

**THE ICEA LION GROWTH FUND**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2021**

THE ICEA LION GROWTH FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021

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THE ICEA LION GROWTH FUND

TRUSTEE AND PROFESSIONAL ADVISORS  
FOR THE YEAR ENDED 31 DECEMBER 2021

CORPORATE TRUSTEE

KCB Bank Kenya Limited  
KCB Towers, 7th Floor  
Junction of Hospital and Kenya Road  
Upper Hill  
P.O. Box 30664-00100  
Nairobi

REGISTERED OFFICE

4th Floor, ICEA LION Centre, Chiromo Road  
P. O. Box 46143 - 00100  
Nairobi

FUND MANAGER AND  
ADMINISTRATOR

ICEA LION Asset Management Limited  
4th Floor, ICEA LION Centre, Chiromo Road  
P. O. Box 46143 – 00100  
Nairobi

CUSTODIAN

Standard Chartered Bank Kenya Limited  
Level 5, Standard Chartered, Chiromo  
48 Westlands Road  
P. O. Box 40984 - 00100  
Nairobi

INDEPENDENT AUDITOR

Deloitte & Touche LLP  
Certified Public Accountants  
Deloitte Place, Waiyaki Way, Muthangari  
P. O. Box 40092 - 00100  
Nairobi

## THE ICEA LION GROWTH FUND

### REPORT OF THE TRUSTEE

The Trustee has the pleasure of submitting the ICEA LION Growth Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2021.

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

The Fund was established, and is governed by a trust deed dated 13 February 2007 as a growth fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act, 2012. It is only subject to withholding tax on interest and dividends.

The primary objective of the ICEA LION Growth Fund is to seek long term capital growth and income consistent with moderate investment risk from a wide range of securities thereby allowing access to diverse investment assets and returns. The ICEA LION Growth Fund ultimately aims to mobilize savings and allow access to investment assets and returns in both equities and money market instruments otherwise restricted to persons with access to large amounts of capital. The fund primarily invests in quoted equity securities, corporate bonds and government bonds.

The Fund is a unit trust and the interest of the individual members is determined by the value of their units. It is administered by the Fund manager who is responsible for its affairs.

The Fund is an approved collective investment scheme within the meaning of the Capital Markets Act, 2001 and the holders are not liable for the debts of the Fund.

#### FINANCIAL REVIEW

The statement of profit or loss and other comprehensive income on page 11 shows a profit for the year of Shs 24,754,143 (2020: loss of Shs 9,961,308). As at 31 December 2021, the statement of financial position on page 12 shows the unit holder balances of Shs 308,927,899 (2020: Shs 279,459,068).

#### PERFORMANCE RECORD

The performance record of the Fund over the last five years is presented below -

- a) Growth rate of the unit holder balances:

	2017	2018	2019	2020	2021
Growth/(decline) rate	15%	(5%)	16%	(5%)	11%

- b) The closing, lowest and highest prices of the units of the Fund:

	2017		2018		2019		2020		2021	
	Bid Price Shs	Offer Price Shs								
Closing unit price	<u>135.03</u>	<u>142.14</u>	<u>125.95</u>	<u>132.58</u>	<u>135.20</u>	<u>142.32</u>	<u>124.93</u>	<u>124.93</u>	<u>132.4</u>	<u>132.4</u>
Lowest unit price	<u>107.04</u>	<u>112.68</u>	<u>121.43</u>	<u>127.82</u>	<u>121.48</u>	<u>127.87</u>	<u>112.62</u>	<u>118.55</u>	<u>123.23</u>	<u>123.23</u>
Highest unit price	<u>138.44</u>	<u>145.73</u>	<u>146.06</u>	<u>153.75</u>	<u>136.91</u>	<u>144.12</u>	<u>135.96</u>	<u>143.12</u>	<u>138.92</u>	<u>138.92</u>

There were changes to both the Trust Deed and Information Memorandum after the merger of ICEA LION Unit Trusts and ICEA LION Retail Funds but no changes on Investment Management Agreement during the period under review.

THE ICEA LION GROWTH FUND

REPORT OF THE TRUSTEE (Continued)

PERFORMANCE RECORD (Continued)

c) The total Fund value, number of units and net income distributed for one unit held at the end of each period:

	2017	2018	2019	2020	2021
Net Asset Values (Shs)	266,069,837	253,506,159	292,983,787	279,459,068	308,927,899
Number of units issued	1,981,625	2,097,546	2,187,639	2,253,245	2,368,062
Net income distributed per unit (Shs)	4.43	4.26	5.51	4.99%	3.49%

During the year, the Unit holders of both ICEA LION Unit Trusts and ICEA LION Retail Funds unit holders approved the merger of the eight portfolios into four which resulted to growth in size of the fund.

INVESTMENT

Under the terms of their appointment, ICEA LION Asset Management Limited is responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustee.

MEMBERSHIP

As at 31 December 2021, the Fund had 330 members (2020: 144 members).

FUND ADVISORS

The names and addresses of the Fund manager, Trustee, Custodian and Independent Auditor are as shown on page 2.

TERMS OF APPOINTMENT OF AUDITORS

Deloitte & Touche LLP retire from office at the conclusion of the next Annual General Meeting. the Trustee monitors the effectiveness, objectivity and independence of the auditor. The Trustee also approves the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE TRUSTEES

For: KCB BANK KENYA LTD.

KCB Bank Kenya Limited

CORPORATE TRUSTEE

30 March 2022

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

# THE ICEA LION GROWTH FUND

## STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Kenyan Capital Markets Act,2001 requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the financial position of the Fund at the end of the financial year, and its financial performance for that year. It also requires the Trustees to ensure that the Fund maintains proper accounting records that are sufficient to show and explain the transactions of the Fund and disclose with reasonable accuracy the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other errors.

The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Capital Markets Act,2001. They also accept responsibility for:

- designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- selecting suitable accounting policies and then apply them consistently; and
- making judgements and accounting estimates that are reasonable in the circumstances

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

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

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE

Signed on behalf of the Trustee  
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE

30 March 2022

# THE ICEA LION GROWTH FUND

## FUND MANAGER'S REPORT

World economic output grew by an estimated 5.9% year-on-year (y-o-y) in 2021 according to the International Monetary Fund (IMF), supported by accommodative policy interventions and the acceleration of Coronavirus Disease of 2019 (COVID-19) vaccination programmes. The key challenges in the global economy during 2021 were COVID-19 related disruptions and rising inflation. We note that there is some unevenness in the pace of vaccination across different regions. Vaccination rates are higher in developed market economies compared to emerging and frontier market economies. Meanwhile, global equity indices recorded mixed results in 2021. The Morgan Stanley Capital International (MSCI) Developed and Frontier market indices recorded full-year gains of 20.1% and 16.4% respectively while the MSCI Emerging Markets index declined by 4.6% y-o-y.

In 2022, the IMF projects that global economic growth will ease to 4.4% y-o-y due to the effects of re-imposed restrictions following the Omicron variant outbreak. Rising inflation emanating from higher energy prices and supply disruptions is likely to pose a challenge for the global economy. In addition, the slowdown in China's real estate sector and slower-than-expected recovery of private consumption is likely to weigh down on growth. We note that the policy responses to global economic challenges are critical for stability going forward.

In Sub-Saharan Africa, the IMF estimates that GDP will grow by 3.7% y-o-y in 2022 compared to 4.0% y-o-y in 2021 and -1.7% y-o-y in 2020. Elevated commodity prices and relaxation of stringent restrictions are favorable for the GDP recovery. However, low vaccination rates remain a risk especially in the event of a COVID-19 resurgence.

Domestically, GDP rebounded during FY21, supported by stronger growth from the education, tourism and transport sectors. Kenya's economy grew y-o-y by 2.0%, 11.9% and 9.9% in 1Q21, 2Q21 and 3Q21 respectively following a contraction of 0.3% y-o-y in 2020. We note that the COVID-19 situation locally has improved following the December 2021 resurgence. Therefore, economic activity is likely to continue picking up in the absence of COVID-19 related restrictions. There is a risk of a slowdown in economic activity especially in the event of heightened uncertainty emanating from the August 2022 elections.

The Kenyan Shilling came under pressure and depreciated by 3.5% y-o-y to close December 2021 at 113.14. The weakening of the Kenya shilling was due to stronger dollar demand from importers. Meanwhile, inflation was contained below the Central Bank's upper target of 7.5%, averaging 6.1% in 2021 due to stability in food prices. Interest rates were on an upward trajectory in 2021 owing to investor demand for higher returns as they sought to price in the impact of Kenya shilling weakness and domestic borrowing pressures.

The Nairobi Securities Exchange (NSE) 20 Share Index, NSE 25 Share Index and the Nairobi All Share Index (NASI) rose by 1.8%, 9.6% and 9.4% respectively in 2021. At the beginning of the year, equities rallied owing to positive sentiment on the COVID-19 vaccine rollout. Later in March, the emergence of a third COVID-19 wave clawed back the earlier equity gains. Later in the year, positive earnings announcements from the banking and telecommunications sectors coupled by a gradual decline in the positivity rate locally contributed to a recovery in equities. However, foreign investor exits coupled by a COVID-19 resurgence both globally and locally later contributed to lower full-year gains.

Interest rates on government securities are likely to increase owing to Kenya shilling weakness and pressure on the domestic borrowing program. However, the Central Bank's target of stable interest rates is likely to curtail a spike in rates. Therefore, we anticipate stable but increasing interest rates this year. The equity market is likely to record positive performance in 2022 especially in the event that listed companies deliver strong earnings.

The key risks to our view are a further depreciation of the Kenya shilling and increasing domestic borrowing pressures, which could lead to higher-than-anticipated interest rates and as a result lower bond prices. In addition, we may see equities come under pressure in the event of an election related deterioration in investor sentiment or increased foreign investor exits owing to monetary policy tightening in developed markets.

We remain committed to delivering superior returns within a very robust risk framework for all our clients whose risk and return objectives vary.

## THE ICEA LION GROWTH FUND

### FUND MANAGER'S REPORT(Continued)

#### BUSINESS REVIEW.

During the year, the Unit holders of both ICEA LION Unit Trusts and ICEA LION Retail Funds unit holders approved the merger of the eight portfolios into four. Capital Market Authority also approved the request and the merger took place during the year.



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Einstein Kihanda  
Chief Executive Officer  
ICEA Lion Asset Management Limited

30 March 2022

# THE ICEA LION GROWTH FUND

## REPORT OF THE CUSTODIAN

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Standard Chartered Bank Kenya Limited as the Custodians and ICEA Asset Management Limited as the Fund Manager, we confirm that:

- we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the ICEA LION Growth Fund;
- We have held the assets for the ICEA LION Growth Fund, including securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

STANDARD CHARTERED BANK KENYA LTD.

Manager.....

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Gideon Chokah  
Signed on behalf of the Custodian  
Standard Chartered Bank Kenya Limited

30 March 2022

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF ICEA LION GROWTH FUND

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of ICEA LION Growth Fund (the "Fund") set out on pages 12 to 27, which comprise the statement of financial position as at 31 December 2021, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at 31 December 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing ("ISA"). 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 Group in accordance with the *International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards)* (the 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 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.

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

#### **Other Information**

The Trustee of the Fund is responsible for the other information, which comprises of the Report of the Trustee, Fund manager's report and Report of the Custodian, which were obtained prior to the date of this auditor's report. The other information does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we obtained prior to the date of this auditor's report 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.



## REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF ICEA LION GROWTH FUND (CONTINUED)

### **Responsibilities of the Trustee for the financial statements**

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 and for such internal controls as Trustees determine are 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 Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee;
- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REPORT OF THE INDEPENDENT AUDITORS  
TO THE UNIT HOLDERS OF ICEA LION GROWTH FUND (CONTINUED)

**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 on the following matters:

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

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

The engagement partner responsible for the audit resulting in this independent auditor's report is  
**CPA Freda Mitambo, Practising certificate No. 2174**

*Freda Mitambo*

**For and on behalf of Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Nairobi**

*31 March* 2022

THE ICEA LION GROWTH FUND

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 Shs	2020 Shs
Interest and dividend income	4	22,316,107	20,751,416
Realized gain/(loss) on sale of shares		902,886	(3,985)
Realized loss on sale of bonds		(339,835)	(84,403)
Changes in fair value of treasury bonds	9(a)	(1,070,419)	2,018,650
Changes in fair value of corporate bonds	9(b)	(254,484)	102,478
Changes in fair value of equity investments	10	15,676,035	(22,869,572)
		<hr/>	<hr/>
Total income		37,230,290	(85,416)
		<hr/>	<hr/>
Operating expenses	5	(10,282,508)	(7,901,523)
		<hr/>	<hr/>
Profit/(loss) before taxation		26,947,782	(7,986,939)
Income tax expense	6	(2,193,639)	(1,974,369)
		<hr/>	<hr/>
Profit/(loss) for the year		24,754,143	(9,961,308)
Other comprehensive income for the year		-	-
		<hr/>	<hr/>
Total comprehensive income/(loss) for the year		<u>24,754,143</u>	<u>(9,961,308)</u>

THE ICEA LION GROWTH FUND

STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2021

	Notes	2021 Shs	2020 Shs
<b>ASSETS</b>			
Bank balances		402,277	163,943
Fixed deposits	7(a)	-	792,265
Call deposits	7(b)	12,605,786	15,854,267
Treasury bills	8	8,717,388	-
Treasury bonds	9(a)	149,613,330	118,836,287
Corporate bonds	9(b)	3,336,111	6,894,657
Equity investments	10	136,242,220	137,861,812
Other receivables		139,625	187,882
		<hr/>	<hr/>
<b>Total assets</b>		<b>311,056,737</b>	<b>280,591,113</b>
		<hr/>	<hr/>
<b>LIABILITIES</b>			
Current tax payable	6	174,682	133,614
Other payables	11	1,954,156	998,431
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>2,128,838</b>	<b>1,132,045</b>
		<hr/>	<hr/>
<b>Net assets</b>		<b>308,927,899</b>	<b>279,459,068</b>
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
Unit holder balances		308,927,899	279,459,068
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 12 to 27 were approved and authorised for issue by the Trustee on 30 March 2022 and were signed on its behalf by:

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

Trustee  
KCB Bank Limited, Kenya

For: KCB BANK KENYA LTD.

  
CORPORATE TRUSTEE

THE ICEA LION GROWTH FUND

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2021

	Unit holder capital balances Shs
At 1 January 2020	292,983,787
Total comprehensive loss for the year	(9,961,308)
	<hr/>
	283,022,479
<i>Transactions with unit holders:</i>	
Additional units purchased	8,749,998
Units liquidated	(12,313,409)
	<hr/>
	(3,563,411)
	<hr/>
At 31 December 2020	279,459,068
	<hr/> <hr/>
At 1 January 2021	279,459,068
Total comprehensive income for the year	24,754,143
	<hr/>
	304,213,211
	<hr/>
<i>Transactions with unit holders:</i>	
Additional units purchased	30,656,115
Units liquidated	(25,941,427)
	<hr/>
	4,714,688
	<hr/>
At 31 December 2021	308,927,899
	<hr/> <hr/>

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Notes	2021 Shs	2020 Shs
<b>Cash flows from operating activities</b>			
Profit/(loss) before taxation		26,947,782	(7,986,939)
<i>Changes in working capital</i>			
Treasury bonds		(30,777,043)	(27,671,580)
Corporate bonds		3,558,546	512,913
Treasury bills		(8,717,388)	-
Equity investments		1,619,592	16,335,521
Other receivables		48,257	(371,416)
Other payables		955,725	(187,882)
		<hr/>	<hr/>
Cash used in operations		(33,312,311)	(11,382,444)
Tax paid	6	(2,152,571)	(2,087,150)
		<hr/>	<hr/>
Net cash used in operating activities		(8,517,100)	(21,456,533)
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Contribution from unit holders		30,656,115	8,749,998
Withdrawals by unit holders		(25,941,427)	(12,313,409)
		<hr/>	<hr/>
Net cash generated from/(used in) financing activities		4,714,688	(3,563,411)
		<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>		(3,802,412)	(25,019,944)
<b>Cash and cash equivalents as at the beginning of the year</b>		16,810,475	41,830,419
		<hr/>	<hr/>
<b>Cash and cash equivalents as at the end of the year</b>		13,008,063	16,810,475
		<hr/> <hr/>	<hr/> <hr/>
<b>Represented by:</b>			
Bank balances		402,277	163,943
Call deposits		12,605,786	792,265
Fixed deposits		-	15,854,267
		<hr/>	<hr/>
		13,008,063	16,810,475
		<hr/> <hr/>	<hr/> <hr/>

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 1 GENERAL INFORMATION

The Fund was established as a growth fund, and is governed by a Trust Deed dated 13 February 2007. The Fund is registered under the Capital Markets Authority Act, 2001, is approved under the Income Tax Act, and is domiciled in Kenya.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

For the purposes of reporting under the Capital Markets Authority Act, 2001, the balance sheet in these financial statements is represented by the statement of financial position and the profit and loss account is presented in the statement of profit or loss and other comprehensive income.

#### **Adoption of new and revised International Financial Reporting Standards (IFRSs)**

##### ***(i) Standards and interpretations affecting amounts reported in the current period (and/or prior periods)***

Several new and revised standards and interpretations became effective during the year. The Trustee has evaluated the impact of their new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

##### ***(ii) Standards and interpretations issued but not yet effective***

Several other standards and interpretations have been issued and are effective for accounting periods beginning on or after 1 January 2021 or later periods. The adoption of these standards and interpretations, when effective, is not expected to have a material impact 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.

#### **Basis of preparation**

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

#### **Functional currency and translation of foreign currencies**

##### **i) Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'Functional Currency'). The financial statements are presented in 'Kenyan Shillings (Shs), which is the Fund's presentation currency.

##### **ii) Transactions and balances**

Foreign currency transactions are measured using Kenya shillings, the Fund's functional currency, on initial recognition by applying the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of assets and liabilities denominated in foreign currencies, whether monetary or non-monetary, are recognised in the income statement as part of investment income.

#### **Revenue recognition**

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

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial instruments**

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument.

#### **Financial assets**

##### *Classification*

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership

As at the reporting date, the classification of the Fund's financial assets was as follows:

- Fair value through profit or loss: treasury bonds, corporate bonds and equity investments; and
- At amortised cost: bank balances, fixed and call deposits.

The Fund determines the appropriate classification of its financial assets at initial recognition.

##### *(i) Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated. These assets are carried at fair value and any changes in the fair value recognised in profit or loss.

##### *(ii) Financial assets at amortised cost*

Debt instruments are measured at amortized cost if both of the following conditions are met and the asset is not designated as FVTPL:

- a) the asset is held within a business model that is Held-to-Collect (HTC) as described below; and
- b) the contractual terms of the instrument give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

These assets, bank deposits, cash and bank placements are carried at amortised cost.

##### *Impairment of financial assets*

The Fund recognises a loss allowance for expected credit losses on investments in financial instruments that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Fund recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Fund measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

##### *(i) Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Fund compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Fund considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Financial assets (Continued)**

##### *Impairment of financial assets (Continued)*

##### *(ii) Definition of default*

The Fund considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Fund, in full (without taking into account any collateral held by the Fund).

Irrespective of the above analysis, the Fund considers that default has occurred when a financial asset is more than 90 days past due unless the Fund has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Fund write-offs debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

##### *(iii) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Fund in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at the original effective interest rate.

The Fund recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

#### **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 liabilities include Management fees, CMA fees, audit fees, trustee fees, custody fees outstanding as at 31 December 2021

#### **Cash and cash equivalents**

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

#### **Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. There were no presentation changes in these financial statements.

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no critical judgments or estimates that the Trustee have made in the process of applying the Fund's accounting policies that have a significant effect on the amounts recognised in financial statements.

	2021 Shs	2020 Shs
<b>4 INTEREST AND DIVIDEND INCOME</b>		
Interest income:		
Interest on Fixed deposits	1,057,698	2,219,231
Interest on treasury bonds	14,776,722	12,122,941
Interest on treasury bills	476,297	15,010
Interest on corporate bonds	710,006	865,791
	<hr/>	<hr/>
Total interest income	17,020,723	15,222,973
Dividend income	5,295,384	5,528,443
	<hr/>	<hr/>
<b>Total interest and dividend income</b>	<u>22,316,107</u>	<u>20,751,416</u>
<b>5 OPERATING EXPENSES</b>		
Management fees	7,346,422	6,111,340
Custodial fees	832,301	728,925
Audit fees	610,605	471,742
Trustees fees	613,506	546,694
Capital Markets Authority fees	41,578	37,911
Other general expenses	838,096	4,911
	<hr/>	<hr/>
	<u>10,282,508</u>	<u>7,901,523</u>
<b>6 TAXATION</b>		
Income tax expense	2,193,639	1,974,369
	<hr/>	<hr/>
At 1 January	133,614	246,395
Charge for the year	2,193,639	1,974,369
Tax paid during the year	(2,152,571)	(2,087,150)
	<hr/>	<hr/>
At 31 December	<u>174,682</u>	<u>133,614</u>

The income tax is based on 5% for dividends, 15% corporate bonds, fixed deposits, call deposits and treasury bills interest and 10% on treasury bonds interest above 10 years.

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Shs	2020 Shs
7 DEPOSITS - <i>At amortized cost</i>		
(a) FIXED DEPOSITS		
Maturing within 1 year	-	737,500
Accrued interest	-	54,765
	<u>                    </u>	<u>                    </u>
	-	792,265
	<u>                    </u>	<u>                    </u>

The weighted average effective interest rate realized on fixed deposits during the year ended 31 December 2021 was 6.75% (2020- 7.02% p.a)

	2021 Shs	2020 Shs
(b) CALL DEPOSITS		
Maturing within 1 year	12,600,000	15,750,000
Accrued interest	5,786	104,267
	<u>                    </u>	<u>                    </u>
	12,605,786	15,854,267
	<u>                    </u>	<u>                    </u>

The weighted average effective interest rate realized on call deposits during the year ended 31 December 2021 was 7.01% (2020 – 7.02% p.a.).

	2021 Shs	2020 Shs
8. TREASURY BILL – <i>At amortized costs</i>		
<i>Maturity within 360 days</i>		
At face value	8,283,329	-
Accrued interest	434,059	-
	<u>                    </u>	<u>                    </u>
At 31 December	8,717,388	-
	<u>                    </u>	<u>                    </u>

9 INVESTMENTS – <i>At fair value through profit or loss</i>		
(a) Treasury bonds		
At 1 January	118,836,287	91,164,707
Purchases	48,992,214	30,299,864
Withdrawals/Maturities	(17,144,752)	(4,646,934)
Changes in fair value	(1,070,419)	2,018,650
	<u>                    </u>	<u>                    </u>
As at 31 December	149,613,330	118,836,287
	<u>                    </u>	<u>                    </u>

The weighted average effective interest rate realised on treasury bonds during the year ended 31 December 2021 was 12.54% (2020: 12.64% p.a.).

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 INVESTMENTS – *At fair value through profit or loss (continued)*

	2021 Shs	2020 Shs
(b) Corporate bonds		
At 1 January	6,894,657	7,407,570
Purchases	2,391,618	870,100
Withdrawals/maturities	(5,695,680)	(1,485,491)
Changes in fair value	(254,484)	102,478
	<hr/>	<hr/>
As at 31 December	3,336,111	6,894,657
	<hr/> <hr/>	<hr/> <hr/>

The weighted average effective interest rate realised on corporate bonds during the year ended 31 December 2021 was 12.89% (2020: 11.51% p.a.)

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EQUITY INVESTMENTS - At fair value through profit and loss

	Number of shares			31 December 2021		1 January 2021		Market value		Fair value	
	Additions	Disposals	Unit	Unit	Shs	Additions	Shs	Disposals	Shs	Gain/(loss)	Shs
Bamburi Cement Limited	2,500	(1,000)	46,500	1,703,250	-	(187,512)	251,262	1,767,000	1,191,400	1,767,000	1,767,000
British American Tobacco Kenya Plc	-	-	14,800	5,342,800	-	-	-	6,534,200	411,329	6,534,200	6,534,200
Centum Investments Company Plc	-	(50,000)	-	802,500	-	-	-	-	168,750	-	6,543,750
CFC Stanbic Holdings Plc	-	-	75,000	6,375,000	-	-	-	7,738,920	602,035	7,738,920	7,738,920
The Cooperative Bank of Kenya Limited	25,000	(12,400)	597,600	7,312,500	-	(175,615)	(736,560)	2,827,440	(3,296,752)	2,827,440	2,827,440
Diamond Trust Bank Kenya Limited	-	-	47,520	3,564,000	-	-	-	11,797,500	(820,313)	11,797,500	11,797,500
East African Breweries Limited	3,500	(12,000)	71,500	12,340,000	-	-	2,754,252	13,594,186	123,874	13,594,186	13,594,186
East African Breweries Limited	41,700	(117,680)	299,102	14,290,625	-	-	(264,239)	4,296,018	813,053	4,296,018	4,296,018
KCB Group Plc	15,498	-	170,478	4,560,257	-	-	-	57,456,300	3,474,872	57,456,300	57,456,300
NCBA Group Plc	97,000	(243,000)	1,514,000	56,855,000	-	-	-	-	(3,825,422)	-	-
Safaricom Plc	-	(205,000)	-	350,550	-	-	-	15,239,475	1,925,703	15,239,475	15,239,475
Kenya Power and Lighting Company Limited	18,000	(134,100)	288,900	14,802,750	-	-	-	4,110,669	(512,832)	4,110,669	4,110,669
Equity Group Holdings Plc	2,914	-	32,052	4,623,501	-	-	-	118,910	1,747,754	118,910	118,910
Standard Chartered Bank Kenya Limited	-	(774,200)	51,700	1,916,088	-	-	-	2,195,076	226,959	2,195,076	2,195,076
Kenya Re Insurance Corporation Limited	-	-	6,930	1,968,119	-	-	-	-	1,475,647	-	-
Jubilee Holdings Limited	-	(144,900)	-	1,054,872	-	-	-	1,422,776	1,422,776	1,422,776	1,422,776
Umeme Limited	228,375	-	228,375	-	-	-	-	600,000	600,000	600,000	600,000
MTN Uganda	40,000	-	40,000	-	-	-	-	-	-	-	-
Family Bank Limited	-	-	-	-	-	-	-	-	-	-	-
	474,487	(1,694,280)	3,484,457	137,861,812	-	(17,295,625)	15,676,035	136,242,220			136,242,220

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. EQUITY INVESTMENTS - At fair value through profit or loss (Continued)

	Number of shares			1 January 2020		31 December 2020		1 January 2020		Market value	
	Additions	Disposals	Unit	Unit	Shs	Unit	Shs	Additions	Disposals	Gain/(loss)	Shs
Bamburi Cement Limited	-	-	45,000	45,000	3,600,000	-	-	-	-	(1,896,750)	1,703,250
British American Tobacco Kenya Plc	-	-	14,800	14,800	7,400,000	-	-	-	-	(2,057,200)	5,342,800
Centum Investments Company Plc	-	-	50,000	50,000	1,475,000	-	-	-	-	(672,500)	802,500
CFC Stanbic Holdings Plc	-	-	75,000	75,000	8,193,750	-	-	-	-	(1,818,750)	6,375,000
The Cooperative Bank of Kenya Limited	-	-	585,000	585,000	9,564,750	-	-	-	-	(2,252,250)	7,312,500
Diamond Trust Bank Kenya Limited	-	-	47,520	47,520	5,179,680	-	-	-	-	(1,615,680)	3,564,000
East African Breweries Limited	-	-	80,000	80,000	15,880,000	-	-	-	-	(3,540,000)	12,340,000
KCB Group Plc	75,000	-	300,082	375,082	16,204,428	-	-	2,688,772	-	(4,602,575)	14,290,625
NCBA Group Plc	-	-	154,979	154,979	5,710,976	-	-	-	-	(1,150,719)	4,560,257
Safaricom Plc	50,000	-	1,610,000	1,660,000	50,715,000	-	-	1,231,623	-	4,908,376	56,855,000
Kenya Power and Lighting Company Limited	-	-	205,000	205,000	576,050	-	-	-	-	(225,500)	350,550
Equity Group Holdings Plc	75,000	-	330,000	405,000	17,655,000	-	-	2,625,103	-	(5,477,353)	14,802,750
Standard Chartered Bank Kenya Limited	-	-	29,138	29,138	5,900,445	-	-	-	-	(1,276,944)	4,623,501
Kenya Re Insurance Corporation Limited	-	(2,500)	828,400	825,900	2,510,052	-	-	-	(11,447)	(582,517)	1,916,088
Jubilee Holdings Limited	-	-	6,930	6,930	2,432,429	-	-	-	-	(464,310)	1,968,119
Urmeme Limited	-	-	144,900	144,900	1,199,772	-	-	-	-	(144,900)	1,054,872
	200,000	(2,500)	4,704,249	4,704,249	154,197,332	6,545,498	(11,447)	6,545,498	(11,447)	(22,869,572)	137,861,812

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Shs	2020 Shs
11 OTHER PAYABLES		
Other payables	1,303,694	758,191
Due to related parties (note 12)	650,462	240,240
	<u>1,954,156</u>	<u>998,431</u>

## 12 RELATED PARTY TRANSACTIONS AND BALANCES

ICEA LION Growth Fund is managed by ICEA LION Asset Management Limited, a wholly owned subsidiary of ICEA LION Life Assurance Fund Limited, a company incorporated in Kenya. There are other entities that are related to ICEA LION Asset Management Limited through common shareholdings or common directorship.

The following unit trust transactions were carried out with related parties:

	2021 Shs	2020 Shs
<b>Unit holder balances</b>		
ICEA LION Asset Management Limited	189,000	172,901
ICEA LION Life- Shareholders Fund	11,664,895	10,620,718
ICEA Unit Linked	251,234,909	228,745,755
	<u>263,088,804</u>	<u>239,539,374</u>
<b>Management fees expense:</b>		
ICEA LION Asset Management Limited	<u>7,346,422</u>	<u>6,111,340</u>
<b>Due to related party</b>		
ICEA LION Asset Management Limited	<u>650,462</u>	<u>240,240</u>

Due to related parties relates to management fees owed to ICEA LION Asset Management Limited

## 13 FINANCIAL RISK MANAGEMENT

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

### a) Credit risk

Credit risk arises from cash and deposits with banks and financial institutions and interest bearing instruments. Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the Fund.

As part of the credit risk management system, the Investment Manager and the Trustee monitor and review information on significant investments.

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### a) Credit risk (continued)

The credit risk on fixed deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by the banking regulator.

The tables below detail the credit quality of the Fund's financial assets as well as the Fund's maximum exposure to credit risk by credit risk rating grade.

	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount Shs	Loss allowance Shs	Net amount Shs
<b>31 December 2021</b>					
Bank balances	various	12 months ECL	402,277	-	402,277
Call deposit	various	12 months ECL	12,605,786	-	12,605,786
			13,008,063	-	13,008,063
			13,008,063	-	13,008,063
<b>31 December 2020</b>					
Bank balances	various	12 months ECL	163,943	-	163,943
Fixed and call deposit	various	12 months ECL	16,646,532	-	16,646,532
			16,810,475	-	16,810,475
			16,810,475	-	16,810,475

#### *Concentration Risk.*

The Fund does not have a significant credit risk exposure to any other single counter party or group of related counterparties.

#### b) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations when they fall due. The Fund's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or at the risk of damaging the Fund's reputation.

The Fund's financial liabilities as at 31 December 2021 relate to the payable balance of Shs 1,954,156 (2020: Shs 998,431) which is payable within one year hence discounting effect is not significant.

The table below represents the Fund's undiscounted financial assets and liabilities per their maturity dates.

#### c) Market risk

##### (i) Price risk

The Fund is exposed to equity and bond price risk because of investments in both shares and bond market instruments.

# THE ICEA LION GROWTH FUND

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 13. FINANCIAL RISK MANAGEMENT (Continued)

#### c) Market risk (Continued)

##### (i) Price risk (continued)

The Trust Deed sets out the following guiding principles for the Fund Manager in order to manage this risk:

- invest in a solid spread of high performance securities;
- take capital profits when appropriate;
- select investments in companies with proven performance and good prospects for growth;
- spread securities over those economic sectors that meet the criteria of performance and growth;
- administer the portfolio according to best practice.

As at 31 December 2021, an increase/ (decrease) of 5% in the prices of equity investments would have resulted in an increase/(decrease) in net returns on investments of approximately Shs 7,647,472 (2020: Shs 6,893,091).

As at 31 December 2021, an increase/(decrease) of 5% in the prices of treasury bonds and corporate bonds would have resulted in increase/(decrease) in net returns on investments of approximately Shs 7,647,472 (2020: Shs 6,286,547).

##### (ii) Interest rate risk

The Fund's interest bearing assets include fixed and call deposits, treasury and corporate bonds, which are at fixed interest rates, hence are not subject to interest rate risk.

##### (iii) Foreign exchange risk

The Fund is not exposed to significant foreign exchange risk.

#### d) Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy

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 listed equity securities and 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.

There were no transfers between the levels in the period. The assets classified under level 1 and 2 at the end of the reporting period include:

Financial assets	Fair values as at		Fair value hierarchy	Valuation techniques and key inputs
	2021 Shs	2020 Shs		
Treasury bonds	149,613,330	118,836,287	Level 1	Quoted bid prices in an active market
Corporate bonds	3,336,111	6,894,657	Level 1	Quoted bid prices in an active market
Equity investments	136,242,220	137,861,812	Level 1	Quoted bid prices in an active market
	=====	=====		

THE ICEA LION GROWTH FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities known to the Trustee as at 31 December 2021 and 31 December 2020.

17 CURRENCY

These financial statements are presented in Kenya Shillings (Shs).

18 EVENTS AFTER THE REPORTING PERIOD

There were no significant events subsequent to the period end that required adjustment or disclosure in these financial statements.