THE EQUITY INVESTMENT BANK BALANCED FUND

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE NINE MONTHS PERIOD ENDED

31 DECEMBER 2015

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CORPORATE TRUSTEE

Kenya Commercial Bank Limited,
Kencom House,
P.O. Box 48400-00100,
NAIROBI

REGISTERED OFFICE

Equity Centre, Upper Hill
P O Box 75104, 00200
NAIROBI

ADMINISTRATORS

Equity Investment Bank Limited
Equity Centre, Upper Hill
P O Box 75104, 00200
NAIROBI

FUND MANAGERS

Britam Asset Managers (Kenya) Limited
Britam Centre, 5th Floor
Junction of Mara and Ragati Roads
Upper Hill
P.O. Box 30375, 00100
NAIROBI

CUSTODIANS

Equity Bank (Kenya) Limited
Custodial Services
Equity Centre, Upper Hill
P O Box 75104, 00200
NAIROBI

AUDITORS

Ernst & Young LLP
Kenya Re Towers, Upper Hill, Off Ragati Road
P O Box 44286-00100
NAIROBI

The Trustee submits its report together with the audited financial statements for the nine months period ended 31 December 2015 that disclose the state of affairs of Equity Investment Bank Balanced Fund ("the Fund").

INVESTMENT OBJECTIVES

The objective of the Fund is to achieve a reasonable level of current income and enhance capital growth. This is achieved by investing in a diversified spread of shares and fixed income securities. The Fund will have a bias towards equities offering long term value.

The key investment philosophies for the Fund are:
To maintain a balanced and optimal portfolio by investing in shares of companies with strong potential of growth and fixed income instruments with attractive yields.
To achieve its performance objectives through well researched and superior share selection.
To invest in quality businesses diligently selected based upon attractive long-term fundamentals.

CHANGES TO THE INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Prospectus, Trust Deed and Rules of the fund) during the period.

FUND PERFORMANCE

The highest and the lowest bid prices during the nine months period were KShs 102.20 and Shs.95.45 respectively.

INCOME DISTRIBUTION

The loss for the Fund as at 31 December 2015 was KShs 15,289,000 and has been distributed to the unit holders.

TOTAL VALUE OF THE FUND

The Fund value as at 31 December 2015 was KShs 88,849,000.

AUDITOR

Ernst & Young LLP were appointed during the year and have indicated their willingness to continue in office.

By order of the Trustee
Kenya Commercial Bank Limited
For: KENYA COMMERCIAL BANK LTD.

....2016 TRUSTEE

Dear Unit Holder,

The fundamental investment objective of the Equity Investment Bank Balanced Fund is to offer investors a high level of current income and long term capital growth. In order to achieve this, the fund invests primarily in government fixed income securities, corporate bonds and quoted shares. The Fund is biased towards equities offering long term value as a hedge against inflation. Typically, the Fund's equity weighting ranges between 40% - 60% depending on market opportunities, with the balance held in fixed income and cash.

Britam Asset Managers (Kenya) Limited has an investment philosophy that ensures the Fund maintains a balanced and optimal portfolio. The fixed income portion of the Fund provides stability during volatile years in the markets. The equity portion is invested in companies with quality businesses which are trading at attractive valuations. We actively monitor and invest in companies that match our criteria: namely, consistent financial performance, specialized competitive advantage, positive earnings outlook and sound management.

The year 2015 was characterized by deteriorating macroeconomic conditions in the country following weakening of the Kenya Shilling, increasing inflationary pressures and high interest rates. The Monetary Policy Committee adopted a tightening policy in an attempt to anchor inflation expectations and offer support to the weakening local currency as global dollar strengthening remained significant.

Highlights:

- Kenya's economy is estimated to have grown by 5.8% in the third quarter of 2015 compared to a 5.2% increase observed in a similar period in 2014. The faster growth was attributable to the strong performance of the agricultural sector which expanded by 7.1% in the period owing to improved weather conditions. The economy remained resilient in the face of tougher operating environment locally, dismal global growth and external shocks occasioned by tightening of monetary policy in the U.S. and strengthening U.S. Dollar in the year.

- Average inflation remained within the government's target range of 2.5% to 7.5%, coming in at 6.8% in 2015 despite breaching the band in December owing to higher food prices and the impact of excise duty increases. Pass-through effects of the weakening Kenya Shilling and increasing food prices were the main drivers of inflation in the year. Inflation has been tamed by the plummeting global oil prices and the introduction of cheaper geothermal energy into the grid. Inflation is expected to remain stable, gradually trending lower towards the Central Bank's target of 5.0% largely influenced by the low global oil prices and softening food prices.

- The interest rate environment exhibited increased volatility in the year as financial markets tightened and investors reacted to deterioration of the macroeconomic environment. The Central Bank, through the Monetary Policy Committee, increased the central bank rate by 3.0% to 11.5% in a bid to arrest rapid depreciation of the local currency and anchor inflation expectations. Similarly, the Kenya Bankers' Reference Rate was increased to 9.9% from 8.5% signaling increased lending rates for borrowers. The 91 day Treasury bill touched four-year highs of 22.5% in October as liquidity in the money markets tightened. Interest rates were higher across all tenors in the year as government borrowing pressure compounded on tightening bias in the money markets.

- The Kenya shilling weakened against major currencies in 2015, shedding 12.9% to the U.S. Dollar in the year. The local currency touched a high of 106.35 in September before stabilizing to close the year at 102.41 from 90.66 in the previous year. Widening current account deficit in the first half of the year, sustained dollar demand, declining capital inflows and souring sentiment were the main drivers of poor performance of the Kenya Shilling in the year. Going forward we expect adequate reserves by the Central Bank, International Monetary Fund precautionary facility and narrowing current account deficit to offer support to the local currency. Depreciation of the local currency is therefore expected to remain gradual going forward.

- Performance in the local markets was dismal in 2015 as global risk aversion towards emerging and frontier markets and deterioration of the local macroeconomic environment soured investor sentiment. The NSE All Share Index declined by 10.6% in 2015 with the second and third quarters declaring the weakest returns. The negative performance was driven by a less favourable operating environment which resulted in weak corporate earning as 19 companies declared profit warnings and negative investor sentiment on account of increased frontier markets risk and tightening of monetary policy in the U.S, which turned foreigners net sellers in the year.

In light of increased volatility in the capital markets observed in 2015, our investment team employed a cautious strategy, investing in fundamentally sound blue chip stocks and increasing exposure to fixed income securities to preserve investors' capital. Given the tough operating environment witnessed in 2015, the Fund focused on preservation of investors' wealth, generating a return of -1.1% when the NSE All Share Index declined by 10.6% and against a benchmark return of -2.1%.

Going forward, we believe that stability in the macroeconomic environment; generally lower interest rates, low inflation and trickle down benefits of large infrastructure investment in the country are all supportive of corporate earnings growth in 2016. A recovery in capital flows to the country following improved investor sentiment and attractive valuations following the sell-off witnessed last year are all expected to support performance of equities in 2016.

We thank you for your choice of investing in the Equity Investment Bank Balanced Fund to maximize your returns in the medium to long-term. Our team looks forward to working closely with you to realise and exceed your financial and investment objectives.
We extend our best wishes for 2016.

Yours sincerely,

On behalf of the Fund Manager

In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between Equity Bank Kenya Limited as the Custodian and British American Asset Managers as the Fund Manager, we confirm that we have discharged the duties prescribed for a Custodian under Regulation 35 of the regulations to Equity Investment Bank Balanced Fund.

For the year ended 31 December 2015, we have held the assets for the Equity Investment Bank Balanced 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.

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

By order of the Custodian
Equity Bank (Kenya) Limited

....2016

The Capital Markets (Collective Investment Schemes) Regulations, 2001 and trust deed requires the trustee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Fund at the end of the financial year and of the Fund's operating results for the year. It also requires the trustee to ensure that the Fund keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

The trustee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Capital Markets (Collective Investment Schemes) regulations, 2001. The trustee is of the opinion that the financial statements give a true and fair view of the financial affairs of the Equity Investment Bank Balanced Fund and of its operating results. The trustee further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the trustee to indicate that the Equity Investment Bank Balanced Fund will not remain a going concern for at least the next twelve months from the date of this statement.

For: KENYA COMMERCIAL BANK LTD.

.... TRUSTEE
Signed on behalf of the trustee

....2016

REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF
EQUITY INVESTMENT BANK BALANCED FUND

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Equity Investment Bank Balanced Fund which comprise the statement of financial position as at 31 December 2015, and the statement of profit or loss and other comprehensive income, statement of changes in net assets and statement of cash flows for the nine months period then ended and a summary of significant accounting policies and other explanatory information as set out on pages 9 to 32.

Trustee's responsibility for the financial statements

The trustee of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 and for such internal control as the trustee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the trustee, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Equity Investment Bank Balanced Fund as at 31 December 2015, and of its financial performance and cash flows for the nine months period then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

Report on other legal requirements

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

i) we have obtained all the information and explanations which, to the best of our knowledge and belief, were considered necessary for the purposes of our audit;

ii) in our opinion, proper books of account have been kept by the Fund, so far as appears from our examination of those books; and,

iii) the Fund's statement of financial position and statement profit or loss and other comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is *CPA Herbert Chiveli Wasike-P/No.1485*

Nairobi, Kenya

7 JUNE 2016

THE EQUITY INVESTMENT BANK BALANCED FUND
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2015

	Notes	2015 9 months KShs '000
INVESTMENT INCOME	4	12,678
CHANGE IN FAIR VALUE ON FINANCIAL ASSETS	5	(22,730)
		(10,052)
OPERATING EXPENSES	6	(3,539)
LOSS BEFORE TAX		(13,591)
TAX CHARGE	7	(1,698)
LOSS FOR THE YEAR		(15,289)
OTHER COMPREHENSIVE INCOME		-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(15,289)

THE EQUITY INVESTMENT BANK BALANCED FUND
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	2015 KShs'000
ASSETS		
Bank balances	8	361
Call deposits	9	23,252
Due from related party	10 (c)	248
Fixed deposits	11	15,081
Treasury bills	12	37,480
Treasury bonds	13	4,240
Corporate bond	14	6,000
Quoted equity investments	15 (b)	3,000
TOTAL ASSETS		89,662
LIABILITIES		
Payables and accruals	16	474
Due to related parties	10(c)	339
		813
NET ASSETS		88,849
REPRESENTED BY:		
MEMBERS' FUNDS		88,849

The financial statements were approved and authorised for issue by the trustee on......17/5/......2016 and were signed on behalf of the trustee by:

For: KENYA COMMERCIAL BANK LTD

.... TRUSTEE

Trustee

THE EQUITY INVESTMENT BANK BALANCED FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE NINE MONTHS PERIOD ENDED 31 DECEMBER 2015

	2015 9 months KShs '000
At 1 January	-
Proceeds from units issued in the period	362,731
Refunds made on withdrawals by unit holders	(258,593)
Net proceeds from units issued in the period	104,138
Total comprehensive income for the period	(15,289)
At 31 December	88,849

	Notes	2015 9 Months KShs '000
OPERATING ACTIVITIES		
Loss before tax		(13,591)
Adjustments for:		
Changes in fair value of investments	15(a)	22,730
Operating profit before changes in operating assets and liabilities		9,139
Related party balances		90
Other payables and accruals		475
Placement of deposits with financial institutions	15(a)	(581,661)
Purchase of Treasury bills	15(a)	(36,986)
Purchase of Treasury bonds	15(a)	(44,790)
Purchase of Quoted ordinary shares	15(a)	(143,177)
Purchase of Commercial paper	15(a)	(74,500)
Purchase of Corporate bond	15(a)	(15,966)
Proceeds from disposal of investments	15(b)	823,630
Cash flows used in operating activities		(63,746)
Withholding tax paid	7	(1,698)
Net cash used in operating activities		(65,444)
FINANCING ACTIVITIES		
Net contributions from unit holders		362,731
Net liquidations by unit holders		(258,593)
Net cash generated from financing activities		104,138
Net increase in cash and cash equivalents		38,694
Cash and cash equivalents at the beginning of the period		-
Cash and cash equivalents at the end of the period		38,694
Represented by:		
Bank balances		361
Fixed deposits		15,081
Call deposits		23,252
		38,694

1 ACCOUNTING POLICIES

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by International Accounting Standards Board (IASB).

b) New and amended standards and interpretations

The Fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2015, they did not have a material impact on the annual financial statements of the Fund. The nature and the impact of each new standard or amendment is described below:

Annual Improvements 2010-2012 Cycle
With the exception of the improvement relating to IFRS 2 Share-based Payment applied to share-based payment transactions with a grant date on or after 1 July 2014, all other improvements are effective for accounting periods beginning on or after 1 July 2014. The Fund has applied these improvements for the first time in these financial statements. They include:

IAS 24 Related Party Disclosures
The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The Fund receives management services from Equity Investment Bank and Britam Asset Managers (Kenya) Limited. Disclosures have been made on Note 10.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Fund's financial statements are disclosed below. The Fund intends to adopt these standards, if applicable, when they become effective.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Fund plans to adopt the new standard on the required effective date.

1 ACCOUNTING POLICIES (Continued)

b) New and amended standards and interpretations (Continued)

Standards issued but not yet effective (continued)

(a) Classification and measurement
The Fund does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Debt securities are expected to be measured at fair value through OCI under IFRS 9 as the Fund expects not only to hold the assets to collect contractual cash flows but also to sell a significant amount on a relatively frequent basis. Fixed and call deposits, treasury bills and investments in money market funds are held to collect contractual cash flows and are expected to give rise to cash flows representing interest earned. Thus, the Fund expects that these will continue to be measured at amortised cost under IFRS 9. However, the Fund will analyse the contractual cash flow characteristics of those instruments in more detail before concluding whether all those instruments meet the criteria for amortised cost measurement under IFRS 9.

(b) Impairment
IFRS 9 requires the Fund to record expected credit losses on all of its debt securities and loans and receivables, either on a 12-month or lifetime basis. The Fund expects to apply the simplified approach and record lifetime expected losses on all debt securities and loans and receivables. The Fund expects a significant impact on its equity due to unsecured nature of its receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Fund plans to adopt the new standard on the required effective date using the full retrospective method.

IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

1 ACCOUNTING POLICIES (Continued)

b) New and amended standards and interpretations (Continued)

Standards issued but not yet effective (Continued)

Annual Improvements 2012-2014 Cycle (Continued)

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Fund.

These new and amended standards and interpretation were not relevant and /or applicable for the Fund

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- IFRS 14 Regulatory Deferral Accounts
- IFRS 15 Revenue from Contacts with Customers
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

1 ACCOUNTING POLICIES (Continued)

b) Summary of significant accounting policies

i) Basis of preparation

The Fund prepares its financial statements on a historical cost basis of accounting except for the measurement of certain financial assets at fair value. The principal accounting policies adopted are set out below.

ii) Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and the interest rate applicable.

iii) Dividend income

Dividend income from equity securities is recognised when the Fund's right to receive payment has been established.

iv) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Purchases and sales of financial instruments are recognised on trade date -the date on which the fund commits to purchase or sell the asset.

Financial assets

The fund classifies its financial assets and liabilities into the following IAS 39 categories: Financial assets at fair value through profit or loss; loans and receivables; held to maturity financial assets; and available for sale financial assets. Management determines the appropriate classification of its financial instruments at initial recognition.

Financial assets are initially recognised at fair value plus, in the case of all financial assets or financial liabilities not carried at fair value through profit or loss, transaction costs that are directly attributable to their acquisition. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or where they have been transferred and the fund has also transferred substantially all risks and rewards of ownership.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active, the fund establishes fair value by using valuation techniques. These include the use of recent arm's length transactions and reference to other instruments that are substantially the same.

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 into this category at inception if acquired principally for the purpose of selling it in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short term profit-taking, or if so designated by management. Subsequent to initial recognition, these investments are re-measured at fair value. Fair value adjustments are recognised in profit or loss in the period that they arise. Financial assets at fair value through profit or loss comprise commercial papers and quoted equity investments. Note 15(b).

1 ACCOUNTING POLICIES (Continued)

c) Summary of significant accounting policies (Continued)

iv) Financial instruments (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They include deposits with financial institutions, due from related party, and treasury bills on Notes 9, 11, 10 and 12 and respectively.

After initial measurement, loans and receivables are measured at amortised cost, using the effective interest rate method (EIR) less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income profit or loss. Gains and losses are recognised in the profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities other than those that meet the definition of loans and receivables that the fund's management has the positive intention and ability to hold to maturity.

After initial measurement, held-to-maturity financial assets are measured at amortised cost, using the effective interest rate method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process. Financial assets held to maturity comprise of treasury bonds and corporate bonds (Notes 13 and 14).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.
Subsequent to initial recognition, these investments are re-measured at fair value unless their value cannot be reliably measured in which case they are carried at cost less provision for impairment.
Unrealised gains and losses arising from changes in the fair value of available-for-sale are recognised in other comprehensive income and accumulated under the heading of fair value reserve in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss for the year as net realised gains/losses on financial assets.
The fund has not designated any financial assets as available for sale at the end of the year but held some during the year which were disposed off during the year.

Impairment of financial assets

The fund assesses at each reporting date whether a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

1 ACCOUNTING POLICIES (Continued)

c) Summary of significant accounting policies (Continued)

iv) Financial instruments (Continued)

Impairment of financial assets (Continued)

Loans and receivables

For financial assets carried at amortized cost, the fund first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the fund determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment. The impairment assessment is performed at each reporting date.

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan has variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and that decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in profit or loss, to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date.

Available-for-sale financial investments

For available-for-sale financial investments, the fund assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a 'significant or prolonged' decline in the fair value of the investment below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity investments are not reversed through profit or loss; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as AFS, the impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss.

1 ACCOUNTING POLICIES (Continued)

c) Summary of significant accounting policies (Continued)

iv) Financial instruments (Continued)

Impairment of financial assets (Continued)

Financial liabilities and equity instruments issued by the Fund

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Classification as debt or equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by an entity are recorded at the proceeds received, net of direct issue costs. The fund has not issued any equity instruments.

Derecognition of financial instruments

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

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

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, payables and financial guarantee contracts, net of directly attributable transaction costs.
The fund's financial liabilities include other payables.

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

Subsequent measurement

1 ACCOUNTING POLICIES (Continued)

c) Summary of significant accounting policies (Continued)

iv) Financial instruments (Continued)

The measurement of financial liabilities depends on their classification, as described below:

Loans and borrowings and payables

After initial recognition, interest-bearing loans and borrowings and payable are subsequently measured at amortised cost using the EIR method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the carrying amount on initial recognition. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

This category generally applies to interest-bearing loans and borrowings and payables.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss.

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses are not offset in profit or loss unless required or permitted by an accounting standard or interpretation, as specifically disclosed in the accounting policies of the fund.

v) Taxation

The Fund is exempt to income taxes as from October 2015. Previously the fund was not tax exempt and was subject to withholding tax on interest income at a rate of 15% and dividends received at a rate of 5%. Before distribution of funds to unit holders, a withholding tax of 15% is withheld from their income.

vi) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are classified as loans and receivables and subsequently measured at amortised cost.

2 CRITICAL JUDGEMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES

In the process of applying the Fund's accounting policies, trustees have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. 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.

Impairment losses on financial assets

At the end of each reporting period, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. Where the asset's carrying amount exceeds its net recoverable amount, it is written down immediately to the recoverable amount and the resulting impairment loss is treated as an expense in the profit or loss (Note 15).

Held to maturity Investments

The Fund follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held to maturity. This classification requires significant judgement. In making this judgement, the trustees evaluate its intention and ability to hold such investments to maturity. If the Fund fails to keep these investments to maturity other than for some specific circumstances, for example, selling an insignificant amount close to maturity, it will be required to reclassify the entire class as available for sale. The investment would therefore be measured at fair value and not amortised cost (Note 13).

3 FINANCIAL RISK MANAGEMENT

The Fund generates revenues for the members by investing in various income generating activities which involve trading in the Securities Exchange. 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 refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The credit risk on term deposits and bank balances is limited as the counterparties are all recognised banks with good reputations. The Fund's equity investments are done through reputable intermediaries to protect the Fund against any misappropriations. Financial assets subject to credit risk at the end of the reporting period include:

	2015 9 months KShs'000
Bank balances	361
Due from related party	248
Call deposits	23,252
Fixed deposits	15,081
Treasury bonds	4,240
Treasury bills	37,480
Corporate Bonds	6,000
Quoted equity investments	3,000
	89,662

3 FINANCIAL RISK MANAGEMENT (Continued)

No collateral was held for these assets. The assets are not considered to be past due, nor are they considered to be impaired. No concentration of risk was identified as the Fund's investments are diversified.

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 is exposed to daily withdrawal of funds by investors. The Fund does not maintain cash balances to meet all of these needs as experience shows that a certain amount of withdrawals are requested daily and can be predicted with a high level of certainty. Management closely monitors the proportion of maturing funds available to meet such calls and on the minimum level of funds that should be in place to cover withdrawals at unexpected levels of demand.

The 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 table below analyses the fund's financial liabilities and unit holder balances that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Within 3 months KShs'000	6 - 12 months KShs'000	Due within 1- 5 years KShs'000	Due after 5 years KShs'000	Total KShs'000
At 31 December 2015					
Financial liabilities		-			
Unit holders balances	88,849	-	-	-	88,849
Current liabilities	813	-	-	-	813
Total	89,662	-	-	-	89,662
Financial assets					
Call deposits	23,252	-		-	23,252
Fixed deposits	15,081	-	-	-	15,081
Treasury bills	-	37,480	-	-	37,480
Total	38,333	37,480	-	-	75,813
Net liquidity	(51,329)	37,480	-	-	(13,849)

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) The carrying amounts of each of the categories of the financial assets is as below:

	Loans and receivables KShs'000	Held to maturity KShs'000	Fair value through profit and loss KShs'000	Total carrying amount KShs'000
At 31 December 2015				
Bank balances	361	-	-	361
Call deposits	23,252	-	-	23,252
Fixed deposits	15,081	-	-	15,081
Due from related party	248	-	-	248
Treasury bills	37,480	-	-	37,480
Treasury bonds	-	4,240	-	4,240
Corporate bond	-	6,000	-	6,000
Quoted equity investments	-	-	3,000	3,000
	76,422	10,240	3,000	89,662

d) Market risk

(i) Price risk

The Fund is exposed to price risk because of investments in quoted shares, treasury bonds and corporate bonds. 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 stocks in companies with proven performance and good prospects for growth;
- spread securities over those economic sectors that meet the criteria of performance and growth; and
- administer the portfolio according to best practice.

All quoted shares held by the Fund, treasury bonds and corporate bonds are traded on the Nairobi Securities Exchange (NSE).

As at 31 December 2015, an increase/ (decrease) of 5 % on the prices of securities would result in an increase/ (decrease) in profit or loss and net assets of approximately KShs 662,000.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest bearing assets include term deposits, corporate bonds and treasury bonds, which have fixed interest rates, hence exposure to interest rate risk is not considered to be material.

3 FINANCIAL RISK MANAGEMENT (Continued)

e) Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy
IFRS 13 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.

The following table presents the funds' assets that are measured at fair value at 31 December 2015.

	Level 1 KShs `000	Level 2 KShs `000	Level 3 KShs `000	Total KShs `000
Quoted equity securities	3,000	-	-	3,000
Treasury bonds	4,598	-	-	4,598
Treasury bills	-	37,480	-	37,480
Corporate bonds	7,160	-	-	7,160
Total assets	14,758	37,480	-	52,238

For financial assets and financial liabilities that have a short-term maturity (less than one year) the carrying amounts approximate their fair value.

4 INVESTMENT INCOME

	Note	2015 9 months KShs '000
Interest on treasury bills	15	494
Interest on treasury bonds	15	1,204
Interest on corporate bonds	15	761
Interest on commercial paper	15	5,370
Interest on call deposits	15	1,859
Interest on fixed deposits	15	1,952
		11,640
Dividend income	¤	1,038
		12,678

5 FAIR VALUE CHANGES

	Note	2015 9 months KShs '000
Realized changes in fair value;		
Quoted equity investments	15	(20,976)
Treasury bonds	15	(1,736)
		(22,712)
Unrealized changes in fair value;		
Quoted equity investments	15	(18)
Net fair value change on financial assets		22,730

6 OPERATING EXPENSES

Fund management fees	2,652
Licence fees	54
Audit fees	150
AGM costs	145
Trustee fees	198
Custody fees	198
Other expenses	136
Bank charges	6
	3,539

7 TAXATION

At 1 January 2015	-
Withholding tax expense	1,698
Withholding tax paid	(1,698)
At 31 December 2015	-

This was withholding tax on interest income of 15% and 5% on dividend income deducted at source.

8 CASH AND CASH EQUIVALENTS

	2015 KShs '000
Bank balances	361

For the purpose of the statement of cash flows, cash and cash equivalents comprised the following as at 31 December:

	2015 KShs '000
Bank balances	361
Fixed deposits (Note 11)	15,081
Call deposits (Note 9)	23,252
	38,694

9 CALL DEPOSITS

Cooperative Bank of Kenya Limited	22,602
Housing Finance	650
	23,252
Maturing within 1 year	23,252

These deposits are available on demand. The weighted average effective interest rate on short term deposits in the year was 8.17%. The amounts are expected to be recovered not more than twelve months after the reporting period,

10 RELATED PARTY TRANSACTIONS

Equity Investment Bank Balanced Fund is managed by Equity Investment Bank Limited and Britam Asset managers (Kenya) Limited. The custodian for the fund is Equity Bank (Kenya) Limited. Both Equity Investment Bank and Equity Bank (Kenya) Limited are subsidiaries of Equity Group Holdings Limited. The Fund transacts with these companies within the Equity Group Holdings Limited.

	2015 9 months KShs '000
(a) Unit holders' balances:	
Value of units held by Equity Investment Bank Limited	24,500
(b) Transactions with related parties:	
Management fees to Equity Investment Bank Limited	1,988
Management fees to Britam Asset Managers (Kenya) Limited	663
Custodial fees to Equity Bank (Kenya) Limited	145
d	-
	2,706

10 RELATED PARTY TRANSACTIONS (Continued)

	2015
	KShs '000
(c) The balance outstanding at year end was as follows:	
Amount due from related party:	
Equity Investment Bank Limited	248

Amount due from related party relate to amounts set aside for audit fee, annual general meeting and licence fees paid by Equity Investment Bank Limited on behalf of the Fund.

Amount due to related parties:	
Britam Asset Managers (Kenya) Limited	73
Equity Investment Bank Limited	222
Kenya Commercial Bank Limited	22
Equity Bank (Kenya) Limited	22
	339

Amounts due to related party relate to fund management fees, management fees, trustee fees and custodial fees payable to Britam Asset Managers (Kenya) Limited, Equity Investment Bank Limited Kenya Commercial Bank Limited and Equity Bank (Kenya) Limited respectively.

11 FIXED DEPOSITS

	2015
	KShs '000
Diamond Trust Bank	15,081
Maturing within 1 year	15,081

The weighted average effective interest rate on fixed deposits for the period was 9.68%. The amounts are expected to be recovered not more than twelve months after the reporting period.

12 TREASURY BILLS

	2015
	KShs'000
At cost	36,986
Accrued interest	494
Market value	37,480
Maturing within 1 year	37,480

The weighted average effective interest rate on Treasury bills for the year was 8.39%. The amounts are expected to be recovered no more than twelve months after the reporting period.

13 TREASURY BONDS

	2015
	KShs '000
At cost	4,216
Unamortised discount	24
Market value	4,240
Maturing after 1 year	4,240

The bond is held to maturity and has a maturity date of 2nd December 2024. The bond has a coupon rate of 11%. No amount is expected to be recovered in twelve months after the reporting period,

14 CORPORATE BONDS

	2015
	KShs '000
Centum Equity Linked note 12.50%	
Purchases	15,966
Accrued interest	761
Sales	(10,727)
Market value	6,000
Maturing after 1 year	6,000

The amounts are expected to be recovered no more than twelve months after the reporting period.

15 (a) Movement in investments

Year ended 31 December 2015

	Value at 1/1/2015 KShs `000	Purchases at cost KShs `000	Accrued interest KShs `000	Sales/maturity KShs `000	Realised fair value* KShs `000	amortised discount/Unrealised fair value* KShs `000	Value at 31/12/2015 KShs `000
Quoted ordinary shares	-	143,177	-	(119,183)	(20,976)	(18)	3,000
Corporate bonds	-	15,966	761	(10,727)	-	-	6,000
Treasury bills	-	36,986	494	-	-	-	37,480
Treasury bonds	-	44,790	1,204	(40,018)	(1,736)	-	4,240
Call deposits		537,976	1,859	(516,583)	-	-	23,252
Fixed deposits	-	82,018	1,952	(68,889)	-	-	15,081
Commercial paper	-	74,500	5,370	(79,870)	-	-	-
Total	-	935,413	11,640	(835,270)	(22,712)	(18)	89,053

*Fair values are determined by reference to the closing Nairobi Securities Exchange prices at the end of the reporting period.

15 (a) Movement in Investments (Continued)

For purposes of the statement of cash flows, the movements are as below:

	2015 9 months KShs '000
Maturities during the period	835,270
Interest received	(11,640)
Proceeds from sale of investments	823,630
Interest and dividend received:	
Interest received	11,640
Dividend received (Note 4)	1,038
	12,678
Placement of deposits with financial institutions:	
Call deposits	537,976
Fixed deposits	82,018
Cash and cash equivalents at the end of the period:	
Fixed deposits	(15,081)
Call deposits	(23,252)
	581,661

15 (b) MOVEMENT IN ORDINARY SHARES

	Number of shares				Market Value						
ORDINARY SHARES	1Jan 2015	Additions	Disposals	31 Dec 2015	1 Jan 2015	Additions	Withdrawals	Realized gain/(loss) KShs	Unrealized gain (loss) KShs	Dividend KShs	31 Dec 2015 KShs
ARM Cement Ltd Ord 1.00	-	52,200	52,200	-	-	4,045,408	(2,736,543)	(1,338,619)	-	29,754	-
British-American Investments Co. Ltd Ord 5.00	-	315,200	315,200	-	-	7,637,119	(5,527,562)	(2,110,412)	-	855	-
British American Tobacco Kenya Ltd Ord 10.	-	2,800	2,800	-	-	2,047,274	(2,109,312)	52,237.73	-	9,800	-
Centum Investment Co Ltd Ord 0.50	-	62,000	62,000	-	-	4,012,335	(3,214,716)	(797,619)	-	-	-
Cooperative Bank Ltd Ord 1.00	-	307,000	307,000	-	-	6,541,544	(6,112,480)	(574,889)	-	145,825	-
Diamond Trust Bank Kenya Ltd Ord 4	-	30,500	30,500	-	-	6,965,528	(6,164,714)	(838,433)	-	37,620	-
East African Breweries Ltd Ord 2.00	-	14,400	14,400	-	-	4,547,079	(4,247,021)	(300,058)	-	-	-
Equity Bank Ordinary Shares	-	395,500	320,500	75,000	-	18,536,464	(13,275,166)	(2,243,598)	(17,700)	-	3,000,000
Housing Finance Co Ltd Ord 5.00	-	81,600	81,600	-	-	2,833,416	(2,015,732)	(931,924)	-	114,240	-
Kenya Commercial Bank Ltd Ord 10.00	-	327,500	327,500	-	-	19,689,795	(16,520,244)	(3,504,902)	-	335,350	-
Kenya Oil Co Ltd Ord 0.50	-	276,000	276,000	-	-	2,492,814	(2,360,034)	(147,980)	-	15,200	-
Kenya Power & Lighting Ltd Ord 20.00	-	208,000	208,000	-	-	3,567,346	(3,065,614)	(502,966)	-	1,235	-
Kenya Re-insurance	-	231,000	231,000	-	-	4,125,029	(4,279,659)	1,014	-	153,615	-
Nairobi Securities Exchange	-	112,000	112,000	-	-	2,199,980	(2,323,509)	80,968	-	42,560	-
Nation Media Group Ord. 5.00	-	13,250	13,250	-	-	3,040,330	(2,439,216)	(695,520)	-	94,406	-
NIC Bank Ltd Ord 5.00	-	59,000	59,000	-	-	3,386,215	(2,878,819)	(508,346)	-	950	-
Safaricom Ordinary Shares	-	2,327,300	2,327,300	-	-	39,649,063	(34,846,957)	(4,802,105)	-	-	-
Scangroup	-	6,650	6,650	-	-	309,556	(248,466)	(64,249)	-	3,159	-
Standard Chartered Bank Ltd Ord.5.00	-	16,500	16,500	-	-	5,740,321	(3,990,977)	(1,755,281)	-	5,938.	-
Umeme Ltd Ord 0.50	-	105,000	105,000	-	-	1,810,079	(1,863,784)	5,905.75	-	47,799	
					-	143,176,695	(120,220,525)	(20,976,776)	(17,700)	1,038,306	3,000,000

*Fair values for quoted shares are determined by reference to the closing Nairobi Securities Exchange prices at the end of the reporting period.

16 PAYABLES AND ACCRUALS

	2015 9 months KShs '000
Accruals	474

Accruals relate to outstanding payments for management fees, trustee fees, custodial fees, audit fees, annual general meeting costs. The fee is billed monthly and payable on receipt of invoice. Payments made on behalf are interest free and have no specific repayment terms.

17 CURRENCY

The financial statements are presented in the fund's functional currency, Kenya shillings (KShs), rounded to the nearest thousand (KShs '000).

18 REGISTRATION

The Fund was registered in Kenya on 5 January 2015 under the Capital Markets Authority Act and the trust deed was signed on 26 January 2015. The Fund received seed capital on 17 March 2015 and commenced operations on 1 April 2015.

19 EVENTS AFTER THE REPORTING PERIOD

The Board of Trustees approved the financial statements on 30 March 2016 and authorised that the financial statements be issued. On this date, the Trustees were not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt with in the financial statements, which would significantly affect the financial position of the Fund and results of its operations as laid out in these financial statements.