

**ICEA LION GUARANTEED UMBRELLA FUND
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

**VC KARANI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
BISHOPS ROAD
P.O BOX 45481 - 00100
NAIROBI**

**ICEA LION Guaranteed Umbrella Fund
Report and Financial Statements
For the year ended 31 December 2023**

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ICEA LION Guaranteed Umbrella Fund
Fund Information
For the year ended 31 December 2023

CORPORATE TRUSTEE	Octagon Pension Services Limited Westpark Suites, Ojjo Road P O Box 10034 - 00100 NAIROBI
APPROVED ISSUER	ICEA LION Life Assurance Company Limited ICEA LION Centre, Riverside Park Chiromo Road, Westlands P.O BOX 46143-00100 NAIROBI
ADMINISTRATOR	ICEA LION Trust Company Limited ICEA LION Centre, Riverside Park Chiromo Road, Westlands P O BOX 46143-00100 NAIROBI
INDEPENDENT AUDITOR	VC Karani & Associates Certified Public Accountants Bishops Road P O Box 45481 - 00100 NAIROBI
FOUNDER	ICEA LION Life Assurance Company Limited ICEA LION Centre, Riverside Park Chiromo Road, Westlands P O BOX 46143 - 00100 NAIROBI
REGISTERED OFFICE	ICEA LION Centre, East Wing Riverside Park, Chiromo Road, Westlands P O BOX 46143-00100 NAIROBI

**ICEA LION Guaranteed Umbrella Fund
Report of the Corporate Trustee
For the year ended 31 December 2023**

The Corporate Trustee presents her report together with the audited financial statements for the year ended 31 December 2023.

ESTABLISHMENT, NATURE AND PURPOSE OF THE FUND

The Fund was established under irrevocable trust and commenced on 1 January 2018. It is governed by Trust Deed and Rules dated 5th July 2018 as subsequently amended with deeds of addendum.

It is a defined contribution Umbrella Fund whose main purpose is the provision of retirement benefits for members upon their retirement from employment at a specified age and relief for certain of the dependants of deceased members as defined in the scheme's Trust Deed and Rules. An Umbrella Fund is a retirement benefits scheme with members employed by several employers into which employees' and employers' contributions are paid.

The Fund is registered with the Retirement Benefits Authority (Scheme Ref. No. 02060 and Certificate No. 01654). The Fund is also registered with the Kenya Revenue Authority as an exempt approved plan under the Income Tax Act and therefore its investment income is exempt from income tax.

CONTRIBUTIONS

Contributions to the Fund by the participating employers and employees are at rates specified in the Deeds of Adherence executed by the participating employers upon joining the Fund. Contributions are paid monthly.

SCHEME MANAGEMENT

The Corporate Trustee, Administrator and Approved Issuer are set out on Page 1.

MEMBERSHIP

The movement in membership of the Scheme during the year was as follows:

	Members (Pension category)	Members (Provident category)	Total
Active members			
At start of year	1,763	2,147	3,910
Entrants	1,956	488	2,444
Exits	(142)	(242)	(384)
	3,577	2,393	5,970
Deferred members	298	448	746
At end of year	3,875	2,841	6,716

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 9 shows an increase in the net assets of the Fund for the year of Kshs.2,454,470,069 (2022:Kshs. 816,735,010) and the statement of net assets available for benefits on page 10 shows the Fund's net assets as Kshs.4,596,571,596 (2022: Kshs.2,142,101,528).

**ICEA LION Guaranteed Umbrella Fund
Report of the Corporate Trustee
For the year ended 31 December 2023**

INVESTMENT OF FUNDS

The Fund's available funds are invested with ICEA LION Life Assurance Company Limited in a Deposit Administration (Guaranteed) Fund and net interest was declared and credited to the Fund at the a declared net rate of 10% (2022: 6.5%).

INDEPENDENT AUDITORS

VC Karani & Associates, Certified Public Accountants, have expressed their willingness to continue in office.

For the Corporate Trustee:



Trustee

Date: 28/03/2024

**ICEA LION Guaranteed Umbrella Fund
Fund Governance Disclosure Statement
For the year ended 31 December 2023**

1. Corporate trustee in office

Name of trustee	Age	Category	No. of meetings attended	Certified (Yes/No)	Highest Qualification	Membership of other Boards
Fred Waswa	Over 35	Professional	3	Yes	Post Graduate	N/A
Ruth Njuguna	Over 35	Professional	3	Yes	Masters	N/A
Anthony Odhiambo	Over 35	Professional	3	Yes	Masters	N/A
Winy Nasirumbi	Under 35	Professional	3	Yes	Graduate	N/A

2. The Corporate Trustee held **3** meetings during the year ending 31 December 2023. The meetings were held on the dates set hereunder:

- a) 6/5/2023
- b) 12/15/2023
- c) 1/15/2024

3. Composition the Corporate Trustee

- a) Gender balance: Female**50**....% Male**50**.....%
- b) Skills mix: No of trustees with financial skills**3**.....
- c) Age mix: Number of trustees who are younger than 35 years ...**1**...
- d) Number of trustees who are older than 35 years ...**3**.....

4. Committees of the Board

The Corporate Trustee does not have committees.

5. Fiduciary Responsibility Statement

The Corporate Trustee is the governing body of ICEA LION Guaranteed Umbrella Fund and is responsible for the corporate governance of the Fund. The Corporate Trustee is responsible for ensuring that the administration of the Fund is conducted in the best interests of the Fund's members and the sponsor. To achieve this, the Corporate Trustee embraced her fiduciary responsibility by:

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

The Fund has complied with the laws, regulations and guidelines that govern retirement benefit schemes and the Fund's operations.

The Corporate Trustee has ensured that the fund manager/approved issuer has carried out all Fund investments and that all Fund assets and funds are held by the custodian.

The Board charter for the Fund has been developed.

6. Responsible Corporate Citizenship

The Fund has participated in socially responsible investments and operations 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.

**ICEA LION Guaranteed Umbrella Fund
Fund Governance Disclosure Statement
For the year ended 31 December 2023**

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.

The Corporate Trustee will measure the progress towards these outcomes through:

- a) Triennial members' survey score. **N/A**
- b) Regular reports and feedback from the sponsor **One**

8. Annual General Meeting

The board of trustees held the annual general meeting on the **01/09/2023** at which **183 members**, making up **2%** of scheme members attended. The board adequately addressed the members' concerns.

9. Member sensitization

Activity	Date held	Number of members	Remarks
Retirement planning seminar	Numerous	Sponsor	Seminars per sponsor's requirements.
Members' day	10/13/2023	320	Successful

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. Corporate trustee remuneration policy

The Corporate Trustee is remunerated by the Sponsor. During the year under review, the Corporate Trustee was paid a gross sum of **Kshs. 1,160,000**. The payments complied with the corporate trustee remuneration agreement.

11. Corporate Trustee Evaluation

The Corporate Trustee did not undertake board evaluation in the year under review.

For the Corporate Trustee:


.....
Trustee

Dated: 28/03/2024

**ICEA LION Guaranteed Umbrella Fund
Statement of Corporate Trustee Responsibilities
For the year ended 31 December 2023**

The Retirement Benefits Act requires the Corporate Trustee to prepare financial statements in respect of the Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the Fund for that year. The Corporate Trustee is also required to: a) ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund b) Safeguard the assets of the Fund.

The Corporate Trustee is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended 31 December 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Corporate Trustee accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Retirement Benefits Act , 1997.

The Corporate Trustee is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended 31 December 2023, and of the Fund's financial position as at that date. The Corporate Trustee further confirms the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Corporate Trustee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

The Corporate Trustee acknowledges that the independent audit of the financial statements does not relieve her of her responsibilities.

For the Corporate Trustee:


.....
Trustee


.....
Trustee

Date.....28/03/.....2024

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E.O. Ogarí Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



REPORT OF THE INDEPENDENT AUDITOR TO THE CORPORATE TRUSTEE OF ICEA LION GUARANTEED UMBRELLA FUND

VCK/ARP/ICEALION GUF/2023

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of ICEA LION Guaranteed Umbrella Fund, set out on pages 9 to 15, which comprise the statement of net assets available for benefits as at 31 December 2023, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Retirement Benefits Act.

Basis of Opinion

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

Other information

The Corporate Trustee is responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities the Corporate Trustee for the Financial Statements

The Corporate Trustee is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Retirement Benefits Act, and for such internal control as the Corporate Trustee determines 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 Corporate Trustee is responsible for assessing the Fund'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 Corporate Trustee either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E .O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



**REPORT OF THE INDEPENDENT AUDITOR
TO THE CORPORATE TRUSTEE OF
ICEA LION GUARANTEED UMBRELLA FUND**

Auditor's Responsibilities for the Audit of the Financial Statements

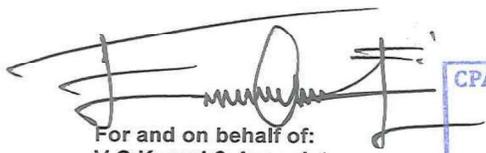
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Mistatements 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporate Trustee.
- Conclude on the appropriateness 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.

We communicate with the Corporate Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Evans Ogari Onwonga, Practising Certificate No. 1971.


For and on behalf of:
VC Karani & Associates
Certified Public Accountants
Nairobi

CPA EVANS OGARI ONWONGA
P. NO. 1971
28 MAR 2024
VC KARANI & ASSOCIATES CPA (K)
P. O. Bqx 45481 - 00100, NAIROBI

Dated: 28/03/2024

ICEA LION Guaranteed Umbrella Fund
Financial Statements
For the year ended 31 December 2023

Statement of changes in net assets available for benefits

	Notes	2023 Kshs	2022 Kshs
Income from dealings with members			
Contributions receivable	3	2,523,595,382	880,383,978
Outgoings from dealings with members			
Benefits payable	4	(382,287,754)	(157,231,894)
Net additions from dealings with members		2,141,307,627	723,152,084
Return on investments			
Investment income	5	349,466,966	103,542,907
Less: tax expense	6a	(36,304,525)	(9,959,981)
Net return on investments		313,162,441	93,582,926
Administrative expenses	7a	-	-
Increase in net assets for the year		2,454,470,069	816,735,010
Net assets available for benefits at start of year		2,142,101,528	1,325,366,518
Net assets available for benefits at end of year		4,596,571,596	2,142,101,528

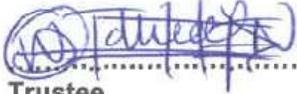
**ICEA LION Guaranteed Umbrella Fund
Financial Statements
As at 31 December 2023**

Statement of net assets available for benefits

	Notes	2023 Kshs	2022 Kshs
Assets			
Guaranteed fund	8	4,612,458,148	2,129,610,033
Contributions due and other receivables	9	40,383,748	32,457,270
		<u>4,652,841,896</u>	<u>2,162,067,303</u>
Liabilities			
Benefits payable	10	-	-
Payables and accruals	11	(56,270,300)	(19,965,775)
		<u>(56,270,300)</u>	<u>(19,965,775)</u>
Total Net Assets		<u>4,596,571,596</u>	<u>2,142,101,528</u>
Financed by:			
Members' Fund		<u>4,596,571,596</u>	<u>2,142,101,528</u>

The financial statements set out on pages 9 to 15 were approved by the Corporate Trustee on 28/03/2024 and signed on behalf of the Corporate Trustee by:


.....
Trustee


.....
Trustee

ICEA LION Guaranteed Umbrella Fund
Financial Statements
For the year ended 31 December 2023

Statement of cash flows

	Notes	2023 Kshs	2022 Kshs
Cashflow from operations			
Contributions and transfers in received		2,515,668,904	849,372,232
Benefits paid and transfers out		<u>(382,287,754)</u>	<u>(157,231,894)</u>
Net cashflow from dealings with members		2,133,381,149	692,140,338
Administrative expenses paid		-	-
Tax paid		<u>-</u>	<u>-</u>
Net Cashflow from operations		<u>2,133,381,149</u>	<u>692,140,338</u>
Cashflow from investing activities			
Investment income received		<u>349,466,967</u>	<u>103,542,907</u>
Net increase in cash and cash equivalents		2,482,848,116	795,683,245
Cash and cash equivalents at start of year		2,129,610,033	1,333,926,787
Cash and cash equivalents at end of time		<u>4,612,458,148</u>	<u>2,129,610,033</u>
Cash in Deposit Administration (Guaranteed) fund at end of the year	8	<u>4,612,458,148</u>	<u>2,129,610,033</u>

Notes

1. a) Basis of preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards and the Retirement Benefits Act.

The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Corporate Trustee. They do not take account of obligations to pay benefits that fall due after the end of the financial year.

The financial statements are presented in the functional currency, Kenya Shillings (Kshs) and are prepared under the historical cost convention as modified by the carrying of investments at fair value.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i New and revised standards effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued and effective. Those that have an effect on the Fund's financial statements, if any, have been adopted.

ii New and revised standards issued but not yet effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued but not yet effective. None of them has had an effect on the Fund's financial statements.

iii Early adoption of standards

The Corporate Trustee does not have any plans to adopt any new and revised standards until they become effective. Based on their assessment of the potential impact of application of these standards, they do not expect that there will be a significant impact on the Fund's financial statements.

2. Accounting policies

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

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention.

(b) Contributions

Contributions from the members and employer are accounted for in the year to which they relate.

(c) Interest income

Interest income is accounted for in the year in which it is earned.

(d) Benefits payable

Withdrawals are accounted for in the year to which they fall due.

(e) Benefit transfers

Benefit transfers are recognized in the year in which members join from or leave for other schemes or funds.

ICEA LION Guaranteed Umbrella Fund
Financial Statements
For the year ended 31 December 2023

Notes

	2023	2022
	Kshs	Kshs
3. Contributions receivable		
From members	858,326,630	389,426,493
From employers	1,278,913,998	481,801,086
NSSF Tier 11	5,957,815	-
Contributions understated in prior period	380,396,938	9,156,399
	<u>2,523,595,382</u>	<u>880,383,978</u>

Contributions receivable relate to remittances by the participating employers

	2023	2022
	Kshs	Kshs
4. Benefits payable		
Benefit payments and transfers out to and on account of leavers	<u>382,287,754</u>	<u>157,231,894</u>

	2023	2022
	Kshs	Kshs
5. Investment income		
Registered fund	228,371,198	70,640,749
Unregistered fund	121,015,083	32,902,158
NSSF Tier 11	80,686	-
	<u>349,466,966</u>	<u>103,542,907</u>

Interest for the year was credited by ICEA LION Life Assurance Company Limited at a declared net rate of 10% (2022: 6.5%).

6. Taxation

ICEA LION Guaranteed Umbrella Fund has been approved by the Kenya Revenue Authority and its investment income from the registered component of the Fund is exempt from taxation. Contributions received by the Fund up to a limit of Kshs. 20,000 per employee per month constitute the registered component of the Fund. Taxation reflected in the financial statements relates to tax payable on net investment income earned by the unregistered component of the Fund and is as follows:

	2023	2022
	Kshs	Kshs
<u>Taxable income</u>		
Taxable investment income	<u>121,015,083</u>	<u>32,902,158</u>
Tax charge @ 30%	36,304,525	9,870,647
Tax penalty for prior period (2020)	-	89,334
a) Tax expense	<u>36,304,525</u>	<u>9,959,981</u>
Tax balance payable b/fwd	1,188,439	5,972,253
Tax paid during the year	(12,046,147)	(14,743,795)
b) Tax balance payable at year end	<u>25,446,817</u>	<u>1,188,439</u>

ICEA LION Guaranteed Umbrella Fund
Financial Statements
For the year ended 31 December 2023

Notes (continued)

7. Administrative expenses	2023	2022
	Kshs	Kshs
a) Borne by the scheme	<u>-</u>	<u>-</u>
b) Borne by the sponsor		
RBA levy	5,000,000	5,000,000
Audit fees	343,900	297,500
Trustee fees	1,160,000	1,160,000
Administration fees	7,454,513	4,642,065
	<u>13,958,413</u>	<u>11,099,565</u>

All administration expenses are borne by the sponsor.

8. Deposit Administration (Guaranteed) Fund

The investment portfolio is in a Deposit Administration (Guaranteed) Fund with ICEA LION Life Assurance Company Limited. The return on the investment was a provisional net rate of 4% (2022: 6.5% declared).

	2023	2022
	Kshs	Kshs
Registered Fund (Pension)	1,463,036,397	456,662,224
Registered Fund (Provident)	1,556,625,648	1,024,314,241
Unregistered Fund (Pension)	551,529,160	104,757,371
Unregistered Fund (Provident)	1,035,228,442	543,876,197
NSSF Tier 11	6,038,501	-
	<u>4,612,458,148</u>	<u>2,129,610,033</u>

9. Contributions due and other receivables	2023	2022
	Kshs	Kshs
Contributions due	40,383,748	32,457,270
Other receivables	-	-
	<u>40,383,748</u>	<u>32,457,270</u>

Contributions due relate to the month of December 2023 which were received in January 2024.

10. Benefits payable	2023	2022
	Kshs	Kshs
Benefits due to leavers	<u>-</u>	<u>-</u>

11. Payables and accruals	2023	2022
	Kshs	Kshs
Amount due to the sponsor	30,823,483	18,777,336
Tax payable (Note 6b)	25,446,817	1,188,439
	<u>56,270,300</u>	<u>19,965,775</u>

Amount due to the sponsor relates to income tax paid by the sponsor in respect of interest earned by the non-tax exempt (unregistered) segment of the Fund.

Notes (continued)

13. Related party transactions

Related parties comprise of the Corporate Trustee, Administrator and the Founder. Except for the payment of fees and expenses (note 7) and investment of funds by the Founder, there were no other transactions carried out with related parties during the year.

14. Financial risk management disclosures

The Fund's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Fund does not hedge any risks.

Risk management is carried out by the Approved Issuer of the Fund in accordance with the executed deposit administration (guaranteed) agreement.

Market risk

(i) Foreign exchange risk

The scheme has no investments in offshore markets or in foreign currency and is therefore not exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro.

(ii) Cashflow and fair value interest rate risk

The scheme does not hold any interest bearing financial liability or overdraft at a variable rate which would expose the scheme to cash flow interest rate risk.

Credit risk

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the Fund and arises principally from the Fund's investments and contributions receivable. The Fund is wholly invested in a deposit administration (guaranteed) fund hence concentration of credit risk in that respect. The approved issuer assesses the credit quality of each investment, taking into account its credit rating and invests in investments with good credit rating. In addition, the approved issuer has guaranteed preservation of the Fund's contributions and an annual minimum interest rate of 4%.

The amount that best represents the Fund's maximum exposure to credit risk at 31 December 2023 is made up as follows:

	2023	2022
	Kshs	Kshs
Deposit Administration (Guaranteed) Fund	4,612,458,148	2,129,610,033
Contributions due and other receivables	40,383,748	32,457,270
	<u>4,652,841,896</u>	<u>2,162,067,303</u>

No collateral is held for the above funds.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. Liquidity risk management is carried out by the Approved Issuer based on anticipated benefit payments and obligations as advised by the corporate trustee. The Approved Issuer has guaranteed liquidity of the Fund's assets.