

[INSERT NAME OF THE SCHEME]

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

[INSERT YEAR END]

[INSERT NAME OF SCHEME]

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED [INSERT THE YEAR END]

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[INSERT NAME OF SCHEME]

TRUSTEE AND PROFESSIONAL ADVISORS

| | | |
|----------|------|-----------------------------|
| Trustees | Name | - Chairperson |
| | Name | - Sponsor Appointed Trustee |
| | Name | - Sponsor Appointed Trustee |
| | Name | - Sponsor Appointed Trustee |
| | Name | - Member Elected Trustee |
| | Name | - Member Elected Trustee |

Actuaries [Insert name and address of Actuaries]

Investment Managers [Insert name and address of Investment Managers]

Administrator [Insert name and address of Administrator]

Custodian [Insert name and address of Custodian]

Auditors [Insert name and address of Auditors]

ADDITIONAL DISCLOSURES ARISING FROM THE IMPACT OF THE COVID-19 PANDEMIC

The global COVID-19 pandemic, will have had an impact on the financial performance of many companies and even their retirement benefit schemes in Kenya. The specimen financial statements are generic and cannot reflect the circumstances of an individual scheme, but they have highlighted the need to disclose the impact of the pandemic within the "Business Review" section of the Report of the Trustees, and to identify the areas where significant judgements or assumptions have had to be made about the impact of the pandemic (Note 3). The following notes focus on additional disclosures that may need to be made on accounting issues arising from the pandemic.

1 Going concern

For some companies the impact of the pandemic may be so severe as to create doubt as to the ability of the company to continue as a going concern for at least 12 months from the reporting date and this may impact the going concern status of their retirement benefit schemes as well. The financial statements should be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. The trustees will need to carry out an assessment to demonstrate whether the going concern assumption is appropriate. When the trustees are aware, in making their assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the sponsor's ability hence the ability of the scheme to continue as a going concern, those uncertainties should be disclosed in the financial statements. When a scheme does not prepare financial statements on a going concern basis, it should disclose that fact, together with the basis on which it prepared the financial statements and the reason why the scheme is not regarded as a going concern.

2 Valuation and impairment of non-financial assets

For assets measured at fair value, such as investment property, key assumptions may need to be made about the ongoing impact of the pandemic after the end of the reporting period. Such assumptions should be disclosed in the financial statements. For assets measured at amortised cost, which could include property, plant and equipment, intangible assets and goodwill, the pandemic may have created indicators of impairment, in which case impairment testing will need to be carried out. The cash flow projections required for such testing are likely to involve significant judgements and key assumptions, which again should be adequately disclosed in the financial statements.

3 Expected credit losses

Financial assets will be the subject of a provision for expected credit losses. In determining whether credit risk on a particular asset has increased significantly since initial recognition, if reasonable and supportable forward-looking information is available without undue cost or effort then that information should be taken into account when making the assessment. The estimation of expected credit losses should also take into account such forward-looking information. This is again likely to involve significant judgements and key assumptions, which will need to be disclosed in the financial statements.

4 Rent concessions

If, as a result of the pandemic, the scheme has been given rent concessions by its landlord(s), under an amendment to IFRS 16, Leases, issued in May 2020, the company can opt not to account for this as a lease modification. If the scheme takes advantage of this practical expedient, it is required to disclose: (a) that it has applied the practical expedient to all rent concessions that meet the conditions in paragraph 46B of IFRS 16 or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient; and (b) the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the scheme has applied the practical expedient.

[INSERT NAME OF SCHEME]

REPORT OF THE TRUSTEES

The Trustees present their report together with the audited financial statements for the year ended [insert the year end].for [insert name & name of the scheme] (“the Scheme”).

ESTABLISHMENT AND ADMINISTRATION

The Scheme was established under a trust deed dated xx June XX (Principal Deed) as a defined contribution fund to provide retirement benefits for the staff of [insert name of the fund]Company Limited under the rules of the Scheme. The Scheme is an exempt approved Scheme under the Income Tax Act and is registered with the Retirement Benefits Authority.

THE STRUCTURE OF THE FUND [edit as appropriate]

The Scheme is a [Defined Contribution/ Benefit Scheme] for former employees of [insert name of the company] Company Limited who retired from the Company prior to [insert date]. The Scheme is closed to new retirees from the company.

PRINCIPAL ACTIVITY

The main purpose of the Scheme is the provision of pensions and other ancillary benefits to members upon their retirement at a specified age and relief to the dependents of deceased members as defined in the Trust Deed and Rules.

CONTRIBUTIONS

Contributions represent remittances to the scheme by [Insert name of the company] and eligible employees who are members of the scheme. The employees’ contribute---% of the basic salaries while employer contributes ---5

REGISTRATION

The Scheme is registered in Kenya under the Kenyan Retirement Benefits Act; the registration number of the Fund is [RBA/ABC/XX].

MEMBERSHIP

The scheme membership movement for 20YY and 20XX is as follows:

| | Active members | Deferred members | Pensioners | Beneficiaries | Total |
|--------------------------------------|----------------|------------------|------------|---------------|-------|
| Members at January 20xx | | | | | |
| New Members Joining | | | | | |
| Members retiring | | | | | |
| Members leaving prior to pension age | | | | | |
| Members leaving with refunds | | | | | |
| Widows or widowers’ pension | | | | | |
| Deaths | | | | | |
| Reinstatements | | | | | |
| Cessation of dependant pensions | | | | | |
| At the end of the year | | | | | |

[INSERT NAME OF SCHEME]

REPORT OF THE TRUSTEES (Continued)

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page xx shows an increase /decrease in the net assets of the Scheme for the year of Shs XX (20xx: Shs xx) and the statement of net assets available for benefits on page xx shows the Scheme's net assets as Shs xx (20xx: Sh xx).

INVESTMENT OF FUNDS AND INVESTMENT POLICY [s37]

Under the terms of their appointment of [insert name of the Scheme] are responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustees. **Or** [The trustees are responsible for determining the scheme's Investment Strategy].

The principal objective of the Fund investment policy is to ensure the solvency of the Fund 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 Fund's value is inflation protected.

The Fund'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, taking into account the restrictions and limits set out by the Trustees as agreed with the Investment Manager. The Trustees take reasonable care and the investment manager endeavors to ensure that the investments made are in the best interests of both the members of the fund and the employer.

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

We confirm that the Scheme's asset allocation as at [Insert correct year end] was within the guidelines of the Retirement Benefits Authority.

INVESTMENT PERFORMANCE

The trustees assess the performance of the scheme's investment in the following Schemeings consistent with the overall strategy:

Return-seeking assets are assessed by reference to benchmarks and performance targets set and agreed with each manager.

Performance of the scheme's investment over short and longer periods is summarized as follows [If relevant];

| Annualized return over | 1 year | 3 years | 5 years | Allocation |
|-------------------------------|---------------|----------------|----------------|-------------------|
| Return –seeking assets | X% | Y% | Z% | 20% |
| Benchmark | | | | |
| Performance target | | | | |
| Government Bonds | X% | Y% | Z% | 40% |
| Benchmark | | | | |
| Performance target | | | | |
| Other Assets | X% | Y% | Z% | 30% |
| Benchmark | | | | |
| Performance target | | | | |
| | | | | |
| Scheme total | | | | 100% |

The principal economic factors which have affected the benchmarks against which performance is compared as follows: [commentary as deemed appropriate] e.g

Economic growth –performance

Yields of high quality government bonds -performance.

[INSERT NAME OF SCHEME]

REPORT OF THE TRUSTEES (Continued)

The trustees have considered the nature, disposition, marketability, security and valuation of the scheme's investments and consider them appropriate relative to the reason of holding each class of investment. Details of the investment have been disclosed within the financial statements.

[For 2020, this section should include, if relevant, a review of the impact of the Covid-19 pandemic on the results for the period.]

ACTUARIAL VALUATION [s35]

The last actuarial valuation was completed as at 31 December 20xx by XX, an independent firm of Actuaries, using the [insert method used], in accordance with the requirements of International Accounting Standards (IAS) No. 19, Employee Benefits. According to the valuation at that date and based on the trust deed, the actuarial present value of promised retirement benefits was:

| | Sh'Million |
|--|------------|
| Total accrued (past service) liabilities | XX |
| Fund assets – 20xx | XX |
| | ===== |
| Funding deficit | XX |
| | ===== |
| Level of funding | xx% |
| | ===== |

The fair value of the net assets available for benefits held as at [Insert Year end] was Shs XX Million resulting in a deficit of Sh xx million.

A remedial plan was prepared by the Trustees of the [Insert name of the scheme] to cover the actuarial deficit. The funding shortfall is expected to be eliminated within a period of xx years from the date of the 31 December 20xx valuation (note x).

The principal actuarial assumptions used were as follows:

| | |
|----------------------------|-------|
| - discount rate | X% |
| - future pension increases | Y% |
| | ===== |

The next full actuarial valuation is due on [Insert Year end] in accordance with the requirements of the Kenyan Retirement Benefits Act.

TRUSTEES

The Trustees are appointed in accordance with the Kenyan Retirement Benefits Act. The names of the Trustees who served during the year and subsequent period to the date of this report are shown on page 2.

AUDITORS

[Insert name of the Auditor], having expressed their willingness, continue in office in accordance provisions of the Retirement Benefits Act. 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.

SIGNED ON BEHALF OF THE TRUSTEES

The trustees' Report was approved by the Trustees on [date] and signed on their behalf by:

Trust Secretary
Nairobi

[Insert signing date]

[INSERT NAME OF SCHEME]

STATEMENT OF TRUSTEE'S RESPONSIBILITIES [s34]

Retirement Benefits Scheme Regulations require the Trustees to prepare financial statements for each financial year which give a true and fair view of the disposition of the Scheme's assets and liabilities as at the end of the financial year and of the financial transactions of the Scheme for that year. The Regulations also require the Trustees to ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. They are also responsible for safeguarding the assets of the Scheme.

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

The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Retirement Benefits Regulations. The Trustees are of the opinion that the financial statements show a true and fair view of the financial transactions of the Fund and of the disposition of its assets and liabilities, other than liability to pay pensions and benefits falling due after the end of the year.

The Trustees also accept responsibility for designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting suitable accounting policies and applying them consistently; and making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to meet its obligations, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to meet its obligations.

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

The Trustee's Report was approved by the Trustee on [Insert signing date] and signed on their behalf by:

Trustee

Trustee

SCHEME GOVERNANCE DISCLOSURE

1. Trustees in office. (Full list of members of the board of trustees in office)

| Name of Trustee | Age | Category (Member-elected/Sponsor-nominated/Professional) | No. of meetings attended | Certified (Yes/No) | Highest qualification | Membership of other boards (Provide organisation's name) |
|-----------------|-----|--|--------------------------|--------------------|-----------------------|--|
| | | | | | | |
| | | | | | | |

2. The board of trustees held meetings during the year ending the

The meetings were held on the dates set out hereunder:

- a)
- b)
- c)

3. The composition of the board of trustees is as hereunder:

- a) Gender balance: Female% Male%
- b) Skills mix: No of trustees with financial skills
- c) Age mix: Number of trustees who are younger than 35 years

Number of trustees who are older than 35 years

4. Committees of the board

| Committee name | No. of meetings held | Any external Allowances paid advisors, invitees to (Kshs.) meetings (Yes/No) (if yes, mention the purpose) | Allowances paid advisors, invitees to (Kshs.) |
|----------------|----------------------|--|---|
| | | | |
| | | | |

5. Fiduciary responsibility statement

The board of trustees is the governing body of the (Name of scheme) and is responsible for the corporate governance of the scheme.

The trustees are 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 trustees embraced their 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.

The trustees have ensured that the fund manager has carried out all scheme investments and that all scheme assets and funds are held by the custodian.

The board charter for the scheme has been developed.

SCHEME GOVERNANCE DISCLOSURE (Continued)

6. Responsible corporate citizenship

The scheme 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.

7. Key outcomes

The board of trustees 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 board of trustees will measure the progress towards these outcomes through:

- a) Triennial members' survey score. The latest score was%
- b) Regular reports and feedback from the sponsor. No. of reports

8. Annual general meeting

The board of trustees held the annual general meeting on the at which members, making up % of scheme members attended. The board adequately addressed the members' concerns.

9. Members' sensitization

| The board conducted the following sensitization activities (Name of sensitization forum) | Date held | No. of members who attended | Remarks |
|--|-----------|-----------------------------|---------|
| Retirement planning meeting | | | |
| Members' day | | | |
| | | | |
| | | | |
| | | | |

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 policy

During the year under review, the trustees were paid a gross sum of Kshs. The payments complied with the trustees remuneration policy of the scheme which was approved by members at the annual general meeting held on the and by the Authority on the

11. Board of trustees evaluation

The board and individual trustees undertook board evaluation in the year under review. The board review process was facilitated (externally or internally) and the process took the form of (*questionnaire, interviews, etc.*). The board was rated (*use the evaluation's rating*).

Signed.....Dated

(Chairperson)

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF [INSERT NAME OF SCHEME]

Report on the Audit of the financial statements

Opinion

We have audited the accompanying financial statements of [Insert name of Scheme] (the "Scheme"), set out on pages xx to xx, which comprise the statement of net assets available for benefits as at [insert the year end], the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements of give a true and fair view of the financial transactions of the Scheme during the year ended [insert the year end] and of the disposition at that date of its assets and liabilities, other than liabilities to pay retirement and other benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of this report. We are independent of the Scheme 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. We have fulfilled our other ethical responsibilities in accordance with these requirements. The IESBA code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Trustees are responsible for the other information, which comprises the Report of the Trustees as required by the Retirement Benefits Act (add any other). The other information 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 on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustees for the Financial Statements

The Trustees are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal controls as the Trustees determine are 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 Trustees 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 Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so. The trustees are responsible for overseeing the Scheme's financial reporting process.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF [INSERT NAME OF SCHEME] (Continued)

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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 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 Trustees.

Conclude on the appropriateness of the Trustees' 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.

Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Scheme to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Fund's audit. We remain responsible for our audit opinion.

We communicate with the trustees 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.

Certified Public Accountants (Kenya)

Nairobi

1

2021

CPA XXXX, Practicing certificate No. XXXX

Signing partner responsible for the independent audit

[INSERT NAME OF SCHEME]

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR
BENEFITS FOR THE YEAR ENDED [INSERT YEAR END]**

All amounts are represented in Kshs thousands unless otherwise stated.

| | Notes | 20XX Sh'000 | 20YY Sh'000 |
|--|-------|----------------|----------------|
| CONTRIBUTIONS AND BENEFITS | | | |
| Employer/Employee Contributions | 3 | XX | XX |
| Pensions and benefits paid | 4 | (XX) | (XX) |
| | | <hr/> | <hr/> |
| NET SURPLUS/(DEFICIT) FROM DEALING WITH MEMBERS | | XX/(XX) | XX/(XX) |
| | | <hr/> | <hr/> |
| RETURNS ON INVESTMENTS | | | |
| Interest income | 5(a) | XX | XX |
| Investment income | | XX | XX |
| Other income | 5(b) | XX | XX |
| Change in fair value of investments | 6 | XX | XX |
| Dividend income | | XX | XX |
| Gain on disposal of investments | 7 | XX | XX |
| Investment management expenses | 8 | XX | XX |
| | | <hr/> | <hr/> |
| | | XX | XX |
| | | <hr/> | <hr/> |
| ADMINISTRATIVE EXPENSES | 9 | XX | XX |
| | | <hr/> | <hr/> |
| Increase/(decrease) in net assets for the year | | XX | XX |
| Taxation | | XX | XX |
| | | <hr/> | <hr/> |
| Increase/(decrease) in net assets for the year after tax | | XX | XX |
| Net assets of the scheme at the start of the year | | XX | XX |
| | | <hr/> | <hr/> |
| Net assets available for benefits at end of the year | | XX | XX |
| | | ===== | ===== |
| FUND BALANCE | | | |
| Opening net assets | | XX | XX |
| Increase/(decrease) in fund during the year | | XX | XX |
| | | <hr/> | <hr/> |
| Closing net assets | | XX | XX |
| | | ===== | ===== |

[INSERT NAME OF SCHEME]

**STATEMENT OF NET ASSETS AVAILABLE FOR
BENEFITS AS AT [INSERT THE YEAR END]**

| | | 20XX Sh'000 | 20YY Sh'000 |
|------------------------------|--------------------|----------------|----------------|
| | Notes | | |
| ASSETS | | | |
| Bank balance | <i>Insert note</i> | XX | XX |
| Term deposits | <i>Insert note</i> | XX | XX |
| Treasury bills | <i>Insert note</i> | XX | XX |
| Treasury bonds | <i>Insert note</i> | XX | XX |
| Corporate bonds | <i>Insert note</i> | XX | XX |
| Guaranteed fund | <i>Insert note</i> | XX | XX |
| Offshore investments | <i>Insert note</i> | XX | XX |
| Investment Property | <i>Insert note</i> | XX | XX |
| Property plant and equipment | <i>Insert note</i> | XX | XX |
| Right of use of assets | <i>Insert note</i> | XX | - |
| Intangible assets | <i>Insert note</i> | XX | XX |
| | | <hr/> | <hr/> |
| | | XX | XX |
| | | <hr/> | <hr/> |
| LIABILITIES | | | |
| Payables and accruals | <i>Insert note</i> | XX | XX |
| RBA payable | | XX | XX |
| Other payables and accruals | | XX | XX |
| Lease liabilities | | XX | - |
| | | <hr/> | <hr/> |
| FUND BALANCE | <i>Insert note</i> | XX | XX |
| | | <hr/> | <hr/> |

The financial statements on pages **xx** to **xx** were approved and authorized for issue by the Trustees on **[Insert signing date]** and were signed on their behalf by:

Trustee

Trustee

[INSERT NAME OF SCHEME]

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED [INSERT THE YEAR END]**

| | Notes | 20XX Sh'000 | 20YY Sh'000 |
|--|--------------------|----------------|----------------|
| Cash flows from operating activities | | | |
| Cash receipts from contributions | | XX(XX) | XX(XX) |
| Cash paid in form of benefits to leavers | | XX | XX |
| Cash paid for other operating expenses | | XX | XX |
| Income taxes paid | | XXXX | |
| | | <hr/> | <hr/> |
| Net cash generated/(used) in operations | | XX(XX) | XX(XX) |
| Cash flows from investing activities | | | |
| Investment income received | <i>Insert note</i> | XX | XX |
| Investment expenses paid | | | |
| Purchase of investment | <i>Insert note</i> | XX | XX |
| Proceeds from sale of investments | <i>Insert note</i> | XX | XX |
| | | <hr/> | |
| Net cash flows generated from investing activities | | XX | XX |
| | | <hr/> | |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | XX | XX |
| CASH AND CASH EQUIVALENTS AT 1 JANUARY | | XX | XX |
| | | <hr/> | |
| CASH AND CASH EQUIVALENTS AT 31 DECEMBER | | XX | XX |
| | | <hr/> | |
| Represented by: | | | |
| Bank balances | | XX | XX |
| Fixed deposits maturing within 90 days | | XXXX | |
| | | <hr/> | <hr/> |
| | | XX | XX |
| | | <hr/> | |

[INSERT NAME OF SCHEME]

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED [INSERT THE YEAR END]

1 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards. The financial statements summarise the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and other benefits which fall due after the end of the Scheme year.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and interpretations (IFRIC).

Adoption of new and revised standards

Three Amendments to standards became effective for the first time in the financial year beginning 1st January 2020 and have been adopted by the Company. None of the Amendments has had an effect on the Company's financial statements.

[This section needs to include only the Standards, Amendments and Interpretations that have had an effect on the entity. A summary of all new and amended standards and interpretations that became effective for the first time in the financial year beginning 1st January 2020 is included in the appendix to these illustrative financial statements. Preparers of financial statements should review the appendix to establish whether any of the changes have had an effect on the entity's financial statements.]

New and revised standards that have been issued but are not yet effective

The Company has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1st January 2020, and the Directors do not plan to apply any of them until they become effective. Note 34 lists all such new or revised standards and interpretations, with their effective dates, none of which is expected to have a significant impact on the Company's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Contributions receivable

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Revenue recognition

Contributions receivable are accounted for in the period in which they fall due. Normal and additional contributions, are generally accounted for on an accrual basis in the payroll period to which they relate. In the case of member contributions this is when deducted from pay.

Investment income

Investment income includes interest and dividends receivable and net exchange (gains/(losses) in the year.

Dividend income from investments is recognised when the Funds' rights to receive payment as a shareholder have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable unless collectability is in doubt.

Benefits payable

Benefits payable are accounted for in the period in which they fall due.

Other benefits are accounted for an accrual basis on the date of retirement or death as appropriate. Refunds and opt-outs are accounted for when the Trustees are notified of the member's decision to leave the scheme.

Financial assets

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically: debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost; debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI); all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset: the Scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and the Scheme may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

In the current year, the Scheme has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL. When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings. Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment.

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Specifically, IFRS 9 requires the Scheme to recognise a loss allowance for expected credit losses on:

- (1) Debt investments measured subsequently at amortised cost or at FVTOCI;
- (2) Lease receivables;
- (3) Trade receivables and contract assets; and
- (4) Financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

In particular, IFRS 9 requires the Scheme to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the end of each reporting period. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the statement of changes in net assets.

Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Scheme in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of net assets available for benefits.

Equipment and depreciation

Equipment are stated at cost less accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment.

Depreciation is calculated on the reducing balance basis, at annual rates estimated to write off carrying values of the assets over their expected useful lives.

The annual depreciation rates in use are:

| | |
|-----------|----|
| Equipment | x% |
| Computers | x% |

The carrying values of the Equipment are assessed annually and adjusted for impairment where it is considered necessary.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

Equipment and depreciation (Continued)

An item of Equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit/loss in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Intangible assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured at its net market value at the reporting date. Gains or losses arising from changes in the net market value of investment property are included in the Statement of Changes in Net Assets as changes in the net market value of investments in the period in which they arise. Direct operating expenses arising from investment properties are included in Direct Investment expense.

Taxation

Incomes generated by segregated funds above the statutory limit of tax-exempt contributions are taxable at the statutory tax rates.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES

In the process of applying the Fund's accounting policies, the Trustees have made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustment in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Standards and Interpretations adopted with no effect on financial statements

(i) Impairment losses on financial assets

At each balance sheet date, the Fund reviews the carrying amounts of its financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognised in the statement of changes in net assets whenever the carrying amount of the asset exceeds its recoverable amount.

(ii) Actuarial valuation (*For Defined Benefits only*)

The actuarial valuation cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See note [x](#).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE FUND'S ACCOUNTING POLICIES (Continued)

(ii) Actuarial valuation (*For Defined Benefits only*)

The employer funding arose from an actuarial valuation performed by the Fund's Actuary as at [Insert date] to determine the amount of funding required from the Sponsor.

The actuarial valuation done as at [Insert date] revealed a funding shortfall of Sh. xx Million which was cleared by contributions of Sh. xx million in xx 20YY. The next actuarial valuation is expected to be done on [Insert date].

(iii) Depreciation

Critical estimates are made by management in determining the depreciation rates for equipment.

| | 20XX Sh'000 | 20YY Sh'000 |
|---|----------------|----------------|
| 3 EMPLOYER/EMPLOYEE CONTRIBUTIONS | | |
| Funds received to cover pension increments | XX | XX |
| | ===== | ===== |
| Net funding applied to cover Fund's actuarial deficit | XX | XX |
| | ===== | ===== |
| 4 PENSIONS & BENEFITS PAID | | |
| Pension payments to retired members | XX | XX |
| | ===== | ===== |
| 5 (a) INVESTMENT INCOME | | |
| Interest on treasury bills (note x) | XX | XX |
| Interest on fixed deposits | XX | XX |
| Interest on treasury bonds (note x) | XX | XX |
| Interest on corporate bonds (note x) | XX | XX |
| | ===== | ===== |
| | XX | XX |
| | ===== | ===== |
| Dividend income | XX | XX |
| | ===== | ===== |
| 6 CHANGE IN FAIR VALUE OF INVESTMENTS | | |
| Quoted equities (note x) | XX | XX |
| Treasury bonds (note x) | XX | XX |
| | ===== | ===== |
| | XX | XX |
| | ===== | ===== |
| 7 INVESTMENT MANAGEMENT EXPENSES | | |
| Investment management fees | XX | XX |
| Custodian fees | XX | XX |
| | ===== | ===== |
| | XX | XX |
| | ===== | ===== |

[INSERT NAME OF SCHEME]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

| | | 20XX Sh'000 | 20YY Sh'000 |
|-------|--|----------------|----------------|
| 8 | ADMINISTRATIVE EXPENSES | | |
| | Retirement Benefits Authority levy | XX | XX |
| | Administration fees | XX | XX |
| | Pension relationship management fees | XX | XX |
| | Audit fees | XX | XX |
| | Actuarial fees | XX | XX |
| | Bad debt written off | XX | XX |
| | Trustee meeting expenses | XX | XX |
| | Trustee training costs | XX | XX |
| | Trustee sitting allowance | XX | XX |
| | Investment policy preparation | XX | XX |
| | Subscription fees | XX | XX |
| | Other expenses | XX | XX |
| | | <hr/> | <hr/> |
| | | XX | XX |
| | | ===== | ===== |
| 9 (a) | PROPERTY AND EQUIPMENT | | |
| | COST | | |
| | [Insert Year end] | XX | XX |
| | | <hr/> | <hr/> |
| | DEPRECIATION | | |
| | [Insert Date] | XX | XX |
| | Charge for the year | XX | XX |
| | | <hr/> | <hr/> |
| | [Insert Year end] | XX | XX |
| | | <hr/> | <hr/> |
| | NET CARRYING AMOUNT | | |
| | [Insert year end] | XX | XX |
| | | ===== | ===== |
| (b) | INTANGIBLE ASSETS | | |
| | COST | | |
| | [Insert date] | XX | XX |
| | | <hr/> | <hr/> |
| | AMORTISATION | | |
| | [Insert date] | XX | XX |
| | Charge for the year | XX | XX |
| | | <hr/> | <hr/> |
| | [Insert year end] | XX | XX |
| | | <hr/> | <hr/> |
| | NET CARRYING AMOUNT | | |
| | [Insert year end] | XX | XX |
| | | ===== | ===== |
| | Intangible assets relate to scheme's software. | | |

[INSERT NAME OF SCHEME]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

| | 20XX KShs | 20YY KShs |
|---|--------------|--------------|
| 10 INVESTMENT PROPERTY | | |
| Land and buildings: | | |
| At [insert date] | XX | XX |
| Additions | XX | XX |
| Project work-in-progress | XX | XX |
| Revaluation gain | XX | XX |
| | _____ | _____ |
| At [insert date] | ===== | ===== |
| Comprising of: | | |
| Cost | XX | XX |
| Revaluation | XX | XX |
| | _____ | _____ |
| | XX | XX |
| | ===== | ===== |
| 11 TAXATION | | |
| (a) Taxation charge: | | |
| At 30% of net investment income | XX | XX |
| Reconciliation of expected tax based on investment income | XX | XX |
| Net investment | XX | XX |
| Tax at 30% | XX | XX |
| | _____ | _____ |
| | XX | XX |
| | ===== | ===== |
| (b) Tax payable: | | |
| At 1 January | XX | XX |
| Tax payable on investment income | XX | XX |
| Tax paid during the year | XX | XX |
| | _____ | _____ |
| Tax payable as at [insert date] | XX | XX |
| | ===== | ===== |

[INSERT NAME OF SCHEME]

NOTES TO THE FINANCIAL STATEMENTS

12 QUOTED EQUITIES

At fair value through profit or loss

| 1/1/20XX units | Additional Units | Disposals units | Bonus shares | 12/31/20XX units | | Market value 1/1/20XX Sh '000 | Cost of additions Sh '000 | Cost of disposals Sh '000 | Sales proceeds Sh '000 | Gain on disposal Sh '000 | Fair Value adjustment Sh '000 | Market value 12/31/20XX Sh '000 |
|------------------------------------|---------------------|--------------------|-----------------|---------------------|----------------------------|-------------------------------------|---------------------------------|---------------------------------|------------------------------|--------------------------------|-------------------------------------|---------------------------------------|
| Nairobi Securities Exchange | | | | | Company | | | | | | | |
| XX | XX | XX | XX | XX | [Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| [Insert name of Exchange] | | | | | | | | | | | | |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| XX | XX | XX | XX | XX | XX[Insert name of Company] | XX | XX | XX | XX | XX | XX | XX |
| [Insert name of Company] | | | | | | | | | | | | |
| XX | XX | XX | XX | XX | | XX | XX | XX | XX | XX | XX | XX |
| ===== | ===== | ===== | ===== | ===== | | ===== | ===== | ===== | ===== | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 20XX KShs | 20YY KShs |
|--|----------------|----------------|
| 13 TREASURY BONDS | | |
| At fair value through profit or loss: | | |
| At start of year | XX | XX |
| Purchases during the year | XX | XX |
| Proceeds on disposal | XX | XX |
| Change in fair value | XX | XX |
| Gain on disposal | XX | XX |
| | _____ | _____ |
| | XX | XX |
| At end of year | XX | XX |
| | ===== | ===== |
| The maturity dates for government treasury bonds at fair value are: | | |
| - maturing within 1 year | XX | XX |
| - maturing after 1 year but within 5 years | XX | XX |
| - maturing after 5 years | XX | XX |
| | _____ | _____ |
| | XX | XX |
| | ===== | ===== |
| The weighted average effective interest rate on treasury bonds at [insert the year end] was x% p.a. (20YY: y% p.a.). | | |
| | 20XX Sh'000 | 20YY Sh'000 |
| 14 TREASURY BILLS | | |
| At amortized cost: | | |
| At start of year | XX | XX |
| Purchases during the year | XX | XX |
| Proceeds on disposal | XX | XX |
| Interest earned | XX | XX |
| Interest received | XX | XX |
| | _____ | _____ |
| At end of year | XX | XX |
| | ===== | ===== |
| The maturity dates for government treasury bills are: | | |
| - maturing within 91 days | XX | XX |
| - maturing within 182 days | XX | XX |
| - maturing within 364 days | XX | XX |
| | _____ | _____ |
| | XX | XX |
| | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 CORPORATE BONDS

At fair value through profit or loss:

| | Maturity date | Interest rate | 20XX Sh'000 | 20YY Sh'000 |
|---------------------------------|---------------|---------------|----------------|----------------|
| <i>Fixed Rate</i> | | | | |
| [Insert name of corporate bond] | [Insert date] | x% | XX | XX |
| [Insert name of corporate bond] | [Insert date] | x% | XX | XX |
| [Insert name of corporate bond] | [Insert date] | x% | XX | XX |
| [Insert name of corporate bond] | [Insert date] | x% | XX | XX |
| | | | ===== | ===== |
| <i>Floating Rate</i> | | | | |
| [Insert name of corporate bond] | [Insert date] | x% | XX | XX |
| | | | ===== | ===== |
| | | | XX | XX |
| | | | ===== | ===== |

The weighted average effective interest rate on corporate bonds at [insert the year end] was x% p.a. (20YY: y% p.a.).

| | |
|--------|--------|
| 20XX | 20YY |
| Sh'000 | Sh'000 |

16 FIXED DEPOSITS

Fair value through other comprehensive income:

| | | |
|-------------------------|-------|-------|
| Maturing within 90 days | XX | XX |
| | ===== | ===== |
| Amortised cost | XX | XX |
| | ===== | ===== |

The weighted average effective interest rate on fixed deposits for the year ended [insert the year end] was x% p.a. (20YY: y% p.a.).

| | |
|--------|--------|
| 20XX | 20YY |
| Sh'000 | Sh'000 |

17 RECEIVABLES

| | | |
|---------------------------|-------|-------|
| Dividends receivable | XX | XX |
| Contributions receivables | XX | XX |
| | ===== | ===== |

18 RELATED PARTIES

Entities related to the Fund include those parties who have the ability to exercise control or influence over its financial and operating decisions.

Transactions with related parties during the period and balances due from related parties are disclosed below:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 RELATED PARTIES (Continued)

| | 20XX Sh'000 | 20YY Sh'000 |
|---|----------------|----------------|
| (a) Transactions with related parties: | | |
| Funds received from xxxxx (sponsor funding) | XX ===== | XX ===== |
| (b) Key management compensation: | | |
| Trustee's remuneration | XX ===== | XX ===== |

19 PAYABLES AND ACCRUALS

| | | |
|--------------------------------------|-------|-------|
| Administration fees | XX | XX |
| Investments management Fees | XX | XX |
| Audit fees | XX | XX |
| Custody fees | XX | XX |
| Retirement Benefits Authority levy | XX | XX |
| Pension relationship management fees | XX | XX |
| | ----- | ----- |
| | XX | XX |
| | ===== | ===== |

20 FUND BALANCE

| | | |
|--|-------|-------|
| At start of year | XX | XX |
| Decrease in net assets available for benefits for the year | XX | XX |
| | ----- | ----- |
| | XX | XX |
| | ===== | ===== |

21 NOTE TO THE STATEMENT OF CASH FLOWS

| | | |
|---------------------------|-------|-------|
| Cash and cash equivalents | XX | XX |
| Cash and bank balances | | |
| Bank overdraft | | |
| | ----- | ----- |
| Cash used in operations | XX | XX |
| | ===== | ===== |

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their fair value.

22 ACTUARIAL VALUATION (*for Defined benefits only*)

The Scheme's actuarial valuation was completed as at [insert the year end] by [Insert name of actuary], an independent firm of Actuaries, using the funding objective method, in accordance with the requirements of International Accounting Standards (IAS) No. 19, Employee Benefits. According to the valuation at that date and based on the amended trust deed, the actuarial present value of promised retirement benefits was:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 ACTUARIAL VALUATION (*for Defined benefits only*)

| | Shs million |
|--|-------------|
| Total accrued (past service) liabilities | XX |
| Fund assets (20xx) | XX |
| | <hr/> |
| Funding deficit /Fund surplus | XX/XX |
| | <hr/> |
| Level of funding | xx% |
| | <hr/> |

The fair value of the net assets available for benefits was Shs [xx] million resulting in a deficit /surplus of Shs [x] million.

A remedial plan has been prepared by the Trustees of the [Insert name of Scheme] to cover the actuarial deficit.

The principal actuarial assumptions used were as follows:

| | |
|----------------------------|-------|
| - discount rate | x% |
| - future pension increases | y% |
| | <hr/> |

The next full actuarial valuation is due on [insert the year end] in accordance with the requirements of the Kenyan Retirement Benefits Act.

23 FINANCIAL RISK MANAGEMENT

The Fund generates income for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government and other securities and offshore investments. These activities expose the Fund to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity. The Fund also follows guidelines issued by the Retirements Benefits Authority in respect of maximum allowed investment in different types of investments.

Market risk

Foreign exchange risk

The Fund is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in relation to offshore investments. The Fund invests internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from investment in offshore investments and quoted shares on the [Insert name]

The Fund's currency risk is ranked as low because the Fund has divested from offshore investments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCIAL RISK MANAGEMENT (Continued)

Market risk

(Continued) Price risk

The Fund is exposed to equity securities price risk because of investments in quoted shares classified at fair value through profit or loss. The Scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities, the Scheme has invested in bonds with varying maturities. Diversification of the portfolio is done in accordance with resolutions passed on investments during quarterly Trustees meetings. All quoted shares held by the Scheme are traded on the Nairobi Securities Exchange (NSE) and [Insert name of the exchanges] Exchange.

As at [INSERT THE YEAR END], if the price of securities were to appreciate/depreciate by x% with all other variables held constant, returns from investment for the year would have been Sh XX (20YY: Sh XX) higher/lower.

Interest rate risk

The Scheme's interest bearing assets are investments in treasury bonds, corporate bonds, treasury bills, commercial paper and fixed deposits. All of these instruments are at fixed interest rates.

The nature of financial instruments held, that is fixed interest instruments, mitigates risk exposure of the Fund. Fluctuations in interest rates will have an insignificant effect on the Scheme's financial performance.

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme has adopted a policy of only dealing with credit worthy counterparties.

The credit risk exposures are classified in three categories:

- Fully performing
- Past due
- Impaired

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks, and receivables. As part of the credit risk management system, the Investment Manager and the Trustees monitor and review information on significant investments. The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a low credit risk and no default record.

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

| [insert date] | Up to 3 Months Months KShs | 4-12 Months Months KShs | 1-5 Years Years KShs | Over 5 years 5 years KShs | Total Total KShs |
|------------------------|----------------------------------|-------------------------------|----------------------------|---------------------------------|------------------------|
| Financial assets | xx | xx | xx | xx | xx |
| Government securities | xx | xx | xx | xx | xx |
| Corporate bonds | xx | xx | xx | xx | xx |
| Call and term deposits | xx | xx | xx | xx | xx |
| Bank balance | xx | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== | ===== |
| | xx | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (continued)

| [insert date] | Up to 3 Months Months KShs | 4-12 Months Months KShs | 1-5 Years Years KShs | Over 5 years 5 years KShs | Total Total KShs |
|------------------------|----------------------------------|-------------------------------|----------------------------|---------------------------------|------------------------|
| Financial assets | xx | xx | xx | xx | xx |
| Government securities | xx | xx | xx | xx | xx |
| Corporate bonds | xx | xx | xx | xx | xx |
| Call and term deposits | xx | xx | xx | xx | xx |
| Bank balance | xx | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== | ===== |
| | xx | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== | ===== |

Impairment of financial assets

For the purposes of impairment assessment, the corporate bonds, investments Government securities, are considered to have low credit risk as the counterparties to these investments have a minimum BBB- credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. As for the loans to related and other parties, as disclosed in note 2(b), lifetime ECL has been provided for them upon initial application of IFRS 9 until these financial assets are derecognised as it was determined on initial application of IFRS 9 that it would require undue cost and effort to determine whether their credit risk has increased significantly since initial recognition to the date of initial application of IFRS 9.

In determining the expected credit losses for these assets, the trustees have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the redeemable notes, bills of exchange and debentures operate obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

The following table shows movements in expected credit losses for the respective financial assets:

| | 12 month expected credit loss | | Lifetime expected credit loss – not credit impaired | |
|---|-------------------------------|--|---|--|
| | | | | |
| Balance as at 1 Jan XX | | | | |
| Increase in loss allowance arising from new assets recognized in the year | | | | |
| Decrease in loss allowance from derecognition of financial assets in the year | | | | |
| | | | | |
| Balance as at 31 Dec XX | | | | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCIAL RISK MANAGEMENT (Continued)

Impairment of financial assets (Continued)

| | 12 month expected credit loss | | Lifetime expected credit loss – not credit impaired | |
|---|-------------------------------|--|---|--|
| | | | | |
| Balance as at 1 Jan YY | | | | |
| Increase in loss allowance arising from new assets recognized in the year | | | | |
| Decrease in loss allowance from derecognition of financial assets in the year | | | | |
| | | | | |
| Balance as at 31 Dec YY | | | | |

The table below details credit quality of the scheme's financial assets as well as the scheme's maximum exposure to credit risk by credit risk rating grade.

| | Note | Internal/external rating | 12 months or lifetime ECL | Gross carrying amount | Loss allowance | Net amount |
|----------------|------|--------------------------|------------------------------------|-----------------------|----------------|------------|
| 31 December XX | | | | | | |
| Receivables | | Performing | Lifetime ECL (simplified approach) | | | |
| Bonds | | Not applicable | 12 months ECL | | | |
| Bank balances | | BBB | | | | |
| Others | | | | | | |
| | | | | | | |
| | | | | ===== | ===== | ===== |

| | Note | Internal/external rating | 12 months or lifetime ECL | Gross carrying amount | Loss allowance | Net amount |
|----------------|------|--------------------------|------------------------------------|-----------------------|----------------|------------|
| 31 December YY | | | | | | |
| Receivables | | Performing | Lifetime ECL (simplified approach) | | | |
| Bonds | | Not applicable | 12 months ECL | | | |
| Bank balances | | BBB | | | | |
| Others | | | | | | |
| | | | | | | |
| | | | | ===== | ===== | ===== |

*For receivables the Scheme has applied the simplified approach in the IFRS 9 to measure the loss allowance. The Scheme determines the expected credit loss by using the provisional matrix, estimated best on historical credit loss experience adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 FINANCIAL RISK MANAGEMENT (Continued)

The following table details the risk profile of receivables based on the Scheme's provisional matrix.

| Receivables – days past due | | | | | | | |
|--|--------------|-----|-------|-------|----------|------|-------|
| 31/12/XX | Not past due | <30 | 31–60 | 61–90 | 91 – 120 | >120 | Total |
| ECL | | | | | | | |
| Estimated gross carrying amount at default | | | | | | | |
| Lifetime ECL | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | ===== |

| Receivables – days past due | | | | | | | |
|--|--------------|-----|-------|-------|----------|------|-------|
| 31/12/YY | Not past due | <30 | 31–60 | 61–90 | 91 – 120 | >120 | Total |
| ECL | | | | | | | |
| Estimated gross carrying amount at default | | | | | | | |
| Lifetime ECL | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | ===== |

The following table shows the movement in lifetime ECL that has been recognised for receivables and other financial assets.

| | Collectively assessed | Individually assessed | Total |
|------------------------------------|-----------------------|-----------------------|-------|
| | Shs | Shs | Shs |
| Balance as at | | | |
| Transfer to/(from) credit impaired | | | |
| Amounts written off | | | |
| Amounts recovered | | | |
| Changes in loss allowance | | | |
| Due to new assets | | | |
| Changes in credit risk parameters | | | |
| Balance as at 31 December XX | | | |
| | ===== | ===== | ===== |

| | | | |
|------------------------------------|-------|-------|-------|
| Balance as at | | | |
| Transfer to/(from) credit impaired | | | |
| Amounts written off | | | |
| Amounts recovered | | | |
| Changes in loss allowance | | | |
| Due to new assets | | | |
| Changes in credit risk parameters | | | |
| Balance as at 31 December YY | | | |
| | ===== | ===== | ===== |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations attributable to the financial liabilities. The ultimate responsibility for the liquidity risk management rests with the Board of Trustees, which has established an appropriate liquidity risk management framework for the management of the Scheme's short, medium and long-term funding and liquidity management requirements. The Scheme manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows.

The Scheme is required to make periodic payment in respect of pensions when members retire from the Fund, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Scheme's liquidity on a regular basis and the Trustees review it on a quarterly basis.

The table below analyses the Scheme's financial liabilities that will be settled on a net basis into relevant maturity based on the remaining period at the end of the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

| 31 December XX | Up to 3 Months Months KShs | 4-12 Months Months KShs | 1-5 Years Years KShs | Over 5 years 5 years KShs | Total Total KShs |
|------------------------|-------------------------------------|-------------------------------|----------------------------|------------------------------------|------------------------|
| 31 December XX | | | | | |
| Financial assets | | | | | |
| Government securities | | | | | |
| Corporate bonds | | | | | |
| Call and term deposits | | | | | |
| Bank balance | | | | | |
| | | | | | |
| | | | | | |
| Financial liabilities | | | | | |
| Tax payable | | | | | |
| Benefits payable | | | | | |
| Other payables | | | | | |
| | | | | | |
| | | | | | |
| NET LIQUIDITY GAP | | | | | |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk (continued)

| 31 December XX | Up to 3 Months Months KShs | 4-12 Months Months KShs | 1-5 Years Years KShs | Over 5 years 5 years KShs | Total Total KShs |
|--|-------------------------------------|-------------------------------|----------------------------|---------------------------------|------------------------|
| 31 December YY | | | | | |
| Financial assets | | | | | |
| Government securities | XX | XX | XX | XX | XX |
| Corporate bonds | - | XX | XX | - | XX |
| Call and term deposits | XX | XX | - | - | XX |
| Bank balance | XX | - | - | - | XX |
| | XX | XX | XX | XX | XX |
| Financial liabilities | | | | | |
| Tax payable | (XX) | - | - | - | (XX) |
| Benefits payable | (XX) | - | - | - | (XX) |
| Other payables and accrued expenses | (XX) | - | - | - | (XX) |
| | (XX) | - | - | - | (XX) |
| NET LIQUIDITY GAP | XX | XX | XX | XX | XX |

24 FAIR VALUE HEIRACHY

Fair value is the price that would be received 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 a liability, the Scheme takes into account the characteristics of the asset or liability if market participants would take those characteristics into account 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 FAIR VALUE HEIRACHY (Continued)

This note provides information about how the Scheme determines fair values of various financial assets and liabilities.

| | Level 1 KShs | Level 2 KShs | Level 3 KShs | Total KShs |
|---|-----------------|-----------------|-----------------|---------------|
| [insert date] | | | | |
| <i>Held for trading through profit or loss:</i> | | | | |
| Quoted equity investments | xx | xx | xx | xx |
| Unquoted equity investments | xx | xx | xx | xx |
| Offshore equity | xx | xx | xx | xx |
| Government securities | xx | xx | xx | xx |
| Corporate bonds | xx | xx | xx | xx |
| Call and fixed deposits | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== |
| | xx | xx | xx | xx |

[insert date]

Held for trading through profit or loss:

| | | | | |
|-----------------------------|-------|-------|-------|-------|
| Quoted equity investments | xx | xx | xx | xx |
| Unquoted equity investments | xx | xx | xx | xx |
| Government securities | xx | xx | xx | xx |
| Corporate bonds | xx | xx | xx | xx |
| Call and fixed deposits | xx | xx | xx | xx |
| | ===== | ===== | ===== | ===== |

Fair value of the Scheme's financial assets and liabilities that are measured at fair value on a recurrent basis.

Some of the Scheme's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

| Financial assets/liabilities | Fair value as at | | Fair value hierarchy | Valuation technique (s) and key inputs |
|---------------------------------|------------------|---------|-------------------------|--|
| | Shs'000 | Shs'000 | | |
| Treasury bonds | XX | XX | Level 1 | Quoted bid prices in an active market |
| Quoted equities | XX | XX | Level 1 | Quoted bid prices in an active market |
| Corporate bonds | XX | XX | Level 1 | Quoted bid prices in an active market |
| | ===== | ===== | | |
| | XX | XX | | |

There were no transfers between levels 1, 2 and 3 in the period. There were no financial assets or financial liabilities measured at fair value on level 3 and level 2 of the fair value measurement.

The Trustees consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 TAXATION

The Scheme is registered under the Income Tax Act and its income is exempt from tax.

26 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 December 20 **XX** (20**YY** - Sh Nil).

27 EVENTS AFTER THE REPORTING PERIOD

There were no events after reporting date [**Amend accordingly**]

28 CURRENCY

The financial statements are presented in Kenya Shilling thousands (Sh '000).