

BRITAM UMBRELLA PROVIDENT FUND
(Reference Number RBA/SC/01687)

ANNUAL FINANCIAL STATEMENTS AND REPORTS

FOR THE YEAR ENDED 31ST DECEMBER 2023

CONTENTS

| | PAGE |
|---|-------------|
| Scheme information | 1 |
| Report of the trustee | 2 |
| Statement of Scheme Governance | 3 - 4 |
| Statement of trustee's responsibilities | 5 |
| Report of the independent auditor | 6 - 7 |
| Financial statements: | |
| Statement of changes in net assets available for benefits | 8 |
| Statement of net assets available for benefits | 9 |
| Statement of cash flows | 10 |
| Notes | 11 - 14 |

Britam Umbrella Provident Fund
Scheme information
For the year ended 31st December 2023

| | |
|----------------------------|--|
| Corporate trustee | Kingsland Court Trustee Services Limited Flamingo Towers, 1st Floor, Mara Road, P.O. Box 10285 - 00100 Nairobi, Kenya. |
| Administrator | Britam Life Assurance Company (Kenya) Limited P.O. Box 30375 - 00100 Nairobi, Kenya. |
| Approved issuer | Britam Life Assurance Company (Kenya) Limited P.O. Box 30375 - 00100 Nairobi, Kenya. |
| Independent auditor | RSM Eastern Africa LLP Certified Public Accountants 1st Floor, Pacis Centre Slip Road, off Waiyaki Way, Westlands P.O. Box 349 - 00606 Nairobi, Kenya. |
| Registered office | Britam Centre Upper Hill P.O. Box 30375 - 00100 Ragati Road Nairobi, Kenya. |

Britam Umbrella Provident Fund
Report of the trustee
For the year ended 31st December 2023

The trustee presents its report together with the audited financial statements for the year ended 31st December 2023.

Establishment, nature and status of the scheme

The scheme was established and is governed by a Trust Deed dated 20th December 2005. It is a defined Contribution Scheme and provides under the rules of the fund retirement benefits for the members of Britam Umbrella Provident Fund or their beneficiaries. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority.

Adhering employer movement

| | 2023 | 2022 |
|------------------|---------------|---------------|
| | Number | Number |
| At 1st January | 285 | 269 |
| Joiners | 39 | 19 |
| | 324 | 288 |
| Less: | | |
| Secessionists | - | (3) |
| At 31st December | 324 | 285 |

Financial review

The statement of changes in net assets available for benefits on page 8 shows an increase in net assets of the scheme for the year of KSh 906,596,484 (2022: KSh 379,179,380) and the statement of net assets available for benefits on page 9 shows the scheme's net assets as KSh 7,772,691,926 (2022: KSh 6,866,095,442).

Investment of members' Funds

Under the terms of their appointment, Britam Life Assurance Company (Kenya) Limited are responsible for the investment of funds. During the year, members funds were invested in a guaranteed fund in line with RBA Regulations and the net return declared and credited to members accounts was at a rate of 7% (2022: 8.5%).

The overall responsibility for investment and performance lies with the trustee.

Independent auditor

The Funds's auditor RSM Eastern Africa LLP, has indicated willingness to continue in accordance with Section 34(3) of the Retirement Benefit Act.

By the order of the trustees



.....
Director

Nairobi **28 March** 2024

1. The Trustees in office

| Name of the Trustee | Category | Age | Meetings Attended | Certified | Highest Qualification | Membership of other Trustee Board |
|--|-----------------|------------|--------------------------|------------------|------------------------------|--|
| (Corporate Trustee) Kingsland Court Trustee Services | Independent | NA | 5 | Yes | NA | Yes |

2. Dates of the Trustee Board Meetings

The Board of Trustees held five meetings during the year ended 31st December 2023. The meeting were held on the following dates set out below:

| Date | Trustees Meeting |
|-------------|-------------------------|
| 07-Mar-23 | Quarter 4 2022 |
| 20-Jun-23 | Quarter 1 2023 |
| 23-Jun-23 | Annual General Meeting |
| 04-Sep-23 | Quarter 2 2023 |
| 16-Nov-23 | Quarter 3 2023 |

3. Composition of the Trustees Board - Not applicable Corporate Trustee

4. Committees of the Board of Trustees - Not applicable Corporate Trustee

The Corporate Trustee's main body for discharging its duties is its Corporate Trustee Service Committee ("CTSC"). This body operates very much like a trustee board and meets formally at least once per quarter. CTSC reviews the scheme's operations and governance under the broad headings of "Finance and Investments", "Governance, Audit and Risk" and "Member Administration, Relations and Services" focusing on reports from the service providers as well as other material. Service providers and representatives of the founder attend these meetings.

5. Fiduciary Responsibility Statement

The Corporate Trustee is the governing body of the Britam Umbrella Provident Fund 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:

- i) Acting with honest and not improperly using inside information or abuse its position;
- ii) 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
- iii) Performing their duties with the 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.

6. Responsible Corporate Citizenship

The scheme is 100% invested in a guaranteed fund 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.

7. Key outcomes

The trustee seeks to achieve the following:

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

8. Annual General Meeting

The Trustees held the annual general meeting on the 23rd June 2023 virtually. In total 39 adhering employers were represented representing 14% of scheme members. The board of trustees adequately addressed the members' concerns.

9. Members' sensitisation

No formal scheduled member sensitization meetings were held. However the founder's relationship teams did a remote communications with a number of contributing employers during the year and conduct member education and sensitization.

During the sensitization activity, members were reminded of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of scheme affairs.

10. Trustee remuneration policy

The trustee was remunerated in accordance with the contract between the Trustee, Kingsland Court Trustee Services Limited and the Founder, Britam Life Assurance Company (Kenya) Limited. All expenses of the scheme except for income tax are borne by the Founder.



.....

Director

Nairobi 28 March 2024

***Britam Umbrella Provident Fund
Statement of Trustee's Responsibility
For the year ended 31st December 2023***

The Retirement Benefits (Umbrella Retirement Benefit Scheme) Regulations, 2017 made under the Retirement Benefit Act 1997 revised, require the trustees 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 plan.


The trustee accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the Retirement Benefits (Umbrella Retirement Benefit Scheme) Regulations, 2017. The trustee is of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards. The trustee further accepts responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The trustee certifies that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and complete in every respect.

Approved by the corporate trustee on **28 March** 2024 and signed on its behalf by:



.....
Director



.....
Director



RSM

RSM Eastern Africa LLP
Certified Public Accountants

1st Floor, Pacis Centre, Slip Road
Off Waiyaki Way, Westlands
P. O. Box 349 – 00606, Nairobi, Kenya

T: +254 (0) 20 361 4000/4451747/8/9

M: +254 (0) 706 347950/772 786111

E: info@ke.rsm-ea.com

www.rsm.global/kenya

REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF BRITAM UMBRELLA PROVIDENT FUND

Opinion

We have audited the accompanying financial statements of Britam Umbrella Provident Fund (the Fund) set out on pages 8 to 14, which comprise the statement of net assets available for benefits as at 31st December 2023, and the statements of changes in net assets available for benefits 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 Fund's net assets available for benefits as at 31st December 2023 and of the changes in net assets available for benefits 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 Ethics Standards Board for Accountants' 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 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 trustees are 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.

'Trustees' responsibility for the financial statements

The trustees are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**REPORT OF THE INDEPENDENT AUDITOR TO MEMBERS OF BRITAM
UMBRELLA PROVIDENT FUND (CONTINUED)**

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

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 management.
- conclude on the appropriateness of management'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 the 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report is **CPA George Mutua**, Practising Certificate No. A/0011

G. Mutua

for and on behalf of RSM Eastern Africa LLP
Certified Public Accountants
Nairobi

28th MARCH,2024
071/2024

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

| | Note | 2023 KSh | 2022 KSh |
|--|-------------|-----------------------------|-----------------------------|
| Contributions and benefits | | | |
| Contributions received | 4 | 1,185,569,186 | 1,139,913,165 |
| Transfers in | 4 | 290,827,543 | 138,225,017 |
| Tier 2 contributions | 4 | 403,200 | - |
| | | <u>1,476,799,929</u> | <u>1,278,138,182</u> |
| Less: Expenditure | | | |
| Benefits paid to seceding members | | <u>(1,013,393,058)</u> | <u>(1,401,931,484)</u> |
| Net additions/ (reductions) from dealing with members | | 463,406,871 | (123,793,302) |
| Return on investments | | | |
| Investment income | 5 | 482,703,994 | 544,397,641 |
| Taxation expense | 6 (a) | <u>(39,514,381)</u> | <u>(41,424,959)</u> |
| Increase in net assets for the year | | 906,596,484 | 379,179,380 |
| Net assets available for benefits at start of year | | <u>6,866,095,442</u> | <u>6,486,916,062</u> |
| Net assets available for distribution at end of the year | | <u><u>7,772,691,926</u></u> | <u><u>6,866,095,442</u></u> |

Britam Umbrella Provident Fund
Financial Statements
For the year ended 31st December 2023


STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

| | Note | 2023 KSh | 2022 KSh |
|--|-------------|-----------------------------|-----------------------------|
| Investments | | | |
| Investment - Guaranteed fund | 8 | <u>7,677,218,168</u> | <u>6,805,977,313</u> |
| Current assets | | | |
| Contributions receivable | 9 | 71,479,608 | 40,301,959 |
| Current tax recoverable | 6 (b) | <u>23,994,150</u> | <u>19,816,170</u> |
| | | <u>95,473,758</u> | <u>60,118,129</u> |
| Net current assets | | <u>95,473,758</u> | <u>60,118,129</u> |
| Net assets available for benefits | | <u><u>7,772,691,926</u></u> | <u><u>6,866,095,442</u></u> |

The financial statements on pages 8 to 14 were approved for issue by the trustee on **28 March** 2024 and signed on their behalf by:



Trustee



Trustee

Britam Umbrella Provident Fund
Financial Statements
For the year ended 31st December 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31ST DECEMBER 2023

| | Note | 2023 KSh | 2022 KSh |
|--|-------------|----------------------|----------------------|
| Cash flows from operating activities | | | |
| Net increase in net assets | | 906,596,484 | 379,179,380 |
| Adjustments for: | | | |
| Investments and other income | 5 | (482,703,994) | (544,397,641) |
| Tax expense | 6 (a) | <u>39,514,380</u> | <u>41,424,959</u> |
| Operating profit before working capital changes | | 463,406,870 | (123,793,302) |
| Increase/(decrease) in receivables | 9 | <u>(31,177,649)</u> | <u>(5,210,235)</u> |
| Cash generated from operations | | 432,229,221 | (129,003,537) |
| Investments and other income received | 5 | 482,703,994 | 544,397,641 |
| Tax paid | | <u>(43,692,360)</u> | <u>(61,532,453)</u> |
| Net cash generated from operating activities | | 871,240,855 | 353,861,651 |
| Investing activities | | | |
| Investment - Guaranteed fund | | <u>(871,240,855)</u> | <u>(353,861,651)</u> |
| Net cash used in investing activities | | <u>(871,240,855)</u> | <u>(353,861,651)</u> |
| Net increase in cash and cash equivalents | | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at start of year | | <u>-</u> | <u>-</u> |
| Cash and cash equivalents at end of year | | <u><u>-</u></u> | <u><u>-</u></u> |

NOTES

1. Summary of significant accounting policies

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

a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards, the Kenyan Retirement Benefits Act, and 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 the trustee. They do not take account of obligations to pay benefits that fall due after the end of the year.

The financial statements are presented in Kenya Shillings (KSh) and are prepared under the historical cost convention, as modified by the carrying of investments at fair value. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date.

b) New and revised standards

i) Adoption of new and revised standards

One new Standard and five Amendments to standards became effective for the first time in the financial year beginning 1st January 2023 and have been adopted by the Scheme.

Of the five amendments, the Scheme had applied the following one Amendment early, in 2021:

Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)

The amendments require entities to disclose their material accounting policy information rather than their significant accounting policies.

ii) New and revised standards and interpretations which have been issued but are not effective

The scheme has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2023.

Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)

Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)

NOTES (CONTINUED)

1. Material accounting policy information (continued)

c) Contributions received

Contributions from the members and the employers are accounted for in the period in which they fall due.

d) Benefits payable

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

e) Interest income

Income from Funds deposited with the pension plan administrators is recognised in the period in which it is earned.

f) Transfers

Transfers are recognised in the period in which members join from other schemes or leave for other schemes.

2. Significant judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including exceptions of future events that are believed to be reasonable under the circumstances. There are no estimates or judgements made that give rise to a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

3. Financial risk management objectives and policies

The fund is exposed to interest rate risk, credit risk and liquidity risk. Risk management is carried out by the investment manager under policies and guidelines approved by the trustees.

i) Credit risk

Credit risk arises from investments other than equity investments, contributions receivable and other receivables. The maximum exposure to credit risk is the investment in the administered deposit account and other receivables is KSh 7,677,218,168 (2022: KSh 6,805,977,313).

The Fund has a concentration of credit risk as its investments are held in an administered deposit account (Note 8). The approved issuer assesses the credit quality of each investment, taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the trustee.

ii) Liquidity risk

The trustee ensures that the Funds' obligations are met as they arise. The trustee ensures prudent management of liquidity by planning and budgeting for cash requirements during the year. The trustee ensures adequate funds are retained in liquid or near liquid forms to pay leavers within thirty days of leaving. As per memorandum dated May 5, 2014, the funds expenses namely audit fee, administration fee and RBA levy are net off when computing rate of interest for the year and thus there is no liquidity risk with regards to these liabilities.

All financial liabilities at 31 December 2023 were payable within 60 days.

NOTES (CONTINUED)

3. Financial risk management objectives and policies (continued)

iii) Interest risk

The Fund's investments in the administered deposit account exposes it to cashflow interest rate risk. The Scheme has no interest bearing liabilities.

4. Contributions received

| | 2023 | 2022 |
|------------------------|----------------------|----------------------|
| | KSh | KSh |
| Contributions received | 1,185,569,185 | 1,139,913,165 |
| Transfers in | 290,827,543 | 138,225,017 |
| Tier 2 contributions | 403,200 | - |
| | <u>1,476,799,928</u> | <u>1,278,138,182</u> |

5. Investment income

During the year, the Fund earned interest on funds deposited with Britam Life Assurance Company (Kenya) Limited at 7% on the Deposit Administered Fund balance (2022: 8.5%) after taking into consideration expenses relating to fund management.

| | 2023 | 2022 |
|-----------------|--------------------|--------------------|
| | KSh | KSh |
| Interest income | <u>482,703,994</u> | <u>544,397,641</u> |

6 (a). Tax expense

Britam Umbrella Provident Fund has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income. The Fund receives contributions in excess of the limits set out in the Income Tax Act. A tax charge is recorded in respect of investment income earned on these contributions.

| | 2023 | 2022 |
|--|----------------------|----------------------|
| | KSh | KSh |
| Investment income | 482,703,994 | 544,397,641 |
| Less: Income relating to contributions within allowable limits | <u>(350,989,394)</u> | <u>(406,314,444)</u> |
| Investment income relating to excess contributions | 131,714,600 | 138,083,197 |
| Taxable income | <u>131,714,600</u> | <u>138,083,197</u> |
| Tax payable at 30% | <u>39,514,380</u> | <u>41,424,959</u> |

6 (b). Tax recoverable

| | 2023 | 2022 |
|---------------------------------|---------------------|---------------------|
| | KSh | KSh |
| Tax expense for the year | 39,514,380 | 41,424,959 |
| Add: Prior year tax recoverable | (19,816,170) | (17,941,074) |
| Less: Tax paid | <u>(43,692,360)</u> | <u>(43,300,055)</u> |
| | <u>(23,994,150)</u> | <u>(19,816,170)</u> |

7. Administrative expenses

| | 2023 | 2022 |
|------------------------------------|------------------|------------------|
| | KSh | KSh |
| Retirement Benefits Authority Levy | 5,000,000 | 5,000,000 |
| Audit fees | 500,000 | 475,000 |
| | <u>5,500,000</u> | <u>5,475,000</u> |

The administration expenses of the Fund are borne by the sponsor.

NOTES (CONTINUED)

8. Administered deposit account

The Fund operates an administered deposit account with Britam Life Assurance Company (Kenya) Limited. Under this arrangement, contributions received are remitted to Britam Life Assurance Company (Kenya) Limited for investment in a variety of investment securities on a pooled basis with Funds from other contributing entities. Britam Life Assurance Company (Kenya) Limited pays interest on the funds invested, at the end of each year.

| | 2023 KSh | 2022 KSh |
|------------------------------------|---------------------------|---------------------------|
| Investment - Guaranteed Fund | <u>7,677,218,168</u> | <u>6,805,977,313</u> |
| 9. Contributions receivable | | |
| Contributions receivable | <u>71,479,608</u> | <u>40,301,959</u> |

10. Related party transactions

The Funds are held in an administered deposit account in Britam Life Assurance Company (Kenya) Limited.