ANNUAL REPORT
& FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2026



ISO 9001:2015 certified

MURBS

MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

PROGRAMME OF THE 22ND ANNUAL GENERAL MEETING

DATE
Friday 27th November, 2026

TIME
9:00 a.m. – 1:00 p.m.

VENUE
Amphitheatre Southern Wing, Maseno University, Siriba Campus

TIME	EVENT DETAILS
8:30 a.m. – 9:00 a.m.	**Arrival and Registration**
9:00 a.m. – 1:00 p.m.	**Annual General Meeting** **AGENDA** 1. Prayers and Introduction 2. Report by the Chairman of the Board of Trustees 3. Remarks by the Sponsor 4. Board of Trustees' Report 5. Investment Report for the year ended 30th June, 2026 6. Custody Report for the year ended 30th June, 2026 7. Financial Statements for the year ended 30th June, 2026 and Auditor's Report thereof 8. Report on Trustees Remuneration for the year ended 30th June, 2026 9. Remarks by Retirement Benefits Authority representative 10. Question and Answer session 11. Vote of thanks and Closing Prayers

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Vision, Mission & Core Values

VISION

Providing 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 2026

TRUSTEES	Dr. Joshua Were	:	Member-elected	- Chairperson
	Prof. Julius O. Nyabundi	:	Sponsor nominated	- End of term - 28th February 2026
	Prof. Erick O. Nyambedha	:	Sponsor nominated	- Nominated on 10th April 2026
	Prof. Charles O. Omondi	:	Sponsor nominated	
	Dr. Matilda C. Sang	:	Sponsor nominated	
	Mr. Ponyochi Kunyobo	:	Sponsor nominated	
	Prof. Susan M. Kilonzo	:	Member-elected	
	Mr. Stephen Lenyangume	:	Member-elected	
	Ms. Cynthia M. Afandi	:	Member-elected	

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 Allianz Investments Limited
5th Floor, Africa Re Centre
Hospital Road, Upper Hill
P O Box 67262 - 00200
NAIROBI

Investcent Investment Bank
6th Floor, The Address
Muthangari Drive
P O Box 19445 - 00202
NAIROBI

CUSTODIAN
Standard Chartered Bank Kenya Limited
48 Westlands Road
P O Box 40984 - 00100
NAIROBI

BANKERS

Standard Chartered Bank Kenya Limited
Chiromo Branch
P O Box 40984 - 00100
NAIROBI

National Bank Limited
Kisumu Branch
P O Box 1152 - 40100
KISUMU

LEGAL ADVISOR
P.D. Onyango & Company Advocates
P O Box 1419 - 40100
KISUMU

INDEPENDENT AUDITOR
VCK Auditors & Consultants
Certified Public Accountants
3rd Ngong Avenue, Upper Hill Gardens, E8
P O Box 45481 - 00100
NAIROBI

SPONSORS

Maseno University
Private Bag
MASENO

Tom Mboya University
P O Box 199 - 40300
HOMA BAY

REGULATOR
Retirement Benefits Authority
P O Box 57733 - 00200
NAIROBI

INTRODUCTION

I take this opportunity to welcome you to the 22nd Annual General Meeting. As Chairman of the Board of Trustees, it is a privilege to guide the Scheme in reinforcing its foundation, ensuring continuity and long-term financial security for all our members. I am pleased to present the Annual Report and Financial Statements for the financial year ended 30th June, 2026.

ECONOMIC OUTLOOK

The economic outlook shifted from a consolidation and recovery phase in the 2024/2025 financial year, where the focus was on reducing fiscal deficits and high interest rates. The financial year 2025/2026 witnessed a cautious, risk-managed expansion with more emphasis on lowering inflation, easing borrowing costs, and weathering external geopolitical shocks. Overall inflation rate rose to 6.4% by June 2026 (2025: 3.8%) while GDP growth moderated to 4.9% (2025: 5.0%).

SCHEME FINANCIAL PERFORMANCE

The Scheme fund value grew by 16% in the financial year ended 30th June 2026 closing at Kshs. 7.84 billion (2025: Kshs. 6.76 billion). This growth of the fund was mainly driven by return on investments and net additions from dealing with members. Trustees have maintained a conservative investment approach, with over 80% of portfolio in fixed income.

Gross earnings stood at Kshs. 983.9 million (2025: Kshs. 1.44 billion). Although lower than the previous year due to interest rate movements and bond revaluations, the Scheme still achieved a solid 14% return, demonstrating resilience and effective risk management. More importantly, distributable earnings rose to Kshs. 976.3 million (2025: Kshs. 922.6 million), reflecting the Scheme's ability to protect and grow member benefits despite market pressures. This performance underscores the strength of our investment strategy, which balances consistent growth with long-term security.

In line with this performance, the Board resolved to distribute 13% interest to members (2025: 16%) while prudently retaining a general reserve of 2.7% (2025: 2%) in the financial year ended 30th June 2026. This decision reflects our commitment to delivering consistent returns while building reserves to cushion against future uncertainties.

ADMINISTRATION REPORT

Scheme membership as at 30th June 2026 stood at 1,349 (2025: 1,322) comprising active and deferred members of both Maseno and Tom Mboya Universities. Maseno University had 983 active members and 263 deferred members, while Tom Mboya University had 91 active members and 12 deferred members.

Maseno and Tom Mboya Universities remitted all contributions due (Kshs. 500.2 million) in the year which included Collective Bargaining Agreements (CBA) arrears for the periods 2017–2021 and 2021–2025.

NSSF Tier II contributions – NSSF Tier II contributions continue to be segregated in accordance with the NSSF Act (2013), distinct from the normal employee (10%) and employer (20%) contributions.

Post-Retirement Medical Fund (PRMF) - We strongly encourage active members to enroll in the PRMF to secure their healthcare needs in retirement. In addition to providing peace of mind, contributions to the PRMF attract tax relief of up to Kshs. 15,000 per month. Retiring members also have the option of transferring up to 10% of their accumulated benefits directly into the PRMF, ensuring continuity of healthcare coverage while maximizing the value of their retirement savings.

Additional Voluntary Contributions (AVC) – Members can further strengthen their retirement package by making Additional Voluntary Contributions. This option promotes financial discipline, reduces monthly income tax obligations, and enhances retirement benefit adequacy. AVCs provide members with the flexibility to grow their savings faster, thereby improving long-term financial security.

Transfer-In - Members are also encouraged to transfer their contribution balances tax-free from previous retirement schemes into MURBS. Consolidating pension benefits under one scheme simplifies tracking, enhances transparency, and provides convenience in monitoring growth. This consolidation ultimately secures a stronger financial future by maximizing the efficiency of retirement planning.

Benefits paid to leavers in the year amounted to Kshs. 233.6 million (2025: Kshs. 199.2 million). Investment management expenses amounted to Kshs 57.8 million (2025: Kshs. 26.8 million). This expenditure is pegged on the growing fund value. Administrative expenses were Kshs 81.6 million (2025: Kshs. 68.1 million), relating to both compliance and operational costs.

We encourage all members to use Scheme's digital platforms and follow our social media handles to stay updated on Scheme matters. Members can view their account statements and nominated beneficiary details by visiting the member portal on our website (www.masenorbs.or.ke) or by downloading the MURBS Pension App from the Google Play Store.

PENSION REGULATORY ENVIRONMENT

Gratuity for Staff on Fixed Term Contract

Amendments to the Income Tax Act (2026) now allow staff serving under contracts of at least three continuous years (or an extension of a three-year contract) to join the Scheme and benefit from tax incentives while steadily growing their savings through competitive annual returns.

Death benefits

Pension benefits payable to beneficiaries upon the death of a member are now exempt from income tax, providing additional relief to the dependants and beneficiaries.

SCHEME GOVERNANCE

Governance remains a cornerstone of the Scheme's success.

Board Changes

We welcome Prof. Erick O. Nyambedha, a Sponsor Nominated trustee appointed to office in April 2026. He brings to the board a wealth of experience in Governance, Administration and Enterprise Risk Management.

The Scheme recognizes the strategic foresight of Prof. Julius O. Nyabundi, whose leadership ensured full remittance of pension contributions. As a key stakeholder and trustee, he championed the protection of staff retirement funds, which insulated the Scheme from financial challenges faced by other public university pension schemes.

We acknowledge the stewardship of Ms. Monica A. Ogada who served as the Pension Manager/Trust Secretary until her exit in August 2026. During her tenure, she played a pivotal role in steering the Scheme's growth and transformation, demonstrating unwavering commitment and steadfast leadership in advancing our strategic objectives.

We congratulate Mr. Mark O. Oruko who assumed office of the Pension Manager/Trust Secretary effective 24th August 2026. Having previously served as the Pension Officer, he brings a wealth of experience in Pension Administration, Digital Transformation and Governance, ensuring continuity to propel the Scheme to even greater heights.

Board Evaluation

The Board undertook an evaluation during the year, achieving an impressive weighted score of 92% (equivalent to 4.6 out of 5), a testament to strong governance, accountability, and adherence to best practices.

STRATEGIC DIRECTION

The current 2022 – 2027 Strategic Plan will come to an end in June 2027. The Board is confident to report that the Scheme is on a steady course to achieve the objectives of this plan anchored on three key pillars: Asset Management, Member Service and Resilience. The Board will retreat during the financial year 2026/2027 to craft a new Strategic Plan that will guide the Scheme into new frontiers.

MURBS has commenced plans to relocate operations to the 4th Floor of the MURBS Building. The move will optimize space utilization while providing modern premises that improve service delivery, create a conducive environment for members, and accommodate the Scheme's growing administrative needs.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Scheme continues to embrace its responsibility beyond financial management, engaging actively in socio-economic transformation.

Scheme Trust Fund

The Scheme continues to manage a Trust Fund Scheme which supports education needs, career guidance, counselling and disbursement of residual balance to the beneficiaries of deceased members. The Scheme administered payments of school fees and educational support to 72 beneficiaries in the financial year 2025/2026.

Community Engagement

The Scheme embarked on initiatives to give back to the community as part of good corporate citizenship. The flagship initiative during the year was marked by donating a Neonatal Intensive Care Unit (NICU) Infant Incubator, a Space Heater and 100 plastic chairs (80 adult size, 20 child size) to the Obama Children's Hospital division of the Jaramogi Oginga Odinga Teaching and Referral Hospital to support maternal and pediatric care.

APPRECIATION

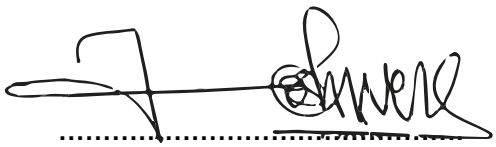
I extend my sincere appreciation to the membership for the trust and confidence bestowed on the Scheme. Your continuous participation, engagement and feedback have been crucial in enhancing service delivery.

I acknowledge the commitment and support of our Sponsors, both Maseno and Tom Mboya Universities, in ensuring consistent remittance and allowing members to participate in Scheme activities, and the regulator, Retirement Benefits Authority (RBA), for creating an enabling environment for the pension industry to thrive.

Our gratitude also goes to the Secretariat and service providers for their continuous support and commitment to the Scheme.

Finally, I express my heartfelt appreciation to the Board for exercising fiduciary duty with unwavering commitment and dedication.

Thank you.



Dr. Joshua Were
Chairperson, Board of Trustees

Dated: 26 SEPTEMBER **2026**

Maseno University Retirement Benefits Scheme
Report of the Trustees
For the Year Ended 30 June 2026

The Trustees present their report together with the audited financial statements for the year ended 30 June 2026 which disclose the state of affairs of the Scheme.

1 Establishment, nature and purpose of the Scheme

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

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

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

The Scheme is a registered pension scheme under the Income Tax Act and has been granted exemption from income tax under Part I of the First Schedule of the Income Tax Act (Cap 470).

2 Contributions

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

The Scheme is registered under Contraction Out Certificate No.RBA/COC/0735 (Maseno University, effective 14th October 2024) and Certificate No. RBA/COC/0803 (Tom Mboya University, effective 2nd January 2024) to receive Tier II contributions subject to the provisions of the NSSF Act No. 45 of 2013 and subsequent NSSF (Contracting Out by Employers) Regulations, 2014.

3 Sponsors

The Scheme has **t**wo **s**ponsors, namely:

- Maseno University and
- Tom Mboya University

4 Membership

Membership of the Scheme is open to full-time permanent employees of the Sponsors, as well as staff engaged on fixed-term contracts of not less than three continuous years or whose contracts have been extended to meet this threshold.

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

	2026 Members	2025 Members
Contributing Members		
Active members		
At start of year	1,024	1,038
Joiners	93	35
Leavers - see (a) below	(44)	(49)
At end of year	1,073	1,024
Deferred members		
At start of year	298	286
Cases in the year	(22)	12
At end of year	276	298
Total Scheme Members	**1,349**	**1,322**
a) Leavers		
Resigned	15	31
Retired with pension	25	15
Death	4	3
	44	**49**

5 Financial review

The Statement of Changes in Net Assets Available for Benefits on page 21 shows an increase for the year of Kshs.1,067,198,785 (2025:Kshs.1,488,018,265) and the Statement of Net Assets Available for Benefits on page 22 shows net assets of Kshs.7,842,086,807 (2025: Kshs.6,764,711,802). The Scheme earned a total net rate of return of 13% for the year (2025 : 26%).

6 Amounts and return credited to members' accounts

In accordance with Legal Notice No. 21, The Retirement Benefits (Occupational Retirement Benefits Schemes) (Amendment) Regulations, 2023, in determining the amounts to be credited to members' accounts, the Trustees have excluded unrealised gains and losses (changes in fair value) arising from the valuation of financial assets (specifically debt instruments/ treasury bonds) using the fair value model.

Consequently, the net rate of return credited to members' accounts for the year was 13% (2025 : 16%) and the corresponding amount was arrived as follows:

		2026 Kshs	2025 Kshs
Net return (on investments less expenses as reported in financial statements)	**Page 20**	797,607,042	1,277,011,079
Adjusted for:			
Unrealised (gains) losses from revaluation of debt instruments using the fair value model	**Note 8b**	139,374,208	(400,937,110)
Net transfer of interest for the year from/ (to) the General reserve fund	**Note 21a**	(84,864,673)	(31,384,700)
		852,116,577	**844,689,269**

7 Investment of funds

Standard Chartered Kenya Limited are the appointed Scheme custodian. GenAfrica Asset Managers Limited, Sanlam Allianz Investments Limited and Investcent Investment Bank are the appointed investment managers.

Under the terms of their appointment, the investment managers are responsible for investment of the funds under segregated arrangement. However, the overall responsibility for investment and performance lies with the Trustees.

Trustees are responsible for determining the Scheme's investment strategy and have in place an Investment Policy Statement.

The principle objective of the Scheme's Investment Policy is to guide investment allocation by maintaining a suitably diversified portfolio that maximizes investment returns, minimizes inherent investment risks, complies with RBA investment guidelines and maintains appropriate liquidity.

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

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

	FY 2026		FY 2025		RBA
Investment Portfolio	**Amount (Kshs)**	**Percentage (%) of Portfolio**	**Amount (Kshs)**	**Percentage (%) of Portfolio**	**Percentage (%) RBA Limits**
Cash at bank	30,690,105	0.39%	12,189,560	0.18%	5%
Fixed and call deposits	402,453,161	5.15%	154,330,991	2.29%	30%
Corporate bonds	-	-	11,928,173	0.18%	20%
Kenya government securities (Treasury bonds and bills)	6,411,671,034	82.11%	5,760,102,567	85.57%	90%
Listed local and regional equities	518,413,956	6.64%	347,588,175	5.16%	70%
Unlisted equities	1,872,000	0.02%	1,872,000	0.03%	5%
Offshore investments	847,765	0.01%	747,546	0.01%	15%
Investment property	442,500,000	5.67%	442,500,000	6.57%	30%
	7,808,448,021	**100%**	**6,731,259,012**	**100%**	

Note: The Scheme' investments were done in accordance with the broad investment guidelines issued by the Retirement Benefits Authority (RBA) as tabulated above.

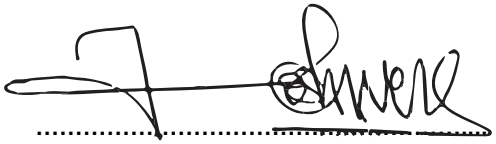
8 Interest on Member balances

The Trustees recommend crediting of 13% (2025: 16%) interest on Members' balance.

9 Independent Auditor

VCK Auditors & Consultants, Certified Public Accountants (Kenya), have indicated their willingness to continue in office. Trustees monitor the effectiveness, objectivity, and independence of the auditor.

For the Trustees:



Dated: 26 SEPTEMBER **2026**

Dr. Joshua Were
Chairperson, Board of Trustees

Maseno University Retirement Benefits Scheme
Scheme Governance Disclosure Statement
For the Year Ended 30 June 2026

Board Structure and Composition

The Board's size and composition is guided by the Retirement Benefits (Occupation Retirement Benefits Schemes) Regulations 2000, which states that a defined contribution scheme shall have a minimum of four (4) trustees and not more than nine (9) trustees, representing both members and Sponsor.

In compliance with this requirement, and in accordance with the Trust Deed and Rules, the Board is composed of eight (8) trustees, four (4) represent the sponsor and the other four (4) represent members.

Board Remuneration

The Board and its committees meet regularly in accordance with the annual board workplan and at least quarterly in a year. It regularly reviews reports on progress against financial objectives and stakeholder relations.

Board Committees

The Board has a structured system of operation made up of committees established to assist it in discharging its responsibilities and obligations. It delegates specific functions to selected committees with defined formal terms of reference, without abdicating its ultimate responsibility. The terms of reference clearly identify matters reserved for the Board and Committee for decisions.

The membership and chairmanship of these committees are regularly reviewed by the Board which is responsible for filling any vacancies. The Board is cognisant that members collectively have sufficient qualifications and experience to fulfil their duties within respective committees. The committees appraise the Board of their activities on a quarterly basis through oral and/or written reports.

During the year ended 30 June 2026, the Board had three (3) committees as follows;-

Audit and Risk Management Committee

The mandate of this Committee includes but is not limited to:-

• Meeting with external and internal auditors on the nature, scope and priorities of audits and the major findings of audits.

• Monitors and reviews the integrity of the Scheme's financial statements.

• Makes recommendations to the Board on business risks, internal controls and compliance.

• Reviewing the effectiveness and reliability of management information systems, risk and internal controls systems and the efficiency and effectiveness of both external and internal audit.

• Advise the Board on any issues pertaining to the appointment, remuneration, resignation and dismissal of the auditor.

Finance, Investment and Custody Committee

The mandate of this Committee includes but is not limited to:

• meeting with investment managers, custodians and the administrator.
• overseing the investment management function of the Scheme.
• monitoring the implementation of the Scheme's investment strategies.
• making recommendations to the Board on proposed new investments and capital developments.
• advising the Board on appointment of investment managers, custodians, bankers and monitor and evaluate performance of these service providers.

Governance and Administration Committee

The mandate of this Committee includes but is not limited to:

• overseing governance, compliance and communication function of the Scheme.
• being responsible for staff and operational policies in order to align the Scheme's operations with best practice.
• performing orientation and induction of new Trustees including training and development of the Board of Trustees.

Board Elections

The Retirement Benefits (Occupational Retirement Benefits Schemes) (Amendment) Regulations, 2025 require that election of Trustees is conducted every five years.

Statement of Compliance and Conflict of Interest

Conscious of its responsibilities to members, service providers, suppliers, creditors, employees and society, the Board issues a compliance statement at the end of every year confirming that it has complied with the law, conducted their affairs in accordance with the best principle and practices of corporate governance and that to the best of its knowledge, no person, employee or agent acting on behalf of the Scheme with the knowledge or authority of the Board, committed any offence under the Prevention of Corruption Act or indulged in any unethical behaviour in the conduct of the Scheme's business, or had been involved in money laundering, or any practice or activity contrary to national laws or international conventions. The Trustees also submit declaration of conflict of interest during Committee and Board meetings.

Code of Conduct

Each Trustee derives his or her authority and position from a legitimate nomination procedure. However, on becoming a trustee, each Trustee becomes bound by the overriding fiduciary duty to act in good faith in the pursuit of the best interests of members of the Scheme as a whole. In the discharge of their duties, Trustees operate within the framework of a collective Board. In order to enable the Board to operate effectively and in the best interests of the Scheme, all Trustees observe rules and regulations governing the Conduct of Trustees as contained in the Board Charter.

Board Induction Programs & Training

Each Trustee on appointment is provided with sufficient information to enable him/her perform his/her roles. Induction of newly-appointed Trustees is organized by the Secreatariat. The Board ensures that all Trustees keep abreast of both practical and theoretical developments, and that their expertise is constantly relevant.

Every year the Secretariat in liaison with the Board carries out a Trustees training needs analysis and prepares a training calendar which is implemented during the year.

In addition, the Kenyan Gazette Supplement No. 44 under legal notice 74 in 2008 introduced mandatory certification of Trustees as part of the increasing and progressive regulation of Trustees in the Kenya Retirement Benefits Sector. Board of Trustees are since required to have all members of the Board vetted by Retirement Benefits Authority to provide Trust Services. It's confirmed that all the Board Members of Maseno University Retirement Benefits Scheme are duly trained and certified except for one Trustee.

1. Trustees in office

For the financial year ended 30th June 2026, the following were the Trustees in office: -

Name	Age	Categorisation of trustee (member elected /sponsor nominated)	No. of Meetings attended	Certified (Yes/No)	Academic Qualifications	Membership in other boards
Dr. Joshua Were	Above 35	Member-elected	7	Yes	Doctor of Philosophy	None
Dr. Matilda C. Sang	Above 35	Sponsor nominated	7	Yes	Doctor of Philosophy	None
Mr. Ponyochi Kunyobo	Above 35	Sponsor nominated	7	Yes	Masters	None
Prof. Erick O. Nyambedha	Above 35	Sponsor nominated	-	No	Doctor of Philosophy	None
Prof. Charles O. Omondi	Above 35	Sponsor nominated	7	Yes	Doctor of Philosophy	None
Prof. Susan M. Kilonzo	Above 35	Member-elected	7	Yes	Doctor of Philosophy	None
Mr. Stephen Lenyangume	Above 35	Member-elected	7	Yes	CPA Part 1	None
Ms.Cynthia M. Afandi	Above 35	Member-elected	7	Yes	O-Level	None

2. Board of Trustees' meetings held during the Financial Year

The Board of Trustees held seven (7) meetings during the year ended 30 June 2026. The meetings were held on the dates set hereunder:

a) Tuesday 8 July 2025
b) Friday 25 July 2025
c) Tuesday 23 September 2025
d) Monday 17 November 2025
e) Friday 27 February 2026
f) Friday 22 May 2026
g) Monday 8 June 2026

3. Composition of Board of Trustees

The composition of the Board of Trustees is as hereunder:-

Gender balance	:	Female …38%... Male …62%...
Skills mix	:	No. of trustees with financial skills: …8…
Age Mix	:	No. of Trustees 35 years and below: Nil
		No. of Trustees above 35 years: 8

4. Committees of the Board

The Board had the following standing committees in the year under review:

1. Audit and Risk Management Committee
a. Ms. Cynthia M. Afandi - Chairperson
b. Dr. Matilda C. Sang - Member
c. Prof. Susan M. Kilonzo - Member

2. Governance and Administration Committee
a. Prof. Susan M. Kilonzo - Chairperson
b. Prof. Charles O. Ochola - Member
c. Mr. Stephen Lenyangume - Member
d. Ms. Cynthia M. Afandi - Member

3. Finance, Investment and Custody Committee
a. Mr. Stephen Lenyangume - Chairperson
b. Mr. Ponyochi Kunyobo - Member

5. Fiduciary Responsibility Statement

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

a. acting honestly and not improperly use insider information or abuse their position;
b. exercising the highest degree of care and diligence in the performance of their duties that a reasonable person in a like position would exercise in these circumstances; and
c. performing their duties with the requisite degree of skill.

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

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

The Board has developed various policies in compliance with Good Governance Guidelines.

6. Responsible Corporate Citizenship

The Scheme has participated in socially responsible investments and operations and has not been involved in activities that may undermine the wellbeing of the Sponsors, members and the community in which it operates.

7. Key outcomes:

The Board of Trustees aims to:

a) Build trust with members and the Sponsors by ensuring effective and accountable Scheme administration

b) Promote innovation and implement solutions that address the evolving needs of members and the Sponsors; and

c) Ensure that Scheme administrative processes remain transparent and accessible to members and the Sponsors.

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

a) Member Satisfaction Index - Derived from results of the independent triennial Member satisfaction survey.

b) Sharing of regular operational and performance reports with the Sponsors.

8. Annual General Meeting

The Board of Trustees held its annual general meeting on Friday 28 November 2025 with an attendance of 943 Members, representing a 72% of the total membership. The Board adequately addressed Members' concerns.

9. Member Sensitization

During the year under review, the Scheme conducted 7 member-sensitization sessions with an attendance of 466 members broken down as follows;

Name of sensitization forum	Date held	Mode	Members sensitized
Pre-Retirement Training Seminar (10 Years to retirement)	Friday 3rd October, 2025	Hybrid	129
Maseno University Staff Induction	Friday 27th February, 2026	Physical	84
Member Education Seminar (Tom Mboya University)	Tuesday 17th March, 2026	Physical	72
Member Education Seminar (Maseno University)	Thursday 19th March, 2026	Hybrid	262
Pensioners Forum 2026	Thursday 23rd April, 2026	Physical	115
Sanlam Allianz Pre-Retirement Training (5 years to retirement)	Friday 24th April, 2026	physical	49
Research Dissemination Forum	Tuesday 30th June, 2026	Physical	33

10. Trustees Remuneration Policy

During the year under review, Trustees remuneration was a gross sum of Kshs.6,924,300. This amount complied with the Trustees Remuneration Policy of the Scheme approved by members during the Annual General Meeting held on the 28 November 2025.

11. Board and Trustee Evaluation

The Board undertook an evaluation in the year under review. The review process was facilitated externally by Finnet Trust Services Limited and the process took the form of a questionnaire. The questionnaire was self-administered and contained the following 11 areas;

a) Board structure, composition and appointments
b) Regulatory compliance and governance
c) Board meetings and processes
d) Strategic oversight
e) Risk management
f) Investment and financial oversight
g) Service providers
h) Board dynamics and culture
i) Chairperson evaluation
j) Trust Secretary evaluation
k) Committee evaluations (GAC,FIC,ARM)

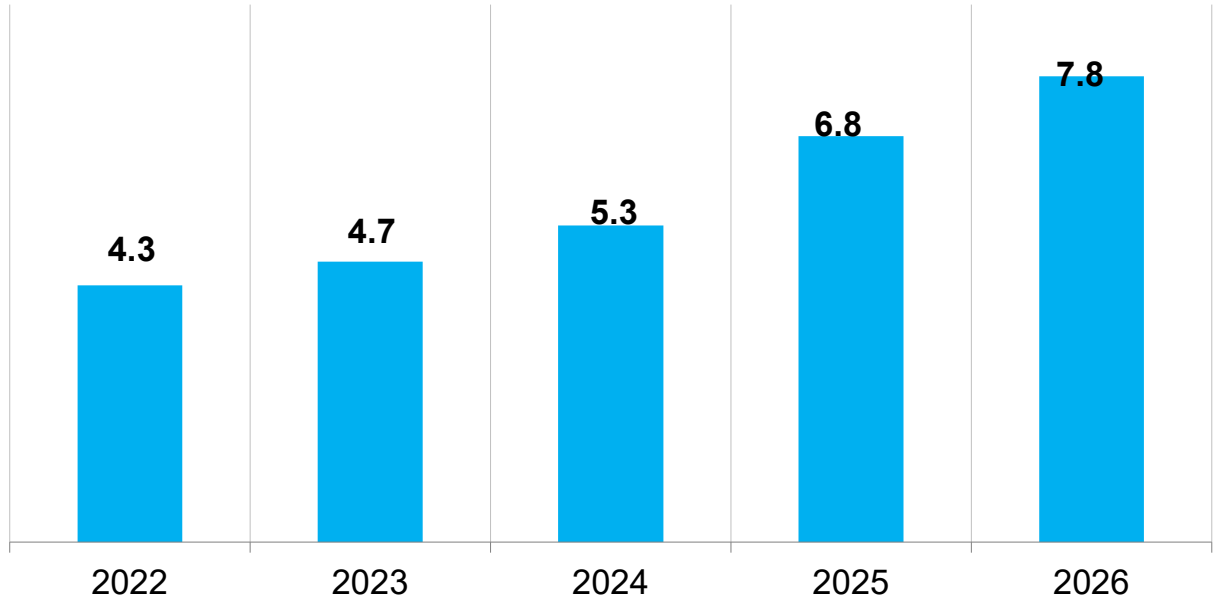
The Board was evaluated as a high-performing governance body across all assessed dimensions with overall an outstanding weighted score of **92%** (equivalent 4.6 out of 5).

Signed on behalf of Board of Trustees on 26 SEPTEMBER 2026

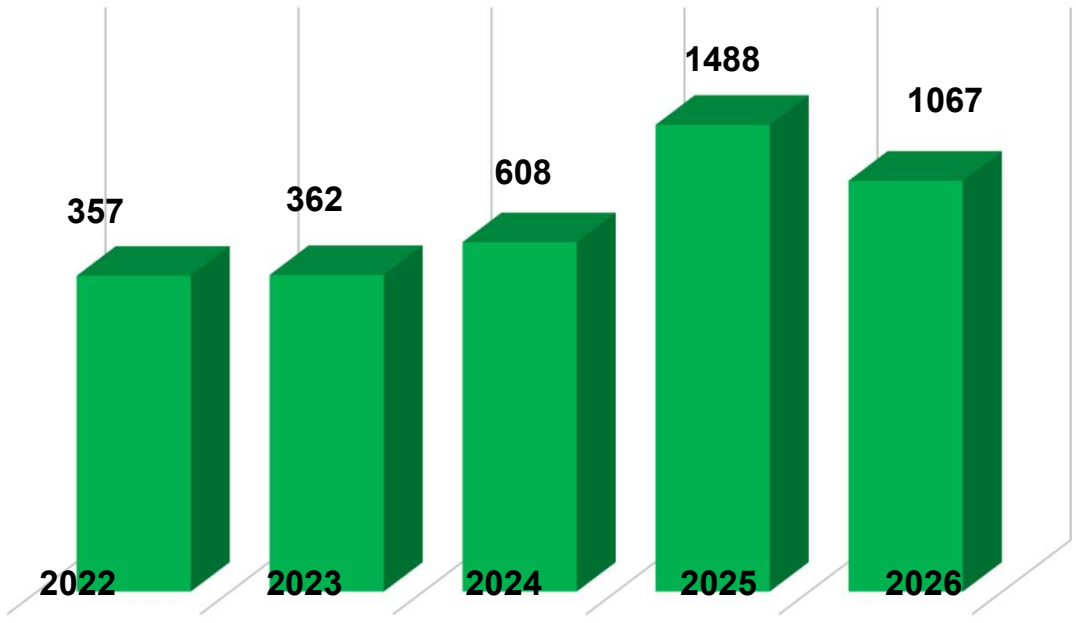
.....

Dr. Joshua Were
Chairperson, Board of Trustees

A) Fund value over 5 years - Shs.Billions



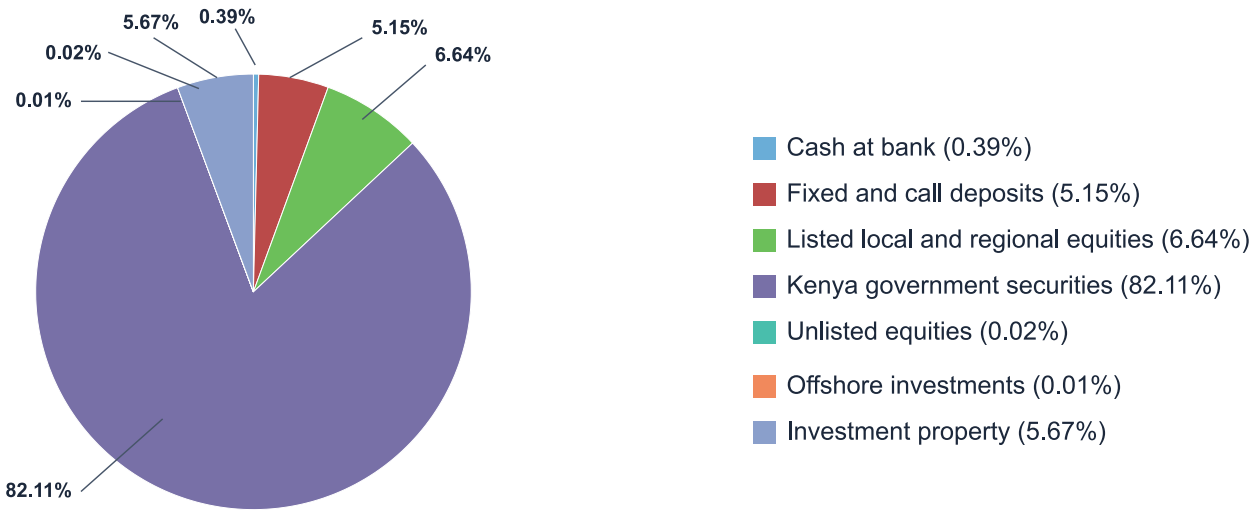
B) Scheme Growth over 5 years - Shs.Millions



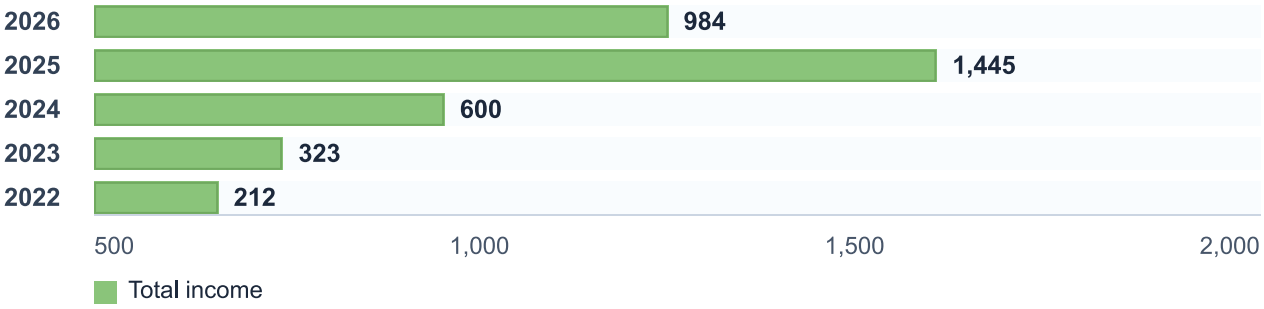
Note: The drop in 2026 was attributable to the drop in changes in fair value of investments specifically the treasury bonds.

Maseno University Retirement Benefits Scheme
Summary of Scheme Performance
For the Year Ended 30 June 2026

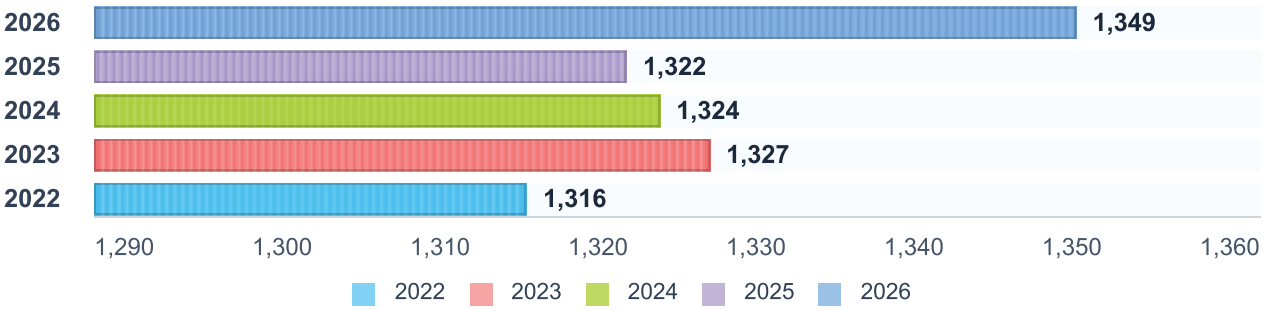
C) Scheme Asset (Portfolio) Allocation 2026



D) Scheme Financial Performance - Total income Kshs. Millions



E) Scheme Membership (Over 5 Years)



Maseno University Retirement Benefits Scheme
Statement of Trustees' Responsibilities
For the year ended 30 June 2026

The Retirement Benefits Act requires the Trustees to prepare financial statements in respect of the Scheme, which give a true and fair view of the state of affairs of the Scheme at the end of the financial year and the operating results of the Scheme for that year. The Trustees are also required to:

a) Ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of the Scheme

b) Safeguard the assets of the Scheme

The Trustees are responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended 30 June 2026. This responsibility includes:

(i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;

(ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Scheme;

(iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;

(iv) safeguarding the assets of the Scheme;

(v) selecting and applying appropriate accounting policies; and

(vi) making accounting estimates that are reasonable in the circumstances.

The Trustees accept responsibility for the Scheme's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Retirement Benefits Act ,1997.

The Trustees are of the opinion that the Scheme's financial statements give a true and fair view of the state of the Scheme's transactions during the financial year ended 30 June 2026, and of the Scheme's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Trustees to indicate that the Scheme will not remain a going concern for at least the next twelve months from the date of this statement.

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

For the Trustees:

.....

Dr. Joshua Were
Chairperson, Board of Trustees

.....

Ms. Cynthia M. Afandi
Trustee

Dated: 26 SEPTEMBER **2026**

VCK AUDITORS & CONSULTANTS
CERTIFIED PUBLIC ACCOUNTANTS

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UNIQUE CODE: 87832260927

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

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 21 to 40 together with appendices I and II, which comprise the statement of net assets available for benefits as at 30 June 2026, 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 2026 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Retirement Benefits Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Scheme in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

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

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

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REPORT OF THE INDEPENDENT AUDITOR

TO THE TRUSTEES OF MASENO UNIVERSITY RETIREMENT BENEFITS SCHEME

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

Other information

The Trustees are responsible for the other information. Other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Trustees for the Financial Statements

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

In preparing the financial statements, the Trustees are responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

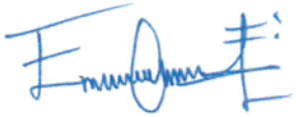
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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:
VCK Auditors & Consultants
Certified Public Accountants
Nairobi

UNIQUE CODE: 87632260927

Dated:..... 2026

PARTNERS
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Maseno University Retirement Benefits Scheme
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2026

	Note	2026 Kshs	2025 Kshs
Income from dealings with Members			
Contributions	**3**	500,231,036	402,034,276
Transfers in	**4**	2,912,269	8,218,077
Outgoings from dealings with Members			
Benefits payable	**5**	(221,932,283)	(192,016,059)
Transfers out	**6**	(11,619,279)	(7,229,108)
Net additions from dealings with Members		**269,591,743**	**211,007,186**
Returns on investment			
Investment income	**7**	952,319,073	934,480,297
Change in fair value of investments	**8**	31,564,214	510,217,438
Less:			
Investment management expenses	**9a**	(57,803,521)	(26,825,891)
Investment property expenses	**9b**	(7,602,364)	(26,211,217)
		918,477,402	**1,391,660,627**
Expenses			
Administrative expenses	**9c**	(81,552,286)	(68,135,222)
Tax expense	**19**	(39,318,074)	(46,514,326)
Total administrative and tax expenses		**(120,870,360)**	**(114,649,547)**
Net return on investments		**797,607,042**	**1,277,011,079**
Increase in net assets for the year		**1,067,198,785**	**1,488,018,265**
Members' Fund at start of year		**6,147,052,367**	**5,086,902,531**
Add/ (Less):			
Net transfer from/ (to) General reserve	**21a**	(82,220,206)	(26,931,320)
Adjustment for changes in fair value of financial investments (debt instruments)	**8b**	139,374,208	(400,937,110)
Members' Fund at end of year	**20**	**7,271,405,154**	**6,147,052,367**
Reserve fund	**21**	570,681,653	617,659,435
Members' Fund and Reserve Fund		**7,842,086,807**	**6,764,711,802**

Maseno University Retirement Benefits Scheme
Statement of Net Assets Available for Benefits
As at 30 June 2026

	Note	2026 Kshs	2025 Kshs
Non-current assets			
Property and equipment	**10**	17,227,586	16,501,919
Investments			
Investment property	**11**	442,500,000	442,500,000
Financial investments	**13a**	7,335,257,916	6,276,569,452
		7,777,757,916	**6,719,069,452**
Current assets			
Land inventories	**12**	-	818,332
Financial investments: Trust Fund	**13b**	77,152,639	73,343,812
Contributions due and other receivables	**14**	57,004,956	56,031,285
Cash at bank	**15a**	30,690,105	12,189,560
Cash at bank: Trust Fund	**15b**	1,252,117	1,061,583
		166,099,817	**143,444,572**
Total assets		**7,961,085,319**	**6,879,015,943**
Less: Current liabilities			
Benefits payable	**16a**	(5,085,459)	-
Benefits payable: Trust Fund	**16b**	(78,200,238)	(74,282,473)
Payables and accrued expenses	**17a**	(35,508,297)	(39,898,745)
Payables and accrued expenses: Trust Fund	**17b**	(204,518)	(122,923)
Total liabilities		**(118,998,512)**	**(114,304,142)**
Net assets available		**7,842,086,807**	**6,764,711,802**
Financed by:			
Members' Fund	**20**	7,271,405,154	6,147,052,367
Reserves	**21**	570,681,653	617,659,435
		7,842,086,807	**6,764,711,802**

The financial statements on pages 21 to 40 together with appendices I and II were approved for issue by the Trustees on ....26 SEPTEMBER 2026 and signed on their behalf by:

.....
Dr. Joshua Were
Chairperson, Board of Trustees

.....
Ms. Cynthia M. Afandi
Trustee

Maseno University Retirement Benefits Scheme
Statement of Cash Flow
For the Year Ended 30 June 2026

	Notes	2026 Kshs	2025 Kshs
Cash flow from operating activities			
Contributions received		534,215,818	429,691,951
Transfers in		2,912,269	8,218,077
Benefits paid to retirees and seceding members		(216,846,824)	(213,184,401)
Transfers out		(11,619,279)	(7,229,108)
Administrative expenses paid		(81,058,910)	(60,822,191)
Tax paid		(41,724,511)	(47,631,334)
GLA premium and other administrative reserve payments		(24,778,030)	(19,774,458)
(Increase)/ decrease in amount due from Trust Fund		(91,711)	69,013
Net cash flow from operating activities		**161,008,822**	**89,337,548**
Cash flow from investing activities			
Investment income received		948,899,258	900,597,684
Investment expenses paid		(64,163,149)	(49,367,977)
Purchase of financial assets		(11,957,958,739)	(4,077,962,026)
Proceeds from disposal of financial assets		11,181,758,894	3,055,594,192
Proceeds from sale of land inventories		1,523,419	-
Purchase of property and equipment		(4,445,791)	(8,486,253)
Net cash flow from investing activities		**105,613,893**	**(179,624,379)**
Net increase/ (decrease) in cash and cash equivalents		**266,622,715**	**(90,286,831)**
Cash and cash equivalents at start of year		166,520,551	256,807,382
Cash and cash equivalents at end of year		**433,143,266**	**166,520,551**
Represented by:			
Cash at bank	**18**	30,690,105	12,189,560
Fixed and call deposits	**18**	402,453,161	154,330,991
		433,143,266	**166,520,551**

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 benefits that fall due after end of the financial 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 investments at fair value.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Scheme uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Scheme using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- **Level 1** fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2** fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3** fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Scheme at the end of the reporting period during which the change occurred.

b) Adoption of new and revised standards

i New and revised standards effective

The following amendments to standards became effective for the first time in the financial year beginning 1st January 2025 and have been adopted by the Scheme.

- Amendments to IAS 21 titled Lack of Exchangeability (issued in August 2023, effective 1 January 2025).

None of the amendments have had a material impact on the Scheme's financial statements.

b) Adoption of new and revised standards

ii New and revised standards and interpretations issued but not yet effective

The scheme has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2025.

- IFRS 18 titled Presentation and Disclosure in Financial Statements (issued in April 2024, effective 1 January 2027)
- IFRS 19 titled Subsidiaries without Public Accountability: Disclosures (issued in May 2024, effective 1 January 2027)
- Amendments to IFRS 9 and IFRS 7 titled Amendments to the Classification and Meassurement of Financial Instruments (issued in May 2024, effective 1 January 2026)

The Trustees have assessed the potential impact of the above and expect that they will not have a significant impact on the Scheme's financial statements.

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) Contributions

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

d) Benefit transfers

Benefit transfers are recognized in the period in which members join from or leave for other schemes or retirement funds.

e) Benefits payable

Benefits payable to seceding members are recognised as liabilities in the period in which they fall due.

f) 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:

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.

g) Investments

All purchases and sales of investments are recognised on the trade date, which is the date the Scheme commits to purchase or sell the investment. The cost of purchase includes all transaction costs. Investments are subsequently carried at fair value as required by **IAS 26: Accounting and Reporting by Retirement Benefit Plans.**

Changes in the fair value of investments are recognised in the Statement of Changes in Net Assets Available for Benefits.

h) 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.

Financial assets

The Scheme classifies its financial assets into the following categories:

i) Financial investments

Financial investments 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 investment.

The financial investments are subsequently carried at fair value as required by IAS 26: Accounting and Reporting by Retirement Benefit Plans.

ii) Receivables

These comprise of non-derivative financial assets with fixed or determinable payments that are not quoted on an active market and which the Scheme 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.

iii) Cash and cash equivalents

Cash and cash equivalents include cash at bank, bank deposits and highly liquid financial assets which are subject to insignificant risk of changes in their fair value and are used by the Scheme in the management of its short-term commitments. Cash and cash equivalents are carried at amortized cost in the Statement of Net Assets Available for Benefits.

h) Financial Instruments (continued)

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 and receivables.

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.

The Scheme recognizes a loss allowance for expected credit losses on debt instruments and trade receivables 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 costs 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. The Scheme has not designated any financial liability as at fair value through profit or loss.

All financial liabilities are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

h) Financial Instruments (continued)

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.

i) Equipment and depreciation

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

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

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

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

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

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

j) 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.

k) Reserves

i) General reserve

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

ii) Administrative reserve

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

iii) Revaluation reserve

The Retirement Benefit (Occupational Retirement Benefit Schemes) (Amendment) Regulations, 2023 which were gazetted by the Cabinet Secretary for the National Treasury and Economic Planning on 21st December 2023 provide that unrealised gains and losses arising from valuation of financial assets (specifically debt instruments/bonds) using the fair value approach shall not form part of the distributable income hence the creation of the revaluation reserve fund. The revaluation reserve fund is not distributable.

l) Comparatives

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

m) Taxation

The Scheme is a registered pension scheme under the Income Tax Act and has been granted exemption from income tax under Part I of the First Schedule of the Income Tax Act (Cap 470).

n) Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into Kenya Shillings at rates of exchange ruling at the end of each reporting period. Transactions during the year in foreign currencies are translated at rates ruling at the dates of the transactions. The resulting exchange differences are dealt with in the Statement of Changes in Net Assets.

2 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The Trustees also need to exercise judgment in applying the Scheme's accounting policies.

All estimates and assumptions required in conformity with IFRS are best estimates undertaken in accordance with the applicable standards. Estimates and judgements are evaluated on a continuous basis and are based on historical experience and other relevant factors, including expectations with regard to future events.

Trustees have made the following estimates and 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 Sponsors 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 IFRS 9 in determining provision for impairment of financial assets stated at amortized cost. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

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.

		2026 Kshs	2025 Kshs
3	**Contributions**		
	Employer - Normal	278,587,295	230,042,208
	Employee - Normal	117,764,934	101,282,125
	Employee - Additional Voluntary Contributions (AVC)	15,972,295	15,312,799
	Employee - Post Retirement Medical Fund (PRMF)	1,765,000	772,230
	Employer - NSSF Tier II	43,070,756	27,312,457
	Employee - NSSF Tier II	43,070,756	27,312,457
		500,231,036	**402,034,276**
4	**Transfers in**	**2,912,269**	**8,218,077**
	This is in respect of benefits of employees who joined from other schemes.		
5	**Benefits payable**		
	Annuity purchase for pensioners	88,796,366	73,488,435
	Commutation and lump sum retirement benefits	80,341,677	59,515,070
	Lumpsum death benefits	32,118,114	19,670,885
	Lumpsum withdrawal benefits to leavers	20,676,126	39,341,669
		221,932,283	**192,016,059**
6	**Transfers out**	**11,619,279**	**7,229,108**
	This is in respect of benefits of employees who transferred their benefits to other schemes.		
7	**Investment income**		
	Rent income	17,033,511	13,911,875
	Dividends receivable from equities	35,617,238	25,145,522
	Interest and discounts receivable:		
	- Treasury bonds	742,345,837	707,998,106
	- Treasury bills	1,368,590	9,551,821
	- Corporate bonds	852,887	1,521,921
	- Fixed and call deposits	25,181,478	33,920,175
	Gain (Loss) on disposal or maturity of investments		
	- Listed local and regional equities	-	2,786,634
	- Treasury bonds	128,500,012	138,973,774
	- Offshore	-	85,409
	Realised Forex exchange gain/ (loss) on USD deposits	671,929	566,005
	Land inventory (land parcels) sales	705,087	-
	Other income (Miscellaneous)	42,504	19,055
		952,319,073	**934,480,297**
8	**Change in fair value of investments (**Note 13**)**		
a)	**Financial investments (non-debt instruments)**		
	Local and regional equities	170,825,781	91,711,027
	Offshore investments	100,219	74,493
	Forex loss on USD Deposits	12,422	(5,192)
		170,938,422	**91,780,328**
b)	**Financial investments (debt instruments)**		
	Treasury bonds	(139,374,208)	400,937,110
c)	**Non- financial investments**		
	Investment property	-	17,500,000
		31,564,214	**510,217,438**

9 The Scheme expenses have been classified into 3 categories:

a Investment management expenses - expenses attributable to the management of financial investments and custody of the Scheme's assets.

b Investment property expenses - expenses attributable to the management and operations of investment properties.

c Administrative expenses - expenses attributable to the Secretariat and general Scheme operations.

	2026 Kshs	2025 Kshs
9.a Investment management expenses		
Management fees- normal	27,458,210	17,816,442
Management fees- performance fees for the year	18,784,686	-
Custody fees	9,633,993	7,651,777
Investment committee expenses	1,926,632	1,357,672
	57,803,521	**26,825,891**

Under the terms of the Investment Management Agreement dated 1st November 2024 and effective up to 30th October 2027, normal management fees for Investcent Investment Bank is charged at a base fee based on the market value of assets under management while performance management fees is charged for outperformance (realized and unrealized performance) above the hurdle rate. Based on the investment manager's assessment, the Scheme achieved excess return over the hurdle rate for the year which formed the basis of the performance fees charged for the year.

9.b Investment property expenses		
Land rent and rates	91,875	148,090
Property valuation fees	-	1,120,000
Property repair, maintenance and other expenses	7,166,289	7,324,996
Property alteration and refurbishment costs	-	12,465,036
Consultancy costs (Extension of leases for MURBS hostel)	344,200	2,356,000
Provision for bad debts (**Note 13**)	-	2,134,646
Bad debts written off (on rent receivable)	-	662,449
	7,602,364	**26,211,217**
9.c Administrative expenses		
RBA levy	5,000,000	5,000,000
Trustee meeting expenses	6,924,300	5,259,775
Trustee training expenses	6,170,822	4,638,175
Trustee induction expenses	1,846,242	-
Board evaluation expenses	1,718,515	1,658,400
E- board expenses & software license	1,184,442	1,115,228
Administration and processing expenses	36,859,015	32,329,073
Consultancy costs	2,560,857	1,106,309
Seminar and training expenses	2,663,576	2,286,924
Insurance expenses	1,584,295	1,621,451
Audit fees	798,211	702,385
Depreciation on property and equipment (**Note 9**)	3,720,125	3,583,448
Strategic plan review	-	2,212,718
ISO certification	2,578,847	2,153,853
Investment Policy Statement (IPS) review fees	-	498,000
Members/Pensioners Sensitization Fora & Members Day expenses	2,907,324	1,370,088
Annual general meeting expenses	3,535,733	2,599,395
Trust Deed and Rules review cost	500,000	-
Corporate Social Responsibility	999,982	-
	81,552,286	**68,135,222**

** CSR costs relates to the purchase of Neonatical Intensive Care Unit (NICU) Infant Incubator and Space Heater to support Jaramogi Oginga Odinga Teaching and Refererral Hospital, specifically the Obama Childrens's Hospital being Scheme's participation in socially responsible investments and operations.

10 Property and equipment

	Computer equipment Kshs 25.00%	Office partitions Kshs 20.00%	Office partitions (WIP) Kshs 20.00%	Motor Vehicle Kshs 25.00%	Furniture, fittings and equipment Kshs 10.00%	ERP system and equipment Kshs 25.00%	Total Kshs
Cost							
At start of year	3,702,683	3,280,783	-	5,969,900	13,855,921	11,582,771	38,392,058
Additions	326,600	-	864,000	-	44,660	3,210,531	4,445,791
At end of year	4,029,283	3,280,783	864,000	5,969,900	13,900,581	14,793,302	42,837,849
Depreciation							
At start of year	3,287,890	3,280,783	-	5,025,443	5,228,560	5,067,462	21,890,138
Charge for the year	185,348	-	-	236,114	867,202	2,431,460	3,720,125
At end of year	3,473,238	3,280,783	-	5,261,558	6,095,762	7,498,922	25,610,263
Net book value							
At 30 June 2026	**556,045**	**-**	**864,000**	**708,342**	**7,804,819**	**7,294,380**	**17,227,586**
At 30 June 2025	**414,793**	**-**	**-**	**944,457**	**8,627,361**	**6,515,309**	**16,501,919**

Note : The Scheme's office relocation and partitioning was at the year end work in progress. The cost will be depreciated once the office is ready and for use and is operational (IAS 16).

11 Investment property

	2026 Kshs	2025 Kshs
Developed properties		
At start of the year	442,500,000	425,000,000
Net revaluation gain/ (loss)	-	17,500,000
At end of the year	**442,500,000**	**442,500,000**

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

The developed properties are stated at the most recent market values determined using the comparable sales method in valuing land and cost approach in valuing permanent improvements on the land. The valuation took into account the market prices of similar properties of the type and in the area in which the properties are situated. The most recent valuation was carried out as at July 2025 by Leo Realtors Limited, independent valuers, and the values have been adopted as the fair values as at 30th June 2025 due to insignificant time difference and changes in economic factors affecting the properties.

MURBS Building (LR Block 7/67 & 70) was valued at Kshs.260 million, MURBS NBK Building (LR Block 7/330) was valued at Kshs.122.5 million while MURBS Hostels (LR Block 7/286 & 289) was valued at Kshs.60 million giving a total investment property value of Kshs.442.5 million.

The Trustees made a resolution to value the Scheme's property after every 3 years subject to economic factors affecting the properties as determined from time to time as part of Board's commitment to cost control.

12 Land inventories

	2026 Kshs	2025 Kshs
At start of year	818,332	2,045,831
Disposal	(818,332)	(1,227,499)
At end of the year	**-**	**818,332**

Land inventories related to undeveloped Eldoret land parcels held by the Scheme and have since been fully sold.

13 Financial investments

a Financial investments: Scheme

Year ended 30 June 2026	Value at 01/07/2025	Less: Accrued interest b/fwd.	Add: Purchases at cost	Less: Disposals at average cost	Change in fair value	Add: Accrued interest c/fwd.	Value at 30/06/2026
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Treasury bonds	5,721,471,157	(207,068,931)	11,957,958,739	(11,133,774,492)	(139,374,208)	212,458,769	6,411,671,034
Listed local and regional equities	347,588,175	-	-	-	170,825,781	-	518,413,956
Unlisted equities	1,872,000	-	-	-	-	-	1,872,000
Offshore investment	747,546	-	-	-	100,219	-	847,765
Treasury bills	38,631,410	(2,339,430)	-	(36,291,980)	-	-	-
Corporate bonds	11,928,173	(248,173)	-	(11,680,000)	-	-	-
Fixed and call deposits (Kshs)	151,756,959	(1,756,959)	11,407,609,890	(11,234,382,890)	-	309,752	323,536,752
Fixed and call deposits (USD)	2,574,032	(40,018)	910,122,671	(833,977,966)	12,422	225,268	78,916,409
Total	**6,276,569,452**	**(211,453,510)**	**24,275,691,300**	**(23,250,107,329)**	**31,564,214**	**212,993,789**	**7,335,257,916**

Financial investments are stated at fair values. Fair values for financial investments traded in active markets are the quoted prices of those investments or identical investments in the active markets.

Fair values for treasury bonds are based on prices published by brokers in the secondary market in which the bonds are listed.

Fair values for treasury bills, corporate bonds and term deposits have been approximated to equal the amortised cost.

b Financial investments: Trust Fund

Year ended 30 June 2026	Value at 01/07/2025	Less: Accrued interest b/fwd.	Add: Purchases at cost	Less: Disposals at average cost	Change in fair value	Add: Accrued interest c/fwd.	Value at 30/06/2026
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Treasury bonds	63,420,760	(2,216,916)	2,883,519	(1,528,260)	(796,572)	2,374,080	64,136,612
Fixed and call deposits	8,006,575	(6,575)	127,000,000	(122,000,000)	-	16,027	13,016,027
Treasury bills	1,916,476	(190,372)	-	(1,726,104)	-	-	-
Total	**73,343,812**	**(2,413,863)**	**129,883,519**	**(125,254,364)**	**(796,572)**	**2,390,107**	**77,152,639**

13 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 2026 to the contractual maturity date.

c Financial investments: Scheme	Up to 3 months Kshs	3 -12 months Kshs	1- 5 years Kshs	Over 5 years Kshs	Total Kshs
Treasury bonds	-	-	450,817,523	5,960,853,511	6,411,671,034
Fixed and call deposits (Kshs)	323,536,752	-	-	-	323,536,752
Fixed and call deposits (USD)	78,916,409	-	-	-	78,916,409
Total	**402,453,161**	**-**	**450,817,523**	**5,960,853,511**	**6,814,124,195**

d Financial investments: Trust Fund					
Treasury bonds	-	-	-	64,136,612	64,136,612
Fixed and call deposits	13,016,027	-	-	-	13,016,027
Total	**13,016,027**	**-**	**-**	**64,136,612**	**77,152,639**

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

	2026 %	2025 %
Treasury bonds	13.52%	13.56%
Corporate bonds	-	12.25%
Fixed and call deposits (Kshs)	7.83%	8.06%
Fixed and call deposits (USD)	3.33%	3.13%

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

Kenya Government securities (Treasury bills and bonds)	87.41%	91.77%
Listed local and regional equities	7.07%	5.54%

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

14 Contributions due and other receivables	2026 Kshs	2025 Kshs
Contributions due		
- Past due up to 30 days	36,088,041	34,768,868
Other receivables		
Investment income (dividends) receivable	7,499,331	5,542,850
Title deed and property costs receivable	11,703,729	15,108,451
Death benefits receivable	200,000	200,000
Due from Trust Fund (**Appendix II**)	193,681	101,970
Deposits for utilities	35,000	35,000
Rent receivable	1,285,174	2,408,792
Less: Provision for bad debts	-	(2,134,646)
	57,004,956	**56,031,285**

Contributions due up to 30 days relate to contributions for the month of June 2026. 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.

15 Cash at bank	2026 Kshs	2025 Kshs
a Cash at bank: Scheme		
Standard Chartered bank custody a/c- Current account	23,909,768	8,347,251
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd.	1,871,467	914,035
Standard Chartered bank custody a/c- Sanlam Investment Managers Ltd.	1,883,154	1,960,745
Standard Chartered bank custody a/c- Investcent Investment Bank.	2,339,035	831,010
Standard Chartered bank custody a/c- Investcent Investment Bank (USD)	21,303	-
National Bank savings a/c	665,378	136,519
	30,690,105	**12,189,560**
b Cash at bank: Trust Fund		
Standard Chartered bank custody a/c- Current account	499,341	923,502
Standard Chartered bank custody a/c- GenAfrica Asset Managers Ltd.	752,776	138,081
	1,252,117	**1,061,583**

16 Benefits payable	2026 Kshs	2025 Kshs
a Benefits payable: Scheme		
Lumpsum benefits payable	4,377,072	-
Lumpsum for annuity purchase payable	708,387	-
	5,085,459	**-**
b Benefits payable: Trust Fund (Appendix I & II)		
Benefits held in Trust for beneficiaries of deceased members	**78,200,238**	**74,282,473**

17	**Payables and accrued expenses**	**2026**	**2025**
a	**Payables and accrued expenses - Scheme**	**Kshs**	**Kshs**
	RBA Levy	5,000,000	5,000,000
	Management fees	7,341,284	6,223,738
	Custody fees	851,558	726,368
	Audit fees	552,893	642,385
	Client rent deposits	4,697,285	4,772,052
	Client prepaid rent	337,016	299,097
	Client land deposits	21,318	1,125,074
	Other payables	16,706,943	18,795,305
	Tax payable for the Scheme (**Note 19a**)	-	2,306,782
	Tax payable for the Trust Fund (**Note 19b**)	-	7,944
		35,508,297	**39,898,745**

Note: Other payables relates to administrative expenses incurred during the year but which had not been settled as at the year end.

b	**Payables and accrued expenses: Trust Fund**		
	Due to Scheme	193,681	101,970
	Payables and accrued expenses - Custody fees	10,837	20,953
		204,518	**122,923**

Amount due to Scheme relates to amount refundable by the Trust Fund for net settlement of the Trust Fund's transactions by the Scheme.

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

The maturity analysis of 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	7,341,284	-	-	7,341,284
Custody fees	851,558	-	-	851,558
Audit fees	-	-	552,893	552,893
Client rent deposits	-	-	4,697,285	4,697,285
Client prepaid rent	337,016	-	-	337,016
Client land deposits	-	-	21,318	21,318
Other payables	16,579,077	127,866	-	16,706,943
Other payables (Trust Fund tax)	-	-	-	-
	25,108,935	**127,866**	**10,271,496**	**35,508,297**

18 Cash and cash equivalents

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

	2026	**2025**
	Kshs	**Kshs**
Cash at bank (**Note 15a**)	30,690,105	12,189,560
Fixed and call deposits (**Note 13**)	402,453,161	154,330,991
	433,143,266	**166,520,551**

19 Taxation

Maseno University Retirement Benefits Scheme is a registered retirement benefits plan which is approved by the Kenya Revenue Authority and its investment income is exempt from taxation as provided in Paragraphs 12 to 15 of Part I of the First Schedule to the Income Tax Act (Cap.470).

Taxation reflected in the financial statements for the year relate to tax payable on net investment income earned by what is considered as the unregistered component of the Scheme attributable to contributions paid to the Scheme in excess of the prescribed statutory limit of Kshs. 20,000 (or Kshs. 30,000 effective 27 December 2024) per member per month and is as follows:

	2026 Kshs	2025 Kshs
Taxable investment income	**-**	**155,047,753**
Tax charge for the year @ 30%	**-**	**46,514,326**

Movement in tax account

a Main Scheme

Balance of tax payable/ (recoverable) b/fwd.	2,306,782	3,226,734
Tax charge for the year	39,318,074	46,514,326
Less: Tax paid	(2,306,782)	(3,226,734)
Instalment tax paid	(39,318,074)	(44,207,544)
Balance of tax payable	**-**	**2,306,782**

b Trust Fund

Balance of tax payable/ (recoverable) b/fwd.	7,944	93,836
Tax charge for the year	**91,711**	**111,163**
Less: Tax paid	(7,944)	(93,836)
Instalment tax paid	(91,711)	(103,220)
Balance of tax payable	**-**	**7,944**

However, in a judgement delivered by the Tax Appeals Tribunal on 30th August 2024 in the Tax Appeal No. E754 of 2023 between Banki Kuu Pension Scheme 2012 Registered Trustees and Commissioner of Domestic Taxes, the Tribunal held that income attributable to excess pension contributions paid to a registered retirement benefit scheme is not subject to corporate income tax. Consequently, the Scheme's income attributable to excess contributions paid to the Scheme will no longer be subject to income tax.

20 Members' Fund	2026 Kshs	2025 Kshs
Balance at start of year	**6,147,052,367**	**5,086,902,531**
Add/ (Less):		
- Net additions from dealings with members - **Page 21**	269,591,743	211,007,186
- Net return on investments - **Page 21**	797,607,042	1,277,011,079
Increase in net assets for the year - Page 21	**1,067,198,785**	**1,488,018,265**
Add back (Less):		
- Changes in fair value of debt financial investments - **Note 8b**	139,374,208	(400,937,110)
- Net transfer from/ (to) General reserve - **Note 21a**	(82,220,206)	(26,931,320)
Balance at end of year	**7,271,405,154**	**6,147,052,367**

21 Reserve Fund

a General reserve fund

Balance at start of year	132,672,793	105,741,474
Add/ (Less) :		
- Unpaid benefits transfers (back to membership)	-	(2,372,671)
- Net reserves paid on benefits	(2,644,467)	(2,080,709)
- Net transfer of interest for the year	84,864,673	31,384,700
Net transfer (to) from Member's Fund	**82,220,206**	**26,931,320**
Balance at end of year	**214,892,999**	**132,672,793**

b Revaluation reserve fund

Balance at start of period	414,271,261	13,334,151
Changes in fair value of financial investments (debt instruments) - **Note 8b**	(139,374,208)	400,937,110
Balance at end of year	**274,897,053**	**414,271,261**

The Retirement Benefit (Occupational Retirement Benefit Schemes) (Amendment) Regulations, 2023 which were gazetted by the Cabinet Secretary for the National Treasury and Economic Planning on 21st December 2023 provide that unrealised gains and losses arising from valuation of financial assets (specifically debt instruments/bonds) using the fair value approach shall not form part of the distributable income hence the creation of the revaluation reserve fund. The revaluation reserve fund is not distributable.

c Administrative reserve fund

Balance at start of year	70,715,381	62,084,649
- Contributions @ 2.5% from the Sponsor	35,303,955	30,584,553
Less:		
- Group life premiums paid for the year	(24,778,030)	(20,097,498)
- Net land related costs payments	(349,705)	(1,856,323)
Net change for the year	**10,176,220**	**8,630,732**
Balance at end of year	**80,891,601**	**70,715,381**

Note: The Sponsor contributes 2.5% of the members' basic salaries monthly to the administrative reserve fund to cater for the payment of group life premiums and other expenses at the discretion of the Sponsor.

Total Reserves	**570,681,653**	**617,659,435**

22 Contingent liabilities

The Scheme's contingent liabilities as at 30 June 2026 mainly comprised of the liability to pay future pensions and other benefits. Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme as at the year end.

23 Related party transactions

Related parties comprise of the Trustees and the Sponsor. Except for the contributions receivable (notes 3 & 14) and the payment of Trustees expenses (note 9c), there were no other transactions carried out with related parties during the year.

24 Financial risk management disclosures

The Scheme generates income for the members by investing in various income generating activities which involve trading in the stock exchange, trading in government and other securities and offshore investments. These activities expose the Scheme to a variety of financial risks, including credit risk and the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

Risk management is carried out by the Trustees together with the investment managers under policies approved by the Trustees. The investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Trustees provide written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

The Scheme also follows guidelines issued by the Retirements Benefits Authority in respect of maximum allowed investment in different types of investments.

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. The Scheme is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates in relation to offshore investments.

Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through profit or loss. The Scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme has diversified its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities, the Scheme has invested in bonds with varying maturities. Diversification of the portfolio is done in accordance with resolutions passed on investments during quarterly Trustees meetings.

Interest rate risk

The Scheme's interest-bearing assets are investments in treasury bonds, corporate bonds, treasury bills, commercial paper and fixed deposits. All of these instruments are at fixed interest rates. The nature of financial instruments held, that is fixed interest instruments, mitigates interest risk exposure of the Scheme. Therefore, fluctuations in interest rates will have an insignificant effect on the Scheme's financial

In addition, 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.

24 Financial risk management disclosures (continued)

Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Scheme. The Scheme has adopted a policy of only dealing with credit worthy counterparties.

Credit risk arises from cash and cash equivalents, fixed deposits, interest bearing investments, deposits with banks, and receivables. As part of the credit risk management system, the Investment Manager and the Trustees monitor and review information on significant investments. The Trustees have approved a larger portfolio investment with the Government of Kenya debt securities which have a low credit risk and no default record.

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.

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.

25 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 2026 was Kshs.7,842,086,807 (2025: Kshs.6,764,711,802).

Maseno University Retirement Benefits Scheme
Trust Fund
Statement of Changes in Net Assets Available for Benefits
For the Year Ended 30 June 2026

	2026 Kshs	2025 Kshs
Dealings with Members and beneficiaries		
Benefit transfers in	15,414,813	11,003,091
Benefit payments	(19,251,115)	(14,658,341)
Net deficit from dealings with Members and beneficiaries	**(3,836,302)**	**(3,655,250)**
Returns on investment		
Investment income		
- Interest from Treasury bonds	6,414,079	7,716,013
- Discount from Treasury bills	83,524	190,373
- Interest from Fixed and Call deposits	2,293,498	275,884
- Gain/ (loss) on disposal of Treasury bonds	(28,260)	149,325
	8,762,841	**8,331,594**
Change in fair value of investments		
- Treasury bonds	(796,572)	2,333,353
Gross return on investments	**7,966,269**	**10,664,946**
Less: Expenses		
- Custody fees	(120,491)	(95,712)
- Tax expense	(91,711)	(111,163)
	(212,202)	**(206,875)**
Net return on investments	**7,754,067**	**10,458,071**
Increase in net assets for the year	**3,917,765**	**6,802,821**
Net assets available for benefits at start of year	74,282,473	67,479,652
Net assets available for benefits at end of year	**78,200,238**	**74,282,473**

Note: Benefit transfers in are death claims 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 2026

	2026 Kshs	2025 Kshs
Investments		
Financial investments		
- Treasury bonds	64,136,612	63,420,763
- Treasury bills	-	1,916,476
- Fixed deposit	13,016,027	8,006,574
	77,152,639	**73,343,813**
Current assets		
Cash at bank	1,252,117	1,061,583
Total assets	**78,404,756**	**74,405,396**
Less: Current liabilities		
Due to Scheme	(193,681)	(101,970)
Payables & accrued expenses	(10,837)	(20,953)
Total current liabilities	**(204,518)**	**(122,923)**
Net assets available for benefits	**78,200,238**	**74,282,473**
Financed by:		
Benefits held in Trust	**78,200,238**	**74,282,473**

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Maseno University Retirement Benefits Scheme

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