

CIC UMBRELLA RETIREMENT BENEFITS SCHEME
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023
REGISTRATION NUMBER: 01545

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SCHEME INFORMATION

CORPORATE TRUSTEE : Kingsland Court Trustee Services Limited
: Flamingo Towers, Upperhill
: P.O. Box 10285, 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 directors of the corporate trustee presents annual report together with the audited financial statements for the year ended 31 December 2023.

ESTABLISHMENT, NATURE AND STATUS OF THE BENEFITS SCHEME

The scheme was established, and is governed, by a trust deed dated 01 September 2014 and amended from time to time. It is a defined contribution scheme and provides, under the rules of the scheme, retirement benefits and other benefits for eligible individuals and other beneficiaries. It is an exempt approved scheme, 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 scheme 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 scheme rules, each adhering employer has the discretion to choose the rates of contributions applicable to themselves and their employees. Members may elect to make additional voluntary contributions.

MEMBERSHIP

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

	2023	2022
	Numbers	Numbers
At start of year	3,173	2,565
Admission during the year	3,334	555
Deferred during the year	124	246
Leavers during the year	(49)	(193)
At end of year	<u>6,582</u>	<u>3,173</u>

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 10 shows an increase in the net assets of the scheme for the year of Shs. 825,583,984 (2022: Shs. 255,086,376) and statement of net assets available for the benefits on page 11 shows scheme's net assets of Shs. 1,651,967,892 (2022: Shs. 826,383,908).

INVESTMENT OF FUNDS

Under the terms of their appointment, Jubilee CIC Life Assurance Company Limited are responsible for the investment of the scheme. During the year, members' funds were invested with CIC Life Assurance Company Limited in a deposit administration account and the net interest was declared and credited to members account at the rate of 10.75% (2022: 8%). The overall responsibility for the investment and performance of scheme funds lies with the directors of the corporate trustee.

The principal objective of the schemes 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.

REPORT OF DIRECTORS OF THE CORPORATE TRUSTEE (CONTINUED)

TERMS OF APPOINTMENT OF THE AUDITOR

INVESTMENT OF FUNDS (CONTINUED)

The scheme'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 scheme.

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

CORPORATE TRUSTEE

The corporate trustee 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 SCHEME'S AUDITOR

Each director 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 the audit is correct and complete in every aspect.

INDEPENDENT AUDITOR

The scheme'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 directors of the corporate trustee 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 DIRECTORS OF THE CORPORATE TRUSTEE



DIRECTOR

28 March 2024

NAIROBI

STATEMENT OF DIRECTORS OF THE CORPORATE TRUSTEE RESPONSIBILITIES

The Retirement Benefits (Umbrella Retirement Benefits Schemes) Regulations, 2017 made under Retirement Benefits Act, 1997 require the director of the corporate trustee to prepare financial statements in a prescribed form for each financial year. They also require the director of the corporate 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. The directors of the corporate trustee is also responsible for safeguarding the assets of the scheme 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 are 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 directors of the corporate trustee on 28 March 2024 and signed on its behalf by:



DIRECTOR



DIRECTOR

SCHEME 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) Kingsland Court Trustee Services Limited	N/A	Independent	Five	Yes	N/A	Yes

2. Trustees meetings

The corporate trustee held four meetings during the year ended 31 December 2023. The meetings were held on the dates set out hereunder:

- (a) 1st quarter meeting held on 10 February 2023
- (b) 2nd quarter meeting held on 13 May 2023
- (c) 3rd quarter meeting held on 11 August 2023
- (d) 4th quarter meeting held 10 November 2023

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 "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 responsibility statement

The corporate trustee is the governing body of the CIC Umbrella Retirement Benefits Scheme and is responsible for the corporate governance of the scheme. The corporate 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 using 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

SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONTINUED)

6. Responsible corporate citizenship

The scheme is 100% invested in a guaranteed fund 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.

7. Key outcomes

The corporate 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

The corporate trustee held the annual general meeting on the 28 July 2023 virtually. In total 370 members were present, making up 18% of scheme members. The board adequately addressed the members' concerns.

9. Members' sensitization

No formal scheduled member sensitization meetings were held. However, the founder's relationship teams did visit a number of contributing employers during the year and conduct member education and sensitization. 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 corporate trustee was remunerated in accordance with the contract between the corporate trustee, Kingsland Court Trustee Services Limited and the Founder, CIC Life Assurance Company (Kenya) Limited

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

12. Independent auditor

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



Chairman
For the board of directors of corporate trustee

28 March 2024



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CIC UMBRELLA RETIREMENT BENEFITS SCHEME**

Opinion

We have audited the financial statements of CIC Umbrella Retirement benefits scheme 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 policy information.

In our opinion, the accompanying financial statements give a true and fair view of CIC Umbrella Retirement benefits scheme 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 scheme 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 the report of the directors of the corporate trustee, statement of the directors of the corporate trustees' responsibilities and the scheme governance disclosure statement 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.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CIC UMBRELLA RETIREMENT BENEFITS SCHEME (CONTINUED)**

Responsibilities of the 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 the corporate trustees determine is 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 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 directors of the corporate trustee either intend to liquidate the plan or to cease operations, or have no realistic alternative but to do so.

The directors of the corporate trustee 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 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 influence the economic decisions 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 scheme'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 trustee .
- Conclude on the appropriateness of directors 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.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF CIC 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 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 of the independent auditor is CPA Patrick Kuria, Practicing certificate No. 2045

A handwritten signature in blue ink, appearing to read "Patrick Kuria", written over a horizontal line.

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

March 28, 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)	470,733,673	147,804,412
Transfer in	2 (b)	369,537,784	90,268,577
Transfers out	2 (c)	-	(2,685,516)
Pensions and benefits paid	2 (d)	<u>(97,330,555)</u>	<u>(19,342,796)</u>
Net increase from dealings with members		<u>742,940,902</u>	<u>216,044,677</u>
Return on plan investments income			
Plan investments income	3	96,258,967	52,358,317
Administrative expenses	4	<u>(8,162,453)</u>	<u>(10,528,031)</u>
Net return on plan investments before tax		88,096,514	41,830,286
Tax charge	5	<u>(5,453,432)</u>	<u>(2,788,587)</u>
Net return on plan investments		<u>82,643,082</u>	<u>39,041,699</u>
Increase in net assets available for benefits		825,583,984	255,086,376
Net assets available for benefits at start of year		<u>826,383,908</u>	<u>571,297,532</u>
Net assets available for benefits at end of year	6	<u><u>1,651,967,892</u></u>	<u><u>826,383,908</u></u>

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

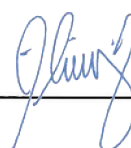
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

MEMBERS BALANCES AND RESERVE	Notes	As at 31 December	
		2023 Shs	2022 Shs
Members' balances	6	<u>1,651,967,892</u>	<u>826,383,908</u>
REPRESENTED BY			
Non-current assets			
Plan investments	7	<u>1,591,123,698</u>	<u>815,839,074</u>
Current assets			
Receivable	8	67,474,369	11,687,644
Tax recoverable	5	<u>-</u>	<u>1,340,093</u>
		<u>67,474,369</u>	<u>13,027,737</u>
Current liabilities			
Other payables	9	5,007,030	2,482,903
Tax payable	5	<u>1,623,145</u>	<u>-</u>
		<u>6,630,175</u>	<u>2,482,903</u>
Net current assets		<u>60,844,194</u>	<u>10,544,834</u>
		<u>1,651,967,892</u>	<u>826,383,908</u>

The financial statements on pages 10 to 21 were approved and authorised for issue by the board of directors of the corporate trustees on 28 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 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, Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Umbrella Retirement Benefits Schemes) Regulations, 2017. 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 scheme 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 scheme 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 scheme is set out in the statement of net assets available for benefits. Disclosures in respect of risk and fund management are set out in note 11 and 12 respectively.

Based on the financial performance and position of the scheme and its risk management policies, the directors of the corporate trustee are of the opinion that the scheme is well placed to continue in business for the foreseeable 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.

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 estimates and judgements

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 scheme has adopted the simplified approach. The scheme 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 scheme's historical default rate and reviewed and adjusted for forward looking information on a periodical basis.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

b) Significant accounting estimates and judgements (continued)

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The scheme's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The carrying amount of receivables is disclosed in note 8.

c) Plan investments income

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

The scheme recognises income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the scheme and when the specific criteria have been met for each of the scheme's activities as described below. The scheme 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) Contributions

As per the rule of the scheme, members contribute at their own pace and remit to the scheme custodian

e) 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 scheme, 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 scheme are accounted for in accordance with the applicable standards

f) 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.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

g) 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 scheme.

h) Financial instruments

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

Financial assets

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

The scheme classifies its financial assets that are not classified as plan investments into financial assets at 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 scheme 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 scheme 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 scheme has not identified a change in its business models.

Derecognition/write off

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

Impairment

The scheme 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.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

h) Financial instruments (continued)

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.

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 Company Limited.

j) Taxation

The Scheme 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 fund is not registered for VAT obligation and therefore VAT incurred on purchase of services is recognised as part of the expense item.

k) Comparatives

There were no changes in presentation in the current year.

NOTES (CONTINUED)

2. Dealings with members

	2023	2022
	Shs	Shs
(a) Contributions for the year		
Employers - registered	227,531,414	45,867,148
Employers - unregistered	50,361,812	34,005,121
Members - registered	188,646,300	61,601,508
Members - unregistered	4,194,146	6,330,636
	<u>470,733,673</u>	<u>147,804,412</u>
(b) Transfers in		
Individual transfers in from other schemes	<u>369,537,784</u>	<u>90,268,577</u>
(c) Transfers out		
Individual transfer to other funds	<u>-</u>	<u>2,685,516</u>
(d) Pensions and benefits paid out	<u>97,330,555</u>	<u>19,342,796</u>
Net increase from dealings with members	<u><u>742,940,902</u></u>	<u><u>216,044,677</u></u>

3. Plan investments income

Interest income:		
- Pooled fund	<u>96,258,967</u>	<u>52,358,317</u>

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

- registered	76,448,648	41,147,632
- unregistered	<u>19,810,320</u>	<u>11,210,685</u>
	<u>96,258,967</u>	<u>52,358,317</u>

4. Administrative expenses

Administration fees	3,762,531	7,424,240
Retirement benefit authority levy	2,401,970	1,575,369
Audit fees:		
- current year	341,330	299,860
- underprovision in prior years	30,160	34,800
Corporate fees	<u>1,626,462</u>	<u>1,193,762</u>
	<u>8,162,453</u>	<u>10,528,031</u>

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NOTES (CONTINUED)

	2023 Shs	2022 Shs
5. Tax		
Tax charge - unregistered portion	5,453,432	2,788,587
Tax is charged on plan investments income earned from the unregistered portion at the rate of 30% (2022: 30%) net of related expenses.		
Total plan investments income	96,258,967	52,358,317
Less: income relating to portion within allowable limits	(76,448,648)	(41,147,632)
Less: expenses	(1,632,211)	(1,915,395)
Taxable income	18,178,108	9,295,290
Tax charge	5,453,432	2,788,587
Tax (recoverable)/payable		
At start of year	(1,340,093)	1,317,148
Charge for the year	5,453,432	2,788,587
Paid in the year	(2,490,204)	(5,445,828)
At end of year	1,623,135	(1,340,093)

6. Members' balances

The movement in the members' balances is as follows:

	Registered		Unregistered		2023 Shs	2022 Shs
	Employer Shs	Employee Shs	Employer Shs	Employee Shs		
At start of year	344,599,365	315,439,864	130,061,046	36,283,633	826,383,908	571,297,532
Contributions (Note 2 (a))	227,531,414	188,646,300	50,361,812	4,194,146	470,733,673	147,804,412
Transfers in (Note 2 (b))	119,037,455	120,880,998	99,849,982	29,769,348	369,537,784	90,268,577
Transfers out (Note 2 (c))	-	-	-	-	-	(2,685,516)
Pensions and benefits paid (Note 2 (d))	(25,474,494)	(35,147,342)	(35,428,313)	(1,280,405)	(97,330,555)	(19,342,796)
Plan investment income (Note 3)	39,515,734	36,932,914	17,260,925	2,549,395	96,258,967	52,358,317
Administrative expenses (Note 4)	(3,462,441)	(3,067,801)	(1,273,498)	(358,713)	(8,162,453)	(10,528,031)
Tax (Note 5)	-	-	(4,254,924)	(1,198,508)	(5,453,432)	(2,788,587)
At end of year	701,747,034	623,684,932	256,577,030	69,958,896	1,651,967,892	826,383,908

NOTES (CONTINUED)

	2023	2022
	Shs	Shs
7. Plan investments		
Managed funds	<u>1,591,123,698</u>	<u>815,839,074</u>

Plan investments comprise 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%.

The carrying amounts of the managed funds of scheme are denominated in Kenya Shilling (Shs).

	2023	2022
	Shs	Shs
8. Receivable		
Contributions due	<u>67,474,369</u>	<u>11,687,644</u>

The above contributions were outstanding for less than thirty days.

In the opinion of the trustees, the carrying amounts of contributions receivable approximate to their fair value.

The carrying amounts of receivables of fund are denominated in Kenya Shilling (Shs).

	2023	2022
	Shs	Shs
9. Other payables		
Corporate trustee fees	784,437	354,842
Administration fees	1,479,293	338,625
Audit fees	341,330	299,860
Retirement benefit authority levy payable	<u>2,401,970</u>	<u>1,489,576</u>
Total other payables	<u>5,007,030</u>	<u>2,482,903</u>

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 scheme's other payable are denominated in Kenya Shillings.

Other payables are due to within 3 to 12 months.

10. Tax status of the fund

The CIC Umbrella Retirement Benefits Scheme 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.

11. Financial risk management objectives and policies

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

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

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

NOTES (CONTINUED)

11 Financial risk management objectives and policies (continued)

i) Market risk

- Interest rate risk

During the period 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. 11,289,484 (2022: Shs. 6,124,389) 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 scheme 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 scheme 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 trustees 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 scheme groups financial assets on the basis of shared credit risk characteristics, such as:

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

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 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	67,474,369	11,687,644
Loss allowance	-	-
Exposure to credit risk	<u>67,474,369</u>	<u>11,687,644</u>

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

iii) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the approved issuer on the amount to be invested in assets that can be easily liquidated.

Note 9 disclose the maturity analysis of other payables.

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

NOTES (CONTINUED)

12. Fund management

The scheme's objectives when managing the fund are:

- to comply with the (Umbrella Retirement Benefits Schemes) Regulations, 2017 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 scheme's 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 scheme sets the amount of fund in proportion to risk. The scheme 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 unvested funds. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

13. Related party transactions and balances

The following transactions were carried out with related parties:

	2023	2022
	Shs	Shs
Sponsor contributions	<u>277,893,226</u>	<u>79,872,269</u>
Corporate trustees fees	<u>1,626,462</u>	<u>1,193,762</u>

14. Registration

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

15. Presentation currency

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