

**THE JUBILEE INSURANCE UMBRELLA SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021
RBA REGISTRATION NUMBER 01839**

CONTENTS

	PAGE
Scheme information	1
Report of directors of the corporate trustee	2 - 3
Statement of directors of the corporate trustee's responsibilities	4
Scheme governance disclosure statement	5 - 6
Report of the independent auditor	7 - 9
Financial statements:	
Statement of changes in net assets available for benefits	10
Statement of net assets available for benefits	11
Notes	12 - 22

SCHEME INFORMATION

CORPORATE TRUSTEE : Kingsland Court Trustee Services Limited
: Flamingo Towers, Upperhill
: P.O. Box 10285, 00100
: NAIROBI

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

APPROVED ISSUER : Jubilee Life Insurance Limited
: Jubilee Insurance House, Wabera street
: P.O. Box 30376, 00100
: NAIROBI

SCHEME ADMINISTRATOR : Jubilee Life Insurance 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

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 2021, 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.

PRINCIPAL ACTIVITY

The main purpose of the plan is the provision of pensions and lump sum retirement benefits to members upon their retirement at a specified age and relief to the dependants of deceased members as defined in the trust deed and rules.

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:

	2021 Numbers	2020 Numbers
At start of year	15,508	13,886
Additions during the year	1,653	2,104
Leavers during the year	<u>(560)</u>	<u>(482)</u>
At end of year	<u><u>16,601</u></u>	<u><u>15,508</u></u>

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 10 shows an increase in net assets available for benefits of Shs. 1,722,085,697 (2020: Shs. 1,263,556,136). The statement of net assets available for benefits on page 11 shows net assets of Shs. 9,707,468,393 (2020: Shs. 7,985,382,696).

INVESTMENT OF FUNDS AND INVESTMENT POLICY

The overall responsibility for the investment and performance of the 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 DIRECTORS OF THE CORPORATE TRUSTEE (CONTINUED)

INVESTMENT OF FUNDS AND INVESTMENT POLICY (CONTINUED)

The day to day administration of the pension plan is dealt with by Jubilee Life Insurance Limited who also is the approved issuer.

Under the terms of their appointment, Jubilee Life Insurance Limited are responsible for the investment of the plan. During the year, members' funds were invested with Jubilee Life Insurance Limited in a Deposit Administration Account and the net return declared and credited to members' accounts was at the rate of 10.12% (2020: 8.81%).

The scheme funds are invested as provided under the Retirement Benefits Authority 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 scheme's auditor, PKF Kenya LLP, has expressed willingness to continue in office in accordance with section 34(3) of the Retirement Benefits Act, 1997. The trustees monitor 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 THE BOARD OF DIRECTORS OF THE CORPORATE TRUSTEE



DIRECTOR

31 March 2022

NAIROBI

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:

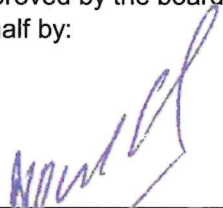
- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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.

In preparing these financial statements the directors of the corporate trustee has assessed the scheme's ability to continue as a going concern. Nothing has come to the attention of the directors of corporate trustee to indicate that the scheme will not remain a going concern for at least the next twelve months from the date of this statement based on the factors described in Note 1 (a).

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 March 2022 and signed on its behalf by:



DIRECTOR



DIRECTOR

SCHEME GOVERNANCE DISCLOSURE STATEMENT

1. Trustees in office

Name of trustee	Age in years	Category	No. of meetings attended	TDPK certified	Highest academic qualification	Member of other pension boards
(Corporate Trustee) Kingsland Court Trustee Services Limited	N/A	Independent	5	Yes	N/A	Yes

2. Trustees Meeting

The board of trustees held five (5) meetings during the year ended 31 December 2021. The meetings were held on the dates set out hereunder:

- (a) 3 February 2021 – Quarter One 2021 Trustee Meeting
- (b) 31 May 2021 – Quarter Two 2021 Trustee Meeting
- (c) 30 August 2021 – Quarter Three 2021 Trustee Meeting
- (d) 5 October 2021 – Annual general meeting
- (e) 29 November 2021 – Quarter Four 2021 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 schemes' operations and governance under the broad headings of "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 sponsor attend these meetings.

5. Fiduciary responsibility statement

The Corporate Trustee is the governing body of the Jubilee Insurance Umbrella Scheme and is responsible for the corporate governance of the scheme. The trustee is responsible for ensuring that the administration of the scheme is conducted in the best interests of the scheme's members and the sponsor. To achieve this, the trustee embraces its fiduciary responsibility by:

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

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

8. Annual general meeting

The scheme held the annual general meeting on the 5 October 2021 virtually. In total 101 employer representatives were present from 198 participating employers, making up 51% of schemes' representation. The board adequately addressed the members' concerns.

9. Members' sensitization

Members were sensitized regarding various options available to them following release of legal notices allowing member to access their benefits for purposes of home purchases at the Annual General Meeting.

10. Trustees' remuneration policy


The corporate trustee was remunerated in accordance with the contract between the Trustee, Kingsland Court Trustee Services Limited and the Sponsor, Jubilee Life Insurance Company Limited. All expenses except for income tax and RBA Levy are borne by the Sponsor.

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

12. Independent auditor

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

BY THE ORDER OF THE DIRECTORS OF THE CORPORATE TRUSTEE



**Chairperson
Board of Trustees**

31 March 2022

NAIROBI

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF THE JUBILEE INSURANCE UMBRELLA SCHEME

Opinion

We have audited the financial statements of The Jubilee Insurance Umbrella Scheme set out on pages 10 to 22, which comprise the statement of net assets available for benefits as at 31 December 2021, 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 Jubilee Insurance Umbrella Scheme financial position as at 31 December 2021, 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, statement of directors of the corporate trustee's responsibilities and the scheme 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.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS 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 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 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's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS 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.

The engagement partner responsible for the audit resulting in this report the independent auditor is CPA Patrick Kuria, Practising certificate No. 2045.



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

March 31, 2022

234/22

*The Jubilee Insurance Umbrella Scheme
Annual report and financial statements
For the year ended 31 December 2021*

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 Shs	2020 Shs
Dealings with members			
Contributions for the year	2(a)	1,492,317,575	1,325,418,431
Transfers in from other funds	2(b)	213,749,663	283,341,303
Leavers	2(c)	<u>(732,503,977)</u>	<u>(913,456,023)</u>
Net additions from dealings with members		<u>973,563,261</u>	<u>695,303,711</u>
Return on plan investments			
Plan investments income	3	829,261,526	624,363,238
Tax	4	(75,739,091)	(51,110,813)
Administrative expenses	5	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Net return on plan investments		<u>748,522,436</u>	<u>568,252,425</u>
Net increase in net assets available for benefits		1,722,085,697	1,263,556,136
Net assets available for benefits at start of year		<u>7,985,382,696</u>	<u>6,721,826,560</u>
Net assets available for benefits at end of year	6	<u><u>9,707,468,393</u></u>	<u><u>7,985,382,696</u></u>

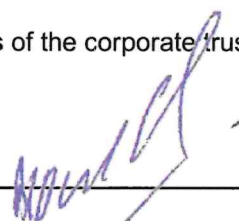
The notes on pages 12 to 22 form an integral part of these financial statements.

Report of the independent auditor - page 7 to 9.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 Shs	2020 Shs
Members' balances	6	<u>9,707,468,393</u>	<u>7,985,382,696</u>
REPRESENTED BY			
Non-current assets			
Plan investments	7	<u>9,640,750,851</u>	<u>7,916,925,571</u>
Current assets			
Contributions receivable	8	77,347,554	70,814,318
Tax recoverable	4	<u>-</u>	<u>2,642,807</u>
		<u>77,347,554</u>	<u>73,457,125</u>
Current liabilities			
Payables	9	5,000,000	5,000,000
Tax payable	4	<u>5,630,012</u>	<u>-</u>
		<u>10,630,012</u>	<u>5,000,000</u>
Net current assets		<u>66,717,542</u>	<u>68,457,125</u>
Net assets available for benefits		<u>9,707,468,393</u>	<u>7,985,382,696</u>

The financial statements on pages 10 to 22 were approved and authorised for issue by the board of directors of the corporate trustee on 31 March 2021 and were signed on its behalf by



DIRECTOR



DIRECTOR

The notes on pages 12 to 22 form an integral part of these financial statements.

Report of the independent auditor - page 7 to 9.

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 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 plan 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 10 and 11.

Based on the financial performance and position of the plan and its risk management policies, the trustees 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 scheme applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021. The scheme has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the plan. The plan intends to use the practical expedients in future periods if they become applicable.

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:

NOTES (CONTINUED)

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning on or after 1 January 2023, 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.
- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, 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 and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- 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.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, 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 the 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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

b) Significant accounting judgements, estimates and assumptions (continued)

- Measurement of Expected Credit Losses (ECL) - Contributions receivable

In recognising the expected credit losses on receivables, the scheme has adopted the simplified approach. The scheme has adopted the provision matrix to measure expected credit losses where by a default rate is applied on debtors depending on the number of days that a receivable is past due. The default rate is estimated based on the scheme's historical default rate and reviewed and adjusted for forward looking information on a periodical basis.

c) Plan investments 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 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) 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) 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.

f) 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 scheme are accounted for in accordance with the applicable standards

g) Withdrawals

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

h) Financial instruments

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

NOTES (CONTINUED)

1. Significant accounting policies (continued)

h) Financial instruments (continued)

- 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.

At initial recognition of a financial asset, the plan 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 plan 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 plan has transferred substantially all risks and rewards of ownership, or when the scheme has no reasonable expectations of recovering the asset.

Impairment

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

- Contributions due

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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

h) Financial instruments (continued)

Financial liabilities (continued)

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.

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.

i) Cash and cash equivalents

A statement of cash flows has not been prepared as the funds are being managed on a pooled basis by Jubilee Life Insurance Limited.

j) Taxation

The plan is exempt from income tax on its investment income under the Income Tax Act (Cap. 470) up to the statutory limit.

k) Comparatives

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

NOTES (CONTINUED)

2. Dealings with members	2021 Shs	2020 Shs
a) Contributions for the year		
Employers - registered	402,981,895	362,617,574
Employers - unregistered	458,609,842	397,802,531
Employees - registered	504,096,077	456,963,195
Employees - unregistered	126,629,761	108,035,131
	<u>1,492,317,575</u>	<u>1,325,418,431</u>
b) Transfer in from other funds		
Individual transfers in from other schemes	<u>213,749,663</u>	<u>283,341,303</u>
c) Leavers		
Lump sums paid	<u>(732,503,977)</u>	<u>(913,456,023)</u>
Net additions from dealings with members	<u>973,563,261</u>	<u>695,303,711</u>
3. Plan investments income		
The plan investments income allocated to the registered and unregistered portions for taxation purposes, can be analysed as follows:		
- registered (Note 4)	567,858,254	419,919,985
- unregistered	<u>261,403,272</u>	<u>204,443,253</u>
	<u>829,261,526</u>	<u>624,363,238</u>
4. Tax		
Tax charge - unregistered scheme	78,420,982	51,110,813
Overpayment in prior year	<u>(2,681,891)</u>	<u>-</u>
	<u>75,739,091</u>	<u>51,110,813</u>
Tax is charged on plan investment income earned from the unregistered portion at the rate of 30% (2020: 25%).		
Total plan investments income	829,261,526	624,363,238
Less: income relating to registered portion (Note 3)	<u>(567,858,254)</u>	<u>(419,919,985)</u>
Taxable income	<u>261,403,272</u>	<u>204,443,253</u>
Tax thereon at 30% (2020: 25%)	<u>78,420,982</u>	<u>51,110,813</u>
The tax payable/(recoverable) for the period is as follows:		
At the start of the year	(2,642,807)	-
Charge for the year	75,739,091	51,110,813
Paid in the year	<u>(67,466,272)</u>	<u>(53,753,620)</u>
	<u>5,630,012</u>	<u>(2,642,807)</u>
The splits of tax payable/(recoverable) is as follows:		
Final tax payable/(recoverable)	10,954,710	(2,642,807)
Prior years overpayments	<u>(5,324,698)</u>	<u>-</u>
	<u>5,630,012</u>	<u>(2,642,807)</u>
5. Administrative expenses		
RBA levy	<u>5,000,000</u>	<u>5,000,000</u>

The Jubilee Insurance Umbrella Scheme
Annual report and financial statements
For the year ended 31 December 2021

NOTES (CONTINUED)

6. Members' balances

The movement in the members' balances is as follows:

Year ended 31 December	Registered		Unregistered		Total Shs
	Employer Shs	Employee Shs	Employer Shs	Employee Shs	
Year ended 31 December 2021					
At start of year	2,672,148,700	2,739,332,859	1,897,384,848	676,516,289	7,985,382,696
Contributions for the year (Note 2(a))	402,981,895	504,096,077	458,609,842	126,629,761	1,492,317,575
Transfers in (Note 2(b))	58,097,810	64,194,748	70,692,687	20,764,417	213,749,662
Leavers (Note 2(c))	(227,021,870)	(292,529,669)	(169,701,542)	(43,250,896)	(732,503,977)
Plan investments income (Note 3)	279,809,067	288,049,187	187,091,535	74,311,738	829,261,527
Tax (Note 4)	-	-	(54,207,977)	(21,531,113)	(75,739,090)
Administrative expenses (Note 5)	(1,668,670)	(1,703,209)	(1,277,354)	(350,767)	(5,000,000)
At end of year	<u>3,184,346,932</u>	<u>3,301,439,993</u>	<u>2,388,592,039</u>	<u>833,089,429</u>	<u>9,707,468,393</u>
Year ended 31 December 2020					
At start of year	2,221,772,283	2,275,723,673	1,596,807,845	627,522,759	6,721,826,560
Contributions for the year (Note 2(a))	362,617,574	456,963,195	397,802,531	108,035,131	1,325,418,431
Transfers in (Note 2(b))	95,148,232	105,254,095	33,803,265	49,135,711	283,341,303
Leavers (Note 2(c))	(212,365,854)	(310,241,741)	(249,178,397)	(141,670,031)	(913,456,023)
Plan investments income (Note 3)	206,615,113	213,304,872	159,262,711	45,180,542	624,363,238
Tax (Note 4)	-	-	(39,815,678)	(11,295,136)	(51,110,813)
Administrative expenses (Note 5)	(1,638,648)	(1,671,235)	(1,297,429)	(392,688)	(5,000,000)
At end of year	<u>2,672,148,700</u>	<u>2,739,332,859</u>	<u>1,897,384,848</u>	<u>676,516,289</u>	<u>7,985,382,696</u>

NOTES (CONTINUED)

	2021 Shs	2020 Shs
7. Plan investments		
Plan investments	<u>9,640,750,851</u>	<u>7,916,925,571</u>
At start of year	7,916,925,571	6,673,580,400
Contributions for the year (Note 2(a))	1,485,784,339	1,325,418,431
Transfer (Note 2(b))	213,749,662	283,341,303
Leavers (Note 2(c))	(732,503,977)	(913,448,678)
Plan investments income (Note 3)	829,261,527	624,363,238
Scheme expenses paid in the year	(5,000,000)	(5,000,000)
Tax paid during the year	<u>(67,466,271)</u>	<u>(71,329,123)</u>
At end of year	<u>9,640,750,851</u>	<u>7,916,925,571</u>

Plan investments comprise managed funds invested with Jubilee Life Insurance 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.

	2021 Shs	2020 Shs
8. Contributions receivable		
- contributions due from members	38,673,777	35,407,159
- contributions due from sponsor	<u>38,673,777</u>	<u>35,407,159</u>
	<u>77,347,554</u>	<u>70,814,318</u>

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

All contribution were outstanding for less than 30 days.

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

	2021 Shs	2020 Shs
9. Payables		
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 2021, 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:

	2021	2020
	Shs	Shs
Interest received from plan investments	<u>74,193,730</u>	<u>65,068,380</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.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

In assessing whether the credit risk on a financial asset has increased significantly, the fund 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; and
- industry in which the sponsor operates.

NOTES (CONTINUED)

11. Risk management objectives and policies (continued)

Financial risk management (continued)

b) Credit risk (continued)

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 gross carrying amount of financial assets with exposure to credit risk at the statement of net assets available for benefits date was as follows:

	12-month expected credit losses	
	2021	2020
	Shs	Shs
Contributions receivable	77,347,554	70,814,318
Loss allowance	-	-
Exposure to credit risk	<u>77,347,554</u>	<u>70,814,318</u>

There was no loss allowance made during the year as the amount was not material.

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the approved issuer on the amount to be invested in assets that can be easily liquidated.

Note 9 disclose the maturity analysis of payables.

The undiscounted maturity analysis of payables is not materially different from the disclosure on Note 9.

12. Fund management

The scheme's objectives when managing 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 trustee 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 scheme sets the amount of fund in proportion to risk. The directors of the corporate trustee manage 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 and reserves funds.

NOTES (CONTINUED)

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.).
