

**ZIMELE UNIT TRUST  
BALANCED FUND  
REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**AUDITORS**

Muli Daniels and Associates LLP  
Certified Public Accountants  
[info@mulidaniels.co.ke](mailto:info@mulidaniels.co.ke)  
SkyGo House, Mombasa Road  
P.O.Box 46852-00100  
Nairobi

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**TRUSTEES**

KCB Bank Kenya Limited  
KCB Tower, 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**

Muli Daniels and Associates  
Certified Public Accountants  
[info@mulidaniels.co.ke](mailto:info@mulidaniels.co.ke)  
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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**TRUSTEE'S REPORT**

The Trustee submits its report together with the audited financial statements for the period ended 31st December 2020 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 Balanced 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 2020**

The market value of the fund as at 31st December 2020 was Kshs 173,625,090

**MEMBERSHIP**

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

	<b>2020</b>	<b>2019</b>
	<b>Members</b>	<b>Members</b>
At start of year	4,103	4,113
Entrants	8	15
Exits	(35)	(25)
At end of year	<u><u>4,076</u></u>	<u><u>4,103</u></u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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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 scheme are borne by the fund.

**AUDITORS**

Muli Daniels & Associates, Certified Public Accountants, who were appointed in the financial year 2020 have expressed their willingness to continue in office.

**For the Trustees:**

For: KCB BANK KENYA LTD.  
Date ..... 2021  
CORPORATE TRUSTEE

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

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
STATEMENT OF TRUSTEE'S RESPONSIBILITIES  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

The Trustees accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Capital Markets Act. The Trustees are of the opinion that the financial statements give a true and fair view of the financial statements give a true and fair view of the state of the financial affairs of the Fund and of its operating results.

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

**DECLARATIONS STATEMENT**

The Zimele Unit Balanced 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 Balanced 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).

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

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

Date.....2021

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

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FUND MANAGER'S COMMENTARY  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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The extent of the adverse impact of the covid-19 pandemic on the stock market is probably best captured by the fact that last year was the second time in Kenya's post-independence history that the NSE 20 share index recorded an annual decline exceeding 30%; the index posted a decline of 30.1% in 2020 compared to a decrease of 6% in 2019. The worst annual performance before then, and by far still worse than 2020, was in 2008 when the NSE 20 share index fell by 31.9% due to the effects of the post-election violence following the disputed presidential elections in 2007, and also closely related to the onset of the global financial crisis that peaked in 2009; the economy grew by 1.5% in 2008, the lowest rate recorded since 2002 when it expanded by 0.5%. By comparison, the NSE all share index declined by 8% last year compared to a gain of 19% in 2019.

The performance of market indices last year captures the underlying problems facing listed companies due to the effects of the pandemic arising from the massive disruption to economic activity related to the various public health protocols that suddenly became mandatory by law, such as the dusk to dawn curfew and social distancing.

The maximum impact to the economy was felt in June, and the worst hit sectors were accommodation and restaurants which contracted by 83% and education which shrunk by 56% following the closure of restaurants and schools; the economy contracted by an unprecedented 5.5% in the second quarter of last year, with a reported 1.8 million people unemployed. Official data shows the economy contracted by 0.5% between January and September 2020 compared with growth of 5.4% during the same period in 2019, with all indications that the annual 2020 economic growth rate might be the lowest ever recorded so far.

Past trends reveal that stock markets operate in cycles where periods of severe decline are usually followed by periods of recovery, often resulting in above-average returns. However, the effect of covid-19 on share prices is unprecedented since the causes of previous stock market slumps was induced by either domestic events related to politics or weather, or global economic events.

The caveat this time around is that some industries may never go back to how they used to operate before the pandemic; the level of adoption of technology by companies could be one of the factors that determine which companies will bounce back to pre-pandemic levels. The pandemic has clearly accelerated the adoption of technology by companies, especially in the services sector, where minimum physical contact might be the norm for a long time to come.

The Zimele Balanced Fund posted a return of 0.9% last year compared to a gain of 21% in 2019. The Balanced Fund's investment performance last year was partly influenced by increased income from dividends and interest. Net assets of the balanced fund declined by 4% to ksh.173.5 million last year compared to an increase of 4% in 2019.

Going forward, the investment strategy will continue to focus on strengthening performance of the fund by relying on fixed income securities for stability, and taking a selective but cautious approach to equities for growth as the cycle of the pandemic hopefully starts to diminish.

### 5 Year Comparative Investment Performance

	<b>ZBF</b>	<b>NSE-20 Index</b>	<b>NAS Index</b>
2016	2%	-20%	-8%
2017	7%	16%	29%
2018	1%	-24%	-18%
2019	21%	-6%	19%
2020	1%	-30%	-8%

**Notes:**

**ZBF:** Zimele Balanced Fund

**NAS Index:** NSE All Share Index



**ZIMELE UNIT TRUSTS BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE CUSTODIAN  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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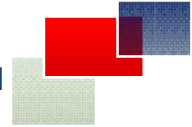
Pursuant to the Capital Markets (Collective Investments Schemes) Regulations, 2001 (The Regulations) and the Custody agreements between Standard Securities Services Kenya as the Custodian and Zimele Asset Management as the Fund Manager, we confirm that we have discharged the duties prescribed for a Custodian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

For the year 1 January 2020 to 31 December 2020, we have held the assets for the Zimele Unit Trusts Balanced Fund, including title deeds, securities and income that accrues thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with instructions received from the Fund Manager, including those on the sale/creation, redemption and cancellation of units.

STANDARD CHARTERED BANK KENYA LTD.  
Manager 

**By Order of Custodian  
Standard Chartered Securities Services Kenya**

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**Report of the Independent auditor to the members of Zimele Unit Trust Balanced Fund for the period of the year ended 31 December 2020**

**Opinion**

We have audited the accompanying financial statements of Zimele Unit Trust Balanced Fund Fund, set out on pages 10 to 17, which comprise the statement of financial position as at 31 December 2020, the income statement and statements of changes in funds and reserves and cashflows for the year then ended, and notes, including a summary of significant accounting policies.

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 Capital Markets

**Basis for 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 company in accordance with the *International Ethics Standards Board for Accountants' Code of ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

**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, 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

**Auditor's responsibilities for the audit of the financial statements**

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 judgement and maintain professional skepticism throughout the audit. We also:

- i) identify and assess the risk of material misstatement of 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 is not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control
- ii) 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 organisation's internal control.
- iii) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosure made by management.
- iv) conclude on the appropriateness of management's use of the ongoing concern basis of the accounting and, based on the audit evidence obtained, whether a material uncertainty exist 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 exist, 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 auditor's report. However, future events or conditions may cause the organization to cease to continue as a going concern.
- v) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 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 organisation, 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 Dorcas Muli- P/No.2109**



**Certified Public Accountants  
Nairobi ,Kenya**

..... 30 March ..... 2021

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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Statement of Comprehensive Income**

	Notes	2020 Kshs	2019 Kshs
<b>Income</b>			
Divided Income		1,846,159	2,570,900
Interest income	5	16,940,205	11,508,371
Capital Gains on Disposal of Investments		147,132	1,823,960
<b>Total</b>		<b><u>18,933,496</u></b>	<b><u>15,903,231</u></b>
<b>Expenditure</b>			
Bank charges		20,800	18,029
News paper Publication Expenses		71,557	57,994
Management fees		4,429,965	4,092,247
Trustee Fees		457,529	491,641
Custody Fees		579,364	589,838
CMA Annual Scheme Fees		25,000	60,000
Secretarial Fees		21,805	69,245
Audit Fees		42,880	46,400
Administration fees		192,204	156,433
AGM fees		-	4,405
		<b><u>5,841,104</u></b>	<b><u>5,586,232</u></b>
<b>Net Surplus</b>		<b><u>13,092,391</u></b>	<b><u>10,316,999</u></b>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2020**

**Statement of Financial Position**

	Notes	2020 Kshs	2019 Kshs
<b>Non Current Assets</b>			
Unit Trust Investments	7	7,879,003	17,466,513
Government Securities	8	76,930,550	69,994,200
Quoted Equities	9	53,848,870	49,600,129
Deposits on call	10	25,000,000	28,000,000
		<b>163,658,422</b>	<b>165,060,842</b>
<b>Current Assets</b>			
Bank and cash Balances	11	1,251,492	976,801
Income Receivable	12	8,715,176	2,104,746
		<b>9,966,668</b>	<b>3,081,547</b>
<b>TOTAL ASSETS</b>		<b>173,625,090</b>	<b>168,142,389</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Other payables and accrued expenses	13	84,932	469,715
<b>TOTAL NET ASSETS</b>		<b>173,540,158</b>	<b>167,672,674</b>
<b>FINANCED BY:</b>			
Unit Holders Funds		37,054,856	36,292,740
Reserves		136,485,302	131,379,934
<b>Members Net Worth</b>		<b>173,540,158</b>	<b>167,672,674</b>

The financial statements set out on pages 10 to 19 were approved by the Trustee on .....2021 and signed on their behalf by:

For: KCB BANK KENYA LTD.

Trustee CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Statement of changes in Equity**

	<b>Net Unit Holders Funds</b>	<b>Net Surplus Kshs</b>	<b>Changes in Fair Value of Investments Kshs</b>	<b>Total</b>
<b>For the year 2019</b>				
As at 1st January 2019	61,821,284	142,816,728	(34,794,949)	169,843,063
Net Contributions	(25,528,544)	-	-	(25,528,544)
Surplus for the Period		10,316,999	-	10,316,999
Prior year adjustments			-	-
Changes in Fair Value of Investment		-	13,041,156	13,041,156
<b>As at 31 st December 2019</b>	<b>36,292,740</b>	<b>153,133,727</b>	<b>(21,753,793)</b>	<b>167,672,674</b>
<b>For the year 2020</b>				
As at 1st January 2020	36,292,740	153,133,727	(21,753,793)	167,672,674
Net Contributions	762,116	-	-	762,116
Surplus for the Period		13,092,391	-	13,092,391
Prior year adjustments		-	-	-
Changes in Fair Value of Investment			(7,987,023)	(7,987,023)
<b>As at 31 st December 2020</b>	<b>37,054,856</b>	<b>166,226,118</b>	<b>(29,740,816)</b>	<b>173,540,158</b>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

**Statement of cash flows**

	<b>2020 Kshs</b>	<b>2019 Kshs</b>
<b>Cashflow from operations</b>		
Surplus during the year	13,092,391	10,316,999
Prior year adjustments	-	-
	<u>-</u>	<u>-</u>
<b>Net Cash flow from operations</b>	<u><b>13,092,391</b></u>	<u><b>10,316,999</b></u>
<b>Working Capital Changes</b>		
( Increase) / Decrease in Receivables	(6,610,430)	940,721
Increase / (Decrease) in Payables	<u>(384,783)</u>	<u>20,472</u>
	<u><b>(6,995,213)</b></u>	<u><b>961,193</b></u>
<b>Net Cash Flow from Operating Activities</b>	<b>6,097,178</b>	<b>11,278,192</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>		
Unit Trust investments	9,587,511	(297,562)
Government securities	(6,936,350)	(14,275,606)
Quoted equities	(4,248,741)	(7,185,432)
Deposits on call	3,000,000	22,000,000
	<u>1,402,420</u>	<u>241,400</u>
<b>Net Cash Flow used in Investing Activities</b>	<b>1,402,420</b>	<b>241,400</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>		
Changes in fair value of investments	<b>(7,987,023)</b>	13,041,156
Net unit holders funds	<b>762,116</b>	(25,528,544)
	<u>(7,224,907)</u>	<u>(12,487,388)</u>
<b>Net Cashflow used in/ generated from financing activities</b>	<b>(7,224,907)</b>	<b>(12,487,388)</b>
<b>Net Cash Inflow/Outflow</b>	<b>274,691</b>	<b>(967,797)</b>
Cash and cash equivalents at start of year	976,801	1,944,598
	<u>1,251,493</u>	<u>976,801</u>
<b>Cash and cash equivalents at end of year</b>	<u><b>1,251,493</b></u>	<u><b>976,801</b></u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Notes**

**1. Accounting Policies**

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

**2. Basis of preparation**

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

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

**(a) Revenue Recognition**

The income comprises of interest from fixed income securities. Interest income is recognised on a time proportion basis that takes into account the effective yield on the asset. 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 BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Notes Continued**

**(c) Cash and Cash equivalents**

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

**(d) Financial Instruments**

**Financial assets**

Financial asset or liability is recognised when the fund becomes party to the contractual provisions of the instrument. Financial instruments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair values through profit and loss. Financial assets are derecognised when the rights to receive cashflows from the financial assets have expired or where the fund has transferred substantially all the 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 will 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 a group of financial assets is impaired. If there is an objective evidence that an impairment loss on receivables carried out at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the financial assets original effective interest rate. The amount of the loss is recognised in the profit and loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after 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 of impairment is reversed. The amount of 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 derecognised when they have been redeemed or otherwise extinguished. Accounts payables are classified as payables and other accruals if payment is due within one year or less (or if the normal operating cycle of the business is longer), if not they are presented as Non payables and other accruals. Trade payables are recognised 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 trust holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in unit trust holder's account.

**(f) Unit Holder Balances**

Unit Holders fund are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset values. 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 BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**Notes Continued**

**3 CRITICAL JUDGEMENT IN APPLYING THE FUNDS**

In the process of applying for the funds accounting policies, management has made estimates and judgements in valuation of financial instruments are 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

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**Notes (continued)**

<b>5. Interest income</b>	<b>2020 Kshs</b>	<b>2019 Kshs</b>
Call account	7,224,298	801,634
Money market fund	1,312,489	2,957,904
Treasury bonds	8,403,417	7,748,833
	<u><b>16,940,205</b></u>	<u><b>11,508,371</b></u>

<b>6. Capital Gains on disposal of Investment</b>	<b>2020 Kshs</b>	<b>2019 Kshs</b>
This relates to the sale of shares	<u>147,132</u>	<u>1,823,960</u>

<b>7. Unit Trust Investments</b>	<b>2020 Kshs</b>	<b>2019 Kshs</b>
Unit Trust Investments	7,879,003	17,466,513
	<u><b>7,879,003</b></u>	<u><b>17,466,513</b></u>

The money is invested in money market fund in accordance with the provisions of the Capital Market Act.

<b>8. Government Securities</b>	<b>2020 Kshs</b>	<b>2019 Kshs</b>
	76,930,550	69,994,200
	<u><b>76,930,550</b></u>	<u><b>69,994,200</b></u>

Government bonds includes treasury bonds and corporate debt.

<b>9. Quoted Equities</b>	No. of shares	<b>2020 Kshs</b>	No. of shares	<b>2019 Kshs</b>
Commercial and services		1,290,172		3,126,249
Commercial and services		52,558,699		74,210
Banking				28,597,838
Manufacturing & allied				2,010,582
Energy & petroleum				41,250
Telecommunication				15,750,000
	<u>-</u>	<u><b>53,848,870</b></u>	<u>-</u>	<u><b>49,600,129</b></u>

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**Notes (continued)**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>10 Call Deposits</b>		
Commercial Bank of Africa	-	10,000,000
Equity Bank	25,000,000	18,000,000
	<u>25,000,000</u>	<u>28,000,000</u>

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>11 Bank and Cash Balances</b>		
Standard Chartered Securities	916,452	789,173
Kenya Commercial Bank	49,950	91,054
Barclays Bank	1,790	43,274
Standard Chartered Bank	53,300	53,300
9193 GCS Custody	230,000	-
	<u>1,251,492</u>	<u>976,801</u>

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>12 Receivables</b>		
Interest on call account	6,852,225	511,849
Interest earned from treasury bonds	1,862,951	1,592,897
	<u>8,715,176</u>	<u>2,104,746</u>

Interest receivable is the Interest income earned from Treasury bonds which was not yet received at the end of the year.

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>13 Payables and Accruals</b>		
Management fees payable	-	357,407
Administrative fees	-	26,107
Trustees fees	38,532	39,801
Audit Fees	46,400	46,400
	<u>84,932</u>	<u>469,715</u>

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**Notes (continued)**

**14 IFRS 9 Disclosures**

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 any 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 assets carrying amount and the present value of the estimated future cashflows discounted at the financial assets original effective interest rate. The carrying amount of 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*)

**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	26,093,822.00				
Lifetime ECL	-	-	-	-	
Lifetime ECL (2019)					