

*CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023*

MACO
MAINGI AUKA & COMPANY LLP

CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

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CORPORATE TRUSTEE, SERVICE PROVIDERS, PROFESSIONAL ADVISERS AND OTHER INFORMATION

CORPORATE TRUSTEE

Goal Advisory (A) Limited
4th Floor, Krishna Center, Woodvale Grove, Westlands
P.O Box 14426-00100
Nairobi.

ADMINISTRATORS

Enwealth Financial Services Limited
1st Floor, Morningside Office Park, Ngong Road
P.O. Box 52840 - 00200
Nairobi.

INVESTMENT MANAGERS

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

CUSTODIANS

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
Nairobi.

INDEPENDENT AUDITORS

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

REGISTERED OFFICE

7th floor, The Chancery, off Valley Road
P.O. Box 20695 - 00200
Nairobi.

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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REPORT OF THE CORPORATE TRUSTEE

The Board of Corporate Trustee has the pleasure of presenting this report together with the audited financial statements for the year ended 31 December 2023.

Establishment, nature, and status of the Scheme

The Scheme was established and is governed by a trust deed dated 6 May 2019 and registered by the Retirement Benefits Authority on 8 May 2019 (RBA Certificate Number 01665). It is a defined contribution Scheme and provides, under the rules of the Scheme, retirement benefits for the members on retirement at a specified age and the relief for certain dependants of members who die while in membership of the Scheme. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority.

Contributions

Member contributions

Subject to rights reserved to members by the trust deed, every individual member shall from the date on which he becomes a member contribute to the Scheme the amount of not less than Kshs 1,000 per month or such other rates as may be specified in the personal pension plan agreement by the member. However, a member may make Voluntary contributions to the Scheme in additions to the contributions prescribed above. The member shall specify in writing the amount of such Additional Voluntary Contributions.

Employer contributions

Subject to the rights reserved to contributing employers by the trust deed, each contributing employer shall be liable to the scheme in respect of each employed member in its employment an amount not less than 5% of the employee's salary or such other rates as may be specified in the personal pension plan agreement executed by the employed member and signed by the employer.

Membership

			2023	2022
	Active	Deferred	Total	Total
At the start of the year	16	85	101	101
Joiners	8	9	17	69
Leavers	(11)	(9)	(20)	(21)
Dormant	-	-	-	(48)
At end of year	13	85	98	101

Financial review

The statement of changes in net assets on page 11 shows a decrease in net assets of the Scheme for the year of Shs **2,326,120** (2022: a decrease of Shs **20,082,080**) and the statement of net assets available for benefits on page 12 shows the Scheme's net assets as Shs **11,002,704** (2022: Shs **13,328,824**)

The gross return on investment worked out from the statement of changes in net assets on page 11 was negative **0.50 %** while the net return on investment was negative **6.65 %**.

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REPORT OF THE CORPORATE TRUSTEES (Continued)

Investment of members' fund

Under the terms of their appointment, Cytonn Asset Managers Limited, (Investment Managers), are responsible for the investment of the available funds. However, the overall responsibility for investment lies with the Corporate Trustee.

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

The Scheme's investment managers are guided by an established Investment Policy. The make-up of the investments as at year-end is summarised in the investment compliance table below:

	Value as at 31/12/2022	% of portfolio	Value as at 31/12/2021	% of portfolio	% of RBA Limits
	Shs	%	Shs	%	%
Treasury bonds	5,561,805	50.59	6,120,967	45.91	90
Quoted equities	3,779,910	34.38	5,442,415	40.82	70
Fixed deposits	353,475	3.22	541,611	4.06	30
Cash at bank	296,061	2.69	45,549	0.34	5
Cytonn unit trust	1,002,605	9.12	1,182,173	8.87	-
	<u>10,993,856</u>	<u>100.00</u>	<u>13,332,715</u>	<u>100.00</u>	

Investment policy statement (Fund management)

The primary investment objectives of the Scheme are as follows:

- i) Capital preservation: The investment of the Scheme's assets will ensure the preservation of capital.
- ii) Long term capital growth: Capital growth with avoidance of risk over the long term. Short term volatility will be tolerated if appropriate considering the asset class and comparable market risk.
- iii) Return on investment: The attainment of the agreed investment performance deliverables against the accepted benchmarks over the investment period.
- iv) Liquidity: An adequate level of liquidity will be maintained to enable the Scheme to meet its liabilities and obligations.

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REPORT OF THE CORPORATE TRUSTEE (Continued)


Trustee

The Corporate Trustee is appointed in accordance with the requirements of the Retirement Benefits Act and the Scheme's Trust Deed and Rules. The current Corporate Trustee of the Scheme is shown on page 1.

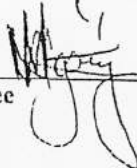
Auditors

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 subject to Scheme's trust deed and rules.

For the Corporate Trustee,



Trustee



Trustee

14.03.2024 2024

14/03/ 2024

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SCHEME GOVERNANCE DISCLOSURE STATEMENT

1. Trustees in office

Name of Trustee	Age	Category	Number 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 trustee held three 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) 28 Spetember 2023-AGM Meeting

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

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.

5. Fiduciary responsibility statement

The Corporate Trustee is the governing body of the **Cytonn Umbrella 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.

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SCHEME GOVERNANCE DISCLOSURE STATEMENT (Continued)

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 the year 2022 on the 28 September 2023 virtually. In total 40 members were present out of 88 members, making up 45% 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.

10. Trustee remuneration policy

The Trustee was remunerated in accordance with the contract between the Trustee, Goal Advisory Africa Ltd, and the Scheme. As per the Agreement, the Trustee is remunerated at a rate of 0.25% of the Scheme Fund Value subject to a minimum fee of Ksh 10,000 per month. All expenses including income tax and RBA Levy are borne by the Scheme. Apart from Audit fees, all expenses including income tax and RBA Levy are borne by the scheme.

Signed
(Chairperson)

Dated 14/03/2024

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Retirement Benefits Act requires the Trustee to prepare financial statements in a prescribed form for each financial year. It also requires the Trustee to ensure that the Scheme 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 Scheme and the Kenya Retirement Benefits Act.

The Corporate Trustee accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They 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 judgments that are reasonable in the circumstances in conformity with International Financial Reporting Standards and the Retirement Benefits Act.

The Corporate Trustee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Scheme as at 31 December 2022 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.

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

For the Corporate Trustee,



Trustee


Trustee

14.03.2024

Date

2024

14/03/2024
Date

2024

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEE OF CYTONN PERSONAL RETIREMENT BENEFITS SCHEME

Report on the financial statements

Opinion

We have audited the accompanying financial statements of Cytonn Personal Retirement Benefits Scheme set out on pages 11 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 accumulated members' fund and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Scheme during the year ended 31 December 2023 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 the requirements of the Retirement Benefits Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with 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 Corporate Trustee is responsible for the other information which comprises the report of the Trustee as required by the Retirement Benefits Act. 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 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 TRUSTEE OF CYTONN PERSONAL RETIREMENT BENEFITS SCHEME (Continued)

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 and in forming our opinion thereon, and we do not provide a separate opinion on them.

Responsibilities of Trustee for the Financial Statements

The Corporate Trustee is responsible for the preparation of financial statements that give a true and fair view of the state of the financial affairs of the Scheme in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal controls as the Corporate Trustee determines 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 Corporate Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporate Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

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 based on 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 Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporate Trustee.

REPORT OF THE INDEPENDENT AUDITORS TO THE TRUSTEE OF CYTONN PERSONAL RETIREMENT BENEFITS SCHEME (Continued)

Auditor's 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 a fair presentation.
- Conclude on the appropriateness of the Corporate Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Scheme to express an opinion on the financial statements. We are responsible for the direction, supervision, and performance of the Scheme'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, we report to you, based on our audit, that in our opinion, the information given in the report of the Trustees on page 2 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.

[Handwritten signature]

For and on behalf of:



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

2024

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Note	2023 Shs	2022 Shs
Income from dealings with members			
Contributions receivable and transfers in	5	<u>1,627,175</u>	<u>3,342,340</u>
Outgoings from dealings with members			
Benefits paid to withdrawing members	6	<u>(2,584,985)</u>	<u>(22,737,307)</u>
Net deficit from dealings with members		<u>(957,810)</u>	<u>(19,394,967)</u>
Return on investments			
Investment income	7(a)	1,122,071	2,197,564
Change in fair value of investments	7(b)	(1,745,507)	(2,041,577)
Investment management expenses	9(a)	<u>(228,345)</u>	<u>(281,974)</u>
		<u>(851,781)</u>	<u>(125,987)</u>
Expenditure			
Administration expenses	9(b)	(447,822)	(430,158)
Tax expense on non-exempt fund	11(a)	<u>(68,707)</u>	<u>(130,968)</u>
		<u>(516,529)</u>	<u>(561,126)</u>
Net return on investment		<u>(1,368,310)</u>	<u>(687,113)</u>
Decrease in net assets for the year		(2,326,120)	(20,082,080)
Net assets available for benefits at the start of year		<u>13,328,824</u>	<u>33,410,904</u>
Net assets available for benefits at end of year		<u>11,002,704</u>	<u>13,328,824</u>


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
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER

	Note	2023 Shs	2022 Shs
Investments			
Investments at fair value	8	9,341,715	11,563,382
Investments at amortized cost	8	353,475	541,611
Cytonn unit trust		<u>1,002,605</u>	<u>1,182,173</u>
		<u>10,697,794</u>	<u>13,287,166</u>
Current assets			
Cash at bank	12	296,061	45,549
Other receivables	13	5,420	-
Tax recoverable	11(b)	<u>148,698</u>	<u>145,372</u>
		<u>450,179</u>	<u>190,921</u>
Current liabilities			
Accounts Payables	14	<u>(145,270)</u>	<u>(149,263)</u>
Net current asset/ (liabilities)		<u>304,909</u>	<u>41,658</u>
Total net assets		<u>11,002,704</u>	<u>13,328,824</u>
Financed by			
Members fund		<u>11,564,106</u>	<u>13,328,824</u>
Revaluation reserve		<u>(561,402)</u>	<u>-</u>
		<u>11,002,704</u>	<u>13,328,824</u>

The financial statements on pages 11 to 29 were approved for issue by the Corporate Trustee on.....

..... 18/03/2024 and signed on their behalf by:


Trustee


Trustee

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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STATEMENT OF ACCUMULATED MEMBERS' FUNDS

	Members funds Shs	Revaluation Reserve fund Shs	Total Shs
Year ended 31 December 2023			
At 1 January 2023	13,328,824	-	13,328,824
Contributions and	774,885	-	774,885
Transfers in	852,290	-	852,290
Withdrawal benefits paid	(2,584,985)	-	(2,584,985)
Net return on investments	(1,368,310)	-	(1,368,310)
Revaluation reserve	561,402	(561,402)	-
At 31 December 2023	<u>11,564,106</u>	<u>(561,402)</u>	<u>11,002,704</u>
Year ended 31 December 2022			
At 1 January 2022	33,410,904	-	33,410,904
Contributions	1,658,090	-	1,658,090
Transfers in	1,684,250	-	1,684,250
Withdrawal benefits paid	(22,737,307)	-	(22,737,307)
Net loss on investments	(687,113)	-	(687,113)
At 31 December 2022	<u>13,328,824</u>	<u>-</u>	<u>13,328,824</u>

Revaluation reserve is created from the revaluation loss on treasury bonds.

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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STATEMENT OF CASH FLOWS

	Note	2023 Shs	2022 Shs
Cash flows from operating activities			
Contributions received	5	774,885	1,658,090
Transfer in	5	852,290	1,684,250
Benefits paid to seceding members	6	(2,584,985)	(22,737,307)
Administrative expenses paid		(464,208)	(509,794)
Tax paid	11	(72,033)	(417,349)
Net cash generated used in operations		<u>(1,494,051)</u>	<u>(20,322,110)</u>
Cash flows from Investing activities			
Investment income received		1,482,115	1,933,622
Investment management expenses paid		-215,952	(329,325)
Purchase of investments	8	-	(11,350,000)
Purchase of cytonn unit trust		-	(600,000)
Sale of cytonn unit trust		-	2,976,061
Sale of investments	8	478,400	27,723,341
Net cash inflow from investing activities		<u>1,744,563</u>	<u>20,353,699</u>
Increase / (decrease) in cash and cash equivalents		<u>250,512</u>	<u>31,589</u>
Movement in cash and cash equivalents			
At the start of the year		45,549	13,960
Increase / (decrease) in cash and cash equivalents		<u>250,512</u>	<u>31,589</u>
Cash and cash equivalents at the end of the period	12(b)	<u>296,061</u>	<u>45,549</u>

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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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, 1997 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 I 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.

**CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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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 rd January, 2020, the IASB issued 'Classification of Liabilities as Current of 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 but not yet effective for the year ended 31 December 2023

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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The Board has adopted the applicable standards in year 2023, but has not early-adopted the applicable standards in 2024 and beyond. The new and revised IASs and IFRSs effective for the year ended 31st 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) Contribution receivable and revenue recognition

Contributions from the members and employer are accounted for in the period in which they fall due. The Scheme's revenue is generated from monthly contributions from members, 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 Scheme's activities. It is recognized when it is probable that future economic benefits will flow to the Scheme 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 recognised 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 Scheme's right to receive the payment is established.

b) Transfers in or out

Transfers are recognised in the period in which members join from other Schemes 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) Investment property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in income statement in the period in which they arise, including the corresponding tax effect.

d) Contribution debtors and other accounts receivable

Accounts receivable are amounts due from employer and employees at the end of the year. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for Impairment. At the end of the year, a review of all outstanding amounts is made then a provision is given for bad and doubtful debts. All amounts that the management feels that are uncollectable, are written off as bad debts in the year in which they are identified.

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ACCOUNTING POLICIES (Continued)

e) Benefits and other accounts payables

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 Scheme has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the Scheme. Accounts payable are initially measured at fair value, and are subsequently measured at amortized cost.

f) 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 equivalent are initially and subsequently recorded at fair value while placements are measured at amortized costs.

g) 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 Scheme is exempted from income tax, except for withholding tax on investment and other bank credit balances which is final tax.

h) 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 Scheme may make the following irrecoverable election/ designation at initial recognition of financial asset.

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

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ACCOUNTING POLICIES (Continued)

i) Impairment of non-financial assets

The Scheme assesses at end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Scheme 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 the statement of changes in net assets. 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 the statement of changes in net assets. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

j) 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.

k) Comparatives

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

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

In the process of applying the Scheme's accounting policies, the board of trustees 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 judgments and estimates are as follows:

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ACCOUNTING POLICIES (Continued)

Contribution receivable

Critical estimates are made by the trustees in determining the recoverable amounts of receivables.

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.

Going concern

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

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

	2023	2022
	Shs	Shs
5 Contributions receivable		
Employee contribution	774,885	1,658,090
Transfers in	852,290	1,684,250
	<u>1,627,175</u>	<u>3,342,340</u>
6 Benefits payable to leaver		
Benefits paid to withdrawing members	<u>2,584,985</u>	<u>22,737,307</u>
7 Investment income		
(a) Treasury bonds interest	735,719	408,579
Fixed and time deposits	70,984	131,071
Dividend income	386,840	492,493
Cytonn yield interest	128,432	144,727
Gain on sale of Quoted equities	(211,900)	579,418
Audit fee written back	11,600	-
Gain on sale of Treasury bonds	-	428,209
Other income – credit interest	396	13,067
	<u>1,122,071</u>	<u>2,197,564</u>
(b) Change in fair value		
Revaluation loss on treasury bonds	(561,402)	(358,762)
Revaluation loss on quoted equity	(1,184,105)	(1,682,815)
	<u>(1,745,507)</u>	<u>(2,041,577)</u>
Total investment (loss) income	<u>(623,436)</u>	<u>155,987</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(a) INVESTMENT MOVEMENT

Year ended 31 December 2023	Values as at 1/1/2023	Purchases at cost	Sales proceeds	Change in fair value	Accrued interest	Value as at 31/12/2023
	Shs	Shs	Shs	Shs	Shs	Shs
At fair value						
Quoted Equity	5,442,415	-	(478,400)	(1,184,105)	-	3,779,910
Treasury bonds	6,120,967	-	-	(561,402)	2,240	5,561,805
	11,563,382	-	(478,400)	(1,745,507)	2,240	9,341,715
At amortized cost						
Fixed and time deposits	541,611	2,282,000	(2,467,000)	-	(3,136)	353,475
	12,104,993	2,282,000	(2,945,400)	(1,745,507)	(896)	9,695,190

8(b)

Year ended 31 December 2022	Values as at 1/1/2022	Purchases at cost	Sales proceeds	Change in fair value	Accrued interest	Value at 31/12/2022
	Shs	Shs	Shs	Shs	Shs	Shs
At fair value						
Quoted Equity	10,683,725	-	(3,558,495)	(1,682,815)	-	5,442,415
Treasury bonds	19,167,625	-	(12,332,846)	(358,762)	(355,050)	6,120,967
	29,851,350	-	(15,891,341)	(2,041,577)	(355,050)	11,563,382
At amortized cost						
Fixed and time deposits	1,025,405	11,350,000	(11,832,000)		(1,794)	541,611
	30,876,755	11,350,000	(27,723,341)	(2,041,577)	(356,844)	12,104,993

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(c) Investment analysis

	Up to 3 months Shs	3 to 12 months Shs	1 to 5 years Shs	Over 5 Years Shs	Total Shs
Treasury bonds	-	-	-	5,561,805	5,561,805
Fixed deposits	-	353,475	-	-	353,475
Totals	<u>712,568</u>	<u>353,474</u>	<u>-</u>	<u>5,561,802</u>	<u>6,627,844</u>

8(d) Concentration of investments

The following investments in a single institution exceed 5% of the net assets of the Scheme

	2023 Shs		2022 Shs	
Treasury bonds	6,120,967	55.69%	6,120,967	45.92%
Quoted Equity-KCB	1,357,800	12.35%	2,362,200	17.72%
Quoted Equity-Equity bank	570,000	5.19%	-	-
Quoted Equity-Co-op bank	988,380	8.99%	1,066,410	8.00%
Quoted Equity-Safaricom	-	0.00%	-	-
Quoted Equity-I&M Holdings Ltd	675,500	6.15%	877,200	6.58%
	<u>9,712,647</u>		<u>10,426,777</u>	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023	2022
		Shs	Shs
9 Expenses			
(a) Investment management expenses			
Management fees		143,210	204,772
Custodial fees: (NCBA & SBM Banks)		<u>85,135</u>	<u>77,202</u>
		<u>228,345</u>	<u>281,974</u>
(b) Administrative expenses 2023	Scheme	Sponsor	Total
	Shs	Shs	Shs
Administration fees	69,600	-	69,600
Corporate trustee fees	139,200	-	139,200
IPS preparation	-	-	-
RBA levy charge for the year (Note 10)	21,872	-	21,872
Audit fee	-	11,600	11,600
Group life cover	198,005	-	198,005
Bank charges	15,345	-	15,345
Asset transfer fees	<u>3,800</u>	-	<u>3,800</u>
	<u>447,822</u>	<u>11,600</u>	<u>459,422</u>
(c) Administrative expenses 2022			
Administration fees	69,600	-	69,600
Corporate trustee fees	139,200	-	139,200
IPS preparation	34,800	-	34,800
RBA levy charge for the year (Note 10)	26,658	-	26,658
Audit fee	11,600	-	11,600
Group life cover	122,500	-	122,500
Bank charges	<u>25,800</u>	-	<u>25,800</u>
	<u>430,158</u>	<u>-</u>	<u>430,158</u>

Audit fee for 2023 is to be paid by the sponsor on behalf of the Scheme. In 2022 it was charged to the Scheme but was later paid by the Sponsor hence it was written back as an income to the Scheme.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023	2022
	Shs	Shs
10 RBA Levy status of the Scheme		
RBA Levy for the year	<u>21,872</u>	<u>26,658</u>
RBA levy position		
RBA levy payable brought forward	26,792	66,956
RBA levy for the year	21,872	26,658
RBA levy paid during the year	<u>(26,658)</u>	<u>(66,822)</u>
RBA levy payable	<u>22,006</u>	<u>26,792</u>

11 Tax status of the Scheme

- (a) Cytonn Personal Retirement Benefits Scheme has been approved by the Kenya Revenue Authority (KRA) and is exempt from income tax (Income Tax Act-1st Schedule 14) on its investment income. The Scheme comprises a registered and unregistered funds.

Contribution received by the Scheme up to Shs 20,000(2022; Shs 20,000) per employee per Month are invested in registered fund, which is exempt from taxation. Contribution in excess of Shs 20,000 is invested in an unregistered fund whose investment income is taxed at corporate tax rate of 30% (2022: 30%).

	2023	2022
	Shs	Shs
Tax for the year	<u>63,792</u>	<u>130,968</u>
(b) Tax payable		
Tax payable/ (recoverable) at the start of the year	(145,372)	141,009
Tax for the year	68,707	130,968
Less: Tax paid during the year	<u>(72,033)</u>	<u>(417,349)</u>
Tax (recoverable) /payable at the end of the year	<u>(148,698)</u>	<u>(145,372)</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023	2022
	Shs	Shs
12 Cash and cash equivalents		
(a) NCBA Bank balance	256,338	45,549
SBM Bank balance	39,723	-
	<u>296,061</u>	<u>45,549</u>
(b) For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
NCBA Bank balance	256,338	45,549
SBM Bank balance	39,723	-
	<u>296,061</u>	<u>45,549</u>
13 Other receivables		
Cytonn Umbrella	<u>5,420</u>	<u>-</u>

This relates to withholding tax on Quarter two 2023 management fees for Cytonn Umbrella paid from Cytonn personal SBM Bank Custody account.

	Scheme	Sponsor	Total
	Shs	Shs	Shs
14 Accounts payable 2023			
(a) Investment management fees	31,060	-	31,060
Custody fees	40,004	-	40,004
RBA levy payable (Note 10)	22,006	-	21,983
Audit fees	-	11,600	11,600
Corporate Trustees fees	34,800	-	34,800
Administration fees	17,400	-	17,400
	<u>145,270</u>	<u>11,600</u>	<u>156,847</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Accounts payable 2022

(b) Investment management fees	40,401	-	40,401
Custody fees	18,270	-	18,270
Retirement Benefits Authority levy (Note 9)	26,792	-	26,792
Audit fees	11,600	-	11,600
Corporate Trustees fees	34,800	-	34,800
Administration fees	17,400	-	17,400
	<u>149,263</u>	<u>-</u>	<u>149,263</u>

15 Financial risk management objectives and policies

Risk management is carried out by the Corporate Trustee together with the investment managers under the policies approved by the Corporate Trustee. The Scheme's funds are held by the custodian, NCBA Bank of Kenya Limited. The Scheme has professional fund managers who are Cytonn Asset Managers Limited, who advise the Corporate Trustee on investment decisions. Both the custodian and fund managers have been duly registered and approved to provide pension Schemes services as provided for under the Retirement Benefits Act.

Market risk

a) Foreign exchange risk

The Scheme is not exposed to foreign exchange risk arising from various currency exposures.

b) Interest rate risk

The Scheme investments in fixed rate government securities, fixed and call deposits expose it to fair value interest rate risk. The investment managers advise the Corporate Trustee on the appropriate balance of portfolio between equity, fixed rate interest, and variable interest investments.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Market risk (Continued)

c) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares which are classified at fair value through statement of changes in net assets. The Scheme is also 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 equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities; the Scheme has invested in 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 188,996 (2022: 272,121).

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 278,090 (2022: 306,048).

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 Corporate Trustee monitor and review information on significant investments. The Corporate Trustee has approved a larger portfolio investment with the government of Kenya debt securities which have no credit risk and no default record.

	2023	2022
	Shs	Shs
Treasury bonds	5,561,805	6,120,967
Fixed and call deposits	353,475	541,611
Bank balances	296,061	45,549
Tax recoverable	148,698	145,372
Other receivables	5,420	-
Cytonn unit trust	1,002,605	1,182,173
	<u>7,368,064</u>	<u>8,035,672</u>

e) Liquidity risk

The Scheme is required to make payments in respect of pension when members withdraw or retire. The Scheme is, therefore, exposed to the risk of difficulty in raising funds to make such payments. The investment manager therefore invests a portion of the assets in investments that are readily convertible to cash. They also monitor the Scheme's liquidity on a regular basis and the Corporate Trustee review it on a quarterly basis. The Scheme is able to pay all liabilities that would arise within a year.

***CYTONN PERSONAL RETIREMENT BENEFITS SCHEME
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Related party transactions

Related parties comprise of Corporate Trustee, the participating companies, and companies which are related to these parties through common shareholdings or common directorships. Transactions with related parties were done at arms-length.

17 Registration

The Scheme is registered in Kenya under the Retirement Benefits Act, Cap197.

18 Currency

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