

**ICEA LION INDIVIDUAL RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**



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| | |
|---|--|
| Corporate Trustee (01-01-2020 – 31-03-2020) | Octagon Pension Services Limited West Park Suites, Ojjo Road Parklands Road PO Box 10034– 00100 Nairobi |
| Corporate Trustee (From 01-04-2020) | Corporate & Pension Trust Services Limited Landmark Plaza, 10th Floor Argwings Kodhek Road P.O. Box 52439 - Code 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 PO Box 46143– 00100 Nairobi |
| Administrator | Ephraim Kinyua ICEA LION Life Assurance Company Ltd 2 nd Floor, ICEA LION Centre Riverside Park Chiromo Road, Westlands PO Box 46143– 00100 Nairobi |
| Auditor | PricewaterhouseCoopers LLP Certified Public Accountants (Kenya) PwC Towers, Waiyaki Way/Chiromo Road Westlands PO Box 43963 – 00100 Nairobi |

The Trustee submits their report together with the audited financial statements for the year ended 31 December 2020

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The Scheme was 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 rules. It is an exempt approved scheme under the Income Tax Act and is registered with the Retirement Benefits Authority.

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

MEMBERSHIP

The participating members are persons who are self-employed or professions or any person who does not belong to an employer sponsored Retirement Benefits Scheme and who is empowered by the Income Tax Act to participate in the Scheme. Current contributions represent remittances to the Scheme by individual members.

At 31 December 2020, the Scheme's membership details were as below:

| | 2020 | 2019 |
|------------------------------|---------|--------|
| Members at 1 January | 30,457 | 27,737 |
| New entrants during the year | 2,877 | 3,521 |
| Withdrawals | (1,416) | (801) |
| | <hr/> | <hr/> |
| Members at 31 December | 31,918 | 30,457 |
| | <hr/> | <hr/> |

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 7 shows an increase in the net assets of the Scheme for the year of Shs 2,959,604,000 (2019: Shs 3,391,096,000) and the statement of net assets available for benefits on page 8 shows the Scheme's net assets as at 31 December 2020 amounted to Shs 19,665,038,000 (2019: Shs 16,705,434,000).

INVESTMENT OF FUNDS

Under the terms of their appointment, the approved issuer are 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 Trustees



For Corporate Trustee

_____ 30 March 2021

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 judgements 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 30 March 2021 and signed on its behalf by:



For Corporate Trustee



For Corporate Trustee

1. Board Diversity

The Trustee of the Scheme is a Corporate Trustee M/S Corporate & Pension Trust Services Limited. They were appointed with effect from 01 April 2020.

The former Trustee was Octagon Pension Services Limited whose term lapsed on 31 March 2020.

| Trustee Name | Category | No. of Meetings Attended | TDPK Certification Status | Membership of other Boards |
|--|-------------------|--------------------------|---------------------------|----------------------------|
| Corporate & Pension Trust Services Limited | Corporate Trustee | Three | Certified | Yes |

2. The Corporate Trustee held one (1) full board meeting, two (2) administrative meetings and an Annual General Meeting during the year under review as indicted here-under;

a) **Board of Trustees**

| Meeting date | | Venue |
|--------------------------------|--------------------------|----------------------------|
| 15 th July 2020 | Handover/take on Meeting | Online via Microsoft Teams |
| 3 rd November 2020 | Trustee Meeting | Online via Microsoft Teams |
| 16 th November 2020 | Administrative Meeting | Online via Microsoft Teams |

b) **Committee Meetings**

The Board is yet to constitute committees. As at 31 December 2020 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 Individual Retirement Benefits Scheme and is responsible for the corporate governance of the Scheme. The Trustees 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 Trustees 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 Trustee has 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 Corporate Trustee 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 Corporate Trustee will measure the progress towards these outcomes through:

- a) Triennial members' survey score. **No survey was conducted in the year.**
- b) Regular reports and feedback from the sponsor. No. of reports. **None.**

7. Annual General Meeting

The Corporate Trustee held the Scheme's Annual General Meeting on the 10th December 2020 at which 30% of the scheme members attended.

The Board adequately addressed the members' concerns.

8. Members' sensitization

| The Corporate Trustee conducted the following sensitization activities | Date held | No. of attendants | Remarks |
|--|--------------------------------|-------------------|---------------------|
| Annual General Meeting (AGM) | 10 th December 2020 | 30% | 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.

9. Trustees remuneration policy

The Trustee of the Scheme is a Corporate entity and as such a fee is payable in line with the Corporate Trustee Agreement.

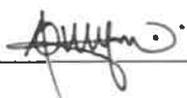
10. Trustee's evaluation

The Corporate Trustee did not undertake a board evaluation for the year under review hence there is no board rating.

11. Covid- 19 impact on the scheme

Due to the Covid-19 pandemic, the business of some of the employers participating in the Scheme was greatly impacted, and as such their cashflows. The aggregate estimated unremitted contributions (employee and employer) as at 31 December 2020 was approximately Kshs. 48,256,389.

Signed on behalf of the Corporate Trustee on 30 March 2021



For Corporate Trustee



For Corporate Trustee



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 accompanying financial statements of ICEA LION Individual Retirement Benefits Scheme (the "Scheme") set out on pages 9 to 21 which comprise the statement of net assets available for benefits as at 31 December 2020 and the statement of changes in net assets available for benefits and statement of cash flows for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of ICEA LION Individual Retirement Benefits Scheme at 31 December 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (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.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are 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 the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, 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.

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Partners: E Kerich B Kimacia M Mugasa FMuriu P Ngahu A Murage S N Ochieng' R Njoroge B Okundi K Saiti



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

Responsibilities of the Trustee for the financial statements

The Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits (Individual Retirement Benefit Schemes) Regulations, 2000 and for such internal control as the Trustee 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 Trustee is 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 Trustee 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 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 scepticism 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 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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
- Conclude on the appropriateness of the 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 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.



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

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

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.


Certified Public Accountants
Nairobi

31 March 2021

**FCPA Richard Njoroge, Practising certificate No. 1244
Signing partner responsible for the independent audit**



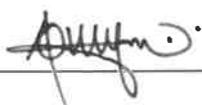
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | Notes | 2020 Kshs '000' | 2019 Kshs '000' |
|---|-------|--------------------|--------------------|
| Income from dealings with members | | | |
| Contributions receivable | 4 | 2,651,362 | 2,445,685 |
| Transfers from other schemes | 4 | 1,147,075 | 1,161,619 |
| | | 3,798,437 | 3,607,304 |
| Outgoings from dealings with members | | | |
| Benefits payable | | (1,838,305) | (1,488,158) |
| Transfers to other schemes | | (301,651) | (71,745) |
| | | (2,139,956) | (1,559,903) |
| Net additions from dealings with members | | 1,658,481 | 2,047,401 |
| Returns on investments | | | |
| Investment income | 5 | 1,408,055 | 1,471,245 |
| Net return on investments | | 1,408,055 | 1,471,245 |
| Administrative expenses | 6 | (17,221) | (19,355) |
| Taxation | 7(a) | (89,711) | (108,195) |
| Increase in net assets for the year | | 2,959,604 | 3,391,096 |
| Net assets available for benefits at start of year | | 16,705,434 | 13,314,338 |
| Net assets available for benefits at end of year | | 19,665,038 | 16,705,434 |

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

| | | 2020 | 2019 |
|--|-------|-------------------|-------------------|
| | Notes | Kshs '000' | Kshs '000' |
| Assets | | | |
| Guaranteed fund | 8 | 19,689,793 | 16,761,166 |
| | | 19,689,793 | 16,761,166 |
| Liabilities | | | |
| Payables and accruals | 9 | (24,755) | (55,732) |
| | | (24,755) | (55,732) |
| Net assets available for benefits | | 19,665,038 | 16,705,434 |
| FINANCED BY: | | | |
| Members' Account and Reserve Fund | | 19,665,038 | 16,705,434 |

The financial statements on pages 9 to 21 were approved and authorised for issue by the Corporate Trustee on 30 March 2021 and were signed on behalf of the Corporate Trustee by:



For Corporate Trustee



For Corporate Trustee

STATEMENT OF CASH FLOWS

| | Notes | 2020 Kshs '000' | Restated 2019 Kshs '000' |
|---|-------|--------------------|--------------------------------|
| Cashflow from operating activities | | | |
| Contributions and transfers in received | | 3,798,437 | 3,607,304 |
| Benefits paid and transfers out | | (2,139,956) | (1,559,903) |
| | | <hr/> | <hr/> |
| Net cashflow from dealings with members | | 1,658,481 | 2,047,401 |
| Increase /(decrease) in other payables | | (30,978) | 11,667 |
| Taxation paid | | (118,728) | (83,485) |
| | | <hr/> | <hr/> |
| Net cash generated from operating activities | | 1,508,775 | 1,975,583 |
| | | <hr/> | <hr/> |
| Cashflow from investing activities | | | |
| Investment income received | 5 | 1,408,055 | 1,471,245 |
| Decrease/(Increase) in guaranteed fund balance | | (2,916,830) | (3,446,828) |
| | | <hr/> | <hr/> |
| Net cash generated from investing activities | | (1,508,775) | (1,975,583) |
| Net increase in cash equivalents | | - | - |
| Cash and cash equivalents at start of year | | - | - |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at end of year | | - | - |
| | | <hr/> <hr/> | <hr/> <hr/> |



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:

ICEA LION Centre
Riverside Park
Chiromo Road Westlands
P.O Box 46143-00100
Nairobi

2 Summary of significant 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), the Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Individual 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 2020:

i) Adoption of new and revised standards effective in the current period

Various standards, interpretations, amendments, and improvements were effective in the period under review but had no effect on the Scheme's financial statements.

ii) New and revised standards issued but not yet effective

At the date of authorisation of these financial statements, various standards, interpretations, amendments, and improvements were in issue but not yet effective. The trustees anticipate that the adoption of these standards, interpretations, amendments, and improvements when effective, will have no material impact on the financial statements of the Scheme.

iii) Early adoption of standards

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(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.

(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. Movements in fair value are recognized in the statement of changes in net assets available for benefits.

Income from investments

- i. Interest income is recognised 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 recognised 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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 this cushions the scheme members from any investment losses.

The Sponsor manages the Schemes 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.

(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

Notes (continued)

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 trustees review and agree policies for managing these risks.

The Corporate Trustee has overall responsibility for the establishment and oversight of the Scheme's risk management framework. The Board of Trustees 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 board of trustees. Management identifies, evaluates, and manages financial risks. The board 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. 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 trustees are 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.

Notes (continued)

3 Financial risk management objectives and policies (continued)

(a) Market Risk (continued)

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 | 2020 Kshs '000 | 2019 Kshs '000 |
|----------------------|-------------------|-------------------|
| 1% | 176,007 | 143,536 |

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:

| | 2020 Shs 000 | 2019 Shs 000 |
|-----------------|-----------------|-----------------|
| Guaranteed fund | 19,689,793 | 16,761,166 |

(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.

Notes (continued)

3 Financial risk management objectives and policies (continued)

(c) Liquidity Risk (continued)

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

| | No stated maturity Kshs '000' | 0 – 1 year Kshs '000' | Over 1 year Kshs '000' | Total Kshs '000' |
|------------------------------|--|----------------------------------|-----------------------------------|-----------------------------|
| At 31 December 2020 | | | | |
| Financial assets | | | | |
| Guaranteed fund | 19,689,793 | - | - | 19,689,793 |
| | 19,689,793 | - | - | 19,689,793 |
| Financial liabilities | | | | |
| Payables and accruals | - | 24,755 | - | 24,755 |
| | - | 24,755 | - | 24,755 |
| Difference in cashflows | 19,689,793 | (24,755) | - | 19,665,038 |
| At 31 December 2019 | | | | |
| Financial assets | | | | |
| Guaranteed fund | 16,761,166 | - | - | 16,761,166 |
| | 16,761,166 | - | - | 16,761,166 |
| Financial liabilities | | | | |
| Payables and accruals | - | 55,732 | - | 55,732 |
| | - | 55,732 | - | 55,732 |
| Difference in cashflows | 16,761,166 | (55,732) | - | 16,705,434 |

Notes (continued)

3 Financial risk management objectives and policies (continued)

(d) Capital risk management

The capital of the Scheme is represented by the net assets available for benefits. The Scheme's objective when managing capital is to safeguard the Scheme's ability to continue as a going concern in order to provide benefits for members and maintain a strong capital base to support the development of the investment activities of the Scheme.

The Corporate Trustee monitors capital on the basis of the value of net assets attributable to members. To achieve optimal return from the Scheme's assets, the Corporate Trustee has formulated investment policies which set benchmarks upon which the investment manager is monitored.

(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 Fund's assets that are measured at fair value at 31 December 2020:

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).

| | Level 1 | Level 2 | Level 3 | Total |
|----------------------------|----------------|----------------|----------------|-------------------|
| | Shs'000 | Shs'000 | Shs'000 | Shs'000 |
| At 31 December 2020 | | | | |
| Guaranteed fund | | | 19,689,793 | 19,689,793 |
| At 31 December 2019 | | | | |
| Guaranteed fund | | | 16,761,166 | 16,761,166 |

Notes (continued)

4 Contributions

| | 2020 Kshs '000' | 2019 Kshs '000' |
|------------------------------|----------------------------------|----------------------------------|
| Member contributions | 2,651,362 | 2,445,685 |
| Transfers from other schemes | 1,147,075 | 1,161,619 |
| | <u>3,798,437</u> | <u>3,607,304</u> |

5 Investment income

| | | |
|-------------------|------------------|------------------|
| Interest income | | |
| Registered fund | 1,049,212 | 1,110,596 |
| Unregistered fund | 358,843 | 360,649 |
| | <u>1,408,055</u> | <u>1,471,245</u> |

Interest for the year was credited by ICEA LION Life Assurance Company Limited at a declared net rate of 8% (2019: 10.25%).

6 Administrative expenses

| | 2020 Kshs '000' | 2019 Kshs '000' |
|--------------|----------------------------------|----------------------------------|
| RBA levy | 5,000 | 5,000 |
| Audit fees | 260 | 160 |
| Trustee fees | 10,930 | 12,991 |
| Bank Charges | 1,031 | 1,204 |
| | <u>17,221</u> | <u>19,355</u> |

Notes (continued)

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 scheme.

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 pension scheme whose income is not exempt from tax while the contributions that are within the said statutory limit constitute a registered pension scheme whose income is exempt from tax.

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

| | 2020 | 2019 |
|---|-------------------|-------------------|
| | Kshs '000' | Kshs '000' |
| a) Current income tax expense | | |
| Investment income from the unregistered portion | 358,843 | 360,649 |
| | <hr/> | <hr/> |
| Taxation expense at 25% (2019: 30%) | 89,711 | 108,195 |
| | <hr/> | <hr/> |
| b) Current income tax payable | | |
| At 1 January | 37,582 | 12,872 |
| Tax paid during the year | (118,728) | (83,485) |
| Current income tax (Note 7(a)) | 89,711 | 108,195 |
| | <hr/> | <hr/> |
| At 31 December 2020 | 8,565 | 37,582 |
| | <hr/> | <hr/> |

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 8% (2019: 10.25%).

| | 2020 | 2019 |
|-------------------|-------------------|-------------------|
| | Kshs '000' | Kshs '000' |
| Registered Fund | 14,549,909 | 12,609,644 |
| Unregistered Fund | 5,139,884 | 4,151,522 |
| | <hr/> | <hr/> |
| | 19,689,793 | 16,761,166 |
| | <hr/> | <hr/> |

Notes (continued)

8 Personal Retirement Scheme (Guaranteed) Fund (Continued)

Guaranteed fund movement

| | 2020 | 2019 |
|-----------------------------------|-------------------|-------------------|
| | Kshs '000' | Kshs '000' |
| At 1 January | 16,761,166 | 13,345,202 |
| Contributions received | 3,798,437 | 3,607,304 |
| Benefits paid | (2,139,956) | (1,559,903) |
| Interest payable to policyholders | 1,408,055 | 1,471,245 |
| Tax on unregistered schemes | (89,711) | (108,195) |
| Administrative expenses | (17,221) | (19,355) |
| Change in Accrued expenses | (30,977) | 24,868 |
| | <hr/> | <hr/> |
| At 31 December | 19,689,793 | 16,761,166 |
| | <hr/> <hr/> | <hr/> <hr/> |

9 Payables and accruals

| | 2020 | 2019 |
|-------------------------|-------------------|-------------------|
| | Kshs '000' | Kshs '000' |
| RBA levy | 5,000 | 5,000 |
| Audit fees | 260 | 160 |
| Trustee fees | 10,930 | 12,990 |
| Tax payable (Note 7(b)) | 8,565 | 37,582 |
| | <hr/> | <hr/> |
| | 24,755 | 55,732 |
| | <hr/> <hr/> | <hr/> <hr/> |

10 Related party transactions

Other than contributions receivable from the sponsor, there were no other 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 scheme.

Contributions in excess of the statutory limit of KES 240,000 per individual per annum set in the Income Tax Act ("ITA") constitutes an unregistered pension scheme whose income is not exempt from tax while the contributions that are within the said statutory limit constitute a registered pension scheme whose income is exempt from tax. The income tax expense charged is Shs 89,710,824 (2019: Shs 108,194,633).