

***CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024***

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

**CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
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**CORPORATE TRUSTEE, PROFESSIONAL ADVISERS 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**

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

**Independent auditor**

Maingi Auka & Company LLP  
Certified Public Accountants (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.

**CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME  
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**REPORT OF THE TRUSTEE**

The Corporate Trustee has the pleasure of presenting this report together with the audited financial statements for the year ended 31 December 2024.

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

The Scheme was established and is governed, by a Trust Deed dated 28 May 2019. 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 of the 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. However, income on contributions in excess of Shs 240,000 per annum is subject to income tax.

Contributions to the Scheme are at the rate of 2.5% of the basic pay for both employee and the employer.

**Withdrawals benefits**

A member, less than 50 years of age, who leaves service of own free will or is dismissed by the Sponsor, shall be entitled to benefits equal to:

- i) 50% of the total accrued benefits at the date of leaving service.
- ii) While the remaining 50% of the total accrued benefits will be transferred out to the Scheme of the new employer or deferred to normal retirement age.

**Membership**

Description	2024			2023		
	Active	Deferred	Totals	Active	Deferred	Totals
At start of year	150	101	251	167	95	262
Joiners	-	74	74	-	7	7
Adjustments	-	-	-	(7)	-	(7)
Leavers	(78)	(4)	(82)	(10)	(1)	(11)
	<u>72</u>	<u>171</u>	<u>243</u>	<u>150</u>	<u>101</u>	<u>251</u>

Deferred members comprise those members who have left the Scheme, for any reason other than death, having completed one or more years' service and who are entitled to a deferred benefit of the amount accrued in respect of the Founder's contributions, which are retained in the Scheme until certain conditions are met

**Financial review**

The statement of changes in net assets on page 11 shows an increase in net assets of the Scheme for the year of Shs. **12,999,067** (2023: decrease Shs. **10,208,833**) and the statement of net assets available for benefits on page 12 shows the Scheme's net assets as Shs. **60,788,422** (2023: Shs. **47,789,355**)

The registered fund net rate of return on investment to be credited to the members' account for the year is **18.85%** (2023: **1.05%**) while the unregistered fund net rate of return on investments to be credited to the members' account for the year is **18.13%** (2023: **Negative 0.5%**)

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**REPORT OF THE TRUSTEE (continued)**

**Investment of members' Funds**

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 and performance lies with the Corporate Trustee.

**Amounts credited to members' accounts**

In accordance with Legal Notice No. 21, The Retirement Benefits (Occupational Retirement Benefits Schemes) (Amendment) Regulations, 2023, in determining the amounts to be credited to members' accounts, the Trustees have excluded unrealised gains and losses arising from the valuation of financial assets using the fair value model.

The net income/(loss) to be allocated to the members' accounts has therefore been arrived at as follows:

	<b>2024</b>	<b>2023</b>
	<b>Shs</b>	<b>Shs</b>
Net return/(loss) on investments, less investment management and administration expenses, as reported in the audited financial statements	11,133,607	(1,734,440)
Adjusted for:		
Unrealised (gains) / losses from the revaluation of debt instruments using the fair value model arising in the prior year realised in the current year	-	-
Unrealised losses/ (gains) from the revaluation of debt instruments using the fair value model arising in the current year	(1,950,462)	1,364,589
Amount credited to members' accounts	<u>9,183,145</u>	<u>(369,851)</u>

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:

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**REPORT OF THE TRUSTEE (continued)**

**Investment compliance (Continued)**

	Value as at 31/12/2024	% of portfolio %	Value as at 31/12/2023	% of portfolio %	% RBA limits %
Treasury bonds	25,493,687	52.51	23,600,546	63.10	90.00
Quoted equities	13,688,600	28.20	8,932,155	23.88	70.00
Fixed deposits	6,149,243	12.67	1,819,422	4.86	30.00
Cytonn unit trust	3,166,464	6.52	3,042,860	8.14	20.00
Cash at bank	48,611	0.10	9,149	0.02	5.00
	<u>48,546,605</u>	<u>100.00</u>	<u>37,404,132</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.

**Trustee**

The Corporate Trustee is appointed in accordance with the requirements of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000, and the Scheme's Trust Deed and Rules. The current Trustee of the Scheme is listed 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 (Occupational Retirement Benefits Schemes) Regulations, 2000, and subject to Scheme's Trust Deed and Rules. The Corporate trustee monitors the effectiveness, objectivity, and independence of the auditor. He also approves the annual audit engagement, which sets out the auditors' appointment and related fees.

**For the Corporate Trust**

.....  
Trustee

27 | 03 | 2025

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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)~~ **three (3)** board meetings of its governing body for the scheme during the year ended ~~31 December 2024~~.

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

- a) ~~21 May 2024-BOT Q1~~
- b) ~~9 August 2024-BOT Q2~~
- c) ~~15 November 2024-BOT Q3~~
- d) ~~12 July 2024-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 Trustee held the Annual General Meeting for the year 2024 on the ~~12<sup>th</sup> July 2024~~ 12<sup>th</sup> July 2024 virtually. In total ~~35~~ members were present out of ~~322~~ members, making up ~~10%~~ 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 Trustee Services Limited, 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.

Signed .....

(Chairperson)



Dated...27/03/.....2025

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

The Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000, 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 (Occupational Retirement Benefits Schemes) Regulations, 2000.

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 board events that are reasonable in the circumstances in conformity with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000.

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 2024 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 (Occupational Retirement Benefits Schemes) Regulations, 2000.

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.

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

The statement was approved by the Corporate Trustee on 27/03/.....2025 and signed on its behalf by:

.....  
Trustee

## **REPORT OF THE INDEPENDENT AUDITOR TO THE CORPORATE TRUSTEE OF CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME**

### **Opinion**

We have audited the accompanying financial statements of Cytonn Umbrella Retirement Benefits Scheme set out on pages 11 to 26, which comprise the statement of net assets available for benefits as at 31 December 2024, the statement of changes in net assets available for benefits, the statement of members' 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 accompanying financial statements give a true and fair view of the financial position of the Scheme during the year ended 31 December 2024 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 (Occupational Retirement Benefits Schemes) Regulations, 2000.

### **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 (Occupational Retirement Benefits Schemes) Regulations, 2000. 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 AUDITOR TO THE CORPORATE TRUSTEE OF CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME (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 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 in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000, 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 CORPORATE TRUSTEE OF CYTONN UMBRELLA 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 Trustee's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- 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 Kenyan Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000, we report to you, based on our audit, that in our opinion, the information given in the report of the trustee on pages 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.*



.....  
**For and on behalf of:**  
**Maingi Auka & Company LLP**  
**Certified Public Accountants**  
**P.O BOX 76172 – 00508**  
**Nairobi**



Date... *28th March,* ..... 2025

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**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

	Note	2024 Shs	2023 Shs
<b>Income from dealings with members</b>			
Contributions receivable	4	2,039,924	-
		<u>2,039,923</u>	<u>-</u>
<b>Outgoings from dealings with members</b>			
Benefits paid to withdrawing members	5	(174,464)	(8,474,393)
Net decrease from dealings with members		<u>1,865,460</u>	<u>(8,474,393)</u>
<b>Return on investments</b>			
Investment income	6(a)	5,413,747	5,556,026
Change in fair value of investments	6(b)	8,074,745	(5,532,751)
Return on investment		13,488,492	23,275
Investment management expenses	8(a)	(625,111)	(582,392)
Gross return on investment		<u>12,863,381</u>	<u>(559,117)</u>
<b>Expenditure</b>			
Administration expenses	8(b)	(1,441,689)	(768,408)
Tax expense on non-exempt fund	13	(288,085)	(406,915)
		<u>(1,729,774)</u>	<u>(1,175,323)</u>
Net return on investment		11,133,607	(1,734,440)
Net increase / (decrease) in net assets for the year		<u>12,999,067</u>	<u>(10,208,833)</u>
Net assets available for benefits at the start of the year		<u>47,789,355</u>	<u>57,998,188</u>
Net assets available for benefits at end of year		<u>60,788,422</u>	<u>47,789,355</u>

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

	Note	2024 Shs	2023 Shs
<b>Investments</b>			
Investments at fair value	7	39,182,287	32,532,701
Investments at amortized cost	7	6,149,243	1,819,422
Cytonn unit trust		3,166,464	3,042,860
Property- Alma Unit		11,800,000	-
		<u>60,297,994</u>	<u>37,394,983</u>
<b>Current assets</b>			
Cash at bank	11(a)	48,611	9,149
Contribution debtors	12	611,972	10,432,162
Tax recoverable	13	254,341	284,107
		<u>914,924</u>	<u>10,725,418</u>
<b>Current liabilities</b>			
Accounts payable	10	<u>424,496</u>	<u>331,046</u>
<b>Net current assets</b>		<u>490,428</u>	<u>10,394,372</u>
<b>Total net assets available for benefits</b>		<u><b>60,788,422</b></u>	<u><b>47,789,355</b></u>
<b>Financed by</b>			
Members fund		60,202,549	49,153,944
Revaluation reserve		585,873	(1,364,589)
		<u>60,788,422</u>	<u>47,789,355</u>

The financial statements on pages 11 to 26 were approved for issue by the Corporate Trustee on...

..... 27<sup>th</sup> March ..... 2025 and signed on their behalf by:



Trustee



Trustee

**CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME  
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**STATEMENT OF CHANGES IN MEMBERS' FUNDS**

	<b>Members Funds Shs</b>	<b>Revaluation Reserve Fund Shs</b>	<b>Totals Shs</b>
<b>Year ended 31 December 2024</b>			
At 1 January 2024	49,153,944	(1,364,589)	47,789,355
Contributions and transfers in	2,039,924	-	2,039,924
Withdrawal benefits payable	(174,464)	-	(174,464)
Net investment profit	11,133,607	-	11,133,607
Transfer to reserve	(1,950,462)	1,950,462	-
At 31 December 2024	<u>60,202,549</u>	<u>585,873</u>	<u>60,788,422</u>
<b>Year ended 31 December 2023</b>			
At 1 January 2023	57,998,188	-	57,998,188
Contributions and transfers in	-	-	-
Withdrawal benefits payable	(8,474,393)	-	(8,474,393)
Net investment loss	(1,734,440)	-	(1,734,440)
Transfer to reserve	1,364,589	(1,364,589)	-
At 31 December 2023	<u>49,153,944</u>	<u>(1,364,589)</u>	<u>47,789,355</u>

Revaluation reserve fund is created from the revaluation gains on treasury bonds (undistributable gains), in accordance with Legal Notice No. 21 of the Retirement Benefits (Occupational Retirement Benefits Schemes) (Amendment) Regulations, 2023. This Legal Notice requires unrealised gains or losses from treasury bonds to be excluded from distribution to members.

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**STATEMENT OF CASH FLOWS**

	Note	2024 Shs	2023 Shs
<b>Cash flows from operating activities</b>			
Contributions received		11,860,114	-
Benefits paid to seceding members	5	(174,464)	(8,474,393)
Administrative expenses paid		(1,295,838)	(534,022)
Other income-credit interest received	6(a)	-	245
Tax paid	13	(258,319)	(462,482)
RBA Levy Paid	9(b)	(95,629)	(115,996)
Net cash used from operations activities		<u>10,035,865</u>	<u>(9,586,648)</u>
<b>Cash flows from investing activities</b>			
Investment income received		2,282,843	4,166,607
Investment management expenses paid		(581,884)	(592,707)
Purchase of investment	7(a)	(3,617,093)	(1,027,122)
Purchase of Alma Properties		(11,800,000)	-
Sale of investments	7(a)	<u>3,719,732</u>	<u>2,872,701</u>
Net cash used in investing activities		<u>(9,996,402)</u>	<u>5,419,479</u>
Net decrease in cash and cash equivalents		<u>39,463</u>	<u>(4,167,169)</u>
<b>Movement in cash and cash equivalents</b>			
At the start of the year		9,149	4,176,318
Net decrease in cash and cash equivalents		<u>39,463</u>	<u>(4,167,169)</u>
Cash and cash equivalents at the end of the period	11(b)	<u>48,611</u>	<u>9,149</u>

## **ACCOUNTING POLICIES**

### **1. Material accounting policy information**

The accounting policy information considered material in the preparation of these financial statements is set out below:

#### **a) Basis of preparation**

The financial statements are prepared in accordance with and comply with IFRS Accounting Standards (IFRS) issued by the International Accounting Standards Board, the Kenyan Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarise the transactions of the scheme and deal with the net assets at the disposal of the trustees. They do not take account of obligations to pay benefits that fall due after the end of the year.

The financial statements are presented in Kenya Shillings (Shs), and are prepared under the historical cost convention, as modified by the carrying of investments at fair value.

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 scheme 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 scheme at the end of the reporting period during which the change occurred.

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**ACCOUNTING POLICIES (Continued)**

**b) New and revised standards**

**i. Adoption of new and revised IFRS standards in issue and effective for the year ended 31 December 2024**

The following Standards became effective for the first time in the financial year beginning 1st January 2024 and have been adopted by the Scheme.

- Amendments to IFRS 16 – Leases on sale and leaseback- These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of transaction.
- Amendments to IAS 1- Non-current liabilities with covenants;  
The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.
- Amendments to IAS 7 and IFRS 7 – Supplier finance;  
Requiring disclosures to enhance transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

None of the amendments have had a material impact on the Scheme's financial statements.

**ii. New and revised standards and interpretations which have been issued but are not yet effective for the year ended 31 December 2024**

The Scheme has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2024.

- Amendments to IAS 21 titled *Lack of Exchangeability* (issued in August 2023, effective 1 January 2025)
- IFRS 18 titled *Presentation and Disclosure in Financial Statements* (issued in April 2024, effective 1 January 2027)
- IFRS 19 titled *Subsidiaries without Public Accountability: Disclosures* (issued in May 2024, effective 1 January 2027)
- Amendments to IFRS 9 and IFRS 7 titled *Amendments to the Classification and Measurement of Financial Instruments* (issued in May 2024, effective 1 January 2026)
- Amendments to IFRS 10 and IAS 28 titled *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued in September 2014)

The Trustees have assessed the potential impact of the above and expect that they will not have a significant impact on the Scheme's financial statements.

**c) Contribution receivables 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

**ACCOUNTING POLICIES (Continued)**

**Contribution receivables and revenue recognition (Continued)**

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 Scheme's right to receive the payment is established.

**d) Benefits payable**

Benefits payable to seceding members are recognised as liabilities in the period in which they fall due

**e) Income from investments**

Dividend income is recognised when the right to receive the payment is established.

Interest income is recognised for all interest-bearing instruments on a time proportion basis using the effective interest method.

**f) Investments**

All purchases and sales of investments are recognised on the trade date, which is the date the scheme commits to purchase or sell the investment. The cost of purchase includes all transaction costs. Investments are subsequently carried at fair value. Changes in the fair value of investments are recognised in the Statement of Changes in Net Assets Available for Benefits.

**g) Transfers in or out**

Transfers are recognized 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.

**h) 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.

**ACCOUNTING POLICIES (Continued)**

**i) Contribution debtors and other accounts receivable**

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

**j) 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.

**k) 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.

**l) Reserves**

The trustees determine the proportion of the reserve account. Amount allocated to the account can only be written off or utilised in such a manner as may be fit by the trustees. Reserves are provided to caution fluctuation of withdrawals.

**m) Income tax expense**

The scheme is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority. However, income on contributions in excess of Shs 240,000 per member per annum is subject to income tax.

The tax charge for the year is calculated on the investment income less administrative and investment management expenses apportioned to the supplementary (taxable) scheme, which comprises the cumulative contributions in excess of the limits imposed by the Income Tax Act for tax exempt schemes, and income thereon.

The rate used for apportionment of expenses is calculated by taking the total of the opening fund value, contributions received during the year and benefits paid during the year of the supplementary scheme as a portion of the total opening fund value, contributions received during the year and benefits paid during the year.

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**ACCOUNTING POLICIES (Continued)**

**n) 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.

**o) Comparatives**

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

**2. Significant judgements and key sources of estimation and uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including exceptions of future events that are believed to be reasonable under the circumstances. There are no estimates or judgements made that give rise to a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

**3. Financial risk management objectives and policies**

The Scheme's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Scheme's overall risk management policies are set out by the fund managers and guidelines approved by the trustees, and focus on the unpredictability of changes in the financial markets and seek to minimise the potential adverse effects of such risks on its financial performance. The Scheme does not hedge against any risks.

**i) Credit risk**

Credit risk arises from investments other than equity investments, contributions receivable, cash at bank, and other receivables. The investment manager assesses the credit quality of each investment, taking into account its credit rating. Individual risk limits are set by the trustees.

The amount that best represents the Scheme's maximum exposure to credit risk at 31st December 2024 is made up as follows:

	2024 Shs	2023 Shs
Treasury bonds	25,493,687	23,600,546
Fixed and call deposits	6,149,243	1,819,422
Contribution debtors	611,972	10,432,162
Cash & bank balances	48,611	9,149
	<u>32,303,513</u>	<u>35,861,279</u>

**ACCOUNTING POLICIES (Continued)**

**ii) Liquidity risk**

The trustees ensure that the fund's obligations are met as they arise. The trustees ensure prudent management of liquidity by planning and budgeting for cash requirements during the year. The trustees ensure adequate funds are retained in liquid or near liquid forms to pay leavers within thirty days of leaving. The trustees direct the Investment Manager to invest surplus funds not needed immediately for payments.

**iii) Market risk**

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks: currency risk, interest rate risk and other price risk.

**Interest rate risk**

The fund's investments in variable rate deposits exposes it to cash flow interest rate risk, and its investments in fixed rate bonds expose it to fair value interest rate risk. The investment managers advise the trustees on the appropriate balance of the portfolio between equity, fixed rate interest, and variable rate interest investments. The fund has no interest-bearing liabilities.

At 31 December 2024, an increased/ decreased in interest rates of 1% with other variables held constant, would have resulted in an increased/ decreased in the net assets available for benefits by Shs 607,884 (2023: Shs 477,894), arising substantially from the change in market values.

**Currency risk**

Currency risk arises on financial instruments that are denominated in foreign currency. The investment managers advise the trustees on the appropriate limit of exposure to offshore investments.

At 31 December 2024, if the shilling weakened/strengthened by 10% (2023:10%) against the US dollar with other variables held constant, would have resulted in an increased/ decreased in the net assets available for benefits by Shs 6,078,842 (2023: Shs 4,778,935), arising substantially from the change in market values.

**Other price risk**

Marketable instruments held by the fund include Treasury Bonds, Offshore Investments, Corporate Bonds and Commercial Papers whose market prices are subject to change. The trustees review the portfolio, set exposure limits and respond to market price changes and conditions to secure both fair values and cash flow from such instruments.

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 1,274,684 (2023: Shs 1,180,027)

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<b>4 Contributions Receivable</b>	<b>2024</b>	<b>2023</b>
	<b>Shs</b>	<b>Shs</b>
Employee Contributions	1,019,962	-
Employer Contributions	1,019,962	-
	<u>2,039,924</u>	<u>-</u>
<b>5 Benefits paid to seceding members</b>		
Benefits paid	174,464	8,474,393
	<u>174,464</u>	<u>8,474,393</u>
<b>6(a) Investment income</b>		
<b>Realized income</b>		
Treasury bonds interest	3,398,918	3,237,304
Fixed and time deposits interest	464,953	197,058
Cytonn unit trust interest	504,608	405,233
Dividend income	782,000	1,077,566
Gain on sale of quoted equities	-	17,095
Interest income	-	245
Gain / (Loss) on sale of treasury bonds	80,268	(104,421)
Audit fee written off	-	5,800
Rent income	183,000	-
Interest on unremitted contributions	-	720,146
	<u>5,413,747</u>	<u>5,556,026</u>
<b>6(b) Change in fair value of investment</b>		
Revaluation gain / (Loss) on treasury bonds	1,950,462	(1,364,589)
Revaluation gain / (Loss) on quoted equity	4,756,445	(4,168,162)
Revaluation gain on Alma properties	1,367,838	-
	<u>8,074,745</u>	<u>(5,532,751)</u>
<b>Total income</b>	<u>13,488,492</u>	<u>23,275</u>

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

**7(a) RECONCILIATION OF NET INVESTMENTS**

<b>Year ended 31 December 2024</b>	<b>At 1/1/2024 Shs</b>	<b>Purchases at cost Shs</b>	<b>Sales proceeds Shs</b>	<b>Change in fair value</b>	<b>Accrued interest Shs</b>	<b>Value at 31/12/2024 Shs</b>
<b>At fair value</b>						
Quoted Equity	8,932,155	-	-	4,756,445	-	13,688,600
Treasury bonds	23,600,546	3,617,093	(3,719,732)	1,950,462	45,318	25,493,687
	<u>32,532,701</u>	<u>3,617,093</u>	<u>(3,719,732)</u>	<u>6,706,907</u>	<u>45,318</u>	<u>39,182,287</u>
<b>At amortized cost</b>						
Fixed and time deposits	1,819,422	9,177,000	(5,015,000)	-	167,821	6,149,243
	<u>1,819,422</u>	<u>9,177,000</u>	<u>(5,015,000)</u>	<u>-</u>	<u>167,821</u>	<u>6,149,243</u>
	<u>34,352,123</u>	<u>12,794,093</u>	<u>(8,734,732)</u>	<u>6,706,907</u>	<u>213,139</u>	<u>45,331,530</u>
<b>Year ended 31 December 2023</b>	<b>At 1/1/2023 Shs</b>	<b>Purchases at cost Shs</b>	<b>Sales proceeds Shs</b>	<b>Change in fair value Shs</b>	<b>Accrued interest Shs</b>	<b>Value at 31/12/2023 Shs</b>
<b>At fair value</b>						
Quoted equity	14,045,346	73,251	(1,018,280)	(4,168,162)		8,932,155
Treasury bonds	25,862,262	953,871	(1,854,421)	(1,364,589)	3423	23,600,546
	<u>39,907,608</u>	<u>1,027,122</u>	<u>(2,872,701)</u>	<u>(5,532,751)</u>	<u>3423</u>	<u>32,532,701</u>
<b>At amortized cost</b>						
Fixed and time deposits	4,107,689	3,725,000	(6,015,000)	-	1,733	1,819,422
	<u>4,107,689</u>	<u>3,725,000</u>	<u>(6,015,000)</u>	<u>-</u>	<u>1,733</u>	<u>1,819,422</u>
	<u>44,015,297</u>	<u>4,752,122</u>	<u>(8,887,701)</u>	<u>(5,532,751)</u>	<u>5,156</u>	<u>34,352,123</u>

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

**7(b) Investment analysis**

	Up to 3 months	4 to 12 months Shs	1 to 5 years Shs	Over 5 Years Shs	Total Shs
Treasury bonds	-	4,964,508	1,099,581	19,429,598	25,493,687
Fixed deposits	-	5,117,968	1,031,275	-	6,149,243
<b>Totals</b>	<b>-</b>	<b>10,082,476</b>	<b>2,130,856</b>	<b>19,429,598</b>	<b>31,642,930</b>

**7(c) Concentration of investments**

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

	2024 Shs	%	2023 Shs	%
Fixed and time deposits	6,149,243	10.12%	1,819,422	3.81%
Treasury bonds	25,493,687	41.94%	23,600,546	49.38%
Cytonn unit trust	3,166,464	5.21%	3,042,860	6.37%

The fair values of government securities are based on prices published by brokers (Level 1). Fair values of corporate bonds and term deposits are based on discounted cash flows using a discount rate based on current market rates offered for deposits with similar credit risk and maturity dates (Level 2).

	Level 1 Sh	Level 2 Sh	Level 3 Sh	Total Sh
<b>At 31st December 2024</b>				
Quoted equity in Kenya	13,688,600	-	-	13,688,600
Government bonds and bills	25,493,687	-	-	25,493,687
<b>Total</b>	<b>39,182,287</b>	<b>-</b>	<b>-</b>	<b>39,182,287</b>
<b>At 31st December 2023</b>				
Quoted equity in Kenya	8,932,155	-	-	8,932,155
Government bonds and bills	23,600,546	-	-	23,600,546
<b>Total</b>	<b>32,532,701</b>	<b>-</b>	<b>-</b>	<b>32,532,701</b>

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<b>8 Expenses</b>	<b>2024</b>	<b>2023</b>
	<b>Shs</b>	<b>Shs</b>
<b>(a) Investment management expenses</b>		
Management fees	568,632	487,061
Custodial fees	56,479	95,331
	<u>625,111</u>	<u>582,392</u>
<b>(b) Administrative expenses</b>		
Administration fees	136,225	101,238
Audit fees	23,200	23,200
Bank charges	12,880	15,535
Corporate trustee fees	152,246	139,572
RBA levy	121,788	94,338
Group life cover	441,847	384,108
Asset transfer fees	-	10,417
Property rates and related costs	553,503	-
	<u>1,441,689</u>	<u>768,408</u>
<b>9 RBA levy for the Scheme</b>		
<b>(a) The RBA levy is arrived at as follows:</b>		
<b>(Based on the size of the Scheme)</b>		<b>Annual levy rate</b>
		<b>%age of the</b>
		<b>Scheme</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%
RBA levy	<u>121,788</u>	<u>94,338</u>
<b>(b) RBA levy for the year b/f</b>	94,838	116,496
RBA levy for the year	121,788	94,338
RBA levy paid	<u>(95,629)</u>	<u>(115,996)</u>
RBA levy payable at the end of the year.	<u>120,997</u>	<u>94,838</u>
<b>10 Accounts payable</b>		
Investment management fees	182,010	114,704
Custody fees	15,018	39,096
Corporate trustee fees	43,894	34,800
Audit fees	23,200	23,200
Administration fees	39,377	24,408
Retirement Benefits Authority levy	120,997	94,838
	<u>424,496</u>	<u>331,046</u>

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	2024	2023
	Shs	Shs
<b>11 Cash and cash equivalent</b>		
<b>(a) Cash with the custodian</b>		
NCBA Bank Custody	48,611	9,149
	<u>48,611</u>	<u>9,149</u>
<b>(b) For the purpose of the cash flow statement, cash and cash equivalents comprise the following:</b>		
Cash with the custodian	48,611	9,149
Fixed and time deposits	-	-
	<u>48,611</u>	<u>9,149</u>
<b>12 Contribution debtors</b>		
Employee contributions	611,972	5,609,903
Employer contributions	-	4,822,259
	<u>611,972</u>	<u>10,432,162</u>

The contribution debtors are from one participating employer. The Corporate Trustee discussed with the employer (Cytonn Investment Plc), and the employer has committed to settle the receivable through transfer of an asset (property) to the scheme subject to the trustee conducting due diligence and seeking approval from the Regulator.

**13 Tax status of the Scheme**

Cytonn Umbrella Retirement Benefits Scheme has been approved by the Kenya Revenue Authority (KRA) and is exempt from income tax on its investment income.

The unregistered Scheme's investment income is taxable at the current prevailing rate of 30% while the registered Scheme is exempt from tax. In the current year, the tax on the unregistered portion of investment income was as shown below.

Tax charge for the year	<u>288,085</u>	<u>406,915</u>
Tax (recoverable) / payable at the beginning of the year	(284,107)	(228,540)
Tax charge for the year	288,085	406,915
Less: Tax paid during the year	<u>(258,319)</u>	<u>(462,482)</u>
Tax recoverable at the end of the year	<u>(254,341)</u>	<u>(284,107)</u>

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

**14 Related party transactions**

Related parties comprise the Trustees, the administrator, the participating companies, and Companies which are related to these parties through common shareholdings or common Directorship. With the exceptions of contributions receivable from the participating companies and the payment of fees to the administrator, there are no other transactions carried out with related parties during the year.

**15 Contingent liabilities**

Other than the liability to pay future benefits there were no contingent liabilities of the Scheme as at 31 December 2024.

**16 Events after the reporting date**

The Trustees are not aware of events after the reporting date that require disclosure in or adjustments to the financial statements as at the date of this report.

**17 Registration**

The Scheme is registered in Kenya under the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000. The registration number is (Scheme Ref. 02075 and Certificate No. 01668)

**18 Currency**

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