

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
TRUSTEES AND ADVISORS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**TRUSTEES**

Natbank Trustees and Investment Services Limited  
National Bank Buildings, Harambee Avenue  
P.o Box 72866-00200  
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 Greenway Apartments, F1  
Four Green Street Off Westlands Road  
P.O. Box 75374-00200  
Nairobi, Kenya

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**INCORPORATION AND REGISTERED OFFICE**

The Scheme began its operations in Septemebr 2009 and is registered under the Retirement Benefits Act, 1997.

**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 2019**

The market value of the fund as at 31st December 2019 was Kshs 241,948,559

**MEMBERSHIP**

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

	<b>2019</b>	<b>2018</b>
	<b>Members</b>	<b>Members</b>
At start of year	446	410
Entrants	53	37
Exits	(1)	(1)
At end of year	<u><b>498</b></u>	<u><b>446</b></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**INVESTMENT OF FUNDS**

Under the terms of their appointment, Zimele Asset Management Company Limited ( The Fund Managers) are responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustees, National bank Trustees and Investment Services Limited.

**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**

  
.....  
Trustee

Date: 29/05/ 2020



  
.....  
Trustee

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
STATEMENT OF TRUSTEES' RESPONSIBILITY  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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

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

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

**DECLARATIONS STATEMENT**

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

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

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

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

**For the Trustees:  
Natbank Trustees and Investment Services Limited**

  
Trustee



  
Trustee

Date: 29/05/ 2020

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
FUND MANAGER'S COMMENTARY  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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The economy is expected to grow by 5.3% in 2019 compared to 6.3% in 2018. This follows from the trend observed in the third quarter when key sectors were on the decline, a factor that was attributed to suppressed growth. Some of the reasons behind this trend include a reduction in credit to the private sector due to, among other reasons, the interest rates cap before it was repealed in November 2019, and poor performance by corporates leading to closures and layoffs. The delay in paying suppliers by both the national and county governments also contributed to the slowdown, as credit to the private sector contracted leading to a reduction in business activity.

Prolonged rainfall in the last quarter of the year resulted in supply chain disruptions which pushed up the overall rate of inflation to 5.2% compared to 4.7% in 2018. Interest rates and the Shilling were relatively stable during the year. The rate cap law enabled the government to continue borrowing domestically at favorable rates given the restrictive lending by banks to the private sector. The shilling was mainly supported by strong inflows from remittances which stood at ksh.285 billion, an increase on 4% from 2018. Earnings from key exports of tea, coffee and horticulture totaled ksh.245 billion last year, which was a decline of 8% compared to 2018.

The yield curve continued to flatten as rates edged lower last year. On short term interest rates, the 91 days Treasury bill averaged 6.87% from 7.75% in 2018, the 182 days tenor averaged 7.83% from 9.5% in 2017, while the 364 days tenor averaged 9.48% from 10.43% in 2017. The trend was similar on the long-term side where Treasury bond coupon rates ranged from 11.49% for five years to 12.65% for 25-year maturities.

Going forward, it appears that the global economy is headed for an unprecedented upheaval arising from the effects of covid-19. A combination of supply chain disruptions and demand suppression is likely to lead to a phenomenal negative shock to the economy, and substantial erosion of value of risky assets such as shares. A global recession may also be mirrored at the domestic front, with a serious toll on economic activity leading to a significant decline in tax revenue, earnings from exports, and inflows from remittances, and distress to corporates in many sectors.

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
FUND MANAGER'S COMMENTARY (CONT'D)  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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The fiscal stimulus and monetary easing measures that were activated were not only timely, but will go a long way in absorbing the multiple negative shocks that would have resulted in more devastating consequences had they not been put in place on time. Overall, the monetary measures are likely to lead to a further decline in interest rates in the guaranteed pension plan in 2020, and possibly in the medium term. The key focus of our asset allocation strategy will be safety and stability, with a particular leaning to government securities and low risk deposits.

**5 Year Comparative Investment Performance**

	<b>ZGPPP</b>	<b>TB-91</b>	<b>Inflation</b>
2015	24.6%	10.9%	6.6%
2016	12.0%	8.6%	6.3%
2017	14.3%	8.4%	8.0%
2018	13.6%	7.8%	4.7%
2019	15.2%	6.9%	5.2%

**Notes:**

**ZMMF:** Zimele Guaranteed Pension Plan

**TB-91:** 91 days Treasury Bill Rate

**Inflation:** Overall rate of inflation



**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
ANNUAL REPORT  
REPORT OF THE CUSTODIAN  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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

From the period 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019, we have held the assets for the Zimele Guaranteed Personal Pension Plan, including title documents, securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

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By order of the Custodian  
KCB Bank Kenya Limited

For: KCB BANK KENYA LTD.  
.....  
CUSTODY SERVICES

For: KCB BANK KENYA LTD.  
.....  
CUSTODY SERVICES

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE GUARANTEED PERSONAL PENSION PLAN FOR THE YEAR ENDED 31ST DECEMBER 2019**

**Opinion**

We have audited the accompanying financial statements of Zimele Guaranteed Personal Pension Plan, set out on pages 10 to 18, which comprise the statement of changes in net assets, statement of net assets available for benefits as at 31st December 2019, 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 Scheme are prepared, in all material respects, in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefit 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. Key audit matters are selected from the matters communicated with the Trustees, but are not intended to represent all matters that were discussed with them. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole.

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

As disclosed in Note 12 to the financial statements, at the reporting date the fund held deposits measured at Shs. 3,980,180 included within cash and demand deposits with SBM Bank (Kenya) Limited. These deposits were transferred from Chase Bank Kenya Limited (In Receivership) as part of the transfer of assets and liabilities. Deposits amounting to Kshs 3,980,180 were retained by Chase Bank Limited in Receivership and the recoverability is doubtful. The fund management resolved to impair the funds with Chase Bank Limited over a period of 5 years /(20%) on straightline basis. The impairment value of Kshs 796,036 was written off through the Statement of Changes in Net Assets. The directors have exercised significant judgement and estimation as detailed while assessing the recoverability and measurement of these balances. Because of the significance of these judgements and the value of these balances at the reporting date, this is a key audit matter.

**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.

In connection with our audit of the 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 we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 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 Scheme's financial reporting process.

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE GUARANTEED PERSONAL PENSION PLAN FOR THE YEAR ENDED 31ST DECEMBER 2019**

**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 skepticism 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

- 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.
- 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.

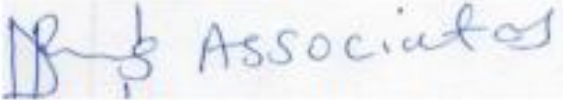
**Report on Other Legal Requirements As required by the Retirement Benefit Authorities Act.**

As required by the Retirement Benefit 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 Scheme, so far as appears from our examination of those books; and
- iii. 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 Practising Certificate No. 1925

Date ; 29/05/2020

  
**Certified Public Accountants**

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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


	Notes	2019 Kshs	2018 Kshs
<b>Income from dealings with members</b>			
Contributions received	5	104,115,413	42,192,431
<b>Outgoings from dealings with members</b>			
Benefits payable	6	(69,145,869)	(22,082,236)
<b>Net additions from dealings with members</b>		<b><u>34,969,544</u></b>	<b><u>20,110,195</u></b>
<b>Return on investments</b>			
Investment income	7	24,345,520	16,350,117
Change in market value of investments		5,098,758	4,853,407
<b>Net return on investments</b>		<b><u>29,444,278</u></b>	<b><u>21,203,524</u></b>
Administrative expenses	8	(817,723)	(636,945)
Investment Management expenses	9	(5,299,351)	(3,997,151)
Impairment of chase bank deposits	10	(796,036)	-
Prior period item		(9,534,148)	-
		<b><u>(16,447,258)</u></b>	<b><u>(4,634,096)</u></b>
<b>Increase in net assets for the year</b>		<b><u>47,966,564</u></b>	<b><u>36,679,623</u></b>
Net assets available for benefits at start of the year		193,152,751	156,473,128
<b>Net assets available for benefits at end of year</b>		<b><u>241,119,315</u></b>	<b><u>193,152,751</u></b>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
AS AT 31ST DECEMBER 2019**

**Statement of net assets available for benefits as at 31st December 2019**

	Notes	2019 Kshs	2018 Kshs
<b>Assets</b>			
Kenya Government Securities	11	130,407,310	124,185,985
Cash and Fixed deposits	12	7,164,324	9,950,450
Investment in Unit Trust	13	97,650,889	58,196,426
		<b>235,222,523</b>	<b>192,332,861</b>
<b>Other Assets</b>			
Custodian and collection accounts	14	2,582,313	900,344
Receivables	15	3,937,606	278,230
		<b>6,519,919</b>	<b>1,178,574</b>
<b>Liabilities</b>			
Payables and accruals	16	623,127	358,684
<b>NET ASSETS</b>		<b>241,119,315</b>	<b>193,152,751</b>
<b>FINANCED BY:</b>			
<b>Members' Account and Reserve Fund</b>		<b>241,119,315</b>	<b>193,152,751</b>

The financial statements set out on pages 10 to 18 were approved by the Trustee on .....2020 and signed on their behalf by:

  
Trustee

Date: 29/12/2020



  
Trustee

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

**Statement of Changes in Equity**

	<b>Net Unit Holders Funds Kshs</b>	<b>Net Surplus Khs</b>	<b>Changes in Fair Value of Investments Kshs</b>	<b>Total Khs</b>
<b>Financial Year 2018</b>				
As at 1st January 2018	121,030,910	33,224,009	2,218,209	156,473,128
Net Contributions	20,110,195	11,716,021		31,826,216
Change in fair value of investments			4,853,407	4,853,407
As at 31 December 2018	<b>141,141,105</b>	<b>44,940,030</b>	<b>7,071,616</b>	<b>193,152,751</b>
<b>Financial Year 2019</b>				
As at 1st January 2019	141,141,105	44,940,030	7,071,616	193,152,751
Prior period item	-	(9,534,148)	-	(9,534,148)
Net Contributions	34,969,544	17,432,410	-	52,401,954
Change in fair value of investme	-	-	5,098,758	5,098,758
As at 31 December 2019	<b>176,110,649</b>	<b>52,838,292</b>	<b>12,170,374</b>	<b>241,119,315</b>

The Net Unit Holders Fund represents the movement in contributions received and benefits paid to members

The Net Surplus Fund represents the cumulative profit/loss of the scheme

The Change in Fair Value of Investments represents the cumulative gains on the government securities

The prior period item relates to adjustment for understated balances in the previous year

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

**Statement of cash flows**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cashflow from operating activities</b>		
Contributions received	104,115,413	42,192,431
Benefits paid	(69,145,869)	(22,082,236)
Expenses paid	(6,117,074)	(4,634,096)
Impairment of chase bank deposits	(796,036)	-
Prior year adjustments	<u>(9,534,148)</u>	<u>-</u>
<b>Cash flow before working capital changes</b>	<b><u>18,522,286</u></b>	<b><u>15,476,099</u></b>
Increase in receivables	(3,659,376)	(278,230)
Decrease in payables and accruals	<u>264,443</u>	<u>381</u>
	<u>(3,394,933)</u>	<u>(277,849)</u>
<b>Net Cash flow from Operating Activities</b>	<b><u>15,127,353</u></b>	<b><u>15,198,250</u></b>
<b>Cash flow from Investing Activity</b>		
Investment income received	24,345,520	16,350,117
Change in market value of investment	5,098,758	4,853,407
<i>Movement in investments:</i>		
Kenya Government Securities	(6,221,325)	(24,111,082)
Cash and Fixed deposits	2,786,126	8,743,550
Investment in Unit Trust	<u>(39,454,463)</u>	<u>(21,140,166)</u>
<b>Net cash flow from Investment Activities</b>	<b><u>(13,445,384)</u></b>	<b><u>(15,304,174)</u></b>
<b>Net Cash inflow/(outflow)</b>	<b>1,681,969</b>	<b>(105,924)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>1,681,969</b>	<b>(105,924)</b>
Cash and cash equivalents at start of year	<u>900,344</u>	<u>1,006,268</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>2,582,313</u></b>	<b><u>900,344</u></b>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**Notes**

**1. Basis of preparation of the financial statements**

**i) Basis of preparation**

The financial statements are presented in Kenya Shillings (KSh), and are prepared under the historical cost convention, as modified by the carrying of investments at fair value.

**ii) Statement of compliance**

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.

**iii) New and revised standards**

IFRS 9 Financial Instruments (issued in July 2014) – This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January

**2. Accounting policies**

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

**(a) Contributions**

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

**(b) Interest income**

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

**(c) Benefits payable**

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

**(d) Benefit transfers**

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

**3 Significant judgements and key sources of estimation uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including exceptions of future events that are believed to be reasonable under the circumstances. There are no estimates or judgements made that give rise to a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.



**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**Notes (Continued)**

**4. 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.

**(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.

<b>5. Contribution income</b>	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Members - Voluntary Contributions	104,115,413	42,192,431
	<u><b>104,115,413</b></u>	<u><b>42,192,431</b></u>
<b>6. Benefits payable</b>	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Pensions	69,749,731	22,082,236
	<u><b>69,749,731</b></u>	<u><b>22,082,236</b></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

**Notes (continued)**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>7. Investment income</b>		
Interest on Treasury Bonds	17,941,571	12,071,214
Interest on call	204,380	506,614
Less: Expected credit loss (See note 17)	<u>(15,016)</u>	
	189,364	-
Interest in unit trust investment	6,204,463	3,767,336
Rebate on bonds	10,122	4,953
	<b><u>24,345,520</u></b>	<b><u>16,350,117</u></b>
<b>8 Administrative expenses</b>		
RBA Levy	386,305	313,246
Bank charges	170,216	89,270
Secretarial fees	69,245	59,849
Audit fees	34,800	34,800
Administration and processing	99,157	131,580
IPS fees	58,000	-
Annual general meeting	-	8,200
	<b><u>817,723</u></b>	<b><u>636,945</u></b>
<b>9 Investment Management expenses</b>		
Fund Manager	4,301,725	3,375,451
Custodian fees	603,862	447,709
Trustees fees	<u>393,764</u>	<u>173,991</u>
	<b><u>5,299,351</u></b>	<b><u>3,997,151</u></b>
<b>10 Impairment of chase bank deposit</b>		
Impairment	<u>796,036</u>	<u>3,375,451</u>
	<b><u>796,036</u></b>	<b><u>3,375,451</u></b>
<b>11 Government Bonds</b>		
Treasury Bonds	<u>130,407,310</u>	<u>124,185,985</u>
	<b><u>130,407,310</u></b>	<b><u>124,185,985</u></b>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
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**Notes (continued)**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>12 Cash and fixed deposits</b>		
Chase bank (See note 17)	3,184,144	3,980,180
SBM Bank	<u>3,980,180</u>	<u>5,970,270</u>
	<u><u>7,164,324</u></u>	<u><u>9,950,450</u></u>
<b>13 Investments in unit trust</b>		
Investment in unit trust	<u>97,650,889</u>	<u>58,196,426</u>
	<u><u>97,650,889</u></u>	<u><u>58,196,426</u></u>
<b>14 Custodians and collection accounts balance</b>		
KCB Collection	2,257,298	475,036
National Bank	<u>325,015</u>	<u>425,308</u>
	<u><u>2,582,313</u></u>	<u><u>900,344</u></u>
<b>14 Receivables</b>		
Interest receivables on Govt Bonds	3,609,127	-
Interest receivables on term deposits (See Note 17)	<u>328,479</u>	<u>278,230</u>
	<u><u>3,937,606</u></u>	<u><u>278,230</u></u>
<b>15 Other payables and accruals</b>		
Audit fees current year	34,800	34,800
Trustee fees	173,876	-
Management fees	414,451	315,684
Annual general meeting(AGM )Fees	-	8,200
	<u><u>623,127</u></u>	<u><u>358,684</u></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN  
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**Notes (continued)**

**17 IFRS 9 disclosures**

**Impairment of bank balance and Expected Credit Loss (ECL):**

The Fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the statement of changes in net assets.

**i) Impairment of bank balance:**

	<u>Carrying value</u>	<u>Impairment @ 20%</u>	<u>Carrying value</u>
	<u>1/1/2019</u>		<u>31/12/2019</u>
Chase bank balance	<b>3,980,180</b>	<b>(796,036)</b>	<b>3,184,144</b>

The impairment rate applied is 20%, to be amortized over a useful life of 5 years on straightline basis

**ii) Expected Credit Loss (ECL):**

The fixed deposits in the year comprise of cash and demand deposits as follows;

	<b>2019</b>
	<b>Kshs</b>
Chase bank	3,184,144
SBM Bank	3,980,180
Interest receivable on calls;	
Interest receivable in the year	343,495
Expected credit loss	<u>(15,016)</u>
	<u>328,479</u>
	<u>328,479</u>
	<b><u>7,492,803</u></b>

**Effect of IFRS 9 on the Fixed Deposits**

	Band 1	Band 2	Band 3	Band 4	Band 5
Time Bands	Within 30 days	31 - 60	61- 90	91-120	Over 120
ECL Rate	0.00%	0.05%	0.10%	0.15%	0.20%
Deposit Amount					7,507,819
Lifetime ECL	-	-	-	-	(15,016)
Net					<b>7,492,803</b>