

**ZIMELE PERSONAL PENSION PLAN
REPORT TO THE SCHEME MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**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 2018**

Table of Contents	Page
Trustees and advisors to the Scheme	1
Report of trustees	2-3
Statement of trustees' responsibilities	4
Fund Manager's Commentary	5-6
Report of the Custodian	7
Report of the independent auditors	8-9-10
Financial statements:	
Statement of comprehensive income	11
Statement of financial position	12
Statement of changes in Equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 18

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
TRUSTEES AND ADVISORS TO THE SCHEME
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

Kenya Commercial Bank Limited
Kencom House, Head Office
P.o Box 48400-00100
Nairobi, Kenya

AUDITORS

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

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018

The market value of the fund as at 31st December 2018 was Kshs 115.5 million.

MEMBERSHIP

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

	2018	2017
	Members	Members
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 2018**

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

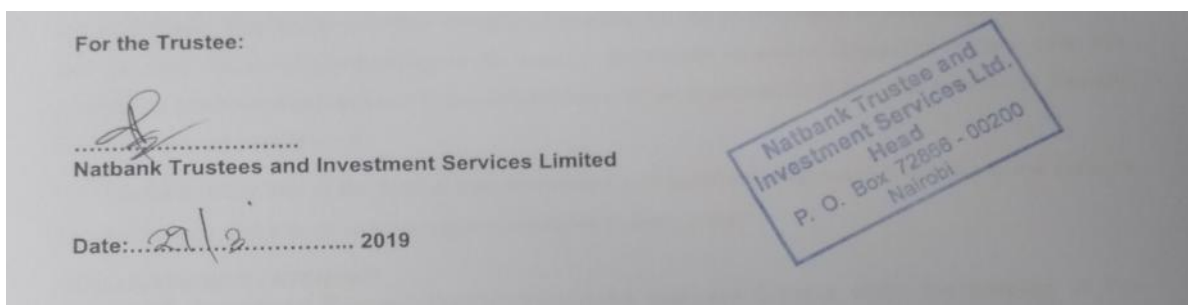
The full costs of administering and managing the scheme are borne by the scheme.

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



**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
STATEMENT OF TRUSTEES' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.



**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of changes in net assets available for benefits

	Notes	2018 Kshs	2017 Kshs
Income from dealings with members			
Contributions received	3	29,513,713	8,659,050
Outgoings from dealings with members			
Benefits payable	4	(12,967,627)	(16,131,751)
		-	-
Net additions from dealings with members		16,546,086	(7,472,701)
Return on investments			
Investment income	5	9,688,003	10,080,534
Change in market value of investments (%)		1,029,749	3,089,235
Net return on investments		10,717,752	13,169,769
Administrative expenses	6	(539,217)	(489,206)
Prior year adjustment		126,418	33,619
Investment Management expenses	7	(3,196,876)	(2,631,558)
		(3,609,675)	(3,087,145)
Increase in net assets for the year		23,654,162	2,609,923
Net assets available for benefits at start of the year		91,906,434	89,296,512
Net assets available for benefits at end of year		115,560,596	91,906,434

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
AS AT 31ST DECEMBER 2018**

Statement of net assets available for benefits

	Notes	2018 Kshs	2017 Kshs
Assets			
Kenya Government Securities	8.	53,658,428	47,786,921
Corporate Bonds		-	1,506,653
Quoted Equities	9	5,790,162	7,748,372
Cash and Fixed deposits	10	14,589,806	21,277,020
Investment in Unit Trust		40,694,698	13,290,257
		114,733,093	91,609,223
Current Assets			
Custodian and collection accounts	11	1,165,240	620,389
Income Receivable	12	50,021	-
		1,215,261	620,389
Liabilities			
Other payables and accrued expenses	13	387,759	323,178
			-
TOTAL NET ASSETS		115,560,596	91,906,434
FINANCED BY:			
Members' Account and Reserve Fund		115,560,596	91,906,434

For the Trustee:



 Natbank Trustees and Investment Services Limited

Date: 27/2 2019



**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2018**

Statement of changes in Equity	Net Unit Holders Funds Kshs	Net Surplus Khs	Changes in Fair Value of Investments Kshs	Total Khs
For the year 2017				
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 adjustment	-	-	33,619	33,619
Change in fair value of investment			3,089,235	3,089,235
As at 31 December 2017	48,083,537	43,897,767	(74,870)	91,906,435
For the year 2018				
As at 1st January 2018	48,083,537	43,897,767	(74,870)	91,906,434
Net Contributions	16,546,085	-	-	16,546,085
Surplus for the period	-	5,960,109	-	5,960,109
Prior year adjustments	-	-	-	33,619
Change in fair value of investments	-	-	1,029,749	1,029,749
As at 31 December 2018	64,629,622	49,857,876	954,879	115,475,997

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of cash flows

	2018	2017
	Kshs	Kshs
Cashflow from operations		
Contributions received	29,513,713	8,659,050
Benefits paid	(12,967,627)	(16,131,751)
Expenses paid	(3,736,093)	(3,120,764)
Prior year adjustments	126,419	33,619
Net Cash flow from operations	<u>12,936,412</u>	<u>(10,559,846)</u>
Working Capital Changes		
(Increase) / Decrease in Receivables	(50,021)	135,562
Increase / (Decrease) in Payables	<u>64,581</u>	<u>(11,297)</u>
	<u>14,560</u>	<u>124,265</u>
Net Cash flow from Operating Activities	<u>12,950,971</u>	<u>(10,435,581)</u>
Cash flow from Investing Activity		
Investment income received	9,688,003	10,080,534
Change in market value of investment	1,029,749	3,089,235
Net cash flow from Investment Activities	<u>10,717,752</u>	<u>13,169,769</u>
Cashflow from Financing Activities		
Change in Investments	(23,123,869)	(4,212,063)
Net cash flow from investing Activities	<u>(23,123,869)</u>	<u>(4,212,063)</u>
Net Cash Inflow/ (outflow)	544,854	(1,477,875)
Cash and cash equivalents at start of year	620,387	2,098,264
Cash and cash equivalents at end of year	<u>1,165,240</u>	<u>620,387</u>

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

	2018	2017
	Kshs	Kshs
Members - Voluntary Contributions	29,513,713	8,659,050
	<u>29,513,713</u>	<u>8,659,050</u>

4. Benefits payable

	2018	2017
	Kshs	Kshs
Pensions	<u>12,967,629</u>	<u>16,131,753</u>

5. Investment income

	2018	2017
	Kshs	Kshs
Interest on T Bonds	6,611,267	7,454,990
Dividend income	58,300	513,736
Interest on call	282,651	204,050
Interest on T. Bill	-	172,908
Rebate on bonds	7,065	6,413
Interest in mmf invest	2,200,440	1,065,130
Gain/ loss on sale of bonds	-	205,637
Gain/ loss on sale of shares	528,280	457,669

9,688,003

10,080,533

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes (continued)

6 Administrative expenses	2018	2017
	Kshs	Kshs
RBA Levy	183,812	178,478
Bank charges	45,960	88,272
Secretarial fees	69,245	-
Audit fees	92,800	92,800
Administration and processing	139,200	121,341
AGM fees	8,200	8,200
	539,217	489,091
	2018	2017
	Kshs	Kshs
7 Investment Management expenses		
Fund Manager	2,745,534	2,289,448
Custodian	341,047	213,098
Trustees fees	110,295	129,012
	3,196,876	2,631,558
8. Government Bonds	2018	2017
	Kshs	Kshs
Treasury Bonds	53,204,145	47,332,638
Treasury Bills	454,282	454,282
Treasury Bills	-	-
	53,658,428	47,786,920
9 Quoted Equities	2018	2017
	Kshs	Kshs
Banking	6,602,991	6,602,991
Commercial and services	534,651	534,651
Manufacturing and allied	97,130	97,130
	5,790,162	7,234,772

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

10 Cash and Demand deposits	2018 Kshs	2017 Kshs
Chase bank	5,748,188	21,277,020
SBM Bank	8,841,618	-
	<u>14,589,806</u>	<u>21,277,020</u>
11 Custodians and collection accounts balance	2018 Kshs	2017 Kshs
KCB Collection	169,462	120,525
National Bank	142,652	(10,173)
Custody account	853,126	510,037
	<u>1,165,240</u>	<u>620,389</u>
12 Receivables	2018 Kshs	2017 Kshs
Interest Receivable on Govt bonds	7,415	-
Interest on call receivable	42,606	-
	<u>50,021</u>	<u>-</u>
13 Other payables and accrued expenses	2018 Kshs	2017 Kshs
Audit fees current year	92,800	92,800
Custody fees	33,754	-
Trustee fees	-	32,058
Management fees	253,005	198,320
AGM Fees	8,200	-
	<u>387,759</u>	<u>323,178</u>

**ZIMELE PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018**

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.



REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE PERSONAL PENSION PLAN FOR THE YEAR ENDED 31ST DECEMBER 2018

Opinion

We have audited the accompanying financial statements of Zimele Personal Pension Plan, set out on pages 11 to 18, which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of the fund are prepared, in all material respects, in accordance with International Financial Reporting Standards for Small and medium sized entities and the requirements of the Retirement Benefit Authority Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Recoverability of bank balances held with Chase Bank Kenya Limited (in receivership)

The key audit matter

We draw attention to Note 6 of the financial statements which indicate that kshs 21,277,020 had been invested with the Chase Bank Limited (in receivership) which is currently under statutory management. The estimation of recoverability of this amount was significant to our audit. Due to high level of judgment in assessing the level of impairment of the balances, we considered this to be a key audit matter.

How the matter was addressed in our audit

Our audit procedures included, among others evaluating the judgments and assumptions made by the management in assessing the recoverability and the basis for measurement of these balances with reference to available public information, and the guidance issued by the Capital Markets Authority to its licensees.



DENNIS PAUL & ASSOCIATES
Accurate Accountancy

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE ZIMELE PERSONAL PENSION PLAN (CONTINUED)

Other Information

The trustees are responsible for the other information. The other information includes report of the Trustees, statement of trustees' responsibilities, fund manger's commentary report of the custodian among others.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Responsibilities of Management and those charged with Governance for the Financial Statements

The Trustees are responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards for Small and medium sized entities and the requirements of the Retirement Benefit Authority Act and for such internal control as the directors and management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Unit trust'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 intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Unit Trust's financial reporting process.

Auditor's Responsibility

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 scepticism throughout the audit. We also: Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



DENNIS PAUL & ASSOCIATES
Accurate Accountancy

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZIMELE PERSONAL PENSION PLAN (CONTINUED)

Auditor's Responsibility (Continued)

- 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 scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 scheme to cease to continue as a going concern.

We communicate with those charged with governance 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 on Other Legal Requirements As required by the Retirement Benefit Authority Act.

As required by the Retirement Benefit Authority Act we report to you, based on our audit, that:

- We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
- In our opinion proper books of account have been kept by the Scheme, so far as appears from our examination of those books; and
- The Scheme's balance sheet and profit and loss account, which are referred to as statement of financial position and statement of comprehensive income respectively in this report, are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Dennis Paul M Ileri of Practicing Certificate No. 1925

Certified Public Accountants

Nairobi

DENNIS PAUL & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
P. O. Box 75374 - 00200
NAIROBI

29/3/2019