

**ZIMELE UNIT TRUST  
BALANCED FUND  
REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**AUDITOR**  
MD Light & Associates  
**(Formerly Muli Daniels & Associates)**  
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 2022**

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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**TRUSTEE**

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

**AUDITOR**

MD Light & Associates  
**(Formerly Muli Daniels & Associates)**  
Certified Public Accountants  
[info@mulidaniels.co.ke](mailto:info@mulidaniels.co.ke)  
SkyGo House, Mombasa Road  
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**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**TRUSTEE'S REPORT**

The Trustee submits its report together with the audited financial statements for the period ended 31st December 2022 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 2022**

The market value of the fund as at 31st December 2022 was Kshs **178,924,174**

**MEMBERSHIP**

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

	<b>2022</b>	<b>2021</b>
	<b>Members</b>	<b>Members</b>
At start of year	4,128	4,076
Entrants	115	57
Exits	(6)	(5)
At end of year	<u><u>4,237</u></u>	<u><u>4,128</u></u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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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**

MD Light & 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.

Date: 22 March 2023  
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 2022**

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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 the Trustees:**

For: KCB BANK KENYA LTD.

Date: 22 Nov 2023

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

CORPORATE TRUSTEE

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FUND MANAGER COMMENTARY  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The confluence of local and global shocks last year resulted in a further decline in the value of shares of companies listed at the Nairobi Securities Exchange (NSE). Supply constraints following the easing of covid-19 restrictions caused commodity prices to rise, which was expected after two years of depressed economic activity. Unfortunately, Russia's incursion into Ukraine halted a much-awaited economic recovery and instead put more pressure on global supply chains causing prices of goods, especially petroleum products, to rise significantly.

On the domestic front, a biting drought arising from five consecutive failed rain seasons continued to dampen agricultural production and caused food prices to soar, which together with the substantial increase in the price of fuel, resulted in an unfortunate and painful rise in the cost of living.

The prevailing theme across the world last year was steadily rising prices of goods and services, otherwise known as inflation. In response, central banks around the world concertedly raised interest rates sharply in an effort to make money expensive in an attempt to slow down the rate of price acceleration. Locally, inflation averaged 7.6% last year compared to 6.1% in 2021 as the central bank rate (CBR) moved from 7% in January to 8.75% at year-end in an effort to rein in inflation. At the global level, the US central bank raised its policy rate from 0% in January to 4.5% in December leading to an unprecedented strengthening of the US dollar as capital flowed from developing and emerging markets like Kenya back to the USA. As a result, the shilling weakened by 9% against the dollar to ksh.123.37 last year compared to a decline of 3.6% in 2021 to ksh.113.14.

The effects of a weak shilling are translated into the economy through the trade channel and the financial channel. On the trade channel, a weak shilling is a boon to exports and last year actually pushed export earnings up by 18% to ksh.873 billion. However, the fact that Kenya is heavily Additionally, supply constraints and the weak shilling are expected to hit hard profits of most listed companies since most companies rely on imported items, whether they are in manufacturing or services. Taking a cue from these developments, most foreign investors chose to fly their capital back to the safety of the US dollar in an effort to cut losses on the falling shilling and impending decline in profitability of most listed companies. Subsequently, net inflows from foreign investors last year were negative to the tune of ksh.24 billion implying most foreign investors were pulling their money out of the NSE.

By extension, the value of all listed companies at the NSE declined by ksh.615 billion or 24% to ksh.1.98 trillion last year as the market continued to take a beating from external and internal forces outlined earlier. Market indices mirrored the trend in share prices, the NSE all share index declined by 24% while the NSE 20 share index shed 12% of its value. By comparison, the Zimele Balanced Fund declined by 3% largely because a greater portion of its assets were invested in fixed income securities, which helped to cushion against the falling share prices.

But what does all this mean for investors? First, share prices are cyclical meaning that over time share prices will usually swing up and down due to various factors. When the market swings downwards shares of viable companies are on offer at discounted prices, which makes it the best time to buy, and the converse also applies. However, timing the market is not easy, and when share prices are falling the psychological factor makes it difficult for most investors to remain level-headed to make the right decision. Fortunately, this is where the Zimele Balanced Fund comes in for those with a moderate risk tolerance, and a medium to long term outlook who do not want to time the market. The recommended approach is investing regularly, preferably monthly, to take advantage of market cycles, this approach has been tried and tested and has yielded better performance compared to trying to time the market.

The slump in share prices is expected to continue until the factors driving high inflation start to abate, this is because high inflation causes investors to demand high interest rates as compensation, which makes shares unattractive. Although it is not clear when the high interest rates environment will start to subside, going by past trends, the era of lower interest rates will eventually return and share prices will bounce back.

**Table 1: 5 year investment performance**

	ZBF	NAS Index	Inflation
2022	-3.2%	-23.4%	7.6%
2021	13.7%	9.3%	6.1%
2020	0.9%	-8.4%	5.3%
2019	21.1%	18.7%	5.2%
2018	1.5%	-18.0%	4.7%

**Table 2: Highest and Lowest Net Asset Values (NAV) Over 5 Year Period**

	2022	2021	2020	2019	2018
Highest Price	9.8449	10.1126	8.3594	8.2379	7.2136
Lowest Price	9.1174	8.3312	7.6749	7.2298	6.7425
Average Price	9.4122	9.3811	7.9564	7.5219	6.7149

**Table 3: The Net Surplus Distribution Table for the 5 Year Period**

	2022	2021	2020	2019	2018
Net Surplus	9,910,715	6,943,744	7,601,355	10,316,999	10,843,140
Surplus Distributed Per Unit	0.52	0.35	0.38	0.47	0.49

**Table 4: The Closing Fund under Management (FMU) and Units in Issue over the 5 Year Period**

	2022	2021	2020	2019	2018
Total Fund Value	179,063,467	184,350,166	173,540,158	168,142,390	170,292,300
Price Per Unit	9.4562	9.2634	8.3312	8.2305	6.8412
Number of Units in Issue	18,936,091	19,900,842	19,869,048	20,394,132	23,880,150

**Notes:**

**ZBF:** Zimele Balanced Fund

**NAS Index:** NSE All Share Index

**Inflation:** Overall rate of inflation



**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF CUSTODIAN  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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 2022:

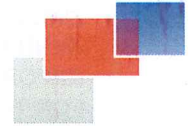
- We have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to Zimele Unit Trust Balanced Fund; and
- We have held the assets for the Zimele Unit Trust Balanced Fund, including securities and income that accrue thereof, to the order of the Fund Manager and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

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

STANDARD CHARTERED BANK KENYA LTD.

Manager.....

Date..... 22 MARCH ..... 2023



**Report of the Independent auditor to the members of Zimele Unit Trust Balanced Fund for the period of the year ended 31 December 2022**

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**Opinion**

We have audited the accompanying financial statements of Zimele Unit Trust Balanced Fund, set out on pages 10 to 17, which comprise the statement of financial position as at 31 December 2022, 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**

23 MARCH ..... 2023

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Statement of Comprehensive Income**

	Notes	2022 Kshs	2021 Kshs
<b>Income</b>			
Dividend income		3,195,909	2,078,399
Interest income	5	12,007,982	10,885,265
Capital gains	6	1,177,881	503,064
<b>Total</b>		<b><u>16,381,772</u></b>	<b><u>13,466,728</u></b>
<b>Expenditure</b>			
Bank charges		24,143	28,776
News paper publication expenses		25,486	21,435
Management fees		5,074,898	5,146,325
Trustee fees		520,786	516,631
Custody fees		690,762	657,927
CMA annual scheme fees		15,000	25,000
Secretarial fees		85,364	89,446
Audit fees		35,039	37,444
		<b><u>6,471,478</u></b>	<b><u>6,522,983</u></b>
<b>Unrealised Gains Losses on equities</b>			
<b>Net surplus</b>		<b><u>9,910,295</u></b>	<b><u>6,943,744</u></b>

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

**Statement of Financial Position**

	Notes	2022 Kshs	2021 Kshs
<b>Non Current Assets</b>			
Unit Trust Investments	7	18,957,222	20,919,900
Government Securities	8	84,631,546	77,669,938
Quoted Equities	9	55,859,453	66,334,883
Call Deposits	10	16,000,000	16,000,000
		<u>175,448,221</u>	<u>180,924,720</u>
<b>Current Assets</b>			
Cash at Bank	11	650,620	448,118
Interest Receivables	12	2,860,371	2,977,328
		<u>3,510,991</u>	<u>3,425,446</u>
<b>TOTAL ASSETS</b>		<u><u>178,959,213</u></u>	<u><u>184,350,166</u></u>
<b>Current Liabilities</b>			
Payables and Accruals	14	<u>35,039</u>	<u>121,353</u>
<b>TOTAL NET ASSETS</b>		<u><u>178,924,174</u></u>	<u><u>184,228,813</u></u>
<b>FINANCED BY:</b>			
Unit Holders' Funds		31,324,057	33,701,387
Reserves		147,600,117	150,527,426
<b>MEMBERS NET WORTH</b>		<u><u>178,924,174</u></u>	<u><u>184,228,813</u></u>

The financial statements set out on pages 10 to 19 were approved by the Trustee on 22 MARCH 2023 and signed on their behalf by:

For: KCB BANK KENYA LTD.

.....  
CORPORATE TRUSTEE  
TRUSTEE

For: KCB BANK KENYA LTD.

.....  
CORPORATE TRUSTEE

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**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 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 adjustments on interest received on calls		(5,491,036)		(5,491,036)
Changes in Fair value of investments		-	12,589,416	12,589,416
<b>As at 31 st December 2021</b>	<b>33,701,387</b>	<b>167,678,826</b>	<b>(17,151,400)</b>	<b>184,228,813</b>
<b>For the year 2022</b>				
As at 1st January 2022	33,701,387	167,678,826	(17,151,400)	184,228,813
Net contributions	(2,377,330)	-	-	(2,377,330)
Surplus for the year		9,910,295	-	9,910,295
Prior year adjustment		38,533		38,533
Changes in Fair value of investments		(26,637,498)	13,761,360	(12,876,138)
<b>As at 31st December 2022</b>	<b>31,324,057</b>	<b>150,990,156</b>	<b>(3,390,040)</b>	<b>178,924,173</b>

Prior year adjustment of Shs. 38,533 relate to trustee fee accrual balance. Mumias write off Shs. 26,637,498 was on the basis of the company being suspended from listing at the NSE and is no longer deemed to be a going concern.

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Statement of Cash Flows**

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cashflow from operating activities</b>		
Surplus for the year	9,910,295	6,943,744
<b>Net Cash flow from operating activities</b>	<u><b>9,910,295</b></u>	<u><b>6,943,744</b></u>
<b>Working capital</b>		
( Increase) / Decrease in Interest receivables	116,956	5,737,849
Prior year adjustments on overstated interest recieved on calls	38,533	(5,491,036)
Increase / (Decrease) in payables and accruals	(86,314)	36,421
	<u><b>69,175</b></u>	<u><b>283,234</b></u>
<b>Net cash flow from operating activities</b>	<b>9,979,470</b>	<b>7,226,978</b>
<b>Cash flow from investing activities</b>		
Unit trust investments	1,962,677	(13,040,897)
Government securities	(6,961,608)	(739,389)
Quoted equities	10,475,430	(12,486,012)
Call deposits	-	9,000,000
<b>Net cash flow used in investing activities</b>	<u><b>5,476,499</b></u>	<u><b>(17,266,298)</b></u>
<b>Cash flow from financing activities</b>		
Changes in fair value of investments	(12,876,138)	12,589,416
Net unit holders funds	(2,377,330)	(3,353,469)
<b>Net cashflow used in/ generated from financing activities</b>	<u><b>(15,253,468)</b></u>	<u><b>9,235,947</b></u>
<b>Net Cash Inflow/Outflow</b>	<b>202,501</b>	<b>(803,374)</b>
Cash and Cash equivalentents at start of year	448,117	1,251,491
<b>Cash and Cash equivalentents at end of year</b>	<u><u><b>650,619</b></u></u>	<u><u><b>448,117</b></u></u>

**ZIMELE UNIT TRUST BALANCED FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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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 2022**

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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.

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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)

5. Interest income	2022 Kshs	2021 Kshs
Call deposits	1,164,597	992,044
Unit trust Investments	1,755,323	1,222,897
Treasury Bonds	9,088,063	8,670,324
	<u>12,007,982</u>	<u>10,885,265</u>

6. Capital gains	2022 Kshs	2021 Kshs
This relates to sale of shares	<u>1,177,881</u>	<u>503,064</u>

7. Unit trust investments	2022 Kshs	2021 Kshs
Investment in Fixed Income Fund	18,957,222	20,919,900
	<u>18,957,222</u>	<u>20,919,900</u>

The money is invested in fixed income fund in line with regulatory asset allocation guidelines.

8. Government securities	2022 Kshs	2021 Kshs
	<u>84,631,546</u>	<u>77,669,938</u>
	<u>84,631,546</u>	<u>77,669,938</u>

Government bonds includes treasury bonds and infrastructure bonds.

9. Quoted equities	2022 Kshs	2021 Kshs
Commercial and services	55,859,453	66,334,883
	<u>55,859,453</u>	<u>66,334,883</u>

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**Notes (continued)**

	2022	2021
	Kshs	Kshs
<b>10 Call deposits</b>		
NCBA	-	16,000,000
NCBA	16,000,000	-
	<u>16,000,000</u>	<u>16,000,000</u>
<b>11 Cash at Banks</b>		
	2022	2021
	Kshs	Kshs
Standard Chartered Securities	202,948	257,363
Kenya Commercial Bank	71,053	1,464
Absa Bank	41,072	31,936
KCB Disbursement	60,072	-
Mpesa	222,175	-
Standard Chartered Bank	53,300	53,300
9193 GCS Custody	-	104,055
	<u>650,620</u>	<u>448,118</u>
	2022	2021
	Kshs	Kshs
<b>12 Interest receivables</b>		
Interest income on deposit on calls	852,657	1,089,766
Interest on Treasury Bonds	2,007,714	1,887,562
	<u>2,860,371</u>	<u>2,977,328</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 fees 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			
Trustee fees	38,532	(38,532)	-
b) Statement of Changes in Equity			
Opening balance	167,678,826	38,533	167,717,359

**14 Payables and Accruals**

	2022	2021
	Kshs	Kshs
Trustees fees	-	83,909
Audit fees accrual	35,039	37,444
	<u>35,039</u>	<u>121,353</u>