

**ZIMELE UNIT TRUST
MONEY MARKET
REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED 31 DECEMBER 2018**

**DENNIS PAUL & ASSOCIATES
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**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

TRUSTEES

KCB Bank Kenya Limited
KCB Tower, 7th floor
Junction of Hospital and Kenya Road
Upper Hill
P.o Box 30664- 00100
Nairobi

FUND MANAGER

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

CUSTODIAN

Standard Chartered Securities Services Kenya
Standard Chartered Bank of Kenya Ltd
Level 5, 48 Westlands Road
P.O. Box 40984-00100
Nairobi, Kenya

AUDITORS

Dennis Paul & Associates
Four Green way apartment, F1
Four Green Street Off Westlands Road
P.O. Box 75374-00200
Nairobi
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**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2018**

TRUSTEE'S REPORT

The Trustee submits its report together with the audited financial statements for the period ended 31st December 2018 that disclose the state of affairs of the Fund.

INCORPORATION AND REGISTERED OFFICE

The Fund began operations on 1 March 2007, is registered under the Capital Markets Act and is domiciled in Kenya. The registered office is at Ecobank Towers, 7th Floor on Muindi Mbingu Street, Nairobi

INVESTMENT OBJECTIVES

The objective of the Zimele Unit Trust Money Market is to generate long term capital growth through investing the members' contributions in equities and fixed income securities in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes, Rules and Regulations 2001).

CHANGE TO INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Trust Deed, Information Memorandum and Rules of the Fund) 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 786.5 million (691.0 million in 2017)

MEMBERSHIP

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

	2018	2017
	Members	Members
At start of year	3,456	2,881
Entrants	799	586
Exits	(20)	(11)
At end of year	<u><u>4,235</u></u>	<u><u>3,456</u></u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2018**

INVESTMENT OF FUNDS

The funds are invested by the Investment Manager, Zimele Asset Management Company Limited, through Standard chartered Bank in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes, Rules and Regulations 2001).

However, the overall responsibility for investment and performance lies with the trustees.

EXPENSES

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

AUDITORS

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

For the Trustees:

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

For: KCB BANK KENYA LTD.
.....
For the Trustees: CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.
.....
CORPORATE TRUSTEE

Date..... 29/03/2019

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
STATEMENT OF TRUSTEE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018**

The Capital Market Act require the Trustees to prepare financial statements for each financial year that gives a true and fair view of the state of affairs of the fund as at the end of the period and of the results of its operations. They also require the Trustees to ensure that the fund manager keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Fund. The Trustee is also responsible for safeguarding the assets of the Fund.

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 the requirements of the Capital Markets Act. The Trustees are of the opinion that the financial statements give a true and fair view of the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results.

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 Unit Trust Money Market is an approved Unit Trust within the meaning of Capital Markets Act;

The unit- holders are not liable for the debts of the Unit Trust;

The Zimele Unit Trust Money Market is a securities fund investing in equities and fixed income securities in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes Rules and Regulation 2001).

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

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

For: KCB BANK KENYA LTD.

.....
For the Trustees: CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

Date..... 29/12/2019

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of Comprehensive Income

	Notes	2018 Kshs	2017 Kshs
Interest Income			
Government Securities	3	34,662,787	47,421,332
Bank Deposit	4	22,029,918	10,175,442
Total		<u>56,692,705</u>	<u>57,596,774</u>
Expenditure			
Bank charges		167,326	199,081
Newspaper Publication Fees		304,878	304,469
Management Fees		15,729,213	13,793,349
Trustee Fees		2,054,668	1,760,033
Custody Fees		3,145,513	2,220,945
CMA Annual Scheme Fees		90,000	90,000
Secretarial Fees		69,245	54,629
Audit Fees		189,120	185,600
AGM expenses		39,583	39,583
		<u>21,789,546</u>	<u>18,647,689</u>
Net Surplus		<u>34,903,159</u>	<u>38,949,085</u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
AS AT 31 DECEMBER 2018**

Statement of Financial Position

	Notes	2018 Kshs	2017 Kshs
Non Current Assets			
Government Securities	5	384,191,245	448,559,305
Bank Deposits	6	372,073,233	194,056,739
		756,264,478	642,616,043
Current Assets			
Bank and cash Balances	7	13,515,952	15,830,588
Receivable	8	44,799,212	30,120,044
		58,315,164	45,950,632
TOTAL ASSETS		814,579,642	688,566,674
LIABILITIES			
CURRENT LIABILITIES			
Other payables and accrued expenses	9	1,788,931	1,512,392
TOTAL NET ASSETS		812,790,713	687,054,285
FINANCED BY:			
Unit Holders Funds		812,790,713	687,054,286
Members Net Worth		812,790,713	687,054,285

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

For: KCB BANK KENYA LTD.

For the Trustees: CORPORATE TRUSTEE

Date: 29/12/2019

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of changes in Equity

	Net Unit Holders Funds	Total
For the year 2017		
As at 1st January 2017	559,996,458	559,996,458
Net Contributions	127,057,827	127,057,827
As at 31 st December 2017	687,054,285	687,054,285
For the year 2018		
As at 1st January 2018	687,054,285	687,054,285
Net Contributions	125,736,428	125,736,428
As at 31 st December 2018	812,790,713	812,790,713

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Statement of cash flows

	2018 Kshs	2017 Kshs
Cashflow from operations		
Surplus during the year	34,903,159	38,949,085
Less distributions to Unit Holders	(34,903,159)	(38,949,085)
	<u>-</u>	<u>-</u>
Net Cash flow from operations	<u>-</u>	<u>-</u>
Working Capital Changes		
(Increase) / Decrease in Receivables	(14,679,168)	(28,968,749)
Increase / (Decrease) in Payables	276,539	117,827
	<u>(14,402,629)</u>	<u>(28,850,922)</u>
Net Cash Flow from Operating Activities	(14,402,629)	(28,850,922)
CASHFLOW FROM FINANCING ACTIVITIES		
Net Contributions	125,736,428	131,030,054
Net cashflow from Financing Activities	<u>125,736,428</u>	<u>131,030,054</u>
CASHFLOW FROM INVESTING ACTIVITIES		
Net cashflow from Investing Activities	<u>(113,648,435)</u>	<u>(111,357,133)</u>
Net Cash Inflow/Outflow	(2,314,637)	(9,178,001)
Cash and cash equivalents at start of year	15,830,590	25,008,591
Cash and cash equivalents at end of year	<u>13,515,952</u>	<u>15,830,590</u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes

1. Accounting Policies

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

2. Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The financial statements are presented in Kenya Shillings (Kshs) and prepared under the historical cost convention as modified by the carrying of available - for -sale investments at fair values.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Trustee's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(a) Revenue recognition

The income comprises of interest from fixed income securities. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset.

(b) Investments

The Fund classifies its investments depending on the purpose for which the investments were acquired. The appropriate classification of the Fund's investments is determined at the time of the purchase and re-evaluated on a regular basis as follows:

Investments intended to be held for an indefinite period of time, but which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. These are included in non-current assets unless management has the express intention of holding the investment for less than 12 months from the balance sheet date or unless they will need to be sold to raise operating capital.

Purchases and sales of investments are recognised on the trade date, which the fund commits to purchase or sell the asset. The cost of purchase includes transaction costs. Available-for-sale investments are subsequently carried at fair value. Realised gains and losses arising from changes in the fair value of available-for -sale investments are recorded in the profit and loss account in the period in which they arise and are included in other operating income.

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes (continued)

	2018 Kshs	2017 Kshs
3. Income		
Interest income Government bonds	16,437,411	17,183,226
Interest from corporate bonds	226,525	-
Gain /(loss) on sale of securities	-	118,062
Interest from bills	17,998,850	34,092,270
Prior Year Adjustment		(3,972,226)
	<u>34,662,787</u>	<u>47,421,331</u>
	2018 Kshs	2017 Kshs
4. Interest from bank deposits		
Call deposits	22,029,918	10,175,442
	<u>22,029,918</u>	<u>10,175,442</u>
5. Investments		
Investments are stated at fair value as at the end of the financial year.		
Government Securities	2018 Kshs	2017 Kshs
Treasury bonds	151,938,819	152,942,155
Treasury bills	232,252,426	291,274,078
Corporate Bonds	-	4,343,071
	<u>384,191,245</u>	<u>448,559,306</u>
6. Bank Deposits	2018 Kshs	2017 Kshs
Call Deposits		
Cooperative Bank Limited	118,667,223	-
Equity Bank Limited	100,000,000	56,518,356
NIC Bank	50,000,000	-
CBA Bank	40,000,000	-
Fixed Deposits		
Chase Bank Limited	25,362,404	101,449,616
SBM Bank	38,043,606	-
Commercial Bank of Africa	-	36,088,767
	<u>372,073,233</u>	<u>194,056,739</u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes (continued)

7 Bank and Cash Balances	2018 Kshs	2017 Kshs
Standard Chartered Securities	8,445,531	14,359,063
Kenya Commercial Bank Limited	164,101	290,924
Barclays Bank Limited	3,212,086	336,995
Standard Chartered Bank Limited	1,681,841	831,213
Standard Chartered Bank Limited- Tanzania	12,393	12,393
	<u>13,515,952</u>	<u>15,830,587</u>

8 Receivables	2018 Kshs	2017 Kshs
Interest on treasury bills receivable	20,961,222	-
Cummulative interest receivable	8,751,656	-
Interest from bills	15,086,333	34,092,270
	<u>44,799,212</u>	<u>34,092,270</u>

Interest receivable includes interest earned but was not yet received at the end of the financial year.

9 Payables and Accruals	2018 Kshs	2017 Kshs
Management fees	1,369,582	1,176,651
Trustee fees	190,646	150,141
Audit Fees	189,120	185,600
AGM Fees	39,583	
	<u>1,788,931</u>	<u>1,512,392</u>

10 Financial Risk Management objectives and policies

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

i) Market risk

Market risk is the risk arising from changes in market prices, such as interest rates, equity prices and exchange rates which will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2018**

Notes (continued)

ii) Interest rate risk

The unit trust is exposed to interest rate risk as it invests funds at floating interest rates and also holds cash deposits with financial institutions. Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

Management closely monitors the interest rate trends to minimise the potential adverse impact of interest rate changes.

iii) Operational risk

The fund is exposed to operation risks such as lawsuits and fraud risks since it deals with the public.

iv) Business risk

The fund invest in bonds therefore exposed to business risk should the issuer go bankrupt, the fund managers closely monitors the business risks.

The Fund has policies in place to ensure compliance with international best practice in corporate governance.

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE UNIT TRUST MONEY MARKET FUND FOR THE YEAR ENDED 31ST DECEMBER 2018

Opinion

We have audited the accompanying financial statements of Zimele Unit Trust Money Market Fund, 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 Kenyan Capital Market 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 out of kshs 101,449,616 which had been invested with the Chase Bank Limited (in receivership) which is currently under statutory management in 2018 only a balance of kshs.25,362,404 that is not recovered but the rest has been recovered.

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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE UNIT TRUST MONEY MARKET FUND (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 Capital Market 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.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF THE UNIT TRUST MONEY MARKET FUND (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 Company'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 Company'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 Company to cease to continue as a going concern.

Auditor's Responsibility (Continued)

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 Capital Market Authorities Act.

As required by the Capital Market Authority Act 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 necessary for the purposes of our audit;
- ii. In our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books; and
- iii. The Unit trust '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 Ireri of Practising Certificate No. 1925



Certified Public Accountants

Nairobi

DENNIS PAUL M. IRERI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
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