

BRITAM INDIVIDUAL PROVIDENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

RBA REGISTRATION NUMBER 01626

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FUND INFORMATION

CORPORATE TRUSTEE	: Kingsland Court Trustee Services Limited : Flamingo Towers, Upperhill : P.O. Box 10285, 00100 : NAIROBI
REGISTERED OFFICE	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI
INDEPENDENT AUDITOR	: PKF Kenya LLP : Certified Public Accountants : P.O. Box 14077, 00800 : NAIROBI
ADMINISTRATORS	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI
SCHEME APPROVED ISSUER	: Britam Life Assurance Company (K) Limited : Britam Center, Upper Hill : P.O. Box 30375, 00100 : NAIROBI

REPORT OF THE DIRECTORS OF THE CORPORATE TRUSTEE

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

ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The fund was established and is governed by a Trust Deed dated 2 June 2009. It is a defined contribution fund and provides, under the rules of the fund, retirement benefits for the members of Britam Life Assurance Company (Kenya) Limited Individual Provident Fund. It is an exempt approved fund under the Income Tax Act (Cap. 470) upto statutory limit and is registered with the Retirement Benefits Authority.

PRINCIPAL ACTIVITY

The main purpose of the fund 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

This relates to contributions by various members and there is no defined rate of contributions set out in the fund's rules.

MEMBERSHIP

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

	2023 Numbers	2022 Numbers
At start of year	14,135	11,929
Admission during the year	2,850	2,790
Leavers during the year	<u>(910)</u>	<u>(584)</u>
At end of year	<u><u>16,075</u></u>	<u><u>14,135</u></u>

FINANCIAL REVIEW

The statement of changes in net assets available for benefits on page 10 shows an increase in net assets for the year of Shs. 2,660,333,070 (2022: Shs. 3,935,827,477) and statement of net assets on page 11 shows fund's net assets of Shs. 16,545,136,415 (2022: Shs. 13,884,803,345).

INVESTMENT OF FUNDS AND INVESTMENT POLICY

The overall responsibility for the investment and performance of fund lies with the directors of the corporate trustee.

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

The fund'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 issuer endeavours to ensure that the investments made are in the best interests of the members of the fund.

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

REPORT OF THE DIRECTOR OF THE CORPORATE TRUSTEE (CONTINUED)

INVESTMENT OF FUNDS AND INVESTMENT POLICY (CONTINUED)

The day to day administration of the fund is dealt with by Britam Life Assurance Company (K) Limited who also is the approved issuer.

Under the terms of their appointment, Britam Life Assurance Company (K) Limited are responsible for the investment of the fund. During the year, members' funds were invested with Britam Life Assurance Company (K) Limited in a guaranteed fund and the net interest was declared and credited to members accounts at the rate of 7% (2022: 8.5%).

The funds are invested as provided under the Retirement Benefits Authority Regulations.

CORPORATE TRUSTEE

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

STATEMENT AS TO DISCLOSURE TO THE FUND'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 fund'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 directors 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 THE BOARD OF DIRECTORS OF THE CORPORATE TRUSTEE



27 March 2024

NAIROBI

STATEMENT OF DIRECTORS OF THE CORPORATE TRUSTEE'S RESPONSIBILITIES

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

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

- i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) selecting and applying appropriate accounting policies; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

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

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

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

Approved by the board of directors of the corporate trustee on 27 March 2024 and signed on its behalf by:



DIRECTOR



DIRECTOR

BRITAM INDIVIDUAL PROVIDENT FUND 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	NA	Independent	5	Yes	NA	Yes

2. Trustees meeting

The trustee held five (5) meetings of its governing body for the fund during the year ended 31 December 2023. The meetings were held on the dates set out below:

- a) 07 March 2023 – Quarter 4 2022 Trustee Meeting
- b) 20 June 2023 – Quarter 1 2023 Trustee Meeting
- c) 04 September 2023 – Quarter 2 2023 Trustee Meeting
- d) 16 November 2023 – Quarter 3 2023 Trustee Meeting
- e) 23 June 2023 - Scheme Annual General 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 fund’ operations and governance under the broad headings of “Finance and Investments”, “Governance, Audit and Risk” and “Member Administration, Relations and Services” focusing on reports from the service providers as well as other material. Service providers and representatives of the founder attend these meetings.

5. Fiduciary responsibility statement

The corporate trustee is the governing body of the Britam Provident Fund and is responsible for the corporate governance of the fund. The corporate trustee is responsible for ensuring that the administration of the fund is conducted in the best interests of the fund’s members and the sponsor. To achieve this, the corporate trustee embraces its fiduciary responsibility by:

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

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

6. Responsible corporate citizenship

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

SCHEME GOVERNANCE DISCLOSURE STATEMENT (CONTINUED)

7. Key outcomes

The corporate trustee seeks to achieve the following:

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

8. Annual general meeting

The corporate trustee held the annual general meeting on the 23 June 2023 virtually. The corporate trustee services committee adequately addressed the members' concerns.

9. Members' sensitization

No formal scheduled member sensitization meetings were held. However the founder's relationship teams did visit a number of contributing employers during the year and conduct member education and sensitization.

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

10. Trustees' remuneration policy

The corporate trustee was remunerated in accordance with the contract between the Trustee, Kingsland Court Trustee Services Limited and the founder, Britam Life Assurance Company (Kenya) Limited. All expenses except for income tax are borne by the founder.

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 Corporate Trustee**

27 March 2024



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BRITAM INDIVIDUAL PROVIDENT FUND**

Opinion

We have audited the financial statements of Britam Individual Provident Fund set out on pages 10 to 19, which comprise the statement of net assets available for benefits as at 31 December 2023, statement of changes in net assets available for benefits and 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 Britam Individual Provident Fund net assets available for benefits as at 31 December 2023 and changes in net assets available for benefits for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, 1997.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the auditor's responsibilities for audit of the financial statements section of our report. We are independent of the fund 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 directors of the corporate trustee, statement of directors of the corporate trustee's responsibilities and the fund 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.

Responsibilities of directors of the corporate trustee for the financial statements

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

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BRITAM INDIVIDUAL PROVIDENT FUND (CONTINUED)**

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

In preparing the financial statements, the directors of the corporate trustee are responsible for assessing the fund'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 fund or to cease operations, or have no realistic alternative but to do so.

The directors of corporate trustee are responsible for overseeing the fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund'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 fund'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 fund to cease to continue as a going concern.
- 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.



**REPORT OF THE INDEPENDENT AUDITOR
TO THE MEMBERS OF BRITAM INDIVIDUAL PROVIDENT FUND (CONTINUED)**

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

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, Practising certificate No. 2045

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

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

March 28, 2024

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STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

	Notes	2023 Shs	2022 Shs
Dealings with members			
Contributions for the year	2 (a)	915,203,950	827,866,169
Transfers in from other schemes	2 (b)	3,089,937,929	4,209,195,806
Leavers	2 (c)	<u>(2,293,618,052)</u>	<u>(1,967,589,811)</u>
Net increase from dealings with members		<u>1,711,523,827</u>	<u>3,069,472,164</u>
Return on plan investments income			
Plan investments income	3	1,020,676,663	943,647,203
Tax	4	<u>(71,867,420)</u>	<u>(77,291,890)</u>
Net return on plan investments		<u>948,809,243</u>	<u>866,355,313</u>
Net increase in net assets available for benefits		2,660,333,070	3,935,827,477
Net assets available for benefits at start of year		<u>13,884,803,345</u>	<u>9,948,975,868</u>
Net assets available for benefits at end of year	7	<u>16,545,136,415</u>	<u>13,884,803,345</u>


The notes on pages 12 to 19 form an integral part of the financial statements.

Report of the independent auditor - pages 7 to 9.

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

		As at 31 December	
	Notes	2023 Shs	2022 Shs
Fund balance	7	<u>16,545,136,415</u>	<u>13,884,803,345</u>
REPRESENTED BY			
Non-current assets			
Plan investments	8	<u>16,531,915,957</u>	<u>13,881,516,304</u>
Current assets			
Tax recoverable	5	<u>13,220,458</u>	<u>3,287,041</u>
Net assets of the fund		<u><u>16,545,136,415</u></u>	<u><u>13,884,803,345</u></u>

The financial statements on pages 10 to 19 were approved and authorised for issue by the board of directors of the corporate trustee on 27 March 2024 and were signed on its behalf by:


 _____ **DIRECTOR**


 _____ **DIRECTOR**

The notes on pages 12 to 19 form an integral part of the financial statements.

Report of the independent auditor - pages 7 to 9.

NOTES

1. Material accounting policy information

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

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

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards, Retirement Benefits Act, 1997 as amended, and with the Retirement Benefits (Individual 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 fund 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 fund is set out in the trustees' report and in the statement of changes in net assets available for benefits. The financial position of the provident fund is set out in the statement of net assets available for benefits. Disclosures in respect of principal risks and uncertainties and fund management are set out in note 10 and 11.

Based on the financial performance and position of the provident fund and its risk management policies, the trustees are of the opinion that the provident fund is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

New standards, amendments and interpretations adopted by the fund

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

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

The 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 policy information and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

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

Amendments to IAS 8 'Definition of Accounting Estimates'

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

The amendments had no impact on the fund's financial statements.

NOTES (CONTINUED)

1. Material accounting policy information (continued)

a) Basis of preparation (continued)

New standards, amendments and interpretations issued but not effective

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

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

The 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.

c) Plan investments income

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

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

- Interest income is recognised on a time proportion basis using the effective interest method. Once a financial asset is identified as credit-impaired, the effective interest rate is applied to the amortised cost (net of impairment losses) in subsequent reporting.

d) Contributions

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

NOTES (CONTINUED)

1. Material accounting policy information (continued)

e) 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.

f) Plan investments

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

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

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

g) Financial instruments

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

Financial assets

Initial recognition and measurement

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

The fund 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 fund 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 fund 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 fund 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 fund has transferred substantially all risks and rewards of ownership, or when the fund has no reasonable expectations of recovering the asset.

Impairment

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

- Contributions due

NOTES (CONTINUED)

1. Material accounting policy information (continued)

g) Financial instruments (continued)

Financial assets (continued)

Impairment (continued)

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

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

Presentation

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

Financial liabilities

Initial recognition and measurement

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

Presentation

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

Derecognition

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

Offsetting financial instruments

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

h) Taxation

The fund is exempt from Income Tax under the Income Tax Act (Cap. 470) up to the statutory limit.

Value Added tax (VAT)

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

NOTES (CONTINUED)

1. Material accounting policy information (continued)

i) Cash and cash equivalents

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

j) Benefits and payments

Pensions in payment, including pensions funded by annuity contracts and amounts paid under income draw-down arrangements, are accounted for in the period to which they relate. Where members can choose whether to take their benefits as a full pension or as a lump-sum with reduced pension, retirement benefits are accounted for on an accruals basis on the later of the date of retirement and the date the option is exercised.

Other benefits are accounted for on an accruals basis on the date of retirement or death, as appropriate. Refunds and opt-outs are accounted for when the trustees are notified of the member's decision to leave the scheme.

k) Comparatives

There were no changes in presentation in the current year.

NOTES (CONTINUED)

2. Dealings with members	2023 Shs	2022 Shs
(a) Contributions for the year		
Registered	357,217,589	374,590,640
Unregistered	557,986,361	453,275,529
	<u>915,203,950</u>	<u>827,866,169</u>
(b) Transfers in from other schemes	<u>3,089,937,929</u>	<u>4,209,195,806</u>
(c) Leavers		
Lump sums paid	<u>(2,293,618,052)</u>	<u>(1,967,589,811)</u>
Net increase from dealings with members	<u><u>1,711,523,827</u></u>	<u><u>3,069,472,164</u></u>
3. Plan investments income		
Interest from funds managed by Britam Life Assurance Company (K) Limited	<u>1,020,676,663</u>	<u>943,647,203</u>
The plan investments income allocated to the registered and unregistered portions for taxation purposes, can be analysed as follows:		
- registered	781,118,597	686,007,571
- unregistered	239,558,066	257,639,632
	<u>1,020,676,663</u>	<u>943,647,203</u>
4. Tax		
Tax charge - unregistered fund	<u>71,867,420</u>	<u>77,291,890</u>
Tax is charged on plan investments income earned from the unregistered portion at the rate of 30% (2022: 30%).		
Total plan investments income	1,020,676,663	943,647,203
Less: income relating to portion within allowable limits (Note 3)	(781,118,597)	(686,007,571)
Less: expenses	<u>-</u>	<u>-</u>
Taxable income	<u>239,558,066</u>	<u>257,639,632</u>
Tax thereon at 30% (2022: 30%)	<u>71,867,420</u>	<u>77,291,890</u>
5. Tax (recoverable)		
At start of year	(3,287,041)	25,034,274
Charge for the year	71,867,420	77,291,890
Paid in the year	<u>(81,800,837)</u>	<u>(105,613,205)</u>
At end of year	<u>(13,220,458)</u>	<u>(3,287,041)</u>
6. Administrative expenses borne by sponsor		

Administrative expenses comprising of audit fees and RBA levy are borne by the sponsor.

NOTES (CONTINUED)

7. Fund balance

The movement in the fund balance is as follows:

	2023	2022
	Shs	Shs
At start of year	13,884,803,345	9,948,975,868
Contributions for the year (Note 2 (a))	915,203,950	827,866,169
Transfer in for the year (Note 2(b))	3,089,937,929	4,209,195,806
Leavers (Note 2(c))	(2,293,618,052)	(1,967,589,811)
Plan investments income (Note 3)	1,020,676,663	943,647,203
Tax (Note 4)	<u>(71,867,420)</u>	<u>(77,291,890)</u>
At end of year	<u><u>16,545,136,415</u></u>	<u><u>13,884,803,345</u></u>

8. Plan investments

At start of year	13,881,516,304	9,974,010,142
Contributions received (Note 9)	915,203,950	827,866,169
Transfer in for the year (Note 2(b))	3,089,937,929	4,209,195,806
Leavers (Note 2(c))	(2,293,618,052)	(1,967,589,811)
Plan investments income (Note 3)	1,020,676,663	943,647,203
Tax paid in the year (Note 5)	<u>(81,800,837)</u>	<u>(105,613,205)</u>
At end of year	<u><u>16,531,915,957</u></u>	<u><u>13,881,516,304</u></u>

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

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

9. Tax status of the scheme

Britam Individual Provident Fund is exempted from income tax on its investment income up to the statutory limit. Any contributions above the statutory limit are subject to tax.

10. Financial risk management objectives and policies

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

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

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

Market risk

Interest rate risk

During the year 31 December 2023, if interest rates at that date had been 100 basis point higher with all other variables held constant, gain for the year would have been Shs. 189,761,849 (2022: Shs. 93,273,657) higher arising mainly as a result of increase in the guaranteed fund. The sensitivity is higher in 2023 than in 2022 because of a increase in the plan investments for the year.

NOTES (CONTINUED)

10. Financial risk management objectives and policies (continued)

Credit risk

Credit risk arises from contributions receivable. There were no contributions receivable as at year end.

Liquidity risk

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

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

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

11. Fund management

The fund's objectives when managing the fund are:

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

The Retirement Benefits Act, 1997 requires the 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 fund sets the amount of fund in proportion to risk. The fund 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 fund balances. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

12. Registration

The fund is established as an irrevocable trust and registered with the Retirement Benefits Authority.

13. Presentation currency

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

