

ZIMELE ASSET MANAGEMENT COMPANY LIMITED

ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019



**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

<u>CONTENTS</u>	<u>PAGE</u>
COMPANY INFORMATION	Page 1
DIRECTORS REPORT	Page 2
STATEMENT OF DIRECTORS RESPONSIBILITIES	Page 3
REPORT OF THE INDEPENDENT AUDITORS	Page 4-6
STATEMENT OF COMPREHENSIVE INCOME	Page 7
STATEMENT OF FINANCIAL POSITION	Page 8
CASHFLOW STATEMENT	Page 9
STATEMENT OF CHANGES IN EQUITY	Page 10
NOTES TO THE FINANCIAL STATEMENTS	Page 11-19

**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

COMPANY INFORMATION

Board of Directors	Dr. David Ndii - Chairman George Ooko Njeri Karuki Peter Waa
Independent Auditors	Maritimes Associates LLP P.O. Box 3235 - 0506 Odyssey Plaza, South B Nairobi
Bankers	Standard Chartered Bank Ltd Yaya Branch P.O Box 76175-00508 Nairobi
Registered Office	Eco Bank Towers 7th Floor, Muindi Mbingu Street P.O Box 76528-00508 Yaya-Nairobi
Company Secretary	Kinga'ra & Advocates Certified Public Secretaries P.O Box 79510-00100 G.P.O-Nairobi

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December 2019, which disclose the state of affairs of the company

Directorate

The Directors who held office during the year and to the date of this report are set on page 1.

Principal Activity

The Principal Activity of the company is to carry on the business of investment management services.

Results and Dividends

The net Profit/(Loss) for the year has been added to retained earnings.

Business Review

During the year, there was an increase of turnover from Kshs 35,213,712 in 2018 to Ksh 35,253,649 in 2019 while total expenses rose from Kshs 31,523,730 in 2018 to Ksh 35,192,439 in 2019. This resulted in a net profit of Ksh 61,211 in the year 2019.

Statement as to the disclosure to the company's auditors.

With respect to each director at the time of this report was approved:

- a) There is so far as the Directors are aware, no relevant audit information of which the company's auditor is unaware and;
- b) the Directors have taken all the steps that ought to have been taken as Director's as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

The company auditors, Messrs Maritimes Associates, appointed during the year, have expressed their willingness to remain in office.

By Order of the Board

Director

Nairobi



Date

26/3/2020

STATEMENT OF DIRECTORS RESPONSIBILITIES

The Kenyan Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of the Financial Affairs of the company as at the end of the Financial Year. It also requires the Directors to ensure that the company maintains a proper accounting records that disclose with reasonable accuracy, the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- (i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

- (ii) Selecting and applying appropriate accounting policies; and

- (iii) Making accounting estimates and judgements that are responsible in circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2019 and of its Profits and Cashflows for the year then ended in accordance with the International Financial Reporting Standards for Small and Medium Sized Entities and the Requirements of the Kenyan Companies Act.

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

Dated at Nairobi on 26/3/, 2020 and signed on behalf of the Board by:



Director



Director

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZIMELE
ASSET MANAGEMENT COMPANY LIMITED FOR THE FINANCIAL YEAR
ENDED 31ST DECEMBER 2019**

Report on the Financial Statements

We have audited the accompanying financial statements of Zimele Asset Management Company Limited set out on pages 5 to 14 which comprises the statement of financial position as at 31st December 2019, and the statements of comprehensive income, statement of changes in equity and cashflow statement for the year ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2019 and of its cash flows for the year ended in accordance with the International Financial Standards (IFRS) for SMEs and the Kenya Companies Act.

Auditors Responsibility

We conducted our audit in accordance with International Standards on Auditing (ISASs). Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standard Board for Accountants Code of Ethics for professional Accountants (IESBA code) together with the ethical requirements that are relevant to an audit of financial statements in Kenya, and have fulfilled our ethical responsibilities in accordance with the requirements of the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Key Audit Matters

Key Audit matters are those that, in our professional judgement, were of most significance in our Company Financial Statements of the current year. These matters were addressed in the context of our Audit of the company Financial Statements as a whole, and in forming our opinion, and we do not provide a separate opinion on those matters.

Our Opinion on the Company Financial Statements does not cover the other information and we do not express any form of assurance or conclusion there on.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ZIMELE ASSET MANAGEMENT LIMITED (continued)**

Report on the financial statements (continued)

Other Information

In connection with our audit of the company financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work that we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of the company's financial statements that give a true and fair view in accordance with International Financial Reporting Standards for SMEs and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the Directors determine is necessary to enable the preparation of company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the company financial statements, the Directors are responsible for assessing the company'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 Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the company's financial statements as a whole are

free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

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 company 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.

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 the Directors.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ZIMELE ASSET MANAGEMENT LIMITED(continued)
Report on the Financial Statements (continued)**

Page 6

Auditors' Responsibility for the Audit of the Financial Statements

Conclude on the appropriateness of the Directors' 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 auditors' report to the related disclosures in the company's 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 auditors' report.

However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the company's Financial Statements, including the disclosures, and whether the company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion

We communicate with Directors 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.

We also provide Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Directors, we determine those matters that were of most significance in the audit of the company's Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, the information given in the report of the Directors on page 3 is consistent with the financial statements.

As required by the Kenyan Companies Act, 2015 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 company, in so far as it appears from our examination of those books, and;
- The Company's Statement of Financial Position is in agreement with the books of account.

The Engagement partner responsible for the audit resulting in this independent auditor's report is CPA S.K.Maritim P/No. 1548.



ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Page 7

STATEMENT OF COMPREHESIVE INCOME		2019 KShs	2018 KShs
GROSS INCOME	<i>Notes</i>		
Revenue	4	35,253,649	35,213,712
Total Income		35,253,649	35,213,712
Less:			
Direct Service Costs	5	273,710	578,673
Administrative Expenses	6	29,296,615	25,119,658
Establishment Expenses	7	4,763,739	4,963,274
Finance Costs	8	858,374	862,133
Total Expenses		35,192,439	31,523,738
Profit Before Tax		61,211	3,689,974
Corporation Income Tax	9	(18,363)	(1,106,992)
Profit/(Loss) After Tax		42,847	2,582,982

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Page 8

STATEMENT OF COMPREHESIVE INCOME		2019 KShs	2018 KShs
ASSETS	<i>Notes</i>		
Fixed Assets			
Property and Equipment	21	1,335,466	1,589,195
Right to Use Asset	19	14,658,746	-
Intangible Assets	11	14,612,670	13,871,904
		30,606,882	15,461,099
CURRENT ASSETS			
Bank and Cash Balances	14	1,867,186	(533,952)
Fixed Deposit Accounts	15	6,442,000	7,601,014
Prepayments, Trade and other receiva	12	14,332,983	15,867,096
Unit Trust Funds	16	5,951,560	5,741,194
Prepaid Tax	17	28,823	28,823
		28,622,552	28,704,175
Total Assets		59,229,434	44,165,274
EQUITY AND LIABILITIES			
Share Capital	Page 10	31,460,000	31,460,000
Share Premium	Page 10	345,000	345,000
Retained Earnings	Page 10	4,037,094	4,254,123
		35,842,094	36,059,123
LONG TERM LIABILITIES			
Shareholders' Loan	18	5,600,000	5,600,000
Finance Lease Liability	20	14,658,746	-
		20,258,746	5,600,000
CURRENT LIABILITIES			
Trade and other Payables	13	2,993,598	2,047,893
Tax Due Payable	13	134,996	458,258
		3,128,594	2,506,151
TOTAL EQUITY AND LIABILITIES		59,229,434	44,165,274

These accounts were approved by the Board of Directors on 26/03/2020 and signed on its behalf by:-


 Director


 Director

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Page 9

CASHFLOW STATEMENT

	2019 KShs	2018 kshs
Operating Activities		
Net profit before tax	61,211	3,689,974
Adjustment for :		
Depreciation	374,279	454,725
Prior Year Adjustments	(259,876)	-
Corporation Tax	(18,363)	-
Operating balance before working capital changes	157,251	4,144,699
Changes in working capital:-		
(Increase)/Decrease in trade and other receivables	1,534,113	(4,572,583)
Increase/(Decrease) in trade and other payables	945,705	382,847
Obligations under Finance Lease	(14,658,746)	-
Tax paid	(323,262)	(648,734)
Net Cash from operating activities	(12,344,940)	(693,771)
Net Cash flow from investing activities		
Software development	(740,766)	(63,000)
FD Account	1,159,014	(7,601,014)
Effects of Right to Use Assets	14,658,746	-
Purchase of fixed assets	(120,551)	(407,500)
Investments	(210,366)	(5,741,194)
	14,746,077	(13,812,708)
Net increase in cash and cash equivalents	2,401,137	(14,506,479)
Cash and cash Equivalent at the start of the year	(533,952)	13,972,527
Balance at the end of the Period - 31.12.2019	1,867,185	(533,952)

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Page 10

STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL Kshs	SHARE PREMIUM Kshs	REVENUE RESERVE Kshs	Total Kshs
<u>Year ended 31st December 2019</u>				
Balance as at 1st January 2019	31,460,000	345,000	4,254,123	36,059,123
Prior Period Adjustment - FD	-	-	(1,159,014)	(1,159,014)
Prior Period Adjustment - Call Dep	-	-	899,138	899,138
Net (loss)/profit for the year	-	-	42,847	42,847
Balance as at 31st December 2019	31,460,000	345,000	4,037,094	35,842,094
Balance as at 1st January 2018	28,600,000	345,000	4,531,141	33,476,141
Net (Loss)/Profit	-	-	2,582,982	2,582,982
Bonus Issue	2,860,000	-	(2,860,000)	-
Balance as at 31st December 2018	31,460,000	345,000	4,254,123	36,059,123

Prior Period Adjustments relates to the following call accounts not previously recorded and accounted the Company Books.

FD Overstated in 2018 Books	(1,159,014)
I&M Call	172,000
I&M Call 3	175,000
I&M Call Account	552,138
Total	(259,876)

Notes to the Financial Statements

1 General Information

Zimele Asset Management Company Limited is registered as a Management company limited by shares and is regulated by the Capital Markets Authority. Its registered address and place of business is shown in the company information page.

2 Summary of Significant Accounting Policies

a) Statement of Compliance

The Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS).

b) Application of New and Amended IFRSs

Relevant New and Revised IFRS Published in the Relevant Reporting Period.

i	IAS 1 Disclosure Initiative	Amended to require an entity to provide disclosures that enable users of Financial Statements evaluate the effect of changes in liabilities arising out of financing activities both cash and non cash.
ii	IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	Amended to clarify - Entity should pay all the contractual cash flows if unrealized losses on a debt instrument measured at fair value and tax base remains at cost gives rise to a temporary deductible difference if sold.
iii	Annual Improvements to IFRSs 2014-2016	Annual Improvements to IFRSs 2014-2016 Cycle affecting IFRSs effective from statements information for interests in subsidiaries, associates or joint ventures classified as held for sale.
iv	IFRS 10, 12 and IAS 28 Investment Entities and Applying Consolidation Exception	Amended to clarify that exemption to consolidated Financial Statements is available to a parent if the investing entity measures all its subsidiaries at fair value in accordance with IFRS 10.
v	IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses	Amended to clarify - Entity should pay all the contractual cash flows if unrealized losses on a debt instrument measured at fair value and tax base remains at cost gives rise to a temporary deductible difference if sold.

Relevant New and Amended Standards and Interpretations in Issue in the Reporting Period.

IFRS 9	Financial Instruments	Effective 1 January 2018, Earlier
IFRS 15	Revenue from Construction Contracts	Effective 1 January 2018, Earlier
IFRS 16	Leases	Effective 1 January 2018, Earlier
IAS 7	Amendments	Effective 1 January 2018, Earlier
IAS 12	Amendments	Effective 1 January 2017, Earlier

Impact of New and Amended Standards on the Financial Statements and Future Reporting

IFRS 9 - Key Requirements

All financial assets that are within the scope of IFRS 9 are required to be measured at amortized cost or fair value (FVTOCI). These include debt instruments that the entity expects to collect contractual cash flows. IFRS 9 requires that the change in value of a financial asset attributable to a credit risk be presented in the statement of comprehensive income. Further IFRS 9 requires an expected credit loss model as opposed to the incurred loss model as per IAS 39. IFRS 9 has introduced a greater flexibility on the types of Hedge accounting and has specifically broadened the types of hedge instruments emphasizing on economic relationships. IFRS 9 has been adopted in the current financial year where upon the resultant lifetime ECL has been dealt with in the FVTPL.

The application of IFRS 9 has no significant impact on the cash flows of the Company and all the other cited IFRSs will not have a significant impact on amounts reported in the financial statements.

2 Notes to the Financial Statements

c) Revenue Recognition

Revenue represents the fair value of consideration receivable for the provision of commercial services and is recognized in the period in which the services are provided to customer when the customer has acknowledged the service and the collectability of the related receivable is reasonably assured. Revenue is recorded net of rebates and discounts.

Interest income is recognized using the effective rate method and recorded in the period it is earned.

d) Property and Equipment

All categories of property and equipment are initially recognized at historical cost less accumulated depreciation and accumulated impairment losses.

Where assets are revalued, the fair value is recorded in the accounts by eliminating the accumulated depreciation and amortization against the gross carrying amount, while the net book value is restated to fair value through FVTOCI. Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the university and the cost of the item can be measured reliably. Repairs and maintenance is charged to the Statement of Comprehensive Income in the year to which it relates.

Depreciation is calculated using the reducing balance method to write off the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate (%)
Furniture & Fittings	12.5%
Computers & Printers	30.0%
Office Equipment	12.5%

Notes to the Financial Statements

e) Financial Assets

Trade and other receivables are initially recognized at the transaction price. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so an impairment loss is recognized immediately through the statement of Comprehensive Income. Further these assets are also subjected to the requirements of IFRS 9.

f) Financial Liabilities and Borrowings

Financial liabilities are initially recognized at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses are dealt with through the Statement of Comprehensive Income.

g) Provisions, Accruals for Liabilities and Charges

Provisions and accruals are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

h) Inventories

Inventories are stated at the lower of cost and net realizable value.

i) Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the year incurred. However, the revised IFRS 16 requires that a Right-to-use shall be recognized as an asset upon determining the present value of the future cash outflows which shall appropriately be depreciated on straight line basis on all rental expenses. Further, Obligations under operating leases shall be recognized as a liability and amortized on the basis of annual amounts paid. The company intends to implement this standard in full.

j) Borrowings and Borrowing Costs

All borrowing Costs are recognized in the Statement of Comprehensive Income in the year in which they occur. Borrowings are stated at amortized cost and classified into short and long term portions appropriately.

k) Retirement Benefit Obligations

The company and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they relate.

l) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions and other short-term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of banking facilities, overdrawn accounts and/or overdrafts.

m) Comparatives

Where necessary, the comparative amounts have been adjusted, reclassified, redescribed or redisclosed to comply with the financial reporting requirements.

Notes to the Financial Statements

3 Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks including credit liquidity and interest rates risks and changes in market prices of the Company's products. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Company does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

a) Foreign Exchange Risks

The Company operates wholly in Kenya and all its assets and liabilities are denominated in Kenya Shilling. It has limited transactions in foreign exchange. The Board believes that there is minimal risk exposure to foreign exchange rate fluctuations.

b) Price Risks

The Company does not hold any financial instruments and transactions that are subject to price risks.

c) Interest Rate Risk

The Company's interest rate risk arises from long term borrowings. The Company monitors financing options available to ensure minimal exposure to interest rate fluctuations.

d) Cash flow Management Risk

The Company has put in place a budget which guides its operations. Further sustained debt collections are undertaken to manage cash flow challenges.

e) Credit Risk

The Company faces exposure to credit risk if the contractual parties do not meet their obligations on time. However plans are in place to access working capital funds from short term bank facilities against some cash cover with local commercial banks.

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Page 15

Notes to the Financial Statements

	2019 KShs	2018 KShs
4 REVENUE		
Fund Management fees	30,797,172	25,961,276
Fund administration fees	941,299	1,025,780
Interest on investment	988,464	1,028,211
Business advisory and projects	2,526,714	7,198,445
Total Incomes	35,253,649	35,213,712
5 Business Advisory		
Disbursements	273,710	578,673
	273,710	578,673
6 Administrative expenses		
Salaries and wages	21,684,844	20,231,838
Office consumables	769,290	744,040
External audit fees	142,100	90,000
Internal audit	50,000	50,000
Accounting fee	48,364	-
Business Development and marketing	1,217,790	640,389
Telephone,internet and postage	950,491	711,405
Transport	346,415	194,452
Accounts publication	370,453	332,447
Inpatient medical cover	1,110,954	600,870
Group life cover	370,573	381,066
Professional indemnity	15,068	52,844
Expected Lifetime Loss Allowance	715,421	-
All risk, Burglary and fire	20,036	-
Newspapers and periodicals	58,700	51,360
Company Secretarial services	136,010	105,722
Board meetings expenses	565,000	161,350
Staff training	-	60,000
Medical fees reimbursement	93,299	90,383
Printing and stationery and computer costs	589,808	621,492
Fines and penalties	42,000	-
	29,296,615	25,119,658
7 Establishment Expenses		
Rent Expenses	4,038,907	4,133,940
Repairs & Maintenance	138,553	157,109
Licenses and subscriptions	212,000	217,500
Depreciation	374,279	454,725
	4,763,739	4,963,274

Notes to the Financial Statements

	2019 Kshs	2018 Kshs
8 Finance costs		
Bank charges	74,374	52,816
Interest on shareholders loan	784,000	783,997
Overdraft interest	-	25,320
	858,374	862,133
9 Corporation Tax		
Tax B/f	458,258	-
Current tax	18,363	1,106,992
Less: instalment paid	(203,593)	(473,778)
Tax withheld/VAT Paid	(138,033)	(174,956)
	134,995	458,258
Income tax is calculated at 30% of estimated assessable profit for the year		
10 Share Capital		
Authorised Share Capital		
3,500,000 Ordinary Shares of Kshs 10/-	35,000,000	35,000,000
500,000 Preference Shares of kshs 10/-	5,000,000	5,000,000
	40,000,000	40,000,000
Issued and Fully Paid up:-		
3,146,000 Ordinary Shares of Kshs 10/-	31,460,000	31,460,000
At 31st December 2019	31,460,000	31,460,000
11 Intangible asset		
Balance brought forward	13,871,904	13,808,904
Development during the period	740,766	63,000
	14,612,670	13,871,904
	14,612,670	13,871,904
These are system development costs internally incurred to bring to software to work and are capitalized.		
12 Trade Receivables		
Accounts Receivable	12,670,217	13,598,462
Expected Lifetime Loss Allowance	(715,421)	-
	11,954,796	13,598,462
With holding Tax	125,087	15,983
Prepayments and deposits	1,908,605	2,252,651
Rent Deposits	344,495	-
	14,332,983	15,867,096

Effect of IFRS 9 on Trade Receivables

Using the Simplified Approach Model set out in IFRS 9, the Table below details the Risk Profile of Receivables based on the Company's Risk Matrix.

	Band 1	Band 2	Band 3	Band 4	Band 5	Total
Time Bands	Within 30	31-60	61-90	91-120	Over 120	Ksh
ECL Rate	0%	1%	2%	0%	6%	
Amount at Default	770,101	10,000	-	(31,900)	11,922,016	12,670,217
Lifetime ECL	-	100	-	-	715,321	715,421

All debtors have been assessed under one category. The Lifetime ECL has been collectively assessed and not individually assessed as they are closely homogenous. Other debtors are prepayments and deposits for services hence not assessed.

13 Accounts Payables		
Creditors and Accruals	482,168	1,263,893
Interest Payable SH Loan	1,568,000	784,000
Payroll Liabilities	845,435	-
Tax Payable	134,995	458,258
Interest Payable	97,995	-
	3,128,593	2,506,151

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019

Notes to the Financial Statements

	2019 Kshs	2018 Kshs
14 Bank and Cash Balances		
Cash at Hand	36,283	64,064
I&M Savanna Current Acc	85,332	276,468
SCBK Current Account	1,745,571	(874,484)
	1,867,186	(533,952)
In the opinion of Directors cash and cash equivalents are not subject to liquidity risk as they are held in reputable institutions.		
15 Fixed Deposits		
I&M Fixed Deposit Account	5,400,000	5,400,000
SCB Fixed Deposit Account	1,042,000	2,201,014
	6,442,000	7,601,014
16 Unit Trust	5,951,560	5,741,194
17 Prepaid tax	28,823	28,823
18 Shareholders Loan	5,600,000	5,600,000
	5,600,000	5,600,000
This is a Long Term Shareholders Loan from a related party at an agreed interest rate of 14%.		
19 Right to Use Asset	14,658,746	-
	14,658,746	-
20 Finance Lease Liability	14,658,746	-
	14,658,746	-

The company holds a 6 year office rental lease whose escalation rate is 5% per annum on an annual payment of Kshs 4,133,940. IFRS 16 requires that the Present Value of the lease payments be recognized as a Right of Use Asset and as a Finance Lease Liability.

**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Page 18

Notes to the Financial Statements

21 PROPERTY, PLANT AND EQUIPMENT

Year 2019 Cost or Valuation	Furniture and Fittings Kshs	Office Equipments Kshs	Computers, Networks Kshs	TOTAL Kshs
	12.5%	12.5%	30.0%	
At Start	3,530,820	370,080	9,156,532	13,057,432
Additions	-	-	120,551	120,551
At end of year	<u>3,530,820</u>	<u>370,080</u>	<u>9,277,083</u>	<u>13,177,983</u>
<u>Depreciation</u>				
At Start	2,967,392	141,254	8,359,591	11,468,237
Charge for the year	70,429	28,603	275,248	374,279
At end of year	<u>3,037,821</u>	<u>169,857</u>	<u>8,634,839</u>	<u>11,842,516</u>
Net Book Value 31.12.2019	<u>493,000</u>	<u>200,223</u>	<u>642,244</u>	<u>1,335,466</u>

Year 2018 Cost or Valuation	Furniture and Fittings Kshs	Office Equipments Kshs	Computers, Networks Kshs	TOTAL Kshs
	12.5%	12.5%	30.0%	
At Start of Year	3,530,820	335,580	8,783,532	12,649,932
Additions	-	34,500	373,000	407,500
Disposal	-	-	-	-
At end of year	<u>3,530,820</u>	<u>370,080</u>	<u>9,156,532</u>	<u>13,057,432</u>
<u>Depreciation</u>				
At Start of Year	2,886,902	108,564	8,018,045	11,013,511
Charge for the year	80,490	32,690	341,546	454,726
At end of year	<u>2,967,392</u>	<u>141,254</u>	<u>8,359,591</u>	<u>11,468,237</u>
Net Book Value 31.12.2018	<u>563,428</u>	<u>228,826</u>	<u>796,941</u>	<u>1,589,195</u>

**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Notes to the Financial Statements

	2019 Kshs	2018 Kshs
22 Capital Commitments		
Authorised and Committed	-	-
Authorised and not Committed	-	-
	-	-
The company in the year of audit had no commitments of a capital nature.		
23 Employees		
The average no of employee in the year was	17	17

24 Related Party Transactions

Transaction with related parties were at arms length i.e. willing buyer willing seller terms.

25 Contingent Liabilities & Post Balance Sheet Events

The Directors do not have any information on any contingencies and events after the Balance Sheet Date that may materially affect the disclosures in these Financial Statements.

26 Incorporation

The company is registered as a limited liability company under the Company's Act Cap 486 and is domiciled in Kenya.