

**ZIMELE UNIT TRUST
MONEY MARKET
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021**

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**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

AUDITOR

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 2021**

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

CHANGE TO INCORPORATION DOCUMENTS

Application for additional sub fund to the Zimele Unit Trust Funds was submitted on February 11, 2021 to Capital Markets Authority, which the Authority considered and reviewed the executed incorporation documents submitted therewith and was satisfied that they complied with the provisions of the Capital Markets (Collective Investment Schemes), Regulations, 2001. Consequently the approval was granted to register the fund as a sub fund of the Zimele Unit Trust Fund.

TOTAL VALUE OF THE FUND AS AT 31ST DECEMBER 2020

The market value of the fund as at 31st December 2021 was Kshs1,261,280,261

MEMBERSHIP

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

	2021	2020
	Members	Members
At start of year	7,369	5,345
Entrants	2,609	2,061
Closed accounts	(16)	
Transfers to Fixed Income	(9,962)	(37)
At end of year	<u><u>-</u></u>	<u><u>7,369</u></u>

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

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
.....

Date: 30/03 2022

For: KCB BANK KENYA LTD.


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

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
STATEMENT OF TRUSTEE'S RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2021**

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.

The Zimele Unit Money Market Fund is an approved Unit Trust within the meaning of Capital Markets Act;

The unit- holders are not liable for the debts of the Unit Trust;

The Zimele Unit Trust Money Market Fund is a securities fund investing in 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:

Date...30/03.....2022

For: KCB BANK KENYA LTD.


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 2021**

Dear Esteemed Unit Holder,

There are clear indications that the covid-19 pandemic may be waning going by the reduced intensity of the fifth wave. The combination of increased vaccinations and adherence to public health protocols has resulted in a steady reduction in new infections, hospitalizations and even deaths, suggesting the worst may be over. This is welcome news, and should continue to pave the way for a complete recovery of the economy and repairing of personal finances of millions of households that have been adversely affected by the pandemic.

It is now abundantly clear from the disruptive nature of the covid-19 pandemic that the best safeguard against sudden, unexpected and disruptive events is by having savings for emergencies. Whereas it might take a long time before the world experiences another global pandemic of the magnitude of covid-19, financing emergencies will continue to be the main disruptor of personal and household finances. The term "financial emergencies" and "emergency savings" are too broad and could be broken down further into three categories namely healthcare, bereavement and income disruption.

Healthcare emergencies are well understood but should also be based on the possibility that medical insurance covers may at times not be sufficient to cater for healthcare bills for various reasons. Bereavement emergencies relate to financial support to those who have lost loved ones and form an integral part of the architecture of our social support system. Finally, income disruption is where a person's regular income is interrupted either permanently through loss of employment or livelihood, or adjusted downwards through deterioration in business conditions if they are self-employed. Income disruption was a common occurrence after the onset of covid-19 especially to persons in sectors that were adversely affected by the various public health protocols and restrictions, and often resulted in unfavourable adjustments to lifestyle.

From a personal finance planning perspective, the question is whether to separate savings for the three emergency categories or to lump them all together. To start with, it seems that emergencies related to income disruption are more of a personal nature and therefore an individual should actively save towards having at least six months worth of living expenses. Granted, at the individual level is the challenge of raising sufficient savings to meet these emergencies as and when they arise, given the pressure of regular obligations that must be met every month. One of the solutions to meeting healthcare and bereavement emergencies is to pool together with family, relatives or friends by forming a welfare group. Regular contributions by members in a clearly defined setting would go a long way to funding these emergencies when they eventually strike. Please visit www.zimele.co.ke/group/ or get in touch with us for more information on how to get started.

Finally, we are yet again in a general election year with the usual anxiety over how the event might affect the financial market. Analysis of past general elections shows that risky assets tend to be affected the most in terms of price movements; risky assets include listed shares and investments denominated in foreign currencies. The price movements are usually influenced by euphoria or fear in the run-up to the elections. Fortunately, general elections do not appear to have an adverse effect on fixed income investments probably because they are comprised of debt instruments with clearly defined periodic payments of interest and payment of principal at maturity. Therefore, interest rates will continue to be influenced by demand and supply factors and liquidity conditions in the market for fixed income securities.

We would like to take this opportunity to thank you for your support and we shall ensure that you continue to enjoy good investment performance and a wonderful customer experience going forward.

5 Year Comparative Investment Performance

	ZMMF	TB-364	Inflation
2017	9.3%	11.0%	8.0%
2018	9.6%	10.4%	4.7%
2019	9.7%	9.5%	5.2%
2020	9.3%	8.6%	5.3%
2021	9.6%	8.6%	6.1%

Notes:

ZMMF: Zimele Fixed Income/Money Market Fund

TB-364: 364 days Treasury Bill Rate

Inflation: Overall rate of inflation

For: KCB BANK KENYA LTD.

For: KCB BANK KENYA LTD.

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 CORPORATE TRUSTEE
 For the Trustees:

.....

 CORPORATE TRUSTEE

Date..... 30/03 2022

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT
REPORT OF THE CUSTODIAN
FOR THE YEAR ENDED 31ST DECEMBER 2021**

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 Money Market Fund; and

•We have held the assets for the Zimele Unit Trust Money Market 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 Money Market Fund for the period of the year ended 31 December 2021

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 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.

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. The provisions are based on judgements and estimates made by management and as calculated using ECL model. We tested the calculation of the provisions based on the ECL model, and also 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

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 Capital Markets 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 fund manager's internal controls.

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 fund manager, so far as appears from our examination of those books; and

iii) The Funds 's statement of financial position and statement of comprehensive income 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-Practising No.2109***



**Certified Public Accountants
Nairobi, Kenya**

31 MARCH 2022

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement of Comprehensive Income

	Notes	2021 Kshs	2020 Kshs
Income			
Government Bills / Bonds	5	81,233,326	50,502,510
Bank Deposits	6	24,373,264	40,451,119
Total		<u>105,606,589</u>	<u>90,953,629</u>
Expenditure			
Bank charges		924,997	594,236
Newspaper publication fees		169,115	458,845
Management fees		18,372,006	21,141,687
Trustee fees		2,510,195	2,916,620
Custody fees		4,193,984	3,707,721
CMA Annual scheme fees		125,000	125,000
Secretarial Fees		102,807	143,867
Audit fees		276,992	189,120
AGM expenses		-	152,000
Bank Deposit written off Chase Bank		5,072,481	5,072,481
		<u>31,747,577</u>	<u>34,501,577</u>
Net surplus		<u>73,859,013</u>	<u>56,452,052</u>

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

Statement of Financial Position

	Notes	2021 Kshs	2020 Kshs
Non Current Assets			
Government Securities	7	-	504,553,139
Deposits on Calls	8	15,217,442	662,971,125
		<u>15,217,442</u>	<u>1,167,524,263</u>
Current Assets			
Cash at Banks	9	38,821,459	25,566,047
Interest Receivables	10	-	68,189,951
		<u>38,821,459</u>	<u>93,755,998</u>
TOTAL ASSETS		<u>54,038,901</u>	<u>1,261,280,261</u>
LIABILITIES			
CURRENT LIABILITIES			
Payables and Provisions	11	<u>1,010,978</u>	<u>472,753</u>
TOTAL NET ASSETS		<u>53,027,923</u>	<u>1,260,807,508</u>
FINANCED BY:			
Unit Holders' Funds		53,027,923	1,260,807,508
Members Net Worth		<u>53,027,923</u>	<u>1,260,807,508</u>

The financial statements set out on pages 11 to 19 were approved by the Trustee on2022 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 2021**

Statement of Changes in Equity

	Net Unit Holders' Funds	Retained Earnings Kshs	Changes in Fair Value of Investments Kshs	Total
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 year		56,452,052		56,452,052
Changes in Fair value of investment	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
For the year 2021				
As at 1st January 2021	1,005,393,757	337,896,641	(82,482,889)	1,260,807,508
Opening balance equity	(146,416)	15,986		(130,430)
Net contributions	345,420,913	(29,360,622)		316,060,291
Surplus for the year	-	73,859,013		73,859,013
Transfers to Fixed Income Fund	(1,680,051,348)			(1,680,051,348)
Changes in Fair value of investment	-		82,482,889	82,482,889
As at 31 st December 2021	(329,383,094)	382,411,018	0	53,027,923

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Statement of Cash Flows

	2021	2020
	Kshs	Kshs
CASHFLOW FROM OPERATING ACTIVITIES		
Surplus for the year	73,859,013	56,452,052
Net Cash Flows from operating Activities	<u>73,859,013</u>	<u>56,452,052</u>
Working Capital		
(Increase) / decrease in receivables	68,189,951	(41,785,693)
Prior adjustment on double counted receivable in year 2020	(29,491,052)	-
Increase / (decrease) in payables	<u>538,225</u>	<u>57,688</u>
	<u>39,237,124</u>	<u>(41,728,005)</u>
Net Cash Flows from Operating Activities	113,096,137	14,724,047
CASHFLOW FROM INVESTING ACTIVITIES		
Treasury Bills / Bonds	504,553,139	26,886,901
Transfers to fixed income during the year	(1,680,051,348)	-
Deposits on calls	<u>647,753,683</u>	<u>(322,246,317)</u>
Net cashflows used in Investing Activities	<u>(527,744,526)</u>	<u>(295,359,416)</u>
CASHFLOW FROM FINANCING ACTIVITIES		
Net unit holders funds	345,420,913	355,195,117
Changes in fair value of investments	<u>82,482,889</u>	<u>(82,482,889.46)</u>
Net cashflow from Investing Activities	<u>427,903,802</u>	<u>272,712,227</u>
Net Cash Inflow/Outflow	13,255,413	(7,923,142)
Cash and cash equivalents at start of year	25,566,046	33,489,190
Cash and cash equivalents at end of year	<u><u>38,821,459</u></u>	<u><u>25,566,046</u></u>

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

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 2021**

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

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 Holders' 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 2021**

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.

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

**ZIMELE UNIT TRUST MONEY MARKET FUND
ANNUAL REPORT AND FINANCIAL STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

Notes (continued)

	2021 Kshs	2020 Kshs
5. Income from Government Bills / Bonds		
Interest from Treasury Bonds	79,621,941	37,884,038
Interest from Treasury Bills	1,611,385	12,618,472
	<u>81,233,326</u>	<u>50,502,510</u>
	2021 Kshs	2020 Kshs
6. Income from Bank deposits		
Interest on deposits on Calls	18,899,688	40,491,699
Less : Expected Credit Loss	-	(40,580)
Interest incomes:Interest on Fixed Deposit	5,473,576	-
	<u>24,373,264</u>	<u>40,451,119</u>
	2021 Kshs	2020 Kshs
7. Government securities		
Treasury Bonds	-	448,822,858
Treasury Bills	-	55,730,280
	<u>-</u>	<u>504,553,139</u>
	2021 Kshs	2020 Kshs
8. Deposit on Calls		
Deposits on calls with Banks	-	642,681,202
Chase Bank (in Recievership)	15,217,442	20,289,923
	<u>15,217,442</u>	<u>662,971,125</u>

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Notes (continued)

9 Cash at Banks	2021	2020
	Kshs	Kshs
Standard Chartered Securities	24,289,834	17,937,728
Kenya Commercial Bank Limited	1,147,117	2,624,830
Barclays Bank Limited	1,227,408	71,071
Standard Chartered Bank Limited	5,977,253	1,311,210
Standard Chartered Bank Limited- Tanzania	12,393	12,393
KCB Disbursement	6,167,454	3,608,815
	<u>38,821,459</u>	<u>25,566,047</u>
	2021	2020
	Kshs	Kshs
10 Interests Receivable		
Interest on treasury bills receivable	-	10,702,988
Cummulative interest receivable	-	2,658,335
Interest on call deposits	-	54,828,628
	<u>-</u>	<u>68,189,951</u>

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

11 Payables and Provisions	2021	2020
	Kshs	Kshs
Trustee fees	693,406	283,633
Provision under IFRS9	40,580	-
Audit fees	276,992	189,120
	<u>1,010,978</u>	<u>472,753</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	-	-	-	-	15,217,442.34	5,072,480.78
Lifetime ECL	-	-	-	-	30,434.88	
Lifetime ECL (2020)	-	-	-	-	40,579.85	
Change In ECL Provision through the Retained Income					10,144.96	

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