



MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

VC KARANI & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS
BISHOPS ROAD
P.O. BOX 45481-00100
NAIROBI

**Maseno University Retirement Benefits Scheme
Annual Report and Financial Statements
For the Year Ended 30 June 2021**

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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

1. Member focused

Trustees are committed to effectively and efficiently meet the needs of all members including pensioners and beneficiaries.

2. Accountability

The Trustees commit themselves to be accountable to members and to ensuring that there is transparency in the operations of the scheme.

3. Fairness

The Trustees endeavour to treat all members with utmost fairness and equality in the dealings of the scheme.

4. Professionalism

This is meant to govern all systems, processes and structures put in place to ensure smooth implementation of decisions and service delivery.

5. Integrity

The scheme endeavours to uphold honesty and transparency in its operations.

6. Teamwork

The scheme endeavours to consult with stakeholders before key decisions are made and in as far as possible encourage the effective participation of members, pensioners and beneficiaries.

Maseno University Retirement Benefits Scheme
Scheme Information
For the Year Ended 30 June 2021

TRUSTEES	Dr. Destaings N. Nyongesa	: Chairman
	Mrs. Lucy A. Osmerah	: Member
	Mr. Gerald M. Kariithi	: Member
	Prof. Julius O. Nyabundi	: Member
	Prof. Catherine A. Muhoma	: Member
	Mr. Bernard O. Nyaoro	: Member
	Dr. Beverlyne A. Ambuyo	: Member
	Mrs. Dorcas R. Nyawade	: Member
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	Rogo Okello & Co. Advocates P.O Box 996 – 40100 NAIROBI	
INDEPENDENT AUDITOR	VC Karani & Associates Certified Public Accountants Forte Granite Flats, A6, Bishops 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
Chairman's Report
For the Year Ended 30 June 2021

Introduction

It gives me great pleasure to present to you the Annual Report and Financial Statements for the year ended 30 June 2021.

We started the financial year on the backdrop of the pandemic, which swept across the world and adversely affected Kenya and indeed the Maseno fraternity greatly in the year 2021. Aside from the economic toll, we have lost family members, friends, colleagues and members of the scheme to this scourge. We continue trusting God for his protection and for the good health of our members in Maseno University and Tom Mboya University College, and pray that the departed souls Rest in Peace.

Despite this, we are pleased to report that the Board has remained steadfast in its commitment to protect Scheme investments and earn great returns to boost member savings. The returns in the year 2021 are a testament to this commitment.

Scheme financial performance

We are happy to report that the scheme's gross earnings for the year 2021 increased to 10.5% from 9.3% the previous year. Net investment income increased to Kshs. 348,109,875 (9.1%) in 2021 compared to Kshs. 245,938,153 (7.1%) in 2020. Returns were boosted by an increase in unrealized gains of Kshs. 34,408,885 up from negative Kshs. 24,267,464 in 2020.

It is on this basis that Trustees agreed to increase the income distributed to members from 6% (2020) to 9% in 2021.

As the country heads towards a general election in 2022, trustees have strategically ensured that members will be cushioned adequately. They have done this by continuing to invest in stable investments and reduce holdings in volatile assets. Trustees have also maintained a general reserve of 4.5% to offer additional protection against any uncertainty in the financial markets that may lead to decreased income in 2022.

The fund value recorded a double digit growth of 14.4% in 2021 to close at Kshs. 4,080,138,989 up from Kshs. 3,566,192,545 for the year ended 30th June, 2020.

In crossing the Kshs. 4 billion mark, I personally take this opportunity to inform members that 5 years ago, the current Board took office. They went ahead to articulate their vision for growing the Scheme by launching the 2017-2022 strategic plan. These strategies have seen the Board double the fund value of the Scheme from Kshs. 2 billion in 2015 to Kshs. 4 billion in 2021. The Board deserves an accolade!

Scheme administration

We continue receiving monthly contributions from Maseno University and Tom Mboya University College in a timely manner. We confirm that they do not owe any arrears from monthly contributions to the Scheme in that respect. This has remained one of our key strengths as a Scheme.

The Sponsor and Trustees entered into an agreement on full payment of the pension component of the 2017-2022 staff Collective Bargaining Agreement. The Sponsor has been co-operative in remitting the contributions to the Scheme as per terms of that agreement, and Trustees continue to monitor this on a regular basis.

Benefits paid out of the Scheme to leavers in the year decreased by a margin of 34%. This was attributed to a reduction of payout to exiting members in 2021. Management and administrative expenses both increased by a margin of 12% in 2021 compared to 2020. This increment is attributed to increased costs of managing a growing fund. It is noteworthy that administrative expenses remain below 1.5% of the fund value, a reflection of the Scheme strategy.

**Maseno University Retirement Benefits Scheme
Chairman's Report....cont'd
For the Year Ended 30 June 2021**

As at June 2021, Scheme membership stood at 1,327 active and deferred members up from 1,324 in 2020.

The Scheme commenced implementation of an Enterprise Resource Planning (ERP) system that is expected to improve efficiency of operations. Members are requested to view their statements of account online by visiting the 'member statements portal' on the Scheme's website www.masenorbs.or.ke

Scheme governance and strategic direction

The Board remains aware of the need to continually review its strategies to keep up with the changing social, economic and political environment and guarantee growth and security of members' investments. In conformity to governance requirements, trustees have shared the Governance Statement in the 2021 financial statements. The statement details specific actions undertaken by the Board to promote effective governance practices.

The Board undertook an evaluation of the performance of the Board chairman, individual Board members as well as Board committees for the year ended June 2021. Evaluation is a key governance tool used by Boards to rate performance for the year, and use the results to identify and work on any unforeseen gaps. The overall score for 2021 was 4.60 out of 5.

In the current financial year, the Board will be reviewing the Scheme Investment Policy in line with the changing investment environment and changing member demographics.

The Board, as well, intends to review and launch the 2022 – 2027 strategy plan in the current financial year. It is timely and offers an opportunity for reflection on the future of the Scheme, 30 years since its inception.

The Board is also working to implement provisions of the Post-Retirement Medical Scheme regulations to allow members save while they are still in active service. Member engagement forums will be conducted to educate members on the same.

Trustee elections

The term of office of the current Board is drawing to a close in 2022. While this is not an official call to campaign, mine is to urge members to consider integrity of potential candidates above all else. The Board has been steadfast in promoting good governance and it is our desire to see this sustained in the future for the prosperity of the Scheme.

Official announcements will be made on due process to be followed by both members and interested candidates in the coming months.

Pension regulatory environment

Incentives granted by the Government to cushion Kenyans against effects of the pandemic were not extended to this financial year, key among them being tax reductions introduced via the Tax Laws Act, 2020.

The regulator has introduced new products in the market that benefit members. Amendment of Section 58 (1A) of the Act last year, allowed members access part of their pension contributions towards purchasing a home. Trustees have put in place policy to implement this and interested members can visit the office to learn more. We challenge the regulator to find ways of making this product more attractive to members by pushing for tax exemptions when members access their benefits to buy homes.

**Maseno University Retirement Benefits Scheme
Chairman's Report....cont'd
For the Year Ended 30 June 2021**

Furthermore, amendment to the Act, now allow Schemes to build and sell houses to members on tenant-purchase terms. Trustees are keen on these developments and will implement viable ventures that yield good returns for members.

The regulator has indicated intention to introduce the following by December 2021:

- Anti-money Laundering Regulations
- National Retirement Benefits Policy
- Trustee Remuneration Policy and Scheme Expense Guidelines

They are present today as our strategic partners to comment more on this.

Finally, I express my appreciation to our sponsors Maseno University and Tom Mboya University College. Even through these tough economic times, when universities are facing a cash crunch and are forced to tighten their belts, our sponsors have maintained remittance of contributions and the Scheme remains cushioned, to secure the future of members.

I would like to thank the pension manager and entire secretariat. Their dedication to service is evident in the growth we see every year. My appreciation also goes to the Scheme service providers and the industry regulator as they walk this journey with us, as our partners.

I urge our members to stay safe, vaccinate and adhere to all health directives. Thank you members and feel most welcome to this Annual General Meeting for the year 2021.


DR. DESTAINGS NYONGESA

CHAIRMAN BOARD OF TRUSTEES

22-SEP-2021

Maseno University Retirement Benefits Scheme
Report of the Trustees
For the Year Ended 30 June 2021

The Trustees present their report together with the audited financial statements for the year ended 30 June 2021 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	1,073	251	1,324
Entrants	64	-	64
Exits	(54)	(7)	(61)
At end of year	1,083	244	1,327

4 Financial review

The statement of changes in net assets available for benefits on page 15 shows an increase in the net assets of the Scheme for the year of Kshs. 508,859,637 (2020:Kshs. 250,777,040) and the statement of net assets available for benefits on page 16 shows the Scheme's net assets as Kshs. 4,080,138,989 (2020: Kshs. 3,566,192,545).

Maseno University Retirement Benefits Scheme
Report of the Trustees....cont'd
For the Year Ended 30 June 2021

5 Investment of funds

Under the terms of their appointment, GenAfrica Asset Managers Limited and Sanlam Investments East Africa Limited are responsible for the investment of the Scheme's funds.

However, the overall responsibility for investment and performance lies with the Trustees.

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

Investment Portfolio	2021		2020		RBA
	Amount (Kshs)	Percentage (%) of Portfolio	Amount (Kshs)	Percentage (%) of Portfolio	Percentage (%) RBA Limits
Cash at bank	28,546,828	0.72%	17,735,488	0.50%	5%
Fixed and call deposits	196,419,377	4.93%	116,869,971	3.29%	30%
Corporate bonds	10,305,602	0.26%	53,317,771	1.50%	30%
Kenya government securities (Treasury bonds and bills)	2,840,896,256	71.25%	2,530,418,802	71.22%	90%
Listed equities	426,139,453	10.69%	328,720,464	9.25%	70%
Unlisted equities	1,872,000	0.05%	2,145,160	0.06%	5%
Offshore investments	2,430,579	0.06%	1,595,852	0.04%	15%
Investment property	480,343,753	12.05%	501,946,884	14.13%	30%
	<u>3,986,953,848</u>		<u>3,552,750,392</u>		

6 Interest on member balances

The Trustees recommend payment of 9% (2020: 6%) interest on members balance.

7 Auditors

VC Karani & Associates, Certified Public Accountants (Kenya), were appointed auditors for the year and have indicated their willingness to continue in office.

For the Trustees:



 Chairman

Dated: 22-JUL 2021

**Maseno University Retirement Benefits Scheme
Scheme Governance Disclosure Statement
For the Year Ended 30 June 2021**

1. Trustees in office

Name of Trustee	Age	Category (Member elected/Sponsor nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest Qualification	Members hip of other Boards
Dr. Destaings N. Nyongesa	Above 35	Member-elected	6	Yes	Doctor of philosophy	None
Mr. Gerald M. Kariithi	Above 35	Sponsor nominated	6	Yes	Masters	None
Mrs. Lucy A. Osmerah	Above 35	Sponsor nominated	6	Yes	Masters	None
Prof. Julius O. Nyabundi	Above 35	Sponsor nominated	4	Yes	Doctor of philosophy	None
Prof. Catherine A. Muhoma	Above 35	Sponsor nominated	6	Yes	Doctor of philosophy	None
Dr. Beverlyne A. Asiko	Above 35	Member-elected	6	Yes	Doctor of philosophy	None
Mr. Bernard O. Nyaoro	Above 35	Member-elected	6	Yes	Bachelors	None
Mrs. Dorcas R. Nyawade	Above 35	Member-elected	6	Yes	O-Level	None

2. The Board of Trustees held six (6) meetings during the year ending 30 June 2021. The meetings were held on the dates set hereunder:

- Friday 14 August 2020 - Special Meeting
- Monday 21 September 2020
- Friday 20 November 2020
- Friday 18 December 2020 - Special Meeting
- Friday 5 March 2021
- Friday 21 May 2021

3. The composition of the Board of Trustee

- Gender balance: Female **50%** Male **5**
- Skills mix: No. of Trustees with financial skill
- 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	6	Yes (presenting property, custody and fund management reports)	838,986
Audit and risk management	4	No	773,266
Governance and administration	5	Yes (Presenting MURBS staff scheme of service)	524,206

5. Fiduciary Responsibility Statement

The Board of Trustees is the governing body of Maseno University Retirement Benefits Scheme and is responsible for the corporate governance of the scheme. The 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:

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

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

- a) Triennial members' survey score.
- b) Regular reports and feedback from the sponsor.

8. Annual General Meeting

The Board of Trustees held the annual general meeting on Friday 4 December 2020 at which 935 Members, making up 70.69% 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 Training	3rd Nov 2020	15
RBA Member Training	4th Nov 2020	3

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 6,010,534. The payments complied with the trustees remuneration policy of the scheme which was approved by members at the annual general meeting held on the 23 November 2018.

11. Board of Trustees Evaluation

The Board undertook evaluation in the year under review. The review process was facilitated externally by Calcott Management Services and the process took the form of a questionnaire. The questionnaire contained five sections;

evaluation of the Board of Trustees as a whole; evaluation of the Chairman by Board members; evaluation of the Trust Secretary by the Board Members; evaluation of the Individual Trustees by themselves (self evaluation) and by their fellow trustees (peer evaluation).

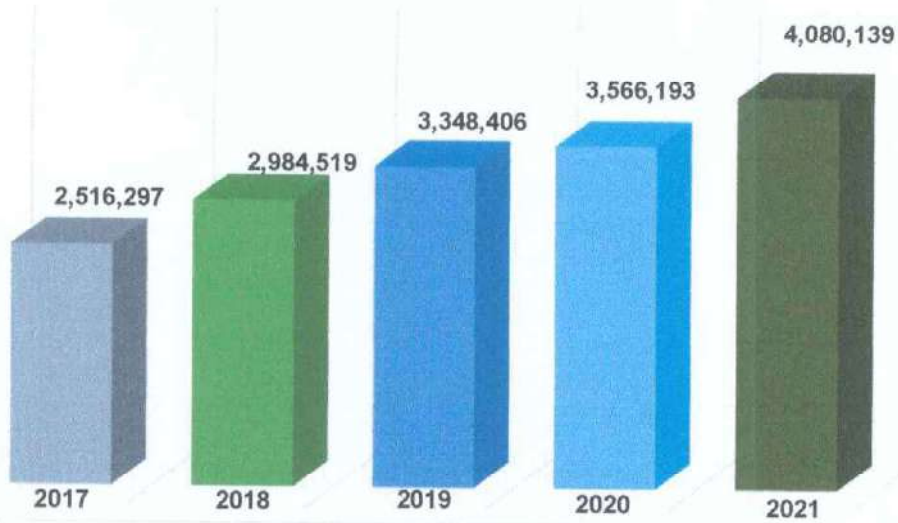
The Board was rated upstanding with a score of 4.60 out of 5.

For the Trustees:

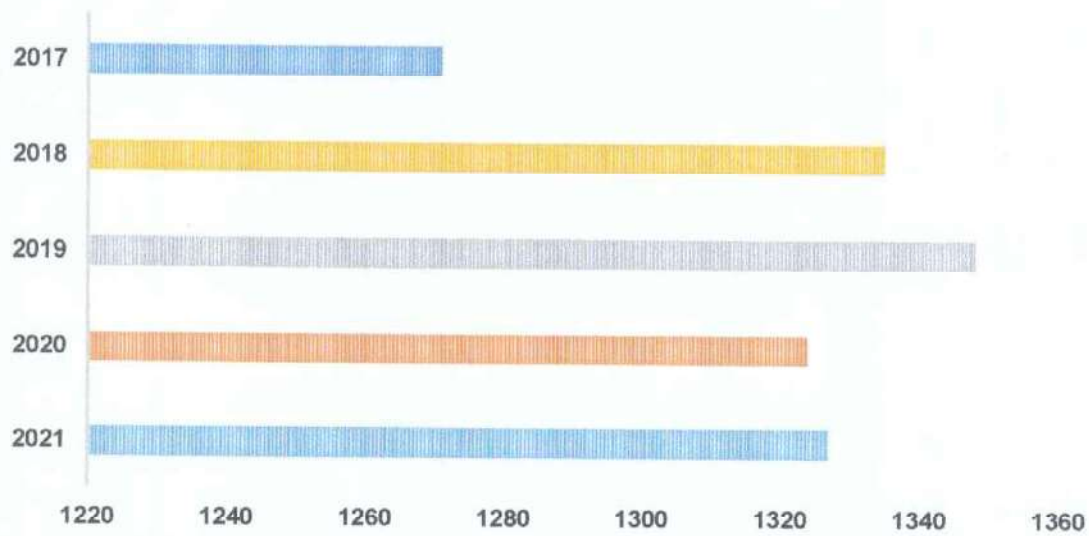

.....
Chairman

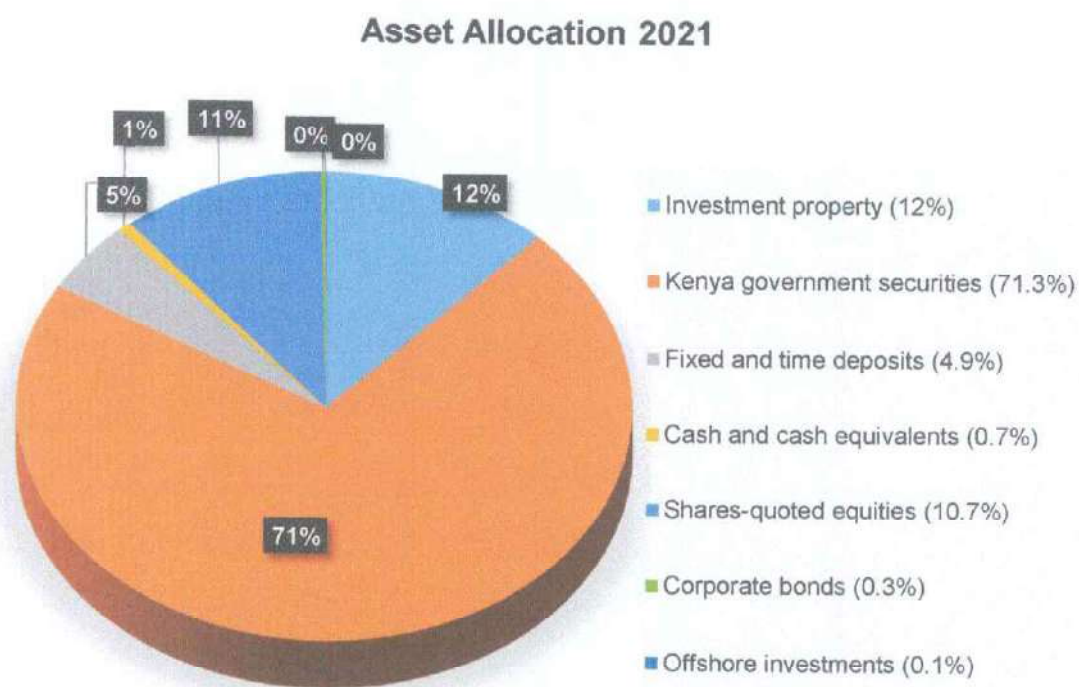
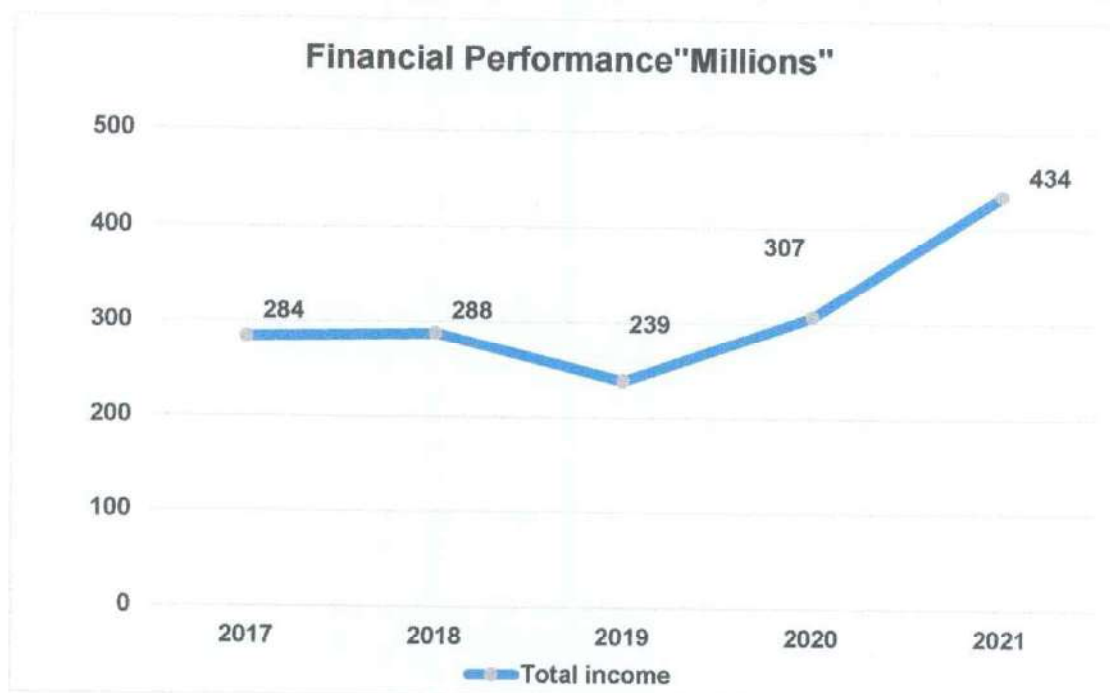
Dated: 22-SEP-2021

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



Membership





Maseno University Retirement Benefits Scheme
Statement of Trustees' Responsibilities
For the Year Ended 30 June 2021

The Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 require the Trustees to prepare financial statements in a prescribed form for each financial year. They also require the Trustees to ensure that the scheme keeps proper accounting records of its income, expenditure, liabilities and assets and that contributions are remitted to the custodian in accordance with the rules of the scheme.

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

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

The Trustees are of the opinion that the financial statements give a true and fair view of the financial transactions of the scheme and of the disposition of its assets and liabilities for the year ended, other than liabilities to pay pensions and benefits falling due after the end of the year, in accordance with the International Financial Reporting Standards and the Retirement Benefits Act, 1997.

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 responsibilities.

For the Trustees:


.....
Chairman


.....
Trustee

Dated: 22-SEP-2021

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 BOARD OF TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

VCK/ARP/2021/131

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 15 to 33 together with appendices I and II, which comprise the statement of net assets available for benefits as at 30 June 2021, 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 2021 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.

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 BOARD OF TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

Auditor's Responsibilities for the Audit of the Financial Statements

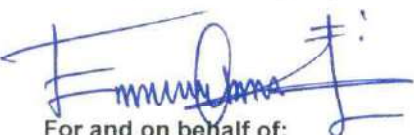
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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: 24/09/2021

Maseno University Retirement Benefits Scheme
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2021

	Note	2021 Kshs	2020 Kshs
Income from dealings with members			
Contributions	2	330,896,271	283,489,521
Transfers in	3	1,943,781	3,529,685
Outgoings from dealings with members			
Benefits payable	4	(165,913,996)	(214,970,625)
Transfers out	5	(841,394)	(36,283,035)
Net additions from dealings with members		166,084,662	35,765,546
Returns on investment			
Investment income	6	399,983,360	338,470,251
Change in fair value of investments	7	34,408,885	(24,267,464)
Less:			
Investment management expenses	8a	(12,865,058)	(11,508,346)
Investment property expenses	8b	(7,136,834)	(7,114,158)
Tax expense	18	(22,021,880)	(10,227,630)
Net returns on investments		392,368,473	285,352,653
Administrative expenses	9	(44,258,597)	(39,414,500)
Transfer to general reserve	19a	(5,334,900)	(30,926,659)
Increase in net assets for the year		508,859,637	250,777,040
Net assets available for benefits at start of year		3,345,232,720	3,094,455,680
Net assets available for benefits at end of year		3,854,092,357	3,345,232,720
Reserve fund	19	226,046,632	220,959,825
Total net assets		4,080,138,989	3,566,192,545

Maseno University Retirement Benefits Scheme
Statement of Net Assets Available for Benefits
As at 30 June 2021

	Note	2021 Kshs	2020 Kshs
Assets			
Property and equipment	10	3,073,700	371,038
Investment property	11	480,343,753	501,946,884
Financial investments	12a	3,478,063,267	3,033,068,020
Financial investments: Trust Fund	12b	56,094,459	55,359,928
Contributions due and other receivables	13	115,694,614	52,727,765
Cash at bank	14a	28,546,828	17,735,488
Cash at bank: Trust Fund	14b	628,965	48,586
Total assets		4,162,445,586	3,661,257,709
Less: Liabilities			
Benefits payable	15a	2,039,640	11,840,419
Benefits payable: Trust fund	15b	51,925,380	49,449,433
Other payables and accrued expenses	16a	23,543,533	27,816,231
Other payables and accrued expenses: Trust Fund	16b	4,798,044	5,959,081
Total liabilities		82,306,597	95,065,164
Net assets available for benefits		4,080,138,989	3,566,192,545
Financed by:			
Members' Fund and Reserve Fund		4,080,138,989	3,566,192,545

The financial statements on pages 15 to 33 together with appendices I and II were approved for issue by the Trustees on 22-SEP- 2021 and signed on their behalf by:


 Chairman


 Trustee

Maseno University Retirement Benefits Scheme
Statement of Cash Flow
For the Year Ended 30 June 2021

	Notes	2021 Kshs	2020 Kshs
Cash flow from operating activities			
Contributions received		278,339,800	299,029,517
Transfers in		1,943,781	3,529,685
Benefits paid to retirees and seceding members		(175,714,775)	(213,340,200)
Transfer out		(841,394)	(36,283,035)
Administrative expenses paid		(52,326,991)	(44,758,000)
Tax paid		(16,312,487)	(9,604,919)
GLA premium and other administrative reserve payments		(15,075,910)	(15,431,324)
Decrease (increase) in amount due from Trust Fund		3,462,658	(4,510,754)
Net cash flow from operating activities		23,474,681	(21,369,030)
Cash flow from investing activities			
Investment income received		402,140,049	346,229,109
Investment expenses paid		(20,329,252)	(19,879,168)
Purchase of financial assets		(1,558,480,467)	(1,047,005,543)
Proceeds from disposal of financial assets		1,244,016,836	738,873,146
Proceeds from sale of investment property		5,686,300	-
Purchase of property and equipment		(6,147,400)	(742,075)
Net cash flow from investing activities		66,886,065	17,475,469
Net increase (decrease) in cash and cash equivalents		90,360,746	(3,893,561)
Cash and cash equivalents at start of year		134,605,459	138,499,021
Cash and cash equivalents at end of year		224,966,205	134,605,459
Represented by:			
Cash at bank	17	28,546,828	17,735,488
Fixed and call deposits	17	196,419,377	116,869,971
		224,966,205	134,605,459

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 years 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 year.

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

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 year.

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 no provision for impairment of financial assets is necessary since the assets have been stated at their market values or fair values as at the end of the year. 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 using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.
- ii) Dividends are recognized as income in the period in which the right to receive payment is established.
- iii) Rental 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 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 the revised version of IFRS 9: Financial Instruments which was issued in 2014 and became effective on 1st January 2018. 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

The Scheme classifies its financial assets into the following categories:

i) Financial assets at amortised cost

These are financial assets that are held within a business model whose objective is to hold the assets to maturity in order to collect contractual cash flows, and for which the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest amount. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised.

ii) Financial assets at fair value through other comprehensive income (FVTOCI)

These are financial assets that are held for collection of contractual cash flows that arise on the specified contractual dates, can also be traded depending on the liquidity needs of the Scheme and are not designated at fair value through profit or loss (FVTPL). Movement in the carrying amounts are recognised through OCI, except for recognition of impairment gains or losses, return revenue and foreign exchanges gains and losses that are recognised directly in profit or loss. On disposal, gains and losses previously recognised in OCI are reclassified to profit or loss.

iii) Financial assets at fair value through profit or loss

These are financial assets that do not meet the criteria for amortised cost or FVTOCI and comprise of financial assets held specifically for trading purposes.

These assets are measured at fair value. In case of marketable securities, fair value is the market value. Fair value gains and losses arising on revaluation of these assets are dealt with in the statement of changes in net assets available for benefits.

iv) Receivables

These comprise of non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the company does not intend to trade. They are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Bad debts are written off after all efforts of recovery have been exhausted.

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

Impairment

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	50.00%
Furniture, fittings and office equipment	50.00%
Office partitions	20.00%
Computers	50.00%

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, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

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 year with such sum as the trustees may decide. The credit in the reserve may be used by trustees each year to make good any loss incurred on depreciation or sale of any securities or investments during the year or in the costs of administration of the fund, 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 fund 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 year.

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

	2021 Kshs	2020 Kshs
2 Contributions		
Employer- normal	217,413,329	185,730,145
Employee - normal	108,706,665	92,999,426
Employee- additional voluntary contributions	4,776,277	4,759,950
	330,896,271	283,489,521
3 Transfers in	1,943,781	3,529,685
This is in respect of benefits of employees who joined from other Schemes.		
4 Benefits payable		
Annuity purchase for pensioners	59,475,893	95,105,761
Commutation and lump sum retirement benefits	51,489,608	71,545,029
Lumpsum death benefits	780,203	19,765,446
Lumpsum withdrawal benefits to leavers	54,168,292	28,554,389
	165,913,996	214,970,625
5 Transfers out	841,394	36,283,035
This is in respect of benefits of employees who transferred their benefits to other Schemes.		
6 Investment income		
Rent income	22,623,269	27,061,777
Dividends receivable from equities	14,086,634	32,073,221
Interest and discounts receivable:		
- Treasury bonds	296,492,731	224,039,865
- Treasury bills	22,896,377	25,571,584
- Corporate bonds	5,252,339	9,210,588
- Fixed and call deposits	8,060,131	9,426,356
Gain (Loss) on disposal or maturity of investments		
- Listed local and regional equities	3,312,375	2,842,064
- Treasury bonds	21,192,834	(579,897)
- Corporate bonds	-	(4,553)
- Investment property (land parcels)	1,083,169	-
Other income	4,983,500	8,829,246
	399,983,360	338,470,251
7 Change in fair value of investments		
Treasury bonds	(30,389,902)	(10,837,946)
Listed local and regional equities	81,237,220	(13,669,079)
Unlisted equities	(273,160)	-
Offshore investments	834,727	1,237,212
Corporate bonds	-	2,349
Investment property	(17,000,000)	(1,000,000)
	34,408,885	(24,267,464)

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

8 Investment expenses	2021	2020
	Kshs	Kshs
a) Investment management expenses		
Management fees	7,514,324	6,788,984
Custody fees	4,511,748	4,131,704
Investment committee expenses	838,986	587,658
	12,865,058	11,508,346
b) Investment property expenses		
Land rent and rates	91,875	91,875
Legal fees	221,020	175,600
Valuation fees	213,000	108,000
Property repair, maintenance and other expenses	6,610,939	6,738,683
	7,136,834	7,114,158

9 Administrative expenses		
Trustee expenses	6,010,534	5,433,326
Board evaluation cost	1,307,810	-
Administration and processing expenses	22,816,297	21,425,453
Seminar and training expenses	1,394,488	534,866
Audit fees and disbursements	632,122	727,474
RBA levy	4,834,974	4,365,642
Depreciation on property and equipment	3,444,738	1,187,351
Strategic planning expenses	-	1,059,929
Members education expenses	147,728	788,998
Valuation fees	-	150,000
Annual general meeting expenses	1,868,707	1,908,661
Software license fees	1,801,200	1,832,800
	44,258,597	39,414,500

10 Property and equipment					
	Computers	Office partitions	Motor Vehicle	Furniture, fittings and equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At start of year	3,443,759	3,280,783	1,762,528	5,154,807	13,641,877
Additions	157,500	-	5,969,900	20,000	6,147,400
Disposals	(721,650)	-	(1,762,528)	(1,255,255)	(3,739,433)
At end of year	2,879,609	3,280,783	5,969,900	3,919,552	16,049,844
Depreciation					
At start of year	3,072,721	3,280,783	1,762,528	5,154,807	13,270,839
Charge for the year	449,788	-	2,984,950	10,000	3,444,738
Disposal	(721,650)	-	(1,762,528)	(1,255,255)	(3,739,433)
At end of year	2,800,859	3,280,783	2,984,950	3,909,552	12,976,144
Net book value					
At 30 June 2021	78,750	-	2,984,950	10,000	3,073,700
At 30 June 2020	371,038	-	-	371,038	371,038

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

11 Investment property

Property Description

Developed properties

Property Description	Balance b/fwd. at 01/07/2020	Additions	Expenses capitalised	Disposals at average cost	Revaluation gain/(loss)	Balance b/fwd. at 30/06/2021
MURBS Building (LR Block 7/67 & 70)	286,000,000	-	-	-	(16,000,000)	270,000,000
MURBS Hostels (LR Block 7/286 & 289)	80,000,000	-	-	-	-	80,000,000
MURBS NBK Building (LR BLOCK 7/330)	116,000,000	-	-	-	(1,000,000)	115,000,000
	482,000,000	-	-	-	(17,000,000)	465,000,000

Undeveloped land parcels

Pioneer/Nigeria Block 1 (EATEC)	19,946,884	-	-	(4,603,131)	-	15,343,753
	19,946,884	-	-	(4,603,131)	-	15,343,753
Total investment property	501,946,884	-	-	(4,603,131)	(17,000,000)	480,343,753

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 27th August 2021 by Leo Realtors Limited, Independent valuers, and the values have been adopted as the fair values as at 30th June 2021 due to insignificant time difference and changes in economic factors affecting the properties.

The undeveloped land parcels held by the Scheme are for sub-division and re-sale. They are stated at the lower of cost and net realisable value upon resale.

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

12 Financial investments

a Financial investments: Scheme

At fair value

	Value at 01/07/2020 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 30/06/2021 Kshs
Treasury bonds	2,046,678,399	(51,855,683)	1,344,254,796	(710,954,552)	(30,389,902)	72,008,159	2,669,741,216
Listed local and regional equities	328,720,464	-	32,639,031	(16,457,262)	81,237,220	-	426,139,453
Unlisted equities	2,145,160	-	-	-	(273,160)	-	1,872,000
Offshore investment	1,595,852	-	-	-	834,727	-	2,430,579
Sub-total	2,379,139,875	(51,855,683)	1,376,893,827	(727,411,814)	51,408,885	72,008,159	3,100,183,248

At amortised cost

	Value at 01/07/2020 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 30/06/2021 Kshs
Treasury bills	483,740,403	(23,411,381)	167,110,640	(480,329,022)	-	4,044,400	171,155,040
Corporate bonds	53,317,771	(1,517,771)	14,476,000	(66,276,000)	-	305,602	10,305,602
Fixed and call deposits	116,869,971	(305,971)	2,140,500,000	(2,061,564,000)	-	919,377	196,419,377
Sub-total	653,928,145	(25,235,123)	2,322,086,640	(2,578,169,022)	-	5,269,379	377,880,019
Total	3,033,068,020	(77,090,807)	3,698,980,467	(3,305,580,836)	51,408,885	77,277,538	3,478,063,267

b Financial investments: Trust Fund

At fair value

	Value at 01/07/2020 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 30/06/2021 Kshs
Treasury bonds	-	-	82,756,298	(30,085,781)	(2,089,973)	1,814,159	52,394,703
Sub-total	-	-	82,756,298	(30,085,781)	(2,089,973)	1,814,159	52,394,703
<u>At amortised cost</u>							
Treasury bills	55,059,525	(4,101,442)	103,874,326	(151,246,158)	-	113,505	3,699,756
Fixed and call deposits	300,403	(403)	86,700,000	(87,000,000)	-	-	-
Sub-total	55,359,928	(4,101,845)	190,574,326	(238,246,158)	-	113,505	3,699,756
Total	55,359,928	(4,101,845)	273,330,624	(268,331,939)	(2,089,973)	1,927,664	56,094,459

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

12 Financial investments

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 2021 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					
Treasury bills	19,323,052	41,045,082	499,206,804	2,110,166,278	2,669,741,216
Corporate bonds	-	171,155,040	-	-	171,155,040
Fixed and call deposits	196,419,377	-	-	10,305,602	10,305,602
Total	215,742,428	212,200,122	499,206,804	2,120,471,880	3,047,621,235

b Financial investments: Trust Fund

Treasury bonds	21,345,596	-	11,798,185	19,250,922	52,394,703
Treasury bills	-	3,699,756	-	-	3,699,756
Total	21,345,596	3,699,756	11,798,185	19,250,922	56,094,459

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

	2021 %	2020 %
Treasury bonds		
Corporate bonds	12.27%	12.09%
Fixed and call deposits	8.30%	13.12%
	6.65%	7.40%

The following investment classes exceed 5% of financial investments of the Scheme:

Kenya Government securities (Treasury bills and bonds)	81.68%	83.43%
Listed local and regional equities	12.25%	10.84%
Fixed and call deposits	5.65%	3.85%

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 2021

13 Contributions due and other receivables

	2021 Kshs	2020 Kshs
Contributions receivable		
- Past due up to 30 days	26,146,441	23,999,326
- Past due more than 30 days	53,922,885	-
	80,069,326	23,999,326
Investment income (dividends) receivable	261,300	713,359
Tax recoverable (Note 18)	-	443,220
Title deed and property costs receivable	20,968,425	13,958,291
Death benefits receivable	792,499	592,499
Due from Trust Fund (Note 16b)	4,798,044	5,959,081
Other receivables	115,789	385,274
Rent receivable	12,862,444	12,307,800
Less: Impaired rent receivables	(4,173,214)	(5,631,085)
	115,694,614	52,727,765

Contributions due up to 30 days relate to contributions for the month of June 2021 while contributions due for more than 30 days relate to contributions balance for prior periods including contributions arrears of Kshs. 40,827,548 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

	2021 Kshs	2020 Kshs
a Cash at bank: Scheme		
Standard Chartered bank custody a/c- Current account	22,638,564	-
Absa Bank Ltd- Current account	-	13,762,975
Absa Bank Ltd- Savings account	-	527,079
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd	1,953,675	1,120,299
Standard Chartered bank custody a/c- Sanlam Investment Managers Ltd	3,954,589	2,325,136
	28,546,828	17,735,488
b Cash at bank: Trust Fund		
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd	628,965	48,586

15 Benefits payable

	2021 Kshs	2020 Kshs
a Benefits payable: Scheme		
Lumpsum benefits payable	1,054,373	11,049,694
Lumpsum for annuity purchase payable	985,267	790,725
	2,039,640	11,840,419
b Benefits payable: Trust Fund (Appendix I)		
Benefits held in Trust for beneficiaries of deceased members	51,925,380	49,449,433

16 Other payables and accrued expenses	2021	2020
a Other payables and accrued expenses - Scheme	Kshs	Kshs
RBA Levy	4,834,974	4,365,642
Management fees	1,988,269	2,277,436
Custody fees	405,832	444,026
Staff expenses	1,262,392	-
Audit fees and disbursements	556,000	727,474
Client rent deposits	4,563,355	5,788,190
Client prepaid rent	631,892	-
Client land deposits	1,125,485	5,527,174
Other payables	607,540	8,686,289
Tax payable (Note 18)	7,567,794	-
	23,543,533	27,816,231

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	-	-	4,834,974	4,834,974
Management fees	1,988,269	-	-	1,988,269
Custody fees	405,832	-	-	405,832
Staff expenses	1,262,392	-	-	1,262,392
Audit fees and disbursements	-	-	556,000	556,000
Client rent deposits	-	-	4,563,355	4,563,355
Client prepaid rent	631,892	-	-	631,892
Client land deposits	-	1,125,485	-	1,125,485
Other payables	394,540	-	213,000	607,540
	4,682,925	1,125,485	10,167,329	15,975,739

b Other payables and accrued expenses - Trust Fund

Due to Scheme	4,798,044	5,959,081
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Amount due to Scheme relates to amount refundable by the Trust Fund for payments made by the Scheme in settlement of the Trust Fund's transactions.

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.

	2021	2020
	Kshs	Kshs
Cash at bank	28,546,828	17,735,488
Fixed and call deposits	196,419,377	116,869,971
	224,966,205	134,605,459

Maseno University Retirement Benefits Scheme
Notes to the Financial Statements
For the Year Ended 30 June 2021

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:

	2021 Kshs	2020 Kshs
Taxable investment income	79,685,599	40,910,520
Tax at 25% for 1st half year and 30% for 2nd half year (2020: 25%)	21,913,540	10,227,630
Tax under provision for prior year	108,340	-
a Tax charge for the year	22,021,880	10,227,630
<u>Movement in tax account</u>		
Balance of tax payable b/fwd.	(443,220)	(2,160,774)
Add: Tax charge for the Scheme- current year	21,913,540	10,227,630
Tax charge for the Scheme- prior year under provision	108,340	-
Tax charge for the trust fund- current year (Appendix I)	2,301,621	1,094,843
Less: Tax paid for current year	(13,359,686)	(8,478,012)
Tax paid for prior year	(2,952,801)	(1,126,907)
Balance of tax payable/ (recoverable)	7,567,794	(443,220)
The balance of tax payable or recoverable as at year end is made up as follows:		
Balance of tax payable for the current year	10,855,475	2,844,461
Balance of tax credit for prior year (2018)	(3,287,681)	(3,287,681)
	7,567,794	(443,220)

Taxable investment income is determined as the proportion of 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 2021.

19 Reserve fund

	2021 Kshs	2020 Kshs
a General reserve fund		
Balance at start of year	176,378,110	145,451,451
Net transfer in (out) for the year	5,334,900	30,926,659
Balance at end of year	181,713,010	176,378,110
b Administrative reserve fund		
Balance at start of year	44,581,715	108,498,884
Additions for the year	23,749,541	23,137,779
Less:		
- Group life premiums paid for the year	(14,875,910)	(14,648,703)
- Settlement for contribution arrears / CBA arrears	(20,236,012)	(71,623,624)
- Net land related costs receipts/(payments)	11,114,288	(782,621)
Balance at end of year	44,333,622	44,581,715
Total reserve fund at end of year	226,046,632	220,959,825

20 Contingent liabilities

The Scheme's contingent liabilities as at 30 June 2021 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. 32,031,733 by the Kenya Revenue Authority on 24th June 2021. The Scheme filed an objection to the assessment 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 9), 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 Fund 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, 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 year Corporate Bond with face value of Kshs. 10,000,000 and maturity date 02/06/2022. The trustees resolved to fully impair the bond in the financial year 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 amount invested in Chase Bank bond represent significant credit risk exposure to the Scheme as at year end.

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 fund managers on regular basis on the liquidity needs of the Scheme in order for the fund 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 2021 was Kshs. 4,080,138,989 (2020: Kshs. 3,566,192,545).

Maseno University Retirement Benefits Scheme
Trust Fund
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2021

	2021	2020
	Kshs	Kshs
Dealings with members and beneficiaries		
Benefit transfers in	12,284,062	17,470,892
Benefit payments	(12,651,637)	(21,027,988)
Net additions from dealings with members and beneficiaries	(367,575)	(3,557,096)
Returns on investment		
<u>Investment income</u>		
- Interest from Treasury bonds	6,522,720	-
- Discount from Treasury bills	1,715,905	4,451,586
- Interest from fixed and call deposits	235,895	403
- Loss on disposal of Treasury Bonds	(1,134,415)	-
	7,340,104	4,451,989
Change in fair value of investments		
- Treasury bonds	(2,089,973)	-
<u>Less: Investment management expenses</u>		
- Custody fees	(104,988)	(72,617)
	(104,988)	(72,617)
Tax expense	(2,301,621)	(1,094,843)
Net returns on investments	2,843,522	3,284,529
Increase (decrease) in net assets for the year	2,475,947	(272,567)
Net assets available for benefits at start of year	49,449,433	49,722,000
Net assets available for benefits at end of year	51,925,380	49,449,433

**Maseno University Retirement Benefits Scheme
Trust Fund
Statement of Net Assets Available for Benefits
As at 30 June 2021**

	2021 Kshs	2020 Kshs
Assets		
Financial investments		
- Treasury bonds	52,394,703	-
- Treasury bills	3,699,756	55,059,525
- Fixed and call deposits	-	300,403
	56,094,459	55,359,928
Cash at bank	628,965	48,586
Total assets	56,723,424	55,408,514
Less: Liabilities		
Due to scheme	(4,798,044)	(5,959,081)
Net assets available for benefits	51,925,380	49,449,433
Financed by:		
Benefits held in Trust	51,925,380	49,449,433