

***CYTONN INCOME DRAWDOWN FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023***

**MACO**  
**MAINGĪ AUKA & COMPANY LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS OF KENYA**

**CYTONN INCOME DRAWDOWN FUND  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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**TRUSTEE, PROFESSIONAL ADVISORS AND OTHER INFORMATION**

**Corporate Trustee**

Goal Advisory Africa Limited  
4<sup>th</sup> Floor, Krishna Center, Woodvale, Westlands  
P.O. Box 14426 - 00100  
Nairobi.

**Administrator**

Enwealth Financial Services Limited  
1<sup>st</sup> floor, Morningside Office Park, Ngong Road  
P.O. Box 52840 - 00200  
Nairobi.

**Investment manager**

Cytonn Asset Managers Limited  
Cytonn Square, Argwings Kodhek Road, Kilimani  
P.O. Box 20695 - 00200  
Nairobi.

**Custodian**

NCBA Bank Kenya Limited  
Mara Road, Upper Hill  
P.O. Box 44599 - 00100  
Nairobi.

Custodial services  
SBM Bank Central offices  
Riverside mews  
P.O BOX 34886 - 00100

**Independent auditor**

Maingi Auka & Company LLP (*formerly Maingi Jackson & Associates*)  
Certified Public Accountants of Kenya  
3<sup>rd</sup> Floor, Pension Towers, Loita Street  
P.O. Box 76172 - 00508  
Nairobi.

**Registered office**

7<sup>th</sup> The Chancery, off Valley Road  
P.O. Box 20695 - 00200  
Nairobi.

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**REPORT OF THE TRUSTEE**

The Trustee present their report together with the audited financial statements for the period ended 31 December 2023.

**Establishment, nature, and status of the Fund**

The Fund was established, and is governed, by a Trust Deed dated 6<sup>th</sup> May 2019. It is an income drawn, under irrevocable trusts of the Fund provides an arrangement in which members opt to access his/her retirement benefits as a regular income through an investment fund from which retirement benefits are drawn. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Act, Cap 197.

**Membership**

	Active	2023 Totals	2022 Totals
At the start of the year	1	1	1
Joiners	-	-	-
Leavers	-	-	-
At the end of the year	<u>1</u>	<u>1</u>	<u>1</u>

**Financial review**

The statement of changes in net assets on page 12 shows a decrease in net assets of Shs 249,695 (2022: decrease Shs 234,381), and the statement of net assets available for benefits on page 12 shows the net asset as Shs 1,447,287 (2022: Shs 1,696,982).

The gross loss on investments as shown on the statement of changes in net assets on page 12 was Shs. 40,923 (2022: increase 4,354) and the net loss on investment was Shs. 46,354 (2022: decrease 31,040) This translates to a gross loss of 3.29% and a net loss of 1.65%.

**Investment of members' funds**

Under the terms of their appointment, Cytonn Asset Managers Limited is responsible for the investment of the available funds. However, the overall responsibility for investment lies with the Trustee.

	Value as at 31/12/2023	% of portfolio	Value as at 31/12/2022	% of portfolio	RBA Limit
Quoted equities	35,040	2.36%	101,760	5.94%	70.00%
Treasury bonds	1,346,999	90.57%	1,482,422	86.56%	90.00%
Cytonn money market Fund	-	-	55,637	3.25%	10%
Fixed deposits	102,151	6.87%	70,946	4.14%	30%
Cash at bank	3,100	0.21%	1,792	0.11%	5%
	<u>1,487,290</u>	<u>100.00%</u>	<u>1,712,557</u>	<u>100.00%</u>	

We confirm that none of the Fund's assets have been used as security or collateral on behalf of the sponsoring employer or any connected business or individual.

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**REPORT OF THE TRUSTEE (Continued)**

**Trustee**

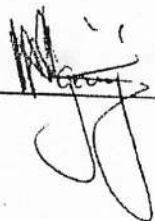
The Corporate Trustee is appointed in accordance with Retirement Benefit Act, Cap 197 and Trust Deed rules. The Corporate Trustee who held office during the year are as shown on page 2.

**Auditors**

The auditors, Maingi Auka & Company LLP, have expressed their willingness to continue in office, in accordance with section 34(3) of the Retirement Benefits Act and the requirements of the Fund's Trust Deed and Rules. The Corporate trustee monitor the effectiveness, objectivity, and independence of the auditor. They also approve the annual audit engagement, which sets out the auditors' appointment and related fees.

**For the Corporate Trustee,**

Corporate Trustee:



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14 / 03 / 2024

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**CYTONN INCOME DRAWDOWN FUND  
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**SCHEME GOVERNANCE DISCLOSURE STATEMENT**

**1. Trustees in office**

Name of Trustee	Age	Category	No. of Meetings attended during the year	Certified (Yes/No)	Highest Qualification	Membership of other Trustee Boards
(Corporate Trustee) Goal Advisory Africa Limited	N/A	Independent	4	Yes	N/A	Yes

**2. Dates of Trustee Board Meetings**

The Corporate trustee held **three (3)** board meetings of its governing body for the scheme during the year ended **31 December 2023**.

The board meetings were held on the dates set out below:

- a) 27 April 2023-BOT Q1
- b) 4 August 2023-BOT Q2
- c) 10 November 2023-BOT Q3
- d) 27 September 2023-AGM Meeting

**3. Composition of Trustee Board - [N/A – Corporate Trustee]**

There are no board committees of the board.

**4. Committees of the Board - [N/A – Corporate Trustee]**

The Corporate Trustee’s main body for discharging its duties is its Corporate Trustee Services Committee (“CTSC”). This body operates very much like a trustee board and meets formally at least once per quarter. CTSC reviews the schemes’ operations and governance under the broad headings of “Investments”, “Governance, Audit and Risk” and “Member Administration, Relations and Services” focusing on reports from the service providers as well as other material. Service providers and representatives of the Sponsor attend these meetings.

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**SCHEME GOVERNANCE DISCLOSURE STATEMENT (Continued)**

**5. Fiduciary responsibility statement**

The Corporate Trustee is the governing body of the **Cytonn Income Drawdown Retirement Benefits Scheme** and is responsible for the corporate governance of the scheme. The trustee is responsible for ensuring that the administration of the scheme is conducted in the best interests of the scheme's members and the sponsor. To achieve this, the trustee embraces its fiduciary responsibility by:

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

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

**6. Responsible corporate citizenship**

The scheme is 100% invested in a segregated fund and in the opinion of the Trustee, the Scheme 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 Trustee seeks to achieve the following:

- (a) Building trust with the members and sponsor of the scheme so that they are satisfied with the administration of the scheme;
- (b) Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- (c) Ensuring that the scheme's administrative processes remain transparent and accessible to members and the sponsor.

**8. Annual general meeting (AGM)**

The Trustees held the annual general meeting for **for the year 2023** on the **27 September 2023** virtually. In total **one (1)** member were present out of 1 member, making up **100%** of schemes' representation. The board adequately addressed the members' concerns.

**9. Members' sensitization**

The Sponsor's relationship teams regularly communicate with the members during the year and conducted member education and sensitization via virtual means during the AGM. Members were reminded at the AGM that they can request for member education and sensitization sessions through the Sponsor.

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

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**SCHEME GOVERNANCE DISCLOSURE STATEMENT (Continued)**

**10. Trustee remuneration policy**

The Corporate Trustee was remunerated in accordance with the contract between the Trustee, Goal Advisory Africa Limited, and the scheme. As per the Agreement, Corporate Trustee fees has been waived for the whole year.

Signed .....  
(Chairperson)



Dated ..... 14/03/2024



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**STATEMENT OF TRUSTEE'S RESPONSIBILITIES**

The Kenya Retirement Benefits Act, Cap 197 requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the Fund's financial affairs as at the end of the year and of the operating results of the Fund for that year. It also requires the Trustee to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Fund. Trustee is also responsible for safeguarding the assets of the Fund.

The Trustee accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. The Corporate trustee also accept responsibility for:

- i. Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii. Selecting and applying appropriate accounting policies; and
- iii. Making accounting estimates and judgements that are reasonable in the circumstances in conformity with International Financial Reporting Standards and the Retirement Benefits Act.

The Trustee is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Fund at 31 December 2023 and of the disposition at that date of its assets and liabilities, in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, Cap 197.

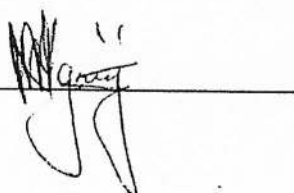
The Trustee certifies that to the best of their knowledge and belief the information furnished to the auditors for the purposes of the audit was correct and complete in every aspect.

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

The Trustee acknowledges that the independent audit of the Scheme's financial statements does not relieve them of their responsibilities.

The statement was approved by the Trustee on 14/03/ 2024 and signed on its behalf by:

Corporate Trustee: \_\_\_\_\_



***REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF  
CYTONN INCOME DRAWDOWN FUND***

**Opinion**

We have audited the accompanying financial statements of Cytonn Income Drawdown Fund, set out on pages 12 to 29, which comprise the statement of net assets available for benefits as at 31 December 2023, the statement of changes in net assets available for benefits, statement of movement in accumulated funds 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 financial statements give a true and fair view of the Fund's net assets available for benefits for the year ended 31 December 2023, statement of movement in accumulated funds and of the changes in net assets available for benefits and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Retirement Benefits Act, Cap 197 and the Fund's rules.

**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 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 other 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other information**

The Fund's corporate Trustee is responsible for the other information which comprises the report of the Trustee as required by the Retirement Benefits Act, Cap 197. 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.

**REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF CYTONN INCOME DRAWDOWN FUND (Continued)**

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**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on them.

**Responsibilities of trustee for the financial statements**

The Trustee 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 Trustee 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 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 Trustee either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

**Auditors' 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. 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 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

**REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF CYTONN INCOME DRAWDOWN FUND (Continued)**

**Auditors' responsibilities for the audit of the financial statements (Continued)**

- 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.
- 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Fund 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 those charged with governance regarding among other matters, the planned scope and timing of the audit and the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**Report on other legal requirements**

As required by the Retirement Benefits Act, Cap 197 we report to you, based on our audit, that in our opinion, the information given in the report of the Trustees on pages 3 to 4 is consistent with the financial statements.

*The engagement partner responsible for the audit resulting in the independent auditor's report is FCPA, Dr. Jackson K. Maingi, Practicing Certificate No. 1331.*



*For and on behalf of:*

**MAINGI AUKA & COMPANY LLP  
CERTIFIED PUBLIC ACCOUNTANTS  
P.O. Box 76172 - 00508  
NAIROBI, KENYA**

Date *26th March,* ..... 2024

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**STATEMENT OF CHANGES IN NET ASSETS AS AT 31 DECEMBER**

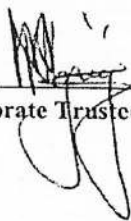
	Note	2023 Shs	2022 Shs
<b>Income from dealings with members</b>			
Transfers in	5	-	-
<b>Outgoings from dealings with members</b>			
Benefits payable	6	(203,341)	(203,341)
Net (deficit) from dealings with members		(203,341)	(203,341)
<b>Return on investments</b>			
Investment income	7(a)	201,691	198,091
Change in fair value	7(b)	(158,525)	(120,657)
Custody fee		(84,089)	(73,080)
<b>Gross return on investments</b>		(40,923)	4,354
<b>Expenditure</b>			
Administrative expenses	8	(5,431)	(35,394)
<b>Net return on investments</b>		(46,354)	(31,040)
Decrease in net assets for the year		(249,695)	(234,381)
Net assets available for benefits at the start of year		1,696,982	1,931,363
<b>Net assets available for benefits at the end of year</b>		1,447,287	1,696,982

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

	Note	2023 Shs	2022 Shs
<b>Assets</b>			
Investment at fair value	10	1,382,039	1,639,819
Investment at amortized cost	10	102,151	70,946
		<u>1,484,190</u>	<u>1,710,765</u>
<b>Current assets</b>			
Custodian balance	11(a)	<u>3,100</u>	<u>1,792</u>
<b>Current liabilities</b>			
Accounts payable	12	<u>(40,003)</u>	<u>(15,575)</u>
<b>Net current liabilities</b>		<u>(36,903)</u>	<u>(13,783)</u>
<b>Total net assets available for benefits</b>		<u>1,447,287</u>	<u>1,696,982</u>
<b>Financed by:</b>			
Members fund		1,583,252	1,696,982
Bond Revaluation reserve		<u>(135,965)</u>	<u>-</u>
		<u>1,447,287</u>	<u>1,696,982</u>

The financial statements on pages 12 to 29 were approved by the Trustee on.....  
 ..... 14/03/2024 and signed on their behalf by:

  
 \_\_\_\_\_  
 Corporate Trustee

**CYTONN INCOME DRAWDOWN FUND  
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**STATEMENT OF MOVEMENT IN MEMBERS FUNDS**

	<b>Members</b>	<b>Revaluation Reserve</b>	
	<b>Fund</b>	<b>Fund</b>	<b>Totals</b>
	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
<b>At the start of the year 2023</b>	1,696,982	-	1,696,982
Transfers in	-	-	-
Benefits paid	(203,341)	-	(203,341)
Net investment loss	(40,923)	-	(40,923)
Administrative expenses	(5,431)	-	(5,431)
Transfer to revaluation reserve	135,965	(135,965)	-
<b>At the year-end 2023</b>	<u>1,583,252</u>	<u>(135,965)</u>	<u>1,447,287</u>
<b>At the start of the year 2022</b>	1,931,363	-	1,931,363
Transfers in	-	-	-
Benefits paid	(203,341)	-	(203,341)
Net investment loss	4,354	-	4,354
Administrative expenses	(35,394)	-	(35,394)
<b>At the year-end 2022</b>	<u>1,696,982</u>	<u>-</u>	<u>1,696,982</u>

Revaluation reserve Fund in 2023 is created from the revaluation loss on treasury bond.

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**STATEMENT OF CASH FLOWS**

	Note	2023 Shs	2022 Shs
<b>Cash flow from operating activities</b>			
Transfers in	5	-	-
Benefits paid	6	(203,341)	(203,341)
Administration expenses paid		(65,091)	(144,323)
Net cash used in operations of the Fund		<u>(268,432)</u>	<u>(347,664)</u>
<b>Investing activities</b>			
Investment income received		145,511	231,679
Purchase of investments	10	-	(61,000)
Proceeds from disposal of investments	10	99,797	126,571
Net cash from investing activities		<u>245,308</u>	<u>297,250</u>
(Decrease) in cash and cash equivalents		<u>(23,124)</u>	<u>(50,414)</u>
<b>Movement in cash and cash equivalents</b>			
Cash and cash equivalents at the start of the year		128,375	178,789
Decrease in cash and cash equivalents		<u>(23,124)</u>	<u>(50,414)</u>
Cash and cash equivalents at the end of year	11(b)	<u>105,251</u>	<u>128,375</u>



**CYTONN INCOME DRAWDOWN FUND  
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**ACCOUNTING POLICIES**

**1. Statement of compliance and basis of preparation**

**a) Basis of preparation**

The financial statements are prepared under the historical cost convention unless otherwise stated in the accounting policies below. The basis for preparation is the going concern and in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB) and in a manner required by the Retirement Benefits Act, Cap 197 as amended, and with the retirement Benefits (Occupational Retirement Benefits Scheme) regulations, 2000.

**b) Measurement basis**

The measurement basis used is the historical cost except where otherwise stated in the accounting policies summarised below.

For those assets and liabilities measured at fair value, 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. When measuring the fair value of an asset or a liability, the company uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Scheme using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the company at the end of the reporting period during which the change occurred.

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**ACCOUNTING POLICIES (Continued)**

**2. Application of new and revised International Financial Reporting Standards (IFRSs)**

**a) Relevant new standards and amendments to published standards effective for the year ended 31 December 2023**

No	Standard	Amendment	Effective date
i	IAS 1	<u>Amendments to IAS 1 on classification</u> On 23 <sup>rd</sup> January, 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date.	01 January 2023
ii		<u>Amendments to IAS 1 on disclosure of accounting policies</u> On February 2021, the IASB issued 'Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)' with amendments that are intended to help preparers of financial statements in deciding which accounting policies to disclose in their financial statements.	01 January 2023
iii	IAS 8	<u>Amendments to IAS 8 on accounting estimates</u> On February 2021, the IASB issued 'Definition of Accounting Estimates (Amendments to IAS 8)' to distinguish between accounting policies and accounting estimates.	01 January 2023

**b) New and revised IFRS standards in issue already effective for the year ended 31 December 2023**

No	Standard	Amendment	Effective date
i	IAS 1	<u>Amendments to IAS 1- Non-current liabilities with covenants</u> These amendments were published in January 2020 with further revisions in November 2022. They clarify how conditions with which an entity must comply within 12 months after the reporting date affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.	01 January 2024

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**ACCOUNTING POLICIES (Continued)**

**b) New and revised IFRS standards in issue already effective for the year ended 31 December 2023 (Continued)**

- |     |                        |   |                 |
|-----|------------------------|---|-----------------|
| ii  | IAS 7<br>and IFRS<br>7 | <u>Amendments to IAS 7 and IFRS 7 – Supplier finance</u><br>These amendments were published in May 2023 and require disclosures to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis   | 01 January 2024 |
| iii | IAS 21                 | <u>Amendments to IAS 21- Lack of exchangeability</u><br>These amendments were published in August 2023. An entity is impacted by the amendments when it has a transaction or an operation in foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations. | 01 January 2025 |

The Board has adopted the applicable standards in year 2023, but has not early-adopted the applicable standards in 2014 and beyond. The new and revised IASs and IFRSs effective for the year ended 31 December 2023 and those that are not yet effective as listed above do not have a material impact on the financial statements of the Fund either at the Fund's year end or in future dates.

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**ACCOUNTING POLICIES (Continued)**

**3. Significant accounting policies applied in the preparation of these financial statements**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

**a) Contributions receivable and revenue recognition**

Contributions from the members and employer are accounted for in the period in which they fall due. The Fund's revenue is generated from monthly contributions from members, rental income from investment properties, interest income from government securities and dividends from quoted and unquoted equities. Revenue represents the fair value of consideration received or receivable in the course of the Fund's activities. It is recognized when it is probable that future economic benefits will flow to the Fund and the amount of revenue can be measured reliably. It is stated net of value added tax, rebates and trade discount

Investments are carried at fair value. The fair value of marketable securities is the market value. Securities that have fixed redemption values are carried at those amounts assuming constant rates of return to maturity. Interest on Government securities, corporate bonds, short-term deposits, treasury bills and offshore investments is recognized in the period in which it is earned. Interest income is recognized in the changes in net assets available for benefit as it accrues and is calculated by using the effective interest rate method. Investment income also includes dividend income which is recognized when the right to receive the payment is established. Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognized as an operating lease liability/asset. Dividends are recognized when the Fund's right to receive the payment is established.

**b) Transfers in or out**

Transfers are recognized in the period in which members join from other Fund or leave for other Schemes. The values are based on methods and assumptions determined by Actuaries and accounted for in the statement of changes in net assets.

**c) Benefits and other accounts payable**

Pensions and other benefits payable to seceding members are taken into account in the period in which they fall due. Accounts payable including accruals are recognized when the Fund has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Fund. Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost.

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**ACCOUNTING POLICIES (Continued)**

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and short-term deposits with an original maturity of three months or less in the statement of financial position. Cash and cash equivalents are initially and subsequently recorded at fair value while placements are measured at amortized costs.

**e) Income tax expense**

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The board periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Currently the Fund is exempted from income tax, except for withholding tax on investment and other bank credit balances which is final tax.

**f) Classification of financial instruments**

All recognized financial assets within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of 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 amount outstanding, are measured subsequently at amortized 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 at fair value through other comprehensive income (FVTOCI).

Other debt instruments and equity investments are measured subsequently at fair value through profit and loss (FVTPL) instruments that are held within a business model whose objective is both to collect the contractual cash.

Despite the foregoing, the Fund may make the following irrecoverable election/ designation at initial recognition of financial asset.

The Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination in other comprehensive income.

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**ACCOUNTING POLICIES (Continued)**

**g) Impairment of non-financial assets**

The Fund assesses at end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Fund estimates the recoverable amount of the asset. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods. A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in income statement. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

**h) Functional and presentation currency**

Assets and liabilities expressed in foreign currencies are translated to Kenya shillings at the rates of exchange ruling at the end of each reporting period while transactions during the year in foreign currencies are converted at the rates of exchange ruling on the dates of the transactions. Exchange gains or losses arising from foreign currency transactions are dealt with in the statement of changes in net assets.

**i) Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentations in the current year.

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**ACCOUNTING POLICIES (Continued)**

**4. Significant accounting judgements and key sources uncertainty estimations and assumptions**

In the process of applying the Fund's accounting policies, the Trustee has used its judgements and made estimates in determining the amounts recognized in the financial statements. Although these estimates are based on the management's knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. The most significant use of judgements and estimates are as follows:

**(a) Contribution receivable**

Critical estimates are made by the Trustee in determining the recoverable amount of receivables.

**(b) Taxation provisions**

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The Scheme recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such determination is made.

**(c) Going concern**

The Trustee has assessed the Fund's ability to continue as a going concern and is satisfied that the Fund has the resources to continue in operation for the foreseeable future. Furthermore, the Trustee is not aware of any material uncertainties that may cast significant doubt upon the Fund's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**(d) Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded on the statement of net assets available for benefits cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

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**NOTES TO THE FINANCIAL STATEMENTS**

	<b>2023</b>	<b>2022</b>
	<b>Shs</b>	<b>Shs</b>
<b>5 Transfers in</b>		
Registered	-	-
Unregistered	-	-
	<u>-</u>	<u>-</u>
<b>6 Outgoings from dealings with members</b>		
Benefits payable	<u>(203,341)</u>	<u>(203,341)</u>
<b>7(a) Investment income</b>		
Treasury bonds interest	188,051	182,058
Call deposits interest	3,259	4,079
Dividend income	8,600	8,400
Cytonn money market fund interest	2737	-
Credit interest	4	32
Loss on Treasury bonds	-	(2,618)
Other income	-	6,140
Loss on sale of Quoted Equity	<u>(960)</u>	<u>-</u>
	<u>201,691</u>	<u>198,091</u>
Other income relates to employee contribution receivable		
<b>7(b) Change in fair value</b>		
Revaluation loss on quoted equities	(22,560)	(21,600)
Revaluation loss on treasury bonds	(135,965)	(96,632)
Revaluation loss on cytonn yield	-	(2,425)
	<u>(158,525)</u>	<u>(120,657)</u>
Total investment income	<u>43,166</u>	<u>77,434</u>
<b>8 Administrative expenses</b>		
RBA levy	-	3,394
Bank charges	3,331	3,000
Investment policy fees	-	29,000
Asset transfer fees	<u>2,100</u>	<u>-</u>
	<u>5,431</u>	<u>35,394</u>

All expenses apart from audit fees are borne by the scheme. Audit fees is borne by the borne sponsor.



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**9 RBA levy status of the Scheme**

**(a) The RBA levy is arrived at as follows:**  
**(Based on the size of the Scheme)**

	<b>Annual levy rate %age of the fund</b>
Up to 500 million	0.20%
More than 500 million but not exceeding 1,000 million	0.15%
More than 1,000 million but not exceeding 5,000 million	0.10%

	<b>2023 Shs</b>	<b>2022 Shs</b>
RBA levy	-	3,394
<b>(b) RBA levy position</b>		
RBA levy payable brought forward	3,394	3,863
RBA levy for the year	-	3,394
RBA levy paid during the year	(3,394)	(3,863)
RBA levy payable	-	3,394

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

10(a)		At	Purchases	Sales	Accrued	Change in	At
		01/01/2023	at cost	proceeds	Interest	fair value	31/12/2023
		Shs	Shs	Shs	Shs	Shs	Shs
	<b>At fair value</b>						
	Quoted equity	101,760	-	(44,160)	-	(22,560)	35,040
	Treasury bonds	1,482,422	-	-	542	(135,965)	1,346,999
	Cytonn money market fund	55,637	-	(55,637)	-	-	-
		1,639,819		(99,797)	542	(158,525)	1,382,039
	<b>At amortized cost</b>						
	Fixed and call deposits	70,946	100,000	(70,000)	1,205	-	102,151
		1,710,765	100,000	(169,797)	1,748	(158,525)	1,484,190
	<b>At fair value</b>						
	Quoted equity	123,360	-	-	-	(21,600)	101,760
	Treasury bonds	1,680,637	-	(100,271)	(1,312)	(96,632)	1,482,422
	Cytonn money market fund	23,362	61,000	(26,300)	-	(2,425)	55,637
		1,827,359	61,000	(126,571)	(1,312)	(120,657)	1,639,819
	<b>At amortized cost</b>						
	Fixed and call deposits	155,349	70,000	(151,500)	(2,903)	-	70,946
		1,982,708	131,000	(278,071)	(4,215)	(120,657)	1,710,765

10(b)

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The following table analyses investments other than shares (which have no fixed maturity) into relevant maturity groupings based on the remaining period at 31 December 2023 to the contractual maturity date.

**10 (c)**

	Up to 3 months	4-12 months	1-5 years	Over 5 years	Total
	Shs	Shs	Shs	Shs	Shs
Treasury bonds	-	-	-	1,346,999	1,346,999
Cytonn money market fund	-	-	-	-	-
Fixed and call deposits	102,151	-	-	-	102,151
	<u>102,151</u>	<u>-</u>	<u>-</u>	<u>1,346,999</u>	<u>1,449,150</u>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2023</b>	<b>2022</b>
	<b>Shs</b>	<b>Shs</b>
<b>11(a) Cash with the custodian</b>		
NCBA bank	3,100	1,792

For purposes of the cash flows statement, cash and cash equivalents comprise cash in hand and investments in Kenya government securities, money market funds and deposits held at call with banks maturing three (3) months from the date of acquisition.

<b>11(b) Cash and cash equivalents</b>		
Fixed and call deposits	102,151	70,946
Bank balance	3,100	1,792
Cytonn money market fund	-	55,637
	<u>105,251</u>	<u>128,375</u>

<b>12 Accounts payable</b>		
RBA levy payable (Note 9b) )	-	3,394
Custody fees	40,003	12,181
	<u>40,003</u>	<u>15,575</u>

**13 Financial risk management objectives and policies**

Risk management is carried out by the Trustee together with the investment managers under the policies approved by the Trustee. The funds are administered by a natural person.

**Market risk**

*a) Foreign exchange risk*

The fund does not have any investment in foreign currency and is therefore not exposed to foreign risk

*b) Interest rate risk*

The Fund's interest bearing assets are investments in treasury bills and bonds, corporate bonds and short term deposits with financial institutions. All these instruments are at fixed interest rates. The nature of financial instruments held, that is, fixed interest instruments mitigate interest risk exposure to the Fund. Fluctuations in interest rates will have an insignificant effect on the Fund.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

*c) Price risk*

The Fund is exposed to the risk that the value of debt securities can fluctuate due to changes in market value. To manage its price risk arising from investments in debt securities, the Fund diversifies its portfolio. The Fund has invested in treasury bonds and corporate bonds of varying maturities.

If the price of equity securities were to appreciate/depreciate by 5%, it would have resulted in an increase or decrease in net assets of Shs 1,752 (2022: 5,088)

If the price of treasury bonds were to appreciate/depreciate by 5%, it would have resulted in an increase or decrease in net assets of Shs 67,350 (2022: 74,121)

Any price risk arising from investments in various instruments under the guaranteed Fund is carried by the Approved Issuer.

*d) Credit risk*

Credit risk arises from cash and cash equivalents, all the interest bearing investments and receivables. As part of the credit risk management system, the investment manager and the Trustee monitor and review information on significant investments. The Trustee have approved investments in short term fixed deposits with financial institutions and also a large 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 at December is made up as follows:

	Note	2023 Shs	2022 Shs
Treasury bonds	10 (a)	1,346,999	1,482,422
Cytonn Money market fund	10 (a)	-	55,637
Fixed and call deposits	10 (a)	102,151	70,946
Bank balance	11 (a)	3,100	1,792
		<u>1,451,928</u>	<u>1,610,797</u>

*e) Liquidity risk*

The Fund is required to make payments in respect of pension when members withdraw or retire. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Fund's liquidity on a regular basis and the Trustee review it on a quarterly basis.

The Fund is able to pay all liabilities that would arise within a year.

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14 Registration**

The Fund is registered in Kenya under Retirement Benefit Act, cap 197.

**15 Currency**

The financial statements are presented in Kenya Shillings (Shs).