



MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
30 JUNE 2023**

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Vision

Strive to provide excellent retirement benefits to members

Mission

To provide outstanding reputable benefits to members through maximization of returns, prudent management of risks and enhanced member communication

Core values

Accountability & Transparency

Integrity

Performance

Teamwork

Excellence

TRUSTEES	Dr. Beverlyne A. Ambuyo Prof. Julius O. Nyabundi Prof. Mary J. Kipsat Dr. Joshua Were Mrs. Dorcas R. Nyawade Mr. Stephen Lenyangume Mrs. Lucy A. Osmerah Mr. Gerald M. Kariithi Mr. Ponyochi Kunyobo Dr. Matilda C. Sang	Member-elected Sponsor nominated Sponsor nominated Member-elected Member-elected Member-elected Sponsor nominated Sponsor nominated Sponsor nominated Sponsor nominated	- Chairperson - Exited on 9th March 2023 - Exited on 9th March 2023 - Nominated on 6th July 2023 - Nominated on 6th July 2023
REGISTERED OFFICE	MURBS Building Makasembo Road P O Box 9268 - 40141 KISUMU		
INVESTMENT MANAGERS	GenAfrica Asset Managers Limited 1st Floor, Arlington Block 14 Riverside Business Park P O Box 79217 - 00200 NAIROBI Sanlam Investments East Africa Limited 5th Floor, Africa Re Centre Hospital Road, Upper Hill P O Box 67262 - 00200 NAIROBI		
CUSTODIAN	Standard Chartered Bank Kenya Limited 48 Westlands Road P O Box 40984 - 00100 NAIROBI		
BANKERS	Standard Chartered Bank Kenya Limited Chiromo Branch P O Box 40984 - 00100 NAIROBI National Bank Limited Kisumu Branch P O Box 1152 - 40100 KISUMU		
LEGAL ADVISORS	Ogola Okello and Company Advocates P O Box 62550 - 00200 NAIROBI		
INDEPENDENT AUDITOR	VC Karani & Associates Certified Public Accountants Bishop Road, Fort Granite Flats, A6 P O Box 45481 - 00100 NAIROBI		
SPONSOR	Maseno University Private Bag MASENO		
REGULATOR	Retirement Benefits Authority P O Box 57733 - 00200 NAIROBI		

Introduction

Let me take this opportunity to welcome you to the Annual General Meeting 2023. It is my honor to present to you the Annual Report and Financial Statements for the financial year 2022/2023. The report contains the financial performance of the Scheme for the year ended 30th June, 2023.

Economic Outlook

The financial year under review presented a bag of mixed fortunes for the economy as the country ushered in a new Government. It is also during the financial year that inflation levels peaked at 9% between September 2022 and March 2023. It is notable that the inflation rate dropped to 7.88% at the end of June 2023, but the effects of high inflation continue to be felt in the investment environment. In the same financial year, Treasury Bonds were offered at interest rates as high as 16.99%. This presented both an opportunity and loss to the Scheme since the largest holdings are in Government Bonds. An opportunity because of high interest income and a loss from negative bond valuations. The Stock market remained depressed in the year, with sustained foreign capital flight. The Scheme continues to reduce its holding in the stock market as Trustees look out for other investment avenues offering better returns.

While delivering the 2023 Budget Policy Statement on the floor of the 13th Parliament, the Cabinet Secretary, National Treasury, projected that the Kenyan economy would grow by 6.1% in 2023 up from a growth of 5.5% in 2022. This growth has also reflected in the performance of our scheme.

Scheme Financial Performance

The Scheme fund value in the year 2023 grew by 8.6% (2022: 5%) to close at Kshs. 4,659,161,288 up from Kshs. 4,288,721,269 in 2022. This performance is above the inflation rate of 7.88% as at June 2023. We believe this is commendable in the backdrop of a tough economic environment.

We are glad to report that the Scheme's earnings for the year 2023 increased by 16% to settle at Kshs. 529,294,159 (2022: Kshs. 454,722,990). However, due to valuation losses in the equities and bonds portfolio, earnings before expenses and tax closed at Kshs. 322,967,768 (2022: 211,520,008); a 52% increase in net earnings for the year. This represents a return of 6.9% (2022: 5%).

Scheme earnings before tax increased by 95% to Kshs. 243,488,037 (2022: Kshs. 124,375,600), representing a return of 5.2% (2022: 2.9%). This increase was attributed to high interest rates from fixed income investments, dividend income from the stock market, rental income and proceeds from the sale of the Eldoret parcels. It should be noted that the parcels are now fully sold.

Having utilized part of the Reserves in the last financial year to increase member interest from 2.9% to 5%, Trustees resolved to maintain reserves at current levels and distribute the earnings for the year to members.

The net earnings distributed to members in the year 2023 is 5% (2022: 5%) and Trustees have maintained a general reserve of 2.1%.

Summary of performance

	2023		2022	
Fund Value	4,659,161,288		4,288,721,269	
Earnings (before valuation)	529,294,159	11.30%	454,722,990	10.60%
Earnings (factoring valuation) before expenses and tax	322,967,768	6.90%	211,520,008	5.00%
Earnings before tax	243,488,037	5.20%	124,375,600	2.90%
Earnings after tax	210,888,407	4.50%	91,776,835	2.10%

Administration Report

The Scheme during the year continued to receive timely monthly remittances. However, Maseno University fell back on remittances for the 3-month period ended 30th June 2023. Tom Mboya University remittances are up-to-date. During the financial year, we received contributions amounting to Kshs. 322,051,919 from the two institutions. Maseno University owes a debt of Kshs. 102,901,308, which remained unpaid at the end of the financial year. This debt includes Kshs. 17,933,506 relating to CBA arrears for the period 2017-2021, which is being settled in instalments. As Trustees, we will continue to follow-up to ensure the debt is cleared so that members do not lose out on investment returns.

During the financial year, the Scheme started receiving contributions from members who joined the Post-Retirement Medical Scheme. We commend these members for taking a bold step to further ensure that their medical needs in retirement will be funded.

This year, we saw the enactment of the NSSF Act, 2013. This has seen a slight reduction of contributions into the fund since NSSF Tier II contributions are funded from the members' 30% allocation. We are making efforts to ensure that the Tier II contributions are channelled to the Scheme, after meeting the requirements for certification from the regulator as a contracted-out scheme.

Benefits paid out of the Scheme to leavers in the year decreased by a margin of 34%, as fewer members exited the Scheme in 2023; 48 (2022: 69). Investment management expenses increased by 10% in 2023 compared to 2022. The increment is attributed to increased costs of managing a growing fund. Administrative expenses remained relatively constant increasing by a margin of 2% compared to 2022.

As at June 2023, Scheme membership stood at 1,327 (2022: 1,316) representing active and deferred members from Maseno and Tom Mboya Universities.

The Scheme has revamped its online systems as part of efforts to ensure convenient service delivery. Members can view their updated statements of account online by visiting the 'member portal' on the Schemes website www.masenorbs.or.ke. Members can also access their records through the MURBS Member Portal app downloadable on the Appstore and Playstore.

Board of Trustees Changes

Two Sponsor-nominated Trustees, Mr. Gerald M. Kariithi and Mrs. Lucy A. Osmerah exited during the year on expiry of their six (6) year term. We laud the passion and dedication with which the two members served. I now take this opportunity to welcome to the Board the two new Sponsor-nominated trustees; Dr. Matilda Chemutai Sang and Mr. Ponyochi Kunyobo. They have committed to serve members diligently.

Scheme Governance Direction

The Scheme has concluded its first year of the Strategic Plan 2022-2027 that was launched in the AGM of 2022. We continue to experience great strides in the areas of Governance and Investments. The Scheme acquired a comprehensive Management Information System designed to automate member service and scheme processes. In addition, it also acquired an e-Board system to automate Board functions. Trustees remain committed to seeing the strategic plan through, and will continue to monitor its implementation.

During the financial year, the Board undertook a board evaluation exercise and scored a mean rating of 9.44 out of 10. A real strength of the governance model adopted by the Board is the stakeholder-conscious governance model and commitment to honoring the service charter.

Appreciation

On behalf of the Board, I wish to thank the Scheme Secretariat for their dedication and commitment to duty.

I also appreciate the two employers, Maseno University and Tom Mboya University. We urge you to continue dedicating your efforts to keep the Scheme moving in the right direction, as you have always done.

I would like to thank the Scheme service providers and the industry regulator, RBA for their support and guidance.

Lastly, I take this opportunity to thank members who hold us to account and continue to demand that their retirement is secured through growth of the fund and good governance.



.....
DR. BEVERLYNE ASIKO AMBUYO
CHAIR, BOARD OF TRUSTEES

Dated: 28th SEPTEMBER.....2023

The Trustees present their report together with the audited financial statements for the year ended 30 June 2023 which disclose the state of affairs of the Scheme.

1 Establishment, nature and purpose of the Scheme

Maseno University Retirement Benefits Scheme was established under irrevocable trust as a defined benefit Scheme. The Scheme commenced on 1 September 1990 and is governed by an Original Trust Deed and Rules dated 1 September 1990 as subsequently amended.

The Scheme was later converted to a defined contribution Scheme with effect from 1 July 2004 with the defined benefits section being closed except for the existing pensioners and beneficiaries. The defined contribution section had a defined benefit (DB) underpin until 27 May 2015 when the Scheme converted to a pure defined contribution Scheme.

The main purpose of the Scheme is the provision of pension and other retirement benefits for Members upon retirement from the founder's service and relief for the dependants of deceased Members in accordance with the provisions of the trust deed and rules.

The Scheme is an exempt approved plan with Income Tax Reference No. 92291B/2102 and Tax Exemption Serial No. 00939 under the Income Tax Act and is also registered with the Retirement Benefits Authority under Scheme Reference No. 097 and Certificate No. 0730.

2 Contributions

Members contribute to the Scheme at the rate of 10% of their basic salaries while the Sponsor contributes at the rate of 20% of the Members' basic salaries. In addition, Members are allowed to make additional voluntary contributions. Contributions are remitted monthly.

The Scheme is registered under Certificate No.RBA/RSC/0011 to receive Tier II contributions subject to the provisions of the NSSF Act No. 45 of 2013 effective April 2023.

3 Sponsors

The Scheme has two Sponsors, namely:

- Maseno University and
- Tom Mboya University

4 Membership

Full time permanent employees of the Sponsor are eligible to join the Scheme.

The movement in Membership of the Scheme during the year was as follows:

	2023	2022
	Members	Members
Contributing Members		
At start of year	1,061	1,083
Joiners	55	47
Leavers (a)	(48)	(69)
At end of year	1,068	1,061
Deferred		
At start of year	255	244
Cases in the year	4	11
At end of year	259	255
Total Scheme Members	1,327	1,316
a) Leavers		
Resigned	19	22
Retired with pension	26	41
Death	3	6
	48	69

4 Financial review

The statement of changes in net assets available for benefits on page 16 shows an increase for the year of Kshs. 356,620,444 (2022:Kshs. 288,120,235) and the statement of net assets available for benefits on page 17 shows the net assets available stood at Kshs. 4,659,161,288 (2022: Kshs. 4,288,721,269).

5 Investment of funds

Standard Chartered Kenya Limited are the appointed Scheme custodian while GenAfrica Asset Managers Limited and Sanlam Investments East Africa Limited are the appointed Investment Managers.

Under the terms of their appointment, GenAfrica Asset Managers Limited and Sanlam Investments East Africa Limited are responsible for investment of the funds under segregated arrangement. However, the overall responsibility for investment and performance lies with the Trustees.

We confirm that the Scheme's assets have not been used as security or collateral on behalf of the employer or any connected business or individual.

The full investment allocation as at year end was as follows:

Investment Portfolio	2023		2022		RBA
	Amount (Kshs)	Percentage (%) of Portfolio	Amount (Kshs)	Percentage (%) of Portfolio	Percentage (%) RBA Limits
Cash at bank	21,696,484	0.48%	23,430,835	0.55%	5%
Fixed and call deposits	306,699,972	6.75%	63,655,082	1.50%	30%
Corporate bonds	11,925,195	0.26%	11,924,236	0.28%	20%
Kenya government securities (Treasury bonds and bills)	3,454,308,870	76.07%	3,364,637,021	79.28%	90%
Listed local and regional equities	270,574,855	5.96%	306,396,268	7.22%	70%
Unlisted equities	1,872,000	0.04%	1,872,000	0.04%	5%
Offshore investments	3,174,499	0.07%	2,124,588	0.05%	15%
Investment property	471,000,000	10.37%	470,000,000	11.07%	30%
	4,541,251,874	100%	4,244,040,031	100%	

6 Interest on Member balances

The Trustees recommend crediting of 5% (2022: 5%) interest on Members' balance.

7 Independent Auditor

VC Karani & Associates, Certified Public Accountants, have expressed their willingness to continue in office.

For the Trustees:



Chairperson

Dated: 28th September 2023

1. Trustees in office

Name of Trustee	Age	Category (Member elected/Sponsor nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest qualification	Membership of other Boards
Dr. Beverlyne A. Ambuyo	Above 35	Member-elected	8	Yes	Doctor of Philosophy	None
Prof. Julius O. Nyabundi	Above 35	Sponsor nominated	6	Yes	Doctor of Philosophy	KNEC
Prof. Mary J. Kipsat	Above 35	Sponsor nominated	6	Yes	Doctor of Philosophy	None
Dr. Joshua Were	Above 35	Member-elected	8	Yes	Doctor of Philosophy	None
Mr. Stephen Lenyangume	Above 35	Member-elected	8	Yes	CPA Part 1	None
Mrs. Dorcas R. Nyawade	Above 35	Member-elected	8	Yes	O-Level	None
Mr. Ponyochi Kunyobo	Above 35	Sponsor nominated	-	No	Masters	None
Dr. Matilda C. Sang	Above 35	Sponsor nominated	-	No	Doctor of Philosophy	None

2. The Board of Trustees held eight (8) meetings during the year ending 30 June 2023. The meetings were held on the dates set hereunder:

- Wednesday 6 July 2022
- Thursday 21 July 2022 - Special meeting
- Friday 23 September 2022
- Thursday 17 November 2022
- Tuesday 21 February 2023 - Special meeting
- Monday 27 February 2023
- Friday 24 March 2023 - Special meeting
- Tuesday 23 May 2023

3. The composition of the Board of Trustees is as hereunder:

- Gender balance: Female **50%** Male **50%**
- Skills mix: No. of Trustees with financial skills **8**
- Age mix: No. of Trustees younger than 35 years **nil** No. of Trustees older than 35 years **8**

4. Committees of the Board

Committee name	No. of meetings held	Any external advisors, invitees to meetings (Yes/No) (if yes, mention purpose)	Allowances paid (Kshs.)
Finance, Investment and Custody	7	Yes (Presenting Property, Custody, Fund Management Reports and Investment Policy Statement for Trust Fund)	1,326,228
Audit and Risk Management	4	No	1,058,899
Governance and Administration	5	Yes (Preparation of Performance Contract)	982,705

5. Fiduciary Responsibility Statement

The Board of Trustees is the governing body of Maseno University Retirement Benefits Scheme and is responsible for corporate governance of the Scheme. Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interest of the Scheme's Members and the Sponsor. To achieve this, Trustees embraced their fiduciary responsibility by:

- Acting honestly and not improperly use insider information or abuse their position;
- 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
- Performing their duties with the requisite degree of skill.

The Scheme has complied with laws, regulations and guidelines that govern retirement benefit schemes and the Scheme's operations.

The Trustees have ensured that the Fund managers have carried out all Scheme investments and that all Scheme assets and funds are held by the Custodian.

The Board Charter for the Scheme has been developed.

6. Responsible Corporate Citizenship

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

7. Key Outcomes

The Board of Trustees seeks to achieve the following:

- Building trust with Members and Sponsor of the Scheme so that they are satisfied with the administration of the Scheme;
- Supporting innovation and developing solutions that meet Members' and Sponsor's needs; and
- Ensuring that Scheme's administrative processes remain transparent and accessible to Members and the Sponsor.

The Board of Trustees will measure the progress towards these outcomes through:

- Triennial Members' Survey Score.
- Regular reports and Feedback from the Sponsor.

8. Annual General Meeting

The Board of Trustees held the annual general meeting on Friday 2 December 2022 in which 863 Members, making up 66% of the Scheme Members attended. The Board adequately addressed the Members' concerns.

9. The Board conducted the following sensitization activities:

Name of sensitization forum	Date held	No. of Members who attended
Pre- Retirement training seminar for Members above 50 years	13 October 2022	123
Pre- Retirement training seminar for Members blow 40 years	14 October 2022	91
Pre- Retirement training seminar for Tom Mboya staff	21 October 2022	47
Pre- Retirement training seminar for Members aged 41 - 50 years	21 April 2023	97

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. Trustees Remuneration Policy

During the year under review, the Trustees remuneration was a gross sum of Kshs.6,529,295. This amount complied with the Trustees Remuneration Policy of the Scheme which was approved by Members at the Annual General Meeting held on the 2 December 2022.

11. Board of Trustees Evaluation

The Board undertook evaluation in the year under review. The review process was facilitated externally by Advancierge Africa and the process took the form of a questionnaire. The questionnaire was self-administered and contained the following 4 categories;

- Evaluation of the Board of Trustees;
- Evaluation of the Chairperson by Board Members;
- Evaluation of the Trust Secretary by the Board Members and;
- Evaluation of the three Board committees by other Board Members.

The Board was rated outstanding with a score of 9.4 out of 10.

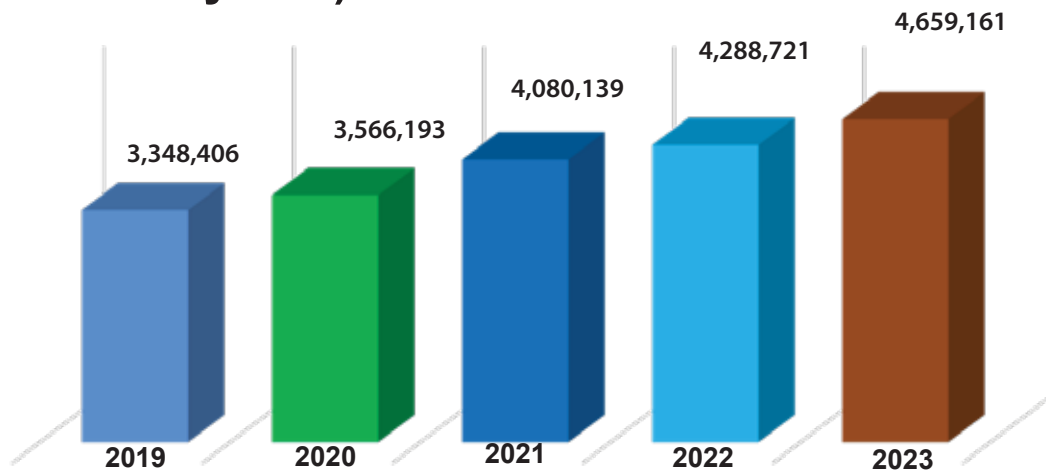
For the Trustees:



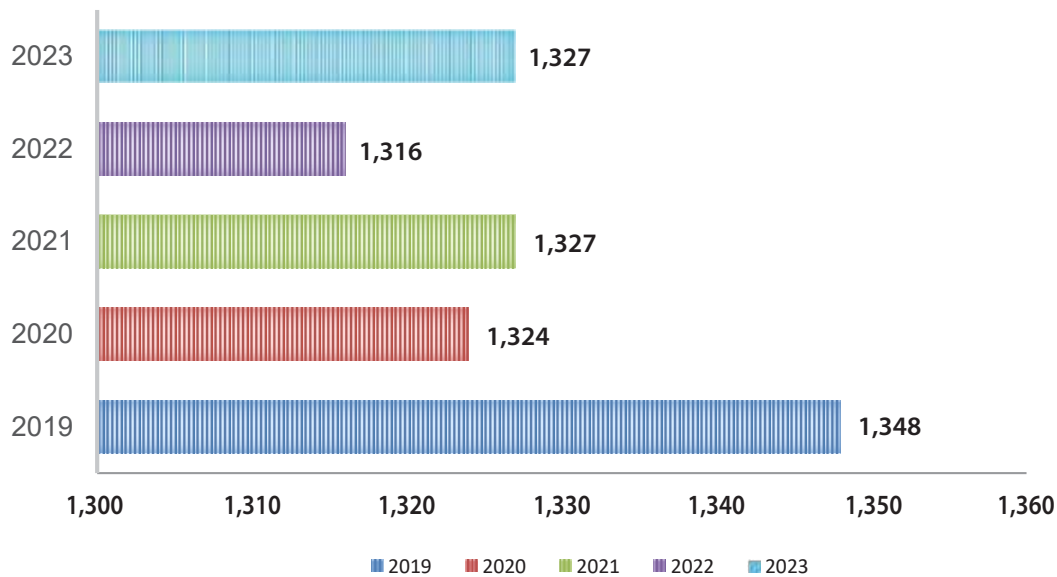
Chairperson

Dated: 28th September 2023

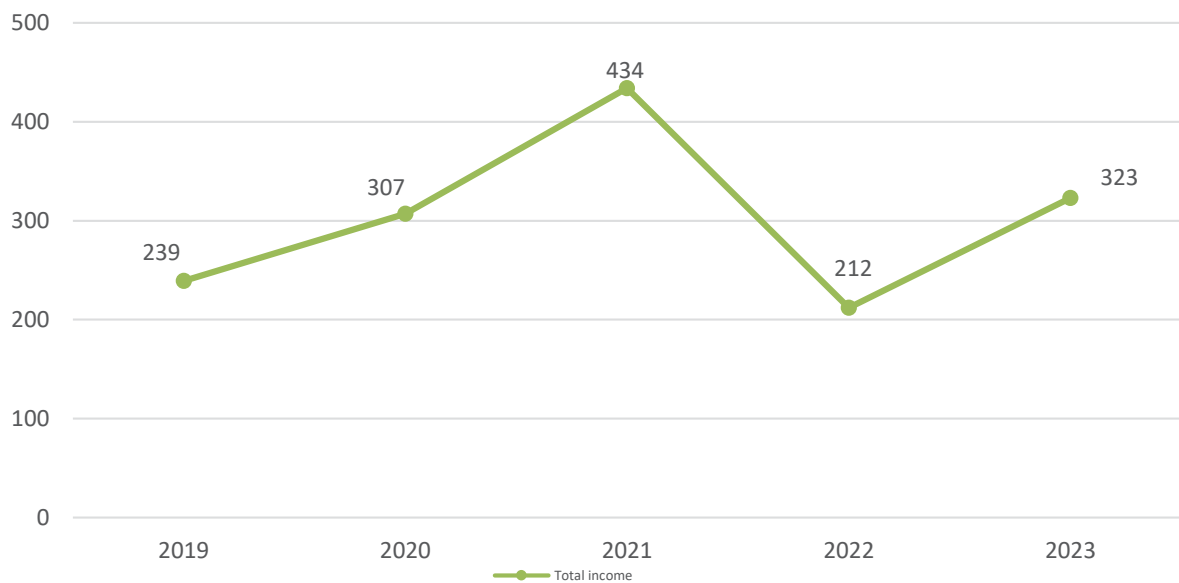
A) Scheme' growth (Fund value over 5 years) Shs.000's



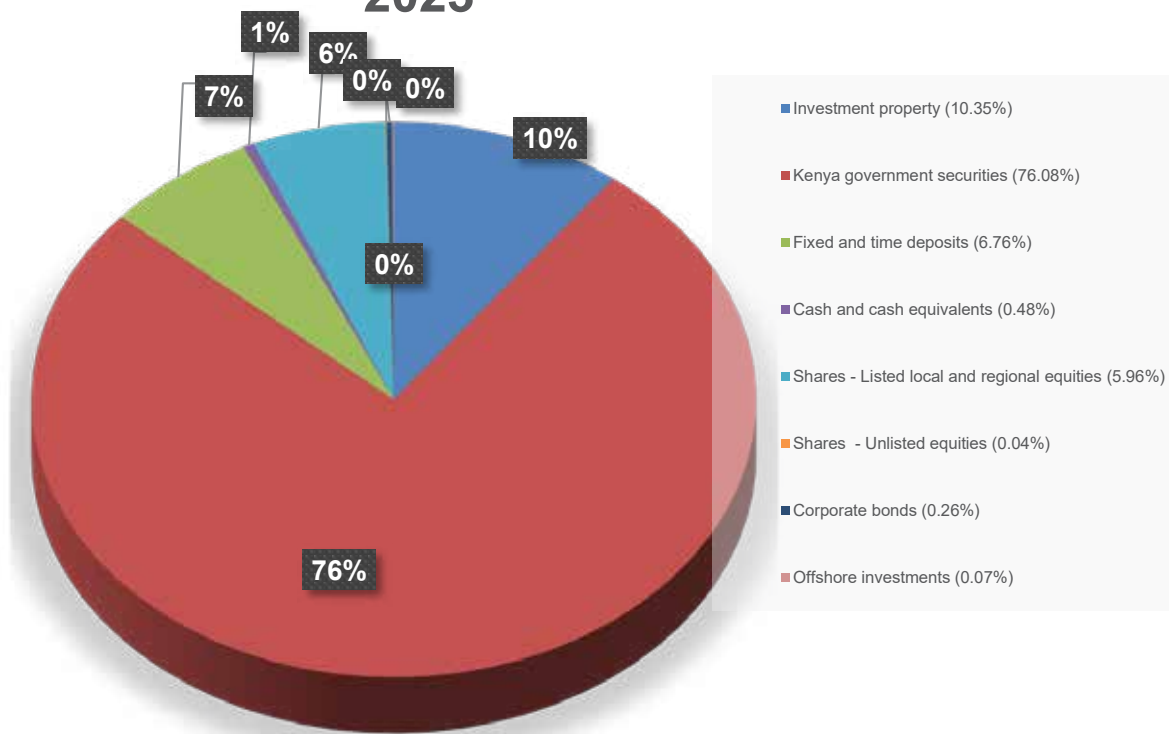
B) Scheme' Membership



C) Scheme' Financial Performance' 'Millions''



D) Scheme' Asset (Portfolio) Allocation 2023



The Retirement Benefits Act requires the Trustees to prepare financial statements in respect of the Scheme, which give a true and fair view of the state of affairs of the Scheme at the end of the financial year and the operating results of the Scheme for that year. The Trustees are also required to: a) ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of the Scheme b) safeguard the assets of the Scheme.

The Trustees are responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended 30 June 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Scheme; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Scheme; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Retirement Benefits Act.

The Trustees are of the opinion that the Scheme's financial statements give a true and fair view of the state of the Scheme's transactions during the financial year ended 30 June 2023, and of the Scheme's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees 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 Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

For the Trustees:



Chairperson



Trustee

Dated: 28th September 2023

**REPORT OF THE INDEPENDENT AUDITOR
TO THE TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME**

VCK/ARP/MURBS/2023

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maseno University Retirement Benefits Scheme, set out on pages 16 to 34 together with appendices I and II, which comprise the statement of net assets available for benefits as at 30 June 2023, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 30 June 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Retirement Benefits Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 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 audit opinion.

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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The Key Audit Matters identified were:

	Key Audit Matter	How the matter was addressed in our audit
1.	Contributions receivable The Scheme has recognised contributions income for the year and contribution due at year end. We considered this to be a key audit matter because contributions make up the main capital inflows into the Scheme which dictate the Scheme's ability to continue operating as a going concern and therefore the need to obtain assurance on the amounts thus reported.	Our audit procedures in this area included among others: - Reviewing monthly contribution schedules and confirming that correct classification/split of employee and employer portions as provided by the Trust Deed and Rules have been used; and that the disclosure of additional voluntary contributions has been made. - Confirming contribution remittances to the custodian; and - Verifying contributions outstanding by reconciling contributions receivable in the monthly contributions schedules with contributions remitted.
2.	Benefits payable The Scheme has recognised benefits payable for the year and unpaid benefits at year end. We considered this to be a key audit matter because benefit payments make up the main capital outflows from the Scheme and therefore provides an area of high exposure to loss of Schemes' assets if not properly managed.	Our audit procedures in this area included among others: - Reviewing schedule of benefits payable and confirming that they relate to Members of the Scheme who accessed their benefits having exited through any one of the allowed mode of exit i.e. resignation, dismissal, retirement, ill-health, immigration, death etc. - Reviewing benefit computation worksheets on sample basis and confirming that benefits paid and/or unpaid were correctly determined as per the Trust Deed and Rules and the Retirement Benefits Act and withholding tax on benefits payable was correctly determined and remitted as per the Income Tax Act.

**REPORT OF THE INDEPENDENT AUDITOR
TO THE TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME**

	Key Audit Matter	How the matter was addressed in our audit
3.	Financial assets The Scheme has invested in various financial assets. We considered this to be a key audit matter because financial assets make up the Scheme's major assets and therefore the need to obtain assurance on the financial assets' ownership and value reported, together with generated investment income.	Our audit procedures in this area included among others: • Verifying ownership by obtaining confirmation of the financial assets held from the Scheme's custodian. • Reviewing classification and valuation of the financial assets and confirming that it is consistent with IFRS 9: Financial Instruments and the requirements of the Retirement Benefits Act 1997 as amended and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 that require Scheme assets to be recognised at market value. • Verifying investment income generated by each class of financial assets.
4.	Investment property The Scheme has invested in investment property. We considered the valuation and ownership of investment property as a key audit matter because it constitutes a major asset of the scheme and also due to estimation uncertainty in the determination of its value and therefore the need to obtain assurance on the investment property's ownership and value reported, together with rental income generated.	Our audit procedures in this area included among others: • Verifying ownership by obtaining confirmation of the title ownership. • Reviewing the valuation of the property investments based on a valuation performed by an independent appraiser. • Verifying rental income generated by the property.

Other information

The Trustees are responsible for the other information. Other information comprises the information included in 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 Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Retirement Benefits Act, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are 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 Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO

E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates

Certified Public Accountants



REPORT OF THE INDEPENDENT AUDITOR TO THE TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

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 ISAs 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 ISAs, we exercise professional judgement and maintain professional scepticism 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 Trustees.
- Conclude on the appropriateness of the Trustees' 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.
- 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 independent auditor's report was CPA Evans Ogari Onwonga, Practising Certificate No. 1971.

For and on behalf of:
VC Karani & Associates
Certified Public Accountants
Nairobi



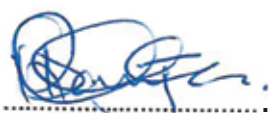
Dated: 28/09/2023

	Note	2023 Kshs	2022 Kshs
Income from dealings with Members			
Contributions	2	344,054,795	347,398,367
Transfers in	3	3,192,277	21,876,182
Outgoings from dealings with Members			
Benefits payable	4	(192,899,908)	(259,064,520)
Transfers out	5	(3,047,961)	(2,370,200)
Net additions from dealings with Members		151,299,203	107,839,829
Returns on investment			
Investment income	6	529,294,159	454,722,990
Change in fair value of investments	7	(206,326,391)	(243,202,982)
Less:			
Investment management expenses	8a	(16,265,605)	(14,781,505)
Investment property expenses	8b	(8,357,626)	(8,377,062)
Impairment of financial asset	8c	-	(10,000,000)
Gross returns on investments		298,344,537	178,361,441
Expenses			
Administrative expenses	8d	(54,856,500)	(53,985,841)
Tax expense	18	(32,599,630)	(32,598,765)
Net returns on investments		210,888,407	91,776,835
Transfer (to)/ from general reserve	19a	(5,567,166)	88,503,571
Increase in net assets for the year		356,620,444	288,120,235
Members' Fund at start of year		4,142,212,592	3,854,092,357
Members' Fund at end of year		4,498,833,036	4,142,212,592
Reserve fund	19	160,328,252	146,508,677
Members' Fund and Reserve Fund		4,659,161,288	4,288,721,269

	Note	2023 Kshs	2022 Kshs
Non-current assets			
Property and equipment	9	12,718,260	8,657,682
Investments			
Investment property	10	471,000,000	470,000,000
Financial investments	12a	4,048,555,390	3,750,609,196
		4,519,555,390	4,220,609,196
Current assets			
Land inventories	11	2,045,831	12,275,002
Financial investments: Trust Fund	12b	51,664,443	53,519,897
Contributions due and other receivables	13	135,880,452	82,918,654
Receivables: Trust Fund	16b	-	99,696
Cash at bank	14a	21,696,484	23,430,835
Cash at bank: Trust Fund	14b	3,202,388	1,542,692
		214,489,598	173,786,776
Total assets		4,746,763,248	4,403,053,654
Less: Current liabilities			
Benefits payable	15a	10,712,973	27,518,848
Benefits payable: Trust Fund	15b	54,772,873	55,162,285
Payables and accrued expenses	16a	22,022,156	31,651,252
Payables and accrued expenses: Trust Fund	16b	93,958	-
Total liabilities		87,601,960	114,332,385
Net assets available		4,659,161,288	4,288,721,269
Financed by:			
Members' Fund and Reserve Fund		4,659,161,288	4,288,721,269

The financial statements on pages 16 to 34 together with appendices I and II were approved for issue by the Trustees on 28th September 2023 and signed on their behalf by:


.....
Chairperson


.....
Trustee

	Notes	2023 Kshs	2022 Kshs
Cash flow from operating activities			
Contributions received		322,051,919	400,191,337
Transfers in		3,192,277	21,876,182
Benefits paid to retirees and seceding members		(209,705,783)	(233,585,312)
Transfers out		(3,047,961)	(2,370,200)
Administrative expenses paid		(62,376,141)	(39,625,070)
Tax paid		(36,276,275)	(39,288,116)
GLA premium and other administrative reserve payments		(19,966,039)	(17,109,907)
Decrease in amount due from Trust Fund		(179,268)	5,419,460
Net cash flow from operating activities		(6,307,271)	95,508,374
Cash flow from investing activities			
Investment income received		516,268,809	430,277,251
Investment expenses paid		(24,424,805)	(22,441,221)
Purchase of financial assets		(830,031,093)	(1,539,426,252)
Proceeds from disposal of financial assets		578,338,410	900,929,205
Proceeds from sale of land inventories		12,361,500	3,758,800
Purchase of property and equipment		(4,895,011)	(6,486,445)
Net cash flow from investing activities		247,617,810	(233,388,662)
Net increase/(decrease) in cash and cash equivalents		241,310,539	(137,880,288)
Cash and cash equivalents at start of year		87,085,917	224,966,205
Cash and cash equivalents at end of year		328,396,456	87,085,917
Represented by:			
Cash at bank	17	21,696,484	23,430,835
Fixed and call deposits	17	306,699,972	63,655,082
		328,396,456	87,085,917

1 Significant accounting policies

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

a) Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Retirement Benefits Act 1997 as amended, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarize the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits that fall due after end of the Scheme period.

The financial statements are presented in the functional currency, Kenya Shillings (Kshs) and are prepared under the historical cost convention as modified by the carrying of certain investments at fair value.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i New and revised standards effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued and effective. Those that relate and have an impact on the Scheme's operations have been adopted where applicable.

ii New and revised standards issued but not yet effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued but not yet effective. Those that relate and have an impact on the Scheme's operations will be adopted where applicable once they become effective.

iii Early adoption of standards

The Trustees do not have any plans to adopt any new and revised standards until they become effective. Based on their assessment of the potential impact of application of these standards, they do not expect that there will be a significant impact on the Scheme's financial statements.

c) Key sources of estimation uncertainty

In the application of the accounting policies, the Trustees are required to make the 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.

Except for the valuation of investment property for which Trustees have relied on valuation by an independent valuer and provision for anticipated liabilities, the Trustees have made no other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial period.

d) Significant judgements made by Trustees in applying the Scheme's accounting policies

Trustees have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements.

i) Impairment of contributions due and other receivables

Contributions due

The Scheme recognises contributions receivable on an annual basis. Contributions outstanding for more than 30 days are considered overdue. In determining whether overdue contributions are impaired, the Trustees have made significant judgement as to whether there is any evidence indicating that the Sponsor will not remit the overdue amount, if any, as stated.

Other receivables

At each reporting date, the Scheme reviews the carrying amounts of its other receivables to determine whether there is any indication that these receivables have suffered an impairment loss. If any such indication exists, the recoverable amount of the receivable is estimated and an impairment loss is recognised in the statement of changes in net assets available for benefits whenever the carrying amount of the receivable exceeds its recoverable amount.

ii) Impairment of financial assets

The Trustees have adopted the expected credit loss (ECL) model provided under the revised IFRS 9 in determining provision for impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

Based on the expected credit loss (ECL) model, the Trustees are of the opinion that, except for the Real People corporate note investment whose recoverability is uncertain, no provision for impairment of the rest of the financial assets is necessary since the assets have been stated at their market values or fair values as at the end of the period. For financial assets stated at amortised cost, fair value has been determined as the nominal value plus accrued interest thereon.

iii) Fair value measurement and valuation process

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. The Trustees determine the fair value of the Scheme's assets and liabilities, where required, as follows:

- For assets and liabilities traded in the open market, fair value is the market value.
- For assets and liabilities not traded in the open market, fair value is determined using market observable data to the extent it is available.

e) Contributions

Current service and other contributions are accounted for in the period in which they fall due.

f) Benefit transfers

Benefit transfers are recognized in the period in which Members join from or leave for other Schemes.

g) Benefits payable

Pensions and other benefits payable are taken into account in the period in which they fall due.

h) Income from investments

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

The Scheme's income mainly comprising of investment income is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Scheme and when the specific criteria of the income class has been met as described below:

h) Income from investments

- i) Interest income is recognized for all interest bearing instruments on an accrual basis. Interest income includes coupons earned on fixed income investments and other discounted instruments.
- ii) Discount on government and corporate securities is recognized for securities purchased at prices lower than their respective nominal values and stated at amortised cost.
- iii) Dividends are recognized as income in the period in which the right to receive payment is established.
- iv) Rental income is recognized in the period in which it is earned.
- v) Miscellaneous income is recognized in the period in which it is earned.

i) Investment property

Investment property comprises land and buildings held to earn rent income, for resale or for capital appreciation. They are initially recognized at cost (including incidental and transaction costs) and are subsequently carried at market value based on valuations by external independent valuers or at the lower of cost and net realisable value for property due for resale whose sale price has been determined. Repairs and maintenance expenses and other property associated costs are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred. Investment property is not subject to depreciation.

Changes in carrying amounts of the investment property between net asset statement dates are recognized through the statement of changes in net assets available for benefits.

j) Financial instruments

The Scheme recognizes financial instruments in accordance with IFRS 9: Financial Instruments. The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Recognition and measurement

Financial assets and liabilities are initially recognized in the Scheme's statement of net assets at cost (including transaction costs) when the Scheme becomes party to the contractual provisions of the instrument.

IFRS 9 requires subsequent classification and measurement of financial instruments to reflect the business model in which the financial instruments are managed and their cash flow characteristics.

The standard contains three principal classification categories for financial instruments namely:

- i) At amortised cost;
- ii) At fair value through other comprehensive income (FVTOCI)
- iii) At fair value through profit or loss (FVTPL)

A financial instrument that meets the following two conditions must be measured at amortised cost unless the asset is designated at FVTPL under the fair value option:

- **Business model test:** The financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value).

- **Cash flow characteristics test:** The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial instrument that meets the cash flow characteristics test and is not designated at FVTPL under the fair value option must be measured at FVTOCI if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets.

j) Financial instruments

Financial assets

Financial assets are initially recognised at cost using settlement date accounting, when the Scheme has become party to the contractual provisions of the instrument.

The Scheme classifies its financial assets into the following categories: Financial assets at fair value through profit and loss, financial assets at amortised cost and receivables. Trustees determine the appropriate classification of its investment at initial recognition.

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value option. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces measurement inconsistency. Financial instruments cannot be transferred out of this category after inception. These category includes the following financial instruments:

- Government securities: Treasury bonds stated at market value
- Corporate bonds stated at market value.
- Quoted equities stated at market value.
- Offshore investments stated at market value.

(ii) Financial assets at amortised cost

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments and fixed maturities that Trustees have the positive intention and ability to hold to maturity. These category includes the following financial instruments:

- Government securities: Treasury bills stated at amortised cost.
- Corporate bonds and commercial paper stated at amortised cost.
- Short term deposits stated at amortised cost

(iii) Receivables

Receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. They arise when Trustees provide money or services directly to a debtor with no intention of trading the receivables. Receivables are carried at their original amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified.

Impairment

IFRS 9 requires use of the 'expected credit loss' (ECL) model in determining impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

The impairment model is applicable to financial assets measured at amortised cost or FVTOCI except for investments in equity instruments and to contract assets.

The standard requires loss allowances to be measured on either of the following bases:

- **12-month ECLs:** these are ECLs that result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLs:** these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

j) Financial instruments...cont'd

Impairment...cont'd

The Scheme recognizes a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment. If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowances are recognised in profit or loss as impairment gains or losses.

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 date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

Presentation

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the reporting date, those which the Trustees have the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, 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

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

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) Equipment and depreciation

All categories of equipment are initially recorded at cost and subsequently at historical cost less accumulated depreciation. Historical cost includes expenditure directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Scheme and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred.

Depreciation is calculated using the straight line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate (%)
Motor Vehicle	25.00%
Furniture, fittings and office equipment	10.00%
Office partitions	20.00%
ERP system and equipment	25.00%
Computer equipment	25.00%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

l) Provisions for liabilities

Provisions are recognised when the Scheme has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

m) Reserves

i) General reserve

This is a reserve maintained by Trustees at their discretion. The reserve is debited or credited at the end of each financial period with such sum as Trustees may decide. The credit in the reserve may be used by Trustees each period to make good any loss incurred on depreciation or sale of any securities or investments during the period or in the costs of administration of the Scheme, provided that a Member shall receive a share of the reserve upon being awarded benefits in respect of retirement, disability or death in proportion to the value of the funds allocated to the accounts of all Members of the Scheme at the time.

ii) Administrative reserve

This is a reserve that is used to fund Members' group life insurance and other unexpected cost. The Sponsor contributes 2.5% of the Members basic salary towards this reserve.

n) Comparatives

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

	2023 Kshs	2022 Kshs
2 Contributions		
Employer - Normal	223,502,951	225,412,993
Employee - Normal	109,951,475	112,706,497
Employee - Additional Voluntary Contributions (AVC)	10,447,769	9,278,877
Employee - Post Retirement Medical Scheme (PRMS)	152,600	-
	344,054,795	347,398,367
3 Transfers in	3,192,277	21,876,182
This is in respect of benefits of employees who joined from other Schemes.		
4 Benefits payable		
Annuity purchase for pensioners	102,169,017	116,432,177
Commutation and lump sum retirement benefits	72,591,580	91,131,172
Lumpsum death benefits	6,560,007	25,004,853
Lumpsum withdrawal benefits to leavers	11,579,304	26,496,318
	192,899,908	259,064,520
5 Transfers out	3,047,961	2,370,200
This is in respect of benefits of employees who transferred their benefits to other Schemes.		
6 Investment income		
Rent income	24,209,002	17,972,908
Dividends receivable from equities	24,039,012	21,208,844
Interest and discounts receivable:		
- Treasury bonds	442,056,400	387,118,385
- Treasury bills	10,166,092	13,206,812
- Corporate bonds	1,435,689	555,672
- Fixed and call deposits	16,248,361	5,087,101
Gain (Loss) on disposal or maturity of investments		
- Listed local and regional equities	4,129,354	(312,942)
- Treasury bonds	4,817,192	8,638,989
Investment property (land parcels)	2,132,329	690,049
Other income (Miscellaneous)	60,728	557,172
	529,294,159	454,722,990
7 Change in fair value of investments		
Treasury bonds	(160,615,631)	(153,284,388)
Listed local and regional equities	(47,760,671)	(94,612,604)
Offshore investments	1,049,911	(305,990)
Investment property (Note 10)	1,000,000	5,000,000
	(206,326,391)	(243,202,982)

8 The Scheme expenses have been classified into 4 categories:

- a Investment management expenses - expenses attributable to the management of financial investments and custody of the Scheme's assets.
- b Investment property expenses - expenses attributable to the management and operations of investment properties.
- c Financial asset impairment - costs related to write off of financial assets whose recoverability is uncertain.
- d Administrative expenses - expenses attributable to the secretariat and general Scheme operations.

	2023 Kshs	2022 Kshs
8.a Investment management expenses		
Management fees	9,179,258	8,587,024
Custody fees	5,760,119	5,365,603
Investment committee expenses	1,326,228	828,878
	16,265,605	14,781,505
8.b Investment property expenses		
Land rent and rates	113,167	92,084
Legal fees	-	95,000
Property valuation fees	507,600	200,000
Property repair, maintenance and other expenses	6,856,744	7,989,978
Consultancy costs	880,115	-
	8,357,626	8,377,062
8.c Financial asset impairment		
Impairment of financial asset (Note 22)	-	10,000,000
Impairment of financial assets in the previous financial year related to a 9-year Corporate Bond with nominal value of Kshs.10,000,000 held with Real People Kenya Limited whose recovery is uncertain.		
8.d Administrative expenses		
RBA levy	5,000,000	5,000,000
Trustee meeting expenses	6,802,480	4,392,189
Trustee training expenses	5,404,906	2,836,633
Board evaluation expenses	1,744,535	1,283,145
E- board expenses	820,584	-
Administration and processing expenses	28,523,036	30,521,756
Seminar and training expenses	1,356,394	1,420,230
Audit fees and disbursements	618,300	589,980
Depreciation on property and equipment (Note 9)	834,432	902,463
Strategic plan costs	-	3,469,523
Members education expenses	1,308,939	1,636,438
Annual general meeting expenses	2,442,894	1,933,484
	54,856,500	53,985,841

9 Property and equipment

	Computer equipment Kshs 25.00%	Office partitions Kshs 20.00%	Motor Vehicle Kshs 25.00%	Furniture, fittings and office equipment Kshs 10.00%	ERP system and equipment (Work in progress- ERP) Kshs 25.00%	Total Kshs
Cost						
At start of year	3,135,609	3,280,783	5,969,900	4,634,931	5,515,066	22,536,289
Additions	241,904	-	-	862,287	3,790,820	4,895,011
At end of year	3,377,513	3,280,783	5,969,900	5,497,218	9,305,886	27,431,300
Depreciation						
At start of year	2,884,547	3,280,783	3,731,188	3,982,090	-	13,878,608
Charge for the year	123,242	-	559,678	151,513	-	834,432
At end of year	3,007,789	3,280,783	4,290,866	4,133,603	-	14,713,040
Net book value						
At 30 June 2023	369,724	-	1,679,034	1,363,615	9,305,886	12,718,260
At 30 June 2022	251,063	-	2,238,713	652,841	5,515,066	8,657,682

Note : The ERP system is fully installed but awaiting system review, closure and handover/commissioning. The cost will be depreciated once the system is fully available for use and is operational (IAS 16).

10 Investment property

	2023 Kshs	2022 Kshs
Developed properties		
At start of the year	470,000,000	465,000,000
Net revaluation gain	1,000,000	5,000,000
At end of the year	471,000,000	470,000,000

Investment property relates to land and building acquired by the Scheme.

The developed properties are stated at the most recent market values determined using the comparable sales method in valuing land and cost approach in valuing permanent improvements on the land. The valuation took into account the market prices of similar properties of the type and in the area in which the properties are situated. The most recent valuation was carried out as at August 2023 by Leo Realtors Limited, independent valuers, and the values have been adopted as the fair values as at 30th June 2023 due to insignificant time difference and changes in economic factors affecting the properties.

MURBS NBK Building (LR Block 7/330) was revalued upwards by Kshs.2.5 million from Kshs.120 million reported in the previous valuation report to Kshs.122.5 million while MURBS Hostels (LR Block 7/286 & 289) was revalued downwards from Kshs. 80 million reported in the previous valuation report to Kshs.78.5 million. The Scheme has thus reported a net revaluation gain on the 2 properties of Kshs. 1 million (Note 7) in the current financial period. The valuation of the other property (MURBS Building (LR Block 7/67 & 70) remained the same at Kshs.270 million.

11 Land inventories

	2023 Kshs	2022 Kshs
At start of year	12,275,002	15,343,753
Disposal	(10,229,171)	(3,068,751)
At end of the year	2,045,831	12,275,002

Land inventories relates to undeveloped Eldoret land parcels held by the Scheme. They have been sub-divided and are being sold. They are stated at the lower of cost and net realisable value upon sale.

During the year 20 plots were fully sold leaving 5 plots partially sold as at the financial year end.

12 Financial investments
a Financial investments: Scheme

At fair value							
	Value at 01/07/2022	Less: Accrued interest b/fwd.	Add: Purchases at cost	Less: Disposals at average cost	Change in fair value	Add: Accrued interest c/fwd.	Value at 30/06/2023
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Treasury bonds	3,225,446,120	(98,800,337)	776,949,038	(400,334,495)	(160,615,631)	111,664,175	3,454,308,870
Listed local and regional equities	306,396,268	-	28,006,384	(16,067,126)	(47,760,671)	-	270,574,855
Unlisted equities	1,872,000	-	-	-	-	-	1,872,000
Offshore investment	2,124,588	-	-	-	1,049,911	-	3,174,499
Sub-total	3,535,838,976	(98,800,337)	804,955,423	(416,401,621)	(207,326,392)	111,664,175	3,729,930,224
At amortised cost							
	Value at 01/07/2022	Less: Accrued interest b/fwd.	Add: Purchases at cost	Less: Disposals at average cost	Impairment	Add: Accrued interest c/fwd.	Value at 30/06/2023
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Treasury bills	139,190,901	(2,329,782)	25,075,670	(161,936,789)	-	-	-
Corporate bonds	11,924,236	(244,236)	-	-	-	245,194	11,925,195
Fixed and call deposits	63,655,082	(155,082)	1,910,400,000	(1,669,200,000)	-	1,999,972	306,699,972
Sub-total	214,770,219	(2,729,100)	1,935,475,670	(1,831,136,789)	-	2,245,166	318,625,167
Total	3,750,609,196	(101,529,437)	2,740,431,093	(2,247,538,410)	(207,326,392)	113,909,341	4,048,555,390

b Financial investments: Trust Fund

<u>At fair value</u>							
	Value at 01/07/2022 Kshs	Less: Accrued interest b/fwd. Kshs	Add: Purchases at cost Kshs	Less: Disposals at average cost Kshs	Change in fair value Kshs	Add: Accrued interest c/fwd. Kshs	Value at 30/06/2023 Kshs
Treasury bonds	52,943,206	(1,645,557)	31,004,865	(30,586,534)	(1,780,255)	1,728,719	51,664,443
Sub-total	52,943,206	(1,645,557)	31,004,865	(30,586,534)	(1,780,255)	1,728,719	51,664,443
<u>At amortised cost</u>							
	Value at 01/07/2022 Kshs	Less: Accrued interest b/fwd. Kshs	Add: Purchases at cost Kshs	Less: Disposals at average cost Kshs			
Treasury bills	576,691	(15,769)	-	(560,922)	-	-	-
Fixed and call deposits	-	-	19,400,000	(19,400,000)	-	-	-
Sub-total	576,691	(15,769)	19,400,000	(19,960,922)	-	-	-
Total	53,519,897	(1,661,326)	50,404,865	(50,547,456)	(1,780,255)	1,728,719	51,664,443

12 Financial investments...cont'd

The following table analyses investments other than shares (which have no fixed maturity) into relevant maturity groupings based on the remaining period at 30 June 2023 to the contractual maturity date.

a Financial investments: Scheme

	Up to 3 months Kshs	3 -12 months Kshs	1 - 5 years Kshs	Over 5 years Kshs	Total Kshs
Treasury bonds	3,631,876	-	159,435,112	3,291,241,882	3,454,308,870
Corporate bonds	-	-	11,925,195	-	11,925,195
Fixed and call deposits	306,699,972	-	-	-	306,699,972
Total	310,331,848	-	171,360,307	3,291,241,882	3,772,934,037

b Financial investments: Trust Fund

Treasury bonds	-	-	-	51,664,443	51,664,443
Total	-	-	-	51,664,443	51,664,443

The following table summarises the average coupon rates at the year end of the main interest bearing investments of the Scheme:

	2023 %	2022 %
Treasury bonds	12.90%	12.45%
Corporate bonds	12.25%	12.25%
Fixed and call deposits	12.27%	8.78%
The following investment classes exceed 5% of financial investments of the Scheme:		
Kenya Government securities (Treasury bills and bonds)	85.32%	89.71%
Listed local and regional equities	6.68%	8.17%
Fixed and call deposits	7.58%	-

The Scheme does not hold more than 10% of the equity of any quoted company.

13 Contributions due and other receivables

	2023 Kshs	2022 Kshs
Contributions receivable		
- Past due up to 30 days	30,832,613	31,129,960
- Past due more than 30 days	56,687,493	-
CBA arrears for 2017 - 2021	17,933,506	23,932,906
	105,453,612	55,062,866
Investment income (dividends) receivable	6,357,382	5,486,037
Title deed and property costs receivable	16,694,056	19,648,912
Death benefits receivable	392,499	392,499
Tax recoverable (Note 18b)	2,276,483	-
Due from Trust Fund (Appendix II)	79,572	-
Deposits for utilities	35,000	35,000
Prepaid motor vehicle repair costs	26,409	-
Rent receivable	4,565,439	2,293,340
	135,880,452	82,918,654

Contributions due up to 30 days relate to contributions for the month of June 2023 while contributions due for more than 30 days relate to contributions arrears for the year. The contributions due and CBA arrears are held by the Sponsor and are fully recoverable hence no provision for impairment has been made.

Title deed and property costs receivable relate to title processing, land rates and other expenses incurred by the Scheme in respect of the parcels of land already sold. The costs are recoverable from the respective buyers before issuance of title deeds to the buyers.

14 Cash at bank

	2023 Kshs	2022 Kshs
a Cash at bank: Scheme		
Standard Chartered bank custody a/c- Current account	18,642,278	18,909,981
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd.	1,718,773	1,933,161
Standard Chartered bank custody a/c- Sanlam Investment Managers Ltd.	379,362	2,587,693
National bank savings a/c	956,071	-
	21,696,484	23,430,835
b Cash at bank: Trust Fund		
Standard Chartered bank custody a/c- Current account	3,069,794	820,869
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd.	132,594	721,823
	3,202,388	1,542,692

15 Benefits payable

	2023 Kshs	2022 Kshs
a Benefits payable: Scheme		
Lumpsum benefits payable	799,232	10,107,411
Lumpsum for annuity purchase payable	9,913,741	17,411,437
	10,712,973	27,518,848
b Benefits payable: Trust Fund (Appendix I)		
Benefits held in Trust for beneficiaries of deceased Members	54,772,873	55,162,285

j) Financial instruments

Financial assets

Financial assets are initially recognised at cost using settlement date accounting, when the Scheme has become party to the contractual provisions of the instrument.

The Scheme classifies its financial assets into the following categories: Financial assets at fair value through profit and loss, financial assets at amortised cost and receivables. Trustees determine the appropriate classification of its investment at initial recognition.

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value option. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces measurement inconsistency. Financial instruments cannot be transferred out of this category after inception. These category includes the following financial instruments:

- Government securities: Treasury bonds stated at market value
- Corporate bonds stated at market value.
- Quoted equities stated at market value.
- Offshore investments stated at market value.

(ii) Financial assets at amortised cost

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments and fixed maturities that Trustees have the positive intention and ability to hold to maturity. These category includes the following financial instruments:

- Government securities: Treasury bills stated at amortised cost.
- Corporate bonds and commercial paper stated at amortised cost.
- Short term deposits stated at amortised cost

(iii) Receivables

Receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. They arise when Trustees provide money or services directly to a debtor with no intention of trading the receivables. Receivables are carried at their original amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified.

Impairment

IFRS 9 requires use of the 'expected credit loss' (ECL) model in determining impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

The impairment model is applicable to financial assets measured at amortised cost or FVTOCI except for investments in equity instruments and to contract assets.

The standard requires loss allowances to be measured on either of the following bases:

- **12-month ECLs:** these are ECLs that result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLs:** these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

18 Taxation

Maseno University Retirement Benefits Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income. Taxation reflected in the financial statements relates to tax payable on net investment income of the unregistered segment of the Scheme and is as follows:

	2023 Kshs	2022 Kshs
Taxable investment income	108,665,434	97,669,000
Tax at 30%	32,599,630	29,300,700
Adjustment for tax under provision for prior years	-	3,298,065
a Tax charge for the year	32,599,630	32,598,765
<u>Movement in tax account</u>		
Balance of tax payable b/fwd.	1,400,162	7,567,794
Add: Tax charge for the Scheme - current year	32,599,630	29,300,700
Tax charge for the Scheme - prior year under provision	-	3,298,065
Tax charge for the Trust Fund - current year (Appendix I)	-	521,719
Less: Tax paid for current year	(34,876,113)	(28,422,257)
Tax paid for prior year	(1,400,162)	(10,865,859)
b Balance of tax (recoverable)/ payable	(2,276,483)	1,400,162

Taxable investment income is determined as the proportion of taxable income earned net of tax allowable expenses in respect of unregistered funds of Members. Income and expenses are apportioned proportionately based on Members' cumulative balances in the unregistered segment of the Scheme as at 30 June 2023.

19 Reserve fund

	2023 Kshs	2022 Kshs
a General reserve fund		
Balance at start of year	93,209,439	181,713,010
Net transfer in (out) for the year	5,567,166	(88,503,571)
Balance at end of year	98,776,605	93,209,439
b Administrative reserve fund		
Balance at start of year	53,299,238	44,333,622
Additions for the year	28,387,870	27,786,510
Less:		
- Group life premiums paid for the year	(19,966,039)	(17,509,907)
- Net land related costs payments	(169,422)	(1,310,987)
Balance at end of year	61,551,647	53,299,238
Total reserve fund at end of year	160,328,252	146,508,677

Note: The Sponsor contributes 2.5% of the Members' basic salaries monthly to the administrative reserve fund to cater for the payment of group life premiums and other expenses at the discretion of the Sponsor. As at the year end, the fund stood at Kshs.61,551,647 (2022: Kshs.53,299,238).

20 Contingent liabilities

The Scheme's contingent liabilities as at 30 June 2023 mainly comprised of the liability to pay future pensions and other benefits. Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme as at 30 June 2023.

21 Related party transactions

Related parties comprise of the Trustees and the Sponsor. Except for the contributions receivable (notes 2 & 13) and the payment of Trustees expenses (note 8d), there were no other transactions carried out with related parties during the year.

22 Financial risk management disclosures

The Scheme's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Scheme does not hedge any risks.

Risk management is carried out by the investment managers of the Scheme in accordance with policies approved by the board of Trustees as documented in the approved Investment Policy Statement.

a) Market risk

(i) Foreign exchange risk

The Scheme has investments in offshore markets and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

(ii) Cashflow and fair value interest rate risk

The Scheme does not hold any interest bearing financial liability or asset at a variable rate which would expose the Scheme to cash flow interest rate risk.

(iii) Price risk

Price risk is the risk that the value of an investment will decrease. The Scheme holds financial instruments that are subject to market prices and therefore exposed to price risk. These investments include treasury bonds and equity investments.

22 Financial risk management disclosures (continued)

b) Credit risk

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the Scheme and arises principally from the Scheme's investments, contributions receivable and other receivables. Exposure and concentration of this risk has been quantified in each financial asset note.

The Scheme's Investment managers manage credit risk by assessing the credit quality of each investment, taking into account its credit rating prior to taking up the investment. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Trustees in the Investment Policy Statement.

In the financial year ended 30 June 2016, the Scheme invested in Real People Corporate Bond with nominal value of Kshs. 10,000,000. During the current financial year, based on available information, the Trustees assessed recoverability of the bond as being uncertain. Consequently, the Trustees resolved to fully impair the bond and in the event of future recovery, the amount shall be credited back to the Scheme income.

Also, in the financial period ended 30 June 2016, Chase Bank Limited was placed under statutory receivership by the Central Bank of Kenya. At the time of placement of the bank into statutory receivership, the Scheme held the bank's 7 period Corporate Bond with face value of Kshs. 10,000,000 and maturity date of 02/06/2022. The Trustees resolved to fully impair the bond in the financial period 2017/2018 due to uncertainty on its recoverability. The impaired amount will be credited back to the Scheme in the event of future recovery.

The impaired amounts invested in Chase Bank bond and Real People Bond represent significant credit risk exposure to the Scheme as at year end.

Note: The decision to impair the assets held by Chase Bank Limited and Real People Kenya Limited was informed by prudence and the requirements to comply with International Financial Reporting Standards (IFRS 9) and does not in any way dilute the efforts that the board of Trustees continue to pursue towards recovery.

No collateral is held for any of the Scheme's investments.

c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit and expense payments. The Trustees advise the Investment managers on regular basis on the liquidity needs of the Scheme in order for the investment managers to carry out investment decisions taking into account the Scheme's liquidity needs.

23 Capital management

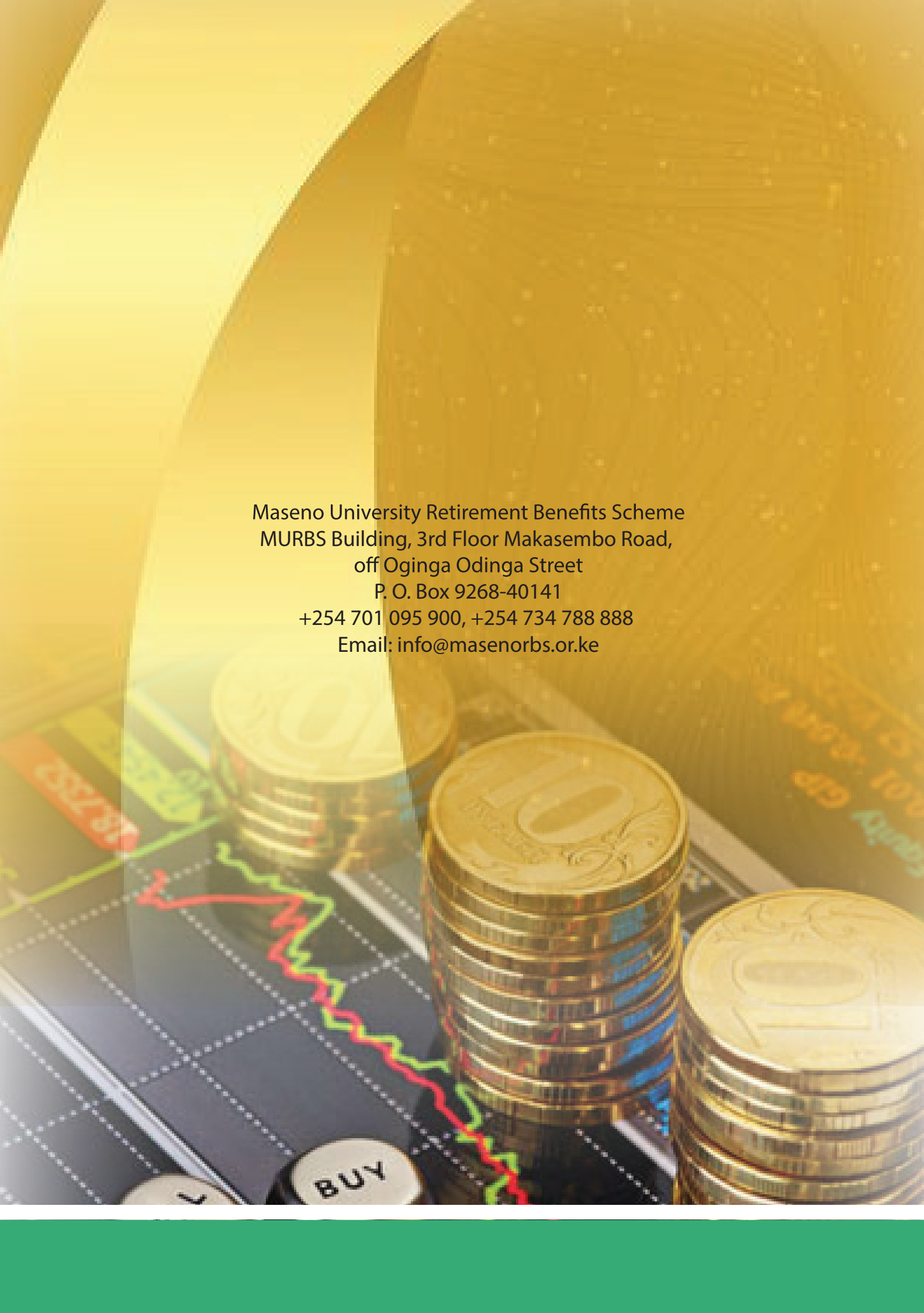
The Scheme capital structure consists of accumulated Members' funds. The primary objective of the Scheme's capital management is to ensure that its funds are invested in assets that provide optimal returns while complying with the approved investment policy and the set statutory investment guidelines in order to support its business and maximise Members value.

The Scheme maintains an actively managed capital base to cover risks inherent in the business. The total accumulated fund as at 30 June 2023 was Kshs. 4,659,161,288 (2022: Kshs.4,288,721,269).

	2023 Kshs	2022 Kshs
Dealings with Members and beneficiaries		
Benefit transfers in	14,538,643	15,961,980
Benefit payments	(20,882,227)	(15,097,250)
Net (deficit)/ additions from dealings with Members and beneficiaries	(6,343,584)	864,730
Returns on investment		
<u>Investment income</u>		
- Interest from Treasury bonds	5,806,424	6,823,805
- Discount from Treasury bills	23,309	209,086
- Interest from Fixed and Call deposits	84,216	57,219
- Gain/ Loss on disposal of Treasury bonds	1,992,527	(44,795)
	7,906,476	7,045,315
Change in fair value of investments		
- Treasury bonds	(1,780,255)	(3,970,862)
Gross returns on investments	6,126,221	3,074,453
<u>Less: Expenses</u>		
- Custody fees	(90,849)	(90,359)
- Legal fee	-	(90,200)
- Consultancy - Investment Policy Statement review	(81,200)	-
	(172,049)	(180,559)
Tax expense	-	(521,719)
	(172,049)	(702,278)
Net returns on investments	5,954,172	2,372,175
(Decrease)/ increase in net assets for the year	(389,412)	3,236,905
Net assets available for benefits at start of year	55,162,285	51,925,380
Net assets available for benefits at end of year	54,772,873	55,162,285

NOTE: Benefit transfers in are death claims and last expense recovered from insurers for onward payment to beneficiaries.

	2023 Kshs	2022 Kshs
Investments		
Financial investments		
- Treasury bonds	51,664,443	52,943,206
- Treasury bills	-	576,691
	51,664,443	53,519,897
Current assets		
Due from Scheme	-	99,696
Cash at bank	3,202,388	1,542,692
Total assets	54,866,831	55,162,285
Less: Current liabilities		
Due to Scheme	(79,572)	-
Payables & accrued expenses	(14,386)	-
Net assets available for benefits	54,772,873	55,162,285
Financed by:		
Benefits held in Trust	54,772,873	55,162,285



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