

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

MACO
MAINGĪ AUKA & COMPANY LLP
CERTIFIED PUBLIC ACCOUNTANTS OF KENYA

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

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CORPORATE TRUSTEE, PROFESSIONAL ADVISERS AND OTHER INFORMATION

Trustee

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

Administrator

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

Investment manager

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

Custodian

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

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

Independent auditor

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

Registered office

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

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REPORT OF THE TRUSTEE

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

Establishment, nature, and status of the Scheme

The Scheme was established and is governed, by a Trust Deed dated 28 May 2019. It is a defined contribution Scheme and provides, under the rules of the Scheme, retirement benefits for the members on retirement at a specified age and the relief for certain of the dependants of members who die while in membership of the Scheme. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority.

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

Membership

	Active	Deferred	2023 Total	2022 Total
At the start of the year	167	95	262	278
Joiners	-	7	7	5
Leavers	(10)	(1)	(11)	(21)
Adjustment	(7)	-	(7)	-
At end of year	<u>150</u>	<u>101</u>	<u>251</u>	<u>262</u>

Financial review

The statement of changes in net assets on page 11 shows a decrease in net assets of the Scheme for the year of Shs. **10,208,833** (2022: decrease Shs. **8,667,655**) and the statement of net assets available for benefits on page 12 shows the Scheme's net assets as Shs. **47,789,355** (2022: Shs. **57,998,188**)

The gross loss on investments as shown on the statement of changes in net assets on page 11 was Shs. **559,117** (2022: Increase of Shs. **1,307,268**) and the net loss on investment was Shs. **1,734,440** (2022: Decrease of Shs. **152,689**). This translates to a gross loss of **3.49%** (2022: **3.45%**) and **2.28%** (2022: **0.26%**).

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REPORT OF THE TRUSTEE (continued)

Investment of members' Funds

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

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

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

	Value as at 31/12/2023	% of portfolio %	Value as at 31/12/2022	% of portfolio %	% RBA limits %
Treasury bonds	23,600,546	63.10	25,862,262	53.40	90.00
Quoted equities	8,932,155	23.88	14,045,346	29.00	70.00
Fixed deposits	1,819,422	4.86	4,107,689	8.48	30.00
Cytonn unit trust	3,042,860	8.14	4,350,472	8.98	20.00
Cash at bank	9,149	0.02	68,629	0.14	5.00
	<u>37,404,132</u>	<u>100.00</u>	<u>48,434,398</u>	<u>100.00</u>	

Investment policy statement (Fund management)

The primary investment objectives of the Scheme are as follows:

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

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

Trustee

The Corporate Trustee is appointed in accordance with the requirements of the Retirement Benefits Act, Cap 197 and the Scheme's trust deed and rules. The current Trustee of the Scheme is listed on page 1.

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REPORT OF THE TRUSTEE (continued)

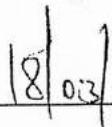
Auditors

The auditors, Maingi Auka & Company LLP, have expressed their willingness to continue in office in accordance with Section 34 (3) of the Retirement Benefits Act, Cap 197 and subject to Scheme's Trust Deed and Rules. The Corporate trustee monitor the effectiveness, objectivity, and independence of the auditor. They also approve the annual audit engagement, which sets out the auditors' appointment and related fees.

For the Corporate Trustee,



Trustee



2024

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SCHEME GOVERNANCE DISCLOSURE STATEMENT

1. Trustees in office

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

2. Dates of Trustee Board Meetings

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

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

- a) 27 April 2023-BOT Q1
- b) 4 August 2023-BOT Q2
- c) 10 November 2023-BOT Q3
- d) 28 September 2023-AGM Meeting

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

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

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

5. Fiduciary responsibility statement

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

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

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

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SCHEME GOVERNANCE DISCLOSURE STATEMENT(Continued)

6. Responsible corporate citizenship

The Scheme is 100% invested in a segregated fund and in the opinion of the Trustee, the Scheme has not been involved in any activity that may undermine the well-being of the Sponsor, members, or the community in which it operates.

7. Key outcomes

The Trustee seeks to achieve the following:

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

8. Annual general meeting (AGM)

The Trustees held the annual general meeting for the year 2023 on the 28 September 2023 virtually. In total 40 members were present out of 251 members, making up 15.94% of schemes' representation. The board adequately addressed the members' concerns.

9. Members' sensitization

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

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

10. Trustee remuneration policy

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

Signed

(Chairperson)

Dated... 12/03/2024

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STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Retirement Benefits Act, Cap 197 requires the Trustee to prepare financial statements in a prescribed form for each financial year. It also requires the Trustee to ensure that the Scheme keeps proper accounting records of its income, expenditure, liabilities, and assets and that contributions are remitted to the custodian in accordance with the rules of the Scheme and the Kenya Retirement Benefits Act, Cap 197.

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

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and board events that are reasonable in the circumstances in conformity with International Financial Reporting Standards and the Retirement Benefits Act, Cap 197.

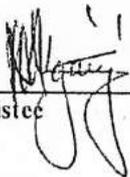
The Corporate Trustee is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Scheme as at 31 December 2023 and of the disposition at that date of its assets and liabilities, in accordance with International Financial Reporting Standards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

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

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

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

The statement was approved by the Corporate Trustee on...18/03.....2024 and signed on its behalf by:



Trustee

REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME

Opinion

We have audited the accompanying financial statements of Cytonn Umbrella Retirement Benefits Scheme set out on pages 11 to 28, which comprise the statement of net assets available for benefits as at 31 December 2023, the statement of changes in net assets available for benefits, the statement of members' accumulated funds and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Scheme during the year ended 31 December 2023 and of the changes in net assets available for benefits and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, cap 197.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), together with other ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The Corporate Trustee is responsible for the other information which comprises the report of the Trustee as required by the Retirement Benefits Act, cap 197. The other information does not include the financial statements and our auditor's report thereon.

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

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

***REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF
CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME (Continued)***

Key audit matters

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

Responsibilities of Trustee for the financial statements

The Corporate Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, Cap 197 and for such internal controls as the Corporate Trustee determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Corporate Trustee is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Corporate Trustee either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Scheme's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Corporate Trustee.

**REPORT OF THE INDEPENDENT AUDITORS TO THE CORPORATE TRUSTEE OF
CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME (Continued)**

Auditor's responsibilities for the audit of the financial statements (continued)

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

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

Report on other legal requirements

As required by the Kenyan Retirement Benefits Act, Cap 197 we report to you, based on our audit, that in our opinion, the information given in the report of the trustee on pages 2 to 4 is consistent with the financial statements.

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


For and on behalf of:



Date..... 26th March, 2024

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Note	2023 Shs	2022 Shs
Income from dealings with members			
Contributions receivable	5	-	-
Transfer in	5	-	48,832
		<u>-</u>	<u>48,832</u>
Outgoings from dealings with members			
Benefits paid to withdrawing members	6	<u>(8,474,393)</u>	<u>(8,563,798)</u>
Net decrease from dealings with members		<u>(8,474,393)</u>	<u>(8,514,966)</u>
Return on investments			
Investment income	7(a)	5,556,026	4,939,904
Change in fair value of investments	7(b)	<u>(5,532,751)</u>	<u>(2,937,218)</u>
Return on investment		23,275	2,002,686
Investment management expenses	9(a)	<u>(582,392)</u>	<u>(695,418)</u>
Gross return on investment		<u>(559,117)</u>	<u>1,307,268</u>
Expenditure			
Administration expenses	9(b)	(768,408)	(917,952)
Tax expense on non-exempt fund	14	<u>(406,915)</u>	<u>(542,005)</u>
		<u>(1,175,323)</u>	<u>(1,459,957)</u>
Net return on investment		(1,734,440)	(152,689)
Net decrease in net assets for the year		<u>(10,208,833)</u>	<u>(8,667,655)</u>
Net assets available for benefits at the start of the year		<u>57,998,188</u>	<u>66,665,843</u>
Net assets available for benefits at end of year		<u>47,789,355</u>	<u>57,998,188</u>

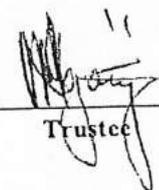
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STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS AS AT 31 DECEMBER

	Note	2023 Shs	2022 Shs
Investments			
Investments at fair value	8(a)	32,532,701	39,907,608
Investments at amortized cost	8(a)	1,819,422	4,107,689
Cytonn unit trust		<u>3,042,860</u>	<u>4,350,472</u>
		<u>37,394,983</u>	<u>48,365,769</u>
Current assets			
Cash at bank	12(a)	9,149	68,629
Contribution debtors	13	10,432,162	9,712,016
Tax recoverable	14	<u>284,107</u>	<u>228,540</u>
		<u>10,725,418</u>	<u>10,009,185</u>
Current liabilities			
Accounts payable	11	<u>331,046</u>	<u>376,766</u>
Net current assets		<u>10,394,372</u>	<u>9,632,419</u>
Total net assets available for benefits		<u><u>47,789,355</u></u>	<u><u>57,998,188</u></u>
Financed by			
Members fund		49,153,944	57,998,188
Revaluation reserve		<u>(1,364,589)</u>	<u>-</u>
		<u>47,789,355</u>	<u>57,998,188</u>

The financial statements on pages 11 to 28 were approved for issue by the Corporate Trustee on...

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


Trustee


Trustee

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

	Members Funds Shs	Revaluation Reserve Fund Shs	Totals Shs
Year ended 31 December 2023			
At 1 January 2023	57,998,188	-	57,998,188
Contributions and transfers in	-	-	-
Withdrawal benefits payable	(8,474,393)	-	(8,474,393)
Net investment loss	(1,734,440)	-	(1,734,440)
Transfer to reserve	1,364,589	(1,364,589)	-
At 31 December 2023	<u>49,153,944</u>	<u>(1,364,589)</u>	<u>47,789,355</u>
Year ended 31 December 2022			
At 1 January 2022	66,665,843	-	66,665,843
Contributions and transfers in	48,832	-	48,832
Withdrawal benefits payable	(8,563,798)	-	(8,563,798)
Net investment loss	(152,689)	-	(152,689)
At 31 December 2022	<u>57,998,188</u>	<u>-</u>	<u>57,998,188</u>

The members' funds relate to the investment assets from which regular withdrawal benefits payments are made.

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

**CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME
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STATEMENT OF CASH FLOWS

	Note	2023 Shs	2022 Shs
Cash flows from operating activities			
Contributions received		-	-
Benefits paid to seceding members	6	(8,474,393)	(8,563,798)
Transfer in assets	5	-	48,832
Administrative expenses paid		(650,018)	(1,828,741)
Other income-credit interest received	7(a)	245	542
Tax paid	14	(462,482)	(675,728)
Net cash used from operations activities		<u>(9,586,648)</u>	<u>(11,018,893)</u>
Cash flows from investing activities			
Investment income received		1,876,607	3,537,079
Investment management expenses paid		(592,707)	-
Purchase of investment	8(a)	(4,752,122)	(98,675)
Sale of investments	8(a)	8,887,701	5,720,858
Net cash used in investing activities		<u>5,419,479</u>	<u>9,159,262</u>
Net decrease in cash and cash equivalents		<u>(4,167,169)</u>	<u>(1,859,631)</u>
Movement in cash and cash equivalents			
At the start of the year		4,176,318	6,035,949
Net decrease in cash and cash equivalents		<u>(4,167,169)</u>	<u>(1,859,631)</u>
Cash and cash equivalents at the end of the period	12(b)	<u>9,149</u>	<u>4,176,318</u>

ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

a) Basis of preparation

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

b) Measurement basis

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

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

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

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

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

**CYTONN UMBRELLA RETIREMENT BENEFITS SCHEME
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ACCOUNTING POLICIES (Continued)

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

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

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

b) New and revised IFRS standards in issue but not yet effective for the year ended 31 December 2023

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

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ACCOUNTING POLICIES (Continued)

b) New and revised IFRS standards in issue but not yet effective for the year ended 31 December 2023 (Continued)

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

The Board has adopted the applicable standards in year 2023, but has not early-adopted the applicable standards in 2024 and beyond. The new and revised IASs and IFRSs effective for the year ended 31st December 2023 and those that are not yet effective as listed above do not have a material impact on the financial statements of the Scheme either at the Scheme’s year end or in future dates.

ACCOUNTING POLICIES (Continued)

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

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

a) Contributions receivable and revenue recognition

Contributions from the employees and employer are accounted for the year in which they fall due. The Scheme's revenue is generated from monthly contributions from members, rental income from investment properties, interest income from government securities and dividends from quoted and unquoted equities. Revenue represents the fair value of consideration received or receivable in the course of the Scheme's activities. It is recognized when it is probable that future economic benefits will flow to the Scheme and the amount of revenue can be measured reliably. It is stated net of value added tax, rebates and trade discount investments are carried at fair value. The fair value of marketable securities is the market value. Securities that have fixed redemption values are carried at those amounts assuming constant rates of return to maturity. Interest on Government securities, corporate bonds, short-term deposits, treasury bills and offshore investments is recognized in the year in which it is earned. Interest income is recognized in the changes in net assets available for benefit as it accrues and is calculated by using the effective interest rate method. Investment income also includes dividend income which is recognized when the right to receive the payment is established. Rental income is on a straight-line basis over the lease term. The excess of rental income on a straight-line over cash received is recognized as an operating lease liability/asset. Dividends are recognized when the Scheme's right to receive the payment is established.

b) Transfers in or out

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

c) Investment property

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

d) Contribution debtors and other accounts receivable

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

ACCOUNTING POLICIES (Continued)

e) Benefits and other accounts payables

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

f) Cash and cash equivalents

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

g) Reserves

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

h) Income tax expense

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

i) Financial instruments

Classification of financial instruments

All recognized financial assets within the scope of IFRS 9 are required to be measured subsequently at amortized cost or fair value on the basis of entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal amount outstanding, are measured subsequently at amortized cost.

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are measured at fair value through other comprehensive income (FVTOCI).

ACCOUNTING POLICIES (Continued)

Classification of financial instruments (continued)

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

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

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

Impairment of financial assets

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

Impairment of financial assets

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

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

j) Functional and presentation currency

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

ACCOUNTING POLICIES (Continued)

k) Comparatives

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

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

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

(a) Taxation provisions

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

(b) Going concern

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

(c) Fair value of financial instruments

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

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NOTES TO THE FINANCIAL STATEMENTS

5	Contributions Receivable	2023	2022
		Shs	Shs
	Employee Contributions	-	-
	Employer Contributions	-	-
		<u>-</u>	<u>-</u>
	Transfers in	-	48,832
		<u>-</u>	<u>48,832</u>
6	Benefits paid to seceding members		
	Benefits paid	8,474,393	5,562,538
	Transfers out to other Schemes	-	3,001,260
		<u>8,474,393</u>	<u>8,563,798</u>
7(a)	Investment income		
	Realized income		
	Treasury bonds interest	3,237,304	3,561,258
	Fixed and time deposits interest	197,058	532,111
	Cytonn unit trust interest	405,233	-
	Dividend income	1,077,566	1,016,851
	Gain on sale of quoted equities	17,095	-
	Loss on sale of treasury bonds	-	(170,858)
	Interest income	245	542
	Gain on sale of treasury bonds	(104,421)	-
	Audit fee written off	5,800	-
	Interest on unremitted contributions	720,146	-
		<u>5,556,026</u>	<u>4,939,904</u>
7(b)	Change in fair value of investment		
	Revaluation loss on treasury bonds	(1,364,589)	(1,453,028)
	Revaluation loss on quoted equity	(4,168,162)	(1,880,240)
	Revaluation gain on Cytonn unit trust	-	396,050
	Interest from unremitted contributions	-	-
		<u>(5,532,751)</u>	<u>(2,937,218)</u>
	Total income	<u>23,275</u>	<u>2,002,686</u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(a) RECONCILIATION OF NET INVESTMENTS

Year ended 31 December 2023	At	Purchases	Sales	Change in fair	Accrued	Value at
	1/1/2023					
	Shs	Shs	Shs	Shs	Shs	Shs
At fair value						
Quoted Equity	14,045,346	73,251	(1,018,280)	(4,168,162)		8,932,155
Treasury bonds	25,862,262	953,871	(1,854,421)	(1,364,589)	3423	23,600,546
	39,907,608	1,027,122	(2,872,701)	(5,532,751)	3423	32,532,701
At amortized cost						
Fixed and time deposits	4,107,689	3,725,000	(6,015,000)	-	1,733	1,819,422
	4,107,689	3,725,000	(6,015,000)	-	1,733	1,819,422
	44,015,297	4,752,122	(8,887,701)	(5,532,751)	5,156	34,352,123
Year ended 31 December 2022	At	Purchases	Sales	Change in fair	Accrued	Value at
	1/1/2022	at cost	proceeds	value	interest	31/12/2022
	Shs	Shs	Shs	Shs	Shs	Shs
At fair value						
Quoted equity	15,925,586	-	-	(1,880,240)	-	14,045,346
Treasury bonds	33,035,190	98,675	(5,720,858)	(1,453,028)	(97,717)	25,862,262
	48,960,776	98,675	(5,720,858)	(3,333,268)	(97,717)	39,907,608
At amortized cost						
Fixed and time deposits	6,012,615	6,400,000	(8,190,000)	-	(114,926)	4,107,689
	6,012,615	6,400,000	(8,190,000)	-	(114,926)	4,107,689
	54,973,371	6,498,675	(13,910,858)	(3,333,268)	(212,643)	44,015,297

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8(b) Investment analysis

	Up to 3 months	3 to 12 months Shs	1 to 5 years Shs	Over 5 Years Shs	Total Shs
Treasury bonds	-	3,799,560	5,965,059	13,835,927	23,600,546
Fixed deposits	-	1,819,422	-	-	1,819,422
Totals	-	5,618,982	5,965,059	13,835,927	25,419,968

8(c) Concentration of investments

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

	2023 Shs	%	2022 Shs	%
Fixed and time deposits	1,819,422	3.86%	4,107,689	7.08%
Treasury bonds	23,600,546	50.13%	25,862,262	44.59%
EABL	3,169,200	6.73%	4,656,000	8.03%
Cytonn unit trust	3,042,860	6.46%	4,350,472	7.50%
	<u>31,632,028</u>		<u>38,976,423</u>	

9 Expenses

(a) Investment management expenses

	2023 Shs	2022 Shs
Management fees	487,061	606,908
Custodial fees	95,331	88,510
	<u>582,392</u>	<u>695,418</u>

(b) Administrative expenses

	2023 Shs	2022 Shs
Administration fees	101,238	134,180
Audit fees	23,200	29,000
Bank charges	15,535	26,400
Corporate trustee fees	139,572	151,756
RBA levy	94,338	116,229
Group life cover	384,108	425,587
Investment policy statement fees	-	34,800
Asset transfer fees	10,417	-
	<u>768,408</u>	<u>917,952</u>

The above expenses were borne by the Scheme.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023	2022
	Shs	Shs
10 RBA levy for the Scheme		
RBA levy for the year	116,498	133,599
RBA levy for the year	94,338	116,229
RBA levy paid	<u>(115,996)</u>	<u>(133,330)</u>
RBA levy payable at the end of the year.	<u>94,840</u>	<u>116,498</u>
11 Accounts payable		
Investment management fees	114,704	142,181
Custody fees	39,096	21,932
Corporate trustee fees	34,800	35,554
Audit fees	23,200	29,000
Administration fees	24,408	31,601
Retirement Benefits Authority levy	<u>94,838</u>	<u>116,498</u>
	<u>331,046</u>	<u>376,766</u>
12 Cash and cash equivalent		
(a) Cash with the custodian		
NCBA Bank Custody	<u>9,149</u>	<u>68,629</u>
	<u>9,149</u>	<u>68,629</u>
(b) For the purpose of the cash flow statement, cash and cash equivalents comprise the following:		
Cash with the custodian	9,149	68,629
Fixed and time deposits	<u>-</u>	<u>4,107,689</u>
	<u>9,149</u>	<u>4,176,318</u>
13 Contribution debtors		
Employee contributions	5,609,903	4,889,757
Employer contributions	<u>4,822,259</u>	<u>4,822,259</u>
	<u>10,432,162</u>	<u>9,712,016</u>

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 Tax status of the Scheme

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

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

	2023	2022
	Shs	Shs
Tax charge for the year	<u>406,915</u>	<u>542,005</u>
Tax (recoverable) / payable at the beginning of the year	(228,540)	(94,817)
Tax charge for the year	406,915	542,005
Less: Tax paid during the year	<u>(462,482)</u>	<u>(675,728)</u>
Tax recoverable at the end of the year	<u>(284,107)</u>	<u>(228,540)</u>

15 Financial risk management objectives and policies

Risk management is carried out by the Corporate Trustee together with the investment managers under the policies approved by the corporate trustee. The Scheme's funds are held by the custodian, NCBA Bank of Kenya Limited. The Scheme has professional fund managers who are Cytonn Asset Managers Limited, who advise the corporate trustee on investment decisions. Both the custodian and fund managers have been duly registered and approved to provide pension Schemes services as provided for under the Retirement Benefits Act, Cap 197.

Market risk

a) Foreign exchange risk

The Scheme is not exposed to foreign exchange risk.

b) Interest rate risk

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

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Market risk (Continued)

c) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares which are classified at fair value through statement of changes in net assets. The Scheme is also exposed to the risk that the value of debt securities can fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities; the Scheme has invested in treasury bonds and corporate bonds of varying maturities.

If the price of equity securities were to appreciate/depreciate by 5%, it would have resulted in an increase or decrease in net assets of Shs 446,608 (2022 Shs 702,267).

If the price of treasury bonds were to appreciate/depreciate by 5%, it would have resulted in an increase or decrease in net assets of Shs 1,180,027 (2022: 1,293,113).

d) Credit risk

Credit risk arises from cash and cash equivalents, all the interest-bearing investments and receivables. As part of the credit risk management system, the investment manager and the corporate trustee monitor and review information on significant investments. The trustee have approved a larger portfolio investment with the government of Kenya debt securities which have no credit risk and no default record.

	2023	2022
	Shs	Shs
Treasury bonds	23,600,546	25,862,262
Fixed and call deposits	1,819,422	4,107,689
Tax recoverable	284,108	228,540
Contribution debtors	10,432,162	9,712,016
Bank balance	9,149	68,629
	<u>35,425,241</u>	<u>39,979,136</u>

e) Liquidity risk

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 Related party transactions

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

17 Registration

The Scheme is registered in Kenya under the Retirement Benefits Act, Cap 197.

18 Currency

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