100 Nairobi, Kenya
Fund Managers and Administrators	Apollo Asset Management Company Limited Apollo Centre, 3rd Floor Ring Road Parklands, Westlands P O Box 30389 - 00100 Nairobi, Kenya

The Corporate Trustee submits its report together with the audited financial statements of Apollo Money Market ("the Fund") for the year ended 31 December 2020.

INCORPORATION

Apollo Money Market Fund ("the Fund") was established and is governed by a Trust Deed dated 30 November 2015 as a money market fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is tax exempt with effect from 1 February 2019. The Fund only withholds tax on interest distributed to unit holders on a quarterly basis.

CORPORATE TRUSTEE

The Corporate Trustee who held office during the year and to the date of this report is set out on page 1.

PRINCIPAL ACTIVITIES

The principal activity of the Fund is to obtain a reasonable level of return on a regular basis while preserving capital and offering liquidity by investing in a wide range of fixed income instruments. It ultimately aims to mobilize savings and allow access to investment assets and returns in fixed income instruments otherwise restricted to persons with access to large amounts of capital. The Fund primarily invests in high quality money market instruments with a short-term maturity profile.

FINANCIAL REVIEW

The statement of profit or loss and other comprehensive income on page 10 shows a profit for the year of Shs 45,648,697 (2019: Shs 28,578,762). The statement of financial position on page 11 shows unit holder balances of Shs 561,534,972 as at 31 December 2020 (2019: Shs 495,896,007).

PERFORMANCE RECORD

The performance record of the Fund over the past four years is as shown below:

a) The cumulative average growth rate of the unit holder balances invested:

	2020	2019	2018	2017
Growth rate	13.24%	97.22%	86.07%	136.00%

b) The closing, lowest and highest unit prices of the units of the Fund for the last 4 years are as shown below:

	2020		2019		2018		2017	
	Bid Price Shs	Offer Price Shs	Bid Price Shs	Offer Price Shs	Bid Price Shs	Offer Price Shs	Bid Price Shs	Offer Price Shs
Closing unit price	119.35	119.35	118.17	118.17	124.53	124.53	114.70	114.70
Lowest unit price	117.99	117.99	117.29	117.29	114.99	114.99	107.40	107.40
Highest unit price	120.71	120.71	131.47	131.47	125.55	125.55	115.00	115.00

PERFORMANCE RECORD (Continued)

c) The total Fund value, number of units and net income distributed per unit held for the last 4 years are as shown below:

	2020	2019	2018	2017
Net asset value (Shs)	561,534,972	495,876,007	251,430,465	135,126,926
Number of units issued	4,734,489	2,135,101	2,135,101	1,175,006
Net income distributed per unit (Shs)	10.09	7.54	9.81	10.40

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

MEMBERSHIP

As at 31 December 2020, the Fund had 345 members (2019: 281 members).

DISCLOSURES TO AUDITOR

The Corporate Trustee confirms that at the time of approval of this report:

(a) there was, as far as the Corporate Trustee is aware, no relevant audit information of which the Fund's auditor is unaware; and

(b) the Corporate Trustee had taken all steps that ought to have been taken as a trustee so as to be aware of any relevant audit information and to establish that the Fund's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers LLP was appointed in the year and continues in office in accordance with the Fund's Trust Deed and Section 55 (A) of the Capital Markets (Licensing Requirements) (General) Regulations 2002.

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

Signed on behalf of the Corporate Trustee

For: KCB BANK KENYA LTD.

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Corporate Trustee

CORPORATE TRUSTEE

25TH MARCH **2021**

For: KCB BANK KENYA LTD.

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Corporate Trustee

CORPORATE TRUSTEE

25TH MARCH **2021**

The Corporate Trustee is required in terms of the trust deed to prepare financial statements for each financial year that give a true and fair view of the financial position of the Fund as at the end of the financial year and of its profit or loss for that year. The Corporate Trustee are also required to ensure that the Fund keeps proper accounting records that: (a) show and explain the transactions of the Fund; (b) disclose, with reasonable accuracy, the financial position of the Fund; and (c) enable the Corporate Trustee to ensure that every financial statement required to be prepared complies with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

The Corporate Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
ii) selecting suitable accounting policies and applying them consistently; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Fund's ability to continue as a going concern, the Corporate Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

The Corporate Trustee acknowledges that the independent audit of the financial statements does not relieve it of its responsibilities.

Approved by the Corporate Trustee on 25TH MARCH 2021 and signed on its behalf by:

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

Signed on behalf of the Corporate Trustee

2020 was an unprecedented year globally as the coronavirus, which causes COVID-19, afflicted the world. In a Kenyan context, January and February heralded a year of optimism before the onset of COVID-19 pandemic in late March. Initial containment measures involved the institution of a strict curfew and the closure of the Kenyan airspace *inter alia*. The economic impact was swift as it was devastating. Following real GDP growth of 5.2 percent in the first quarter of 2020, the Kenyan economy suffered two consecutive quarters of contraction where real GDP growth came in at -5.5 percent and -1.1 percent respectively, effectively pushing Kenya into a recession. The Central Bank through the Monetary Policy Committee (MPC) was quick to pursue accommodative monetary policy as they lowered the Central Bank Rate (CBR) to 7 percent & ensured the banking system remained sufficiently liquid. In addition, tax accommodations were effected that reduced the corporate and personal income tax rates to 25 percent from 30 percent in a bid to cushion businesses and individuals alike from the effects of the pandemic. As a result, real GDP growth expectations for 2020 have ranged from between -0.1 percent and 1 percent according to various forecasters. Thankfully, overall inflation remained well anchored in 2020, averaging circa 5.2 percent on the back of lower food and fuel prices and muted demand pressures.

Foreign currency reserves came under pressure in 2020 as usable foreign exchange reserves closed the year at $7,750 million which is equivalent to 4.76 months of import cover. As recently as the end of October 2020, usable forex reserves stood at $ 8,121 million (4.93 months of import cover) underscoring the declining trend. Over the period, diaspora remittances remained resilient becoming the primary source of foreign currency inflows into the Kenyan economy.

The Kenyan equity market suffered a sharp downturn as investor sentiment turned negative following the onset of the COVID-19 pandemic. A rush to safety occasioned a sell-off in the stock market as investors sought the relative safety of Government bonds. Despite an initial index decline of over 20 percent in the first quarter of 2020, the stock market was able to recover and post positive returns over the next three quarters. As a result, the stock market closed down just 8.7 percent for 2020.

Following the rise in risk aversion that led to increased demand for fixed income instruments, interest rates declined sharply in the second and third quarter of the year before rising slightly in the last quarter of 2020. At the close of the year, the average interest rate on the 91-day Treasury bill was 6.91 percent, while that on the 182 and 364-day Treasury bills were 7.40 and 8.32 percent respectively. Government borrowing also rose during the year to plug the budget deficit, which saw it benefit from the rising demand for fixed income instruments by investors and successfully fulfil their borrowing needs. Going forward, the direction of interest rates will depend largely on the Government's ability to balance its borrowing costs against its debt funding requirements.

Given the high level of uncertainty that prevailed in 2020, our investment approach for the Apollo Money Market fund focused on safety of client investments, as well as the rising need for liquidity following the hardship due to the COVID-19 pandemic. The fund was able to achieve its fundamental objectives of offering above average returns, while providing adequate liquidity and capital preservation for investors.

Going forward, we expect the lessons of the pandemic to manifest in stronger savings habits by investors, as they seek to cushion themselves from unforeseen shocks as was *literally* the case with COVID-19.

As Apollo Asset Management, we consider ourselves privileged to be able to partner with you as you continue to save and invest in 2021. We appreciate your investment with Apollo Asset Management and look forward to helping you meet your financial and investment goals for 2021 and beyond!

Keep safe and best wishes for the New Year!

APOLLO ASSET MANAGEMENT CO. LTD.
P. O. Box 30389 - 00100,
NAIROBI.
TEL: 020 - 3641000

Signed on behalf of the Fund Manager

24TH MARCH 2021

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

a) We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Apollo Money Market Fund.

b) The issue, sale, redemption and cancellation, and calculation of the price of the Fund's units and the application of the Fund's income have been carried out in accordance with the Regulations; and

c) The investment and borrowing powers and restrictions applicable to the Fund in accordance with the Regulations and the documents of incorporation have not been exceeded.

For the year ended 31 December 2020, we have held the assets for the Fund, including title deeds, 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.

Signed on behalf of the custodian

THE CO-OPERATIVE BANK OF KENYA LTD. CUSTODIAL SERVICES

25TH MARCH 2021

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF APOLLO MONEY MARKET FUND

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Apollo Money Market Fund (the "Fund") set out on pages 10 to 25 which comprise the statement of financial position at 31 December 2020, the statements of 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.

In our opinion, the financial statements give a true and fair view of the financial position of Apollo Money Market Fund at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF APOLLO MONEY MARKET FUND (CONTINUED)

Responsibilities of the Trustee for the financial statements

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements and the requirements of Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Trustee is responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF APOLLO MONEY MARKET FUND (CONTINUED)

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

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

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

Report on other legal requirements

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

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

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

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP (LLP-2Y1AB7)
Certified Public Accountants

Nairobi

30 March 2021

CPA Bernice Kimacia, Practising certificate No. 1457
Signing partner responsible for the independent audit

Statement of profit or loss and other comprehensive income

	Notes	2020 Shs	2019 Shs
Income			
Interest income	5 (a)	47,315,960	34,687,230
Fair value gains/ (losses) on investments	5 (b)	3,839,117	(2,661,198)
Total income		51,155,077	32,026,032
Operating expenses	6	(5,506,380)	(3,447,270)
Profit before income tax		45,648,697	28,578,762
Income tax expense	7(a)	-	-
Profit for the year attributable to the unit holders		45,648,697	28,578,762

Statement of financial position

	Notes	2020 Shs	2019 Shs
ASSETS			
Corporate bonds	8	9,390,734	24,428,141
Treasury bonds	8	147,795,221	96,303,167
Call deposits	8	108,640,164	28,409,147
Fixed deposits	8	272,177,525	292,010,600
Treasury bills	8	21,715,270	51,335,731
Cash at bank	9	3,886,270	5,149,821
Total assets		**563,605,184**	**497,636,607**
Liabilities			
Current liabilities			
Payables	10	2,070,212	1,760,600
Liabilities (excluding unit holders' balances)		2,070,212	1,760,600
Unit holder balances		561,534,972	495,876,007
Total liabilities		**563,605,184**	**497,636,607**

The financial statements on pages 10 to 25 were approved by the Trustee on 25 MARCH 2021 and were signed on behalf of the Trustee by:

For: KCB BANK KENYA LTD.

Corporate Trustee

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

Corporate Trustee

CORPORATE TRUSTEE

Statement of changes in unit holders' balances

	Notes	Accumulated funds Shs
Year ended 31 December 2020		
At start of year		495,876,007
Transactions with unit holders:		
Profit for the year		45,648,697
Net proceeds from units traded in the year	11	20,010,268
At end of year		561,534,972
Year ended 31 December 2019		
At start of year		251,430,465
Transactions with unit holders:		
Profit for the year		28,578,762
Net proceeds from units traded in the year	11	215,866,780
At end of year		495,876,007

Statement of cash flows

	Notes	2020 Shs	2019 Shs
Cash flows from operating activities			
Profit before income tax		45,648,697	28,578,762
Adjustments for:			
Changes in fair value:			
-Treasury bonds	5 (b)	(3,839,117)	2,605,056
-Corporate bonds	5 (b)	-	56,142
Interest accrued on treasury bills		(4,132,602)	(1,199,378)
Interest accrued on corporate bonds		(329,336)	(1,136,381)
Changes in working capital:			
Payables		309,612	196,968
Purchase of treasury bills		(20,646,937)	(50,144,275)
Purchase of treasury bonds	8	(183,823,127)	(199,508,139)
Purchase of corporate bonds	8	(4,849,280)	(4,773,906)
Proceeds from disposal of treasury bills		54,400,000	71,405,601
Proceeds from disposal of corporate bonds	8	20,216,023	7,019,116
Proceeds from disposal of treasury bonds		136,170,190	155,180,314
Movement in fixed deposits		19,833,075	(195,931,548)
Net cash generated from/ (used in) operating activities		58,957,198	(187,651,668)
Cash flows from financing activities			
Contributions from unit holders	11	456,992,945	477,227,812
Withdrawals by unit holders	11	(436,982,677)	(261,361,032)
Net cash generated from financing activities		20,010,268	215,866,780
Net increase in cash and cash equivalents		78,967,466	28,215,112
Cash and cash equivalents at start of year		33,558,968	5,343,856
Cash and cash equivalents at end of year	9	112,526,434	33,558,968

Notes

1 General Information

The Fund started operation on 30 November 2015 and is governed by a Trust Deed dated 30 November 2015, is registered with the Capital Market Authority and is domiciled in Kenya. The address of its registered office is:

Apollo Centre
Ring Road Parklands, Westlands 3rd Floor
P O Box 30389-GPO 00100 Nairobi.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

The financial statements of Apollo Money Market Fund have been prepared in accordance with International Financial Reporting Standards (IFRS), interpretations issued by the IFRS Interpretations Committee (IFRIC) Interpretations applicable to companies reporting under IFRS and the Capital Markets Authority requirements. 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), rounded to the nearest Shillings.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the Trustee to exercise judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations adopted by the Fund

The Fund applied the following standards and interpretations for the first time for their annual reporting period commencing 1 January 2020 and they did not have a significant impact on the financial statements:

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors'

These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs:

- use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting;
- clarify the explanation of the definition of material; and
- incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is: "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

IFRS 9: Financial Instruments - The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

Notes (continued)

2 Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New and amended standards in issue but not yet effective

New standards and Amendments to standards	Effective date
Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)	1 January 2023

Amendment to IAS 1, Classification of Liabilities as Current or Non-Current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendment to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The Trustee does not intend to apply the above standards, until they become effective. Based on Trustee's assessment of the potential impact of application of the above, none is expected to have a significant impact on the Fund's financial statements.

b) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Fund operates), which is Kenya Shillings (Shs).

c) Income recognition

Income is measured at the fair value of the consideration received or receivable.

The Fund's income is in form of interest and dividend income, which is recognised on a time proportion basis, in income and expenditure, using the effective interest rate method.

d) Income tax

The Fund is exempt from income tax.

e) Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Fund becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Fund commits itself to the purchase or sale.

Notes (continued)

2 Summary of significant accounting policies (continued)

e) Financial instruments (continued)

Classification

The Fund classifies its financial instruments into the following categories:

i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;

ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.

iii) All other financial assets are classified and measured at fair value through profit or loss.

iv) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Fund may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

v) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

Investments in treasury bonds and corporate bonds were classified as at fair value through profit or loss.

Bank balances, deposits with financial institutions and treasury bills were classified as at amortised cost.

Payables were classified as at amortised cost.

Initial measurement

On initial recognition:

i) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.

ii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income is recognised in profit or loss.

Notes (continued)

2 Summary of significant accounting policies (continued)

e) Financial instruments (continued)

Subsequent measurement (continued)

Fair value is determined as set out in Note 4(iv), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Classification

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Fund's normal operating cycle, those payable or expected to be paid within 12 months of the balance sheet date and those which the Fund does not have an unconditional right to defer settlement for at least 12 months after the balance sheet date.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Fund has transferred substantially all risks and rewards of ownership, or when the Fund has no reasonable expectations of recovering the asset.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

f) Cash and cash equivalents

Cash and cash equivalents include cash in hand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 Significant judgements and key sources of estimation uncertainty

No significant judgements have had to be made by the Corporate Trustee in preparing these financial statements.

Notes (continued)

4 Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Fund's overall risk management policies are set out by the Corporate Trustee and implemented by the management, and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Fund's performance by setting acceptable levels of risk. The Fund does not hedge against any risks.

i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on an entity-wide basis. The Fund does not grade the credit quality of financial assets that are neither past due nor impaired.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings.

In assessing whether the credit risk on a financial asset has increased significantly, the Fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the Fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

The gross carrying amounts of financial assets with exposure to credit risk at the balance sheet date was as follows:

	Fully performing Shs	Past due but not impaired Shs	Past due and impaired Shs	Total Shs
At 31 December 2020				
Cash at bank	3,886,270	-	-	3,886,270
Corporate bonds	9,390,734	-	-	9,390,734
Treasury bonds	147,795,221	-	-	147,795,221
Call deposits	108,640,164	-	-	108,640,164
Fixed deposits	272,177,525	-	-	272,177,525
Treasury bills	21,715,270	-	-	21,715,270
Exposure to credit risk	563,605,184	-	-	563,605,184
At 31 December 2019				
Cash at bank	5,149,821	-	-	5,149,821
Corporate bonds	24,428,141	-	-	24,428,141
Treasury bonds	96,303,167	-	-	96,303,167
Call deposits	28,409,147	-	-	28,409,147
Fixed deposits	292,010,600	-	-	292,010,600
Treasury bills	51,335,731	-	-	51,335,731
Exposure to credit risk	497,636,607	-	-	497,636,607

The expected credit losses on the financial assets at amortised cost was immaterial.

Notes (continued)

4 Financial risk management objectives and policies (continued)

ii) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Corporate Trustee have developed a risk management framework for the management of the Fund's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The Fund manages liquidity risk by continuously reviewing forecasts and actual cash flows and maintaining banking facilities to cover any shortfalls.

The table below summarises the maturity analysis for financial liabilities to their remaining contractual maturities. The amounts disclosed are the contractual undiscounted cash flows.

	Due on demand Shs'000	Due within 3 months Shs'000	Total Shs'000
At December 2020			
Unit holders' balances	561,534,972	-	561,534,972
Payables	-	2,070,212	2,070,212
Total	**561,534,972**	**2,070,212**	**563,605,184**
At December 2019			
Unit holders' balances	495,876,007		495,876,007
Payables	-	1,760,600	1,760,600
Total	**495,876,007**	**1,760,600**	**497,636,607**

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises two types of risks: currency risk and interest rate risk. The Fund is not exposed to this risk.

Currency risk

The Fund is not exposed to significant currency risk.

Interest rate risk

The Fund's interest-bearing assets include term deposits which have fixed interest rates hence are not subject to interest rate risk.

Price risk

Price risk arises on financial instruments because of changes in the price of a financial instrument. The Fund is exposed to price risk on its investments held at fair value through profit or loss. Management considers that a change in the market prices of its treasury and corporate bonds of 5% either way is reasonably possible. If the financial instruments held by the Fund at the reporting date decreased/increased by the said percentage, with other factors remaining constant, the value of the investments would decrease/increase by Shs 8,945,061 (2019: Shs 8,603,352).

Notes (continued)

4 Financial risk management objectives and policies (continued)

iv) Fair value estimation

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Fund's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The Fund considers relevant and observable market prices in its valuations where possible.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Fund is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or at fair value through comprehensive income.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Notes (continued)

5 (a) Income

	2020 Shs	2019 Shs
Interest on call and fixed deposits	25,295,537	12,151,644
Interest on treasury bills	4,132,601	2,878,920
Interest on treasury bonds	15,401,778	16,861,254
Interest on corporate bonds	2,486,044	2,795,412
Total interest income	47,315,960	34,687,230

(b) Fair value gains/ (losses) on investments

Fair value losses on corporate bonds	-	(56,142)
Fair value gains/ (losses) on treasury bonds	3,839,117	(2,605,056)
	3,839,117	(2,661,198)

6 Operating expenses

Audit fees	186,747	170,000
Management fees	3,012,213	2,189,157
Custodial fees	701,415	462,013
Trustee fees	1,052,122	374,287
Publication fees	227,124	175,000
Transaction fees	126,813	26,813
CMA annual license fees	50,000	50,000
AGM Costs	59,699	-
Tax filing charges	90,247	-
	5,506,380	3,447,270

7 Income tax

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

Notes (continued)

8 Investments

	Current			Non-current		
	Call deposits	Fixed deposits	Treasury bills	Treasury bonds	Corporate bonds	Total
	Shs	Shs	Shs	Shs	Shs	Shs
Year ended 31 December 2020						
At start of year	28,409,147	292,010,600	51,335,731	96,303,167	24,428,141	492,486,786
Purchases	876,500,000	511,700,000	20,646,937	183,823,127	4,849,280	1,597,519,344
Sales	(796,409,148)	(538,210,600)	(54,400,000)	(136,170,190)	(20,216,023)	(1,545,405,961)
Accrued interest	140,165	6,677,525	4,132,602	-	329,336	11,279,628
Fair value gains	-	-	-	3,839,117	-	3,839,117
At end of year	108,640,164	272,177,525	21,715,270	147,795,221	9,390,734	559,718,914
Year ended 31 December 2019						
At start of year	5,000,385	96,079,052	71,397,679	54,580,398	25,593,112	252,650,626
Purchases	289,700,000	385,600,000	50,144,275	199,508,139	4,773,906	929,726,320
Sales	(266,400,000)	(195,467,381)	(71,405,601)	(155,180,314)	(7,019,116)	(695,472,412)
Accrued interest	108,762	5,798,929	1,199,378	-	1,136,381	8,243,450
Fair value losses	-	-	-	(2,605,056)	(56,142)	(2,661,198)
At end of year	28,409,147	292,010,600	51,335,731	96,303,167	24,428,141	492,486,786

Notes (continued)

8 Investments (continued)

The categorisation of assets carried at fair value by the levels defined below is as follows:

	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
Year ended 31 December 2020				
Treasury bonds	-	147,795,221	-	147,795,221
Corporate bonds	-	-	9,390,734	9,390,734
	-	147,795,221	9,390,734	157,185,955
Year ended 31 December 2019				
Treasury bonds	-	96,303,167	-	96,303,167
Corporate bonds	-	-	24,428,141	24,428,141
	-	96,303,167	24,428,141	120,731,308

The levels in fair value hierarchy used above within which the fair value measurement is categorised are defined as follows:
Level 1: quoted prices (unadjusted) in active markets for identical assets;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
Level 3: inputs for the asset that are not based on observable market data.

There were no transfers between the levels in the year.

9 Cash at bank

	2020 Shs	2019 Shs
Investment account	2,003,905	5,073,255
Collection account	1,882,365	76,566
	3,886,270	5,149,821

Notes (continued)

9 Cash at bank (continued)

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2020 Shs	2019 Shs
Cash and bank balances	3,886,270	5,149,821
Call deposits	108,640,164	28,409,147
	112,526,434	33,558,968

10 Payables

Due to related parties (Note 13(ii))	403,283	235,641
Other payables	1,666,929	1,524,959
	2,070,212	1,760,600

11 Transactions of units

Purchases	456,992,945	477,227,812
Sales	(436,982,677)	(261,361,032)
Net proceeds	20,010,268	215,866,780

12 Distributions

(a) The total income paid to unit holders during the year totalled Shs 47,480,211 (2019: Shs 16,097,236). Distributions in 2019 were done from the month of August on implementation of a tax-exempt status.

(b) Distributions

	2020 Shs	2019 shs
Distributions payable	47,480,211	16,097,236
Net distributions reinvested	(41,773,646)	(13,304,030)
Distributions paid out in cash	-	(708,226)
Withholding tax on distributions	(5,706,565)	(2,084,980)
Net proceeds	-	-

Notes (continued)

13 Related parties

Apollo Money Market Fund is managed by Apollo Asset Management Company Limited, a wholly owned subsidiary of Apollo Investments Limited incorporated in Kenya. There are other companies that are related to Apollo Asset Management Company Limited through common shareholdings or common directorship.

The following transactions were carried out with related parties:

(i) Transactions with related parties	**2020 Shs**	**2019 Shs**
Apollo Asset Management Company Limited- management fees	3,012,213	2,189,157

(ii) Outstanding balances due to related parties		
Apollo Asset Management Company Limited	403,283	235,641

14 Subsequent events

No material events or circumstances have arisen between the reporting date and the date of this report.

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