

**ZIMELE UNIT TRUST
MONEY MARKET
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
SkyGo House, Mombasa Road
P.O.Box 46852-00100
Nairobi

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

TRUSTEES

KCB Bank Kenya Limited
KCB Tower, 7th floor
Junction of Hospital and Kenya Road
Upper Hill
P.o Box 30664- 00100
Nairobi

FUND MANAGER

Zimele Asset Management Company Limited
Ecobank Towers, 7th Floor
Muindi Mbingu Street
P.o Box 76528-00508
Nairobi, Kenya

CUSTODIAN

Standard Chartered Securities Services Kenya
Standard Chartered Bank of Kenya Ltd
Level 5, 48 Westlands Road
P.o Box 40984-00100
Nairobi, Kenya

AUDITORS

Muli Daniels and Associates
Certified Public Accountants
info@mulidaniels.co.ke
SkyGo House, Mombasa Road
P.O.Box 46852-00100
Nairobi

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 Money Market is to generate long term capital growth through investing the members' contributions in equities and fixed income securities in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes, Rules and Regulations 2001).

CHANGE TO INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Trust Deed, Information Memorandum and Rules of the Fund) during the period.

TOTAL VALUE OF THE FUND AS AT 31ST DECEMBER 2020

The market value of the fund as at 31st December 2020 was Kshs1,261,280,261

MEMBERSHIP

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

	2020	2019
	Members	Members
At start of year	5,345	4,235
Entrants	2,061	1,129
Exits	(37)	(19)
At end of year	<u><u>7,369</u></u>	<u><u>5,345</u></u>

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

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

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.
.....
CORPORATE TRUSTEE



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

Date:..... 2021

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

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.
Date 2021
CORPORATE TRUSTEE

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

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FUND MANAGER'S COMMENTARY- SURVIVING COVID 19
FOR THE YEAR ENDED 31 DECEMBER 2020**

Every new year brings hope and expectations of a brighter future, and we proceed to make plans with good intentions of implementing them. The year 2020 was no exception, coming after three successive years of challenges brought about by political uncertainty related to the general elections, wild fluctuations in weather conditions and even a looming locust invasion, with threats to social stability, food security and economic recovery.

Interestingly, not much attention was paid to a new, but little-known virus that was first reported in the province of Wuhan in China in December 2019. On 30th January 2020 the Director-General of the World Health Organization (WHO) declared the novel coronavirus outbreak a public health emergency of international concern (pandemic), WHO's highest level of alarm. The first covid-19 case was reported in Kenya on 12th March 2020, and the rest, as they say, is history. What transpired locally and globally in the months that followed resulted in the biggest disruption to human activity so far in this millennium, and it is now becoming clear that the effects will continue to be felt for many years to come.

Some experiences since the pandemic struck might help us to strengthen our approach to personal financial management going forward. First, there is no doubt that it's good to plan for the future; however, we should always prepare for unexpected events that could derail our initial plans. Life as we know it can change abruptly when we consider the sequence of events since March last year. The recommended safeguard for unexpected and undesirable events is to save for emergencies. Going forward, an emergency fund should be at the top of our goals as a financial first line of defense against the unexpected. The minimum amount required will vary from one person to another, but it is prudent to start with a target of three-months equivalent of basic expenses with a running goal of stretching this every month.

Second, and its arguable whether this should be the starting point, is to always try to live within our means. This is best achieved by sticking to a budget where monthly expenses should be less than income, in order to generate a surplus to save for emergencies, and other goals. Personal budgeting might have seemed difficult before the pandemic, but one of the lessons learnt so far is how quickly we can achieve financial discipline in the face of adversity. It has also taught us that we can do away with certain lifestyles without any harm to our well-being.

Third, is the really tragic side of the pandemic that resulted in massive job losses due to the knock-on effects of the various public health protocols that suddenly became mandatory by law. Official data confirms that by the end of the second quarter of last year 1.8 million people had lost their jobs and economic growth had contracted by 5.5%; this is probably the first time the economy contracted on a quarterly basis since 2008. The worst hit sectors were accommodation and restaurants at -83% and education at -56%. The sudden and massive job losses and ensuing hardships highlights the benefits of having alternative sources of income. Though this is easier said than done, especially when one is employed full-time, passive income from investments is one possibility. The Zimele Savings Plan provides this option where one builds up savings then starts drawing interest as a monthly income. Please visit www.zimele.co.ke/regular-income-plan/ to get started.

Perhaps an even older lesson than the pandemic, is that no condition in life is permanent. Times of adversity, no matter how long they take, eventually fade away and although life may not go back exactly to how it used to be, there is always the promise of better days ahead. The depth and scope of steps taken so far by governments and individuals around the world to fight the pandemic is testimony of the resilience of the human spirit, and eventually the tough times will come to an end.

In September last year, the Capital Markets Authority (CMA) introduced new guidelines for performance measurement and reporting by collective investment schemes (CIS or unit trusts). The guidelines are meant to standardize investment performance measurement and reports presentation by unit trusts in line with international best practice. According to the new guidelines, money market funds are required to invest only in interest-bearing investments with a maturity of up to 13 months. The Zimele Money Market Fund's investments have had a maturity of more than 13 months in order to earn a competitive rate of interest; this follows from the finance principle that the longer the maturity period of interest-bearing investments, the higher the rate of interest earned.

In order to sustain the rate of interest and investment performance going forward, it was decided that a new fund, namely the Zimele Fixed Income Fund, be registered. The new CMA guidelines require a fixed income fund to invest a minimum of 60% of its funds in fixed income securities at all times, and defines fixed income securities as financial instruments with a fixed maturity, and may or may not make periodic payments of interest and the principal is paid at maturity. This fund provides more flexibility in investing in longer-dated interest-bearing securities thereby earning a higher rate of return. It should be noted that fixed income funds cannot invest in shares of companies, and are restricted to interest-bearing investments.

The Zimele Fixed Income Fund was approved by the CMA late last year as a sub-fund of the Zimele Unit Trust. This means that members who would like to continue enjoying returns similar to those historically earned in the current Zimele Money Market Fund can transfer their funds to the Zimele Fixed Income Fund. The regulatory requirement is to get consent from both the members and the Trustee; the latter has already granted their consent. We hereby request you to give your consent through a vote at the next annual general meeting (AGM) to enable the transfer their funds from the Zimele Money Market Fund to the Zimele Fixed Income Fund. However, the Zimele Money Market Fund will not be closed and will still be open to members who would like their funds to be invested in short-term interest-bearing securities in line with the new CMA guidelines. The Zimele Balanced Fund is not affected by the new guidelines.

Formal communication of the procedure for granting consent for the transfer will be circulated in the agenda and material of the forthcoming AGM. Overall, we remain committed to ensuring consistency in the quality of service and investment performance of all funds in the Zimele Unit Trust, and thank you greatly for your continued support.

5 Year Comparative Investment Performance

	ZMMF	TB-364	Inflation
2016	9.40%	10.9%	6.30%
2017	9.30%	9.6%	8.00%
2018	9.60%	9.5%	4.70%
2019	9.70%	7.8%	5.20%
2020	9.20%	6.9%	5.30%

Notes:

ZMMF: Zimele Money Market Fund

TB-364: 364 days Treasury Bill Rate

Inflation: Overall rate of inflation

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT
REPORT OF THE CUSTODIAN
FOR THE YEAR ENDED 31ST DECEMBER 2020**

Pursuant to the Capital Markets (Collective Investments Schemes) Regulations, 2001 (the regulations) and the Custody Agreements 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 January 2020 to 31 December 2020, 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.

STANDARD CHARTERED BANK KENYA LTD.
Manager 

By Order of Custodian

Standard Chartered Securities Services Kenya

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

Opinion

We have audited the accompanying financial statements of Zimele Unit Trust Money Market 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 Authority.

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.

Provisions for expected credit loss

The fund has some provisions on the fixed deposits of Chase Bank balance. We tested the calculation of the provisions based on the ECL model. The provisions are based on judgements and estimates made by management and as calculated using ECL model. We assessed the assumptions against available pronouncements and historical events.

The total deposit amount over 120 days is shs. 20,289,923. The fund expects to impair the remaining balance over its useful life on a straight line basis. Full realisation of IFRS 9 is yet to be achieved

Provisions for expected credit loss How our audit addressed the key audit matter

The fund has some provisions on the fixed deposits of Chase Bank balance. We tested the calculation of the provisions based on the ECL model.

The provisions are based on judgements and estimates made by management and as calculated using ECL model. We assessed the assumptions against available pronouncements and historical events.

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, 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.

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 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 Funds’ 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

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of Comprehensive Income

	Notes	2020 Kshs	2019 Kshs
Interest Income			
Government Securities	5	50,502,510	46,214,512
Bank Deposit	6	40,451,119	24,305,012
Total		<u>90,953,629</u>	<u>70,519,524</u>
Expenditure			
Bank charges		594,236	221,678
Newspaper Publication Fees		458,845	301,939
Management Fees		21,141,687	17,844,285
Trustee Fees		2,916,620	2,035,699
Custody Fees		3,707,721	3,321,877
CMA Annual Scheme Fees		125,000	90,000
Secretarial Fees		143,867	79,656
Audit Fees		189,120	189,120
AGM expenses		152,000	25,595
Bank Deposit Written Off Chase Bank		5,072,481	-
		<u>34,501,577</u>	<u>24,109,849</u>
Net Surplus		<u><u>56,452,052</u></u>	<u><u>46,409,675</u></u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
AS AT 31 DECEMBER 2020**

Statement of Financial Position

	Notes	2020 Kshs	2019 Kshs
Non Current Assets			
Government Securities	7	504,553,138	531,440,039
Bank Deposits	8	662,971,125	340,724,808
		<u>1,167,524,263</u>	<u>872,164,846</u>
Current Assets			
Bank and cash Balances	9	25,566,047	33,489,190
Receivable	10	68,189,951	26,404,258
		<u>93,755,998</u>	<u>59,893,448</u>
TOTAL ASSETS		<u>1,261,280,261</u>	<u>932,058,294</u>
LIABILITIES			
CURRENT LIABILITIES			
Other payables and accrued expenses	11	<u>472,753</u>	<u>415,065</u>
TOTAL NET ASSETS		<u>1,260,807,508</u>	<u>931,643,229</u>
FINANCED BY:			
Unit Holders Funds		1,260,807,508	931,643,229
Members Net Worth		<u>1,260,807,508</u>	<u>931,643,229</u>

The financial statements set out on pages 11 to 19 were approved by the Trustee on2021 and signed on their behalf by:

For: KCB BANK KENYA LTD.

 Trustee: CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

 CORPORATE TRUSTEE

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of changes in Equity

	Net Unit Holders Funds	Retained Earnings Kshs	Changes in Fair Value of Investments Kshs	Total
For the year 2019				
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
Changes in Fair Value of Investment				-
As at 31 st December 2019	650,198,640	281,444,589		931,643,229
For the year 2020				
As at 1st January 2020	650,198,640	281,444,589		931,643,229
Net Contributions	337,199,913			337,199,913
Surplus for the Period	-	56,452,052		56,452,052
Changes in Fair Value of Investn	17,995,204		(82,482,889)	(64,487,685)
As at 31 st December 2020	1,005,393,757	337,896,641	(82,482,889)	1,260,807,508

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of cash flows

	2020	2019
	Kshs	Kshs
Cashflow from operations		
Surplus during the year	56,452,052	46,409,675
Net Cash flow from operations	<u>56,452,052</u>	<u>46,409,675</u>
Working Capital Changes		
(Increase) / Decrease in Receivables	(41,785,693)	18,394,956
Increase / (Decrease) in Payables	<u>57,688</u>	<u>(1,373,866)</u>
	<u>(41,728,005)</u>	<u>17,021,090</u>
Net Cash Flow from Operating Activities	14,724,047	63,430,765
CASHFLOW FROM INVESTING ACTIVITIES		
Government securities	26,886,901	(147,248,793)
Deposits on call	<u>(322,246,317)</u>	<u>31,348,425</u>
Net cashflows used in Investing Activities	<u>(295,359,416)</u>	<u>(115,900,368)</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Net unit holders funds	355,195,117	72,442,841
Changes in fair value of investments	<u>(82,482,889)</u>	<u>-</u>
Net cashflow from Investing Activities	<u>272,712,227</u>	<u>72,442,841</u>
Net Cash Inflow/Outflow	(7,923,142)	19,973,238
Cash and cash equivalents at start of year	33,489,190	13,515,952
Cash and cash equivalents at end of year	<u>25,566,046</u>	<u>33,489,190</u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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)

	2020	2019
	Kshs	Kshs
5. Income		
Interest income Government bonds	37,884,038	18,121,062
Gain / loss on sale of securities	-	112,890
Interest from bills	12,618,472	27,980,560
	<u>50,502,510</u>	<u>46,214,512</u>
	2020	2019
	Kshs	Kshs
6. Interest from bank deposits		
Call deposits	40,491,699	24,410,848
Less : Expected Credit Loss	(40,580)	(105,836)
	<u>40,451,119</u>	<u>24,305,012</u>
7. Investments		
Investments are stated at fair value as at the end of the financial year.		
Government Securities	2020	2019
	Kshs	Kshs
Treasury bonds	448,822,858	197,392,883
Treasury bills	55,730,280	334,047,155
	<u>504,553,138</u>	<u>531,440,039</u>
8. Bank Deposits	2020	2019
	Kshs	Kshs
Call Deposits	642,681,202	315,362,404
Chase Bank (in Recievership)	20,289,923	25,362,404
	<u>662,971,125</u>	<u>340,724,808</u>

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Notes (continued)

9 Bank and Cash Balances	2020 Kshs	2019 Kshs
Standard Chartered Securities	17,937,728	17,974,333
Kenya Commercial Bank Limited	2,624,830	1,875,661
Barclays Bank Limited	71,071	774,030
Standard Chartered Bank Limited	1,311,210	3,900,579
Standard Chartered Bank Limited- Tanzania	12,393	12,393
KCB Disbursement	3,608,815	8,952,194
	<u>25,566,047</u>	<u>33,489,190</u>

10 Receivables	2020 Kshs	2019 Kshs
Interest on treasury bills receivable	10,702,988	14,249,450
Cummulative interest receivable	2,658,335	3,655,265
Interest on call deposits	54,828,628	8,499,543
	<u>68,189,951</u>	<u>26,404,258</u>

Interest receivable includes interest earned but was not yet received at the end of the financial year.

11 Payables and Accruals	2020 Kshs	2019 Kshs
Trustee fees	283,633	225,945
Audit Fees	189,120	189,120
	<u>472,753</u>	<u>415,065</u>

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Notes (continued)

12 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	Amount Written Off
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	622,681,202				20,289,923	5,072,480.78
Lifetime ECL	-	-	-	-	40,579.85	
Lifetime ECL (2019)					105,835.99	
Change In ECL Provision through the Retained Income					65,256.14	

Reasons for the probability of default values

- i Investments are in Tier 1 banks, which are relatively stable with a very low expectation or projection of credit loss probabilities.
- ii Probabilities increase with a value of 0.05% between the time bands, which is a factor generated from the period weighting.
- ii The local prevailing economic condition of 2019 was taken into account and for tier 1 banks the value

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	622,681,202.00				20,289,923.12
Lifetime ECL	-	-	-	-	40,579.85
Lifetime ECL (2019)					105,835.99
Change In ECL Provision through the Retained Income					65,256.14