

**THE JUBILEE INSURANCE UMBRELLA SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020
RBA REGISTRATION NUMBER 01839**

*The Jubilee Insurance Umbrella Scheme
Annual report and financial statements
For the year ended 31 December 2020*

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SCHEME INFORMATION

CORPORATE TRUSTEE	: Kingsland Court Trustee Services Limited : Flamingo Towers, Upperhill : P.O. Box 10285, 00100 : NAIROBI : (Appointed on 01 June 2020)
	: The Jubilee Insurance Company of Kenya Limited : Jubilee Insurance House, Wabera street : P.O. Box 30376, 00100 : NAIROBI : (Left office on 31 May 2020)
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

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 2020, 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:

	2020 Numbers	2019 Numbers
At start of year	13,886	11,745
Additions during the year	2,104	2,567
Leavers during the year	(482)	(426)
	<u>15,508</u>	<u>13,886</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.1,263,556,136 (2019: Shs. 1,584,770,553). The statement of net assets available for benefits on page 11 shows net assets of Shs. 7,985,382,696 (2019: Shs. 6,721,826,560).

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 8.81% (2019: 10%).

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. The directors of corporate trustee 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

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 MARCH 2021

NAIROBI

STATEMENT OF DIRECTORS 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 MARCH 2021 and signed on its behalf by:



DIRECTOR



DIRECTOR

SCHEME GOVERNANCE DISCLOSURE STATEMENT

1. Trustees in office

Name of Director	Age in years	Category	No. of meetings attended	TDPK certified	Highest academic qualification	Member of other pension boards
Jubilee Life Insurance Limited	N/A	Independent	1	Yes	N/A	No
(Corporate Trustee) Kingsland Court Trustee Services Limited	N/A	Independent	3	Yes	N/A	Yes

2. Trustees meetings

The board of trustees held four (4) meetings during the year ended 31 December 2020. The meetings were held on the dates set out hereunder:

- (a) 1st half meeting held on 23 July 2020
- (b) Special Trustee Meeting on transition to new trustees on 18 September 2020
- (c) 2nd half meeting held on 03 February 2021

3. Composition of trustee board - [N/A – Corporate trustee]

4. Committee 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 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 trustees held the annual general meeting for the year ended 31 December 2019 on the 12 November 2020 virtually. In total 90 employer representatives were present from 153 participating employers, making up 59% of schemes' representation. The board adequately addressed the members' concerns.

9. Members' sensitization


The Sponsor's relationship teams did visits to a number of participating employers during the year and conducted member education and sensitization via virtual means. Participating employers were reminded at the AGM that they can request for member education and sensitization sessions through the Sponsor.

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

10. Trustees' remuneration

The 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.

BY THE ORDER OF THE DIRECTORS OF THE CORPORATE TRUSTEE



DIRECTOR

31 MARCH 2021

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 23, which comprise the statement of net assets available for benefits as at 31 December 2020, 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 2020, 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 disclosure 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.

PKF Kenya LLP
Certified Public Accountants
NAIROBI

March 31, 2021

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

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2020 Shs	2019 Shs
Dealings with members			
Contributions for the year	2(a)	1,325,418,431	1,374,493,529
Transfers in from other funds	2(b)	283,341,303	305,964,321
Leavers	2(c)	<u>(913,456,023)</u>	<u>(599,052,238)</u>
Net additions from dealings with members		<u>695,303,711</u>	<u>1,081,405,612</u>
Return on plan investments			
Plan investment income	3	624,363,238	564,212,856
Tax	4	(51,110,813)	(55,847,915)
Administrative expenses	5	<u>(5,000,000)</u>	<u>(5,000,000)</u>
Net return on plan investments		<u>568,252,425</u>	<u>503,364,941</u>
Net increase in net assets available for benefits		1,263,556,136	1,584,770,553
Net assets available for benefits at start of year		<u>6,721,826,560</u>	<u>5,137,056,007</u>
Net assets available for benefits at end of year	6	<u><u>7,985,382,696</u></u>	<u><u>6,721,826,560</u></u>

The notes on pages 12 to 23 form an integral part of these financial statements.

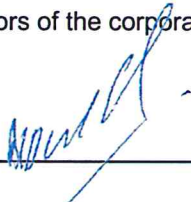
Report of the independent auditor - page 7 to 9.

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STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2020 Shs	2019 Shs
Members' balances	6	<u>7,985,382,696</u>	<u>6,721,826,560</u>
REPRESENTED BY			
Non-current assets			
Plan investments	7	<u>7,916,925,571</u>	<u>6,673,580,400</u>
Current assets			
Contributions receivable	8	70,814,318	70,821,663
Tax recoverable	4	<u>2,642,807</u>	<u>-</u>
		<u>73,457,125</u>	<u>70,821,663</u>
Current liabilities			
Payables	9	5,000,000	5,000,000
Tax payable	4	<u>-</u>	<u>17,575,503</u>
		<u>5,000,000</u>	<u>22,575,503</u>
Net current assets		<u>68,457,125</u>	<u>48,246,160</u>
Net assets available for benefits		<u>7,985,382,696</u>	<u>6,721,826,560</u>

The financial statements on pages 10 to 23 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 23 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 (Occupational 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.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- 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 11 and 12.

Based on the financial performance and position of the fund and its risk management policies, the Trustees are of the opinion that the fund 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

All new and amended standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2020 have been adopted by the fund.

Other standards and amendments

The fund applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020. The fund has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

a) Basis of preparation (continued)

Other standards and amendments (continued)

- The revised conceptual framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the fund.
- 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.

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), effective for annual periods beginning 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.

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

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.

There are no material accounting estimates and judgements that have been used in arriving at the numbers in the financial statements.

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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

c) Plan investment income (continued)

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

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, 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

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.

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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

g) Financial instruments (continued)

Financial assets (continued)

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 measured 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 determine 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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

g) Financial instruments (continued)

Financial assets (continued)

Impairment (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 net assets available for benefits 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.

NOTES (CONTINUED)

1. Significant accounting policies (continued)

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 25% (2019: 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	2020 Shs	2019 Shs
a) Contributions for the year		
Employers - registered	362,617,574	385,825,719
Employers - unregistered	397,802,531	393,975,059
Employees - registered	456,963,195	484,111,248
Employees - unregistered	108,035,131	110,581,503
	<u>1,325,418,431</u>	<u>1,374,493,529</u>
b) Transfer in from other funds		
Individual transfers in from other schemes	<u>283,341,303</u>	<u>305,964,321</u>
c) Leavers		
Lump sums paid	<u>(913,456,023)</u>	<u>(599,052,238)</u>
Net additions from dealings with members	<u><u>695,303,711</u></u>	<u><u>1,081,405,612</u></u>
3. Plan investment income		
The plan investment income allocated to the registered and unregistered pools for taxation purposes, can be analysed as follows:		
- registered (Note 4)	419,919,985	378,053,140
- unregistered	<u>204,443,253</u>	<u>186,159,716</u>
	<u><u>624,363,238</u></u>	<u><u>564,212,856</u></u>
4. Tax		
Tax charge - unregistered scheme	<u>51,110,813</u>	<u>55,847,915</u>
Tax is charged on plan investment income earned from the unregistered pool at the rate of 25% (2019: 30%).		
Total plan investment income	624,363,238	564,212,856
Less: income relating to registered pool (Note 3)	<u>(419,919,985)</u>	<u>(378,053,140)</u>
Taxable income	<u>204,443,253</u>	<u>186,159,716</u>
Tax thereon at 25% (2019: 30%)	51,110,813	55,847,915
Installment taxes paid:	<u>(53,753,620)</u>	<u>(38,272,412)</u>
Tax (recoverable)/payable	<u><u>(2,642,807)</u></u>	<u><u>17,575,503</u></u>
5. Administrative expenses		
RBA Levy		
- current year	<u>5,000,000</u>	<u>5,000,000</u>
	<u><u>5,000,000</u></u>	<u><u>5,000,000</u></u>

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NOTES (CONTINUED)

6. Members' balances

The movement in the members' balances is as follows:

Year ended 31 December 2020	Registered		Unregistered		Total Shs
	Employer Shs	Employee Shs	Employer Shs	Employee Shs	
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 investment 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>
Year ended 31 December 2019					
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))	(165,500,845)	(233,046,054)	(135,933,038)	(64,572,301)	(599,052,238)
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)
Administrative expenses (Note 5)	(1,655,009)	(1,656,350)	(1,305,092)	(383,550)	(5,000,001)
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>

NOTES (CONTINUED)

7. Plan investments	2020 Shs	2019 Shs
The Jubilee Insurance Company of Kenya Limited	<u>7,916,925,571</u>	<u>6,673,580,400</u>
At start of year	6,673,580,400	5,142,056,007
Contributions for the year (Note 2(a))	1,325,418,431	1,303,671,866
Transfer (Note 2(b))	283,341,303	305,964,321
Leavers (Note 2(c))	(913,448,678)	(599,052,238)
Investment income (Note 3)	624,363,238	564,212,856
Fund expenses paid in the year	(5,000,000)	(5,000,000)
Tax paid during the year	<u>(71,329,123)</u>	<u>(38,272,412)</u>
At end of year	<u>7,916,925,571</u>	<u>6,673,580,400</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.

8. Contributions receivable	2020 Shs	2019 Shs
- contributions due from members	35,407,159	35,410,831
- contributions due from sponsor	<u>35,407,159</u>	<u>35,410,831</u>
	<u>70,814,318</u>	<u>70,821,663</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).

9. Payables	2020 Shs	2019 Shs
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 2020, 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:

	2020	2019
	Shs	Shs
Interest received from plan investments	<u>65,068,380</u>	<u>50,836,494</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 purposes 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:

NOTES (CONTINUED)

11. Risk management objectives and policies (continued)

Financial risk management (continued)

b) Credit risk (continued)

- 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.

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:

	2020	2019
	Shs	Shs
Plan investments	<u>7,916,925,571</u>	<u>6,673,580,400</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, 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 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. Fund comprises members' 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.).



