

**THE JUBILEE INSURANCE UMBRELLA SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019  
RBA REGISTRATION NUMBER 01839**

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**SCHEME INFORMATION**

**CORPORATE TRUSTEE** : The Jubilee Insurance Company of Kenya Limited  
: Jubilee Insurance House, Wabera street  
: P.O. Box 30376, 00100  
: NAIROBI

**REGISTERED OFFICE** : Jubilee Insurance House, Wabera street  
: P.O. Box 30376, 00100  
: NAIROBI

**APPROVED ISSUER** : The Jubilee Insurance Company of Kenya Limited  
: Jubilee Insurance House, Wabera street  
: P.O. Box 30376, 00100  
: NAIROBI

**SCHEME ADMINISTRATOR** : The Jubilee Insurance Company of Kenya Limited  
: Jubilee Insurance House, Wabera street  
: P.O. Box 30376, 00100  
: NAIROBI

**INDEPENDENT AUDITOR** : PKF Kenya LLP  
: Certified Public Accountants  
: P.O. Box 14077, 00800  
: NAIROBI

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## REPORT OF THE DIRECTORS OF THE CORPORATE TRUSTEE

The directors of the corporate trustee ("the trustees") presents their report together with the audited financial statements for the year ended 31 December 2019, which disclose the state of affairs of the scheme.

### ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The scheme is a defined contribution scheme and is approved under the Income Tax Act. The scheme provides retirement benefits to members of the scheme upon retirement and relief to the widows and dependants of the deceased members.

### CONTRIBUTIONS

As per the scheme rules, each adhering employer has the discretion to choose the rates of contributions applicable to themselves and their employees. Members may elect to make additional voluntary contributions.

### MEMBERSHIP

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

	2019 Numbers	2018 Numbers
At start of year	11,745	9,057
Additions during the year	2,567	3,492
Leavers during the year	<u>(426)</u>	<u>(804)</u>
At end of year	<u>13,886</u>	<u>11,745</u>

### FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 7 shows an increase in net assets available for benefits of Shs.1,584,770,553 (2018: Shs. 1,234,525,038). The statement of net assets available for benefits on page 8 shows net assets of Shs. 6,721,826,560 (2018: Shs. 5,137,056,007).

### INVESTMENT OF FUNDS

During the year, members' funds were invested with The Jubilee Insurance Company of Kenya Limited in a Deposit Administration Account and the net return declared and credited to members' accounts was at the rate of 10% (2018: 8%).

The overall responsibility for the investment and performance of scheme funds lies with the directors of the corporate trustee, assisted by the approved issuer.

### PRINCIPAL RISKS AND UNCERTAINTIES

The scheme's strategic focus is to enhance contribution growth whilst maintaining the increase in net assets, the success of which remains dependent on overall market conditions and other factors such as the impact of the recent coronavirus outbreak. Whilst at this stage it is too early to predict the full potential impact of this outbreak on the scheme operations, the trustees continue to monitor this situation closely with a view to assessing and mitigating its impact on the scheme.


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

**INDEPENDENT AUDITOR**

PKF Kenya, a partnership, was on 10 March 2020 converted to PKF Kenya LLP, a Limited Liability Partnership under the Limited Liability Partnership Act, 2011. The scheme's auditor, PKF Kenya LLP, has indicated willingness to continue in office in accordance with section 34 (3) of the Retirement Benefits Act, 1997.

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

  
\_\_\_\_\_  
DIRECTOR  
31/03 2020  
\_\_\_\_\_  
NAIROBI

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**STATEMENT OF DIRETORS OF THE CORPORATE TRUSTEE'S RESPONSIBILITIES**

The Retirement Benefits (Umbrella 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. They also require the directors of the corporate trustee 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 directors of the corporate trustee are also responsible for safeguarding the assets of the scheme 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 Retirement Benefits Act, 1997.

Having made assessment of the scheme's ability to continue as a going concern, the director of corporate trustee are 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 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 31<sup>st</sup> / 03 / 2020 and signed on its behalf by:

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

## REPORT OF THE INDEPENDENT AUDITOR TO THE TRUSTEES OF THE JUBILEE INSURANCE UMBRELLA SCHEME

### Opinion

We have audited the financial statements of The Jubilee Insurance Umbrella Scheme set out on pages 8 to 19, which comprise the statement of net assets available for benefits as at 31 December 2019, 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 the scheme's financial position as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and 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 scheme in accordance with the International Ethics Standards Board for Accountants' code of Ethics for professional accountants 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 scheme information, report of directors of the corporate trustee and statement of directors of the corporate trustee's responsibilities that comprise 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.

## **REPORT OF THE INDEPENDENT AUDITOR TO THE TRUSTEES OF THE JUBILEE INSURANCE UMBRELLA SCHEME (CONTINUED)**

### **Responsibilities of 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 Retirement Benefit 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.

In preparing the financial statements, the directors of the corporate trustee are responsible for assessing the scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the corporate trustee either intend to liquidate the scheme or to cease operations, or has 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 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 directors of the corporate trustee .
- Conclude on the appropriateness of directors of the corporate trustee 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.



**REPORT OF THE INDEPENDENT AUDITOR  
TO THE TRUSTEES OF THE JUBILEE INSURANCE UMBRELLA SCHEME (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.

*PKF Kenya LLP*

**Certified Public Accountants  
NAIROBI**

*March 31,* 2020

**CPA Patrick Kuria, Practising certificate No. 2045  
Signing partner responsible for the independent audit**

250/20

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

	Notes	2019 Shs	2018 Shs
<b>Dealings with members</b>			
Contributions for the year	2(a)	1,374,493,529	1,122,522,281
Transfers in from other funds	2(b)	305,964,321	355,424,407
Leavers	2(c)	<u>(599,052,238)</u>	<u>(554,634,986)</u>
<b>Net additions from dealings with members</b>		<u>1,081,405,612</u>	<u>923,311,702</u>
<b>Return on plan investments</b>			
Investment income	3	564,212,856	350,827,140
Tax	4	(55,847,915)	(34,793,102)
Administrative expenses	5	<u>(5,000,000)</u>	<u>(4,820,702)</u>
<b>Net return on plan investments</b>		<u>503,364,941</u>	<u>311,213,336</u>
<b>Net increase in net assets available for benefits</b>		1,584,770,553	1,234,525,038
Net assets available for benefits at start of year		<u>5,137,056,007</u>	<u>3,902,530,969</u>
<b>Net assets available for benefits at end of year</b>	6	<u><u>6,721,826,560</u></u>	<u><u>5,137,056,007</u></u>

The notes on pages 10 to 19 form an integral part of these financial statements.



Report of the independent auditor - page 5 to 7.

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**STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS**

	Notes	2019 Shs	2018 Shs
Members' balances	6	<u>6,721,826,560</u>	<u>5,137,056,007</u>
<b>REPRESENTED BY</b>			
<b>Non-current assets</b>			
Plan investments	7	<u>6,656,004,897</u>	<u>5,142,056,007</u>
<b>Current assets</b>			
Contributions receivable	8	<u>70,821,663</u>	<u>-</u>
<b>Current liabilities</b>			
Payables	9	<u>5,000,000</u>	<u>5,000,000</u>
<b>Net current assets/(liabilities)</b>		<u>65,821,663</u>	<u>(5,000,000)</u>
<b>Net assets available for benefits</b>		<u>6,721,826,560</u>	<u>5,137,056,007</u>

The financial statements on pages 8 to 19 were approved and authorised for issue by the board of directors of the corporate trustee on 31/12/20 2020 and were signed on its behalf by

 DIRECTOR  DIRECTOR

The notes on pages 10 to 19 form an integral part of these financial statements.

Report of the independent auditor - page 5 to 7.

## **NOTES**

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

The principal 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 Benefit 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.

- Level 3 inputs are unobservable inputs for the asset or liability.

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

#### **Going concern**

The financial performance of the scheme is set out in the report of the trustees and in the statement of changes in net assets available for benefits. The financial position of the scheme is set out in the statement of net asset available for benefits. Disclosures in respect of principal risks and uncertainties are included in the report of the trustees and disclosures in respect of risk and fund management are set out in note 10 and 11.

Based on the financial performance and position of the scheme and its risk management policies, the directors of the corporate trustee are of the opinion that the scheme 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 scheme**

The following, which became effective from 1 January 2019, have been adopted but have not had a significant impact on the scheme's financial statements.

- Amendments to IAS 12 'Income Taxes' effective for annual periods beginning on or after 1 January 2019 clarifying on the recognition of income tax consequences of dividends.
- Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

**NOTES (CONTINUED)**

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

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

**Other standards and amendments (continued)**

- IFRIC 23 'Uncertainty over Income Tax Treatments' (issued June 2017) effective for annual periods beginning on or after 1 January 2019 clarifies the accounting for uncertainties in income taxes.

**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 and IAS 8 'Definition of Material' (issued in October 2018) applicable to annual periods beginning on or after 1 January 2020, clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS.

The trustees 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) Critical accounting estimates and judgements**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no material accounting estimates and judgements that have been used in arriving at the numbers in the financial statements. Whilst at this stage it is too early to predict the full potential impact of the coronavirus outbreak on the scheme operations, the trustees continue to monitor this situation closely with a view to assessing and mitigating its impact on the scheme.

**c) Plan investment income**

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

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

Interest income is accrued by reference to time in relation to the principal outstanding and the effective interest rate applicable;

Dividend income is recognised when the members right to receive payment has been established.

**NOTES (CONTINUED)**

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

**d) Contributions**

Employer has the discretion to choose the rates of contributions applicable to themselves and their employees. Members may elect to make additional voluntary contributions.

**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, may be 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 scheme are accounted for in accordance with the applicable standards

**f) Withdrawals**

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

**g) Financial instruments**

Financial instruments are recognised when, and only when, the scheme becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

**Financial assets**

The scheme classifies its financial assets into the following categories:

**i) 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 return (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.

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**NOTES (CONTINUED)**

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

**g) Financial instruments (continued)**

**Financial assets (continued)**

**ii) Fair Value Through Other Comprehensive Income (FVTOCI):**

Financial assets that are held for collection of contractual cash flows where these cash flows comprise SPPI and also for liquidating the assets depending on liquidity needs and that are not designated at FVTPL, are classified and measured at value through other comprehensive income (FVTOCI). Movements in the carrying amount are taken through OCI, except for recognition of impairment gain or losses, return revenue and foreign exchange gain and losses. Gains and losses previously recognised in OCI are reclassified from equity to profit or loss on disposal of such instruments. Gains and losses related to equity instruments are not reclassified.

**iii) Fair Value Through Profit or Loss (FVTPL):**

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in increase/decrease in net assets available for benefits and presented in the statement of changes in net assets available for benefits.

Notwithstanding the above, the scheme may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

At initial recognition of a financial asset, the trustees 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 trustees 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.

Contributions due are classified and measured at amortised cost.

**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 scheme has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to statement of changes in net assets available for benefits. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

**Impairment**

The scheme recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

- ▶ The trustees have determined that adoption of IFRS 9 has no material impact on the amount reported in the financial statements.

There are no impairment loss recognised on investments measured at FVTPL.

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**NOTES (CONTINUED)**

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

**g) Financial instruments (continued)**

**Financial assets (continued)**

The loss allowance is measured at an amount equal to the lifetime expected credit losses for contributions due and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

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 date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from statement of net assets available for benefits date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

**Financial liabilities**

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market return rate are classified and measured at fair value through profit or loss. The fund may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at **amortised cost**.

All financial liabilities are classified as current liabilities unless the scheme has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Financial liabilities are derecognised when, and only when, the scheme's obligations are discharged, cancelled or expired.

**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.

**h) Transfers**

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

**i) Taxation**

The scheme is exempt from income tax under the Income Tax Act (Cap 470) up to the statutory limit. Income from unregistered contributions is taxed at 30%.

**j) Comparatives**

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



**NOTES (CONTINUED)**

2. Dealings with members	2019 Shs	2018 Shs
<b>a) Contributions for the year</b>		
Employers - registered	385,825,719	299,756,062
Employers - unregistered	393,975,059	338,789,749
Employees - registered	484,111,248	391,915,183
Employees - unregistered	110,581,503	92,061,287
	<u>1,374,493,529</u>	<u>1,122,522,281</u>
<b>b) Transfer in from other funds</b>		
Individual transfers in from other schemes	305,964,321	355,424,407
<b>c) Leavers</b>		
Lump sums paid	(599,052,238)	(554,634,986)
<b>Net additions from dealings with members</b>	<u>1,081,405,612</u>	<u>923,311,702</u>
<b>3. Plan investment income</b>		
The investment income allocated to the registered and unregistered pools for taxation purposes, can be analysed as follows:		
- registered (Note 4)	378,053,140	234,850,137
- unregistered	186,159,716	115,977,003
	<u>564,212,856</u>	<u>350,827,140</u>
<b>4. Tax</b>		
Tax charge - unregistered scheme	<u>55,847,915</u>	<u>34,793,102</u>
Tax is charged on investment income earned from the unregistered pool at the rate of 30% (2018: 30%).		
Total investment income	564,212,856	350,827,140
Less: income relating to registered pool (Note 3)	(378,053,140)	(234,850,137)
Taxable income	<u>186,159,716</u>	<u>115,977,003</u>
Tax thereon at 30% (2018: 30%)	<u>55,847,915</u>	<u>34,793,102</u>
<b>5. Administrative expenses</b>		
RBA Levy		
- current year	5,000,000	5,000,000
- (over) provision in prior years	-	(179,298)
	<u>5,000,000</u>	<u>4,820,702</u>

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**NOTES (CONTINUED)**

**6. Members' balances**

The movement in the members' balances is as follows:

Year ended 31 December 2019	Registered		Unregistered		Total Shs
	Employer Shs	Employee Shs	Employer Shs	Employee Shs	
At start of year	1,702,316,449	1,726,622,723	1,271,089,269	437,027,566	5,137,056,007
Contributions for the year (Note 2(a))	385,825,719	484,111,248	393,975,059	110,581,503	1,374,493,529
Transfers in (Note 2(b))	113,876,753	108,548,181	40,296,153	43,243,234	305,964,321
Leavers (Note 2(c))	(160,810,123)	(225,720,705)	(134,124,240)	(58,044,189)	(578,699,257)
Plan investment income (Note 3)	186,909,216	191,143,925	40,979,277	145,180,439	564,212,857
Tax (Note 4)	-	-	(12,293,783)	(43,554,132)	(55,847,915)
RBA levy	(1,655,009)	(1,656,350)	(1,305,092)	(383,550)	(5,000,001)
Administrative expenses (Note 5)	(4,690,722)	(7,325,349)	(1,808,798)	(6,528,112)	(20,352,981)
At end of year	<u>2,221,772,283</u>	<u>2,275,723,673</u>	<u>1,596,807,845</u>	<u>627,522,759</u>	<u>6,721,826,560</u>
<b>Year ended 31 December 2018</b>					
At start of year	1,257,648,744	1,342,345,183	964,872,789	337,664,252	3,902,530,968
Contributions for the year (Note 2(a))	299,756,062	391,915,183	338,789,749	92,061,287	1,122,522,281
Transfers in (Note 2(b))	163,805,437	101,829,185	58,255,725	31,534,059	355,424,406
Leavers (Note 2(c))	(133,013,508)	(226,985,542)	(153,207,987)	(41,427,949)	(554,634,986)
Plan investment income (Note 3)	115,673,257	119,176,880	90,815,539	25,161,464	350,827,140
Tax (Note 4)	-	-	(27,244,662)	(7,548,439)	(34,793,101)
Administrative expenses (Note 5)	(1,553,543)	(1,658,166)	(1,191,884)	(417,108)	(4,820,701)
At end of year	<u>1,702,316,449</u>	<u>1,726,622,723</u>	<u>1,271,089,269</u>	<u>437,027,566</u>	<u>5,137,056,007</u>

**NOTES (CONTINUED)**

<b>7. Plan investments</b>	<b>2019 Shs</b>	<b>2018 Shs</b>
The Jubilee Insurance Company of Kenya Limited	<u>6,656,004,897</u>	<u>5,142,056,007</u>
At start of year	5,142,056,007	3,907,188,156
Contributions for the year (Note 2(a))	1,303,671,866	1,122,522,281
Leavers (Note 2(c))	(578,699,258)	(554,634,986)
Investment income (Note 3)	508,364,943	316,034,039
Fund expenses paid in the year	(25,352,982)	(4,477,890)
Transfer	<u>305,964,321</u>	<u>355,424,407</u>
At end of year	<u>6,656,004,897</u>	<u>5,142,056,007</u>

Plan investments comprise managed funds invested with The Jubilee Insurance Company of Kenya Limited. Interest is credited to members at rates declared by the insurance company and has a minimum guaranteed rate of return of 4%.

The plan investments are carried at amounts based on their ultimate redemption value.

<b>8. Contributions receivable</b>	<b>2019 Shs</b>	<b>2018 Shs</b>
- contributions due from members	35,410,831	-
- contributions due from sponsor	<u>35,410,831</u>	<u>-</u>
	<u>70,821,663</u>	<u>-</u>

In the opinion of the directors of the corporate trustee, the carrying amounts of contribution receivable approximate to their fair value.

The carrying amounts of the contributions receivable of scheme are denominated in Kenya Shilling (Shs).

<b>9. Payables</b>	<b>Shs</b>	<b>Shs</b>
RBA levy payable	<u>5,000,000</u>	<u>5,000,000</u>

In the opinion of the directors of the corporate trustee, the carrying amounts of other payables approximate to their fair value.

The carrying amounts of payables of scheme are denominated in Kenya Shillings.

The total payables of the scheme mature between 1 to 3 months.

**10. Tax status of the scheme**

The Jubilee Insurance Umbrella Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income up to the statutory limit. Any income arising on contributions in excess of the statutory limit is charged income tax at the statutory tax rate.

**NOTES (CONTINUED)**

**11. Risk management objectives and policies**

**Financial risk management**

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

The scheme'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 the 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.

**a) Market risk**

*- Interest rate risk*

During the year ended 31 December 2019, if interest rates at the reporting dates had been 1 per cent point lower with all other variables held constant, the increase in net assets available for benefits for the year would have been lower and would have resulted in a decrease in interest income as shown below:

	<b>2019</b>	<b>2018</b>
	<b>Shs</b>	<b>Shs</b>
Interest received from plan investments	<u>55,862,806</u>	<u>43,418,479</u>

A 1% sensitivity rate is being used when reporting interest risk internally to the trustees and represents the directors of the corporate trustee assessment of the reasonably possible change in interest rates.

**b) Credit risk**

Credit risk arises from plan investments and contributions receivable.

In assessing whether the credit risk on a financial asset has increased significantly, the trustees compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the sponsor is in breach of contractual obligations, or if information is available internally or externally that suggests that the sponsor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the trustees do not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the fund groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the sponsor operates; and
- nature of collateral.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the following events:

- significant financial difficulty of the sponsor
- a breach of contract
- it is probable that the sponsor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

**NOTES (CONTINUED)**

**Financial risk management (continued)**

**c) Liquidity risk**

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

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

No collateral is held for any of the above assets. None of the financial assets are either past due or impaired.

The amount that best represents the scheme's maximum exposure to credit risk at year end is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>Shs</b>	<b>Shs</b>
Plan investments	<u>6,656,004,897</u>	<u>5,142,056,007</u>

No collateral is held for any of the above assets. No financial assets are either past due or impaired.

**12. Fund management**

The scheme's objectives when managing capital are:

- to comply with the Retirement Benefit Regulations, made under Retirement Benefit Act.
- 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 requires the scheme's directors of the corporate trustee to invest members' funds using prudent investment policies that shall get the members market rates on their investments. This requirement has been complied with.

The scheme sets the amount of capital in proportion to risk. The scheme manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Capital comprises members' funds.

**13. Registration**

The scheme is registered in Kenya under the Trustees (Perpetual Succession Act Cap. 164) and the Retirement Benefits Authority.

**14. Presentation currency**

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

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