



MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

**Maseno University Retirement Benefits Scheme
Annual Report and Financial Statements
For the Year Ended 30 June 2022**

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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

Maseno University Retirement Benefits Scheme
Scheme Information
For the Year Ended 30 June 2022

TRUSTEES	Dr. Beverlyne A. Asiko	: Chairperson
	Prof. Julius O. Nyabundi	
	Prof. Mary J. Kipsat	Nominated on 14th July 2022
	Dr. Joshua Were	Elected on 10th June 2022
	Mrs. Lucy A. Osmerah	
	Mr. Gerald M. Kariithi	
	Mrs. Dorcas R. Nyawade	
	Mr. Stephen Lenyangume	Elected on 10th June 2022
	Dr. Destaings N. Nyongesa	Left on 21st July 2022
	Prof. Catherine A. Muhoma	Left on 22nd May 2022
	Mr. Bernard O. Nyaoro	Left on 10th June 2022
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	
LEGAL ADVISORS	Ogola Okello and Company Advocates P O Box 62550-00200 NAIROBI	
INDEPENDENT AUDITOR	VC Karani & Associates Certified Public Accountants Fort Granite Flats, A6, Bishop Road P O Box 45481 - 00100 NAIROBI	
SPONSOR	Maseno University Private Bag MASENO	
REGULATOR	Retirement Benefits Authority P O Box 57733 – 00200 NAIROBI	

**Maseno University Retirement Benefits Scheme
Chairperson's Report
For the Year Ended 30 June 2022**

Introduction

It is with great pleasure that I welcome you to the 2022 Annual General Meeting. It is my honor to present the Annual Report and Financial Statements for the year ended 30th June 2022.

Economic Outlook

The World Bank reported that the economy grew by 5.5% in 2022 compared to 7.5% in 2021 as the country and indeed the world continue towards a recovery path after the effects of the pandemic. This reflects resilient growth amidst external and internal shocks like a continuous rise in inflation and the effects of an election season. The Scheme expected an eventual slowdown in the economy that is characteristic of all electioneering periods.

Scheme Financial Performance

The Scheme grew by 5% in the year 2022 to close at Kshs. 4,288,721,269 up from Kshs. 4,080,138,989 in 2021. Although this is a drop from the growth witnessed in 2021 of 14%, it remains commendable in the backdrop of a volatile financial year.

The Scheme's gross earnings for the year 2022 decreased to 5% from 10.5% the previous year. Net realized investment income was Kshs. 91,776,835 (2.9%) in 2022 (Kshs. 348,109,874 (9%): 2021). Returns were negatively affected by unrealized losses of negative Kshs. 243,202,982 down from Kshs. 34,408,885 in 2021. These unrealized losses were mainly attributed to increasing interest rates, affecting performance of treasury bonds as well the volatile stock market during the financial year.

Trustees agreed to utilize the Scheme's investment reserve account, as envisioned in 2021, to cushion members in the year.

As a result, trustees have distributed to members an income of 5% in 2022 (9% : 2021). The trustees have also maintained a general reserve of 2.2%, which is adequate as all indications point to an improving economic outlook. Trustees will continue to invest more of the Scheme's assets in stable and less volatile investments.

Scheme Administration

We continue receiving timely monthly contributions from Maseno University and Tom Mboya University. During the year we received contributions amounting to Kshs. 347,398,367 from the two institutions. We are glad to see members entrusting the Scheme with benefits previously held with their former employers. Benefits transferred into the Scheme by members who were previously employed by other institutions grew to Kshs. 21,876,182 in 2022 from Kshs. 1,943,781 in 2021. We urge members to consolidate their retirement benefits by transferring any benefits held by former employers to MURBS.

Benefits paid out of the Scheme to leavers in the year increased by a margin of 56%. With the Scheme having an ageing membership, this increase in payouts is to be expected. Management expenses increased by 15% in 2022 compared to 2021. The increment is attributed to increased costs of managing a growing fund. During the year, administrative expenses increased by a margin of 24% compared to 2021. This was mainly a result of governance related costs; the Scheme conducted a Governance Audit for the first time, came up with a Post-Retirement Medical Plan and incurred costs in developing the 2022-2027 Strategic Plan. Additionally, the increase in administration expenses is attributable to costs incurred on member education for the new members, member education on Post-Retirement Medical Scheme, member education on trusteeship and trustee elections as well as the pensioners forum organized during the year. I thank the members who attended the member education fora and urge them to impart the retirement knowledge gained.

Maseno University Retirement Benefits Scheme
Chairperson's Report.....cont'd
For the Year Ended 30 June 2022

As at June 2022, Scheme membership stood at 1,316 for both active and deferred, down from 1,327 in 2021.

The Scheme has revamped its online systems. Members are requested to regularly view their updated statements of account online by visiting the 'member statements portal' on the Schemes website www.masenorbs.or.ke

Board of Trustees Changes

I would like to take this opportunity to commend the efforts of the outgoing board members who served the Scheme diligently for the past six (6) years. Dr. Destainings N. Nyongesa, the former Board chairman, Prof. Catherine A. Muhoma and Mr. Bernard O. Nyaoro. As we close the chapter on their term in office, we acknowledge their dedication and effort that saw the Scheme cross the Kshs. 4 billion mark. As I take the mantle of board chair, I assure members of the same dedication and an even renewed commitment to serve.

I also take this opportunity to welcome to the board, new member-elected trustees; Dr. Joshua Were and Mr. Stephen Lenyangume and Sponsor-nominated trustee, Prof. Mary J. Kipsat. They have committed to carry the torch high in service of members.

Post-Retirement Medical Scheme (PRMS)

The MURBS Post-Retirement Medical Scheme is now in operation effective July 2022. This Scheme was formed to handle contributions geared towards purchasing medical benefits in retirement. Health insurance remains inaccessible to majority of retired members, according to the Kenya Economic Survey report 2018.

The MURBS PRMS remains a voluntary arrangement, and the funds are invested to earn returns that further boost one's savings. We commend the members who have taken the bold step to contribute for their healthcare needs in retirement, despite competing demands from their pay slips. We urge all our members to sign up from as little as Kshs. 500 per month.

Scheme Governance Direction

The Scheme conducted the first ever Governance Audit during the year. This was conducted in an effort to gauge the Scheme's standing on governance issues in line with the Retirement Benefits Good Governance Guidelines and peer institutions.

We are glad to report that the Scheme attained a Governance score of 84%. It is thus, the onus of the Board to implement recommendations made by the consultants and improve this score further.

Strategic Direction

The Board has documented the strategic plan for the next five years, 2022-2027.
The 2022-2027 plan is anchored on three key pillars;

- **Asset Management:** we will continue to faithfully steward the assets that our members have entrusted to us. This means reviewing our asset allocation mix from a long term perspective whilst taking into account near term changes in the macro-economic environment.
- **Member Services:** which involves simplifying access of benefits by members, improving access to information, how the Scheme handles service requests, and how benefits will be paid. The members' peace of mind is the highest goal.
- **Resilience:** building resilience in the scheme will enable us withstand better the shocks that life brings. This will mean maintaining the highest levels of regulatory compliance, strengthening our enterprise risk function, improving our policies, processes, and procedures, and building the capacity of our trustees and secretariat to serve the membership better.

Appreciation

As I wind down, allow me to relay my gratitude to the Board of trustees. They have granted me great honor by nominating me as the Chair of the Board. I recognize this responsibility and will lead with conviction.

Allow me to also appreciate the two employers, Maseno University and Tom Mboya University. The commitment and dedication of the management and council members has been commendable.

I would like to thank the pension manager and entire secretariat, the Scheme service providers and the industry regulator, RBA. Our future remains bright because of your valuable service to this Scheme. Finally, I sincerely thank our membership for the trust they have continued to place on the Scheme.


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

Dated: 28-SEPT-2022

Maseno University Retirement Benefits Scheme
Report of the Trustees
For the Year Ended 30 June 2022

The Trustees present their report together with the audited financial statements for the year ended 30 June 2022 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 1st September 1990 and is governed by Original Trust Deed and Rules dated 1st 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 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.

3 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:

	Active members	Deferred members	Total
At start of year	1,083	244	1,327
Entrants	47	11	58
Exits	(69)	-	(69)
At end of year	<u>1,061</u>	<u>255</u>	<u>1,316</u>

4 Financial review

The statement of changes in net assets available for benefits on page 16 shows an increase in the net assets of the Scheme for the year of Kshs. 288,120,235 (2021:Kshs. 508,859,636) and the statement of net assets available for benefits on page 17 shows the Scheme's net assets as Kshs. 4,288,721,269 (2021: Kshs. 4,080,138,989).

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	2022		2021		RBA
	Amount (Kshs)	Percentage (%) of Portfolio	Amount (Kshs)	Percentage (%) of Portfolio	Percentage (%) RBA Limits
Cash at bank	23,430,835	0.55%	28,546,828	0.72%	5%
Fixed and call deposits	63,655,082	1.50%	196,419,377	4.95%	30%
Corporate bonds	11,924,236	0.28%	10,305,602	0.26%	20%
Kenya government securities (Treasury bonds and bills)	3,364,637,021	79.28%	2,840,896,256	71.53%	90%
Listed local and regional equities	306,396,268	7.22%	426,139,453	10.73%	70%
Unlisted equities	1,872,000	0.04%	1,872,000	0.05%	5%
Offshore investments	2,124,589	0.05%	2,430,579	0.06%	15%
Investment property	470,000,000	11.07%	465,000,000	11.71%	30%
	<u>4,244,040,031</u>		<u>3,971,610,095</u>		

6 Interest on member balances

The Trustees recommend crediting of 5% (2021: 9%) interest on members balance.

7 Auditors

VC Karani & Associates, Certified Public Accountants, were appointed independent auditors for the year and have expressed their willingness to continue in office.

For the Trustees:


.....
Chairperson

Dated: 28-SEP-2022

Maseno University Retirement Benefits Scheme
Scheme Governance Disclosure Statement...cont'd
For the Year Ended 30 June 2022

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. Asiko	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	-	No	Doctor of philosophy	None
Dr. Joshua Were	Above 35	Member-elected	-	No	Doctor of philosophy	None
Mrs. Lucy A. Osmerah	Above 35	Sponsor nominated	8	Yes	Masters	None
Mr. Stephen Lenyangume	Above 35	Member-elected	-	No	CPA Part 1	None
Mrs. Dorcas R. Nyawade	Above 35	Member-elected	8	Yes	O-Level	None

2. The Board of trustees held eight (8) meetings during the year ending 30 June 2022. The meetings were held on the dates set hereunder:

- Friday 17 September 2021
- Friday 26 November 2021
- Friday 10 December 2021 - Special meeting
- Friday 04 March 2022
- Thursday 17 March 2022 - Special meeting
- Wednesday 11 May 2022
- Wednesday 18 May 2022 - Special meeting
- Monday 30 May 2022 - Special meeting

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 Review)	828,878
Audit and risk management	5	Yes (Risk Policy Review)	840,982
Governance and administration	6	Yes (Formulating performance contract and setting up Post Retirement Medical Scheme)	618,880

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 interests of the scheme's members and the sponsor. To achieve this, the trustees embraced their fiduciary responsibility by:

- Acting honestly and did not improperly use inside 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 the 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 the members and sponsor of the scheme so that they are satisfied with the administration of the scheme;
- Supporting innovation and developing solutions that meet the members' and sponsor's needs; and
- Ensuring that the 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 3rd December 2021 in which 711 members, making up 54% 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
Member education training for new members	27th August, 2021,	Targeted 50 members, 39 attended
Pre- Retirement training seminar for academic Staff	14th Oct, 2021	Targeted 40 members, 49 attended
Pre- Retirement training seminar for administration staff	15th Oct, 2021	Targeted 40 members, 42 attended
Member education on trusteeship and trustee elections	25th March, 2022	Targeted 500 members, 283 attended
Pensioners forum	28th Feb, 2022	Targeted 60 members, 69 attended
Member education on Post Retirement Medical Scheme	3rd June, 2022	Targeted 350 members, 213 attended

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 were paid a gross sum of Kshs 7,228,822. The payments complied with the trustees remuneration policy of the scheme which was approved by members at the annual general meeting held on the 3rd December 2021.

11. Board of Trustees evaluation

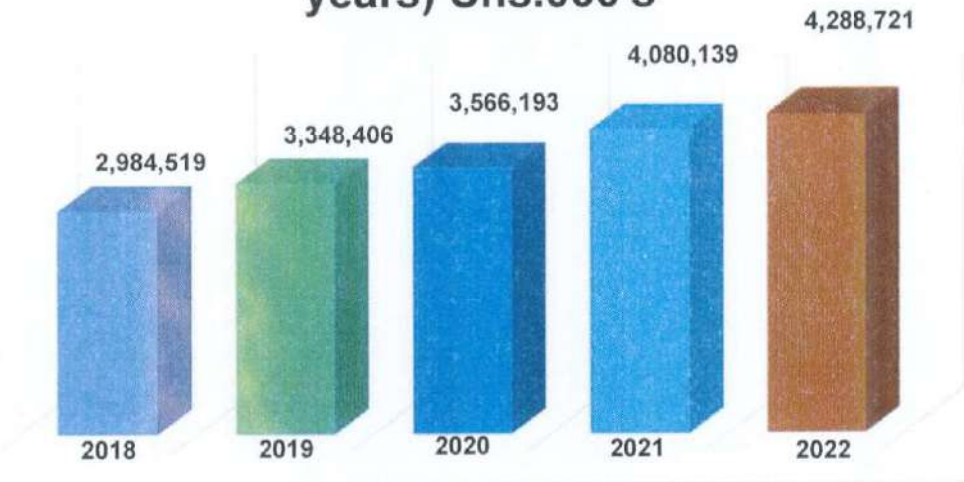
There was no board evaluation undertaken in the year under review due to the board changeover that occurred at the end of the year.

For the Trustees:

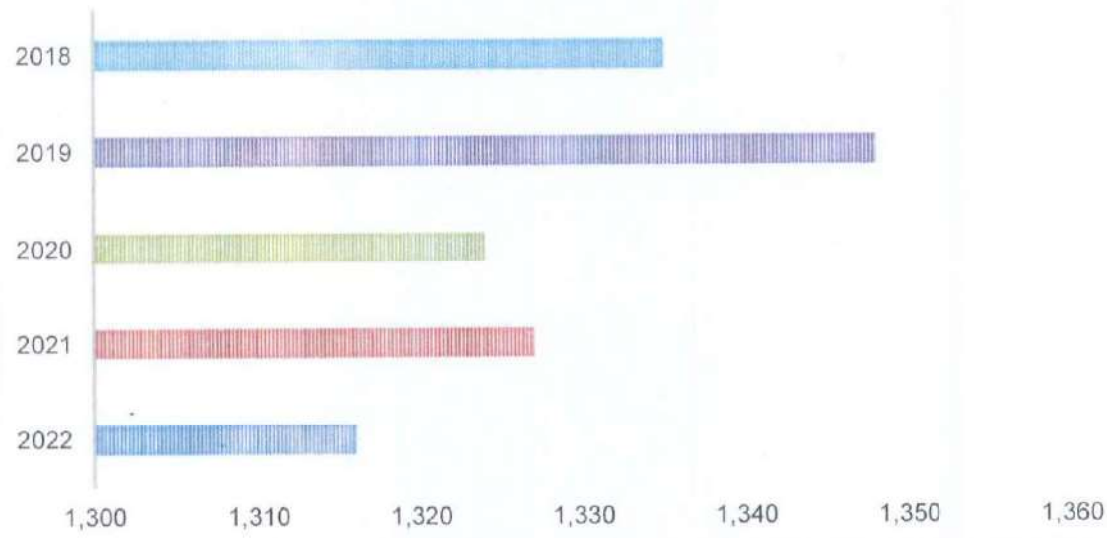

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Chairperson

Dated: 28-SEPT-2022

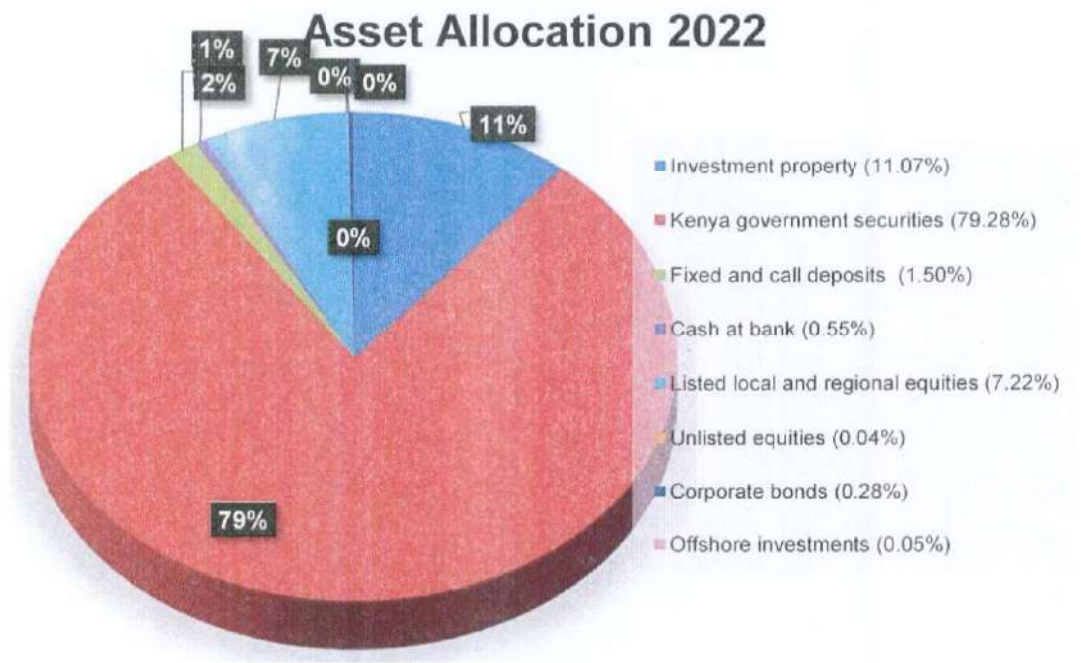
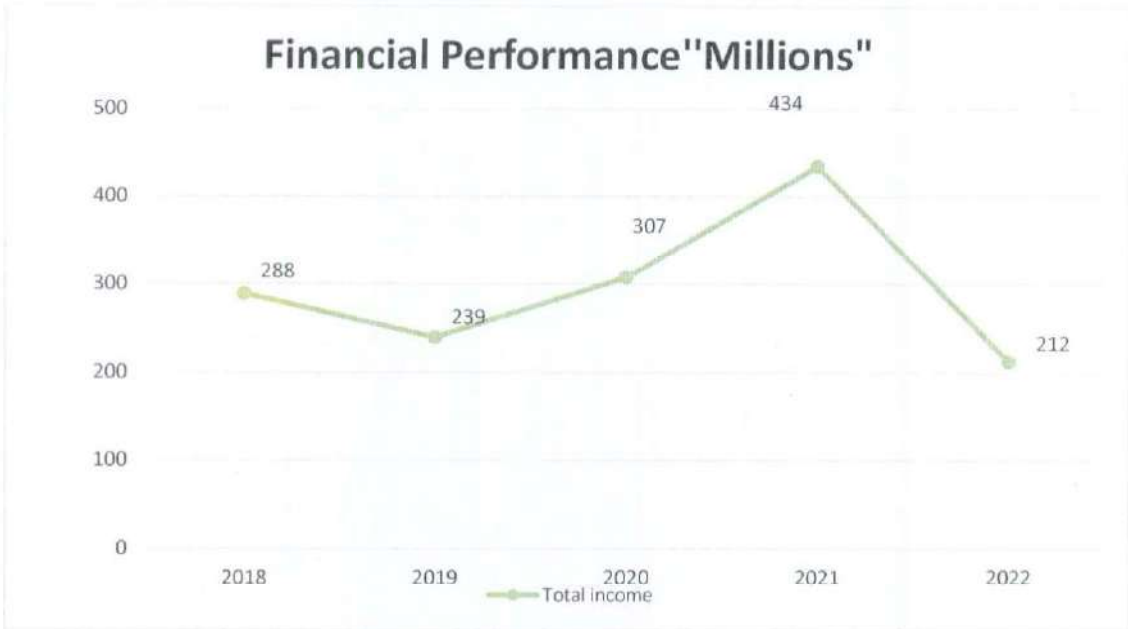
Scheme growth (Fund value over 5 years) Shs.000's



Membership



Maseno University Retirement Benefits Scheme
Summary of Scheme Performance
For the Year Ended 30 June 2022



Maseno University Retirement Benefits Scheme
Statement of Trustees' Responsibilities
For the Year Ended 30 June 2022

The Retirement Benefits (Occupational Retirement Benefits Plans) Regulations, 2000 requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the Scheme at the end of the financial year and its financial performance for the year then ended. The Trustees are responsible for ensuring that the Scheme keeps proper accounting records that are sufficient to show and explain the transactions of the Scheme; disclose with reasonable accuracy at any time the financial position of the Scheme; and that enable it to prepare financial statements of the Scheme that comply with prescribed financial reporting standards and the requirements of the Retirement Benefits (Occupational Retirement Benefits Plans) Regulations, 2000. They are also responsible for safeguarding the assets of the Scheme and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Retirement Benefits (Occupational Retirement Benefits Plans) Regulations, 2000. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Scheme's ability to continue as a going concern, the Trustees are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to continue as a going concern.

The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustees on 28-SEPT- 2022 and signed on their behalf by:



Chairperson


Trustee

Dated: 28-SEPT- 2022

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

VCK/ARP/2022/142

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 2022, 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 2022 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 1997 as amended.

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 employee and employer contributions have been split as per the Trust Deed and Rules; and correct classification/split has been made including disclosure of additional voluntary contributions. • 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 benefits payable relate to former members of the Scheme who left the Scheme through any one of the allowed mode of exit i.e. resignation, dismissal, retirement, ill health, death etc. and that benefits payable were duly approved by the Trustees. • Reviewing benefit computation worksheets on sample basis and confirming that benefits payable and/or deferred 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. • Confirming that benefit payment and discharge vouchers were duly approved by Trustees and signed off by the beneficiaries.

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**

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.	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.
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.	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.

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

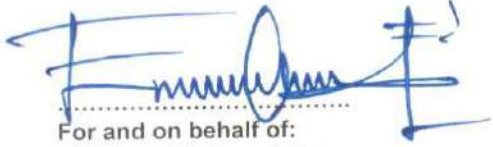
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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: 29/09/2022

Maseno University Retirement Benefits Scheme
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2022

	Note	2022 Kshs	2021 Kshs
Income from dealings with members			
Contributions	2	347,398,367	330,896,271
Transfers in	3	21,876,182	1,943,781
Outgoings from dealings with members			
Benefits payable	4	(259,064,520)	(165,913,996)
Transfers out	5	(2,370,200)	(841,394)
Net additions from dealings with members		107,839,829	166,084,662
Returns on investment			
Investment income	6	454,722,990	399,983,359
Change in fair value of investments	7	(243,202,982)	34,408,885
Less:			
Investment management expenses	8a	(14,781,505)	(12,865,058)
Investment property expenses	8b	(8,377,062)	(7,136,834)
Impairment of financial asset	8c	(10,000,000)	-
Tax expense	18	(32,598,765)	(22,021,880)
Net returns on investments		145,762,676	392,368,472
Administrative expenses	8d	(48,985,841)	(39,423,624)
RBA Levy	8e	(5,000,000)	(4,834,974)
Transfer from (to) general reserve	19a	88,503,571	(5,334,900)
Increase in net assets for the year		288,120,235	508,859,636
Net assets available for benefits at start of year		3,854,092,357	3,345,232,721
Net assets available for benefits at end of year		4,142,212,592	3,854,092,357
Reserve fund	19	146,508,677	226,046,632
Total net assets		4,288,721,269	4,080,138,989

Maseno University Retirement Benefits Scheme
Statement of Net Assets Available for Benefits
As at 30 June 2022

	Note	2022 Kshs	2021 Kshs
Assets			
Property and equipment	9	8,657,682	3,073,700
Investment property	10	470,000,000	465,000,000
Land inventories	11	12,275,002	15,343,753
Financial investments	12a	3,750,609,196	3,478,063,267
Financial investments: Trust Fund	12b	53,519,897	56,094,459
Contributions due and other receivables	13	82,918,654	115,694,614
Other receivables: Trust Fund	16b	99,696	-
Cash at bank	14a	23,430,835	28,546,828
Cash at bank: Trust Fund	14b	1,542,692	628,965
Total assets		4,403,053,654	4,162,445,586
Less: Liabilities			
Benefits payable	15a	27,518,848	2,039,640
Benefits payable: Trust Fund	15b	55,162,285	51,925,380
Other payables and accrued expenses	16a	31,651,252	23,543,533
Other payables: Trust Fund	16b	-	4,798,044
Total liabilities		114,332,385	82,306,597
Net assets available for benefits		4,288,721,269	4,080,138,989
Financed by:			
Members' Fund and Reserve Fund		4,288,721,269	4,080,138,989

The financial statements on pages 16 to 34 together with appendices I and II were approved for issue by the Trustees on 22-SEP-2022 and signed on their behalf by:



 Chairperson



 Trustee

Maseno University Retirement Benefits Scheme
Statement of Cash Flow
For the Year Ended 30 June 2022

	Notes	2022 Kshs	2021 Kshs
Cash flow from operating activities			
Contributions received		400,191,337	278,339,800
Transfers in		21,876,182	1,943,781
Benefits paid to retirees and seceding members		(233,585,312)	(175,714,775)
Transfers out		(2,370,200)	(841,394)
Administrative expenses paid		(39,625,070)	(52,326,991)
Tax paid		(39,288,116)	(16,312,487)
GLA premium and other administrative reserve payments		(17,109,907)	(15,075,910)
Decrease in amount due from Trust Fund		5,419,460	3,462,658
Net cash flow from operating activities		95,508,374	23,474,682
Cash flow from investing activities			
Investment income received		430,277,251	402,140,049
Investment expenses paid		(22,441,221)	(20,329,252)
Purchase of financial assets		(1,539,426,252)	(1,558,480,467)
Proceeds from disposal of financial assets		900,929,206	1,244,016,836
Proceeds from sale of land inventories		3,758,800	5,686,300
Purchase of property and equipment		(6,486,445)	(6,147,400)
Net cash flow from investing activities		(233,388,662)	66,886,066
Net (decrease)/ increase in cash and cash equivalents		(137,880,288)	90,360,748
Cash and cash equivalents at start of year		224,966,205	134,605,457
Cash and cash equivalents at end of year		87,085,917	224,966,205
Represented by:			
Cash at bank	17	23,430,835	28,546,828
Fixed and call deposits	17	63,655,082	196,419,377
		87,085,917	224,966,205

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:

	<u>Rate (%)</u>
Motor vehicles	25.00%
Furniture, fittings and office equipment	10.00%
Office partitions	20.00%
ERP system and equipment	25.00%
Computers	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 the Trustees at their discretion. The reserve is debited or credited at the end of each financial period with such sum as the 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.

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022 Kshs	2021 Kshs
2 Contributions		
Employer- Normal	225,412,993	217,413,329
Employee - Normal	112,706,497	108,706,665
Employee- Additional Voluntary Contributions (AVC)	9,278,877	4,776,277
	347,398,367	330,896,271
3 Transfers in	21,876,182	1,943,781
This is in respect of benefits of employees who joined from other Schemes.		
4 Benefits payable		
Annuity purchase for pensioners	116,432,177	59,475,893
Commutation and lump sum retirement benefits	91,131,172	51,489,608
Lumpsum death benefits	25,004,853	780,203
Lumpsum withdrawal benefits to leavers	26,496,318	54,168,292
	259,064,520	165,913,996
5 Transfers out	2,370,200	841,394
This is in respect of benefits of employees who transferred their benefits to other Schemes.		
6 Investment income		
Rent income	17,972,908	22,623,269
Dividends receivable from equities	21,208,844	14,086,634
Interest and discounts receivable:		
- Treasury bonds	387,118,385	296,492,731
- Treasury bills	13,206,812	22,896,377
- Corporate bonds	555,672	5,252,339
- Fixed and call deposits	5,087,101	8,060,131
Gain (Loss) on disposal or maturity of investments	(312,942)	3,312,375
- Listed local and regional equities	8,638,989	21,192,834
- Treasury bonds	690,049	1,083,169
- Investment property (land parcels)	557,172	4,983,500
Other income (Miscellaneous)	454,722,990	399,983,359
7 Change in fair value of investments		
Treasury bonds	(153,284,388)	(30,389,902)
Listed local and regional equities	(94,612,604)	81,237,220
Unlisted equities	-	(273,160)
Offshore investments	(305,990)	834,727
Investment property (Note 10)	5,000,000	(17,000,000)
	(243,202,982)	34,408,885

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

8 The scheme expenses have been classified into 5 categories:

- Investment management expenses - expenses attributable to the management of financial investments and custody of the scheme's assets.
- Investment property expenses - expenses attributable to the management and operations of investment properties.
- Administrative expenses - expenses attributable to the secretariat and general scheme operations.
- Financial asset impairment - costs related to write off of financial assets whose recoverability is uncertain.
- RBA Levy- statutory levy payable to the Retirement Benefits Authority.

	2022 Kshs	2021 Kshs
8.a Investment management expenses		
Management fees	8,587,024	7,514,324
Custody fees	5,365,603	4,511,748
Investment committee expenses	828,878	838,986
	14,781,505	12,865,058
8.b Investment property expenses		
Land rent and rates	92,084	91,875
Legal fees	95,000	221,020
Valuation fees	200,000	213,000
Property repair, maintenance and other expenses	7,989,978	6,610,939
	8,377,062	7,136,834
8.c Financial asset impairment		
Impairment of financial asset (Note 22)	10,000,000	-
Impairment of financial assets relates 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		
Trustee expenses	7,228,822	6,010,534
Board evaluation expenses	1,283,145	1,307,810
Administration and processing expenses	30,521,756	22,816,297
Seminar and training expenses	1,420,230	1,394,488
Audit fees and disbursements	589,980	632,122
Depreciation on property and equipment	902,463	3,444,738
Strategic plan costs	3,469,523	-
Members education expenses	1,636,438	147,728
Annual general meeting expenses	1,933,484	1,868,707
Software license fees	-	1,801,200
	48,985,841	39,423,624
8.e RBA levy	5,000,000	4,834,974

9 Property and equipment

	Computers Kshs 25.00%	Office partitions Kshs 20.00%	Motor Vehicle Kshs 25.00%	Furniture, fittings and equipment Kshs 10.00%	ERP system and equipment (Work in progress- ERP) Kshs 25.00%	Total Kshs
Cost						
At start of year	2,879,609	3,280,783	5,969,900	3,919,552	-	16,049,844
Additions	256,000	-	-	715,379	5,515,066	6,486,445
At end of year	3,135,609	3,280,783	5,969,900	4,634,931	5,515,066	22,536,289
Depreciation						
At start of year	2,800,859	3,280,783	2,984,950	3,909,552	-	12,976,144
Charge for the year	83,688	-	746,238	72,538	-	902,463
At end of year	2,884,547	3,280,783	3,731,188	3,982,090	-	13,878,607
Net book value						
At 30 June 2022	251,063	-	2,238,713	652,841	5,515,066	8,657,682
At 30 June 2021	78,750	-	2,984,950	10,000	-	3,073,700

Note: The ERP system and equipment was acquired during the financial year and is still under the test phase. The cost will be depreciated once the system is fully available for use and is operational (IAS 16).

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

10 Investment property

	2022 Kshs	2021 Kshs
<u>Developed properties</u>		
At start of the year	465,000,000	482,000,000
Revaluation gain/(loss)	5,000,000	(17,000,000)
At end of the year	<u>470,000,000</u>	<u>465,000,000</u>

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 2022 by Leo Realtors Limited, Independent valuers, and the values have been adopted as the fair values as at 30th June 2022 due to insignificant time difference and changes in economic factors affecting the properties.

MURBS NBK Building (LR BLOCK 7/330) was revalued upwards from Kshs. 115 million reported in the previous valuation report to Kshs.120 million. The Scheme has thus reported a revaluation gain on the property of Kshs. 5 million (**Note 7**) in the current financial period. The valuation of the other 2 properties (MURBS Building (LR Block 7/67 & 70)) & MURBS Hostels (LR Block 7/286 & 289)) remained the same at Kshs.270 million and Kshs.80 million respectively.

11 Land inventories

	2022 Kshs	2021 Kshs
At start of year	15,343,753	19,946,884
Disposal	(3,068,751)	(4,603,131)
At end of the year	<u>12,275,002</u>	<u>15,343,753</u>

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 6 plots were fully sold leaving 12 plots remaining unsold in addition to 13 plots partially sold as at the financial year end.

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

12 Financial investments

a Financial investments: Scheme

<u>At fair value</u>	Value at 01/07/2021 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 30/06/2022 Kshs
Treasury bonds	2,669,741,216	(72,008,159)	1,363,677,695	(681,480,581)	(153,284,388)	98,800,337	3,225,446,120
Listed local and regional equities	426,139,453	-	-	(25,130,581)	(94,612,604)	-	306,396,268
Unlisted equities	1,872,000	-	-	-	-	-	1,872,000
Offshore investment	2,430,579	-	-	-	(305,990)	-	2,124,589
Sub-total	3,100,183,248	(72,008,159)	1,363,677,695	(706,611,162)	(248,202,982)	98,800,337	3,535,838,977

At amortised cost

	Value at 01/07/2021 Kshs	Less: Accrued interest b/fwd. Kshs	Add: Purchases at cost Kshs	Less: Disposals at average cost Kshs	Impairment Kshs	Add: Accrued interest c/fwd. Kshs	Value at 30/06/2022 Kshs
Treasury bills	171,155,040	(4,044,400)	156,830,522	(187,080,044)	-	2,329,782	139,190,901
Corporate bonds	10,305,602	(305,502)	18,918,035	(7,238,000)	(10,000,000)	244,201	11,924,236
Fixed and call deposits	196,419,377	(919,377)	1,503,000,000	(1,635,000,000)	-	155,082	63,655,082
Sub-total	377,880,019	(5,269,379)	1,678,748,557	(1,829,318,044)	(10,000,000)	2,729,065	214,770,219
Total	3,478,063,267	(77,277,538)	3,042,426,252	(2,535,929,206)	(258,202,982)	101,529,402	3,750,609,196

b Financial investments: Trust Fund

At fair value

	Value at 01/07/2021 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 30/06/2022 Kshs
Treasury bonds	52,394,703	(1,814,159)	31,494,816	(26,806,849)	(3,970,862)	1,645,557	52,943,205
Sub-total	52,394,703	(1,814,159)	31,494,816	(26,806,849)	(3,970,862)	1,645,557	52,943,205
<u>At amortised cost</u>							
Treasury bills	3,699,756	(113,505)	10,808,555	(13,833,884)	-	15,769	576,691
Fixed and call deposits	-	-	24,900,000	(24,900,000)	-	-	-
Sub-total	3,699,756	(113,505)	35,708,555	(38,733,884)	-	15,769	576,691
Total	56,094,459	(1,927,664)	67,203,371	(65,540,733)	(3,970,862)	1,661,326	53,519,897

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

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 2022 to the contractual maturity date.

a Financial investments: Scheme	Upto 3 months Kshs	3 -12 months Kshs	1- 5 years Kshs	Over 5 years Kshs	Total Kshs
Treasury bonds	-	-	164,337,565	3,061,108,555	3,225,446,120
Treasury bills	-	139,190,901	-	-	139,190,901
Corporate bonds	-	-	3,012,580	8,911,656	11,924,236
Fixed and call deposits	63,655,082	-	-	-	63,655,082
Total	63,655,082	139,190,901	167,350,145	3,070,020,211	3,440,216,339

b Financial investments: Trust Fund

Treasury bonds	-	261,465	15,584,724	37,097,016	52,943,206
Treasury bills	-	576,691	-	-	576,691
Total	-	838,156	15,584,724	37,097,016	53,519,897

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

	2022 %	2021 %
Treasury bonds	12.45%	12.27%
Corporate bonds	12.25%	8.30%
Fixed and call deposits	8.78%	6.65%
The following investment classes exceed 5% of financial investments of the Scheme:		
Kenya Government securities (Treasury bills and bonds)	89.71%	81.68%
Listed local and regional equities	8.17%	12.25%

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

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

13 Contributions due and other receivables	2022 Kshs	2021 Kshs
Contributions receivable		
- Past due up to 30 days	31,129,960	26,146,441
- Past due more than 30 days	23,932,906	53,922,885
	<u>55,062,866</u>	<u>80,069,326</u>
Investment income (dividends) receivable	5,486,037	261,300
Title deed and property costs receivable	19,648,912	20,968,425
Death benefits receivable	392,499	792,499
Due from Trust Fund (Note 16b)	-	4,798,044
Deposits for utilities	35,000	115,789
Rent receivable	6,466,554	12,862,444
Less: Impaired rent receivables	(4,173,214)	(4,173,214)
	<u>82,918,654</u>	<u>115,694,614</u>

Contributions due up to 30 days relate to contributions for the month of June 2022 while contributions due for more than 30 days relate to contributions arrears for prior year as well as balances attributable to the Collective Bargaining Agreement (CBA) for the period 2017-2022. The contributions due 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	2022 Kshs	2021 Kshs
a Cash at bank: Scheme		
Standard Chartered bank custody a/c- Current account	18,909,981	22,638,564
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd	1,933,161	1,953,675
Standard Chartered bank custody a/c- Sanlam Investment Managers Ltd	2,587,693	3,954,589
	<u>23,430,835</u>	<u>28,546,828</u>
b Cash at bank: Trust Fund		
Standard Chartered bank custody a/c- Current account	820,869	-
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd	721,823	628,965
	<u>1,542,692</u>	<u>628,965</u>

15 Benefits payable	2022 Kshs	2021 Kshs
a Benefits payable: Scheme		
Lumpsum benefits payable	10,107,411	1,054,373
Lumpsum for annuity purchase payable	17,411,437	985,267
	<u>27,518,848</u>	<u>2,039,640</u>
b Benefits payable: Trust Fund (Appendix I)		
Benefits held in Trust for beneficiaries of deceased members	<u>55,162,285</u>	<u>51,925,380</u>

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

	2022	2021
16 Other payables and accrued expenses		
a Other payables and accrued expenses - Scheme	Kshs	Kshs
RBA Levy	5,000,000	4,834,974
Management fees	2,171,116	1,988,269
Custody fees	940,332	405,832
Audit fees and disbursements	578,140	556,000
Client rent deposits	5,197,309	4,563,355
Client prepaid rent	670,714	631,892
Client land deposits	2,813,750	1,125,485
Other payables	12,780,033	1,869,932
Due to Trust Fund (Note 16b)	99,696	-
Tax payable (Note 18b)	1,400,162	7,567,794
	31,651,252	23,543,533

In the opinion of the Trustees, the stated carrying amounts of other payables and accrued expenses approximate to their fair value.

The maturity analysis of other payables and accrued expenses is as follows:

	0 - 1 month	2 - 3 months	4 - 12 months	Total
	Kshs	Kshs	Kshs	Kshs
RBA Levy	-	5,000,000	-	5,000,000
Management fees	2,171,116	-	-	2,171,116
Custody fees	940,332	-	-	940,332
Audit fees and disbursements	-	-	578,140	578,140
Client rent deposits	-	-	5,197,309	5,197,309
Client prepaid rent	670,714	-	-	670,714
Client land deposits	-	-	2,813,750	2,813,750
Other payables	10,652,692	344,500	1,782,841	12,780,033
Due to Trust Fund (Note 16b)	-	-	99,696	99,696
Tax payable (Note 18)	-	-	1,400,162	1,400,162
	14,434,854	5,344,500	11,871,898	31,651,252

b Other (payables)/ receivables - Trust Fund		
Due (to)/ from Scheme	(99,696)	4,798,044

Amount due (to)/ from Trust Fund relates to amount (payable)/refundable (to)/ by the Trust Fund for net settlement of the Trust Fund's transactions with the Scheme.

17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank, fixed and call deposits.

	2022	2021
	Kshs	Kshs
Cash at bank (Note 14a)	23,430,835	28,546,828
Fixed and call deposits (Note 12a)	63,655,082	196,419,377
	87,085,917	224,966,205

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2022

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:

	2022 Kshs	2021 Kshs
Taxable investment income	97,669,000	79,685,599
Tax at 30% (2021: 30% for 2nd 6 months and 25% for 1st 6 months)	29,300,700	21,913,540
Adjustment for tax under provision for prior years	3,298,065	108,340
a Tax charge for the year	32,598,765	22,021,880
<u>Movement in tax account</u>		
Balance of tax payable b/fwd.	7,567,794	(443,220)
Add: Tax charge for the Scheme- current year	29,300,700	21,913,540
Tax charge for the Scheme- prior year under provision	3,298,065	108,340
Tax charge for the trust fund- current year (Appendix I)	521,719	2,301,621
Less: Tax paid for current year	(28,422,257)	(13,359,686)
Tax paid for prior year	(10,865,859)	(2,952,801)
b Balance of tax payable	1,400,162	7,567,794
<u>The balance of tax payable or recoverable as at year end is made up as follows:</u>		
Balance of tax payable for the current year	1,400,162	10,855,475
Balance of tax credit for prior year (2018)	-	(3,287,681)
	1,400,162	7,567,794

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 2022.

	2022 Kshs	2021 Kshs
19 Reserve fund		
a General reserve fund		
Balance at start of year	181,713,010	176,378,110
Net transfer in (out) for the year	(88,503,571)	5,334,900
Balance at end of year	93,209,439	181,713,010
b Administrative reserve fund		
Balance at start of year	44,333,622	44,581,715
Additions for the year	27,786,510	23,749,541
Less:		
- Group life premiums paid for the year	(17,509,907)	(14,875,910)
- Settlement for contribution arrears / CBA arrears	-	(20,236,012)
- Net land related costs receipts/(payments)	(1,310,986)	11,114,288
Balance at end of year	53,299,239	44,333,622
Total reserve fund at end of year	146,508,678	226,046,632

20 Contingent liabilities

The Scheme's contingent liabilities as at 30 June 2022 mainly comprised of the liability to pay future pensions and other benefits. The Scheme is also a defendant in various legal actions. However, in the opinion of the Trustees and after taking appropriate legal advice, the Trustees do not consider it probable that a loss will arise in respect of the legal suits and therefore have not made any provision thereof in these financial statements.

The Scheme was also issued an additional tax assessment of Kshs. 33,668,871 by the Kenya Revenue Authority on 24th June 2021 in relation to financial year 2015. The Scheme filed an objection to the assessment vide letter dated 6th July 2021 and the Trustees are of the opinion that the objection will be successful and therefore no provision for the tax liability has been made in these financial statements.

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 2022 was Kshs. 4,288,721,269 (2021: Kshs. 4,080,138,989).

**Maseno University Retirement Benefits Scheme
Trust Fund
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2022**

	2022 Kshs	2021 Kshs
Dealings with members and beneficiaries		
Benefit transfers in	15,961,980	12,284,062
Benefit payments	(15,097,250)	(12,651,637)
Net additions (deficit) from dealings with members and beneficiaries	864,730	(367,575)
Returns on investment		
<u>Investment income</u>		
- Interest from Treasury bonds	6,823,805	6,522,720
- Discount from Treasury bills	209,086	1,715,905
- Interest from fixed and call deposits	57,219	235,895
- Loss on disposal of Treasury Bonds	(44,795)	(1,134,415)
	7,045,315	7,340,104
Change in fair value of investments		
- Treasury bonds	(3,970,862)	(2,089,973)
<u>Less: Investment management expenses</u>		
- Custody fees	(90,359)	(104,988)
- Legal fee	(90,200)	-
	(180,559)	(104,988)
Tax expense	(521,719)	(2,301,621)
Net returns on investments	2,372,175	2,843,522
Increase in net assets for the year	3,236,905	2,475,947
Net assets available for benefits at start of year	51,925,380	49,449,433
Net assets available for benefits at end of year	55,162,285	51,925,380

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

Maseno University Retirement Benefits Scheme
Trust Fund
Statement of Net Assets Available for Benefits
As at 30 June 2022

	2022 Kshs	2021 Kshs
Assets		
Financial investments		
- Treasury bonds	52,943,206	52,394,703
- Treasury bills	576,691	3,699,756
	<u>53,519,897</u>	<u>56,094,459</u>
Due from scheme	99,696	-
Cash at bank	1,542,692	628,965
Total assets	<u>55,162,285</u>	<u>56,723,424</u>
Less: Liabilities		
Due to scheme	-	(4,798,044)
Net assets available for benefits	<u>55,162,285</u>	<u>51,925,380</u>
Financed by:		
Benefits held in Trust	<u>55,162,285</u>	<u>51,925,380</u>