

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021



**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2021**

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**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
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COMPANY INFORMATION

Board of Directors	Dr. David Ndi - Chairman George Ooko Njeri Karuki Peter Waa
Independent Auditors	Maritimes Associates LLP P.O. Box 3235 - 0506 Odyssey Plaza, South B Nairobi
Bankers	I&M Bank Ltd, P.O. Box 30238 00100, Nairobi. Standard Chartered Bank Ltd Yaya Branch P.O Box 76175-00508 Nairobi
Registered Office	Eco Bank Towers 7th Floor, Muindi Mbingu Street P.O Box 76528-00508 Yaya-Nairobi
Company Secretary	Kinga'ra & Advocates Certified Public Secretaries P.O Box 79510-00100 G.P.O-Nairobi

**ZIMELE ASSET MANAGEMENT COMPANY LIMITED
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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31st December 2021, which disclose the state of affairs of the company

Directorate

The Directors who held office during the year and to the date of this report are set on page 1.

Principal Activity

The Principal Activity of the company is to carry on the business of investment management services.

Results and Dividends

The net Profit/(Loss) for the year has been added to retained earnings.

Business Review

During the year, there was an increase of in turnover from Kshs 39.0m in 2020 to Ksh 48.7m in 2021 while total expenses rose from Kshs 35.7m in 2020 to Ksh 42.6 in 2021. This resulted in a pre tax profit of Ksh 6.0m in the year 2021.

Statement as to the disclosure to the company's auditors.

With respect to each director at the time of this report was approved:

- a) There is so far as the Directors are aware, no relevant audit information of which the company's auditor is unaware and;
- b) the Directors have taken all the steps that ought to have been taken as Director's as to be aware of any relevant audit information and to establish that the company's auditor is aware of that

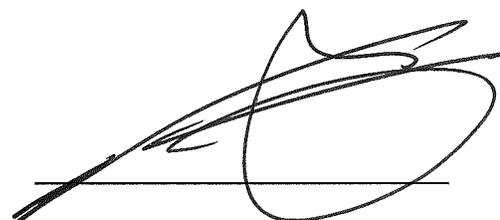
Auditors

The company auditors, Messrs Maritimes Associates, appointed during the year, have expressed their willingness to remain in office.

By Order of the Board

Director

Nairobi



Date

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ZIMELE ASSET MANAGEMENT COMPANY LIMITED FOR THE FINANCIAL YEAR ENDED 31ST DECEMBER 2021

Report on the Financial Statements

We have audited the accompanying financial statements of Zimele Asset Management Company Limited set out on pages 7 to 19 which comprises the statement of financial position as at 31st December 2021, and the statements of comprehensive income, statement of changes in equity and cashflow statement for the year ended and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company as at 31st December 2021 and of its cash flows for the year ended in accordance with the International Financial Standards (IFRS).

Auditors Responsibility

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the International Ethics Standard Board for Accountants Code of Ethics for professional Accountants (IESBA code) together with the ethical requirements that are relevant to an audit of financial statements in Kenya, and have fulfilled our ethical responsibilities in accordance with the requirements of the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate as a basis for our opinion.

Key Audit Matters

Key Audit matters are those that, in our professional judgement, were of most significance in our Company Financial Statements of the current year. These matters were addressed in the context of our Audit of the company Financial Statements as a whole and in forming our opinion and we do not provide a separate opinion on those matters, subject to the note on intangible assets.

Our Opinion on the Company Financial Statements does not cover the other information and we do not express any form of assurance or conclusion there on.

Other Information

In connection with our audit of the company 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 that we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

The Directors are responsible for the preparation of the company's financial statements that give a true and fair view in accordance with International Financial Reporting Standards for SMEs and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the Directors determine is necessary to enable the preparation of company financial statements that are free from material misstatement, whether due to fraud or error.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ZIMELE ASSET MANAGEMENT LIMITED (continued)**

Report on the financial statements (continued)

Directors' Responsibility for the Financial Statements

In preparing the company financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the company's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 judgment and maintain professional skepticism throughout the audit.

We also:

Identify and assess the risks of material misstatement of the company 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 of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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 Company's internal control.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists 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 exists, we are required to draw attention in our auditors' report to the related disclosures in the company's 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 our auditors' report.

**REPORT OF THE INDEPENDENT AUDITORS
TO THE MEMBERS OF ZIMELE ASSET MANAGEMENT LIMITED(continued)**

Report on the Financial Statements (continued)

Auditors' Responsibility for the Audit of the Financial Statements

However, future events or conditions may cause the company to cease to continue as a going concern.

Evaluate the overall presentation, structure and content of the company's Financial Statements, including the disclosures, and whether the company's financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Obtain sufficient appropriate audit evidence regarding the financial information of the entity to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the company audit. We remain solely responsible for our audit opinion

We communicate with Directors 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.

We also provide Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Directors, we determine those matters that were of most significance in the audit of the company's Financial Statements of the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other Legal and Regulatory Requirements

In our opinion, the information given in the report of the Directors on page 3 is consistent with the financial statements

As required by the Kenyan Companies Act, 2015 we report to you, based on our audit, that:

- In our opinion, proper books of account have been kept by the company, in so far as it appears from our examination of those books, and;
- The Company's Statement of Financial Position is in agreement with the books of account.

The Engagement partner responsible for the audit resulting in this independent auditor's report is CPA S.K.Maritim P/No. 1548.

Maritimes Associates LLP
Certified Public Accountants
Nairobi, Kenya

Date 22/03/2022

March 2022

Dear Esteemed Shareholder,

The business continued to grow in 2021 even as the country experienced the fifth wave of the covid-19 pandemic. Fortunately, 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. One of the lessons from the pandemic is the realization that our way of life could be disrupted without notice, even resulting in loss of income and livelihood. It can be argued that this has caused a behavioral change in lifestyle of some people causing them to focus more on saving, especially for emergencies, as a shield for rainy days. The security, convenience and comfort associated with having sufficient emergency savings suggests that the current trend of increased savings is likely to persist probably even after covid-19 ceases to be classified as a pandemic.

Another outcome of the pandemic is the reduced personal contact in business in favor of digital channels. The Board on its part has continued to facilitate investment in IT infrastructure to support the automation and digitalization of services in order to improve service delivery and enhance customer experience. This has resulted in far reaching efficiency gains, including cost reduction. For instance, last year 93% of new accounts were opened online compared to 63% only three years before; as a result, a total of 5,446 new accounts were opened in 2021 compared to 2,154 accounts in 2020. Total accounts in all the funds stood at 17,948 last year representing an increase of 43% from 2020.

The behavioral lifestyle changes mentioned earlier resulted in an increase in the inflow of funds to ksh.1.89 billion representing a growth rate of 55% compared to 2020. Related to this, inflows from M-Pesa more than doubled to ksh.668 million last year. The unit trust funds closed the year at ksh.1.97 billion which was an increase of 42% from 2020, while the pension funds crossed the half a billion mark to stand at ksh.504 million which was a growth of 22% from 2020. Consequently, total funds under management stood at ksh.2.47 billion representing an increase of 38% compared to 2020. On the financial outcomes of the business, total revenue grew by 25% to ksh.48.6 million while total expenses increased by 19% to ksh.42.6 million leading to a profit before tax of ksh.6 million and after-tax profit of ksh.5.1 million which was double the 2020 amount.

Cognizant of the need to maintain and increase the growth momentum, the Board would like to inform you that it approved the 2022 - 2026 strategic plan. The preceding strategic plan (2017-2021) focused on growing the money market fund and the guaranteed personal pension plan, the so-called *stable funds*, which cumulatively grew by 175% from ksh.775 million in 2017 to ksh.2.13 billion in 2021 or an annual growth rate of 22%. The current strategic plan intends to go beyond saving and focuses on the needs of the customer at three dimensions (Customer in 3D) that is, at the personal level, enterprise or business level and in the society, with a special emphasis on the needs of persons in the informal sector. Overall, the goal is to increase our market share ten-fold to 15% or ksh.45 billion by 2026, which should take us to the top tier of the unit trusts industry.

The Board would also like to draw your attention to regulatory developments on corporate governance that require your attention and action. The Capital Markets (Corporate Governance) Market Intermediaries Regulations 2011, section 3(1)(b) states that the Board of a market intermediary shall be composed of at least one-third independent and non-executive directors. The Board currently consists of four directors who are all non-executive, but are not independent by virtue of also being shareholders. To attain compliance, at least two independent and non-executive directors need to be appointed. However, the appointments will be preceded by amending the Company's articles of association through an extraordinary general meeting (EGM) since the current articles of association do not have provisions for independent directors.

Based on the favorable business performance last year, the Board would like to propose, subject to your approval, the payment of a cash dividend of ksh.2 million (ksh.1.3 million in 2021), which represents a payout ratio of 39% (52% in 2021) of the profit after tax or ksh.0.64 per ordinary share (ksh.0.41 in 2021). This will be the second time the company will be paying a cash dividend, and fourth time shareholders are receiving a distribution of profits, after having received bonus shares in 2017 and 2018. The Board will strive to



ZIMELE

2022 Chairman's Report

ensure that the business continue to perform well in order to maintain a sustainable dividend policy into the future.

Finally, on behalf of the Board of Directors, Management and Staff, I would like to express our gratitude for your commitment and support through the years as we continue with our journey, and look forward to celebrate our silver jubilee in 2023.

Sincerely,

Dr. David Ndi,

Chairman

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STATEMENT OF COMPREHESIVE INCOME		2021 Kshs	2020 Kshs
GROSS INCOME	<i>Notes</i>		
Revenue	4	48,742,045	39,008,851
Total Income		48,742,045	39,008,851
Less:			
Direct Service Costs	5	608,120	750,100
Administrative Expenses	6	36,477,267	29,322,483
Establishment Expenses	7	4,780,506	4,770,706
Finance Costs	8	777,318	841,835
Total Expenses		42,643,209	35,685,124
Profit Before Tax		6,098,836	3,323,727
<u>Other Comprehensive Income</u>			
Impairment Expenses (ECL)		579,040	-
		5,519,796	3,323,727
Corporation Income Tax	9	(740,720)	(830,932)
Total Comprehensive Income		4,779,076	2,492,795

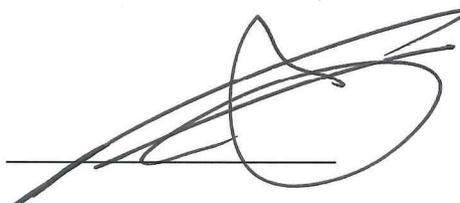
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STATEMENT OF FINANCIAL POSITION		2021	2020
		KShs	KShs
ASSETS	Notes		
Fixed Assets			
Property and Equipment	19	1,363,302	1,240,765
Right to Use Asset	20	6,390,866	10,524,806
Intangible Assets	11	15,493,170	14,918,070
		23,247,338	26,683,641
CURRENT ASSETS			
Bank and Cash Balances	14	4,397,579	4,840,454
Fixed Deposit Accounts	15	10,490,495	6,821,508
Prepayments, Trade and other receivables	12	12,069,693	14,338,993
Unit Trust Funds	16	6,261,233	5,714,406
Prepaid Tax	17	765,483	28,823
		33,984,484	31,744,184
Total Assets		57,231,822	58,427,825
EQUITY AND LIABILITIES			
Share Capital	10	31,460,000	31,460,000
Share Premium		345,000	345,000
Retained Earnings		9,606,174	6,423,302
		41,411,174	38,228,302
LONG TERM LIABILITIES			
Shareholders' Loan	18	5,600,000	5,600,000
Finance Lease Liability	21	6,390,866	10,524,806
		11,990,866	16,124,806
CURRENT LIABILITIES			
Trade and other Payables	13	3,089,062	3,606,611
Tax Due Payable	13	740,720	468,106
		3,829,782	4,074,717
TOTAL EQUITY AND LIABILITIES		57,231,822	58,427,825

These accounts were approved by the Board of Directors on 22/03/ 2022
and signed on its behalf by:-



Director



Director

ZIMELE ASSET MANAGEMENT COMPANY LIMITED
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STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL Kshs	SHARE PREMIUM Kshs	REVENUE RESERVE Kshs	Total Kshs
<u>Year ended 31st December 2021</u>				
Balance as at 1st January 2021	31,460,000	345,000	6,423,302	38,228,302
Dividends paid	-	-	(1,300,000)	(1,300,000)
Shareholder Loan adjustment			(326,665)	(326,665)
Prior Year Adjustments	-	-	30,460	30,460
Net (loss)/profit for the year	-	-	4,779,076	4,779,076
Balance as at 31st December 2021	31,460,000	345,000	9,606,174	41,411,174

Year ended 31st December 2020

Balance as at 1st January 2020	31,460,000	345,000	4,037,094	35,842,094
Impairment Adjustment	-	-	48,724	48,724
Reversal of Interest Receivable	-	-	(155,311)	(155,311)
Net (loss)/profit for the year	-	-	2,492,795	2,492,795
Balance as at 31st December 2020	31,460,000	345,000	6,423,302	38,228,302

The Adjustment is necessary to record a reduced level of impairment provision in the current year.

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CASHFLOW STATEMENT

	2021	2,020
	Kshs	Kshs
Operating Activities		
Net profit before tax	6,098,836	3,323,727
Adjustment for :		
Depreciation	404,848	326,701
Impairment	(579,040)	0
Adjustments	(1,596,205)	(106,587)
Corporation Tax	(740,720)	(830,932)
Operating balance before working capital changes	3,587,719	2,712,909
Changes in working capital:-		
Decrease/(Increase) in trade and other receivables	2,269,300	(6,010)
(Decrease)/Increase in trade and other payables	(517,549)	613,013
Increase in provision for income Tax	272,614	0
Obligations under Finance Lease	(4,133,940)	(10,524,806)
Tax paid	(736,660)	333,111
Net Cash from operating activities	741,484	(6,871,783)
Net Cash flow from investing activities		
Software development	(575,100)	(305,400)
FD Account	(3,668,987)	(379,508)
Effects of Right to Use Assets	4,133,940	10,524,806
Purchase of fixed assets	(527,386)	(232,000)
Investments (Unit Trust Fund)	(546,828)	237,154
	(1,184,361)	9,845,052
Net increase in cash and cash equivalents	(442,876)	2,973,269
Cash and cash Equivalent at the start of the year	4,840,454	1,867,185
Balance at the end of the Period - 31.12.2021	4,397,578	4,840,454

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Notes to the Financial Statements

1 General Information

Zimele Asset Management Company Limited is a limited Liability company and is regulated by the Capital Markets Authority and the Retirement Benefits Authority. Its registered address and place of business is shown in the company information page.

2 Summary of Significant Accounting Policies

a) Statement of Compliance

The Financial Statements are prepared in accordance with International Financial Reporting

b) Application of New and Amended IFRSs

Relevant New and Revised IFRS Published in the Relevant Reporting Period.

- | | | |
|-----|---|---|
| i | IAS 1 Disclosure Initiative | Amended to require an entity to provide disclosures that enable users of Financial Statements evaluate the effect of changes in liabilities arising out of financing activities both cash and non cash. |
| ii | IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses | Amended to clarify - Entity should pay all the contractual cash flows if unrealized losses on a debt instrument measured at fair value and tax base remains at cost gives rise to a temporary deductible difference if sold. |
| iii | Annual Improvements to IFRSs 2014-2016 | Annual Improvements to IFRSs 2014-2016 Cycle affecting IFRSs IFRS 12 - Amended to clarify that an entity needs not provide summarised financial statements information for interests in subsidiaries, associates or joint ventures classified as held for |
| iv | IFRS 10, 12 and IAS 28 Investment Entities and Applying Consolidation Exception | Amended to clarify that exemption to consolidated Financial Statements is available to a parent if the investing entity measures all its subsidiaries at fair value in accordance with IFRS 10. |
| v | IAS 12 Recognition of Deferred Tax Assets for Unrealized Losses | Amended to clarify - Entity should pay all the contractual cash flows if unrealized losses on a debt instrument measured at fair value and tax base remains at cost gives rise to a temporary deductible difference if sold. |

Relevant New and Amended Standards and Interpretations in Issue in the Reporting Period.

IFRS 9	Financial Instruments	Effective 1 January 2018, Earlier
IFRS 15	Revenue from Construction Contracts	Effective 1 January 2018, Earlier
IFRS 16	Leases	Effective 1 January 2018, Earlier
IAS 7	Amendments	Effective 1 January 2018, Earlier
IAS 12	Amendments	Effective 1 January 2017, Earlier

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Impact of New and Amended Standards on the Financial Statements and Future Reporting Periods

IFRS 9 - Key Requirements

All financial assets that are within the scope of IFRS 9 are required to be measured at amortized cost or fair value (FVTOCI). These include debt instruments that the entity expects to collect contractual cash flows. IFRS 9 requires that the change in value of a financial asset attributable to a credit risk be presented in the statement of comprehensive income. Further IFRS 9 requires an expected credit loss model as opposed to the incurred loss model as per IAS 39. IFRS 9 has introduced a greater flexibility on the types of Hedge accounting and has specifically broadened the types of hedge instruments emphasizing on economic relationships. IFRS 9 has been adopted in the current financial year where upon the resultant lifetime ECL has been dealt with in the FVTPL.

The application of IFRS 9 has no significant impact on the cash flows of the Company and all the other cited IFRSs will not have a significant impact on amounts reported in the financial statements.

2 Notes to the Financial Statements

c) Revenue Recognition

Revenue represents income from Fund Management based on agreed rates of interest in the Money Markets, Balanced Funds, Group Pensions and Personal Pensions portfolios. Income is accrued daily on the entire portfolio balance.

Interest income is recognized using the effective rate method and recorded in the period it is earned.

d) Property and Equipment

All categories of property and equipment are initially recognized at historical cost less accumulated depreciation and accumulated impairment losses.

Where assets are revalued, the fair value is recorded in the accounts by eliminating the accumulated depreciation and amortization against the gross carrying amount, while the net book value is restated to fair value through FVTOCI. Subsequent costs are included in the asset's carrying value only when it is probable that future economic benefits associated with the item will flow to the university and the cost of the item can be measured reliably. Repairs and maintenance is charged to the Statement of Comprehensive Income in the year to which it relates.

Depreciation is calculated using the reducing balance method to write off the cost of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate (%)
Furniture & Fittings	12.5%
Computers & Printers	30.0%
Office Equipment	12.5%

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Notes to the Financial Statements

e) Financial Assets

Trade and other receivables are initially recognized at the transaction price. At the end of each reporting period, the carrying amounts of receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately through the statement of Comprehensive Income. Further these assets are also subjected to the requirements of IFRS 9.

f) Financial Liabilities and Borrowings

Financial liabilities are initially recognized at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method. Interest expenses are dealt with through the Statement of Comprehensive Income.

g) Provisions, Accruals for Liabilities and Charges

Provisions and accruals are recognized when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

h) Inventories

Inventories are stated at the lower of cost and net realizable value.

l) Leases

Leases in which a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement in the year incurred. However, the revised IFRS 16 requires that a Right- to-use shall be recognized as an asset upon determining the present value of the future cash outflows which shall appropriately be depreciated on straight line basis on all rental expenses. Further, Obligations under operating leases shall be recognized as a liability and amortized on the basis of annual amounts paid. The company intends to implement this standard in full.

j) Borrowings and Borrowing Costs

All borrowing Costs are recognized in the Statement of Comprehensive Income in the year in which they occur. Borrowings are stated at amortized cost and classified into short and long term portions appropriately.

k) Retirement Benefit Obligations

The company and the employees contribute to the National Social Security Fund, a national defined contribution scheme. Contributions are determined by local statute and the company's contributions are charged to the profit and loss account in the year to which they

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Notes to the Financial Statements

l) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, term and call deposits with banking institutions and other short-term highly liquid investments in money market instruments with maturities of three months or less from the date of acquisition net of banking facilities, overdrawn accounts and/or overdrafts.

m) Comparatives

Where necessary, the comparative amounts have been adjusted, reclassified, redescribed or redisclosed to comply with the financial reporting requirements.

3 Financial Risk Management Objectives and Policies

The Company's activities expose it to a variety of financial risks including credit liquidity and interest rates risks and changes in market prices of the Company's products. The Company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Company does not hedge any risks and has in place policies to ensure that credit is extended to customers with an established credit history.

a) Foreign Exchange Risks

The Company operates wholly in Kenya and all its assets and liabilities are denominated in Kenya Shilling. It has limited transactions in foreign exchange. The Board believes that there is

b) Price Risks

The Company does not hold any financial instruments and transactions that are subject to price risks.

c) Interest Rate Risk

The Company's interest rate risk arises from long term borrowings. The Company monitors financing options available to ensure minimal exposure to interest rate fluctuations.

d) Cash flow Management Risk

The Company has put in place a budget which guides its operations. Further sustained debt collections are undertaken to manage cash flow challenges.

e) Credit Risk

The Company faces exposure to credit risk if the contractual parties do not meet their obligations on time. However, plans are in place to access working capital funds from short term

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Notes to the Financial Statements

	2021	2020
	KShs	KShs
4 REVENUE		
Fund Management fees	44,731,656	34,177,842
Fund administration fees	-	480,204
Interest on investment	878,528	1,250,805
Business advisory and projects	3,131,862	3,100,000
	48,742,045	39,008,851
5 Business Advisory		
Disbursements	608,120	750,100
	608,120	750,100
6 Administrative expenses		
Salaries and wages	26,840,279	22,696,908
Risk and Compliance Services	1,200,000	0
Office consumables	1,199,186	933,500
Staff Training	93,361	64,791
External audit fees	142,100	142,100
Internal audit	300,000	200,000
Accounting fee	-	8,219
Business Development and marketing	1,212,422	953,755
Telephone,internet and postage	134,470	1,064,783
Transport	331,850	115,330
Accounts publication	349,407	353,848
Inpatient medical cover	862,552	868,673
Computer Expenses and ICT Costs	1,448,839	94,600
Group life cover	533,420	269,693
Professional indemnity	15,068	15,068
All risk, Burglary and fire	20,036	20,036
Newspapers and periodicals	64,700	48,000
Company Secretarial services	156,082	134,663
Board Meeting Expenses	711,737	582,860
Donations for Covid 19	-	50,000
Medical fees reimbursement	278,036	162,080
Printing and stationery costs	583,722	485,036
Fines and penalties	-	58,540
	36,477,267	29,322,483
7 Establishment Expenses		
Rent Expenses	4,133,940	4,133,940
Repairs & Maintenance	101,718	170,065
Licenses and subscriptions	140,000	140,000
Depreciation	404,848	326,701
	4,780,506	4,770,706

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	2021 Kshs	2020 Kshs
8 Finance costs		
Bank charges	56,322	57,835
Interest on shareholders loan	-	784,000
	777,318	841,835
9 Corporation Tax		
Tax B/f	-	134,995
Current tax	1,655,939	812,569
Less: instalment paid	(736,660)	(479,458)
Income Tax withheld	(178,559)	-
Tax Due	740,720	468,106

Income tax is calculated at 30% of estimated assessable profit for the year

10 Share Capital		
Authorised Share Capital		
3,500,000 Ordinary Shares of Kshs 10/-	35,000,000	35,000,000
500,000 Preference Shares of kshs 10/-	5,000,000	5,000,000
	40,000,000	40,000,000
Issued and Fully Paid up:-		
3,146,000 Ordinary Shares of Kshs 10/-	31,460,000	31,460,000
At 31st December 2020/2021	31,460,000	31,460,000
11 Intangible asset		
Balance brought forward	14,918,070	14,612,670
Development during the period	575,100	305,400
	15,493,170	14,918,070
	15,493,170	14,918,070

These are system development costs internally incurred to bring to software to work and are capitalized. No amortization is charged on this assets as Management is of the view that the company is deriving value from the asset.

12 Trade Receivables		
Accounts Receivable	10,260,123	12,628,332
Expected Lifetime Loss Allowance	(579,040)	(667,526)
	9,681,083	11,960,806
With holding Tax	125,087	125,087
Prepayments and deposits	1,908,605	1,908,605
Dividends Refundable	10,423	-
Rent Deposits	344,495	344,495
	12,069,693	14,338,993

Effect of IFRS 9 on Trade Receivables

Using the Simplified Approach Model set out in IFRS 9, the Table below details the Risk Profile of Receivables based on the Company's Risk Matrix.

	Band 1	Band 2	Band 3	Band 4	Band 5	Total
Time Bands	Within 30	31-60	61-90	91-120	Over 120	Ksh
ECL Rate	0%	1%	2%	4%	6%	
Amount at Default	1,324,874	-	-	-	9,650,670	10,975,544
Lifetime ECL	-	-	-	-	579,040	579,040

All debtors have been assessed under one category. The Lifetime ECL has been collectively assessed and not individually assessed as they are closely homogenous. Other debtors are prepayments and deposits for services hence not assessed.

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	2021	2020
	Kshs	Kshs
13 Accounts Payables		
Creditors and Accruals	2,066,081	2,784,168
Payroll Liabilities	1,022,981	822,443
Tax Payable	740,720	468,106
	3,829,782	4,074,717
14 Bank and Cash Balances		
Cash at Hand	35,840	154,746
I&M Savanna Current Acc	69,678	56,279
Cash Dividends Account	399,559	-
SCBK Current Account	3,892,502	4,629,429
	4,397,579	4,840,454
<p>In the opinion of Directors cash and cash equivalents are not subject to liquidity risk as they are held in reputable institutions.</p>		
15 Fixed Deposits		
I&M Fixed Deposit Account	6,000,000	5,400,000
I&M Call Account	3,025,502	-
SCB Fixed Deposit Account	1,042,000	1,042,000
SCB FD Interest Receivable	422,993	379,508
	10,490,495	6,821,508
16 Unit Trust	6,261,233	5,714,406
17 Prepaid tax	765,483	28,823
18 Shareholders Loan	5,600,000	5,600,000
	5,600,000	5,600,000

This is a Long Term Shareholder Loan from a related party at an agreed interest rate of 14% p.a (Jan to June 2021) and 11.75% p.a (July to Dec 2021)

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Notes to the Financial Statements

19 PROPERTY, PLANT AND EQUIPMENT

Year 2021 Cost or Valuation	Furniture and Fittings Kshs	Office Equipment Kshs	Computers & Equipment Kshs	TOTAL Kshs
At Start	3,657,820	370,080	9,382,083	13,409,983
Additions	-	-	527,386	527,386
At end of year	3,657,820	370,080	9,909,469	13,937,369
<u>Depreciation</u>				
At Start	3,115,321	194,885	8,859,012	12,169,218
Charge for the year	67,812	21,899	315,137	404,849
At end of year	3,183,133	216,784	9,174,149	12,574,067
Net Book Value 31.12.2021	474,687	216,784	735,320	1,363,302
Year 2020				
Cost or Valuation	Furniture and Fittings	Office Equipments	Computers & Equipment	TOTAL Kshs
At Start	3,530,820	370,080	9,277,083	13,177,983
Additions	127,000	-	105,000	232,000
At end of year	3,657,820	370,080	9,382,083	13,409,983
<u>Depreciation</u>				
At Start	3,037,821	169,857	8,634,839	11,842,517
Charge for the year	77,500	25,028	224,173	326,701
At end of year	3,115,321	194,885	8,859,012	12,169,218
Net Book Value 31.12.2020	542,499	175,195	523,071	1,240,765

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Notes to the Financial Statements	2021	2020
	Kshs	Kshs
20 Right to Use Asset	6,390,866	10,524,806
	<u>6,390,866</u>	<u>10,524,806</u>
21 Finance Lease Liability	6,390,866	10,524,806
	<u>6,390,866</u>	<u>10,524,806</u>

The company holds a 6 year office rental lease whose escalation rate is 5% per annum on an annual payment of Kshs 4,133,940. IFRS 16 requires that the Present Value of the lease payments be recognized as a Right of Use Asset and as a Finance Lease Liability.

22 Capital Commitments

Authorized and Committed
 Authorized and not Committed

-	-
-	-
-	-

The company in the year of audit had no commitments of a capital nature.

23 Employees

The average no of employee in the year was

15	15
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24 Related Party Transactions

Transaction with related parties were at arms-length i.e. willing buyer willing seller terms.

25 Contingent Liabilities & Post Balance Sheet Events

The Directors do not have any information on any contingencies and events after the Balance Sheet Date that may materially affect the disclosures in these Financial Statements.

26 Liquidity Risk

The risk of not meeting financial obligations when they fall due. The company's liquidity is healthy since the current liabilities are less than the current asset s.

	2021	2020
	KShs.	KShs.
Current Assets	33,984,484	31,744,184
Less Current Liabilities	(3,829,782)	(4,074,717)
Net Current Assets	<u>30,154,702</u>	<u>27,669,467</u>

27 Going Concern

The Directors of the company have made an assessment of the company's ability to continue as a going concern and is satisfied that the company has the resources to continue in business into the foreseeable future. Further there is no uncertainty that casts significant doubt in the future of the company. The financial statements, have therefore been prepared on a going concern basis.

28 Capital Management Risk

The company's policy is to maintain a strong capital base so as to attract and maintain investor, creditor and market confidence to sustain any future development and expansion of the company's business. It has further taken cognizance of the fact that it needs to adequately reward its shareholders while at the same time managing the exposure to high gearing ratio.

29 Market Risks

The risk arising from market price changes which may affect income. Management continuously monitors the rate of return and the market dynamics in order to ensure profitability.

30 Reporting Currency and Precision

The financial statements have been presented in Kenya Shillings (KShs) to the nearest Shilling.

31 Incorporation

The company is registered as a limited liability company under the Companies Act Cap2015, Laws of Kenya and is domiciled in Kenya.