
ZIMELE UNIT TRUST

BALANCED FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2024

Louise & Associates
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FUND INFORMATION

TRUSTEES	: KCB Bank Kenya Limited, : KCB Tower, 7th Floor, Junction of Hospital and Kenya Road, : Upper Hill, : P.O. Box 30664 - 00100, : NAIROBI
FUND MANAGER	: Zimele Asset Management Company Limited, : Ecobank Towers, 7th Floor, : Muindi Mbingu Street, : P.O. Box 76528-00508, : NAIROBI.
CUSTODIAN	: Standard Chartered Securities Services Kenya, : Standard Chartered Bank of Kenya Ltd, : Level 5, 48 Westlands Road, : P.O. Box 40984-00100, : NAIROBI.
INDEPENDENT AUDITOR	: Louise & Associates, : Certified Public Accountants, : Ramco Court, Mombasa Road, : P.O. Box 43272-00100, : NAIROBI.

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REPORT OF THE TRUSTEE

The Trustee has the pleasure of submitting the Zimele Unit Trust Balanced Fund report together with the audited financial statements for the year ended 31st December 2024, which disclose the state of affairs of the fund.

TRUSTEES

The Fund was established and 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 securities in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes, Rules and Regulations 2023).

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 2024

The market value of the fund as at 31st December 2024 was Kshs **274,668,230** (Kshs 188,655,992 in 2023)

MEMBERSHIP

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

	2024	2023
	Members	Members
At start of year	5,005	4,237
Entrants	1,256	771
Exits	(4)	(3)
At end of year	6,257	5,005

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REPORT OF THE TRUSTEE

INVESTMENT OF FUNDS

The funds are invested by the Fund 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 2023).

However, the overall responsibility for investment and performance lies with the Capital Trustee.

EXPENSES

The full costs of administering and managing the fund are borne by the fund.

AUDITORS

Louise & Associates, Certified Public Accountants, who were appointed in the financial year 2023, 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.....21/03/.....2025

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STATEMENT OF TRUSTEE' RESPONSIBILITIES

The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund, disclose with reasonable accuracy at any time the financial position of the Fund and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Capital Markets Act. They also accept responsibility for:

- i.) Designing, implementing and maintaining such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii.) Selecting and applying appropriate accounting policies; and
- iii.) Making accounting estimates and judgements that are reasonable in the circumstances;

'DECLARATIONS STATEMENT

The Zimele Unit Trust 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 fund investing in equities and Fixed Income securities in accordance with the provisions of the Capital Markets Act (Collective Investment Schemes Rules and Regulation 2023).

In preparing the financial statements, the Trustees have assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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.

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Trustee on 21/03/2025 and signed on its behalf by:

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

.....
CORPORATE TRUSTEE

FUND MANAGERS' REPORT

Dear Esteemed Unit Holders

Economic growth slowed to 4% in the third quarter of 2024 compared to 6% during the same period in 2023. The trend was largely due to slower activity in key sectors such as construction and mining. However, the agriculture, forestry, and fishing sectors performed well, providing much needed stability and helping to sustain overall economic growth.

In 2022 and 2023, the US Federal Reserve (the central bank of the United States of America) and its counterpart, the European Central Bank, aggressively raised interest rates to control inflation arising from monetary stimulus measures to boost their economies from the effects of covid-19. The Federal Reserve, for example, increased its policy rate from 0.25% in early 2022 to a peak of 5.5% in mid-2023, the highest increase in over two decades. This made borrowing more expensive globally, slowed down economic activity and triggered a shift in global capital flows leading to a sharp weakening of the Kenya shilling exchange rate.

Fortunately last year inflationary pressures begun to ease allowing central banks to reverse course and start lowering interest rates to support economic activity. The Federal Reserve cut its policy rate from 5.5% in mid-2023 to 4.75% by the end of 2024, signaling a return to more relaxed credit conditions. Similarly, other advanced economies followed suit leading to a general decline in global borrowing costs, which also caused the Kenya shilling to strengthen against major currencies.

For Kenya, the shift in global monetary policy had a direct and positive impact on the economy and the financial markets. Previously, high interest rates in advanced economies had encouraged investors to move their money to the USA and Europe, where they could earn higher returns with less risk. This capital outflow had weakened the Kenyan Shilling, causing it to depreciate sharply in 2023 and early 2024. However, with interest rates falling in 2024, capital began to flow back to Kenya due to the improvement of major economic indicators.

The Kenya Shilling, which had weakened to ksh.156.46 per US Dollar in December 2023, appreciated to ksh.129.29 per US Dollar by December 2024, a 17% gain. This improvement was largely due to reduced capital flight as investors looked for better returns in Kenya and other emerging markets, increased foreign investments in government securities and local businesses, and declining import costs, as the stronger Shilling made it cheaper to buy goods from abroad.

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FUND MANAGERS' REPORT (CONTINUED)

The stock market staged a strong recovery after two years of steep declines, driven by improved investor confidence and favorable global financial conditions. Market capitalization rebounded from ksh.1.4 trillion in December 2023 to ksh.1.9 trillion in December 2024, an increase of ksh.500 billion or 36% growth. The NSE All Share Index (NASI) posted significant gains, rising from 92.11 points in December 2023 to 123.48 points in December 2024, representing a 34% return. Similarly, the Zimele Balanced Fund saw its net asset value grow from ksh.9.2796 per unit in December 2023 to ksh.13.1598 per unit in December 2024, reflecting a return of 42%. This resurgence was fueled by renewed foreign investor participation and a strengthening of the Kenya Shilling, signaling a positive turnaround for the stock market.

The fixed income market remained strong throughout the year despite a decline in short-term interest rates. The average yield on the 364-day Treasury Bill fell from 15.8% in 2023 to 11.8% by the end of 2024 in line with the CBK's measures to boost economic activity by lowering interest rates. . This shift provided relief to bond holders, as the inverse relationship between interest rates and bond prices meant that falling rates helped to boost bond valuations, reducing the capital losses that had affected investors in 2023. While short-term yields declined, long-term bonds remained attractive offering steady returns in a more predictable economic environment. The stabilization of interest rates restored confidence among both institutional and retail investors.

As a fund that invests in both shares and fixed income securities, the Zimele Balanced Fund benefited from improvements in both markets. The recovery in the stock market boosted the value of the fund's equity investments, while government bonds continued to provide strong and stable returns. Despite some lingering investor caution and the impact of high interest rates earlier in the year, the fund capitalized on market opportunities resulting in a strong 42% return in 2024, a significant improvement from the -1.9% return posted in 2023.

As the economy stabilizes further, the Zimele Balanced Fund remains well-positioned to deliver competitive returns for investors. However, last year's exceptional performance should not be interpreted as persisting into the years ahead, and we recommend the Zimele Balanced Fund only to investors with a medium to long term horizon given the risk arising from its holdings of shares. The tried and tested approach is to make monthly or regular contributions to the Zimele Balanced Fund, regardless of the state of the equities market, based on one's goals.

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FUND MANAGERS' REPORT (CONTINUED)

ZIMELE UNIT TRUST BALANCED FUND 5 YEAR COMPARATIVE PERFORMANCE

Table 1: Investment Performance Table

5 Year Comparative Investment performance			
	ZBALF	NAS Index	Inflation
2024	41.80%	34.10%	4.50%
2023	-1.90%	-27.70%	7.70%
2022	-3.20%	-23.40%	7.60%
2021	13.70%	9.30%	6.10%
2020	0.90%	-8.40%	5.30%

The performance of the Zimele Balanced over 5 year compared to the Nairobi All Share Index (NASI) Bill and the inflation rates during the same period.

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

Highest and Lowest NAVs Prices Over 5 Years Comparison					
YEAR	2024	2023	2022	2021	2020
Highest Price	13.1598	9.5274	9.8449	10.1126	8.3594
Lowest Price	9.2447	8.9326	9.1174	8.3312	7.6749
Average Price	11.1089	9.196	9.4122	9.3811	7.9564

Zimele Balanced Fund maintained a stable price throughout the year, with little to no volatility.

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

YEAR	2024	2023	2022	2021	2020
Net Surplus for the Year	18,836,139	14,422,332	9,910,715	6,943,744	7,601,355
Surplus Distributed per Unit	0.07	0.74	0.52	0.35	0.38

The ZBALF net Surplus distribution over the 5-year period shows an increasing net surplus per unit.

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

The Closing Fund Under Management (FMU) 2020-2024					
YEAR	2024	2023	2022	2021	2020
Total Fund Value	274,614,930	188,117,558	179,063,467	184,350,166	173,540,158
Price Per Unit	13.1598	9.2796	9.4562	9.2634	8.3312
Number of Units in Issue	20,867,713	20,272,162	18,936,091	19,900,842	19,869,048

Signed by Fund Manager on 21 / 03 / 2025



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REPORT OF THE CUSTODIAN

In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2023 (the regulations) and the Custody Agreement between the Standard Chartered Bank Kenya Limited as the Custodians and Zimele Asset Management Company Limited as the Fund Manager, we confirm that for the year ended 31st December 2024:

- We have discharged the duties prescribed for a Custodian under Regulations 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 on 21 / 03 / 2025



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF ZIMELE UNIT TRUST - BALANCED FUND**

Opinion

We have audited the accompanying financial statements of Zimele Unit Trust - Balanced Fund set out on pages 12 to 20 which comprise of the statements of financial position at 31 December 2024 and the statements of profit and loss and other comprehensive income, changes in unit holders' balance and cash flows for the year ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Zimele Unit Trust - Balanced Fund at 31 December 2024 and of its financial performance and cash flows for the year that ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2023

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 Trust in accordance with the International Ethics Standards Board for Accountants (IESBA), International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

Other information

The other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information we have received prior to the date of this auditor's report 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.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ZIMELE UNIT TRUST - BALANCED FUND

Responsibilities of Trustee for the financial statements

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Capital Markets Authority (Collective Investments Schemes) Regulations 2023, and for such internal control as the trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Funds' 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 Trustee either intends to liquidate the fund or to cease operations, or have no realistic alternative but to do so.

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 risks of material misstatement of the 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.
- 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 managers' internal control.
- iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iv) Conclude on the appropriateness of the Fund managers' 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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, 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 date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF ZIMELE UNIT TRUST - BALANCED FUND**

Auditor's responsibilities for the audit of the financial statements

- 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 the Trustee 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. From the matters communicated with the Trustees, we determine those matters that were of most significance in the audit of the financial statement of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Requirements

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective investment Schemes) Regulations, 2023.

The Capital Markets Authority (Collective Investment Schemes) Regulations, 2023 also requires that in carrying out our audit we consider and report to you on the following matters:

- 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, 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

Engagement partner responsible for the audit resulting in this independent auditors report is :

CPA Louisa Okwaro, Practicing certificate number: P/2920

Louise & Associates

**Louise & Associates
Certified Public Accountants
Nairobi, Kenya**

Date: 21 / 03 /2025



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STATEMENT OF COMPREHENSIVE INCOME

	Note	2024 KES	2023 KES
INCOME			
Bank deposits	5	9,557,302	3,358,134
Unit trust investments	5	2,011,687	1,824,836
Treasury bonds	5	12,693,929	11,796,573
Dividend income	6	3,737,970	3,821,912
Total income		28,000,887	20,801,455
EXPENDITURE			
Bank charges		17,737	23,579
Publication fees		33,678	29,415
Management fees		6,668,156	4,927,249
Trustee fees		618,932	508,962
Custody fees		881,412	709,137
CMA annual scheme fees		50,000	20,000
Secretarial fees		111,005	97,445
Audit fees		69,670	63,336
KYC fees		714,157	-
		9,164,747	6,379,123
Net surplus		18,836,139	14,422,332

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STATEMENT OF FINANCIAL POSITION

	Notes	2,024 KES	2023 KES
ASSETS			
Unit trust investments	7	19,893,745	17,382,058
Government securities	8	110,204,378	87,342,064
Quoted equities	9	57,467,558	41,740,815
Bank deposits	10	74,500,000	37,400,000
Cash at banks	11	2,207,244	998,969
Interest receivables	12	10,395,305	3,792,086
Total assets		274,668,230	188,655,992
LIABILITIES			
Current liabilities			
Payables and accruals	14	518,880	538,434
		518,880	538,434
Equity			
Unit holders balances	Page 14	274,149,350	188,117,558
Total assets		274,668,230	188,655,992

The financial statements set out on pages 12 - 20 were approved by the Trustee and signed
on 21/03/-----2025

For: KCB BANK KENYA LTD.

Trustee

CORPORATE TRUSTEE

For: KCB BANK KENYA LTD.

Trustee

CORPORATE TRUSTEE

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STATEMENT OF CHANGES IN UNIT HOLDER BALANCES

	Net Unit Holders funds	Retained earnings	Change in Fair value of investments	Total
	KES	KES	KES	KES
FY 2023				
Balance as at 01-01-2023	31,324,057	150,990,156	(3,390,040)	178,924,173
Net contributions	16,735,745	-	-	16,735,745
Surplus for the period	-	14,422,332	-	14,422,332
Changes in fair value of investment	-	-	(21,964,692)	(21,964,692)
Balance as at 31-12-2023	48,059,802	165,412,488	(25,354,732)	188,117,558
FY 2024				
Balance as at 01-01-2024	48,059,802	165,412,488	(25,354,732)	188,117,558
Net contributions	43,267,855	-	-	43,267,855
Surplus for the period	-	18,836,139	-	18,836,139
Changes in fair value of investment	-	-	23,927,798	23,927,798
Balance as at 31-12-2024	91,327,657	184,248,627	(1,426,934)	274,149,350

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STATEMENT OF CASH FLOWS

	2024	2023
	KES	KES
CASHFLOWS FROM OPERATING ACTIVITIES		
Surplus during the year	18,836,139	14,422,332
Operationg surplus before changes in working capital	18,836,139	14,422,332
	-	-
Increase in receivables	(6,603,219)	(931,715)
(Decrease)/increase in payables	(19,554)	503,395
Net cash flows generated from operating activities	12,213,366	13,994,012
CASHFLOWS FROM INVESTING ACTIVITIES		
Unit trust investments	(2,511,687)	1,575,164
Government securities	(22,862,314)	(2,710,518)
Quoted equities	(15,726,743)	14,118,638
Call deposits	(37,100,000)	(21,400,000)
Net cash flows used in investing activities	(78,200,744)	(8,416,716)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net unit holder funds	43,267,855	16,735,745
Changes in fair value of investements	23,927,798	(21,964,692)
Net cash flows from financing activities	67,195,653	(5,228,947)
	1,208,275	348,349
Net cash inflows/outflows	1,208,275	348,350
Cash and cash equivalents at start of year	998,969	650,619
Cash and cash equivalents at the end of year	2,207,244	998,969

NOTES TO THE AUDITED FINANCIAL STATEMENTS

1 BASIS OF PREPERATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The Financial statements are prepared under the historical cost convention basis as modified by the carrying of available - for -sale investments at fair values. The financial statements are presented in Kenya Shillings (Kshs)

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.

1.2 Significant Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below

(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.

(c) Cash and cash equivalents

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

(d) Financial instruments

Financial assets

A financial asset or liability is recognised when the Fund becomes party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Fund has transferred substantially all 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 would 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 group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in profit or 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 the 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 the impairment is reversed. The amount of the 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 derecognized when they have been redeemed or otherwise extinguished. Accounts payable are classified as Payables and other accruals if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as Non-Payables and other accruals. Trade payables are recognized 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 holders after provision of all expenses. All distributions including unclaimed distributions are reinvested in the unit holder's accounts.

(f) Unity Holder Balances

Unit holders' funds are redeemable on demand at an amount equal to a proportionate share of the unit portfolios net asset value. 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.

NOTES TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

3 CRITICAL JUDGEMENT IN APPLYING THE FUNDS

In the process of applying the Fund's accounting policies, management has made estimates and judgements in valuation of financial instruments as 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 Fund 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 Fund'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) Operational risk

The fund is exposed to operation risks such as lawsuits and fraud risks since it deals with the public.

(iii) Business risk

The fund invests in stocks and bonds and is therefore exposed to business risk should the issuers go bankrupt, the fund manager closely monitors the business risks. The Fund has policies in place to ensure compliance with international best practice in corporate governance.

(iv) 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 TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

	2024	2023
	KES	KES
5 INTEREST INCOME		
Bank deposits	9,557,302	3,358,134
Unit trust investments	2,011,687	1,824,836
Treasury bonds	12,693,929	11,796,573
	24,262,917	16,979,544
6 DIVIDEND INCOME		
Dividend income	3,737,970	3,821,912
	3,737,970	3,821,912
7 UNIT TRUST INVESTMENTS		
Investment in fixed income fund	19,893,745	17,382,058
	19,893,745	17,382,058
8 GOVERNMENT SECURITIES		
Treasury bonds & Infrastructure bonds	110,204,378	87,342,064
	110,204,378	87,342,064
<i>Investments are stated at fair value as at the end of the financial year</i>		
9 QUOTED EQUITY		
Commercial and services	57,467,558	41,740,815
	57,467,558	41,740,815
10 BANK DEPOSITS		
Call deposits	74,500,000	37,400,000
	74,500,000	37,400,000

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NOTES TO THE AUDITED FINANCIAL STATEMENTS (CONT'D)

	2024	2023
	KES	KES
11 CASH AT BANKS		
Standard Chartered Bank Custody A/C	1,716,694	678,307
KCB Collection A/C	134,743	596
ABSA Bank Collection A/C	270,393	26,398
KCB disbursement A/C	6,665	10,445
MPESA Collection A/C	25,450	229,923
Standard Chartered Bank A/C	53,300	53,300
	<u>2,207,244</u>	<u>998,969</u>
12 INTEREST RECEIVABLES		
Call deposits	7,332,206	1,368,199
Treasury bonds	3,063,099	2,423,887
	<u>10,395,305</u>	<u>3,792,086</u>
<i>Interest receivable includes interest earned but was not yet received at the end of the financial year</i>		
13 PAYABLES AND ACCRUALS		
Audit fees	69,670	63,336
Management fees	65,228	431,650
Trustee fees	63,982	43,448
Know your customer (KYC) Payable	320,000	-
	<u>518,880</u>	<u>538,434</u>
14 CONTINGENT LIABILITY		
There were no contingent liabilities as at 31st December 2024		
15 EVENTS AFTER THE REPORTING PERIOD		
There were no material adjusting and non- adjusting events after the reporting period.		