

**JARAMOGI OGINGA ODINGA UNIVERSITY OF SCIENCE
AND TECHNOLOGY**

STAFF RETIREMENT BENEFITS SCHEME

**ANNUAL REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Annual report and financial statements
For the year ended 30 June 2021**

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**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Statutory and Scheme information
For the year ended 30 June 2021**

Trustees	: Prof. Monica Awuor Ayieko - Chairperson : Prof. Stephen Gaya Agong' : Mr. Erick Odhiambo Oluoch : Mr. William Winnow Abungu : Dr. Jonah Kiptoo Kangogo : CPA. Nancy Njeri Muchai : Dr. Asito Stephen Amolo : Dr. Zablon Maua Muga
Trust Secretary	: Ms. Gladwell Chege
Administrator	: Octagon Pension Services Limited : 8th Floor, West Park Suites : Ojjo Road : P.O Box 10034-00100 : Nairobi.
Investment manager	: Co-op Trust Investment Services Limited : Cooperative House : P.O Box 48231-00100 : Nairobi
Custodian	: KCB Bank Kenya Limited : 7th Floor, KCB Towers, Upper Hill : P.O Box 30664-00100 : Nairobi
Independent Auditor	: King'ori Kimani & Company : Certified Public Accountants (K) : 4th Floor, Worldwide Printing Centre, Mushembi Road : P.O Box 31234-00600 : Nairobi
Registered office	: Jaramogi Oginga Odinga University of Science & Technology : Main Campus : P.O Box 210-40601 : Bondo

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Report of the Trustees
For the year ended 30 June 2021**

The Trustees present their report together with the audited financial statements for the year ended 30 June, 2021 which disclose the state of affairs of the Scheme.

1 Establishment

Jaramogi Oginga Odinga University of Science & Technology Staff Retirement Benefits Scheme was established with effect from 17 February 2011.

The main purpose of the Scheme is the provision of pensions for members upon their retirement, and relief for the dependants of deceased members as defined in the trust deed and rules. It is a defined contributions Scheme.

2 Membership

	2021	2020
a) Contributing members		
Members as at 1 July	433	416
New entrants during the year	33	31
	<u>466</u>	<u>447</u>
Withdrawals from the Scheme	(14)	(14)
	<u>452</u>	<u>433</u>
Members as at 30 June		
b) Deferred members		
Members as at 1 July	72	65
New entrants during the year	10	12
Withdrawals from the Scheme	(10)	(5)
	<u>72</u>	<u>72</u>
Members as at 30 June		

3 Contributions

The trust deed and rules provide for contributions to the Scheme by both the employer and employees at rates of 20% and 10% respectively based on individual members' pensionable salaries.

4 Results for the year

The increase in net assets for the year amounted to Shs 240,816,478 (2020: Shs 161,018,498) resulting in net assets of the Scheme as at 30 June 2021 of Shs 1,075,787,482 (2020: Shs. 834,971,004).

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Report of the Trustees
For the year ended 30 June 2021**

5 Statutory aspects

The Scheme is registered in Kenya under both the Income Tax Act and the Retirement Benefits Act.

6 Trustees

The current members of the Board of Trustees are shown on page 2.

7 Investment

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

The day to day administration is dealt with by the administrator, Octagon Financial Services Limited, while Schemes' investments are managed by Co-op trust Investment Services Limited.

Investments at 30 June 2021 were spread as follows:

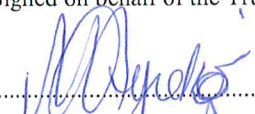


	2021 Shs	2021 % of portfolio	2020 Shs	2020 % of portfolio
Land	12,300,000	1%	12,300,000	1%
Treasury bonds	784,359,843	73%	519,235,135	62%
Investment in quoted shares	244,337,748	23%	134,466,112	16%
Corporate bonds	9,116,205	1%	-	-
Treasury bills	-	-	75,652,473	9%
Fixed and call deposits	19,075,411	2%	95,734,254	12%
	<u>1,069,189,207</u>	<u>100%</u>	<u>837,387,974</u>	<u>100%</u>

8 Independent Auditor

Otieno & Associates ceased to be the Auditors of the Scheme during the year.

Kingori Kimani & Company, Certified Public Accountants were appointed as the new Auditors and have expressed their willingness to continue in office.

Signed on behalf of the Trustees

 Trustee 27/9/2021
 Trustee 27/9/2021
 Trustee 27/9/2021

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Governance disclosure statement
For the year ended 30 June 2021**

1 Trustees in office

Name	Age(yrs)	Category	No. of meetings attended	Certified?	Highest qualification	Membership of other Boards
Prof. Monica Awuor Ayieko	71	Sponsor nominated	4	Yes	Phd	None
Prof. Stephen Gaya Agong'	61	Sponsor nominated	4	Yes	Phd	None
Dr. Jonah Kiptoo Kangogo	47	Sponsor nominated	4	Yes	Phd	Yes*
CPA. Nancy Njeri Muchai	38	Sponsor nominated	4	Yes	Masters	None
Dr. Asito Stephen Amolo	44	Member elected	4	Yes	Phd	None
Dr. Zablon Maua Muga	46	Member elected	4	Yes	Phd	None
					Higher National Diploma	
Mr. Erick Odhiambo Oluoch	43	Member elected	4	Yes	Diploma	None
Mr. William Winnow Abungu	51	Member elected	4	Yes	Masters	None

Yes* - Member of Standard Chartered Kenya Pension Fund

2 The Board of Trustees held four meetings during the year ended 30 June 2021. The meetings were held on the dates set out here under:

- 23 April 2021
- 5 February 2021
- 23 October 2020
- 24 July 2020

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

- | | | | |
|--------------------|---|-----------|------|
| a) Gender balance: | Female: | 25% Male: | 75% |
| b) Skills mix: | No. of Trustees with financial skills | | 4 |
| c) Age mix: | No. of Trustees who are younger than 35 years | | None |
| | No. of Trustees who are older than 35 years | | 8 |

4 Committees of the Board

- Administration, Benefits & Investment Committee
- Audit & Risk Management Committee

5 Fiduciary responsibility statement

The Board of Trustees is the governing body of Jaramogi Oginga Odinga University of Science & Technology Staff Retirement Benefits Scheme and is responsible for the corporate governance of the Scheme. The Trustees are responsible for ensuring that the administration of the Scheme is conducted in the best interests of the Scheme's members and the sponsor. To achieve this, the Trustees embraced their fiduciary responsibility by:

- Acting honestly and did not improperly use inside information or abuse their position;
- Exercising the highest degree of care and diligence in the performance of their duties that a responsible person in a like position would exercise in the circumstances; and
- Performing their duties with the requisite degree of skill.

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

The Trustees have ensured that the fund manager has carried out all Scheme investments and that all Scheme assets and funds are held by the custodian.

The Board charter for the Scheme has been prepared.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Governance disclosure statement
For the year ended 30 June 2021**

6 Responsible corporate citizenship

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

7 Key outcomes

The Board of Trustees seeks to achieve the following:

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

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

- a) Triennial members' survey score. No survey was done during the year.
- b) Regular reports and feedback from the sponsor. The Trustees share the quarterly reports and annual audited accounts with the sponsor.

8 Annual general meeting

The Board of Trustees held the annual general meeting on the 24 June 2021 at which 102 members attended making up 19% of Scheme members attended. The Board adequately addressed the members' concern.

9 Members' sensitization

The Board conducted the following sensitization activities	Date held	No. of members who attended	Remarks
Retirement planning Seminar	None		To be held later
Members' day	None	N/A	To be held later

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

10 Trustees remuneration policy

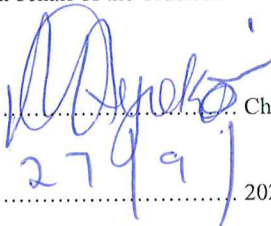
During the year under review, the Trustees were paid a gross sum of Shs 2,631,980.

The payments complied with the Trustees remuneration policy of the Scheme which was approved by members at the annual general meeting held on 5 February 2020 and is yet to be approved by the Authority.

11 Board of Trustees evaluation

The Board and individual Trustees have not taken any Board evaluation in the year under review.

Signed on behalf of the Trustees


 Chairperson
 2021

**Jaramogi Oginga Odinga University of Science and Technology
Staff Retirement Benefits Scheme**

**Statement of Trustees' responsibilities
For the year ended 30 June 2021**

The Retirement Benefits Act requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the financial position of the Scheme as at the end of the financial year and of its surplus and deficit for that year. It also requires the Trustees to ensure that the Scheme maintains proper accounting records that are sufficient to show and explain the transactions of the Scheme and disclose with reasonable accuracy the financial position of the Scheme. The Trustees are also responsible for safeguarding the assets of the Scheme, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and the manner required of Retirement Benefits Act. They also accept responsibility for:-


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

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

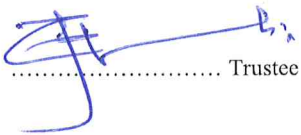
The Trustees acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Trustees on....., 2021 and signed on its behalf by:

For the Trustees

..... Trustee

..... Trustee

..... Trustee

**Jaramogi Oginga Odinga University of Science and Technology
Staff Retirement Benefits Scheme**

**Report of the Auditors to the members of Jaramogi Oginga Odinga University of Science and Technology Staff
Retirement Benefits Scheme
For the year ended 30 June 2021**

Opinion

We have audited the accompanying financial statements of Jaramogi Oginga Odinga University of Science and Technology Staff Retirement Benefits Scheme, set out on pages 10 to 26 which comprise the statement of net assets as at 30 June 2021, statement of changes in net assets and statement of cash flows for the year then ended and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 30 June, 2021 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 requirements that are relevant to our audit of the financial statements in Kenya and we have fulfilled our ethical responsibilities in accordance with the requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our opinion.

Other information

The Trustees are responsible for the other information. Other information comprise the statutory and Scheme information and report of Trustees as included in this annual report, but does not include the financial statements and the Auditor's report thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and 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 and we conclude that there is a material misstatement of this other information, we are required to report that fact.

Trustees' responsibility for the financial statements

The Trustees are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal controls as Trustees determine are 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 cease operations, or have no realistic alternative but to do so.

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 high level of assurance, but is not a guarantee that an audit concluded 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**Jaramogi Oginga Odinga University of Science and Technology
Staff Retirement Benefits Scheme**

**Report of the Auditors to the members of Jaramogi Oginga Odinga University of Science and Technology Staff
Retirement Benefits Scheme
For the year ended 30 June 2021 (continued)**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for the one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain 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 management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 the 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 disclosures, and whether the financial statement 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.

Report on other legal requirements

As required by the Retirement Benefits Act we report to you based on our audit, that:

- i) we have obtained all the information and explanations, which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Scheme, so far as appears from our examination of those books; and
- iii) the Scheme's statement of net assets and statement of changes in net assets are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent Auditor's report was CPA Joseph Kimani, Practising Certificate No. 1460.

King'ori Kimani & Company

King'ori Kimani & Company, Certified Public Accountants (K)
4th Floor, Worldwide Printing Centre
Mushembi Road
P.O Box 31234-00600, Nairobi
Email: info@kingorikimanicompany.com

27 September, 2021

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Statement of changes in net assets
For the year ended 30 June 2021**


	Note	2021 Shs	2020 Shs
Contributions and benefits			
Contributions receivable	2 (a)	144,123,036	98,789,143
Transfers in	2 (b)	13,309,138	34,479,531
Benefits payable to leavers	2 (c)	(33,838,172)	(18,730,853)
Net surplus from dealings with members		<u>123,594,002</u>	<u>114,537,821</u>
Returns on investment			
Investment income	3	90,651,762	74,485,503
Fair value gain/(loss) on investments	4	45,083,664	(14,616,824)
Investment management expenses	5	(4,855,751)	(3,817,321)
Net returns on investments		<u>130,879,675</u>	<u>56,051,358</u>
Administrative expenses	6	<u>(8,539,973)</u>	<u>(6,143,598)</u>
Increase in net assets before taxation		245,933,704	164,445,581
Income tax expense	7 (a)	(5,117,226)	(3,427,083)
Increase in net assets for the year		<u><u>240,816,478</u></u>	<u><u>161,018,498</u></u>
Allocated as follows:			
Members' funds		<u><u>240,816,478</u></u>	<u><u>161,018,498</u></u>


**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

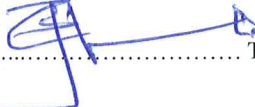
**Statement of net assets
As at 30 June 2021**

	Note	2021 Shs	2020 Shs
Investments			
Land	8	12,300,000	12,300,000
Investments in equity shares	18	244,337,748	134,466,112
Treasury bonds	9	784,359,843	519,235,135
Corporate bonds	10	9,116,205	-
Treasury bills	11	-	75,652,473
Fixed and call deposits	12	19,075,411	95,734,254
		<u>1,069,189,207</u>	<u>837,387,974</u>
Current assets			
Contributions due	13	10,563,789	126,175
Receivables and prepayments	14	-	80,871
Bank balances	15	1,348,652	1,060,703
		<u>11,912,441</u>	<u>1,267,749</u>
Current liabilities			
Payables and accruals	16	3,958,670	3,415,274
Tax payable	7 (b)	1,347,434	261,383
Benefits payable		8,062	8,062
		<u>5,314,166</u>	<u>3,684,719</u>
Net current assets/(liabilities)		<u>6,598,275</u>	<u>(2,416,970)</u>
Net assets available		<u>1,075,787,482</u>	<u>834,971,004</u>
Financed by:			
Members' balances		<u>1,075,787,482</u>	<u>834,971,004</u>

The financial statements on pages 10 to 26 were approved for issue by the Trustees on 2021 and signed on their behalf by:


..... Trustee


..... Trustee


..... Trustee

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Statement of cash flows
For the year ended 30 June 2021**

	Notes	2021 Shs	2020 Shs
Operating activities			
Contributions received		133,685,422	98,662,968
Transfers in		13,309,138	34,479,531
Benefits to leavers		(33,838,172)	(18,730,853)
Administrative expenses		(8,016,762)	(7,241,982)
Tax paid		(4,031,175)	(3,690,055)
Net cash from operating activities		<u>101,108,451</u>	<u>103,479,609</u>
Investing activities			
Investment income received		91,510,863	73,583,061
Investment management expenses paid		(4,754,695)	(3,703,447)
Purchase of treasury bonds		(322,797,321)	(102,964,586)
Purchase of equity shares		(65,198,950)	7,818,334
Purchase of corporate bonds		(9,100,000)	-
Investment in treasury bills		-	(75,652,473)
Proceeds on sale of treasury bonds		56,160,548	16,650,000
Proceeds on sale of corporate bonds		-	6,386,200
Proceeds on sale of equity shares		1,047,737	5,241,170
Proceeds on maturity of treasury bills		75,652,473	27,398,900
Net cash generated from/(used in) investing activities		<u>(177,479,345)</u>	<u>(45,242,841)</u>
Increase/(decrease) in cash and cash equivalents		<u>(76,370,894)</u>	<u>58,236,768</u>
Cash and cash equivalents at 1 July		96,794,957	38,558,189
Cash and cash equivalents at 30 June	17	<u><u>20,424,063</u></u>	<u><u>96,794,957</u></u>

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

Accounting policies

For the year ended 30 June 2021

Accounting policies

The significant accounting policies adopted in the preparation of these general purpose financial statements are set out below:-

Basis of preparation

The financial statements are prepared on a going concern basis and in compliance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board. They are presented in Kenya Shillings, which is also the functional currency.

The financial statements comprise a statement of changes in net assets (income statement), statement of net assets, (balance sheet) statement of cash flows, accounting policies and notes.

Income and expenses are recognised in the statement of changes in net assets.

Measurement basis

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies summarised below.

Under the historical cost basis, assets are recorded at the amount of cash or cash equivalents paid or fair value of the consideration given to acquire them at the time of their acquisition.

Liabilities are recorded at the amount of proceeds received in exchange for the obligation or, in some cases, at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid 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.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Accounting policies(continued)
For the year ended 30 June 2021**

Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary environment in which the Scheme operates), which is Kenya Shillings.

Transactions in foreign currencies during the year are converted into the functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year end translation are recognised on a net basis in the statement of changes in net assets in the year in which they arise, except for differences arising on translation of non-monetary available for sale financial assets, which are recognised in other comprehensive income.

Income from investments

Interest income

Interest income is recognised for all interest bearing instruments on an accruals basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount and premium on treasury bills and other discounted instruments.

Dividend income

Dividends declared on ordinary shares are recognised if the ex-dividend date falls within the financial year.

Taxation

The Scheme is a registered pension fund and is exempt from income tax. Income generated by segregated funds above the statutory limit of tax-exempt contributions are taxable at the prevailing statutory tax rates.

Current tax is the amount of income tax payable on the taxable income for the year, and any assessment payable in respect of prior years, determined in accordance with the Kenyan Income Tax Act.

Benefits payable

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

Contributions receivable

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

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Accounting policies(continued)
For the year ended 30 June 2021**

Financial instruments

Initial recognition

Financial instruments are recognised when, and only when, the Scheme becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Scheme commits itself to the purchase or sale.

Classification

The Scheme classifies its financial instruments into the following categories:

- i) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost;
- ii) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on principal amount outstanding, are classified and measured at fair value through statement of changes in net assets.
- iii) All other financial assets are classified and measured at fair value through statement of changes in net assets.
- iv) Notwithstanding the above, the Scheme may:
 - a) on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
 - b) on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- v) Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Scheme may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
- vi) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Demand and term deposits with banking institutions, trade and other receivables
- Investments in quoted and non-quoted shares were classified by irrevocable election on initial recognition as at fair value through profit or loss;
- Treasury bonds were classified and measured at fair value through profit or loss
- Treasury bills and corporate bonds were classified and measured at amortised cost
- Trade and other liabilities are classified at amortised cost.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Accounting policies(continued)
For the year ended 30 June 2021**

Financial instruments(continued)

Initial measurement

On initial recognition:

- i) Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- ii) Trade receivables are measured at their transaction price.
- iii) All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income, and exchange gains and losses on monetary items are recognised in statement of changes in net assets.

Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Impairment

The Scheme recognises a loss allowance for expected credit losses on debt instruments that are measured at amortised cost or at fair value through other comprehensive income. 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 (a credit-impaired financial asset). 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 allowance are recognised in statement of changes in net asset as an impairment gain or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after reporting date.

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.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Accounting policies(continued)
For the year ended 30 June 2021**

Financial instruments(continued)

Presentation

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the balance sheet date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

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

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when 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.

When a financial asset measured at fair value through other comprehensive income, other than an equity instrument, is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. For equity investments for which an irrevocable election has been made to present changes in fair value in other comprehensive income, such changes are not subsequently transferred to profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet 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.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Accounting policies(continued)
For the year ended 30 June 2021**

Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Scheme, the Trustees make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

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.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Notes to the financial statements
For the year ended 30 June 2021**

1 Financial risk management

The Scheme generates revenues for the members by investing in various income generating activities, which involve trading in the securities exchange, trading in government securities and offshore investments.

These activities expose the fund 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 minimise potential adverse effects on its financial performance.

Risk management is carried out by the investment managers and the Trustees under policies approved by the Trustees. 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 provides 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 derivative and non-derivative financial instruments and investing excess liquidity.

A Market risk

(i) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through the statement of changes in net assets. The Scheme is not exposed to commodity price risks. To manage its price risks arising from investments in equity and debt securities, the Scheme diversifies its portfolio.

Diversification of the portfolio is done in accordance with investment policy statement which is reviewed after every three years. All quoted shares held by the Scheme are traded on the Nairobi Securities Exchange(NSE).

		2021 Shs	2020 Shs
Effect on returns from investment	5% appreciation	12,216,887	6,723,306
	5% depreciation	(12,216,887)	(6,723,306)
Effect on fund balance	5% appreciation	12,216,887	6,723,306
	5% depreciation	(12,216,887)	(6,723,306)

B Credit risk

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, Trustees have approved larger portfolio investments with the Government of Kenya which has a high credit rating and has the lowest default record.

The amount that best represents the Scheme's exposure to credit risk as at 30 June 2021 and 30 June 2020 is made up as follows:

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

Notes to the financial statements (continued)
For the year ended 30 June 2021

At 30 June 2021

	Fully performing Shs	Past due Shs	Impaired Shs	Total Shs
Treasury bonds	784,359,843	-	-	784,359,843
Contributions due	10,563,789	-	-	10,563,789
Corporate bonds	9,116,205	-	-	9,116,205
Fixed and call deposits	19,075,411	-	-	19,075,411
Bank balances	1,348,652	-	-	1,348,652
	<u>824,463,900</u>	<u>-</u>	<u>-</u>	<u>824,463,900</u>

At 30 June 2020

	Fully performing Shs	Past due Shs	Impaired Shs	Total Shs
Treasury bonds	519,235,135	-	-	519,235,135
Contributions due	126,175	-	-	126,175
Treasury bills	75,652,473	-	-	75,652,473
Fixed and call deposits	95,734,254	-	-	95,734,254
Bank balances	1,060,703	-	-	1,060,703
	<u>691,808,740</u>	<u>-</u>	<u>-</u>	<u>691,808,740</u>

C Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities.

The table below analyses the Scheme's financial assets and liabilities analysed into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

	Up to 3 months Shs	3 - 12 months Shs	Over 1 year Shs	Total Shs
At 30 June 2021				
Financial Assets				
Treasury bonds	-	-	784,359,843	784,359,843
Corporate bonds	-	-	9,116,205	9,116,205
Fixed and call deposits	-	19,075,411	-	19,075,411
Contributions due	10,563,789	-	-	10,563,789
Bank balances	1,348,652	-	-	1,348,652
	<u>11,912,441</u>	<u>19,075,411</u>	<u>793,476,048</u>	<u>824,463,900</u>
Financial Liabilities				
Other payables and accruals	1,991,855	1,966,815	-	3,958,670
Benefits payable	8,062	-	-	8,062
Tax payable	-	1,347,434	-	1,347,434
	<u>1,999,917</u>	<u>3,314,249</u>	<u>-</u>	<u>5,314,166</u>
Net liquidity gap	<u>9,912,524</u>	<u>15,761,162</u>	<u>793,476,048</u>	<u>819,149,734</u>

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Notes to the financial statements (continued)
For the year ended 30 June 2021**

	Up to 3 months Shs	3 - 12 months Shs	Over 1 year Shs	Total Shs
At 30 June 2020				
Financial Assets				
Treasury bonds	-	30,572,530	488,662,605	519,235,135
Treasury bills	-	75,652,473	-	75,652,473
Fixed and call deposits	95,734,254	-	-	95,734,254
Contributions due	126,175	-	-	126,175
Bank balances	1,060,703	-	-	1,060,703
	<u>96,921,132</u>	<u>106,225,003</u>	<u>488,662,605</u>	<u>691,808,740</u>
Financial Liabilities				
Other payables and accruals	1,772,817	1,642,457	-	3,415,274
Benefits payable	8,062	-	-	8,062
Tax payable	-	261,383	-	261,383
	<u>1,780,879</u>	<u>1,903,840</u>	<u>-</u>	<u>3,684,719</u>
Net liquidity gap	<u>95,140,253</u>	<u>104,321,163</u>	<u>488,662,605</u>	<u>688,124,021</u>

D Fair Value of financial assets and liabilities

The table below shows an analysis of financial instruments at fair value by level of the fair value hierarchy. The financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii) 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 a price) or indirectly (i.e. derived from prices); and
- iii) 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).

	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
30 June 2021				
Held at fair value through profit or loss				
Local equity investments	244,337,748	-	-	244,337,748
Treasury bonds	784,359,843	-	-	784,359,843
	<u>1,028,697,591</u>	<u>-</u>	<u>-</u>	<u>1,028,697,591</u>

There were no transfers between levels 1, 2 and 3 in the year.

	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
30 June 2020				
Held at fair value through profit or loss				
Local equity investments	134,466,112	-	-	134,466,112
Treasury bonds	519,235,135	-	-	519,235,135
	<u>653,701,247</u>	<u>-</u>	<u>-</u>	<u>653,701,247</u>

There were no transfers between levels 1, 2 and 3 in the year.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

Notes to the financial statements (continued)
For the year ended 30 June 2021

	2021 Shs	2020 Shs
2 Contributions receivable and benefits payable		
a) Contributions receivable		
Employer	88,450,800	60,492,666
Employees	55,672,236	38,296,477
	<u>144,123,036</u>	<u>98,789,143</u>
b) Transfers in		
Individual transfers in from other Schemes	<u>13,309,138</u>	<u>34,479,531</u>
c) Benefits payable to leavers		
Lump sum payments - withdrawals	<u>33,838,172</u>	<u>18,730,853</u>
3 Investment income		
Dividends receivable on equity shares	7,216,814	9,856,446
Interest and discounts receivable		
- Treasury bonds	78,723,667	53,873,651
- Treasury bills	2,347,527	5,505,649
- Corporate bonds	16,205	394,190
- Fixed and call deposits	3,222,855	3,953,125
Realised gain/(loss) on disposal of investments		
- Quoted shares	(104,263)	1,416,170
- Corporate bonds	-	202,827
- Treasury bonds	(771,043)	(716,555)
	<u>90,651,762</u>	<u>74,485,503</u>
The investment income analysed by categories of financial assets is as follows:-		
Held to maturity	5,586,587	9,852,964
Held at fair value	85,065,175	64,632,539
	<u>90,651,762</u>	<u>74,485,503</u>
4 Fair value gain/(loss) on investments		
Quoted shares	45,824,686	(12,451,742)
Treasury bonds	(741,022)	(2,165,082)
	<u>45,083,664</u>	<u>(14,616,824)</u>

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Notes to the financial statements (continued)
For the year ended 30 June 2021**

	2021 Shs	2020 Shs
5 Investment management expenses		
Management fees	2,735,768	2,141,674
Custodian fees	2,119,983	1,675,647
	<u>4,855,751</u>	<u>3,817,321</u>
6 Administrative expenses		
RBA Levy	1,827,615	1,502,457
Administrators' fees	2,249,802	2,142,477
Trustee expenses	2,631,980	1,496,211
- Allowances	863,990	686,140
- Training	113,006	113,006
Trustee liability cover	139,200	70,000
Audit fees	42,016	66,207
Bank charges	-	49,600
Land valuation fees	-	17,500
ARBS subscription	80,871	-
Bad debts written off	591,493	-
Purchase of office equipments	<u>8,539,973</u>	<u>6,143,598</u>
7 a) Income tax expense		
Net investment income on unregistered portion of the Scheme	<u>18,608,095</u>	<u>13,708,332</u>
Current tax:- January 2021 - June 2021: 30%		
April 2020 - December 2020: 25%	<u>5,117,226</u>	<u>3,427,083</u>
b) Tax payable		
At beginning of year	261,383	524,355
Tax paid during the year	(4,031,175)	(3,690,055)
Tax charge for the year	5,117,226	3,427,083
At end of year	<u>1,347,434</u>	<u>261,383</u>
8 Land - Held at fair value		
As at 1 July	12,300,000	12,300,000
Value at 30 June	<u>12,300,000</u>	<u>12,300,000</u>

The Scheme owns two parcels of land i.e South Sakwa/Barkowino/1071 and South Sakwa/Migwena/2035 whose current open market values are Shs 8,500,000 and Shs 3,800,000 respectively.

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Notes to the financial statements (continued)
For the year ended 30 June 2021**

	2021 Shs	2020 Shs
9 Treasury bonds - Held at fair value		
As at 1 July	519,235,135	432,901,126
Additions	322,797,321	105,865,646
Disposal proceeds	(56,160,548)	(16,650,000)
Loss on disposal	(771,043)	(716,555)
Fair value gain/(loss)	(741,022)	(2,165,082)
Market value at 30 June	<u>784,359,843</u>	<u>519,235,135</u>
The weighted average interest rate on treasury bonds was 12.47% (2020: 12.24%) as at year end.		
10 Corporate bonds		
As at 1 July	-	6,386,200
Additions	9,100,000	-
Disposal proceeds	-	(6,386,200)
Accrued interest adjustment	16,205	-
Value at 30 June	<u>9,116,205</u>	<u>-</u>
All corporate bonds are held at amortised cost. The weighted average interest rate on corporate bonds was 13% at year end.		
11 Treasury bills		
As at 1 July	75,652,473	27,398,900
Additions	-	75,652,473
Disposal	(75,652,473)	(27,398,900)
	<u>-</u>	<u>75,652,473</u>
12 Fixed and call deposits		
Maturing within 90 days:		
Equity Bank	16,031,644	8,584,191
NCBA Bank	-	10,056,298
Stanbic Bank	-	3,007,710
Co-operative Bank of Kenya	3,043,767	74,086,055
	<u>19,075,411</u>	<u>95,734,254</u>
The weighted average interest rate on fixed and call deposits was 6.71% (2020 :7.69 %) at year end.		
13 Contributions due		
Outstanding for less than 30 days	10,563,789	-
Outstanding for 31 to 60 days	-	126,175
	<u>10,563,789</u>	<u>126,175</u>
14 Receivables and prepayments		
Withholding tax recoverable	<u>-</u>	<u>80,871</u>
15 Cash at bank		
KCB Bank- Custody account	812,238	439,528
KCB Bank - Current account	536,414	621,175
	<u>1,348,652</u>	<u>1,060,703</u>

**Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme**

**Notes to the financial statements (continued)
For the year ended 30 June 2021**

	2021 Shs	2020 Shs
16 Payables and accruals		
RBA Levy	1,827,615	1,502,457
Custody fees	197,697	155,400
Administrator's fees	616,987	474,005
Investment management fees	253,556	194,797
Audit fees	139,200	140,000
ARBS subscription	10,000	35,000
Due to sponsor	913,615	913,615
	<u>3,958,670</u>	<u>3,415,274</u>

17 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash at bank and short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

Cash at bank	1,348,652	1,060,703
Fixed and call deposits	19,075,411	95,734,254
	<u>20,424,063</u>	<u>96,794,957</u>

Jaramogi Oginga Odinga University of Science & Technology
Staff Retirement Benefits Scheme

Notes to the financial statements (continued)
For the year ended 30 June 2021

18 Investments in equity shares - Held at fair value

At 1.7.2020	Additions	Disposals	Bonus/ Rights	At 30.6.2021	Description	Market value at 1.7.2020 Shs	Additions Shs	Proceeds on disposal Shs	Gain/(loss) on disposals Shs	Net market gain/(loss) on revaluation Shs	Market value at 30.6.2021 Shs
2,052,000	350,000	-	-	2,402,000	Safaricom Plc	58,789,800	12,932,133	-	-	27,840,967	99,562,900
7,803	-	-	780	8,583	Standard Chartered Bank	1,324,559	-	-	-	(210,915)	1,113,644
-	450,000	-	-	450,000	ABSA Group	-	3,977,752	-	-	486,248	4,464,000
57,612	-	-	-	57,612	Diamond Trust Bank	4,076,049	-	-	-	(662,538)	3,413,511
396,600	550,000	-	-	946,600	Equity Group Plc	13,762,020	19,404,998	-	-	9,193,332	42,360,350
1,354,000	492,800	-	-	1,846,800	Co-operative Bank	16,451,100	6,101,300	-	-	2,933,440	25,485,840
637,000	475,000	-	-	1,112,000	KCB Group Plc	23,154,950	17,738,476	-	-	6,533,374	47,426,800
48,500	30,000	-	-	78,500	East African Breweries	7,881,250	5,044,291	-	-	1,263,334	14,188,875
34,000	-	-	-	34,000	Bamburi Cement Co.	952,000	-	-	-	243,100	1,195,100
1,301,200	-	-	-	1,301,200	Kengen	6,922,384	-	-	-	(1,795,656)	5,126,728
600,000	-	(600,000)	-	-	Kenya Power & Lighting	1,152,000	-	(1,047,737)	(104,263)	-	-
						<u>134,466,112</u>	<u>65,198,950</u>	<u>(1,047,737)</u>	<u>(104,263)</u>	<u>45,824,686</u>	<u>244,337,748</u>

