PKF

CIC UMBRELLA RETIREMENT BENEFITS SCHEME

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

REGISTRATION NUMBER: 01545

CONTENTS

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 present their report together with the audited financial statements for the year ended 31 December 2021.

ESTABLISHMENT, NATURE AND STATUS OF THE BENEFITS SCHEME

The scheme was established, and is governed, by a trust deed dated 10 November 2015 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 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:

	2021 Numbers	**2020 Numbers**
At start of year	2,157	1,422
Admission during the year	723	888
Deferred during the year	(105)	(90)
Leavers during the year	(105)	(63)
At end of year	2,670	2,157

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. 89,692,849 (2020: Shs. 162,991,269) and statement of net assets available for the benefits on page 11 shows scheme's net assets of Shs. 571,297,532 (2020: Shs. 481,604,684).

INVESTMENT OF FUNDS

Under the terms of its appointment, CIC Life Assurance Company Limited is responsible for the investment of the funds. During the year, members' funds were invested in a deposit administration account and the net return declared and credited to members accounts at the rate of 10% (2020: 7%). The overall responsibility for the investment and performance of the scheme funds lies with the directors of the corporate trustees.

The principal objective of the scheme investment policy is to ensure the solvency of the scheme over time and meet its benefits obligations as required. The total return objective is to achieve capital appreciation and investment income. The capital appreciation is to ensure the fund's value is inflation protected.

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 Kenyan Retirement Benefits Act. 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 plan's auditor, PKF Kenya LLP, has indicated willingness to continue in office in accordance with section 34 (3) of the Retirement Benefits Act, 1997. The director of corporate trustee monitors 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

31st March 2022

NAIROBI

STATEMENT OF DIRECTORS OF THE CORPORATE TRUSTEE RESPONSIBILITIES

The Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000 made under Retirement Benefits Act, 1997 require the directors of the Corporate trustee to prepare financial statements in a prescribed form for each financial year. The directors of the corporate trustee are also required to ensure that the 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 are 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 are of the opinion 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 Retirement Benefits Act, 1997

In preparing these financial statements, the directors of the corporate trustee have assessed the scheme's ability to continue as a going concern. Nothing has come to the attention of the 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 directors of the corporate trustee acknowledge that the independent audit of the financial statements does not relieve it of its responsibilities.

Approved by the directors of the corporate trustee on 31st March 2022 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 2021. The meetings were held on the dates set out hereunder:

(a) 1st quarter meeting held on 23 March 2021
(b) 2nd quarter meeting held on 06 July 2021
(c) 3rd quarter meeting held on 20 August 2021
(d) 4th quarter meeting held 22 November 2021

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 plan's operations and governance under the broad headings of "Finance and Investments", "Governance, Audit and Risk" and "Member Administration, Relations and Services" focusing on reports from the service providers as well as other material. Service providers and representatives of the founder attend these meetings.

5. **Fiduciary responsibilty statement**

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

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

The 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 invested in a balanced portfolio 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 trustee held the annual general meeting on the 8 October 2021 at which 175 members were present, making up 7% 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 conducted 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

31st March 2022

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 2021, statement of changes in net assets available for benefits and the notes to the financial statements including a summary of significant accounting policies.

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 2021 and changes in net assets available for benefits for the year then ended in accordance with International Financial Reporting Standards and 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.

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

Responsibilities of the trustees 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 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.

Responsibilities of the directors of the corporate trustee for the financial statements

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.

Auditor's responsibilities for the audit of the financial statements

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the corporate 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 plan'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 plan to cease to continue as a going concern.

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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

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

March 31, **2022**

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2021 Shs	2020 Shs
Dealings with members			
Contributions for the year	2 (a)	119,515,519	101,821,656
Transfer from other funds	2 (b)	19,347,194	79,494,034
Transfers out to other funds	2 (c)	(1,067,358)	(5,158,160)
Pensions and benefits paid	2 (d)	(90,735,375)	(30,911,711)
Net increase from dealings with members		47,059,980	145,245,819
Return on plan investments income			
Plan investments income	3	52,104,655	25,583,913
Administrative expenses	4	(6,354,149)	(7,104,097)
Net return on plan investments before tax		45,750,506	18,479,816
Tax charge	5	(3,117,637)	(734,366)
Net return on plan investments		42,632,869	17,745,450
Increase in net assets available for benefits		89,692,849	162,991,269
Net assets available for benefits at start of year		481,604,683	318,613,414
Net assets available for benefits at end of year	6	571,297,532	481,604,683

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

Report of the independent auditor - pages 7 to 9

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

		As at 31 December	
		2021	2020
MEMBERS BALANCES AND RESERVE	**Notes**	**Shs**	**Shs**
Members' balances	6	571,297,532	481,604,683
REPRESENTED BY			
Non-current assets			
Plan investments	7	569,498,530	478,457,533
Current assets			
Receivable	8	5,475,821	4,631,918
Tax recoverable		-	1,011,044
		5,475,821	5,642,962
Current liabilities			
Other payables	9	2,359,671	2,495,812
Tax payable		1,317,148	-
		3,676,819	2,495,812
Net current assets		1,799,002	3,147,150
Net assets of the fund		571,297,532	481,604,683

The financial statements on pages 10 to 21 were approved and authorised for issue by the board of trustees on 31st March 2022 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

1. **Significant accounting policies**

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

a) **Basis of preparation**

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS), Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Occupational Retirement Benefits Schemes) Regulations, 2000. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the 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 directors 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 asset available for benefits. Disclosures in respect of of principal risks and fund management are set out in note 10 and 11.

Based on the financial performance and position of the scheme and its risk management policies, the trustees 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, ammendements 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 2021. The scheme has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments 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:

1. **Significant accounting policies (continued)**

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

New standards, amendments and interpretations issued but not effective (continued)

- Amendments to IAS 1 'Classification of Liabilities as Current or Non-current (issued in January 2020), effective for annual periods beginning or after 1 January 2023, clarify a criterion 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.

- Amendment to IFRS 9 Financial Instruments 'Fees in the '10 per cent' test for derecognition of financial liabilities' (issued in May 2020), effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted, clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies (issued in February 2021)

  The amendments 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 policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

- Amendments to IAS 8 'Definition of Accounting Estimates' (issued in February 2021), effective for annual reporting periods beginning on or after 1 January 2023, introduce a definition of 'accounting estimates' and clarify the distinction between changes in accounting estimates and change in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The directors of corporate trustee do not expect that adoption of the above standards and interpretations will have a material impact on the financial statements in future periods. The entity plans to apply the changes above from their effective dates noted above.

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

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

There are no material accounting estimates and judgements that have been used in arriving at the numbers in the financial statements.

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) - contributions receivable**

  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. **Significant accounting policies (continued)**

c) **Plan investments income**

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

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

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

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

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

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) **Financial instruments**

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

- ***Financial assets***

All financial assets are recognised initially using the date accounting which is the date the scheme commits itself to the purchase or sale.

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

At initial recognition of a financial asset, the 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.

1. **Significant accounting policies (continued)**

f) **Financial instruments (continued)**

- ***Financial assets (continued)***

Impairment

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

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.

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.

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

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.

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 net assets available for benefits.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable 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.

1. **Significant accounting policies (continued)**

g) **Benefits and payments**

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

h) **Taxation**

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

i) **Contributions**

This relates to contributions by various members and there is no defined rate of contributions, as defined by the scheme's rules.

j) **Cash and cash equivalents**

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

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

Transfer values represent the capital sums either receivable in respect of members from other schemes or payable to schemes of 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.

l) **Comparatives**

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

NOTES (CONTINUED)

2. **Dealings with members**

	2021 Shs	2020 Shs
(a) **Contributions for the year**		
Employers - registered	37,955,014	34,487,299
Employers - unregistered	4,957,160	16,270,949
Members - registered	49,772,598	48,054,652
Members - unregistered	26,830,747	3,008,755
	119,515,519	101,821,656
(b) **Transfer from other funds**		
Individual transfer from other funds	19,347,194	79,494,034
(c) **Transfers out to other funds**		
Individual transfer to other funds	1,067,358	5,158,160
(d) **Pensions and benefits paid out**	90,735,375	30,911,711
Net increase from dealings with members	47,059,980	145,245,819

3. **Plan investments income**

	2021 Shs	2020 Shs
Interest income:		
- Pooled fund	52,104,655	25,583,913

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

	2021 Shs	2020 Shs
- registered	40,342,176	20,987,790
- unregistered	11,762,479	4,596,123
	52,104,655	25,583,913

4. **Administrative expenses**

	2021 Shs	2020 Shs
Administration fees	3,865,938	4,969,364
Retirement benefit authority levy	1,108,310	875,912
Audit fees:		
- current year	265,060	220,748
- underprovision in prior period	44,312	21,112
Corporate fees	1,041,529	1,016,961
Other expenses	29,000	-
	6,354,149	7,104,097

NOTES (CONTINUED)

5. Tax

	2021 Shs	2020 Shs
Tax charge - unregistered portion	3,117,637	734,366

Tax is charged on plan investments income earned from the unregistered portion at the rate of 30% (2020: 25%) net of related expenses.

	2021 Shs	2020 Shs
Total plan investments income	52,104,655	25,583,913
Less: income relating to portion within allowable limits	(40,342,176)	(20,987,790)
Less: expenses	(1,370,357)	(1,658,660)
Taxable income	10,392,122	2,937,462
Tax charge	3,117,637	734,366

6. Members' balances

The movement in the members' balances is as follows:

	Registered		Unregistered			
	Employer Shs	Employee Shs	Employer Shs	Employee Shs	2021 Shs	2020 Shs
At start of year	193,654,339	177,445,658	100,098,956	10,405,730	481,604,683	318,613,414
Contributions (Note 2 (a))	37,955,014	49,772,598	4,957,160	26,830,747	119,515,519	101,821,655
Transfers in (Note 2 (b))	9,631,367	9,600,632	108,405	6,791	19,347,194	79,494,034
Transfers out to other funds (Note 2 (c))	(460,736)	(606,622)	-	-	(1,067,358)	(5,158,160)
Pensions and benefits paid (Note 2 (d))	(22,504,805)	(40,903,718)	(20,462,394)	(7,931,815)	(90,735,375)	(30,911,711)
Investment income (Note 3)	20,871,581	19,470,595	10,226,813	1,535,666	52,104,655	25,583,913
Administrative expenses (Note 4)	(2,623,502)	(2,347,461)	(1,018,055)	(352,300)	(6,354,149)	(7,104,096)
Tax (Note 5)	-	-	(2,316,132)	(801,505)	(3,117,637)	(734,366)
At end of year	236,523,257	212,431,681	91,594,753	29,693,313	571,297,532	481,604,683

7. **Plan investments**	**2021 Shs**	**2020 Shs**
Managed funds	569,498,530	478,457,533

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 4%.

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

8. **Receivable**	**2021 Shs**	**2020 Shs**
Contributions due	5,475,821	4,631,918

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).

9. **Other payables**	**2021 Shs**	**2020 Shs**
Corporate trustee fees	250,910	285,673
Administration fees	745,881	358,941
Audit fees	265,060	220,748
Retirement benefit authority levy payable	1,021,151	876,051
Withdrawal benefits payable	76,669	754,399
Total other payables	2,359,671	2,495,812

Other payables of the fund are due within 3 to 12 months.

The carrying amounts of other payables of plan are denominated in Kenya Shilling (Shs).

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), 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 trustees in close collaboration with the investment managers, under policies stipulated in the trust deed. The trustees and investment managers identify, evaluate and hedge financial risks.

i) **Market risk**

- Interest rate risk

During the period 31 December 2021, 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. 4,857,591 (2020: Shs. 3,490,697) higher arising mainly as a result of increase in the plan investments.

11 Financial risk management objectives and policies (continued)

ii) Credit risk

Credit risk arises from plan investments and 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 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:

	2021 Shs	2020 Shs
Contributions receivable	5,475,821	4,631,918
Loss allowance	-	-
Exposure to credit risk	5,475,821	4,631,918

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 payables.

The undiscounted maturity analysis of 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 Retirement Benefits Schemes Regulations, 2000 made under Retirement Benefits (Occupational Retirement Benefit Schemes) 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 directors of the corporate trustees to invest members' funds using prudent investment policies that shall get the members better market rates on their investments. This requirement has been complied with.

The scheme sets the amount of fund in proportion to risk. The directors of the corporate trustee 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.

13. **Registration**

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

14. **Presentation currency**

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