

**ICEA LION INDIVIDUAL RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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Corporate Trustee	Corporate & Pension Trust Services Limited Zamara Place, Ground Floor Chiromo Road/Waiyaki Way, Westlands P.O. Box 52439 – 00200 Nairobi
Registered Office	ICEA LION Life Assurance Company Ltd 2 nd Floor, ICEA LION Centre Riverside Park Chiromo Road, Westlands PO Box 46143 – 00100 Nairobi
Approved issuer	ICEA LION Life Assurance Company Ltd 2 nd Floor, ICEA LION Centre Riverside Park Chiromo Road, Westlands P.O. Box 46143 – 00100 Nairobi
Administrator	Ephraim Kinyua ICEA LION Life Assurance Company Ltd 2 nd Floor, ICEA LION Centre Riverside Park Chiromo Road, Westlands P.O. Box 46143 – 00100 Nairobi
Auditor	KPMG Kenya Certified Public Accountants 8 th Floor, ABC Towers Waiyaki Way, Westlands P.O. Box 40612 – 00100 Nairobi

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

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The ICEA LION Individual Retirement Benefits Scheme ("the Scheme") is established and is governed by a Trust Deed dated 1 January 1994 as a defined contribution scheme. It provides retirement benefits to the participating persons at a specified age and relief for the dependants of deceased members as defined in the regulations. It is an exempt approved scheme under the Income Tax Act and is registered with the Retirement Benefits Authority.

The Scheme is administered by a Corporate Trustee who is responsible for its affairs.

MEMBERSHIP

The participating members are persons who are self-employed or professionals or otherwise who are empowered by the Income Tax Act to participate in the Scheme. Current contributions represent remittances to the Scheme by individual members.

At 31 December 2023, the Scheme's membership details were as below:

	2023	2022
Members at 1 January	37,434	34,328
New entrants during the year	4,763	5,303
Withdrawals	(2,495)	(2,197)
	<hr/>	<hr/>
Members at 31 December	39,702	37,434
	<hr/>	<hr/>

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 9 shows an increase in the net assets of the Scheme for the year of Shs 5,191,987,000 (2022: Shs 3,719,750,000) and the Scheme's net assets as at 31 December 2023 amounted to Shs 31,850,329,000 (2022: Shs 26,658,342,000).

INVESTMENT OF THE SCHEME

Under the terms of their appointment, the approved issuer is responsible for day to day management of the investments of the Scheme funds. The overall responsibility for investment and performance lies with the Trustee.

On behalf of the Trustee



For Corporate Trustee

Date: 12 March 2024.

The Retirement Benefits (Individual Retirement Benefit Schemes) Regulations, 2000 require the Trustee to prepare financial statements in a prescribed form for each financial year. They also require the Trustees to ensure that the Scheme keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the Custodian in accordance with the rules of the Scheme.

The Trustee accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. The Trustee also accept responsibility for:

- (i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
- (ii) Selecting and applying appropriate accounting policies and then applying them consistently; and
- (iii) Making accounting estimates and judgment's that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to continue as a going concern, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to continue as a going concern.

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

Approved by the Corporate Trustees on 12 March 2024 and signed on its behalf by:



{Name}
For Corporate Trustee



{Name}
For Corporate Trustee

1. BOARD DIVERSITY

Trustee name	Category	No. of meetings attended	TDPK Certification status	Membership of other boards
Corporate & Pension Trust Services Limited	Corporate Trustee	Four	Certified	Yes

*All the four (4) Directors of the Trust Corporation are Kenyans who are Trustee Development Program of Kenya Certified. They are;

Mr. James Olubayi
Mr. Anthony Kilavi

Mr. Jeremiah Njeru
Ms. Shera Noorbhai

2. The Corporate Trustee held four (4) board meetings and an Annual General Meeting during the year under review as indicted here-under;

(a) Board of Trustees

Meeting date		Venue
Monday 4 th December 2023	Trustee Meeting	Online via Microsoft Teams
Monday 4 th September 2023	Trustee Meeting	Online via Microsoft Teams
Thursday 6 th July 2023	AGM	Online via Microsoft Teams
Monday 12 th June 2023	Trustee Meeting	Online via Microsoft Teams
Wednesday 8 th March 2023	Trustee Meeting	Online via Microsoft Teams

(b) Committee meetings

As at 31 December 2023 there were no committees.

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

4. FIDUCIARY RESPONSIBILITY STATEMENT

The Corporate Trustee is the governing body of the ICEA LION Retirement Benefits Scheme and is responsible for the corporate governance of the Scheme. The Trustee is responsible for ensuring that the administration of the Scheme is conducted in the best interests of the Scheme's members and the Sponsor. To achieve this, the Trustee embraced their fiduciary responsibility by:

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

The Scheme has complied with the laws, regulations and guidelines that govern retirement benefits schemes and the Scheme's business operations.

The Trustees have ensured that the approved issuer has carried out all investments and that all Scheme assets and funds are held by them.

The Board charter for the Scheme is being developed.

5. RESPONSIBLE CORPORATE CITIZENSHIP

The Scheme 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.

6. KEY OUTCOMES

The Board of Trustees seeks to achieve the following:

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

The Board of Trustees will measure the progress towards these outcomes through:

- (a) Triennial members' survey score.
 The Directors of the Trust Corporation are formulating appropriate mechanisms of conducting a members' survey for purpose of obtaining a member driven scoring framework.
- (b) Regular reports and feedback from the sponsor. No. of reports. **None.**

7. AGM & MEMBERS' SENSITIZATION

AGM & Member Sensitisation	Date held	No. of Attendants	Remarks
The Board convened an AGM and during the AGM, sensitized members on the operations of the Scheme.	6 th July 2023	30% of Scheme Membership	Improvement Needed

During the sensitization activity, members were reminded of the details of the Scheme, the proportion of benefit payable from the Scheme upon exit and the recent regulatory changes to the retirement benefits sector i.e. mortgage regulations.

8. TRUSTEES REMUNERATION POLICY

The Directors of the Trust Corporation (as captured in 1 above) are not remunerated by the Scheme or the Sponsor.

The Trustee of the Scheme is a corporate entity and as such a fee is payable based on the Corporate Trustee Agreement.

9. BOARD OF TRUSTEES' EVALUATION

The Corporate Trustee is putting in place mechanisms for carrying out a Board evaluation. The results of the exercise will be disclosed going forward.

Signed on behalf of the Corporate Trustee on 12 March 2024.


 {Name}
 For Corporate Trustee


 {Name}
 For Corporate Trustee



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INDEPENDENT AUDITOR'S REPORT **TO THE MEMBERS OF ICEA LION INDIVIDUAL RETIREMENT BENEFITS SCHEME**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of ICEA LION Individual Retirement Benefits Scheme (the "Scheme") as set out on pages 9 to 20 which comprise the statements of net assets available for benefits as at 31 December 2023, and the statements of changes in net assets available for benefits, statements of cash flows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the financial statements give a true and fair view of ICEA LION Individual Retirement Benefits Scheme as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards), the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

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 Scheme in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (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 opinion.

Other information

The directors are responsible for the other information. The other information comprise the information included in the *ICEA LION Individual Retirement Benefits Scheme for the year ended 31 December 2023*, 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, other than that prescribed by the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 as set out below.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICEA LION INDIVIDUAL RETIREMENT BENEFITS
SCHEME (CONTINUED)**

Report on the audit of the financial statements (Continued)

Other information (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information identified 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.

Directors' responsibilities for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Scheme 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 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 judgment 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 control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.



**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ICEA LION INDIVIDUAL RETIREMENT BENEFITS
SCHEME (CONTINUED)**

Report on the audit of the financial statements (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme'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 Scheme 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Dr. Alexander Mbai – Practicing Certificate No. 2172.

For and behalf of:

**KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi, Kenya**

Date: 30 March 2024

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2023 Shs '000'	2022 Shs '000'
Income from dealings with members			
Contributions receivable	4	4,354,974	3,068,280
Benefits transfers in	4	1,100,873	1,709,290
		5,455,847	4,777,570
Outgoings from dealings with members			
Benefits payable		(2,498,129)	(2,031,118)
Benefits transfers out		(304,070)	(451,103)
		(2,802,199)	(2,482,221)
Net additions from dealings with members		2,653,648	2,295,349
Returns on investments			
Investment income	5	2,802,044	1,573,218
Net return on investments		2,802,044	1,573,218
Administrative expenses	6	(16,515)	(16,061)
Taxation	7(a)	(247,190)	(132,756)
Increase in net assets for the year		5,191,987	3,719,750
Net assets available for benefits at start of year		26,658,342	22,938,592
Net assets available for benefits at year end		31,850,329	26,658,342

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2023 Shs '000'	2022 Shs '000'
ASSETS			
Guaranteed fund	8	31,959,284	26,626,538
		31,959,284	26,626,538
Tax Payable/(Receivable)	7(b)	(101,159)	39,507
LIABILITIES			
Payables and accruals	9	(7,797)	(7,703)
		(108,956)	31,804
Net assets available for benefits		31,850,328	26,658,342
FINANCED BY:			
Members' account and reserve fund		31,850,328	26,658,342

The financial statements on pages 9 to 20 were approved and authorised for issue by the trustee on 12 March 2024 and were signed on behalf of the Corporate Trustee by:


 {Name}
 For Corporate Trustee


 {Name}
 For Corporate Trustee

STATEMENT OF CASH FLOWS

	Note	2023 Shs '000'	2022 Shs '000'
Cashflow from operating activities			
Contributions and transfers in received		5,455,847	4,777,570
Benefits paid and transfers out		(2,802,199)	(2,482,221)
		<u>2,653,648</u>	<u>2,295,349</u>
Net cashflow from dealings with members			
Increase/(Decrease) in other payables		93	(4,605)
Expenses paid		(16,515)	(16,061)
Taxation paid		(106,524)	(230,184)
		<u>2,530,702</u>	<u>2,044,499</u>
Net cash generated from operating activities			
Cashflow from investing activities			
Investment income received	5	2,802,044	1,573,218
Increase in guaranteed fund balance		(5,332,746)	(3,617,717)
		<u>(2,530,702)</u>	<u>(2,044,499)</u>
Net cash generated from investing activities			
Net increase in cash equivalents			
Cash and cash equivalents at start of year		-	-
Cash and cash equivalents at end of year		<u>-</u>	<u>-</u>

Notes

1 General information

ICEA LION Individual Retirement Benefits Scheme is incorporated in Kenya under the Retirement Benefits Act and is domiciled in Kenya. The address of its registered office is shown on page 1.

2 Material accounting policies

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

(a) Basis of preparation

The financial statements of ICEA LION Individual Retirement Benefits Scheme have been prepared in accordance with International Financial Reporting Standards (IFRS Accounting Standards), the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of Trustee. They do not take account of obligations to pay pensions and benefits that fall due after the end of the financial year.

The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest shilling. The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below.

(b) New and amended standards adopted by the Scheme

The following standards and amendments have been applied by the Scheme for the first time for the financial year beginning 1 January 2023:

(i) New standards, amendments and interpretations effective and adopted during the year

The Scheme has adopted the following new standards and amendments during the year ended 31 December 2023, including consequential amendments to other standards with the date of initial application by the Scheme being 1 January 2023.

The new standards and amendments effective as of 1 January 2023 are listed below:

New standards, amendments and interpretations	Effective for periods beginning on or after
<i>IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts</i>	<i>1 January 2023</i>
<i>Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)</i>	<i>1 January 2023</i>
<i>Definition of Accounting Estimate (Amendments to IAS 8)</i>	<i>1 January 2023</i>
<i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction - Amendments to IAS 12 Income Taxes</i>	<i>1 January 2023</i>
<i>International Tax Reform-Pillar Two Model Rules-Amendments to IAS 12</i>	<i>25th may 2023</i>

The standards or amendments did not have a material impact on the financial statement.

Notes (Continued)

2 Material accounting policies (Continued)

(b) New and amended standards adopted by the Scheme (continued)

(ii) New and amended standards and interpretations in issue but not yet effective for the year ended 31 December 2023

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Scheme's financial statements are disclosed below. The Scheme intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

	Effective for annual periods beginning on or after
New standards	
<i>Non-current Liabilities with Covenants (Amendments to IAS 1) and Classification of Liabilities as Current or Non-current (Amendments to IAS 1)</i>	1 January 2024
<i>Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)</i>	1 January 2024
<i>Supplier finance arrangements-Amendments to IAS 7 and IFRS 7</i>	1 January 2024
<i>IFRS S1 General requirements for Disclosure of sustainability-related financial information and IFRS S2- Climate related disclosure</i>	1 January 2024
<i>Lack of Exchangeability-Amendments to IAS 12</i>	25th may 2025
<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)</i>	Optional

The above standards and amendments are not expected to have a significant impact on the Scheme's financial statements.

(iii) Early adoption of standards

The Scheme did not early-adopt any new or amended standards in the year.

(c) Contributions

Current service and other contributions are accounted for in the period in which they fall due.

(d) Transfers

Transfers are recognized in the period in which members join from other Schemes or leave for other Schemes. The values are based on methods and assumptions determined by actuaries.

(e) Benefits payable

Pension and other benefits are recognized in the period in which they fall due.

(f) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

Notes (Continued)

2 Material accounting policies (Continued)

(g) Investments

The funds are invested in a guaranteed fund managed by ICEA LION Life Assurance Company Kenya Limited and are carried at fair value.

Income from investments

- (i) Interest income is recognized for all interest-bearing instruments on an accrual basis using the effective yield method. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.
- (ii) Dividends are recognized as income in the period in which the right to receive payment is established.

(h) Impairment of assets

Internal and external sources of information are reviewed at each statement of financial position date to identify indications that assets may be impaired, or an impairment loss previously recognised no longer exists or may have decreased.

If any such indications exist, the asset's recoverable amount is estimated. The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. An impairment loss is recognised in the statement of changes in net assets available for benefits whenever the carrying amount of an asset exceeds its recoverable amount.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount which results in an increase in the recoverable amount. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the statement of changes in net assets available for benefits in the year in which the reversal is recognised.

As at year end, the only asset is the investment in guaranteed fund which is treated as fair value through profit and loss and therefore not subject to impairment assessment.

(i) Guaranteed funds

The Scheme's assets are held under a guaranteed fund with ICEA LION Life Assurance Company Limited which is the sponsor of the Scheme and is registered with the Retirements Benefits Authority (RBA) to run Individual retirement benefit schemes.

The Sponsor guarantees a minimum rate of return on investment of 4% year on year to cushion Scheme members from any investment losses.

The Sponsor manages the Scheme inflows, invests the funds to generate income and outflows as required by RBA

(j) Benefits payable

Benefits payable to seceding members are recognised in the period which they fall due.

Notes (Continued)

2 Material accounting policies (Continued)

(k) Financial liabilities

Financial liabilities are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method.

(l) Provision for liabilities and charges

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Scheme expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain

3 Financial risk management objectives and policies

The Scheme's principal financial instruments comprise cash and cash equivalents, receivables, and payables. These instruments arise directly from its operations. The Scheme's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk, and operational risk. The Trustee reviews and agrees policies for managing these risks.

The Trustee has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Trustee is responsible for monitoring compliance with the Scheme's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Scheme. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the management under policies approved by the Trustees. Management identifies, evaluates, and manages financial risks. The Trustee provides principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investment of excess liquidity.

The Scheme's risk management policies are established to identify and analyse the risks faced by the Scheme, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products, and services offered. The Scheme aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. The objective of market risk management is to manage and control market risk exposure within acceptable levels, while optimizing on the return on the risk.

Foreign exchange risk

Foreign exchange risk arises from future investment transactions and recognised assets and liabilities. The Scheme's policy is to record transactions in foreign currencies at the rate in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange in effect at the reporting date. All gains or losses on changes in currency exchange rates are accounted for in the income statement.

Notes (Continued)

3 Financial risk management objectives and policies (continued)

(a) Market risk (continued)

Foreign exchange risk (continued)

The Scheme however operates wholly within Kenya and its assets and liabilities are mainly denominated in local currency. Consequently, the Scheme's exposure to exchange risk is minimal. In light of this, the Trustee is of the opinion that any sensitivity analysis with respect to the foreign exchange exposure would be unrepresentative.

Exchange rate exposures are managed within approved policy parameters utilising matching of assets and liabilities. The Scheme did not have any transactions undertaken in foreign currencies during the year. The Scheme did not have any foreign currency denominated balances at year-end.

Interest rate risk

Interest rate risk is the risk that the future profitability and/or cash flows of financial instruments will fluctuate because of changes in the market interest rates. The Scheme's investments are in a variable rate administered deposits, which exposes it to cash flow interest rate risk. The Scheme has no interest bearing liabilities. The table below summarises the impact on interest for the Scheme when the interest rate changes.

Interest rate change	2023 Shs '000	2022 Shs '000
1%	280,204	242,033

Price risk

The Scheme does not hold investments that would be subject to price risk

(b) Credit risk

Credit risk arises from investments in administered deposits, contributions receivable, cash equivalents, and other receivables. The Scheme has a significant concentration of credit risk in the administered deposits. The investment managers assess the credit quality of each investment, taking in to account their credit rating.

The Scheme only places significant amounts of funds with recognised financial institutions with strong credit ratings and does not consider the credit risk exposure arising from administered deposits to be significant.

For risk management reporting purposes, the Scheme considers and consolidates all elements of credit risk exposure. The amount that best represents the Funds maximum exposure to credit risk is made up as follows:

	2023 Shs 000	2022 Shs 000
Guaranteed fund	31,959,284	26,626,538

Notes (Continued)

3 Financial risk management objectives and policies (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting its obligations from its financial liabilities. The Scheme's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Scheme's reputation.

The administered deposits are available to meet liabilities to beneficiaries as they fall due. The Scheme therefore considers the liquidity risk exposure to be minimal.

The table below analyses the Scheme's net financial obligations that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

The amounts disclosed in the table below are the contractual undiscounted cash flows:

	No stated maturity	0 – 1 Year	Over 1 year	Total
At 31 December 2023	Shs'000'	Shs'000'	Shs'000'	Shs'000'
Financial assets				
Guaranteed fund	-	31,959,284	-	31,959,284
Financial liabilities				
Payables and accruals	-	7,797	-	7,797
Difference in cashflows	-	31,967,081	-	31,967,081
At 31 December 2022				
Financial assets				
Guaranteed fund	-	26,626,538	-	26,626,538
Financial liabilities				
Payables and accruals	-	(7,703)	-	(7,703)
Difference in cashflows	-	26,618,835	-	26,618,835

Notes (Continued)

3 Financial risk management objectives and policies (continued)

(e) Fair value estimation

The carrying amounts of all financial assets and liabilities at the balance sheet date approximate their fair values.

The following table presents the Scheme's assets that are measured at fair value at 31 December 2023.

The different level of fair value measurement hierarchy is described as follows:

- Quoted prices (unadjusted) in active markets for identical assets (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable data) (level 3).

At 31 December 2023	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Guaranteed fund	-	-	31,959,284	31,959,284
At 31 December 2022				
Guaranteed fund	-	-	26,626,538	26,626,538

4 Contributions

	2023 Shs '000'	2022 Shs '000'
Member contributions	4,354,974	3,068,280
Transfers from other schemes	1,100,873	1,709,290
	5,455,847	4,777,570

As at 31st December 2023, the below amounts were reported to RBA as unremitted contributions;

- Employees Shs 15,853,949
- Employer Shs 15,853,949

Notes (Continued)

5 Investment income	2023 Shs '000'	2022 Shs '000'
Interest income	-	-
Registered fund	1,978,076	1,373,616
Unregistered fund	823,968	522,009
	<u>2,802,044</u>	<u>1,895,625</u>

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

6 Administrative expenses	2023 Shs '000'	2022 Shs '000'
RBA levy	5,000	5,000
Audit fees	477	383
Trustee fees	9,280	9,280
Bank charges	1,758	1,398
	<u>16,515</u>	<u>16,061</u>

7 Tax status of the scheme

ICEA LION Individual Retirement Benefits Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income for the registered tax-exempt portion.

Contributions in excess of the statutory limit of Shs 240,000 per individual per annum set in the Income Tax Act ("ITA") constitutes an unregistered portion whose income is not exempt from tax while the contributions that are within the said statutory limit constitute a registered portion whose income is exempt from tax.

Income from the unregistered portion is subject to tax as follows:

(a) Current income tax expense	2023 Shs'000'	2022 Shs'000'
Investment income from the unregistered portion	823,968	442,519
	<u>247,190</u>	<u>132,756</u>
(b) Current income tax payable/(receivable)		
At 1 January	(39,507)	57,921
Tax paid during the year	(106,524)	(230,184)
Current income tax (Note 7(a))	247,190	132,756
	<u>101,159</u>	<u>(39,507)</u>
At 31 December 2023		

Notes (Continued)

8 Personal Retirement Scheme (Guaranteed) Fund

The investment portfolio is in a Guaranteed Fund with ICEA LION Life Assurance Company Limited. The return on the investment was a declared net rate of 10% (2022: 6.5%).

	2023 Shs'000'	2022 Shs'000'
Registered Portion	22,360,886	19,217,523
Unregistered Portion	9,598,398	7,409,015
	31,959,284	26,626,538

9 Payables and accruals

	2023 Shs'000'	2022 Shs'000'
RBA levy	5,000	5,000
Audit fees	477	383
Trustee fees	2,320	2,320
Tax payable (Note 7(b))	101,159	-
	108,956	7,703

10 Related party transactions

There were no transactions carried out with related parties.

11 Registration

The Scheme is registered in Kenya under the Retirement Benefits Act. The Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income for the registered portion.

Contributions in excess of the statutory limit of KShs 240,000 per individual per annum set in the Income Tax Act ("ITA") constitutes an unregistered portion whose income is not exempt from tax while the contributions that are within the said statutory limit constitute a registered portion whose income is exempt from tax. The income tax expense charged is Shs 247,190,330 (2022: Shs132,755,810).

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