

**ZIMELE UNIT TRUST  
MONEY MARKET FUND  
REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**TRUSTEES**

KCB Bank Kenya Limited  
KCB Towers, 7th Floor  
Junction of Hospital and Kenya Road  
Upper Hill  
P.O. Box 30664-00100  
Nairobi, Kenya

**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, Kenya  
[www.dpconsulting.co.ke](http://www.dpconsulting.co.ke)

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**TRUSTEE'S REPORT**

The Trustee submits its report together with the audited financial statements for the period ended 31st December 2019 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 Fund 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 2019**

The market value of the fund as at 31st December 2019 was Kshs 931,832,349

**MEMBERSHIP**

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

	<b>2019</b>	<b>2018</b>
	<b>Members</b>	<b>Members</b>
At start of year	4,235	3,456
Entrants	1,129	799
Exits	(19)	(20)
At end of year	<u><u>5,345</u></u>	<u><u>4,235</u></u>

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**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 Corporate Trustee:**

For: KCB BANK KENYA LTD.

  
.....  
.....CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

  
.....  
.....CORPORATE TRUSTEE

Date: 16/04..... 2020

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
STATEMENT OF TRUSTEE'S RESPONSIBILITIES  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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The Kenyan Capital Markets Act requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Fund Managers keep proper accounting records that are sufficient to show and explain the transactions of the Fund, disclose with reasonable accuracy at any time the financial position of the Fund and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Kenyan Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Capital Markets Act. They also accept responsibility for:

- i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii) Selecting suitable accounting policies and then apply them consistently; and
- iii) Making judgements and accounting estimates that are reasonable in the circumstances.

**DECLARATIONS STATEMENT**

The Zimele Unit Trust Money Market Fund 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 Fund 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).

In preparing the financial statements, the Trustees have assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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 Corporate Trustee:**

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE

Date..16/04.....2020

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
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 2018, 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, inflows from remittances, and distress to corporates in many sectors.

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
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 money market 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>ZMMF</b>	<b>TB-91</b>	<b>Inflation</b>
2015	12.70%	10.90%	6.60%
2016	9.40%	8.60%	6.30%
2017	9.30%	8.40%	8.00%
2018	9.60%	7.80%	4.70%
2019	9.70%	6.90%	5.20%

**Notes:**

**ZMMF:** Zimele Money Market Fund

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

**Inflation:** Overall rate of inflation



**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF THE CUSTODIAN  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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Pursuant to the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreement between Standard Chartered Securities Services Kenya as the Custodian and Zimele Asset Management as the Fund Manager, we confirm that we have discharged the duties prescribed for a Custodian under Regulation 35 of the regulations, to Zimele Unit Trust Money Market Fund.

For the year 1<sup>st</sup> January 2019 to 31<sup>st</sup> December 2019, we have held the assets for the Zimele Unit Trust Money Market Fund, including title deeds, securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager, including those on the sale/creation, redemption and cancellation of units.

**By order of the Custodian  
Standard Chartered Securities Services Kenya**

STANDARD CHARTERED BANK KENYA LTD.

Manager.....

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE UNIT TRUST MONEY MARKET FUND  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

**Opinion**

We have audited the accompanying financial statements of Zimele Unit Trust Money Market Fund, set out on pages 10 to 19 which comprise the statement of comprehensive income, statement of financial position 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 fund are prepared, in all material respects, in accordance with International Financial Reporting Standards and the requirements of the Capital Markets Authority.

**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 8 to the financial statements, at the reporting date the fund held deposits measured at Shs. 25,362,404 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 25,362,404 were retained by Chase Bank Limited in Receivership and the recoverability is doubtful. 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 manager'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 Capital Markets Authority (Collective Investments Schemes) Regulations 2001 and for such internal control as the Trustees determine 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 Fund'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 Fund's financial reporting process.

**REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEES OF ZIMELE UNIT TRUST MONEY MARKET FUND  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

Cont'd

**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 Fund'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 Fund'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 Fund 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 Capital Markets Authority.**

As required by the Capital Markets Authority 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 Fund, so far as appears from our examination of those books; and
- iii. The Fund'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

 Associates

Certified Public Accountants

Date ; 16th April 2020

AUDITING • TAXATION • ACCOUNTING • FINANCIAL CONSULTANCY

P1, Greenway Street off Westlands Road, next to Imperial Bank, Fourway Cross, Apartment 101, Floor - 1st Flr,  
P.O. Box 75374 - 00203 Nairobi, Kenya, Office Code: 254 (0) 774 421 225  
Email: dpandassociates12@gmail.com, paul@dpcauditing.co.ke, www.dpcauditing.co.ke

ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2019

STATEMENT OF COMPREHENSIVE INCOME

	Notes	2019 Kshs	2018 Kshs
<b>INCOME</b>			
Interest from Government securities	5	46,214,513	34,662,786
interest from deposits	6	24,305,012	22,029,918
<b>Total</b>		<b>70,519,524</b>	<b>56,692,704</b>
<b>EXPENDITURE</b>			
Bank charges		221,678	167,326
Newspaper Publication Fees		301,939	304,878
Management Fees		17,844,285	15,729,213
Trustee Fees		2,035,699	2,054,668
Custody Fees		3,321,877	3,145,513
CMA Annual Scheme Fees		90,000	90,000
Secretarial Fees		79,656	69,245
Audit Fees		189,120	189,120
AGM expenses		25,595	39,583
		<b>24,109,849</b>	<b>21,789,546</b>
<b>Net Surplus</b>		<b>46,409,675</b>	<b>34,903,158</b>

ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
AS AT 31ST DECEMBER 2019

STATEMENT OF FINANCIAL POSITION

	Notes	2019 Kshs	2018 Kshs
<b>NON-CURRENT ASSETS</b>			
Government securities	7	531,440,038	384,191,245
Call and fixed deposits	8	340,724,808	372,073,233
		<u>872,164,846</u>	<u>756,264,478</u>
<b>CURRENT ASSETS</b>			
Bank and cash balances	9	33,489,191	13,515,952
Receivables	10	26,404,259	44,799,213
		<u>59,893,450</u>	<u>58,315,165</u>
<b>TOTAL ASSETS</b>		<u>932,058,295</u>	<u>814,579,643</u>
<b>CURRENT LIABILITIES</b>			
Payables and accruals	11	415,065	1,788,931
<b>TOTAL NET ASSETS</b>		<u>931,643,229</u>	<u>812,790,713</u>
<b>FINANCED BY:</b>			
Net Unit holders funds		650,198,640	577,755,799
Retained earnings reserve		281,444,589	235,034,914
<b>Members Net Worth</b>		<u>931,643,229</u>	<u>812,790,713</u>

The financial statements set out on pages 10 to 19 were approved by the Corporate Trustee on

.....16/04.....2020 and signed on their behalf by:

For: KCB BANK KENYA LTD.

.....CORPORATE TRUSTEE

Trustee

For: KCB BANK KENYA LTD.

.....CORPORATE TRUSTEE

Trustee

ZIMELE UNIT TRUST MONEY MARKET FUND  
 ANNUAL REPORT AND FINANCIAL STATEMENT  
 FOR THE YEAR ENDED 31ST DECEMBER 2019

STATEMENT OF CHANGES IN EQUITY

	Net Unit Holders Funds Kshs	Retained Earnings Reserve Kshs	Total Kshs
<b>Financial year 2018</b>			
As at 1st January 2018	486,922,529	200,131,756	687,054,285
Net Contributions	90,833,270	-	90,833,270
Surplus for the Period	-	34,903,158	34,903,158
<b>As at 31 st December 2018</b>	<b>577,755,799</b>	<b>235,034,914</b>	<b>812,790,713</b>
<b>Financial year 2019</b>			
As at 1st January 2019	577,755,799	235,034,914	812,790,713
Net Contributions	72,442,841	-	72,442,841
Surplus for the Period	-	46,409,675	46,409,675
<b>As at 31 st December 2019</b>	<b>650,198,640</b>	<b>281,444,589</b>	<b>931,643,229</b>

ZIMELE UNIT TRUST MONEY MARKET FUND  
 ANNUAL REPORT AND FINANCIAL STATEMENT  
 FOR THE YEAR ENDED 31ST DECEMBER 2019

STATEMENT OF CASHFLOWS

	2019 Kshs	2018 Kshs
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
Surplus during the year	46,409,675	34,903,158
<b>Operating surplus before changes in working capital</b>	<b>46,409,675</b>	<b>34,903,158</b>
Decrease/(increase) in Receivables	18,394,956	(14,679,168)
Increase / (decrease) in Payables	(1,373,866)	276,539
<b>Net cash flows generated from operating activities</b>	<b>63,430,765</b>	<b>20,500,529</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Government securities	(147,248,793)	64,368,060
Deposits on call	31,348,425	(178,016,494)
<b>Net cashflows used in Investing Activities</b>	<b>(115,900,368)</b>	<b>(113,648,434)</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Net unit holders funds	72,442,841	90,833,270
<b>Net cashflows used in /generated from Financing Activities</b>	<b>72,442,841</b>	<b>90,833,270</b>
<b>Decrease in cash and cash equivalents</b>	<b>19,973,239</b>	<b>(2,314,638)</b>
Cash and cash equivalents at start of year	13,515,952	15,830,590
<b>Cash and cash equivalents at end of year</b>	<b>33,489,191</b>	<b>13,515,952</b>

Note 9.

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**Notes**

**1. BASIS OF PREPARATION**

*i) Basis of preparation and compliance*

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

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.

*ii) 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 2018.

**2. ACCOUNTING POLICIES**

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

**(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. Dividends are recognised as income in the period in which the right to receive payment is established.

**(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 31ST DECEMBER 2019

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Notes (Continued)

(c) **Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

(d) **Financial Instruments**

**Financial Assets**

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all risks and rewards of ownership.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Where a sale occurs other than for an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale.

**Impairment and Uncollectability of Financial Assets**

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 income and expenditure statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account.

The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

**Financial Liabilities**

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognized when they have been redeemed or otherwise extinguished.

Accounts payable are classified as Payables and other accruals if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as Non-Payables and other accruals. Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

(e) **Distribution**

All income or loss arising from investment is distributed to unit holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

(f) **Unit Holder Balances**

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.

**ZIMELE UNIT TRUST MONEY MARKET FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE YEAR ENDED 31ST DECEMBER 2019**

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**Notes (continued)**

**3 CRITICAL JUDGEMENT IN APPLYING THE FUNDS**

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as discussed in note 2(d). Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Fund's activities expose it to a variety of financial risks, including market risk and the effects of changes in market prices and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize adverse effects on its financial performance.

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.

**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.

**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 stock and 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.

**v) Foreign exchange Risk**

Foreign investment involves exchange of currencies in order to purchase foreign stock, there is risk if you hold for a year, you will have to convert the currency yet it's not certain what the exchange rate will be. The management engage good professionals who are able to mitigate the risk.

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Notes (continued)

	2019 Kshs	2018 Kshs
<b>5. INTEREST INCOME</b>		
Interest from Government bonds	18,121,062	16,437,411
Interest from Corporate bonds	-	226,525
Interest from treasury bills	27,980,560	17,998,850
Gain on sale of securities	112,890	-
	<u>46,214,513</u>	<u>34,662,786</u>
<b>6. INTEREST FROM BANK DEPOSITS</b>		
Call deposits	24,410,848	22,029,918
Less: Expected credit loss	(105,836)	-
	<u>24,305,012</u>	<u>22,029,918</u>
<b>7. GOVERNMENT SECURITIES</b>		
Treasury bonds	197,392,883	151,938,819
Treasury bills	334,047,155	232,252,426
	<u>531,440,038</u>	<u>384,191,245</u>
<b>8 CALL AND FIXED DEPOSITS</b>		
<b>Call deposits</b>		
Cooperative Bank	-	118,667,223
Equity bank	-	100,000,000
NIC Bank	50,000,000	50,000,000
NCBA Bank	40,000,000	40,000,000
<b>Fixed deposits</b>		
Cooperative Bank	100,000,000	-
Equity bank	60,000,000	-
Chase bank	25,362,404	25,362,404
SBM Bank	25,362,404	38,043,606
NCBA Bank	40,000,000	-
	<u>340,724,808</u>	<u>372,073,233</u>

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Notes (continued)

	2019 Kshs	2018 Kshs
<b>9 BANK AND CASH BALANCES</b>		
Standard Chartered Bank- Securities	17,974,333	8,445,531
Kenya Commercial Bank	1,875,661	164,101
Barclays Bank	774,030	3,212,086
Standard Chartered Bank - Kshs	3,900,579	1,681,841
Standard Chartered Bank - Tshs	12,393	12,393
KCB - Disburse	8,952,194	-
	<u>33,489,191</u>	<u>13,515,952</u>

**10 RECEIVABLES**

Interest on call deposits	See (Note 12)	8,499,543	-
Cumulative interest receivable		3,655,265	8,751,657
Interest earned from treasury bills		14,249,450	36,047,556
		<u>26,404,259</u>	<u>44,799,213</u>

**11 PAYABLES AND ACCRUALS**

Management fees payable	-	1,369,582
Trustees fees	225,945	190,646
Audit Fees	189,120	189,120
AGM Fees	-	39,583
	<u>415,065</u>	<u>1,788,931</u>

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Notes (continued)

12 IFRS 9 disclosures

*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 income and expenditure statement. (Ref Note 2d)

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

	2019	
	Kshs	
Call and fixed deposits		340,724,808
Interest receivable on calls;		
Interest receivable	8,605,379	
Expected credit loss	<u>(105,836)</u>	
	8,499,543	8,499,543
		<u><u>349,224,351</u></u>

**Computation**

	Band 1	Band 2	Band 3	Band 4	Band 5	Total
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	296,412,192				52,917,995.72	349,330,188
Lifetime expected credit loss	-	-	-	-	(105,835.99)	(105,836)
Net						<u><u>349,224,352</u></u>