

**ZIMELE UNIT TRUST  
BALANCED FUND  
REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**AUDITOR**

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 2021**

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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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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)  
SkyGo House, Mombasa Road  
P.O.Box 46852-00100  
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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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**TRUSTEE'S REPORT**

The Trustee submits its report together with the audited financial statements for the period ended 31st December 2021 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 2021**

The market value of the fund as at 31st December 2021 was Kshs 184,228,814.40

**MEMBERSHIP**

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

	2021	2020
	<b>Members</b>	<b>Members</b>
At start of year	4,076	4,103
Entrants	57	8
Exits	(5)	(35)
At end of year	<u>4,128</u>	<u>4,076</u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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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.

**AUDITOR**

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:**

Date... 30/31 .....2022

For: KCB BANK KENYA LTD.  
  
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 2021**

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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: KCB BANK KENYA LTD.

  
.....  
For the Trustees: CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

  
.....  
CORPORATE TRUSTEE

Date: 30/12/2022

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FUND MANAGER'S COMMENTARY  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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The impact of the covid-19 pandemic on the financial market persisted last year though in a less severe manner compared to 2020. Share prices were generally on the mend from the beginning of last year until August when the Delta variant was at its peak.

Most of the key sectors of the economy were still recovering from the sharp declines experienced in 2020 which was reflected in losses or low level of profits of listed companies, probably with the exception of commercial banks. Recovery of economic activity was reflected by GDP growth of 8% in the period from January to September 2021, compared to a contraction of 2.4% during the same period in 2020. Full year growth is expected to be close to 10% given that restriction of movement was eased when the curfew was lifted in October 2021.

According to the CBK's 49<sup>th</sup> Monetary Policy Statement, seven economic sectors registered lower incidence of non-performing loans (NPLs) between June and December 2021 largely due to repayments. The major sectors with decreasing NPLs were manufacturing, personal and household, building and construction, financial services, and trade. This is an indicator of the recovery of these sectors and the economy in general. Another indicator of economic recovery is the fact that only 4 listed companies issued profit warnings last year, compared to fifteen companies in 2020 and 10 companies in 2019.

Performance of share prices at the NSE this year will be influenced by the environment in which the general elections are conducted. Political uncertainty is an outcome of election jitters and inevitably leads to lower share prices. However, long term investors should use this opportunity to buy shares of companies with good prospects that will be discounted by election-related anxiety. When it comes to the trading strategy, it is very difficult to tell when prices have reached the bottom. A tried and tested approach is to keep on buying on a monthly basis regardless of the state of the market, this approach has fared better compared to trying to time market lows to buy and market highs to sell. The fact that the Zimele Balanced Fund is professionally actively managed provides a practical and convenient advantage to those with an appetite for risk and have a fairly long-term outlook.

On investment performance the balanced fund posted a return of 13.7% last year compared to 0.9% in 2020; by comparison the NSE all share and NSE 20 share indices recorded gains of 9.3% and 1.6%, respectively last year, relative to losses of 8.4% and 30.1%, respectively, in 2020. The favorable performance last year is due to an allocation of 33% in shares with the rest for purposes of stability were held in cash and interest-earning fixed income securities.

The investment strategy in 2022 will continue to focus on safeguarding the performance of the fund by using fixed income securities to stabilize returns, engaging in profit-taking where possible and buying shares of companies with good prospects in the event of a marked decline in prices brought about by the pandemic and uncertainty related to the general elections.

**5 Year Comparative Investment Performance**

	<b>ZBF</b>	<b>NAS Index</b>	<b>Inflation</b>
2017	7.4%	29.1%	8.0%
2018	1.5%	-18.0%	4.7%
2019	21.1%	18.7%	5.2%
2020	0.9%	-8.4%	5.3%
2021	13.7%	9.3%	6.1%

Notes:

ZBF: Zimele Balanced Fund

NAS Index: NSE All Share Index

Inflation: Overall rate of inflation

**THE HISTORICAL PERFORMANCE OF THE ZIMELE BALANCED FUND**

1. The highest and lowest prices in the past five years

YEAR	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Highest Price	10.1126	8.3594	8.2379	7.2136	6.7833
Lowest Price	8.3312	7.6749	7.2298	6.7425	6.0747
Average Price	9.3811	7.9564	7.521925	6.71495	6.47845

2. Income distribution table (Net Income distributed during the year)

YEAR	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Net Income for the year (Kshs.)	6,943,744	7,601,355	10,316,999	10,843,140	7,100,451
Net Income distributed per unit	0.35	0.38	0.47	0.49	0.33

3. The closing funds under management 2017-2021 (Kshs)

YEAR	Dec 31, 2021	Dec 31, 2020	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017
Total Fund Value	184,350,166	173,540,158	168,142,390	170,292,307	159,223,032
Price per Unit	9.2634	8.3312	8.2305	6.8412	6.7073
Number of units in Issue	19,900,842	19,869,048	20,394,132	23,880,151	20,499,357

For: KCB NK KENYA LTD.

For the Trustees:

.....  
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

*[Signature]*

.....  
CORPORATE TRUSTEE

Date ..... 2022



**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF CUSTODIAN  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Standard Chartered Bank Kenya Limited as the Custodians and Zimele Asset Management as the Fund Manager, we confirm that for the year ended 31 December 2021:

•We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to Zimele Unit Trust Balanced Fund; and

•We have held the assets for the Zimele Unit Trust Balanced Fund, including 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.

STANDARD CHARTERED BANK KENYA LTD.

Manager.....

**Signed on behalf of the Custodian  
Standard Chartered Bank Kenya Limited**

**30 March 2022**



**Report of the Independent auditor to the members of Zimele Unit Trust Balanced Fund for the period of the year ended 31 December 2021**

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**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 2021, 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.

**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**

31 MARCH ..... 2022

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Statement of Comprehensive Income**

	Notes	2021 Kshs	Restated* 2020 Kshs	2020 Kshs
<b>Income</b>				
Dividend income		2,078,399	1,846,159	1,846,159
Interest income	5	10,885,265	11,449,169	16,940,205
Capital Gains	6	503,064	147,132	147,132
<b>Total</b>		<b>13,466,728</b>	<b>13,442,460</b>	<b>18,933,496</b>
<b>Expenditure</b>				
Bank charges		28,776	20,800	20,800
News paper publication expenses		21,435	71,557	71,557
Management fees		5,146,325	4,429,965	4,429,965
Trustee fees		516,631	457,529	457,529
Custody fees		657,927	579,364	579,364
CMA annual scheme fees		25,000	25,000	25,000
Secretarial fees		89,446	21,805	21,805
Audit fees		37,444	42,880	42,880
Administration fees		-	192,204	192,204
		<b>6,522,983</b>	<b>5,841,104</b>	<b>5,841,104</b>
<b>Net surplus</b>		<b>6,943,744</b>	<b>7,601,355</b>	<b>13,092,391</b>



**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2021**

**Statement of Financial Position**

	Notes	2021 Kshs	2020 Kshs
<b>Non Current Assets</b>			
Unit Trust Investments	7	20,919,900	7,879,003
Government Securities	8	77,669,938	76,930,550
Quoted Equities	9	66,334,883	53,848,870
Deposits on Calls	10	16,000,000	25,000,000
		<u>180,924,720</u>	<u>163,658,422</u>
<b>Current Assets</b>			
Cash at Bank	11	448,118	1,251,492
Interest Receivables	12	2,977,328	8,715,176
		<u>3,425,446</u>	<u>9,966,668</u>
<b>TOTAL ASSETS</b>		<u><b>184,350,166</b></u>	<u><b>173,625,090</b></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Payables and Accruals	14	<u>121,353</u>	<u>84,932</u>
<b>TOTAL NET ASSETS</b>		<u><b>184,228,814</b></u>	<u><b>173,540,158</b></u>
<b>FINANCED BY:</b>			
Unit Holders' Funds		33,701,387	37,054,856
Reserves		150,527,427	136,485,302
<b>Members Net Worth</b>		<u><b>184,228,814</b></u>	<u><b>173,540,158</b></u>

The financial statements set out on pages 10 to 19 were approved by the Trustee on .....2022 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 2021**

**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 2020</b>				
As at 1st January 2020	37,054,856	153,133,727	(29,883,550)	160,305,033
Surplus for the year		13,092,391	-	13,092,391
Changes in Fair value of investments		-	142,734	142,734
<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>
<b>For the year 2021</b>				
As at 1st January 2021	37,054,856	166,226,118	(29,740,816)	173,540,158
Net contributions	(3,353,469)	-	-	(3,353,469)
Surplus for the year		6,943,744	-	6,943,744
Prior year adjustment on interest recieved on calls		(5,491,036)	-	(5,491,036)
Changes in Fair value of investments			12,589,416	12,589,416
<b>As at 31st December 2021</b>	<b>33,701,387</b>	<b>167,678,827</b>	<b>(17,151,400)</b>	<b>184,228,813</b>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

**Statement of Cash Flows**

	2021 Kshs	2020 Kshs
<b>Cashflow from Operating Activities</b>		
Surplus for the year	6,943,744	13,092,391
<b>Net Cash flow from Operating Activities</b>	<u>6,943,744</u>	<u>13,092,391</u>
<b>Working Capital</b>		
( Increase) / Decrease in Interest receivables	5,737,849	(6,610,430)
Prior year adjustments on overstated interest recieved on calls	(5,491,036)	-
Increase / (Decrease) in payables and accruals	<u>36,421</u>	<u>(384,783)</u>
	<u>283,233</u>	<u>(6,995,213)</u>
<b>Net Cash Flow from Operating Activities</b>	<b>7,226,978</b>	<b>6,097,178</b>
<b>Cash Flow from Investing Activities</b>		
Unit Trust investments	(13,040,897)	9,587,511
Government securities	(739,389)	(6,936,350)
Quoted equities	(12,486,012)	(4,248,741)
Deposits on call	9,000,000	3,000,000
<b>Net Cash Flow used in Investing Activities</b>	<u>(17,266,298)</u>	<u>1,402,420</u>
<b>Cash Flow from Financing Activities</b>		
Changes in fair value of investments	12,589,416	(7,987,023)
Net unit holders funds	<u>(3,353,469)</u>	<u>762,116</u>
<b>Net Cashflow used in/ generated from Financing Activities</b>	<u>9,235,947</u>	<u>(7,224,907)</u>
<b>Net Cash Inflow/Outflow</b>	<b>(803,374)</b>	<b>274,690</b>
Cash and Cash equivalents at start of year	1,251,491	976,801
<b>Cash and Cash equivalents at end of year</b>	<u><u>448,118</u></u>	<u><u>1,251,491</u></u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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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 2021**

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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 2021**

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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 you hold for a year, you will have to convert the currency yet it's not certain what the exchange rate will be. The management engage good professionals who are able to mitigate the risk.

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**Notes (continued)**

<b>5. Interest income</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits on Calls	992,044	7,224,298
Unit Trust Investments	1,222,897	1,312,489
Treasury Bonds	8,670,324	8,403,417
	<u>10,885,265</u>	<u>16,940,205</u>

<b>6. Capital Gains</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
This relates to sale of shares	<u>503,064</u>	<u>147,132</u>

<b>7. Unit Trust Investments</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Investment in Fixed Income Fund	20,919,900	7,879,003
	<u>20,919,900</u>	<u>7,879,003</u>

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

<b>8. Government Securities</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
	<u>77,669,938</u>	<u>76,930,550</u>
	<u>77,669,938</u>	<u>76,930,550</u>

Government bonds includes treasury bonds and infrastructure bonds.

<b>9. Quoted Equities</b>	<b>2021</b>	<b>2020</b>
	<b>Kshs</b>	<b>Kshs</b>
Commercial and services	66,334,883	1,290,172
Commercial and services- KQ	-	52,558,699
	<u>66,334,883</u>	<u>53,848,870</u>

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**Notes (continued)**

	2021	2020
	Kshs	Kshs
<b>10 Deposits on Calls</b>		
NCBA	-	25,000,000
NCBA	<u>16,000,000</u>	<u>-</u>
	<u>16,000,000</u>	<u>25,000,000</u>
<b>11 Cash at Bank</b>		
	2021	2020
	Kshs	Kshs
Standard Chartered Securities	257,363	916,452
Kenya Commercial Bank	31,936	49,950
Absa Bank	1,464	1,790
Standard Chartered Bank	53,300	53,300
KCB Disbursement	<u>104,055</u>	<u>230,000</u>
	<u>448,118</u>	<u>1,251,492</u>
<b>12 Interest Receivables</b>		
	2021	2020
	Kshs	Kshs
Interest income on deposit on calls	1,089,766	6,852,225
Interest on Treasury Bonds	<u>1,887,562</u>	<u>1,862,951</u>
	<u>2,977,328</u>	<u>8,715,176</u>

Interest receivable is the Interest income accrued from Treasury Bonds and Calls on deposit which was not yet received at the end of the year.

**13 Correction of prior period errors**

Prior year adjustment is related to accrued interest receivable on calls that were previously overstated through the Statement of Comprehensive Income.

As per the International Accounting Standard (IAS 8), the below reflect corrections of prior period error that has been restated in the affected line item.

The following summarises the impact on the company's financial statements.

	As previously reported	Previous year adjustment	Restated*
	Kshs	Kshs	Kshs
a) Statement of comprehensive income			
Interest receivable on calls	<u>6,852,225</u>	<u>(5,491,036)</u>	<u>1,361,189</u>
b) Statement of Changes in Equity			
Opening balance	<u>166,226,118</u>	<u>(5,491,036)</u>	<u>160,735,082</u>

**14 Payables and Accruals**

	2021	2020
	Kshs	Kshs
Trustees fees	83,909	38,532
Audit fees accrual	<u>37,444</u>	<u>46,400</u>
	<u>121,353</u>	<u>84,932</u>

**ZIMELE UNIT TRUST BALANCED FUND  
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Notes (continued)

**15 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 (2020)					