

EQUITY INCOME DRAWDOWN FUND

**ANNUAL REPORT AND
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 2024**

EQUITY INCOME DRAWDOWN FUND

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EQUITY INCOME DRAWDOWN FUND

FUND INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2024

CORPORATE TRUSTEE

Octagon Trustee Services Limited
8th Floor, West Park Suites- Ojijo Road
P.O. BOX 10034-00100
Nairobi.

ADMINISTRATOR

Equity Life Assurance (Kenya) Limited
9th Floor
Equity Centre, Hospital Road, Upperhill
P.O. Box 75104 - 00200
Nairobi

APPROVED ISSUER

Equity Life Assurance (Kenya) Limited
9th Floor
Equity Centre, Hospital Road, Upperhill
P.O. Box 75104 - 00200
Nairobi

AUDITOR

Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Deloitte Place, Waiyaki Way Muthangari
P.O. Box 40092 - GPO 00100
Nairobi, Kenya

REGISTERED OFFICE

9th Floor
Equity Centre, Hospital Road, Upperhill
P.O. Box 75104 - 00200
Nairobi

EQUITY INCOME DRAWDOWN FUND

REPORT OF THE CORPORATE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2024

The Corporate Trustee presents its report together with the audited financial statements of Equity Income Drawdown Fund (“the Fund”), for the year ended 31 December 2024. These are the first financial statements of the Fund.

ESTABLISHMENT

The Fund is a Defined Contribution Income Drawdown Fund. It was established on 1 October 2022 under an irrevocable Trust and commenced operations on 11 March 2024.

The principal activity of the Fund is to collect contributions from individuals, invest the funds as per the Trust Deed and, in accordance with the Retirement Benefits Act 1997, pay off members upon exit from The Fund. The Fund is managed by a Corporate Trustee.

The Fund is registered with the Retirement Benefits Authority (RBA) and is an exempt approved Fund under the Income Tax Act.

MEMBERSHIP

The Fund’s membership is open to individuals who apply for membership. The membership of the Fund as at 31 December 2024 stood 5 The following were the changes occurred for the members during the year.

Active members	
At start of period	-
Joiners	4
Withdrawals	-

At end of period	4
	=====

CONTRIBUTIONS

The Fund is a Defined Contribution Income Drawdown Fund and, in accordance with the Rules of the Fund, the fund may receive funds from a registered retirement benefits Fund, a Fund established under or by an Act of parliament, or from any other income drawdown fund.

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 10 shows an increase in the net assets of the Fund for the year of Sh 44,762,000 and the statement of net assets available for benefits on Page 11 shows the Fund’s net assets increased to Sh 44,762,000.

The gross pre-tax rate of return credited to the members account for the period was 12.5%.

INVESTMENT

We confirm that no Fund assets have been used as security or collateral on behalf of the members or any related party. The Fund’s investments are managed by Equity Life Insurance (Kenya) Limited.

The current Corporate Trustee is shown on page 2.

EQUITY INCOME DRAWDOWN FUND

REPORT OF THE CORPORATE TRUSTEE FOR THE YEAR ENDED 31 DECEMBER 2024

THE CORPORATE TRUSTEE'S STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

The Corporate Trustee at the date of approval of this report confirms that:

- so far as the Trustee is aware, there is no relevant audit information of which the Fund's auditors are unaware; and
- the Corporate Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Fund's auditors are aware of that information.

STATUTORY ASPECTS

The Corporate Trustee has complied with the requirements of the Retirement Benefits Act 1997 and the Retirement Benefits Regulations.

AUDITORS

Deloitte & Touche LLP were appointed during the year, and having expressed their willingness, continue in office. The Corporate Trustee monitors the effectiveness, objectivity and independence of the auditor. The Trustee also approves the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

SIGNED ON BEHALF OF THE TRUSTEE



By order of the Corporate Trustee

28/03/ 2025

EQUITY INCOME DRAWDOWN FUND

STATEMENT OF TRUSTEE'S RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2024

The Kenyan Retirement Benefits Act 1997 requires the Trustee to prepare financial statements for each financial year that give a true and fair view of the financial position of the Fund as at the end of the financial year and of its disposition at year end of its assets and liabilities. It also requires the Trustee to ensure that the Fund maintains proper accounting records that are sufficient to show and explain the transactions of the Fund and disclose, with reasonable accuracy, the financial position of the Fund. The Trustees are also responsible for safeguarding the assets of the Fund, and for taking reasonable steps for the prevention and detection of fraud and error.

The Corporate Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board and in the manner required by the Kenyan Retirement Benefits Act 1997. They 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 Fund's ability to continue meeting its obligations, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue meeting its obligations.

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

Approved by the Trustee on 28/3/2025 and signed on its behalf by:



By order of the Corporate Trustee

EQUITY INCOME DRAWDOWN FUND

GOVERNANCE DISCLOSURE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

Corporate Trustee in Office

The following were the Directors of Octagon Trustee Services Limited, the Corporate Trustee of the Equity Income Drawdown Fund ('the Fund') during the financial year ended 31 December 2024.

Trustee Name	Category
Fred Simiyu Waswa	Corporate Trustee
Anthony Odhiambo	Corporate Trustee
Richard Omwela	Corporate Trustee
Reuben Mwangangi Mbindu	Corporate Trustee

Corporate Trustees' Meetings Held During the Financial Year

The Corporate Trustee did not hold any meeting during the financial year ended 31 December 2024.

Composition of the Corporate Trustee

The composition of the Corporate Trustee is as here under:

Gender balance	Female: 0%; Male: 100%
Skills mix	Mix of Finance, Strategic Management, HR and Law

Committees of the Corporate Trustee

The Corporate Trustee has no working committees.

Fiduciary Responsibility Statement

The Corporate Trustee of the Fund is the governing body for the Fund and is responsible for the corporate governance of the Fund. The Corporate Trustee is responsible for ensuring that the administration of the Fund is conducted in the best interest of its Members, the Participating Individuals and the Sponsor. To achieve this, the Corporate Trustee embraces their fiduciary responsibility by:

- Acting honestly and do not improperly use insider information or abuse their position;
- 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 these circumstances; and
- Performing their duties with the requisite degree of skill.

The Fund has complied with the laws, regulations and guidelines that govern retirement benefits Funds and the Fund's business operations.

The Corporate Trustee has ensured that the Approved Issuer has carried out all Fund investments.

The Corporate Trustee confirms that there is a Board Charter and a Trustee Code of Conduct which is currently in use.

Responsible Corporate Citizenship

The Fund has participated in socially responsible investments and operations and has not been involved in any activities that may undermine the wellbeing of the Members, the Sponsor and the Community in which it operates.

EQUITY INCOME DRAWDOWN FUND

GOVERNANCE DISCLOSURE STATEMENT (Continued)

Key outcomes:

The Corporate Trustee seeks to achieve the following:

- a) Building trust with the Members and the Sponsor so that they are satisfied with the administration of the Fund;
- b) Supporting innovation and developing solutions that meet the needs of the Members and the Sponsor; and
- c) Ensuring that the Fund administrative processes remain transparent and accessible to the Members and the Sponsor.

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

- a) Sharing regular reports with the Sponsor.

Annual General Meeting

The Corporate Trustee did not hold an Annual General Meeting in 2024.

Member Engagement

As required by the Retirement Benefits (Good Governance Practices) Regulations, the Corporate Trustee held various engagement sessions for the Members throughout the year.

Trustees Remuneration Policy

During the year under review, the Trustee was paid a gross sum of KShs 116,000. The payments complied with the Trustee Agreement executed between the Sponsor and the Corporate Trustee.

Board and Trustee Evaluation

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

Signed on behalf of the Corporate Trustee for Equity Income Drawdown Fund.



By order of the Corporate Trustee

28/03 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITY INCOME DRAWDOWN FUND

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Equity Income Drawdown Fund (the "Fund"), set out on pages 10 to 16, which comprise the statement of net assets available for benefits as at 31 December 2024, 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 material accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial transactions of the Fund during the year ended 31 December 2024 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 as issued by the International Accounting Standards Board and the requirements of the Kenyan 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 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. We have fulfilled our ethical responsibilities in accordance with these requirements.

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 which is obtained prior to the date of this auditor's report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EQUITY INCOME DRAWDOWN FUND (continued)

Responsibilities of the 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 as issued by the International Accounting Standards Board and the requirements of the Kenyan 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 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 Trustees either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with 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 Fund'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 Fund'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 Fund 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 auditors' report is **CPA Freda Mitambo, Practicing certificate No. 2174.**

For and on behalf of Deloitte & Touche LLP
Certified Public Accountants (Kenya)
Nairobi

EQUITY INCOME DRAWDOWN FUND

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Shs'000
Income from dealings with members		
Receipts	4	43,477
Outgoings from dealings with members		
Benefits payable to seceding members		(1,279)
Net additions from dealings with members		42,198
Returns on investments		
Investment income	5	2,937
Net returns on investments		2,937
Income tax on income attributable to excess contributions	8(a)	(373)
Increase in net assets for the year		44,762
Net assets available for benefits at start of year		-
Net assets available for benefits at end of year		44,762

EQUITY INCOME DRAWDOWN FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER 2024

	Note	2024 Shs'000
Assets		
Deposit Administered Fund	6	45,135
		45,135
Current liabilities		
Income tax payable	8(b)	(373)
		(373)
Net assets available for benefits		44,762

The financial statements on pages 10 to 16 were approved and authorised for issue by the Corporate Trustee on 28(03) 2025 and signed on their behalf by:



By order of the Corporate Trustee

EQUITY INCOME DRAWDOWN FUND

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	Note	2024 Shs'000
Cash flows from operating activities		
Receipts	4	43,477
Benefits paid		(1,279)
Net cash generated from operating activities		42,198
Cash flows from investing activities		
Investment income received	5	2,937
Net cash generated from investing activities		2,937
Increase in cash and cash equivalents		45,135
Movement in cash and cash equivalents:		
At start of period		-
Increase in cash and cash equivalents		45,135
Transfer to funds held with investment managers		(45,135)
At end of period		-

EQUITY INCOME DRAWDOWN FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

1 Material Accounting Policies

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

(a) *Relevant new standards and amendments to published standards effective for the year*

Several new and revised standards and interpretations became effective during the year. The Trustees have evaluated the impact of the new standards and interpretations and none of them had a significant impact on the Fund's financial statements.

(b) *Relevant new and amended standards and interpretations in issue but not yet effective in the year*

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the Fund.

(c) *Early adoption of standards*

The Fund did not early-adopt any new or amended standards in 2024.

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. The measurement basis applied is the historical cost basis, except for financial assets measured at fair value as per section 'Financial instruments' below.

(b) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates (the "functional currency"). The financial statements are presented in Kenya Shillings (Shs) which is the Fund's functional currency.

(ii) *Transactions and balances*

Transactions in foreign currencies during the year are converted into the Functional Currency at rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of changes in net assets available for benefits.

(c) Revenue recognition

Contributions receivable are recognised in the period in which they fall due.

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.

EQUITY INCOME DRAWDOWN FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 Summary of material accounting policies (Continued)

(c) Revenue recognition (Continued)

Realized / unrealized gains and losses recorded in the changes in net assets available for benefits on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortized cost and are recorded on occurrence of the sale transaction.

(d) Withdrawals

Withdrawals are charged to the statement of changes in net assets available for benefits when they fall due.

(e) Benefits payable

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

(f) 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 Fund in the management of its short-term commitments.

g) Deposit administered account

The Fund operates a deposit administered account with Equity Life Assurance (Kenya) Limited. Under this arrangement, contributions received are remitted to Equity Life Assurance (Kenya) Limited for investment in a variety of investment securities on a pooled basis with Funds from other contributing entities Equity Life Assurance (Kenya) Limited pays interest on the funds invested, at the end of each year.

h) Taxation

The fund consists of a registered provident fund which is exempt from tax and an unregistered provident fund whose investment income is taxed in accordance with the Kenyan Retirement Benefits Act.

2 Critical accounting estimates and judgements

Estimates and judgements 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. In particular, critical estimates are made by the trustees in determining the fair value of investments that are not traded in an active market. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

3 Financial risk management objectives and policies

The Fund's activities expose it to a variety of financial risks, including credit risk, liquidity risk and the effects of changes in foreign currency exchange rates, interest rates, and market prices of equities. 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 under policies and guidelines approved by the trustee

EQUITY INCOME DRAWDOWN FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Receipts

Receipts represent lumpsum payments from a registered retirement benefits Fund, a Fund established under or by an Act of parliament, or from any other income drawdown fund.

	2024 Shs' 000
Lump-sum transfers in from other Funds	<u>43,477</u>

5 Investment income

	2024 Shs' 000
Held at amortised cost:	
Interest on Deposit administered fund	<u>2,937</u>

6 Deposit Administered Fund

This represents investment in a Deposit Administered Fund by the administrator on behalf of the Trustees.

	2024 Shs'000
Deposit Administered Fund	<u>45,135</u>

7 Related party transactions

Related parties comprise the Approved Issuer and the Fund Administrator who is the Fund's Founder. The following were balances at year end and transactions for the year with related parties:

	2024 Shs'000
Assets at fair value	
Deposit Administered Fund	45,135
Expenses borne by the Founder on behalf of the Fund	
Audit fees	348
Corporate trustee fees	<u>116</u>
Total	<u>45,599</u>

EQUITY INCOME DRAWDOWN FUND

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 Tax status of the Fund

Equity Income Drawdown Fund has been approved by the Kenya Revenue Authority as a tax-exempt Fund.

Investment income earned from investing the accumulated members' contributions that are in excess of the statutory limit of Shs 240,000 per person per year is subject to tax at the statutory income tax rate of 30%.

a) Income tax expense

The tax has been computed as follows:

	2024 Shs'000
Total investment income (Note 5)	2,937
Administrative and investment expenses (Note 7)	(464)
Net investment income	2,473
Taxable investment income being 50.26% of net investment income	1,243
Tax charge at 30%	373

b) Income tax payable

At the start of year	-
Tax charge for the year	373
Tax paid during year	-
At the end of year	373

9 Contingent liabilities

As at 31 December 2024, the Fund had no open legal matters.

10 Events after reporting period.

The Corporate Trustee is not aware of any matter or circumstances arising since the end of the financial year, not otherwise dealt within the financial statements, which would significantly affect the financial position of the Fund and results of its operation as laid out in these financial statements.

11 Currency

These financial statements are presented in Kenya Shillings thousands (Sh'000) the Fund's functional and presentation currency.