

**ICEA LION INCOME DRAWDOWN FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VC KARANI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
BISHOP ROAD, FORT GRANITE FLATS, A6
P O BOX 45481 - 00100
NAIROBI**

**ICEA LION Income DrawDown Fund
Annual Report and Financial Statements
For the year ended 31 December 2023**

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ICEA LION Income DrawDown Fund
Fund information
For the year ended 31 December 2023

CORPORATE TRUSTEE

Octagon Pension Services Limited
Westpark Suites, Ojjo Road
P O Box 10034 - 00100
NAIROBI

APPROVED ISSUER

ICEA LION Life Assurance Company Limited
ICEA LION Centre
Riverside Park, Chiromo Road, Westlands
P O Box 46143 - 00100
NAIROBI

ADMINISTRATOR

Mr. Felix Chomba
ICEA LION Centre
Riverside Park, Chiromo Road, Westlands
P O Box 46143 - 00100
NAIROBI

REGISTERED OFFICE

ICEA LION Life Assurance Company Limited
ICEA LION Centre
Riverside Park, Chiromo Road, Westlands
P O Box 46143 - 00100
NAIROBI

INDEPENDENT AUDITOR

VC Karani & Associates
Certified Public Accountants
Bishop Road, Fort Granite Flats, A6
P O Box 45481 - 00100
NAIROBI

**ICEA LION Income DrawDown Fund
Report of the Directors of the Corporate Trustee
For the year ended 31 December 2023**

The Corporate Trustee presents their report together with the audited financial statements for the year ended 31 December 2023.

ESTABLISHMENT, NATURE AND PURPOSE OF THE FUND

The Fund was established by ICEA LION Life Assurance Company Limited (the Founder) under irrevocable trust and commenced on 1st December 2016. It is governed by Trust Deed and Rules dated 27th October 2016 and as subsequently amended.

The Fund is constituted as an Income DrawDown Plan whose purpose is to provide income draw down retirement benefits for members on retirement at a specified age and relief for certain of the dependants of members who die. An Income Draw Down Plan is an arrangement in which a member opts to access his/her retirement benefits as a regular income through an investment fund from which retirement benefits are drawn.

The minimum drawdown period for the Fund is 10 years subject to a maximum draw down of 15% per annum of the accumulated member's balance.

The Fund is registered with Kenya Revenue Authority and its investment income is exempt from income tax (Tax Exemption Certificate Serial No.P/20180323/228). The scheme is also registered with the Retirement Benefits Authority (Scheme Reference No. 02044 and Certificate No:01588).

CONTRIBUTIONS

Contributions to the Fund by members are mainly in form of transfers from accumulated funds in registered retirement benefit schemes.

Contributions to the Fund commenced in May 2018.

FUND MANAGEMENT

The Fund Corporate Trustee, Administrator and Approved Issuer are set out on Page 1.

MEMBERSHIP

Individuals with a minimum age of 50 years and a maximum age of 65 years are eligible to join the Fund.

As at the end of the year the Fund had 391 active members (2022: 303 Members).

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 8 shows an increase in the net assets of the Fund for the year of Kshs.491,094,286 (2022: Kshs.794,052,974) and the statement of net assets available for benefits on page 9 shows the Fund's net assets as Kshs.3,003,427,746 (2022: Kshs.2,512,333,460).

INVESTMENT OF FUNDS

The Fund assets are invested with ICEA LION Life Assurance Company Limited in a Deposit Administration (Guaranteed) Account and net interest was credited to the Fund at a declared net rate of 10% (2022:6.5%).

AUDITORS

VC Karani & Associates, Certified Public Accountants, were appointed auditors for the year and have expressed their willingness to continue in office.

For the Corporate Trustee:


.....

Date 28/03.....2024

Trustee

**ICEA LION Income DrawDown Fund
Fund Governance Disclosure Statement
For the year ended 31 December 2023**

1. Trustee in office

Name	Age	Category	No. of meetings attended	Certified (Yes/No)	Highest Qualification
Octagon Pension Services Limited	N/A	Corporate Trustee	2	Yes	N/A

2. The Corporate Trustee held 2 meetings in respect of financial year ending 31 December 2023. The meetings were held on the dates set hereunder:

- a) 13th January 2023
- b) 19th January 2024

3. The composition of the Corporate Trustee:

The Corporate Trustee is duly constituted and possesses all the skills and competencies as per the guidelines.

4. Committees of the Corporate Trustee

The Corporate Trustee does not have committees.

5. Fiduciary Responsibility Statement

The Corporate Trustee is the governing body of ICEA LION Income DrawDown Fund and is responsible for the corporate governance of the Fund. The Corporate Trustee is responsible for ensuring that the administration of the Fund is conducted in the best interests of the Fund's members and the sponsor. To achieve this, the Corporate Trustee embraced her fiduciary responsibility by:

- a) Acting honestly and did not improperly use inside information or abuse her position;
- b) Exercising the highest degree of care and diligence in the performance of her duties that a reasonable person in a like position would exercise in the circumstances; and
- c) Performing her duties with the requisite degree of skill.

The Fund has complied with the laws, regulations and guidelines that govern retirement benefit schemes and the Fund's operations.

The Corporate Trustee has ensured that the fund manager/approved issuer has carried out all Fund investments and that all Fund assets and funds are held by the custodian.

The Board charter for the Fund has been developed.

6. Responsible Corporate Citizenship

The Fund has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.

**ICEA LION Income DrawDown Fund
Fund Governance Disclosure Statement
For the year ended 31 December 2023**

7. Key Outcomes

The Corporate Trustee seeks to achieve the following:

- a) Building trust with the members and sponsor of the Fund so that they are satisfied with the administration of the Fund;
- b) Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- c) Ensuring that the Fund's administrative processes remain transparent and accessible to members and the sponsor.

The Corporate Trustee will measure the progress towards these outcomes through:

- a) Triennial members' survey score. No survey was carried out in the year under review.
- b) Regular reports and feedback to the sponsor.

8. Annual General Meeting

The Corporate Trustee held the annual general meeting on 24th August 2023 at which was an online meeting. The Corporate Trustee adequately addressed the members' concerns.

9. The Board conducted the following sensitization activities:

Name of sensitization forum	Date held	No. of members who attended	Remarks
Annual General Meeting	24th August 2023		Satisfactory

During the sensitization activity, members were educated on the following: Roles and Responsibilities of members, Complaints Portal and Changes in Retirement Act and Regulations.

10. Corporate Trustee remuneration policy

During the year under review, the Corporate Trustee was paid a gross sum of Kshs 1,160,000. The Corporate Trustee fees was paid by the sponsor.

11. Corporate Trustee Evaluation

The Corporate Trustee did not undertake board evaluation in the year under review.

For the Corporate Trustee:


Trustee

Dated: 28/08/2024

**ICEA LION Income DrawDown Fund
Statement of Corporate Trustee Responsibilities
For the year ended 31 December 2023**

The Retirement Benefits Act requires the Corporate Trustee to prepare financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that year. The Corporate Trustee is also required to: a) ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund b) Safeguard the assets of the Fund.

The Corporate Trustee is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 31 December 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Corporate Trustee accepts responsibility for the Fund's 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 (IFRS) and in the manner required by the Retirement Benefits Act , 1997.

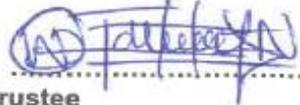
The Corporate Trustee is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 31 December 2023, and of the Fund's financial position as at that date. The Corporate Trustee further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Corporate Trustee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

The Corporate Trustee acknowledges that the independent audit of the financial statements does not relieve her of her responsibilities.

For the Corporate Trustee:


.....
Trustee


.....
Trustee

Date 28/03/.....**2024**

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



REPORT OF THE INDEPENDENT AUDITOR TO THE CORPORATE TRUSTEE OF ICEA LION INCOME DRAWDOWN FUND

VCK/ARP/ICEALIONIDF/2023

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ICEA LION Income DrawDown Fund, set out on pages 8 to 13, which comprise the statement of net assets available for benefits as at 31 December 2023, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Retirement Benefits Act.

Basis of 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 Fund 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 other 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 audit opinion.

Other information

The Corporate Trustee is responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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 the Corporate Trustee for the Financial Statements

The Corporate Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Retirement Benefits Act, and for such internal control as the Corporate 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 Corporate Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporate Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



**REPORT OF THE INDEPENDENT AUDITOR
TO THE CORPORATE TRUSTEE OF
ICEA LION INCOME DRAWDOWN FUND**

Auditor's Responsibilities for the Audit of the Financial Statements

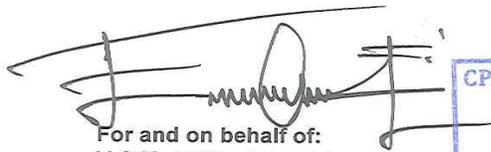
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Mistatements can arise from fraud or error and are considered material if, individually or in 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:

- 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.
- Obtain an understanding of internal controls 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's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made the Corporate Trustee.
- Conclude on the appropriateness of the Corporate Trustee's 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 the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- 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 Corporate Trustee, 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.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Evans Ogari - P/No 1971.


For and on behalf of:
V C Karani & Associates
Certified Public Accountants
Nairobi



Dated: 28/03/2024

ICEA LION Income DrawDown Fund
Statement of changes in net assets available for benefits
For the year ended 31 December 2023

	Notes	2023 Kshs	2022 Kshs
Income from dealings with members			
Fund injections	2	617,064,407	947,999,317
		617,064,407	947,999,317
Outgoings from dealings with members			
Benefits payable	3	(375,968,442)	(280,080,465)
Net additions from dealings with members		241,095,965	667,918,852
Return on investments			
Investment income	4	262,189,857	133,443,190
Tax expense	5a	(12,191,537)	(7,309,068)
Net return on investments		249,998,321	126,134,122
Administrative expenses	6	-	-
Increase in net assets for the year		491,094,286	794,052,974
Net assets available for benefits at start of year		2,512,333,460	1,718,280,486
Net assets available for benefits at end of year		3,003,427,746	2,512,333,460

**ICEA LION Income DrawDown Fund
Financial Statements
As at 31 December 2023**

Statement of net assets available for benefits

	Notes	2023 Kshs	2022 Kshs
Assets			
Guaranteed Fund	7	<u>3,003,427,746</u>	<u>2,512,333,460</u>
		<u>3,003,427,746</u>	<u>2,512,333,460</u>
Liabilities			
Payables and accrued expenses	8	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>
Total Net Assets		<u><u>3,003,427,746</u></u>	<u><u>2,512,333,460</u></u>
Financed by:			
Members' Fund		<u><u>3,003,427,746</u></u>	<u><u>2,512,333,460</u></u>

The financial statements set out on pages 8 to 13 were approved by the Corporate Trustee on 28/03/2024 and signed on behalf of the Corporate Trustee by:


.....
Trustee


.....
Trustee

**ICEA LION Income DrawDown Fund
Financial Statements
For the year ended 31 December 2023**

Statement of cash flows

	Note	2023 Kshs	2022 Kshs
Cash flows from operating activities			
Fund injections received		617,064,407	947,999,317
Benefits paid		(375,968,442)	(280,080,465)
Tax paid		(8,039,975)	(7,309,068)
Amount withheld to pay tax		(4,151,562)	-
Net cash from operations		<u>228,904,429</u>	<u>660,609,784</u>
Cash flow from investing activities			
Investment income received		262,189,857	133,443,190
Net cash from investing activities		<u>262,189,857</u>	<u>133,443,190</u>
Net increase in cash and cash equivalents		491,094,286	794,052,974
Cash and cash equivalents at start of year		2,512,333,460	1,718,280,486
Cash and cash equivalents at end of year		<u>3,003,427,746</u>	<u>2,512,333,460</u>
Guaranteed fund at end of year	7	<u>3,003,427,746</u>	<u>2,512,333,460</u>

Notes

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years, unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Retirement Benefits Act 1997 as amended, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarize the transactions of the Fund and deal with the net assets at the disposal of the Corporate Trustee. They do not take account of obligations to pay benefits that fall due after end of the Fund audit period.

The financial statements are presented in the functional currency, Kenya Shillings (Kshs) and are prepared under the historical cost convention as modified by the carrying of certain investments at fair value.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i New and revised standards effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued and effective. Those that have an effect on the scheme's financial statements, if any, have been adopted.

ii New and revised standards issued but not yet effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued but not yet effective. None of them has had an effect on the scheme's financial statements.

iii Early adoption of standards

The Corporate Trustee does not have any plans to adopt any new and revised standards until they become effective. Based on assessment of the potential impact of application of these standards, the Corporate Trustee does not expect that there will be a significant impact on the scheme's financial statements.

c) Fund injections

Fund injections are accounted for in the period in which they are received.

d) Benefits payable

Benefits payable are taken into account in the period in which they fall due.

e) Interest income

Interest income is accounted for in the period in which it is earned.

ICEA LION Income DrawDown Fund
Financial Statements
For the year ended 31 December 2023

Notes (continued)

	2023 Kshs	2022 Kshs
2. Fund injections		
Fund transfers in	617,064,407	947,999,317
3. Benefits payable		
Income draw down payments	375,968,442	280,080,465
4. Investment income		
Registered fund	221,551,402	109,079,629
Unregistered fund	40,638,455	24,363,561
	262,189,857	133,443,190

Interest for the year was credited by ICEA LION Life Assurance Company Limited at a declared net rate of 10% (2022: 6.5%) .

5. Taxation

ICEA LION Income DrawDown Fund has been approved by the Kenya Revenue Authority and its investment income is exempt from taxation with effect from 28 February 2017.

Taxation reflected in the financial statements relates to tax payable on net investment income earned by the unregistered portion of the fund and is as follows:

	2023 Kshs	2022 Kshs
Taxable investment income	40,638,455	24,363,561
a Tax charge for the year at 30%	12,191,537	7,309,068
Tax paid	(8,039,975)	(7,309,068)
Amount withheld to pay tax	(4,151,562)	-
b Balance of tax payable	-	-

6. Administrative expenses

Administrative expenses are borne by the sponsor. The expenses for the year are:

	2023 Kshs	2022 Kshs
<u>Borne by the Sponsor</u>		
RBA levy	-	3,262,333
Audit fees	290,000	237,000
Trustee fees	1,160,000	1,160,000
	1,450,000	4,659,333

Income Drawdown Funds are exempt from RBA levy by Section 31 of the Retirement Benefits (Income Drawdown Funds) regulations, 2023 that were gazetted on 10th November 2023 under Legal Notice No.187. Consequently, RBA levy is not payable by the Fund for the year.

7. Guaranteed fund

	2023 Kshs	2022 Kshs
Registered Fund	2,559,817,384	2,071,464,295
Unregistered Fund	443,610,362	440,869,165
	3,003,427,746	2,512,333,460

The Fund assets are invested in a Guaranteed Fund Account with ICEA LION Life Assurance Company Limited (The Approved Issuer). Interest was credited to the Fund by the Approved Issuer at a declared net rate of 10% (2022: 6.5%).

ICEA LION Income DrawDown Fund
Financial Statements
For the year ended 31 December 2023

Notes (continued)

8. Payables and accrued expenses	2023	2022
	Kshs	Kshs
<u>Payable by the Sponsor</u>		
RBA Levy	-	3,262,333
Audit fees	290,000	237,000
	<u>290,000</u>	<u>3,499,333</u>

9. Comparatives

Where necessary comparative figures have been adjusted to conform with the changes in presentation in the current year.

10. Financial risk management disclosures

The Fund's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Fund does not hedge any risks.

Risk management is carried out by the Approved Issuer of the Fund in accordance with the Deposit Administration (Guaranteed) agreement..

Market risk

(i) Foreign exchange risk

The Fund has no investments in offshore markets and is therefore not exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro.

(ii) Cash flow and fair value interest rate risk

The Fund does not hold any interest bearing financial liability or overdraft at a variable rate which would expose the Fund to cash flow interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the Fund and arises principally from the Fund's investments and receivables. The Fund invests all of its funds with the Approved Issuer under deposit administration (guaranteed) agreement hence concentration of credit risk. The Approved Issuer assesses the credit quality of each investment, taking into account its credit rating and invests in investments with good credit rating. In addition, the Approved Issuer has guaranteed preservation of the Fund's contributions and an annual minimum interest rate of 4%.

The amount that best represents the Fund's maximum exposure to credit risk as at 31 December 2023 is made up as follows:

	2023	2022
	Kshs	Kshs
Guaranteed Fund	<u>3,003,427,746</u>	<u>2,512,333,460</u>

No collateral is held for any of the above assets.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. Liquidity risk management is carried out by the Approved Issuer based on anticipated benefit payments and obligations as advised by the Corporate Trustee. The Approved Issuer has guaranteed liquidity of the Fund.