

**ICEA LION GUARANTEED UMBRELLA FUND  
REPORT AND FINANCIAL STATEMENTS  
FOR THE 18 MONTHS ENDED 31 DECEMBER 2020**

**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 18 months ended 31 December 2020**

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**ICEA LION Guaranteed Umbrella Fund**  
**Fund information**  
**For the 18 months ended 31 December 2020**

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

**ICEA LION Guaranteed Umbrella Fund  
Report of the Directors of the Corporate Trustee  
For the 18 months ended 31 December 2020**

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The Directors of the Corporate Trustee have pleasure in submitting their report together with the audited financial statements for the 18 months ended 31 December 2020.

**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 period was as follows:

	<b>Members (Pension category)</b>	<b>Members (Provident category)</b>	<b>Total</b>
At start of period	-	-	-
Entrants	451	1,193	1,644
Exits	(13)	(26)	(39)
<b>At end of period</b>	<b>438</b>	<b>1,167</b>	<b>1,605</b>

**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 period of Kshs. 717,099,917 and the statement of net assets available for benefits on page 10 shows the Fund's net assets as Kshs. 717,099,917.

**ICEA LION Guaranteed Umbrella Fund  
Report of the Directors of the Corporate Trustee (continued)  
For the 18 months ended 31 December 2020**

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**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's funds at the net rate of 8% and 10.25% for the financial years 2020 and 2019 respectively.

**INDEPENDENT AUDITORS**

VC Karani & Associates, Certified Public Accountants, were appointed auditors for the period and have expressed their willingness to continue in office.

**By Order of the Board of Directors of the Corporate Trustee:**



Secretary/ Trustee

OCTAGON PENSION SERVICES LTD  
P. O. Box 10111-00100  
NAIROBI

Date: 30/3/2021

**ICEA LION Guaranteed Umbrella Fund  
Scheme Governance Disclosure Statement  
For the year ended 31 December 2020**

1. Directors of the corporate trustees in office

Name of Director	Age	Category (Member elected/Sponsor nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest Qualification	Membership of other Boards
FRED WASWA	OVER 35	PROFESSIONAL	1	YES	GRADUATE STUDIES	N/A
CAROL MUKONYORO	OVER 35	PROFESSIONAL	1	YES	MASTERS DEGREE	N/A
GODWIN SIMBA	OVER 35	PROFESSIONAL	1	YES	MASTERS DEGREE	N/A
ANTHONY ODHIAMBO	OVER 35	PROFESSIONAL	1	YES	MASTERS DEGREE	N/A

2. The Board of Directors of the Corporate Trustee held 1 meeting during the year ending 31st December 2020. The meeting was held on 22nd December 2020.

3. The composition of the Board of Directors of the Corporate Trustee is as hereunder:

- a) Gender balance: Female 25% Male 75%
- b) Skills mix: No. of Directors with financial skills 4
- c) Age mix: No. of Directors younger than 35 years NIL No. of Directors older than 35 years 4

4. Committees of the Board

Committee Name	No. of Meetings held	Any external advisors, invitees to meetings (Yes/No)(if yes, mention purpose)	Allowances paid (Kshs.)
NONE	N/A	N/A	N/A

5. Fiduciary Responsibility Statement

The Board of Directors of the Corporate Trustee is the governing body of ICEA LION Guaranteed Umbrella Fund and is responsible for the corporate governance of the scheme. The directors 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 directors 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 benefit schemes and the scheme's operations.

The directors 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.

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.

**ICEA LION Guaranteed Umbrella Fund  
Scheme Governance Disclosure Statement  
For the year ended 31 December 2020**

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**7. Key Outcomes**

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

- a) Triennial members' survey score.
- b) Regular reports and feedback from the sponsor.

**8. Annual General Meeting**

Annual General Meeting of the members was not held during the year as this is the first period of audit.

**9. The Board did not conduct member sensitization activities during the year.**

**10. Corporate trustee remuneration policy**

During the year under review, the Corporate Trustee was paid a gross sum of Kshs 618,746. The payments complied with the corporate trustee remuneration policy of the scheme.

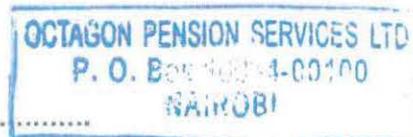
**11. Board of Directors of the Corporate Trustee Evaluation**

The board of directors of the corporate trustee did not undertake board evaluation in the year under review.

**For the corporate trustee:**



.....  
Trustee



Dated: 30/3/2021

**ICEA LION Guaranteed Umbrella Fund  
Statement of the corporate trustee directors' responsibilities  
For the 18 months ended 31 December 2020**

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The Retirement Benefits Act requires the directors of the corporate trustee to prepare financial statements in a prescribed form for each financial period. They also require the directors to ensure that the Fund keeps proper accounting records of its income, expenditure, liabilities and assets, and that contributions are remitted to the custodian in accordance with the rules of the Fund.

The directors of the corporate trustee accept responsibility for the annual 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 and in the manner required by the Retirement Benefits Act. The directors of the corporate trustee are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards. The directors of the corporate trustee further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Having made an assessment of the Fund's ability to continue as a going concern, the directors of the corporate trustee are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

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

**By Order of the Board of Directors of the Corporate Trustee:**

  
.....  
Trustee



  
.....  
Trustee

Date 30/12/20.....2021

## 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 BOARD OF DIRECTORS OF THE CORPORATE TRUSTEE OF  
ICEA LION GUARANTEED UMBRELLA FUND**

VCK/ARP/2021/075

### 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 16, which comprise the statement of net assets available for benefits as at 31 December 2020, 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 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and 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 directors of the corporate trustee are 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 of the Directors of the Corporate Trustee for the Financial Statements

The directors of the corporate trustee are 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 directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors of the corporate trustee are responsible for assessing the 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 directors of the corporate trustee either intend to liquidate the Fund or to cease operations, or have 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 BOARD OF DIRECTORS OF 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 directors of the corporate trustee.
- Conclude on the appropriateness of the directors of the corporate trustee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Certified Public Accountants  
Nairobi



Dated: 30/03/2021

**ICEA LION Guaranteed Umbrella Fund**  
**Financial Statements**  
**For the 18 months ended 31 December 2020**

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**Statement of changes in net assets available for benefits**

	Notes	2020 18 months Kshs
<b>Income from dealings with members</b>		
Contributions receivable	3	744,273,019
<b>Outgoings from dealings with members</b>		
Benefits payable	4	(52,806,086)
<b>Net additions from dealings with members</b>		<u><b>691,466,932</b></u>
<b>Return on investments</b>		
Investment income	5	29,866,247
Less: Tax expense	6a	<u>(2,112,875)</u>
<b>Net return on investments</b>		<u><b>27,753,372</b></u>
Administrative expenses	7	(2,120,387)
<b>Increase in net assets for the period</b>		<u><b>717,099,917</b></u>
Net assets available for benefits at start of period		-
<b>Net assets available for benefits at end of period</b>		<u><u><b>717,099,917</b></u></u>

**ICEA LION Guaranteed Umbrella Fund  
Financial Statements  
As at 31 December 2020**

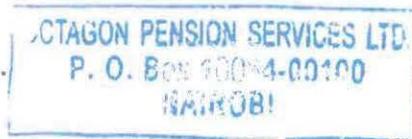
**Statement of net assets available for benefits**

	Notes	2020 Kshs
<b>Assets</b>		
Guaranteed fund	8	718,074,594
Contributions due and other receivables	9	3,258,585
		<u>721,333,179</u>
<b>Liabilities</b>		
Benefits payable	10	-
Payables and accruals	11	(4,233,262)
		<u>(4,233,262)</u>
<b>Total net assets</b>		<u><u>717,099,917</u></u>
 <b>FINANCED BY:</b>		
<b>Members' Fund</b>		<u><u>717,099,917</u></u>

The financial statements set out on pages 9 to 16 were approved by the Board of Directors of the Corporate Trustee on 30/12/2021 and signed on their behalf by:



Trustee




Trustee

**ICEA LION Guaranteed Umbrella Fund**  
**Financial Statements**  
**For the 18 months ended 31 December 2020**

**Statement of cash flows**

	Notes	2020 18 months Kshs
<b>Cashflow from operations</b>		
Contributions and transfers in received		741,014,433
Benefits paid and transfers out		<u>(52,806,086)</u>
Net cashflow from dealings with members		688,208,347
Administrative expenses paid		-
Tax paid		<u>-</u>
Net Cashflow from operations		<u>688,208,347</u>
<b>Cashflow from investing activities</b>		
Investment income received		<u>29,866,247</u>
<b>Net increase in cash and cash equivalents</b>		<b>718,074,594</b>
Cash and cash equivalents at start of period		-
<b>Cash and cash equivalents at end of period</b>		<u><u>718,074,594</u></u>
<b>Cash in Deposit Administration (Guaranteed) fund at end of period</b>	<b>8</b>	<u><u>718,074,594</u></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 period.

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. None of them has had an effect on the Fund's financial statements.

**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 directors of the corporate trustee do 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 period to which they relate.

**(c) Interest income**

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

**(d) Benefits payable**

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

**(e) Benefit transfers**

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

**ICEA LION Guaranteed Umbrella Fund**  
**Financial Statements**  
**For the 18 months ended 31 December 2020**

**Notes**

<b>3. Contributions receivable</b>	<b>2020</b>
	<b>18 months</b>
	<b>Kshs</b>
From members	383,529,815
From employers	360,743,204
	<u><b>744,273,019</b></u>

Contributions receivable for the period relate to remittances by the participating employers

<b>4. Benefits payable</b>	<b>2020</b>
	<b>18 months</b>
	<b>Kshs</b>
Benefit payments and transfers out to and on account of leavers	<u><b>52,806,086</b></u>

<b>5. Investment income</b>	<b>2020</b>
	<b>18 months</b>
	<b>Kshs</b>
<u>Interest income- FY 2020</u>	
Registered fund	20,009,192
Unregistered fund	7,146,665
	<u><b>27,155,857</b></u>

<u>Interest income- FY 2019</u>	
Registered fund	1,623,027
Unregistered fund	1,087,364
	<u><b>2,710,391</b></u>

<b>Total interest income</b>	<u><b>29,866,247</b></u>
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Interest for the period was credited by ICEA LION Life Assurance Company Limited at a declared net rate of 8% for the financial year 2020 and 10.25% for the financial year 2019.

**6. Taxation**

The Fund's investment income is exempt from taxation. Taxation reflected in the financial statements relates to tax payable on income from the unregistered segment of the Fund at the corporation tax rate of 25% for financial year 2020 and 30% for financial year 2019 as follows:

<b>a) Tax expense</b>	<b>2020</b>
	<b>18 months</b>
	<b>Kshs</b>
Taxable investment income - FY 2020	7,146,665
Taxable investment income - FY 2019	1,087,364
	<u><b>8,234,029</b></u>
Tax charge for 2020 at 25%	1,786,666
Tax charge for 2019 at 30%	326,209
<b>Tax expense for the period</b>	<u><b>2,112,875</b></u>

**ICEA LION Guaranteed Umbrella Fund  
Financial Statements  
For the 18 months ended 31 December 2020**

**Notes (continued)**

<b>6. b) Tax payable</b>	<b>2020</b>
	<b>31-Dec-20</b>
	<b>Kshs</b>
Tax expense for the period	2,112,875
Add:	
Balance of tax payable b/fwd	-
Less:	
Tax paid during the period	-
<b>Balance of tax payable</b>	<b><u>2,112,875</u></b>

<b>7. Administrative expenses</b>	<b>2020</b>
	<b>18 months</b>
	<b>Kshs</b>
RBA levy	1,327,641
Audit fees	174,000
Trustee fees	618,746
	<b><u>2,120,387</u></b>

**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 declared net rate of 8% and 10.25% for financial years 2020 and 2019 respectively.

	<b>2020</b>
	<b>31-Dec-20</b>
	<b>Kshs</b>
Registered Fund (Pension)	129,172,959
Registered Fund (Provident)	446,694,408
Unregistered Fund (Pension)	5,100,511
Unregistered Fund (Provident)	137,106,716
	<b><u>718,074,594</u></b>

<b>9. Contributions due and other receivables</b>	<b>2020</b>
	<b>31-Dec-20</b>
	<b>Kshs</b>
Contributions due	3,258,585
Other receivables	-
	<b><u>3,258,585</u></b>

**ICEA LION Guaranteed Umbrella Fund**  
**Financial Statements**  
**For the 18 months ended 31 December 2020**

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Notes (continued)

**10. Benefits payable** **2020**  
**31-Dec-20**  
**Kshs**

Unpaid benefits due to leavers	-
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**11. Payables and accruals** **2020**  
**31-Dec-20**  
**Kshs**

RBA levy	1,327,641	
Audit fees	174,000	
Trustee fees	618,746	
Tax payable	2,112,875	<b>Note 6b</b>
	<b>4,233,262</b>	

**12. 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 period.

**13. 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 deposit administration agreement signed by the directors of the corporate trustee.

**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.

**ICEA LION Guaranteed Umbrella Fund**  
**Financial Statements**  
**For the 18 months ended 31 December 2020**

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**13. Financial risk management disclosures (continued)**

**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 2020 is made up as follows:

	<b>2020</b>
	<b>Kshs</b>
Deposit Administration (Guaranteed) Fund	718,074,594
Contributions due and other receivables	3,258,585
	<u><u>721,333,179</u></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.