

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
REPORT TO THE SCHEME MEMBERS
FOR THE YEAR ENDED 31 DECEMBER 2020**

AUDITOR

Muli Daniels & Associates LLP
Certified Public Accountants
Mombasa Road, SkyGo House
P.O.Box 46852-00100
Nairobi, Kenya

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT AND FINANCIAL STATEMENTS
TRUSTEE AND ADVISORS
FOR THE YEAR ENDED 31 DECEMBER 2020**

TRUSTEES

NatBank Trustees and Investment Services Limited
National Bank Buildings, Harambee Avenue
P.o Box 41862-00100
Nairobi, Kenya

ADMINISTRATOR

Pacific Insurance Brokers (EA) Ltd
The Insurance Centre, Rose Avenue
Off Dennis Prit Road
P.o Box 50565-00200
Nairobi, Kenya

FUND MANAGER

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

CUSTODIAN

Kenya Commercial Bank Limited
Kencom House, Head Office
P.o Box 48400-00100
Nairobi, Kenya

AUDITOR

Muli Daniel & Associates LLP
Certified Public Accountants
Mombasa Road, SkyGo House
P.O.Box 46852-00100
Nairobi, Kenya

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT
REPORT OF THE TRUSTEES
FOR THE YEAR ENDED 31 DECEMBER 2020**

INCORPORATION AND REGISTERED OFFICE

The Scheme began its operations in September 2009 and is registered under the Retirement Benefits Act, 1997. The registered office is at Ecobank Towers, 7th Floor on Muindi Mbingu Street, Nairobi

INVESTMENT OBJECTIVES

The main purpose of the Scheme is to provide an investment for people to build savings for use in retirement in accordance with the provisions of Retirement Benefits Act and the regulations made thereunder. The investment objective of the Scheme is to generate long term capital growth through investing the members' contributions in fixed income securities and other investments in accordance with the provisions of the Retirement Benefits Act and the regulations made thereunder.

CHANGE TO INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Trust Deed and Rules of the Scheme) during the period.

TOTAL VALUE OF THE FUND AS AT 31ST DECEMBER 2020

The market value of the fund as at 31st December 2020 was Kshs 281,298,828

MEMBERSHIP

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

	2020	2019
	Members	Members
At start of year	497	446
Entrants	44	53
Exits	(4)	(2)
At end of year	<u><u>537</u></u>	<u><u>497</u></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT
REPORT OF THE TRUSTEES (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

INVESTMENT OF FUNDS

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

EXPENSES

The full costs of administering and managing the scheme are borne by the scheme.

AUDITORS

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

For the Trustee:



.....
Natbank Trustees and Investment Services Limited

Date:..... 25 - Mar - 2021

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT
STATEMENT OF TRUSTEES' RESPONSIBILITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

DECLARATIONS STATEMENT

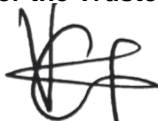
The Zimele Guaranteed Personal Pension Plan is an approved Scheme within the meaning of The Retirement Benefits Act and The Regulations made thereunder;

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

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

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

For the Trustee:



.....
Natbank Trustees and Investment Services Limited

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT
FUND MANAGERS COMMENTARY- PENSIONS AND PANDEMIC
FOR THE YEAR ENDED 31 DECEMBER 2020**

There is little doubt that, so far in this millennium, the covid-19 pandemic is the single event with the most far-reaching impact on human activity, and will continue to influence our lives for many years to come. The initial impact of the pandemic was as a consequence of the public health legal directives, which mainly acted to restrict movement of people in an effort to contain the spread of the virus after the first case in Kenya was confirmed on 12th March 2020.

The resulting disruption to economic activity caused an unprecedented contraction from a growth rate of 5.4% in the first three quarters of 2019, to a growth rate of -0.5% during the same period in 2020. There are strong indications that full year growth in 2020 is likely to be less than 1%.

Despite the depressed economic activity, key macroeconomic indicators remained stable. The overall rate of inflation increased marginally to 5.3% last year compared to 5.2% in 2019. Short term interest rates on treasury bills were also on a downward trend with the 91-day maturity moving from 6.86% in 2019 to 6.85% last year; the 182-day maturity closed at 7.51% last year from 7.82% in 2019 while the 364-day tenor ended the year at 8.54% from 9.47% in 2019. On the long-term side, Treasury bond yields for two-year maturities dropped to 9.47% from 10.69% in 2019; while yields for twenty-year maturities stood at 13.17% from 13% in 2019. The Zimele Guaranteed Pension's yield averaged 11.43% last year from 15.2% in 2019, which is attributed to the general downward trend in interest rates. Last year, net assets increased by 17% to ksh.281 million compared to growth of 25% in 2019.

The paradox of low interest rates in a harsh business environment could partly be attributed to reluctance by banks to lend to the private sector due to the increased risk of default, with the lenders showing preference to lending to the government instead through purchases of the less risky treasury bills and bonds. The reduction by the CBK of the cash ratio requirement by 1% to 4.25% in late March released ksh.35 billion into the banking system, partly leading to the decline in lending rates to a forty-year low of 11.75%. The cash reserve ratio is the amount of deposits banks are required to keep at the central bank to enable it regulate credit creation.

Additionally, the economic stimulus measures announced in late March also contributed in cushioning the economy from the full impact of the pandemic. On the monetary side, the central bank lowered its benchmark lending rate (CBR) to 7% from 8.25% and the cash ratio requirement to 4.25%; CBK also gave banks discretion to restructure loans of firms adversely impacted by the pandemic. On taxation measures, various tax reliefs were enacted including reduction of the VAT rate from 16% to 14%, corporation tax from 30% to 25% and personal income tax (pay as you earn - PAYE), with the top bracket reduced to 25% from 30% and the minimum taxable income capped at ksh.24,000 per month.

The timeliness and combined effect of the monetary and tax measures mentioned above could probably be the reason the economy did not suffer the fate of deep double-digit contractions in growth experienced by most countries around the world, especially in the first half of last year.

Another boost was in the form of inflows from remittances which greatly helped to support the shilling exchange rate and domestic liquidity in the banking system; According to CBK records, Kenyans living abroad sent back home a record ksh.329 billion (US\$3billion) last year, which was a 16% increase from 2019, and greater than the combined exports of tea, horticulture and coffee.

It is slowly emerging that it may have been premature to reverse the tax reliefs before confirmation from key indicators that the economy was firmly on the path to full recovery. The reversal will immediately reduce consumer disposable incomes at a time when most businesses are still struggling to recover to pre-pandemic levels, and economic activity and growth in the first half of 2021 might therefore be sharply lower than expected

Finally, for those who are approaching retirement, we recommend you immediately sign up for the Zimele Income Drawdown Plan (<https://www.zimele.co.ke/retirement-income/>). How it works: we take your cumulative pension benefits and create a monthly income for you for a renewable period of ten years. However, the pension benefits remain intact for the duration of the contract and are available to you in full after the expiry of the contract; the benefits are paid to your authorized beneficiaries in full in the event of your demise before the end of the contract. This gives you peace of mind by allowing you to retire in comfort.

We would like to take this opportunity to express our gratitude for your support, and will continue to commit ourselves to delivering quality service to you.

5 Year Comparative Investment Performance

	ZGPPP	TB-364	Inflation
2016	12.0%	10.9%	6.3%
2017	14.3%	9.6%	8.0%
2018	13.6%	9.5%	4.7%
2019	15.2%	7.8%	5.2%
2020	11.4%	7.5%	5.3%

Notes:

ZGPPP: Zimele Guaranteed Pension Plan

TB-364: 364 days Treasury Bill Rate

Inflation: Overall rate of inflation

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
ANNUAL REPORT
REPORT OF THE CUSTODIAN
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

From the period 1 January 2020 to 31 December 2020, we have held the assets for the Zimele Guaranteed Personal Pension Plan, including title documents, securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange of delivery in accordance with the instructions received from the Fund Manager.

For: KCB BANK KENYA LTD.

.....
CUSTODY SERVICES

For: KCB BANK KENYA LTD.

.....
CUSTODY SERVICES

By order of the Custodian
KCB Bank Kenya Limited

Report of the Independent auditor to the members of Zimele Guaranteed Personal Pension Plan for the period of the year ended 31 December 2020

Opinion

We have audited the accompanying financial statements of Zimele Guaranteed Personal Pension 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 Retirement Benefit Act.

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. 2,338,108. 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

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 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 Retirement Benefit Authority Act we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the organisation. so far as appears from our examination of
iii) The Scheme 's balance sheet and profit and loss account, which are referred to as statement of financial position and statement of comprehensive income respectively in this report, are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA Dorcas Muli-P/No.2109**



**Certified Public Accountants
Nairobi ,Kenya**

30 March 2021

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of changes in net assets available for benefits

	Notes	2020 Kshs	2019 Kshs
Income from dealings with members			
Contributions received	5	79,627,210	104,115,413
Outgoings from dealings with members			
Benefits payable	6	(59,711,255)	(69,145,869)
		-	-
Net additions from dealings with members		<u>19,915,955</u>	<u>34,969,544</u>
Return on investments			
Investment income	7	24,648,361	24,345,520
Change in market value of investments		2,921,276	5,098,758
Net return on investments		<u>27,569,637</u>	<u>29,444,278</u>
Administrative expenses	8	(934,590)	(817,723)
Investment Management expenses	9	(6,128,681)	(5,299,351)
Prior year adjustments		(796,036)	(9,534,148)
Impairment of Chase Bank deposits		(796,036)	(796,036)
Increase in net assets for the year		<u>38,830,249</u>	<u>47,966,564</u>
Net assets available for benefits at start of the year		241,119,315	193,152,751
Net assets available for benefits at end of year		<u><u>279,949,564</u></u>	<u><u>241,119,315</u></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2020**

Statement of net assets available for benefits as at 31 December 2020

	Notes	2020 Kshs	2019 Kshs
Assets			
Kenya Government Securities	11	144,005,046	130,407,310
Cash and Fixed Deposits	12	5,391,892	7,164,324
Investment in Unit Trust	13	125,695,831	97,650,889
		<u>275,092,768</u>	<u>235,222,523</u>
Current Assets			
Custodian and collection accounts	14	4,545,073	2,582,313
Receivables	15	864,951	3,937,606
		<u>5,410,024</u>	<u>6,519,919</u>
Liabilities			
Other payables and accrued expenses	16	553,227	623,127
		<u>553,227</u>	<u>623,127</u>
TOTAL NET ASSETS		<u><u>279,949,565</u></u>	<u><u>241,119,315</u></u>
FINANCED BY:			
Members' Account and Reserve Fund		<u><u>279,949,564</u></u>	<u><u>241,119,315</u></u>

The financial statements set out on pages 10 to 18 were approved by the Trustee on2020 and signed on their behalf by:



Trustee

Date... 25 - Mar - 2021

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Statement of Changes in Equity

	Net Unit Holders Funds Kshs	Net Surplus Kshs	Changes in Fair Value of Investment Kshs	Total Kshs
For the year 2019				
As at 1st January 2019	141,141,105	35,405,882	7,071,616	183,618,603
Net Contributions	34,969,544	17,432,410		52,401,954
Change in fair value of investments			5,098,758	5,098,758
As at 31st December 2019	176,110,649	52,838,292	12,170,374	241,119,315
For the year 2020				
As at 1st January 2020	176,110,649	52,838,292	12,170,374	241,119,315
Net Contributions	19,915,955	15,993,018		35,908,973
Change in fair value of investments			2,921,276	2,921,276
As at 31st December 2020	196,026,604	68,831,310	15,091,650	279,949,564

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

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

ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020

Statement of cash flows

	2020	2019
	Kshs	Kshs
Cashflow from operations		
Contributions received	79,627,210	104,115,413
Benefits paid	(59,711,255)	(69,145,869)
Expenses paid	(7,063,271)	(6,117,074)
Impairment of chase bank deposits	(796,036)	(796,036)
Prior year adjustments	34,800	(9,534,148)
	<u>12,091,448</u>	<u>18,522,286</u>
Working Capital Changes		
(Increase)/ Decrease in Receivables	3,072,655	(3,659,376)
Increase/ (Decrease) in Payables	(69,900)	264,443
	<u>3,002,755</u>	<u>(3,394,933)</u>
Net Cash flow from operating Activities	<u>15,094,203</u>	<u>15,127,353</u>
Cashflow from Financing Activities		
Investment income received	24,648,361	24,345,520
Change in Market Value of investment	2,921,276	5,098,758
	<u>27,569,637</u>	<u>29,444,278</u>
Cash flow from investing activities		
Kenya Government Securities	(13,597,736)	(6,221,325)
Cash and Fixed Deposits	1,772,432	2,786,126
Investment in unit trust	(28,044,942)	(39,454,463)
	<u>(39,870,245)</u>	<u>(42,889,662)</u>
Net Cash flow from investing activities	<u>(12,300,608)</u>	<u>(13,445,384)</u>
Net Cash Inflow / Outflow	2,793,596	1,681,969
Cash and cash equivalents at start of year	<u>2,582,313</u>	<u>900,344</u>
Cash and cash equivalents at end of year	<u><u>5,375,909</u></u>	<u><u>2,582,313</u></u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes

1. Basis of preparation of the financial statements

i) Basis of preparation

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

ii) Statement of compliance

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards and the Retirement Benefits Act 1997 as amended and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay benefits that fall due after the end of the financial year.

iii) New and revised standards

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

2. Accounting policies

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

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Contributions

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

(c) Interest income

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

(d) Benefits payable

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

(e) Benefit transfers

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

3. Significant judgements and key sources of estimation uncertainty

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

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes (continued)

4. Financial risk management disclosures

The scheme's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the scheme does not hedge any risks.

Risk management is carried out by the Fund Manager, Zimele Asset Management Company Limited (ZAMCO). ZAMCO identifies, evaluates and manages financial risks, with emphasis on specific areas such as interest rate risk, credit risk and investing excess liquidity.

Market risk

(i) Foreign exchange risk

The scheme has no investments in offshore markets or in foreign currency and is therefore not exposed to foreign exchange risk arising from various currency exposures.

(ii) Cashflow and fair value interest rate risk

The scheme does not hold any interest bearing financial liability or overdraft at a variable rate which would expose the scheme to cash flow interest rate risk.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on his obligations resulting in financial loss to the scheme and arises principally from the scheme's investments and contributions receivable. The fund does not have any significant concentrations of credit risk. The approved issuer assesses the credit quality of each investment, taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the trustees.

(iv) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the approved issuer on the amount to be invested in assets that can be easily liquidated.

5. Contribution income	2020	2019
	Kshs	Kshs
Members - Voluntary Contributions	79,627,210	104,115,413
	<u>79,627,210</u>	<u>104,115,413</u>
6. Benefits payable	2020	2019
	Kshs	Kshs
Pensions	<u>59,711,255</u>	<u>69,145,869</u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes continued

7. Investment income	2020	2019
	Kshs	Kshs
Income from Kenya Government Securities	13,725,935	17,941,571
Interest on call	377,484	189,364
Interest on money market investment	10,544,942	6,204,463
Rebate on bond	-	10,122
	<u>24,648,361</u>	<u>24,345,520</u>
8. Administrative expenses	2020	2019
	Kshs	Kshs
RBA Levy	483,897	386,305
Bank charges	160,020	170,216
Secretarial fees	88,833	69,245
Audit fees	34,800	34,800
Administration and processing	167,040	157,157
	<u>934,590</u>	<u>817,723</u>
9. Investment Management expenses	2020	2019
	Kshs	Kshs
Fund Manager	5,217,300	4,301,725
Custodian	603,904	603,862
Trustees fees	307,477	393,764
	<u>6,128,681</u>	<u>5,299,351</u>
10. Impairment of Chase Bank	2020	2019
	Kshs	Kshs
Impairment of Chase Bank	796,036	796,036
	<u>796,036</u>	<u>796,036</u>
11. Government Bonds	2020	2019
	Kshs	Kshs
Cumulative Treasury Bonds	142,953,995	130,407,310
Cumulative Treasury Bills	1,051,050	-
	<u>144,005,046</u>	<u>130,407,310</u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes (continued)

12. Cash and Fixed Deposits	2020	2019
	Kshs	Kshs
Chase Bank	2,388,108	3,184,144
SBM Bank (K) Limited	1,003,784	3,980,180
Other Cumulatives- Call account	2,000,000	-
	<u>5,391,892</u>	<u>7,164,324</u>
13. Investment in Unit Trust	2020	2019
	Kshs	Kshs
Investment in Zimele Money Market Fund	<u>125,695,831</u>	<u>97,650,889</u>
14. Custodians and collection accounts balance	2020	2019
	Kshs	Kshs
KCB Collection	3,984,178	2,257,298
National Bank	560,896	325,015
	<u>4,545,073</u>	<u>2,582,313</u>
15. Receivables	2020	2019
	Kshs	Kshs
Interest receivable on Government Bonds	143,971	3,609,127
Interest receivable on term deposits	720,979	328,479
	<u>864,951</u>	<u>3,937,606</u>
16. Other payables and accrued expenses	2020	2019
	Kshs	Kshs
Audit fees current year	34,800	34,800
Trustee fees	-	173,876
Management fees	468,612	414,451
Others	49,815	-
	<u>553,227</u>	<u>623,127</u>

**ZIMELE GUARANTEED PERSONAL PENSION PLAN
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

Notes (continued)

17 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 statement of changes in net assets.

i) Impairment :	Carrying value 01-01-20	Impairment @ 20%	Carrying value 31-12-20
Chase bank balance	<u>2,388,108</u>	<u>(796,036)</u>	<u>1,592,072</u>

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

ii) Expected Credit Loss (ECL):

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

	2020 Kshs
Chase bank	1,592,072
SBM Bank	-
Interest receivable on calls;	
Interest receivable in the year	<u>-</u>
	<u>1,592,072</u>

Effect of IFRS 9 on the Fixed Deposits

Time Bands	Band 1 Within 30 days	Band 2 31 - 60	Band 3 61- 90	Band 4 91-120	Band 5 Over 120
ECL Rate	0.00%	0.05%	0.10%	0.15%	0.20%
Deposit Amount					<u>1,592,072</u>
Lifetime ECL		-	-	-	<u>3,184.14</u>
Lifetime ECL (2019)					<u>15,009.64</u>
Change					11,825.50