

**BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED**

**INCOME DRAWDOWN PLAN**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

**RBA REGISTRATION NUMBER 01523**

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**INCOME DRAWDOWN PLAN INFORMATION**

<b>CORPORATE TRUSTEE</b>	: Kingsland Court Trustee Services Limited : Flamingo Towers, Upper Hill : P.O. Box 10285, 00100 : NAIROBI
<b>REGISTERED OFFICE</b>	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI
<b>INDEPENDENT AUDITOR</b>	: PKF Kenya LLP : Certified Public Accountants : P.O. Box 14077, 00800 : NAIROBI
<b>ADMINISTRATORS</b>	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI
<b>SCHEME APPROVED ISSUER</b>	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI

## **REPORT OF THE DIRECTORS OF CORPORATE TRUSTEE**

The directors of the corporate trustee presents their report together with the audited financial statements for the year ended 31 December 2022.

### **ESTABLISHMENT, NATURE AND STATUS OF THE INCOME DRAWDOWN PLAN**

The plan was established, and is governed, by a Trust Deed and Rules dated 9 March 2015. It is an income drawdown fund and provides, under the rules of the plan, retirement benefits to its members.

It is an exempt approved plan under the Kenyan Income Tax Act and is registered with the Retirement Benefits Authority.

The plan consists of:

- (a) The lump sum contributions made since the commencement date to the fund by the members and the investments for the time being representing the same; and
- (b) The income from such investments and the investments representing accumulations of such income.

### **PRINCIPAL ACTIVITY**

The main purpose of the plan is the provision of pensions and other ancillary benefits to members and relief to the dependants of deceased members as defined in the trust deed and rules.

### **CONTRIBUTIONS**

This relates to lump sum contributions by way of transfers-in from registered retirement benefits schemes by various members and there is no defined rate of contributions set out in the plan's rules.

### **MEMBERSHIP**

The following is the movement in the number of members in the plan:

	<b>2022 Numbers</b>	<b>2021 Numbers</b>
At start of year	926	672
Admission during the year	287	257
Leavers during the year	(5)	(3)
At end of year	<u>1,208</u>	<u>926</u>

### **FINANCIAL REVIEW**

The statement of changes in net assets available for benefits on page 10 shows an increase in net assets for the year of Shs. 1,770,714,206 (2021: Shs. 1,571,139,719) and statement of net assets on page 11 shows plan's net assets of Shs. 8,232,237,471 (2021: Shs. 6,461,523,265).

### **INVESTMENT OF FUNDS AND INVESTMENT POLICY**

The overall responsibility for the investment and performance of plan funds lies with the directors of the corporate trustee.

The principal objective of the fund investment policy is to ensure the solvency of the plan over time and meet its benefits obligations as required. The total return objective is to achieve capital appreciation and investment income. The capital appreciation is to ensure the plan's value is inflation protected.

The plan's investment strategy is to produce a long term return which maximizes real growth while ensuring income generation and liquidity sufficient to meet benefits payments. The directors of the corporate trustee take reasonable care and the issuer endeavours to ensure that the investments made are in the best interests of the members of the plan.

We confirm that there is no self-investment, nor have any scheme assets been used as security or collateral on behalf of a member or any connected business or individual.

**REPORT OF THE DIRECTORS OF CORPORATE TRUSTEE (CONTINUED)**

**INVESTMENT OF FUNDS AND INVESTMENT POLICY (CONTINUED)**

The day to day administration of the income drawdown plan is dealt with by Britam Life Assurance Company (K) Limited who also is the approved issuer.

Under the terms of their appointment, Britam Life Assurance Company (K) Limited are responsible for the investment of the plan. During the year, members' funds were invested with Britam Life Assurance Company (K) Limited in a guaranteed fund and the net interest was declared and credited to members accounts at the rate of 9% (2021: 10%).

The plan funds are invested as provided under the Retirement Benefits Authority Act, 1997 Regulations.

**CORPORATE TRUSTEE**

The corporate trustee is appointed in accordance with the Kenyan Retirement Benefits Act. The corporate trustee to the date of this report is shown on page 1.

**STATEMENT AS TO DISCLOSURE TO THE PLAN'S AUDITOR**

Each director of the corporate trustee at the time this report was approved, confirms that, to the best of their knowledge and belief, the information furnished to the auditor for the purpose of the audit is correct and complete in every aspect.

**INDEPENDENT AUDITOR**

The plan's auditor, PKF Kenya LLP, has indicated willingness to continue in office in accordance with section 34 (3) of the Retirement Benefits Act, 1997. The director of corporate trustee monitors the effectiveness, objectivity and independence of the auditor. The trustees also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

**BY THE ORDER OF DIRECTORS OF THE CORPORATE TRUSTEE**

  
\_\_\_\_\_  
**DIRECTOR**

30th March 2023

**NAIROBI**

## STATEMENT OF DIRECTORS OF THE CORPORATE TRUSTEE'S RESPONSIBILITIES

The Retirement Benefits (Individual Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997 require the directors of the corporate trustee to prepare financial statements in a prescribed form for each financial year. The directors of the corporate trustee are also required to ensure that the plan 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 directors of the corporate trustee are also responsible for safeguarding the assets of the plan and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the corporate trustee accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors of the corporate trustee are 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 and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the requirements of Retirement Benefits Act, 1997.

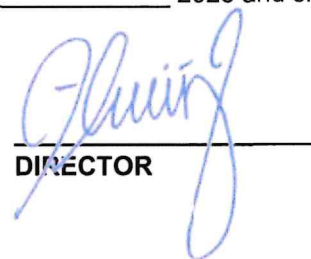
In preparing these financial statements the directors of the corporate trustee have assessed the plan's ability to continue as a going concern. Nothing has come to the attention of the directors of the corporate trustee to indicate that the plan will not remain a going concern for at least the next twelve months from the date of this statement.

The directors of the corporate trustee acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the board of directors of the corporate trustee on 30th March 2023 and signed on its behalf by:



**DIRECTOR**



**DIRECTOR**

## PLAN GOVERNANCE DISCLOSURE STATEMENT

### 1. Trustees in office

Name of trustee	Age in years	Category	Number of meetings attended	TDPK Certified	Highest academic qualification	Member of other pension boards
Corporate Trustee) Kingsland Court Trustee Services Limited	NA	Independent	5	Yes	NA	Yes

### 2. Trustees meeting

The board of trustees held six (6) meetings during the year ended 31 December 2022. The meetings were held on the dates set out hereunder:

- a) 31 May 2022 – Quarter 1 2022 Trustee Meeting
- b) 10 June 2022 – Annual General Meeting
- c) 23 August 2022 – Quarter 2 2022 Trustee Meeting
- f) 15 November 2022 – Quarter 3 2022 Trustee Meeting
- g) 07 March 2023 – Quarter 4 2022 Trustee Meeting

### 3. Composition of Trustee Board - [N/A – Corporate Trustee]

### 4. Committees of the Board - [N/A – Corporate Trustee]

The corporate trustee's main body for discharging its duties is its Corporate Trustee Services Committee ("CTSC"). This body operates very much like a trustee board and meets formally at least once per quarter. CTSC reviews the plans' 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 materials. Service providers and representatives of the founder attend these meetings.

### 5. Fiduciary responsibility statement

The corporate trustee is the governing body of the Britam Income Drawdown Plan and is responsible for the corporate governance of the plan. The trustee is responsible for ensuring that the administration of the plan is conducted in the best interests of the plan's members and the sponsor. To achieve this, the trustee embraces its fiduciary responsibility by:

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

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

### 6. Responsible corporate citizenship

The plan 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.



**PLAN GOVERNANCE DISCLOSURE STATEMENT (CONTINUED)**

**7. Key outcomes**

The corporate trustee seeks to achieve the following:

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

**8. Annual general meeting**

The corporate trustee held the annual general meeting on the 10 June 2022 virtually. In total 153 members were present, making up 13% of plan members. The board adequately addressed the members' concerns.

**9. Members' sensitization**

No formal scheduled member sensitization meetings were held. However the founder's relationship teams did visit a number of members 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 plan affairs.

**10. Trustees' remuneration policy**

The corporate 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 except for income tax and RBA levy borne by the Founder.

**11. Board of trustees' evaluation - [N/A – Corporate Trustee]**

**12. Independent auditor**

PKF Kenya LLP, have expressed their willingness to continue in office.



**Chairman**

**For the board of directors of corporate trustee**

30th March 2023



**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED,  
INCOME DRAWDOWN PLAN**

**Opinion**

We have audited the financial statements of British-American Insurance Company (Kenya) Limited Income Drawdown Plan set out on pages 10 to 19, which comprise the statement of net assets available for benefits as at 31 December 2022, statement of changes in net assets available for benefits and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of British-American Insurance Company (Kenya) Limited, Income Drawdown Plan net assets available for benefits as at 31 December 2022 and changes in net assets available for benefits for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for audit of the financial statements section of our report. We are independent of the plan in accordance with the International Ethics Standards Board for Accountants' code of Ethics for professional accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The directors of the corporate trustee are responsible for the other information. The other information comprises the report of directors of the corporate trustee, statement of directors of the corporate trustee's responsibilities and the plan governance disclosure statement that form part of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the directors of the corporate trustee for the financial statements**

The directors of the corporate trustee are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997 and for such internal control as the directors of the corporate trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED,  
INCOME DRAWDOWN PLAN (CONTINUED)**

**Responsibilities of directors of the corporate trustee for the financial statements (continued)**

In preparing the financial statements, the directors of the corporate trustee are responsible for assessing the plan'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 of the corporate trustee either intend to liquidate the plan 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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal 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 plan's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the corporate trustee .
- Conclude on the appropriateness of directors of the corporate trustee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the plan'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 plan 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.

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE MEMBERS OF BRITISH-AMERICAN INSURANCE COMPANY (KENYA) LIMITED,  
INCOME DRAWDOWN PLAN (CONTINUED)**

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

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 report of the independent auditor is CPA Patrick Kuria, Practising certificate No. 2045**



For and behalf of PKF Kenya LLP  
Certified Public Accountants  
Nairobi, Kenya

March 30, 2023

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**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	Notes	2022 Shs	2021 Shs
<b>Dealings with members</b>			
Transfers in from other schemes	2 (a)	2,060,447,443	1,826,777,554
Drawdowns	2 (b)	<u>(918,513,742)</u>	<u>(803,373,123)</u>
<b>Net increase from dealings with members</b>		<u>1,141,933,701</u>	<u>1,023,404,431</u>
<b>Return on plan investments income</b>			
Plan investments income	3	633,780,505	552,735,288
Administrative expenses	4 (a)	<u>(5,000,000)</u>	<u>(5,000,000)</u>
<b>Net return on plan investments</b>		<u>628,780,505</u>	<u>547,735,288</u>
<b>Net increase in net assets available for benefits</b>		1,770,714,206	1,571,139,719
Net assets available for benefits at start of year		<u>6,461,523,265</u>	<u>4,890,383,546</u>
<b>Net assets available for benefits at end of year</b>	5	<u><u>8,232,237,471</u></u>	<u><u>6,461,523,265</u></u>

The notes on pages 12 to 19 form an integral part of the financial statements.

Report of the independent auditor - pages 7 to 9.

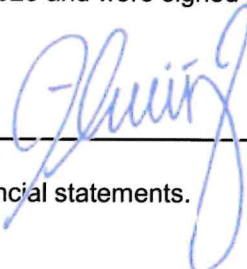


**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

		<b>As at 31 December</b>	
	<b>Notes</b>	<b>2022 Shs</b>	<b>2021 Shs</b>
Members' balances	5	<u>8,232,237,471</u>	<u>6,461,523,265</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Plan investments	6	<u>8,237,237,471</u>	<u>6,466,523,265</u>
<b>Current liabilities</b>			
Payables	7	<u>5,000,000</u>	<u>5,000,000</u>
<b>Net assets of the drawdown plan</b>		<u><u>8,232,237,471</u></u>	<u><u>6,461,523,265</u></u>

The financial statements on pages 10 to 19 were approved and authorised for issue by the board of directors of corporate trustee on 30th March 2023 and were signed on its behalf by:

 **DIRECTOR**

 **DIRECTOR**

The notes on pages 12 to 19 form an integral part of the financial statements.

Report of the independent auditor - pages 7 to 9.

## **NOTES**

### **1. Significant accounting policies**

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

#### **a) Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards, Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Individual Retirement Benefits Schemes) Regulations, 2000. 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.

#### **Going concern**

The financial performance of the plan is set out in the directors of the corporate trustees' report and in the statement of changes in net assets available for benefits. The financial position of the plan is set out in the statement of net assets available for benefits. Disclosures in respect of principal risks and uncertainties and fund management are set out in note 9 and 10.

Based on the financial performance and position of the plan and its risk management policies, the trustees are of the opinion that the plan is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

#### **New standards, amendments and interpretations adopted by the income drawdown plan**

The plan applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The plan has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

#### **Amendments to IAS 37 'Onerous Contracts – Costs of Fulfilling a Contract'**

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

These amendments had no impact on the financial statements of the plan as the plan did not identify any contracts as being onerous at the beginning and end of the reporting period.

#### **Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities'**

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

The amendment had no impact on the financial statements of the plan as there were no modifications of the plan's financial instruments during the period.



**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**(a) Basis of preparation (continued)**

**New standards, amendments and interpretations issued but not effective**

At the date of authorisation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented:

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022), effective for annual periods beginning or after 1 January 2024, clarify a criterion for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date.
- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The plan is currently revisiting their accounting policy information disclosures to ensure consistency with the amended requirements.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2024, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The directors of corporate trustee do not expect that adoption of the above standards and interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

**b) Significant accounting judgements, estimates and assumptions**

In the application of the accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors of corporate trustee have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Taxation** - in making their judgement, as to whether the plan is subject to taxation or not, the directors of corporate trustee have considered the fact that there are no guidelines with regard to taxation of income for drawdown plans and the plan taxes its members individually on their income during drawdowns. The industry players are in discussion with Kenya Revenue Authority and expect regulations to be issued in the near future. Therefore, the directors of corporate trustee have not made any provision for tax on the financial statements.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**c) Plan investments income**

Income comprises the fair value of the consideration received or receivable in the ordinary course of business.

The plan recognises income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when the specific criteria has been met for each of the plan's activities as described below. The plan bases its estimates on historical results, type of transaction and specifics of each arrangement.

- Interest income is recognised on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting.

**d) Transfers from and to other schemes**

Transfer values represent the capital sums either receivable in respect of members from other schemes or payable to schemes of members who have left the scheme. They are accounted for on an accruals basis on the date the trustees/directors of corporate trustee of the receiving scheme accept the liability.

**e) Plan investments**

All plan investments are carried at fair value. For marketable securities, the fair value is the market value which is the most useful measure of the securities as at the report date and of the investment performance for the period.

Those securities that have a fixed redemption value and have been acquired to match the obligations of the scheme, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

Plan investments have been carried at the ultimate redemption value. Any assets in operations of the plan are accounted for in accordance with the applicable standards.

**f) Financial instruments**

Financial instruments are recognised when, and only when, the plan becomes party to the contractual provisions of the instrument.

**- Financial assets**

All financial assets are recognised initially using the date accounting which is the date the scheme commits itself to the purchase or sale.

The plan classifies its financial assets into amortised cost; financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. The carrying amount of these assets is adjusted by any expected credit loss allowance measured and recognised.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**f) Financial instruments (continued)**

**- Financial assets (continued)**

At initial recognition of a financial asset, the scheme determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The plan reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the scheme has not identified a change in its business models.

**Derecognition/write off**

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the scheme has transferred substantially all risks and rewards of ownership, or when the plan has no reasonable expectations of recovering the asset.

**Impairment**

The plan recognises loss allowances for Expected Credit Losses (ECLs) on financial instruments that are measured at amortised cost.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for receivables.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting about past events, current conditions and forecasts of future economic conditions.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those with maturities of less than 12 months from the reporting date or those which management has the express intention of holding for less than 12 months from the reporting date, in which case they are classified as current assets.

**Financial liabilities**

Financial liabilities are classified and measured at **amortised cost**.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

All financial liabilities are classified as non-current except those expected to be settled in the plan's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the scheme does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in net assets available for benefits.

**NOTES (CONTINUED)**

**1. Significant accounting policies (continued)**

**f) Financial instruments (continued)**

**Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

**g) Drawdowns**

Benefits payable to pensioners are taken into account as they fall due for payment.

**h) Cash and cash equivalents**

A statement of cash flows has not been prepared as the funds are being managed on a pooled basis by Britam Life Assurance Company (K) Limited.

**i) Taxation**

The plan is exempt from income tax on its investment income under the Income Tax Act (Cap. 470). Taxation is applied on the individual upon drawdown.

**j) Comparatives**

There were no changes in presentation in the current year.

**NOTES (CONTINUED)**

	<b>2022 Shs</b>	<b>2021 Shs</b>
<b>2. Dealings with members</b>		
<b>(a) Transfers from other schemes</b>		
Pensioners	2,060,447,443	1,826,777,554
<b>(b) Drawdowns</b>		
Pensions paid	(918,513,742)	(803,373,123)
<b>Net increase from dealings with members</b>	<u>1,141,933,701</u>	<u>1,023,404,431</u>
<b>3. Plan investments income</b>		
Interest from funds managed by Britam Life Assurance Company (K) Limited	<u>633,780,505</u>	<u>552,735,288</u>
<b>4 (a). Administrative expenses</b>		
RBA levy		
- current year	<u>5,000,000</u>	<u>5,000,000</u>
<b>4 (b). Administrative expenses borne by the sponsor</b>		
Administrative expenses comprising of audit fees, management fees and trustees fees are borne by the sponsor.		
<b>5. Members' balances</b>		
The movement in the members' balances is as follows:	<b>2022 Shs</b>	<b>2021 Shs</b>
At start of year	6,461,523,265	4,890,383,546
Transfers in from other schemes for the year (Note 2 (a))	2,060,447,443	1,826,777,554
Drawdowns (Note 2 (b))	(918,513,742)	(803,373,123)
Plan investments income (Note 3)	633,780,505	552,735,288
Administrative expenses (Note 4(a))	<u>(5,000,000)</u>	<u>(5,000,000)</u>
At end of year	<u>8,232,237,471</u>	<u>6,461,523,265</u>
<b>6. Plan investments</b>		
At start of year	6,466,523,265	4,895,383,546
Transfers in from other schemes for the year (Note 2(a))	2,060,447,443	1,826,777,554
Drawdowns (Note 2(b))	(918,513,742)	(803,373,123)
Plan investments income (Note 3)	633,780,505	552,735,288
Administrative expenses paid in the year	<u>(5,000,000)</u>	<u>(5,000,000)</u>
At end of year	<u>8,237,237,471</u>	<u>6,466,523,265</u>

The plan investments comprise managed funds invested with Britam Life Assurance Company (K) Limited. Interest is credited to members at rates declared by the insurance company.

The plan investments are carried at the ultimate redemption value. The plan has a minimum guarantee rate of 5%.

**NOTES (CONTINUED)**

	<b>2022</b>	<b>2021</b>
	<b>Shs</b>	<b>Shs</b>
<b>7. Payables</b>		
Other payables:		
- RBA levy	<u>5,000,000</u>	<u>5,000,000</u>

In the opinion of the directors of corporate trustee, the carrying amounts of other payables approximate to their fair value. The carrying amounts of the other payables of the plan are denominated in Kenya Shilling (Shs).

Other payables of the scheme are payable between three to twelve months.

**8. Tax status of the scheme**

The plan is exempt from income tax on its investment income under the Income Tax Act (Cap. 470). Taxation is applied on the individual upon drawdown.

**9. Financial risk management objectives and policies**

The plan's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the scheme's financial performance.

Risk management is carried out by the directors of corporate trustee in close collaboration with the investment managers, under policies stipulated in the trust deed. The trustees and investment managers identify, evaluate and hedge financial risks.

**Market risk**

*Interest rate risk*

During the year 31 December 2022, if interest rates at that date had been 100 basis point higher with all other variables held constant, gain for the year would have been Shs. 70,420,056 (2021: Shs. 55,273,529) higher arising mainly as a result of increase in the guaranteed fund. The sensitivity is higher in 2022 than in 2021 because of a increase in the plan investments for the year.

**Credit risk**

Credit risk arises from contributions receivable. There were no contributions receivable as at year end.

**Liquidity risk**

Liquidity risk is the risk that the plan will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The plan is not exposed to liquidity risk as it maintains adequate amounts of cash and cash equivalents to pay off liabilities as they fall due.

Notes 7 discloses the maturity analysis of payables.



**NOTES (CONTINUED)**

**9. Financial risk management objectives and policies (continued)**

**Liquidity risk (continued)**

The table below disclose the undiscounted maturity profile of the plan's financial liabilities:

**Year ended 31 December 2022**

	Interest rate	Between 1 - 3 months Shs	Between 3 months - 1 year Shs	Total Shs
Non - Interest bearing liabilities:				
- Payables		-	5,000,000	5,000,000

**Year ended 31 December 2021**

Non - Interest bearing liabilities:				
- Payables		-	5,000,000	5,000,000

**10. Fund management**

The plan's objectives when managing the fund are:

- to comply with the Retirement Benefits (individual Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997.
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders.

The Retirement Benefits Act, 1997 requires the directors of the corporate trustees to invest members' funds using prudent investment policies that shall get the members better market rates on their investments. This requirement has been complied with.

The plan sets the amount of fund in proportion to risk. The income drawdown plan manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Fund comprises members' balances.

**11. Registration**

The income drawdown plan is established as an irrevocable trust and registered with the Retirement Benefits Authority.

**12. Presentation currency**

The financial statements are presented in Kenya Shilling (Shs.)

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