CIC JIPANGE PERSONAL PENSION PLAN

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

REGISTRATION NUMBER: 01784

CONTENTS

PLAN INFORMATION

CORPORATE TRUSTEE	: Octagon Pension Services Limited : 8th Floor, Westpark Suites, Ojijo Road Parklands : P.O. Box 10034, 00100 : NAIROBI
REGISTERED OFFICE	: CIC Plaza : Mara Road, Upperhill : P.O. Box 59485, 00200 : NAIROBI
INDEPENDENT AUDITOR	: PKF Kenya LLP : Certified Public Accountants : P.O. Box 14077, 00800 : NAIROBI
SCHEME ADMINISTRATOR	: CIC Life Assurance Limited : CIC Plaza : Mara Road : P.O. Box 59485, 00200 : NAIROBI
APPROVED ISSUER	: CIC Life Assurance Limited : CIC Plaza : Mara Road : P.O. Box 59485, 00200 : NAIROBI

REPORT OF DIRECTORS OF THE CORPORATE TRUSTEE

The director of the corporate trustees present annual their report together with the audited financial statements for the year ended 31 December 2023.

ESTABLISHMENT, NATURE AND STATUS OF THE PLAN

The plan was established, and is governed, by a trust deed dated 25 August 2008 and amended from time to time. It is a defined contribution fund and provides, under the rules of the plan, retirement benefits and other benefits for eligible individuals and other beneficiaries. It is an exempt approved plan, up to the statutory limit, under the Income Tax Act (Cap. 470) and is registered with the Retirement Benefits Authority.

PRINCIPAL ACTIVITY

The main purpose of the plan is the provision of pensions and other ancillary benefits to members upon their retirement at a specified age and relief to the dependants of deceased members as defined in the trust deed and rules.

CONTRIBUTIONS

As per the plan rules, each member has the discretion to choose the value of their contributions. A member's sponsor or employer may agree to make contributions to the plan for the member.

MEMBERSHIP

The following is the movement in the number of members in the plan:

	2023 Numbers	2022 Numbers
At start of year	11,737	10,337
Admission during the year	1,562	2,253
Leavers during the year	(406)	(853)
At end of year	12,893	11,737

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 10 shows an increase in net assets available for benefits for the year of Shs. 655,205,498 (2022: Shs. 487,777,882 and statement of net assets available for the benefits on page 11 shows plan's net assets of Shs. 4,042,225,130 (2022: Shs. 3,387,019,632).

INVESTMENT OF FUNDS

Under the terms of its appointment, CIC Life Assurance Company Limited is responsible for the investment of the funds. During the year, members' funds were invested in a deposit administration account and the net return declared and credited to members accounts at the rate of 10.75% (2022: 8%). The overall responsibility for the investment and performance of the plan funds lies with the directors of the corporate trustees.

The principal objective of the plans investment policy is to ensure the solvency of the fund over time and meet its benefits obligations as required. The total return objective is to achieve maximum investment income.

The plan’s investment strategy is to produce a long-term return which maximizes real growth while ensuring income generation and liquidity sufficient to meet benefits payments. The directors of the corporate trustee take reasonable care and the investment manager endeavours to ensure that the investments made are in the best interest of the members of the plan.

We confirm that there is no self-investment, nor have any plan assets been used as security or collateral on behalf of a member or any connected business or individual.

REPORT OF DIRECTORS OF THE CORPORATE TRUSTEE (CONTINUED)

CORPORATE TRUSTEE

The corporate trustees is appointed in accordance with the Retirement Benefits Act, 1997. The corporate trustee to the date of this report is shown on page 1.

STATEMENT AS TO DISCLOSURE TO THE PLAN'S AUDITOR

The directors of the corporate trustee at the time this report was approved confirms that, to the best of their knowledge and belief, the information furnished to the auditor for the purpose of audit is correct and complete in every respect.

INDEPENDENT AUDITOR

The plan's auditor, PKF Kenya LLP, has expressed willingness to continue in office in accordance with section 34(3) of the Retirement Benefits Act, 1997. The trustees monitor the effectiveness, objectivity and independence of the auditor. The trustees also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

BY THE ORDER OF THE DIRECTORS OF THE CORPORATE TRUSTEE

___________________________**DIRECTOR**

____________________2024

NAIROBI

STATEMENT OF DIRECTORS OF THE CORPORATE TRUSTEE RESPONSIBILITIES

The Retirement Benefits (Individual Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997 require the directors of the corporate trustee to prepare financial statements in a prescribed form for each financial year. The directors of the corporate trustee are also required to ensure that the plan 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 plan. The directors of the corporate trustee are also responsible for safeguarding the assets of the plan and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the corporate trustee accept 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 judgements that are reasonable in the circumstances.

The directors of the corporate trustee confirm that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits and cash flows for the year then ended in accordance with the International Financial Reporting Standard and the requirements of the Retirement Benefits Act, 1997.

Having made an assessment of the scheme's ability to continue as a going concern, the directors of the corporate trustee is not aware of any material uncertainties related to events or conditions that may cast doubt in the scheme's ability to continue as a going concern for at least the next twelve months from the date of this statement.

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

Approved by the board of directors of the corporate trustee on 29th March 2024 and signed on its behalf by:

DIRECTOR	**DIRECTOR**

PLAN GOVERNANCE DISCLOSURE STATEMENT

1. **Trustees in office**

Name of trustee	Age in years	Category	No. of meetings attended	TDPK Certified	Highest academic qualification	Member of other pension boards
(Corporate Trustee) Octagon Pension Services Limited	N/A	Independent	Five	Yes	N/A	Yes

2. **Trustees meetings**

The corporate trustee held four meetings of its governing body for the plan during the year ended 31 December 2023. The meetings were held on the dates set out below

(a) 1st quarter meeting held on 12 May 2023
(b) 2nd quarter meeting held on 11 August 2023
(c) 3rd quarter meeting held on 14 December 2023
(d) 4th quarter meeting held 08 February 2024

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

4. **Committee of the board**

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 plan's operations and governance under the broad headings of "Finance and 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 founder attend these meetings.

5. **Fiduciary responsibilty statement**

The corporate trustee is the governing body of the CIC Jipange Personal Pension Plan and is responsible for the corporate governance of the plan. The corporate trustee is responsible for ensuring that the administration of the plan is conducted in the best interests of the plan's members and the sponsor. To achieve this, the trustee embraces its fiduciary responsibility by:

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

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

6. **Responsible corporate citizenship**

The plan has participated in socially responsible investments and operations and has not been involved in any activity that may undermine the well-being of the sponsor, members or the community in which it operates.

PLAN GOVERNANCE DISCLOSURE STATEMENT (CONTINUED)

7. **Key outcomes**

The corporate trustee seeks to achieve the following:

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

8. **Annual general meeting**

The trustees held the annual general meeting for the year ended 31 December 2022 was held on the 28 July 2023 at which 1,589 members were present, making up 12% of plan members. The board adequately addressed the members' concerns.

9. **Members' sensitization**

The plan held a member sensitization session on 28 July 2023 where 1,589 members participated. During the sensitization activity, members were reminded of the Retirement Benefits Authority Whistle Blower portal to report any unusual occurrences in the management of plan affairs.

10. **Trustee remuneration policy**

During the year under review, the Corporate trustee was paid a gross sum of Shs. 5,901,749.

11. **Board of trustees' evaluation - [N/A – Corporate Trustee]**

12. **Independent auditor**

PKF Kenya LLP, have expressed their willingness to continue in office.

BY THE ORDER OF THE DIRECTORS OF THE CORPORATE TRUSTEE

______________________________**DIRECTOR**

______________________2024

NAIROBI

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CIC JIPANGE PERSONAL PENSION PLAN

Opinion

We have audited the financial statements of CIC Jipange Personal Pension Plan set out on pages 10 to 21, which comprise the statement of net assets available for benefits as at 31 December 2023, statement of changes in net assets available for benefits and the notes to the financial statements including a summary of material accounting poolicy information.

In our opinion, the accompanying financial statements give a true and fair view of CIC Jipange Personal Pension Plan net assets available for benefits as at 31 December 2023 and changes in net assets available for benefits for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for audit of the financial statements section of our report. We are independent of the plan in accordance with the International Ethics Standards Board for Accountants' code of Ethics for professional accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors of the corporate trustee are responsible for the other information. The other information comprises of the report of directors of the corporate trustee, statement of directors of the corporate trustee's responsibilities and the plan governance disclosure sttaement that form part of the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors of the corporate trustee for the financial statements

The directors of the corporate trustee are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997 and for such internal control as the directors of corporate trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CIC JIPANGE PERSONAL PENSION PLAN (CONTINUED)

Responsibilities of directors of the corporate trustee for the financial statements (continued)

In preparing the financial statements, the directors of the corporate trustee are responsible for assessing the plan's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the plan or to cease operations, or have no realistic alternative but to do so.

The directors of corporate trustee are responsible for overseeing the plan'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 International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to infuence the economic decions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 plan's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the corporate trustees.

- Conclude on the appropriateness of directors of the corporate trustee 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 plan 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 plan to cease to continue as a going concern.

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 fair presentation.

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

The engagement partner responsible for the audit resulting in this report the of the independent auditor is CPA Patrick Kuria, Practising certificate No. 2045.

For and on behalf of PKF Kenya LLP
Certified Public Accountants
Nairobi, Kenya

March 29, **2024**

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2023 Shs	2022 Shs
Dealings with members			
Contributions for the year	2 (a)	350,511,635	243,128,070
Transfers in	2 (b)	369,537,783	480,237,674
Transfer out	2 (c)	-	(41,888,799)
Pensions and benefits paid	2 (d)	(389,395,814)	(385,606,844)
Net increase from dealings with members		330,653,604	295,870,101
Return on plan investments			
Plan investments income	3	379,549,843	238,991,267
Administrative expenses	4	(25,079,378)	(29,816,119)
Net return on plan investments before tax		354,470,465	209,175,148
Tax charge	5	(29,918,571)	(17,267,367)
Net return on plan investments		324,551,894	191,907,781
Net increase in net assets for the year		655,205,498	487,777,882
Net assets available for benefits at start of year		3,382,850,275	2,895,072,393
Net assets available for benefits at end of year	6	4,038,055,773	3,382,850,275
Reserves	10	4,169,357	4,169,357
Net assets of the plan		4,042,225,130	3,387,019,632

The notes to the financial statements on pages 12 to 21 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

		As at 31 December	
		2023	2022
MEMBERS BALANCES AND RESERVES	**Notes**	**Shs**	**Shs**
Members' balances	6	4,038,055,773	3,382,850,275
Reserves	10	4,169,357	4,169,357
		4,042,225,130	3,387,019,632
REPRESENTED BY			
Non-current assets			
Plan investments	7	4,042,968,612	3,377,446,864
Current assets			
Receivable	8	20,193,372	14,821,534
Tax recoverable	5	-	1,599,429
		20,193,372	16,420,963
Current liabilities			
Payables	9	7,395,234	6,848,195
Tax payable	5	13,541,620	-
		20,936,854	6,848,195
Net current (liabilities)/assets		(743,482)	9,572,768
Net assets of the pension plan		4,042,225,130	3,387,019,632

The financial statements on pages 10 to 21 were approved and authorised for issue by the board of directors of the corporate trustee on 29th March 2024 and were signed on its behalf by:

________________________ **DIRECTOR** ________________________ **DIRECTOR**

The notes to the financial statements on pages 12 to 21 form an integral part of these financial statements.

Report of the independent auditor - pages 7 to 9

NOTES

1. **Material accounting policy information**

The accounting policy information considered material in the preparation of these financial statements is set out below. The accounting policy information has been consistently applied to all the years presented, unless otherwise stated.

These financial statements comply with the requirements of the Kenyan Retirement Benefits Act. The statement of changes in net assets available for benefits represents the statement of income and expenditure referred to in the Act. The statement of net assets available for benefits represents the statement of assets and liabilities referred to in the Act.

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS), Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Individual Retirement Benefit Schemes) Regulations, 2000. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the plan takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date.

Going concern

The financial performance of the plan is set out in the report of the corporate trustee and in the statement of changes in net assets available for benefits. The financial position of the plan is set out in the statement of net asset available for benefits. Disclosures in respect of of principal risks and uncertainities are included within the report of the corporate trustee and disclosure with respect to risk and fund management are set out in note 12 and 13.

Based on the financial performance and position of the plan and its risk management policies, the directors of the corporate trustee are of the opinion that the plan is well placed to continue in business for the forseable future and as a result the financial statements are prepared on a going concern basis.

New standards, amendments and interpretations adopted by the scheme

The scheme applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2023. The scheme has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies

The amendment provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policy information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendment has had an impact on the scheme's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the scheme's financial statements.

NOTES (CONTINUED)

1. **Material accounting policy information (continued)**

a) **Basis of preparation (continued)**

New standards, amendments and interpretations adopted by the scheme (continued)

Amendments to IAS 8 'Definition of Accounting Estimates'

The amendments introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates, changes in accounting policies and the correction of errors. They also clarify how entities use measurement techniques and inputs to develop accounting estimates.

This amendment had no impact on the financial statements of the scheme. The scheme intends to use the practical expedients in future periods if they become applicable.

New standards, amendments and interpretations issued but not effective

At the date of authorisation of these financial statements, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective for the year presented:

Amendments to IAS 1 'Classification of liabilities as current or non-current' and 'non-current liabilities with covenants' (issued in January 2020 and October 2022), effective for annual periods beginning or after 1 January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement for at least 12 months after the reporting date. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.

The scheme is currently assessing the impact the amendment will have on current practice and whether existing loan agreements may require renegotiation.

Except where indicated above, the directors of the corporate trustees do not expect that adoption of these standards and interpretations will have a material impact on the financial statements in future periods. The scheme plans to apply the changes above from their effective dates.

b) **Significant accounting judgements, estimates and assumptions**

In the application of the accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors of the corporate trustee have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- **Measurement of Expected Credit Losses (ECL) - contribution receivables**

  In recognising the expected credit losses on receivables, the plan has adopted the simplified approach. The plan has adopted the provision matrix to measure expected credit losses where by a default rate is applied on debtors depending on the number of days that a receivable is past due. The default rate is estimated based on the plan's historical default rate and reviewed and adjusted for forward looking information on a periodical basis.

NOTES (CONTINUED)

1. **Material accounting policy information (continued)**

c) **Plan investments income**

Income comprises the fair value of the consideration received or receivable in the ordinary course of business.

The plan recognises income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the plan and when the specific criteria have been met for each of the plan's activities as described below. The plan bases its estimates on historical results, type of transaction and specifics of each arrangement.

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

d) **Plan investments**

All plan investments are carried at fair value. For marketable securities, the fair value is the market value which is the most useful measure of the securities as at the report date and of the investment performance for the period.

Those securities that have a fixed redemption value and have been acquired to match the obligations of the plan, or specific parts thereof, are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity.

Plan investments have been carried at the ultimate redemption value. Any assets in operations of the plan are accounted for in accordance with the applicable standards

e) **Benefits and payments**

Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements, are accounted for in the period to which they relate. Where members can choose whether to take their benefits as a full pension or as a lump-sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised. Other benefits are accounted for on an accruals basis on the date of retirement or death, as appropriate. Refunds and opt-outs are accounted for when the directors of corporate trustee are notified of the member’s decision to leave the plan.

f) **Financial instruments**

Financial instruments are recognised when, and only when, the plan becomes party to the contractual provisions of the instrument.

Financial assets

Initial recognition and measurement

Purchases or sales of financial assets are recognised initially using the trade date accounting which is the date the group commits itself to the purchase or sale.

The plan classifies its financial assets into amortised cost; financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding. The carrying amount of these assets is adjusted by any expected credit loss allowance measured and recognised.

At initial recognition of a financial asset, the plan determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The plan reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period, the plan has not identified a change in its business models.

NOTES (CONTINUED)

1. **Material accounting policy information (continued)**

f) **Financial instruments (continued)**

Financial assets (continued)

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the plan has transferred substantially all risks and rewards of ownership, or when the plan has no reasonable expectations of recovering the asset.

Impairment

The plan recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost:

- Receivables

The loss allowance is measured at an amount equal to the lifetime expected credit losses for receivables.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting about past events, current conditions and forecasts of future economic conditions.

Presentation

All financial assets are classified as non-current except those with maturities of less than 12 months from the reporting date or those which management has the express intention of holding for less than 12 months from the reporting date, in which case they are classified as current assets.

Financial liabilities

Initial recognition and measurement

The scheme's financial liabilities are classified and measured at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

Presentation

All financial liabilities are classified as non-current except those expected to be settled in the scheme's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the scheme does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in statement of changes in net assets available for benefits.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of net assets available for benefits when there is a currently enforceable legal right to offset the amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

NOTES (CONTINUED)

1. **Material accounting policy information (continued)**

g) **Taxation**

The plan is exempt from Income Tax on its investment income under the Income Tax Act (Cap. 470) up to the statutory limit.

Value Added Tax (VAT)

The scheme is not registered for VAT obligation and therefore VAT incurred on purchase of services is recognised as part of the cost of acquisition of the asset or as part of the expense item.

h) **Contributions**

As per the rules of the plan, members contribute at their own pace and remit to the plan custodian.

i) **Cash and cash equivalents**

A statement of cash flows has not been prepared as the funds are being managed on a pooled basis by CIC Life Assurance Limited.

j) **Transfers from and to other schemes**

Transfer values represent the capital sums either receivable in respect of members from other schemes or payable to other schemes for members who have left the scheme. They are accounted for on an accruals basis on the date the directors of corporate trustee of the receiving scheme accept the liability to pay the related benefits.

k) **Reserves**

Under the previous scheme rules, before amendment of the Act to mandate 100% vesting of employers contributions, members leaving the scheme were entitled to receive their own contribution plus a portion of the employer's contribution corresponding to the vesting scale of the scheme. Any portion of the employer's contribution not payable to the exiting employee under this rule was retained by the scheme and may be used to:

(i) Set-off against the employer's contributions for the following year or,
(ii) Provide additional benefits to a member under exceptional circumstances or,
(iii) Meet expenses of the scheme.

l) **Comparatives**

There were no changes in presentation in the current year.

NOTES (CONTINUED)

2. **Dealings with members**

	2023	2022
(a) **Contributions for the year**	**Shs**	**Shs**
Employers - registered	97,709,215	89,321,213
Employers - unregistered	26,870,083	29,347,986
Members - registered	104,589,208	97,044,356
Members - unregistered	124,748,937	27,414,515
	350,511,635	243,128,070
(b) **Transfer in**		
Individual transfer from other funds	369,537,783	480,237,674
(c) **Transfer out**		
Individual transfer to other funds	-	41,888,799
(d) **Pensions and benefits paid**	389,395,814	385,606,844
Net increase from dealings with members	330,653,604	295,870,101

3. **Plan investments income**

Interest income	379,549,843	238,991,267

The plan investments income allocated to the registered and unregistered portions for taxation purposes, can be analysed as follows:

- registered	272,355,966	172,468,734
- unregistered	107,193,877	66,522,533
	379,549,843	238,991,267

4. **Administrative expenses**

Administration fees		
- current year	13,636,386	20,131,681
- overprovision in prior years	-	(1,498,052)
Retirement benefit authority levy:		
- current year	4,616,399	4,137,020
Audit fees:		
- current year	767,140	699,480
- underprovision in prior years	132,704	58,000
Corporate trustee fees	5,901,749	6,287,990
Subscription	25,000	-
	25,079,378	29,816,119

NOTES (CONTINUED)

5. **Tax**

	2023 Shs	2022 Shs
	29,918,571	17,267,367

Tax charge - unregistered

Tax is charged on plan investments income earned from the unregistered pool at the rate of 30% (2022: 30%) net of related expenses.

	2023 Shs	2022 Shs
Total plan investments income	379,549,843	238,991,267
Less: income relating to portion within allowable limits	(272,355,966)	(172,468,734)
Less: expenses	(7,465,306)	(8,964,644)
Taxable income	99,728,571	57,557,890
Tax thereon at 30% (2022: 30%)	29,918,571	17,267,367

Tax payable/(recoverable)

	2023 Shs	2022 Shs
At start of year	(1,599,429)	4,734,966
Charge for the year	29,918,571	17,267,367
Paid in the year	(14,777,522)	(23,601,762)
At end of year	13,541,620	(1,599,429)

6. **Members' balances**

The movement in the members' balances is as follows:

	Registered		Unregistered			
	Employer Shs	Employee Shs	Employer Shs	Employee Shs	2023 Shs	2022 Shs
At start of year	1,378,454,975	1,004,702,157	392,628,134	607,065,009	3,382,850,275	2,895,072,393
Contributions (Note 2 (a))	97,709,215	104,589,208	26,870,083	124,748,937	350,511,635	243,128,070
Transfers in (Note 2 (b))	119,037,455	120,880,998	99,849,982	29,769,348	369,537,783	480,237,674
Transfers out (Note 2 (c))	-	-	-	-	-	(41,888,799)
Pensions and benefits paid (Note 2 (d))	(123,960,749)	(90,905,294)	(72,560,271)	(101,969,500)	(389,395,814)	(385,606,844)
Plan investments income (Note 3)	153,024,895	119,331,070	40,690,114	66,503,763	379,549,843	238,991,267
Administrative expenses (Note 4)	(9,936,116)	(7,694,111)	(3,017,410)	(4,454,743)	(25,079,378)	(29,816,119)
Tax (Note 5)	-	-	(15,185,130)	(14,733,441)	(29,918,571)	(17,267,367)
At end of year	1,614,329,675	1,250,904,028	469,275,502	706,929,373	4,038,055,773	3,382,850,275

7. **Plan investments**	**2023 Shs**	**2022 Shs**
Managed funds	4,042,968,612	3,377,446,864

The plan investments comprise of managed funds invested with CIC Life Assurance Company Limited. Interest is credited to members at rates declared by the insurance company.

The plan investments are carried at the ultimate redemption value. The plan has a minimum guarantee rate of 5%.

8. **Receivables**	**2023 Shs**	**2022 Shs**
Contributions receivable	20,193,372	14,821,534

The above contributions were outstanding for less than thirty days.

In the opinion of the directors of corporate trustee, the carrying amounts of receivables approximate to their fair value. The carrying amounts of receivables of plan are denominated in Kenya Shilling (Shs).

9. **Payables**	**2023 Shs**	**2022 Shs**
Corporate trustee fees	1,343,076	1,343,076
Administration fees	668,619	668,619
Audit fees	767,140	699,480
Retirement benefit authority levy payable	4,616,399	4,137,020
Total other payables	7,395,234	6,848,195

In the opinion of the directors of the corporate trustee, the carrying amounts of other payables approximate to their fair value. The carrying amounts of the other payables of scheme are denominated in Kenya Shilling (Shs).

Other payables of the scheme are payable between three to twelve months.

10. **Reserves**

The directors of the corporate trustee has the discretion to decide on usage of the reserves so long as the use is not contravening any existing law.

	2023 Shs	**2022 Shs**
At start and end of year	4,169,357	4,169,357

Reserves arise as a result of forfeitures. According to the trust deed, this amount will be retained by the trustees and shall be applied to pay any expenses incurred by them in the carrying out of the trust duties or otherwise in accordance with the law.

11. **Tax status of the fund**

The CIC Jipange personal pension plan has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income up to the statutory limit. Any income arising on contributions in excess of the statutory limit is charged income tax at the statutory tax rate.

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

The plan's activities expose it to a variety of financial risks: market risk (including interest rate risk), credit risk and liquidity risk.

The plan's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the plan's financial performance.

NOTES (CONTINUED)

12. **Financial risk management objectives and policies (continued)**

Risk management is carried out by the directors of corporate trustee in close collaboration with the investment managers, under policies stipulated in the trust deed. The corporate trustee and investment managers identify, evaluate and hedge financial risks.

i) **Market risk**

- Interest rate risk

During the year 31 December 2023, if interest rates at that date had been 100 basis point higher with all other variables held constant, gain for the year would have been Shs. 32,315,505 (2022: Shs. 21,903,451) higher arising mainly as a result of increase in the plan investments.

ii) **Credit risk**

Credit risk arises from contributions receivable.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

In assessing whether the credit risk on a financial asset has increased significantly, the directors of corporate trustee compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the fund considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

For these purpose default is defined as having occurred if the sponsor is in breach of contractual obligations, or if information is available internally or externally that suggests that the sponsor unlikely to be able to meet its obligations. However, there is a rebuttable assumption that that default does not occur later than when a financial asset is 90 days past due.

If the directors of the corporate trustee do not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis. For such purposes, the fund groups financial assets on the basis of shared credit risk characteristics, such as:

- type of instrument;
- industry in which the sponsor operates; and

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired include observable data about the the following events:

- significant financial difficulty of the sponsor
- a breach of contract
- it is probable that the sponsor will enter bankruptcy

The gross carrying amount of financial assets with exposure to credit risk at the statement of net assets available for benefits date was as follows:

	2023 Shs	2022 Shs
Contributions receivable	20,193,372	14,821,534
Loss allowance	-	-
Exposure to credit risk	20,193,372	14,821,534

There was no loss allowance made during the year as the amount was not material.

12. **Financial risk management objectives and policies (continued)**

iii) **Liquidity risk**

Liquidity risk is the risk that the plan will encounter difficulty in meeting obligations associated with financial liabilities.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The plan is not exposed to liquidity risk as it maintains adequate amounts of cash and cash equivalents to pay off liabilities as they fall due.

Note 9 disclose the maturity analysis of payables.

The undiscounted maturity analysis of payables is not materially different from the disclosure on Note 9.

13. **Fund management**

The plan's objectives when managing fund are:

- to comply with the Retirement Benefits (individual Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997.
- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for members and benefits for other stakeholders.

The Retirement Benefits Act, 1997 requires the plan's directors of the corporate trustees to invest members' funds using prudent investment policies that shall get the members better market rates on their investments. This requirement has been complied with.

The plan sets the amount of fund in proportion to risk. The plan manages the fund structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Fund comprises members' balances and reserves funds. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

15. **Related party transactions and balances**

The following transactions were carried out with related parties:

	2023 Shs	**2022 Shs**
Sponsor contributions	124,579,298	118,669,199
Corporate trustees fees	5,901,749	6,287,990

16. **Registration**

The plan is registered in Kenya under the Trustees (Perpetual Succession Act Cap. 164) and the Retirement Benefits Authority.

17. **Presentation currency**

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