

**ZIMELE PERSONAL PENSION PLAN  
REPORT TO THE SCHEME MEMBERS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**DENNIS PAUL & ASSOCIATES  
CERTIFIED PUBLIC ACCOUNTANTS  
FOUR GREEN WAY APARTMENT  
FOUR GREEN OFF WESTLANDS ROAD  
P.O BOX 75374-00200  
NAIROBI**

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

<b>Table of Contents</b>	<b>Page</b>
Trustees and advisors to the Scheme	1
Report of trustees	2-3
Statement of trustees' responsibilities	4
Fund Manager's Commentary	5
Report of the Custodian	6
Report of the independent auditors	7-8-9
Financial statements:	
Statement of changes in net assets available for benefits	10
Statement of net assets available for benefits	11
Statement of changes in Equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 17

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
TRUSTEES AND ADVISORS TO THE SCHEME  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**TRUSTEES**

Natbank Trustees and Investment Services Limited  
National Bank Buildings, Harambee Avenue  
P.o Box 41862-00100  
Nairobi, Kenya

**ADMINISTRATOR**

Pacific Insurance Brokers (EA) Ltd  
The Insurance Centre, Rose Avenue  
Off Dennis Prit Road  
P.o Box 50565-00200  
Nairobi, Kenya

**FUND MANAGER**

Zimele Asset Management Company Limited  
Ecobank Towers, 7th Floor  
Muindi Mbingu Street  
P.o Box 76528-00508  
Nairobi, Kenya

**CUSTODIAN**

KCB Bank (K) Limited  
KCB Towers 7th Floor  
P.o Box 30664-00100  
Nairobi, Kenya

**AUDITORS**

Dennis Paul & Associates  
Four Green way apartment, F1  
Four Green Street Off Westlands Road  
P.o Box 75374-00200  
NAIROBI

**PRINCIPAL LAWYERS**

Muriu Mungai & Co. Advocates  
Muriu Mungai and Co. Arches  
Spring Valley Crescent, Westlands  
info@wakili.com  
P.o Box 75362-00200

NAIROBI

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**INCORPORATION AND REGISTERED OFFICE**

The Scheme began its operations in April 2007 and is registered under the Retirement Benefits Act, 1997 and the Income Tax Act, CAP 470. The registered office is at Ecobank Towers, 7th Floor on Muindi Mbingu Street, Nairobi

**INVESTMENT OBJECTIVES**

The main purpose of the Scheme is to provide an investment for people to build savings for use in retirement in accordance with the provisions of Retirement Benefits Act and the regulations made thereunder. The investment objective of the Scheme is to generate long term capital growth through investing the members' contributions in fixed income securities and other investments in accordance with the provisions of the Retirement Benefits Act and the regulations made thereunder.

**CHANGE TO INCORPORATION DOCUMENTS**

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

**TOTAL VALUE OF THE FUND AS AT 31ST DECEMBER 2017**

The market value of the fund as at 31st December 2017 was Kshs 91.9 million.

**MEMBERSHIP**

Membership of the Scheme as at year end was as follows:

	<b>2017</b>	<b>2016</b>
	<b>Members</b>	<b>Members</b>
At start of year	471	453
Entrants	25	21
Exits	(4)	(3)
At end of year	<u><u>492</u></u>	<u><u>471</u></u>

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**INVESTMENT OF FUNDS**

The Scheme funds are invested by Zimele Asset Management Company Limited through Kenya Commercial Bank Limited in accordance with the provisions of the Retirement Benefits Act and the regulations made thereunder.

**EXPENSES**

The full costs of administering and managing the scheme are borne by the scheme.

**AUDITORS**

Dennis Paul & Associates, Certified Public Accountants, who were appointed in 2016 have expressed their willingness to continue in office.

**For the Trustees:**

**Natbank Trustees and Investment Services Limited**



For the Trustee:  
.....  
Natbank Trustees and Investment Services Limited  
Date: 22/12/..... 2018

Natbank Trustee and  
Investment Services Ltd.  
Head  
P. O. Box 72866 - 00200  
Nairobi

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
STATEMENT OF TRUSTEES' RESPONSIBILITY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

The Retirement Benefits (Occupational Retirement Benefits Scheme) Regulations, 2000 require the Trustees to prepare financial statements in a prescribed form for each financial year. They also require the Trustees to ensure that the Scheme keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the custodian in accordance with the rules of the scheme.

The Trustees accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000. The Trustees are of the opinion that the financial statements give a true and fair view of the financial transactions of the Scheme and of the disposition of its assets and liabilities, other than liabilities to pay pensions and benefits falling due after the end of the year. The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The Trustees certify that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and complete in every aspect.

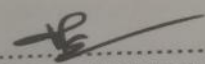
**DECLARATIONS STATEMENT**


The Zimele Guaranteed Personal Pension Plan is an approved Scheme within the meaning of The Retirement Benefits Act and The Regulations made thereunder;

The members of the Scheme are not liable for the debts of the Scheme;

The Zimele Guaranteed Personal Pension Plan invests in equities and fixed income securities in accordance with the provisions of the Retirements Act and the Regulations made thereunder;

Nothing has come to the attention of the Trustees to indicate that the Scheme will not remain a going concern for at least the twelve months from the date of this statement.

For the Trustee:  
  
.....  
Natbank Trustees and Investment Services Limited  
Date: 22/12/17 ..... 2018



**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FUND MANAGER COMMENTARY  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

The Kenyan economy expanded at a slower pace of 4.9% in 2017 compared to 5.8% in 2016, which was mostly attributed to the adverse effects of severe drought and a prolonged period of elections. Rising energy and food prices pushed up the average rate of inflation from 6.3% in 2016 to 8% last year. Interest rates and the Shilling were stable last year despite the trend in past elections years where political uncertainty caused capital flight and volatility in the money market. Even then, concerns remain on the relative size of the current account deficit, budget deficit and public debt relative to GDP.

There was a carryover at the securities market of the difficult operating environment from 2016 due to heightened political uncertainty arising from a prolonged electioneering period. Consequently, 12 companies issued profit warnings in 2017 compared to 11 in 2016.

The equity market broke its two year spell of negative returns in 2017. The NSE 20 share index went up by 16% to 3,711.94 from a decline of 20% in 2016. The NSE all-share index increased by 29% to 171.20 compared to a decrease of 8% in 2016. By comparison, the Fund's net asset value (NAV) posted a return of 8.5% to close at 18.88 last year compared to 2% in 2016.

The modest performance of the Fund last year was based on the need for caution given the past experience of how election years impact the business environment adversely and consequently hurting the performance of shares at the stock market. However, the equity market's performance last year defied earlier expectations related to drought, political uncertainty and the rate cap. One reason could be the fact that some shares were trading below their fair value after the general market decline in 2015 and 2016 of 37%, which pulled down even shares of companies with strong fundamentals and good growth prospects.

Favorable weather, easing of political uncertainty and increased business confidence should lead to improved performance of shares in 2018. However, this is not likely to be across the board since some companies are still recovering from the adverse effects of the past two years. In line with these developments, our investment strategy will be influenced by opportunities available in the equity market in the form of undervalued stocks. Overall, we remain optimistic that barring unfortunate events prevailing, 2018 will also be a good year for the Fund's investments.



**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE CUSTODIAN  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

In accordance with the Retirement Benefits (Managers and Custodians) Regulations, 2000 (The Regulations) and the Custody Agreement between Kenya Commercial Bank Limited as the Custodian and National Bank of Kenya as the Trustees, we confirm that we have discharged the duties prescribed for a Custodian under Regulation 8 of the regulations, to Zimele Personal Pension Plan.

From the period 1<sup>st</sup> January 2017 to 31<sup>st</sup> December 2017, we have held the assets for the Zimele Personal Pension Plan, including title documents, securities and income that accrue thereof, to the order of the Trustees and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.



For: KCB BANK KENYA LTD.  
.....  
By order of the ~~Custodian~~ **CUSTODY SERVICES**  
KCB Bank ( K ) Limited

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Statement of changes in net assets available for benefits**

	Notes	2017 Kshs	2016 Kshs
<b>Income from dealings with members</b>			
Contributions received	3	8,659,050	6,107,807
<b>Outgoings from dealings with members</b>			
Benefits payable	4	(16,131,751)	(8,534,195)
		-	-
<b>Net additions from dealings with members</b>		<b><u>(7,472,701)</u></b>	<b><u>(2,426,388)</u></b>
<b>Return on investments</b>			
Investment income	5	10,080,534	6,269,080
Change in market value of investments (%)		3,089,235	(386,817)
<b>Net return on investments</b>		<b><u>13,169,769</u></b>	<b><u>5,882,263</u></b>
Administrative expenses	6	(489,206)	(785,695)
Prior year adjustment		33,619	33,619
Investment Management expenses	7	(2,631,558)	(2,646,344)
		<u>(3,087,145)</u>	<u>(3,398,420)</u>
<b>Increase in net assets for the year</b>		<b><u>2,609,923</u></b>	<b><u>57,455</u></b>
Net assets available for benefits at start of the year		89,296,512	89,239,058
<b>Net assets available for benefits at end of year</b>		<b><u>91,906,435</u></b>	<b><u>89,296,512</u></b>

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
AS AT 31ST DECEMBER 2017**

**Statement of net assets available for benefits**

	Notes	2017 Kshs	2016 Kshs
<b>Assets</b>			
Kenya Government Securities	8.	47,786,921	50,377,034
Corporate Bonds		1,506,653	1,506,653
Quoted Equities	9	7,748,372	4,826,325
Cash and Fixed deposits	10	21,277,020	25,277,020
Investment in Unit Trust		13,290,257	5,410,127
		<b>91,609,223</b>	<b>87,397,159</b>
<b>Current Assets</b>			
Custodian and collection accounts	11	620,389	2,098,267
Income Receivable	12	-	135,562
		<b>620,389</b>	<b>2,233,829</b>
<b>Liabilities</b>			
Other payables and accrued expenses	13	323,178	334,475
			-
<b>TOTAL NET ASSETS</b>		<b>91,906,435</b>	<b>89,296,513</b>
<b>FINANCED BY:</b>			
<b>Members' Account and Reserve Fund</b>		<b>91,906,435</b>	<b>89,296,512</b>

For the Trustee:  
  
 Natbank Trustees and Investment Services Limited  
 Date: 22/5/2018 2018

Natbank Trustees and Investment Services Ltd.  
 Head  
 P. O. Box 72866 - 00200  
 Nairobi

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2017**

**Statement of changes in Equity**

	<b>Net Unit Holders Funds Kshs</b>	<b>Net Surplus Khs</b>	<b>Changes in Fair Value of Investments Kshs</b>	<b>Total Khs</b>
<b>For the year 2016</b>				
As at 1st January 2016	57,982,628	34,100,956	(2,844,527)	89,239,057
<b>Net Contributions</b>	(2,426,388)	-	-	(2,426,388)
Surplus for the period	-	2,837,041	-	<b>2,837,041</b>
Prior year adjustment	-	-	33,620	33,620
Change in fair value of investment			(386,817)	(386,817)
As at 31 December 2016	<b>55,556,240</b>	<b>36,937,997</b>	<b>(3,197,724)</b>	<b>89,296,514</b>
<b>For the year 2017</b>				
As at 1st January 2017	55,556,240	36,937,997	(3,197,724)	89,296,513
Net Contributions	(7,472,703)	-	-	(7,472,703)
Surplus for the period	-	6,959,770	-	6,959,770
Prior year adjustments	-	-	33,619	33,619
Change in fair value of investments	-	-	3,089,235	3,089,235
As at 31 December 2017	<b>48,083,537</b>	<b>43,897,767</b>	<b>(108,489)</b>	<b>91,906,435</b>

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Statement of cash flows**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cashflow from operations</b>		
Contributions received	8,659,050	6,107,807
Benefits paid	(16,131,751)	(8,534,195)
Expenses paid	(3,120,764)	(3,432,039)
Prior year adjustments	33,619	33,619
<b>Net Cash flow from operations</b>	<b><u>(10,559,846)</u></b>	<b><u>(5,824,808)</u></b>
<b>Working Capital Changes</b>		
(Increase) / Decrease in Receivables	135,562	884,438
Increase / ( Decrease) in Payables	<u>(11,297)</u>	<u>38,672</u>
	<u>124,265</u>	<u>923,110</u>
<b>Net Cash flow from Operating Activities</b>	<b><u>(10,435,581)</u></b>	<b><u>(4,901,698)</u></b>
<b>Cash flow from Investing Activity</b>		
Investment income received	10,080,534	6,269,080
Change in market value of investment	3,089,235	(386,817)
<b>Net cash flow from Investment Activities</b>	<b><u>13,169,769</u></b>	<b><u>5,882,263</u></b>
<b>Cashflow from Financing Activities</b>		
Change in Investments	<b><u>(4,212,063)</u></b>	<b>107,305</b>
<b>Net cash flow from investing Activities</b>	<b><u>(4,212,063)</u></b>	<b><u>107,305</u></b>
<b>Net Cash Inflow/ (outflow)</b>	<b><u>(1,477,875)</u></b>	<b>1,087,870</b>
Cash and cash equivalents at start of year	2,098,264	1,010,396
<b>Cash and cash equivalents at end of year</b>	<b><u><u>620,389</u></u></b>	<b><u><u>2,098,264</u></u></b>

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**Notes**

**1. Basis of preparation**

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the Retirement Benefits Act 1997 as amended and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits that fall due after the end of the financial year.

**2. Accounting policies**

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

**(a) Basis of accounting**

The financial statements have been prepared under the historical cost convention.

**(b) Contributions**

Contributions from the members are accounted for in the period to which they fall due.

**(c) Interest income**

Interest income is accounted for in the period in which it is earned.

**(d) Benefits payable**

Benefits payable to seceding members are accounted for in the period to which they fall due.

**(e) Benefit transfers**

Benefit transfers are recognized in the period in which members join from other schemes or leave for other schemes.

**3. Contribution income**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Members - Voluntary Contributions	8,659,050	6,107,807
	<u><b>8,659,050</b></u>	<u><b>6,107,807</b></u>

**4. Benefits payable**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Pensions	<u>16,131,753</u>	<u>8,534,195</u>

**5. Investment income**

	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest on T Bonds	7,454,990	3,926,375
Dividend income	513,736	232,008
Interest on call	204,050	741,323
Interest on T. Bill	172,908	578,451
Rebate on bonds	6,413	2,618
Interest in mmf invest	1,065,130	410,127
Gain/ loss on sale of bonds	205,637	378,178
Gain/ loss on sale of shares	457,669	-

10,080,534

6,269,080

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

**Notes (continued)**

<b>6 Administrative expenses</b>	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
RBA Levy	178,593	178,478
Bank charges	88,272	172,031
Secretarial fees	-	29,403
Audit fees	92,800	92,800
Administration and processing	121,341	312,983
AGM fees	8,200	-
	<b>489,206</b>	<b>785,695</b>
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>7 Investment Management expenses</b>		
Fund Manager	2,289,448	2,275,628
Custodian	213,098	279,339
Trustees fees	129,012	91,377
	<b>2,631,558</b>	<b>2,646,344</b>
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>8. Government Bonds</b>		
Treasury Bonds	47,332,638	48,427,729
Treasury Bills	454,282	1,949,304
	<b>47,786,921</b>	<b>50,377,033</b>
	<b>2017</b>	<b>2016</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>9 Quoted Equities</b>		
Banking	6,602,991	4,684,040
Commercial and services	534,651	27,495
Manufacturing and allied	97,130	114,790
	<b>7,748,372</b>	<b>4,826,325</b>



**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

<b>10 Cash and Demand deposits</b>	<b>2017 Kshs</b>	<b>2016 Kshs</b>
Chase bank	21,277,020	21,277,020
Kenya Women Micro Finance Bank	-	4,000,000
	<u>21,277,020</u>	<u>25,277,020</u>
<b>11 Custodians and collection accounts balance</b>	<b>2017 Kshs</b>	<b>2016 Kshs</b>
KCB Collection	120,525	484
National Bank	(10,173)	20,762
Custody account	510,037	2,077,020
	<u>620,389</u>	<u>2,098,266</u>
<b>12 Receivables</b>	<b>2017 Kshs</b>	<b>2016 Kshs</b>
Interest Receivable on Govt bonds	-	104,000
Interest on call receivable	-	31,562
	<u>-</u>	<u>135,562</u>
<b>13 Other payables and accrued expenses</b>	<b>2017 Kshs</b>	<b>2016 Kshs</b>
Audit fees current year	92,800	92,800
Custody fees	-	44,448
Trustee fees	32,058	-
Management fees	198,320	197,227
	<u>323,178</u>	<u>334,475</u>

**ZIMELE PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2017**

---

**Notes (continued)**

**Financial risk management disclosures**

The scheme's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the scheme does not hedge any risks.

Risk management is carried out by the Fund Manager, Zimele Asset Management Company Limited (ZAMCO). ZAMCO identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

**Market risk**

**(i) Foreign exchange risk**

The scheme has no investments in offshore markets or in foreign currency and is therefore not exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro.

**(ii) Cashflow and fair value interest rate risk**

The scheme does not hold any interest bearing financial liability or overdraft at a variable rate which would expose the scheme to cash flow interest rate risk.

**(iii) Credit risk**

Credit risk refers to the risk that a counterparty will default on his obligations resulting in financial loss to the scheme and arises principally from the scheme's investments and contributions receivable. The fund does not have any significant concentrations of credit risk. The approved issuer assesses the credit quality of each investment, taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the trustees.

**(iv) Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the approved issuer on the amount to be invested in assets that can be easily liquidated.