

**ZIMELE UNIT TRUST  
FIXED INCOME  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD 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 FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD 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

**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 FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF THE TRUSTEES  
FOR THE PERIOD 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**

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.

**INVESTMENT OBJECTIVES**

The objective of the Zimele Unit Trust Fixed Income 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**

There were no further 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 **2,410,259,807**

**MEMBERSHIP**

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

	<b>2022</b>	<b>2021</b>
	<b>Members</b>	<b>Members</b>
Transfers from Money Market Fund	12,489	9,962
Opened	11,937	2,527
Closed	<u>(15)</u>	<u>-</u>
At end of year	<u>24,411</u>	<u>12,489</u>

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
REPORT OF THE TRUSTEES (CONTINUED)  
FOR THE PERIOD 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 fund are borne by the fund.

**AUDITOR**

Muli Daniels & Associates, Certified Public Accountants, who were appointed in the financial year 2020, have expressed their willingness to continue in office.

**For the Trustees:**

For: KCB BANK KENYA LTD.  
  
.....  
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.  
  
.....  
CORPORATE TRUSTEE

Date: 22 MARCH 2023

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
STATEMENT OF TRUSTEES' RESPONSIBILITIES  
FOR THE PERIOD 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.

The Zimele Fixed Income 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 Fixed Income 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 22 16 CORPORATE TRUSTEE 2023

For: KCB BANK KENYA LTD.  
  
.....  
CORPORATE TRUSTEE

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FUND MANAGER'S COMMENTARY  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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Dear Esteemed Unit Holder,

A triple play of factors last year delivered some of the highest rates of inflation and interest rates experienced in recent times both locally and globally. On the international front, the end of covid restrictions and reopening of economies resulted in a surge in demand which gradually pushed prices of commodities upwards. Unfortunately, in February last year, Russia's incursion into Ukraine disrupted the flow of international trade and choked the world's supply chains pushing prices of goods, especially petroleum products, even higher.

Locally, a biting drought arising from five consecutive failed rain seasons, continued to dampen agricultural production and caused food prices to soar. The result of the negative domestic and external shocks was a perfect storm that saw inflation surge from 5.39% in January to peak at 9.59% in October before tapering off to 9% in December. The rate of inflation averaged 7.6% last year compared to 6.1% in 2021. The immediate and unfortunate impact was a sharp and painful increase in the cost of living which hit households hard, and the effects are still playing out.

As expected, interest rates on fixed income securities adjusted upwards as investors demanded compensation for the steady increase in inflation. For instance, interest rates on the 364-day Treasury bill averaged 9.89% last year compared to 8.55% in 2021. Similarly, the yield on the benchmark 10-year Treasury bond rose from 12.48% in January to 13.76% in December in response to rising inflation. Consequently, the yield of the Zimele Fixed Income Fund (Zimele Savings Plan) averaged 9.84% last year compared to 9.56% in 2021.

The underlying lesson here is that fixed income securities have an in-built mechanism that automatically protects investors against the negative effects of rising inflation. This means that the purchasing power of savings is automatically protected in an environment of rising prices. In other words, without this advantage, inflation would erode the purchasing power of savings making it difficult to attain a goal in the desired timeframe.

Overall, we recommend a personal finance planning approach for financial wellbeing including:

**Determine Your Present Financial Situation:** This involves generating a networth statement where you list down your assets (what you own) against your liabilities (what you owe), the difference is your networth. Your networth will also be influenced by how well you manage your expenses based on the income you earn, and will grow if your income exceeds your expenses. If you have a regular income and your assets are far less than your liabilities then you need to put together a plan to correct the situation to avoid getting deeper into debt.

**Develop Financial Goals:** These are unique to an individual based on their life aspirations. However, it is important to set realistic goals based on your income and networth. Goals that add to your assets will automatically increase your networth, and the converse is also true.

**Evaluate Alternatives:** There is usually more than one way to achieve a goal and it is important to evaluate how it will impact your personal finances in the short term, and its final effect on your networth. Some goals may require to be financed through debt given the lumpsum amounts required upfront, such as home ownership or buying a car. However, they could also be financed using savings over a certain period of time; the option taken will depend on an individual's preferences and circumstances.

**Re-evaluate and Revise your Plan:** Financial goals should be flexible since the financial planning environment has many factors outside our control. For instance, incomes may vary and prices of the items we seek to acquire may rise due to international factors as we saw last year. Flexibility also helps us prevent disappointment when plans do not work out exactly as we had expected them to.

Finally, we would like to walk your financial journey with you by empowering you with products that are tuned to your various life goals. Please visit <https://www.zimele.co.ke/products/> and we will be happy to assist you achieve your goals. We thank you for your support and shall continue to strive to deliver better investment performance and customer experience for you.

**Table 1: Investment Performance Table**

	ZFIF	TB-364	Inflation
2022	9.8%	9.9%	7.60%
2021	9.60%	8.60%	6.10%
2020	9.30%	8.60%	5.30%
2019	9.70%	9.50%	5.20%
2018	9.60%	10.40%	4.70%

**Table 2: Highest and lowest Net Asset values (NAV) Over 5 years 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 for the Year	165,183,152	95,235,468	56,452,052	46,409,675	34,903,159
Surplus Distributed per Unit	0.07	0.06	0.05	0.05	0.05

**Table 4: The Closing Funds under Management and Units in Issue over the 5 Year Period**

	2022	2021	2020	2019	2018
Total Fund Value	2,410,726,733	1,741,760,625	1,261,280,261	931,058,295	814,579,642
Price Per Unit	1.00	1.00	1.00	1.00	1.00
No. of Units Issued	2,410,726,733	1,741,760,625	1,261,280,261	931,058,295	814,579,642
%Annual Growth	38.4%	38.1%	35.5%	14.3%	18.3%

**Notes:****ZMMF:** Zimele Fixed Income/Money Market Fund**TB- 364 DAYS** Treasury Bill Rate**Inflation:** Overall rate of inflation

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT  
REPORT OF THE CUSTODIAN**

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 Fixed Income Fund; and
- We have held the assets for the Zimele Unit Trust Fixed Income 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 LTD.  
Manager.....





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

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**Opinion**

We have audited the accompanying financial statements of Zimele Unit Trust Fixed Income 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.

**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. There were no Key Audit Matters.

**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**

*23 MARCH* ..... 2023

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**Statement of Comprehensive Income**

	Notes	2022 Kshs	2021 Kshs
<b>Income</b>			
Treasury bonds	5	195,790,758	30,139,653
Corporate bond	5	549,012	-
Call Deposits	6	27,690,234	4,775,753
<b>Total Income</b>		<u><b>224,030,005</b></u>	<u><b>34,915,406</b></u>
<b>Expenditure</b>			
Bank charges		2,379,237	-
Newspaper publication		506,275	-
Management fees		42,052,340	11,025,413
Trustee fees		5,824,662	1,534,738
Custody fees		7,383,613	918,800
CMA annual scheme fees		135,000	-
Secretarial fees		98,098	-
Audit fees		466,926	60,000
		<u><b>58,846,152</b></u>	<u><b>13,538,951</b></u>
<b>Net Surplus</b>		<u><u><b>165,183,853</b></u></u>	<u><u><b>21,376,455</b></u></u>

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
AS AT 31 DECEMBER 2021**

**Statement of Financial Position**

	Notes	2022 Kshs	2021 Kshs
<b>Non Current Assets</b>			
Treasury Bonds	7	2,002,457,496	1,281,272,429
Corporate Bonds	7	6,896,820	-
Call Deposits	8	275,000,000	434,817,600
		<u>2,284,354,316</u>	<u>1,716,090,029</u>
<b>Current Assets</b>			
Cash at Banks	9	62,555,505	618,599
Interest receivables	10	63,816,912	25,111,997
		<u>126,372,417</u>	<u>25,730,596</u>
<b>TOTAL ASSETS</b>		<u>2,410,726,733</u>	<u>1,741,820,625</u>
<b>Current Liabilities</b>			
Payables and Accruals	11	<u>466,926</u>	<u>60,000</u>
<b>NET ASSETS</b>		<u>2,410,259,807</u>	<u>1,741,760,625</u>
<b>FINANCED BY:</b>			
Unit Holders Funds		<u>2,410,259,807</u>	<u>1,741,760,625</u>
<b>MEMBERS NET WORTH</b>		<u>2,410,259,807</u>	<u>1,741,760,625</u>

The financial statements set out on pages 11 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 FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**Statement of Changes in Equity**

<b>For the year 2022</b>	<b>Net Unit Holders Funds Kshs</b>	<b>Retained Earnings Kshs</b>	<b>Changes in Fair Value of Investments Kshs</b>	<b>Total Kshs</b>
As at 1st January 2022	1,720,384,170	21,376,455	-	1,741,760,625
Net Contributions	282,970,878			282,970,878
Surplus for the Period		165,183,853		165,183,853
Changes in Fair Value of Investment			(11,121,022)	(11,121,022)
Transfers from Money Market Fund	231,465,473			231,465,473
<b>As at 31 st December 2022</b>	<b>2,234,820,521</b>	<b>186,560,308</b>	<b>(11,121,022)</b>	<b>2,410,259,807</b>
<b>Transfers</b>	<b>(1,911,516,821)</b>	<b>(186,560,308)</b>	<b>11,121,022</b>	<b>(2,086,956,107)</b>
<b>Net contributions</b>	<b>323,303,700</b>	<b>-</b>	<b>-</b>	<b>323,303,700</b>
As at 1st January 2021	-	-	-	-
Net contributions	40,332,822			40,332,822
Surplus for the period	-	21,376,455		21,376,455
Transfers from Money Market Fund	1,680,051,348			1,680,051,348
<b>As at 31st December 2021</b>	<b>1,720,384,170</b>	<b>21,376,455</b>		<b>1,741,760,625</b>

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

**Statement of Cash Flows**

	<b>2022</b>	2021
	<b>Kshs</b>	Kshs
<b>Cash flow from operating activities</b>		
Surplus during the period	165,183,853	21,376,455
<b>Net cash flow from operating activities</b>	<u>165,183,853</u>	<u>21,376,455</u>
<b>Working Capital</b>		
( Increase) / Decrease in Interest receivables	(38,704,915)	(25,111,997)
Increase / (Decrease) in payables	<u>406,926</u>	<u>60,000</u>
	<u><b>(38,297,989)</b></u>	<u>(25,051,997)</u>
<b>Net cash flow from operating activities</b>	<b>126,885,864</b>	(3,675,542)
<b>Cash flow from investing activities</b>		
Treasury Bonds	(721,185,068)	(1,281,272,429)
Corporate Bonds	(6,896,820)	-
Call Deposits	<u>159,817,600</u>	<u>(434,817,600)</u>
<b>Net cash flows used in investing activities</b>	<u><b>(568,264,288)</b></u>	<u>(1,716,090,029)</u>
<b>Cash flow from financing activities</b>		
Net unit holders funds	514,436,351	1,720,384,170
Changes in fair value of investments	<u>(11,121,022)</u>	<u>-</u>
<b>Net cash flows from Investing activities</b>	<u><b>503,315,329</b></u>	<u>1,720,384,170</u>
<b>Net cash Inflows/Outflows</b>	<b>61,936,906</b>	618,599
Cash and cash equivalents at start of year	618,599	-
<b>Cash and cash equivalents at end of year</b>	<u><u><b>62,555,505</b></u></u>	<u><u>618,599</u></u>

**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD 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 FIXED INCOME FUND  
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FOR THE PERIOD 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

**Impairment and uncollectability of financial assets**

The fund assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. If there is an objective evidence that an impairment loss on receivables carried out at amortised cost has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cashflows discounted at the financial assets original effective interest rate. The amount of the loss is recognised in the profit and loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after impairment was recognised, the previously recognised impairment loss is reversed either directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date of impairment is reversed. The amount of reversal is recognised in profit or loss.

**Financial Liabilities**

Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished. Accounts payables are classified as payables and other accruals if payment is due within one year or less (or if the normal operating cycle of the business is longer), if not they are presented as Non payables and other accruals. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**(e) Distribution**

All income or loss arising from investment is distributed to unit trust holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in unit trust holder's account.

**(f) Unit Holder Balances**

Unit Holders fund are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset values. The balances are carried at the redemption amount that is payable at the financial reporting date if the holder exercised their right to redeem the balances.



**ZIMELE UNIT TRUST FIXED INCOME FUND  
ANNUAL REPORT AND FINANCIAL STATEMENT  
FOR THE PERIOD ENDED 31 DECEMBER 2022**

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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.

**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)

	2022 Kshs	2021 Kshs
<b>5. Interest income from Investments</b>		
Treasury & Infrastructure bonds	195,790,758	30,139,653
Corporate Bonds	549,012	-
	<u>196,339,771</u>	<u>30,139,653</u>
	<b>2022 Kshs</b>	<b>2021 Kshs</b>
<b>6. Interest from deposits</b>		
Call Deposits	-	4,775,753
Interest incomes:Interest on Fixed Deposit	27,690,234	-
	<u>27,690,234</u>	<u>4,775,753</u>
	<b>2022 Kshs</b>	<b>2021 Kshs</b>
<b>7. Government / Corporate Securities</b>		
Treasury Bonds	2,002,457,496	1,281,272,429
Corporate Bonds	6,896,820	-
	<u>2,009,354,316</u>	<u>1,281,272,430</u>
Investments are stated at fair value as at the end of the financial year.		
	<b>2022 Kshs</b>	<b>2021 Kshs</b>
<b>8. Call Deposits</b>		
Call Deposits	275,000,000	434,817,600
	<u>275,000,000</u>	<u>434,817,600</u>

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**Notes (continued)**

<b>9 Cash at Banks</b>	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Standard Chartered Bank Custody	39,133,092	618,599
KCB Bank Collectopn	1,537,245	-
ABSA Bank Collection	2,221,755	-
Standard Chartered Bank Collection	394,831	-
Standard Bank Collection	18,177	-
Safaricom Mpesa Collection	8,340,626	-
KCB Bank Collection	10,909,779	-
	<u><b>62,555,505</b></u>	<u><b>618,599</b></u>

<b>10 Interest receivables</b>	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Interest receivable from call deposits	57,093,350	25,111,997
Cummulative interest receivable	6,723,562	-
	<u><b>63,816,912</b></u>	<u><b>25,111,997</b></u>

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

<b>11 Payables and Accruals</b>	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Audit fees	466,926	60,000
	<u><b>466,926</b></u>	<u><b>60,000</b></u>