

**ZIMELE UNIT TRUST
MONEY MARKET
REPORT TO THE UNIT HOLDERS
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**

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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:

.....

Date:..... 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.

For the Trustees:

Date.....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
		<u>756,264,478</u>	<u>642,616,043</u>
Current Assets			
Bank and cash Balances	7	13,515,952	15,830,588
Receivable	8	44,799,212	30,120,044
		<u>58,315,164</u>	<u>45,950,632</u>
TOTAL ASSETS		<u>814,579,642</u>	<u>688,566,674</u>
LIABILITIES			
CURRENT LIABILITIES			
Other payables and accrued expenses	9	<u>1,788,931</u>	<u>1,512,392</u>
TOTAL NET ASSETS		<u>812,790,713</u>	<u>687,054,285</u>
FINANCED BY:			
Unit Holders Funds		812,790,713	687,054,286
Members Net Worth		<u>812,790,713</u>	<u>687,054,285</u>

The financial statements set out on pages 11 to 18 were approved by the Trustee on2019 and signed on their behalf by:

.....
Trustee

**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	2017
	Kshs	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><u>13,515,952</u></u>	<u><u>15,830,590</u></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.

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Notes (continued)

	2018	2017
	Kshs	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	2017
	Kshs	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	2017
	Kshs	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	2017
	Kshs	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

372,073,233

194,056,739

**ZIMELE UNIT TRUST MONEY MARKET FUND
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Notes (continued)

7 Bank and Cash Balances	2018	2017
	Kshs	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	2017
	Kshs	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	2017
	Kshs	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
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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.