



UNIVERSITY OF NAIROBI PENSION SCHEME 2007

ANNUAL GENERAL MEETING (AGM)

8-4-4 BUILDING – 3RD DECEMBER 2016

AGENDA/ PROGRAMME

<i>Registration</i>	:	<i>8.30 a.m.</i>
<i>Opening Prayer</i>	:	<i>9.00 a.m. – 9.05 a.m.</i>
<i>Introductions</i>	:	<i>9.05 a.m. – 9.10 a.m.</i>
<i>Chairman’s Report</i>	:	<i>9.10 a.m. – 9.20 a.m.</i>
<i>Reports by Service Providers</i>	:	
• <i>External Auditors</i>	:	<i>9.20 a.m. – 9.30 a.m.</i>
• <i>Fund Managers</i>	:	<i>9.30 a.m. – 10.00 a.m.</i>
• <i>Custodian</i>	:	<i>10.00 a.m. – 10.10 a.m.</i>
• <i>RBA Representative</i>	:	<i>10.10 a.m. – 10.20 a.m.</i>
<i>Questions & Answers</i>	:	<i>10.20a.m. – 11.30a.m.</i>
<i>Vote of Thanks</i>	:	<i>11.30a.m. – 11.35a.m.</i>

Refreshments. Members leave at their pleasure.

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI
PENSION SCHEME 2007

FOR THE YEAR
ENDED 30 JUNE 2016



**UNIVERSITY OF NAIROBI PENSION
SCHEME 2007**

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
30TH JUNE 2016**

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

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UNIVERSITY OF NAIROBI PENSION SCHEME 2007

TRUSTEES , ADVISERS AND OTHER INFORMATION FOR THE YEAR ENDED 30TH JUNE 2016

TRUSTEES

Mr. Micheal O. Adala	Chairman, Board of Trustees
Prof.Peter.M.F.Mbithi	Trustee
Mrs. Pascalial C.C.Koske	Trustee
Prof. Lucy W. Irungu	Trustee (Retired in September 2015)
Dr. Sanjay Advani	Trustee (Appointed in September 2015)
Dr. Wilfred Nyangena	Trustee(Retired in September 2015)
Prof. George.A.O.Magoha	Trustee(Elected in December 2015)
Prof. Patrick G.O. Weke	Trustee (Retired in May 2016)
Dr. Stephen W. Luketero	Trustee (Elected in May 2016)
Dr. Grace N. Kiringa	Trustee

INTERNAL SCHEME ADMINISTRATOR

Mrs. Theresia Kathae-Alyela

ACTUARIES

Alexander Forbes Financial Services P.O.Box 52438-00200 City Square, Nairobi.

INVESTMENT MANAGERS

Pinebridge Investment Ltd P.O.Box 67262-00200 City Square Nairobi.
GenAfrica Investment Management Ltd P.O.Box 79217-00200 City Square Nairobi.

CUSTODIAN

Standard Chartered Bank of Kenya P.O.Box 40984-00100 GPO Nairobi.

AUDITORS

Auditor General P.O.Box 30084- 00100 GPO Nairobi.

LAWYERS

Kaplan & Stratton Advocates P.O.Box 40111-00100 GPO Nairobi

BANKER

Barclays Bank of Kenya,
Hurlingham Branch P.O.Box 34974-00100 GPO,Nairobi.

PHYSICAL LOCATION

Unipen Apartments, 3rd Floor
Argwings Kodhek Road,Hurlingham P.O.BOX 30197-00100 GPO NAIROBI

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES

FOR THE YEAR ENDED 30TH JUNE 2016

The Trustees submit their report together with the audited financial statements for the year ended 30th June 2016.

ESTABLISHMENT, NATURE, AND STATUS OF THE SCHEME

The Scheme was established in March 2007. It is a defined contribution scheme governed by a Trust Deed dated 13th June 2007 and it is registered by the Retirement Benefits Authority with Reg. No. 01722. Under the rules of the Scheme, it provides retirement benefits for the staff on permanent service of University of Nairobi in the Senior Clerical , Administration and Technical Staff Grades A-F , the Academic, Senior Library . and Administrative Staff Grades of the Sponsor. It is an exempt approved Scheme under the Income Tax Act.

BENEFITS

Pension Benefits

All the benefits derived from contributions made by a member shall vest immediately in the member and the retirement benefits accrued from membership shall be fully vested in a member after one year continuous service with the Sponsor. 1/3rd of the retirement benefits shall be paid as a lumpsum and 2/3rds shall purchase an annuity in a member's name from a registered insurer of the member's choice or purchase an income drawdown from a provider authorised by Retirement Benefits Authority.

Death Benefits

Death benefits consist of a lumpsum equal to:

- (i) Three(3) times the member's pensionable emoluments at date of death; plus
- (ii) The member's fund credit at the date of death.

Withdrawal benefits

A member who leaves service of his own free will or is dismissed by the Sponsor, shall be entitled to benefits equal to:

- (i) 100% of his contributions at the date of leaving service; plus
- (ii) 50% of the Sponsor's contribution as determined in accordance with scale below:

Years of continuous service with the Sponsor	Percentage of Sponsor's portion
Less than one year	0%
1 or more years	100%

CONTRIBUTIONS

Contributions represent remittances to the Scheme by the University of Nairobi and its employees who are members of the Scheme. Employees contribute 10% of their basic salaries while the employer contributes 20%. Members on unpaid leave of absence contribute the total 30%.

MEMBERSHIP

Membership is drawn from University of Nairobi employees appointed to the permanent service in the Senior Clerical, Administrative and Technical Staff Grades A-F , Academic, Senior Library and Administrative Staff Grades of the Sponsor.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2016

ACTIVE

	30.06.2016	30.06.2015
Membership at 1 July	3,080	3,091
New Members	178	75
Retired	(65)	(51)
Died in service	(10)	(7)
Withdrawals	(32)	(28)
At 30 June	3,151	3,080

EXPENSES

Expenses incurred in connection with the administration of the Scheme are borne by the Scheme.

INVESTMENT MANAGEMENT

During the year, the day to day management of the investments of the scheme was carried out by GenAfrica Investment Management Limited and Pinebridge Investment , who were the appointed investment managers of the Scheme.

Property management for Ambank House is carried out by Knight Frank Property Managers while Unipen Apartments is managed by the Scheme's secretariat.

We confirm that no scheme assets have been used as security or collateral on behalf of the employer or any connected business or individual.

INVESTMENT POLICY STATEMENT

The primary investment objectives of the Scheme are as follows:

- i)Capital preservation: The investment of the Scheme's assets will ensure the preservation of capital
- ii)Long term capital growth: Capital growth with the avoidance of excessive risk over the long term. Short term volatility will be tolerated if appropriate considering the asset class and comparable market risk.
- iii) Return on investment: The attainment of the agreed investment performance deliverables against the accepted benchmarks over the investment period
- iv)Liquidity: An adequate level of liquidity will be maintained to enable the Scheme to meet its liabilities and obligations.

We confirm that the scheme's asset allocation as at 30th June 2016 was within the guidelines of the Retirement Benefits Authority.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

REPORT OF THE TRUSTEES (CONTINUED)

FOR THE YEAR ENDED 30TH JUNE 2016

RESULTS FOR THE YEAR

The statement of changes in net assets available for benefits on page 7 shows an increase in the net assets of the Scheme for the year of **Shs. 551,788,000** (2015:Shs 1,403,961,000) and the statement of net assets available for benefits on Page 8 shows the Scheme's net assets as **KShs. 13,541,345,000** (2015:Kshs. 12,989,557,000)

CORPORATE GOVERNANCE STATEMENT

The Trustees of the University of Nairobi Pension Scheme 2007 recognize the need to conduct the business and operations of the Scheme with openness, objectivity, integrity, honesty, professionalism and accountability and in accordance with the highest standard of governance practices. The Board of Trustees is the supreme forum for formulating and interpreting the Pension Scheme Policy, charting out the road map for goal attainment including plans of action and ensuring that the scheme meets its obligations to the members and the Sponsor(University of Nairobi Council).

The Board is accountable to the University of Nairobi Council to ensure compliance with the Scheme's Trust Deed and Rules, the Retirement Benefits Act, 1997 and best business practice and ethics.


The Board of Trustees is comprised of a total of eight Trustees four of whom are appointed by the Sponsor and four elected by members. The Chairman of the Board of Trustees was elected by the Trustees themselves in accordance with Clause 12(a)(i) of the Scheme's Trust Deed and Rules. This representation of member elected and sponsor appointed trustees enables the Board of Trustees to provide effective leadership and control of the scheme while ensuring that the decision making process cannot be dominated by an individual or small group of individuals.

The Board of Trustees meets at least four times a year and their responsibilities are broadly set out in the Scheme's Trust Deed and Rules . Specifically, the Trustees meet to review monthly, quarterly and annual investment performance and to consider operational, financial, strategic, and compliance issues.

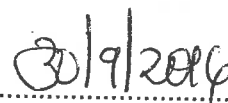
The Board of Trustees has delegated the day to day administration of the Scheme to the Scheme's secretariat who also provide the secretarial services. Every quarter, each Trustee receives detailed written reports on the performance of the Scheme, future plans and any significant issues facing the Scheme.

There is a procedure in place for the trustees to take independent professional advice from the investment managers, Custodians, Actuaries, Auditors and Legal experts at the expenses of the Scheme if this is necessary in connection with their duties. The Trustees have also arranged appropriate insurance cover in respect of legal action that may be instituted against them and the Scheme.

ON BEHALF OF THE TRUSTEES



.....
CHAIRMAN, BOARD OF TRUSTEES



.....
DATE

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 30TH JUNE 2016

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

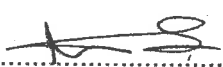
The Trustees accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000. The Trustees are of the opinion that the financial Regulations, 2000. The Trustees are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits in accordance with International Financial Reporting Standards.


The Trustees further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

The Trustees certify that to the best of their knowledge and belief, the information furnished to the auditors for the purposes of the audit was correct and complete in every respect.

Nothing has come to the attention of the Board of Trustees to indicate that the Pension Scheme will not be able to meet its obligations for at least the next twelve months from the date of this statement.

For the Trustees

Chairman.....  Date..... 30/9/2016

Trustee.....  Date..... 30/9/2016

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PENSION SCHEME 2007 FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of University of Nairobi Pension Scheme 2007 set out on pages 8 to 25, which comprise the statement of net assets available for benefits as at 30 June 2016, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Retirement Benefits (Occupational Retirement Benefits Schemes) Regulation 2000, as stipulated in the Retirement Benefits Act, 1997. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to

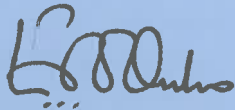
*Report of The Auditor-General on University of Nairobi Pension Scheme 2007 for the year ended
30 June 2016*

design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Scheme as at 30 June 2016, and of its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Retirement Benefits Act, 1997.



FCPA Edward R.O.Ouko, CBS
AUDITOR-GENERAL

Nairobi

08 November 2016

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**STATEMENT OF CHANGES IN NET ASSETS AVAILABLE
FOR BENEFITS FOR THE YEAR ENDED 30TH JUNE 2016**


	Note	30.06.2016 Shs'000	30.06.2015 Shs'000
Income from dealings with members			
Contributions income	18	917,165	903,955
Transfers in	19	3,192	7,316
		920,357	911,271
Outgoings from dealings with members			
Benefits paid & payable to seceding members	20	610,645	453,225
Transfers out	19	9,582	10,878
		620,227	464,103
Net surplus from dealings with members		300,130	447,168
Returns on investments			
Net rental Income	25&26	125,420	118,465
Other investment income	27	1,168,906	966,081
Revaluation of investment real property	6	-	-
Change in market value of interest bearing deposits	7	(57,878)	(85,816)
Change in market value of quoted shares	8&9	(770,599)	128,037
Less: Investment management expenses	28	(37,290)	(36,987)
Net returns on investments		428,559	1,089,780
Board of Trustees expenses	21	(9,517)	(11,570)
Staff Costs	22	(16,267)	(15,498)
Administrative expenses	23	(15,615)	(15,640)
Other income	29	632	704
Interest on member creditors	24	(20,254)	(28,500)
Transfer to death in service benefits fund	15	(22,604)	(22,653)
Imperial Bank Deposit written off	10	(40,000)	-
Taxation charge @30% on income from unregistered contributions	30	(53,276)	(39,830)
		(176,901)	(132,987)
Increase in net assets for the year		551,788	1,403,961
Net Assets available for benefits at start of the year		12,989,557	11,585,596
Net Assets available for benefits at end of the year		13,541,345	12,989,557

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	30.06.2016 Shs'000	30.06.2015 Shs'000
Property, Plant & Equipment	5	4,551	3,703
Investments:			
Investment in real property	6	1,800,000	1,800,000
Interest bearing deposits	7	5,525,637	5,580,661
Quoted shares	8	3,811,085	4,044,367
Unquoted Shares	9	25,830	39,920
		<u>11,162,552</u>	<u>11,464,948</u>
Trade and Other receivables			
- Contributions due	11	226,988	295,760
- Other receivables	12	219,919	137,444
Cash and cash equivalents	13	<u>2,507,657</u>	<u>1,598,549</u>
		<u>2,954,564</u>	<u>2,031,753</u>
Less:			
Trade and Other payables			
Amounts due to members	14	490,695	396,680
Death in service benefits fund	15	30,042	57,396
Other payables	16	28,794	30,500
Accrued expenses	17	<u>30,791</u>	<u>26,271</u>
		<u>580,322</u>	<u>510,847</u>
NET ASSETS AVAILABLE FOR BENEFITS	4	<u><u>13,541,345</u></u>	<u><u>12,989,557</u></u>

The financial statements on pages 9 to 25 were approved for issue by the Trustees on
30th SEPTEMBER 2016 and signed on their behalf by:


Chairman


Trustee

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30TH JUNE 2016

	Notes	30.06.2016 Shs'000	30.06.2015 Shs'000
<u>Cash flow from operating activities</u>			
Contributions received		985,937	832,949
Other income		632	704
Transfers in		3,192	7,316
Transfers out		(9,582)	(10,878)
Purchase and sale of property, plant and equipment		(1,835)	753
Benefits paid		(566,588)	(287,613)
Board of Trustees expenses		(9,517)	(11,570)
Staff costs		(16,267)	(15,498)
Administrative expenses		(9,255)	(15,896)
Other sundry receivables		1,236	(1,320)
Change in rent deposits		-	1,051
Change in prepaid rent		(1,944)	3,044
Tax paid in the year on unregistered contributions		(53,038)	(40,400)
Interest on creditors		(20,254)	(28,500)
Net Cash flow from operations of the scheme		302,717	434,142
<u>Investing activities</u>			
Investment income received		1,210,615	1,096,739
Investment management expenses		(38,143)	(36,466)
Imperial Bank Doubtful deposit		(40,000)	
Purchase of quoted and unquoted shares		(582,132)	(1,121,342)
Proceeds of sale of shares - quoted & unquoted		58,905	151,685
Purchase of interest bearing investments		(1,144,077)	(2,502,388)
Proceeds from sale of interest bearing investments		1,141,223	885,163
Net cash used in investing activities		606,391	(1,526,609)
Increase in cash and cash equivalents		909,108	(1,092,467)
<u>Movement in cash and cash equivalents</u>			
At start of year		1,598,549	2,691,016
Increase during the year		909,108	(1,092,467)
At end of year	13	2,507,657	1,598,549

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1 ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards.

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 which fall due after the end of the year.

Adoption of new and revised International Financial Reporting Standards

(i) Standards and interpretations effective in the current period

Various standards interpretations and amendments were effective in the period under review but had no effect on the scheme's financial statements.

(ii) New and revised standards and interpretations in issue but not yet effective

At the date of authorization of these financial statements, various revised standards and interpretations were in issue but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the scheme.

(iii) Early adoption of standards

The Scheme did not early adopt any new or amended standards in 2016.

Basis of accounting

The financial statements have been prepared on the historical cost basis of accounting.

Contributions and benefits

Contributions receivable and benefits payable are recognized in the period they fall due.

Investment Income

Investment income is recognized in the period in which it is earned.

Dividend income

Dividends on ordinary shares are recognized when the Scheme's right to receive payment is established.

Recognition

Financial assets and liabilities are initially recognized on the scheme's statement of net assets available for benefits at cost using settlement date accounting, when the scheme has become a party to the contractual provisions of the instrument.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1 ACCOUNTING POLICIES (continued)

Classification

The scheme classifies its financial assets into the following categories:

(i) Quoted Investments

Quoted investments are classified as at fair value through profit and loss and are stated at the market values as at the reporting date.

(ii) Government securities

Government securities comprise treasury bonds and treasury bills which are debt securities issued by the Government of Kenya.

Treasury bonds are classified as available for sale and are stated at the market values as at the reporting date.

Treasury bills are classified as held to maturity and stated at amortized cost as at the reporting date.

(iii) Corporate Bonds

Corporate bonds are classified at fair value through profit and loss and are stated at fair value.

(iv) Short term deposits

Short term deposits are classified as held to maturity and stated at amortised cost as at the reporting date.

Impairment and uncollectability of financial assets

At the end of the reporting period, all financial assets are subject to review for impairment. If it is possible that the scheme will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables , or held to maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate(recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is in statement of changes in net assets available for benefits for the period.

Accounts receivable

Accounts receivable are carried at their original amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified.

Accounts payable

The liabilities for accounts payable are carried at cost, which is measured at the fair or contractual value of the consideration to be paid in future in respect of goods and services supplied by the suppliers, whether billed or not, to the Scheme.

Members' balances

Members' balances comprise the accumulated net surpluses or deficits realized from dealings with members and any surpluses or deficits realized from the Scheme's investing activities to the extent that they are not captured in the reserves.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2016

1 ACCOUNTING POLICIES (continued)

Taxation

The Scheme is a registered pension scheme and is exempt from income tax.

Foreign currencies

Monetary assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at year end. Transactions during the year in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are included in the statement of changes in net assets available for benefits.

Comparatives

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

2 **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE SCHEME'S ACCOUNTING POLICIES**

In the process of applying the Scheme's accounting policies, management has made estimates and assumptions that affect the reported amounts and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed under the circumstances. These are dealt with below:

Impairment losses on financial assets

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

Equipment and depreciation

All equipment are initially recorded at cost. All equipment are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the reducing balance method to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Motor Vehicle	25%
Furniture, fittings and equipment	10%
Computers & accessories	30%

A full year's depreciation is charged in the year of acquisition. No depreciation is charged in the year of disposal. Gains or losses arising from disposal of equipment are computed by reference to the sales proceeds and the net carrying amounts at the date of disposal. The gains or losses are dealt with through the income statement.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016

3 FINANCIAL RISK MANAGEMENT

The Scheme generates revenues 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 the 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 and credit risk. The Scheme also follows guidelines issued by the Retirement Benefits Authority in respect of maximum investment in different types of investments.

Market Risk

(i) Foreign exchange risk

The scheme is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to quoted investments denominated in Uganda and Tanzanian shilling.

Currency exposure arising from liabilities denominated in foreign currencies is managed primarily by setting limits on the percentage of net assets available for benefits that may be invested in such deposits.

(ii) Interest rate risk

The Scheme's interest bearing assets comprise of investments in treasury bonds, corporate bonds, treasury bills, commercial paper and fixed deposits.

All these instruments are subject to fixed interest rates and this therefore mitigates the exposure of the Scheme to fluctuations in interest rates.

(iii) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares and fixed income securities classified as held for trading. To manage this risk, the Scheme has diversified its portfolio by investing in companies in different sectors of the economy as well as in bonds of varying maturities. Diversification of the portfolio is done in accordance with investment policies approved by the Trustees. The quoted shares held by the Scheme are traded on the Nairobi Securities Exchange, Uganda Stock Exchange and Tanzania Stock Exchange.

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 managers 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. For the other investments, Trustees ensure that they invest solely in large companies with good reputation.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2016**

FINANCIAL RISK MANAGEMENT (continued)

	30.06.2016	30.06.2015
	KShs. 000	KShs. 000
Treasury Bonds	4,631,088	4,676,323
Treasury Bills	1,676,753	362,275
Investment in equities-Quoted & Unquoted	3,836,915	4,084,287
Short-term deposits	774,000	1,184,000
Corporate bonds	894,549	904,338
Cash and bank balances	56,904	52,274
Other receivables	216,351	137,444
Contributions receivable	226,988	295,760
	12,313,548	11,696,701

None of the above financial asset are either past or impaired.

Liquidity risk

The Scheme is required to make periodic payments in respect of retirement benefits when members retire from the Scheme, and is therefore exposed to the risk of difficulty in raising funds to make such payments. It therefore invests a portion of its assets in investments that are readily convertible to cash. The investment managers monitor the Scheme's liquidity on a regular basis. The table below represents the Scheme's financial assets and financial liabilities per their maturity dates. However, all the financial assets can be disposed of at any time before maturity should the need arise.

	1-6 months	6-12 months	Over 1 year	Total
	KShs. 000	KShs. 000	KShs. 000	KShs. 000
Financial Assets				
Investment in equities-Quoted & Unquoted	3,836,915			3,836,915
Treasury bonds	103,216	279,944	4,247,928	4,631,088
Investment in corporate bonds			894,549	894,549
Treasury bills	860,184	816,569		1,676,753
Short term deposits	774,000			774,000
Due from the Sponsor	226,988			226,988
Other receivables	216,351			216,351
Bank and Cash balances	56,904			56,904
	6,074,558	1,096,513	5,142,477	12,313,548
Financial Liabilities				
Benefits and other payables	(383,639)	(107,056)		(490,695)
Net liquidity gap	5,690,919	989,457	5,142,477	11,822,853

UNIVERSITY OF NAIROBI PENSION SCHEME 2007**NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30TH JUNE 2016****FINANCIAL RISK MANAGEMENT (continued)****fair value hierarchy**

The level 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 assets or liability that are not based on observable market data (unobservable inputs).

30th June 2016	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	3,811,085			3,811,085
Investment in treasury bonds	4,631,088			4,631,088
	8,442,173	-	-	8,442,173

30th June 2015	Level 1 Kshs. 000	Level 2 Kshs. 000	Level 3 Kshs. 000	Total Kshs. 000
Investment in quoted equities	4,044,367			4,044,367
Investment in treasury bonds	4,676,323			4,676,323
	8,720,690	-	-	8,720,690

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

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
 FOR THE YEAR ENDED 30TH JUNE 2016

4 MANAGEMENT OF MEMBERS' FUNDS

The Scheme maintains an efficient structure of members' funds consistent with the Scheme's risk profile and the regulatory and market requirements of its operating environment.

The Scheme's objectives when managing members' funds are to safeguard the Scheme's ability to continue as a going concern in order to fulfill its obligations of paying retirement benefits when they fall due.

The constitution of members' funds managed by the Scheme is as shown below:

	30.06.2016	30.06.2015
	Shs'000	Shs'000
Members' Funds At 1st July	12,989,557	11,585,596
Increase in Net assets	551,788	1,403,961
Members' Funds As 30th June	<u>13,541,345</u>	<u>12,989,557</u>

5 Property, Plant & Equipment

	Motor Vehicle Shs'000	Furniture & Equipment Shs'000	Computers & Accessories Shs'000	Total Shs'000
<u>COST</u>				
As at 01.07.2015	2,608	4,704	2,965	10,277
Additions	-	935	900	1,835
As at 30.06.2016	<u>2,608</u>	<u>5,639</u>	<u>3,865</u>	<u>12,112</u>
<u>DEPRECIATION</u>				
As at 01.07.2015	1,141	2,639	2,794	6,574
Charge for the period	366	300	321	987
As at 30.06.2016	<u>1,507</u>	<u>2,939</u>	<u>3,115</u>	<u>7,561</u>
<u>NET BOOK VALUE</u>				
As at 30.06.2016	<u>1,101</u>	<u>2,700</u>	<u>750</u>	<u>4,551</u>
As at 30.06.2015	<u>1,467</u>	<u>2,065</u>	<u>171</u>	<u>3,703</u>
<u>2014/2015 COMPARISON</u>				
As at 01.07.2014	4,540	4,511	4,229	13,280
Additions		193		193
Disposal	(1,932)		(1,264)	(3,196)
As at 30.06.2015	<u>2,608</u>	<u>4,704</u>	<u>2,965</u>	<u>10,277</u>
<u>DEPRECIATION</u>				
As at 01.07.2014	2,523	2,410	3,100	8,033
Charge for the period	489	229	73	791
Writeoff on disposal	(1,871)		(379)	(2,250)
As at 30.06.2015	<u>1,141</u>	<u>2,639</u>	<u>2,794</u>	<u>6,574</u>
<u>NET BOOK VALUE</u>				
As at 30.06.2015	<u>1,467</u>	<u>2,065</u>	<u>171</u>	<u>3,703</u>
As at 30.06.2014	<u>2,017</u>	<u>2,101</u>	<u>1,129</u>	<u>5,247</u>

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 2016

6 Investment - Real property	30.06.2016	30.06.2015
	Shs'000	Shs'000
Unipen Apartments at Hurlingham Shopping Center	320,000	320,000
Ambank House	1,480,000	1,480,000
	1,800,000	1,800,000

There was no revaluation of the Scheme's properties during the financial year 2015/2016

7 Investments-Interest Bearing Deposits

	Value at 01.07.15 Shs'000	Purchases/ capitalization Shs'000	Redemptions proceeds Shs'000	Change in market value Shs'000	Value at 30.06.16 Shs'000
Corporate Bonds	904,338		(9,789)		894,549
Kenya Government Securities	4,676,323	1,144,077	(1,131,434)	(57,878)	4,631,088
Total	5,580,661	1,144,077	(1,141,223)	(57,878)	5,525,637

8 Investments-Quoted Shares

Company	Value at 1st July 15 Shs'000	Purchases at cost Shs'000	Sales proceeds Shs'000	Change in fair value Shs'000	Value at 30th June 16 Shs'000
Kenya Commercial Bank	471,890	86,293		(198,566)	359,617
Barclays Bank of Kenya	137,747	3,312		(53,619)	87,440
Standard Chartered Bank	178,779			(48,794)	129,985
East Africa Breweries	461,867	39,905		(40,431)	461,341
Bamburi Cement	168,630	22,747		16,788	208,165
Kenya Power & Lighting Kenya Gen. Co. Ltd	101,975 34,000		(959) (9,100)	(47,262) (9,944)	53,754 10,709
British American Tobacco	82,399			10,453	92,852
Nation Media Group	96,405	6,602		(23,140)	79,867
Kenya Airways	6,711		(1,018)	(2,572)	3,121
Centum Investments	77,726			(25,513)	52,213
NIC Bank	184,598	30,500	(30,700)	(58,457)	125,941
Scan group	24,273			(12,917)	11,356
Diamond Trust	175,911			(31,080)	144,831
TPS	20,926		(2,125)	(8,345)	10,456
Stanbic Uganda	59,459			(13,135)	46,324
Safaricom	753,104	79,556		64,042	896,702
Athi River Mining	137,153			(78,634)	58,519
Co-operative Bank	248,854	66,607		(76,577)	238,884
Equity Bank	235,581	193,028		(63,144)	365,465
I & M Bank	116,092	20,606		(9,875)	126,823
CFC Stanbic	93,594		(7,118)	(27,196)	59,280
Umeme Uganda	44,107			1,852	45,959
CRDB Tanzania	51,942	18,287		(18,422)	51,807
Tanzania Breweries	75,301	14,689		(11,520)	78,470
Britam	4,510			(1,386)	3,124
	4,044,367	582,132	(48,020)	(767,394)	3,811,085

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 2016

9 Investments-Unquoted Shares	Value at 1st July 15 Shs'000	Purchases at cost Shs'000	Sales proceeds Shs'000	Change in fair value Shs'000	Value at 30th June 16 Shs'000
Company					
UAP Holdings Limited	39,920	-	(10,885)	(3,205)	25,830
<hr/>					
10 Other deposits				30.06.2016 Shs'000	30.06.2015 Shs'000
Imperial Bank				40,000	-
Bad debt provision Imperial Bank				(40,000)	
Kenya Finance Bank				44,691	44,691
Provision for bad debt-Kenya Finance Bank				(44,691)	(44,691)
				-	-
<hr/>					
<i>Kenya Finance Bank and Imperial Bank are under receivership.</i>					
11 Receivables-Contributions due				30.06.2016 Shs'000	30.06.2015 Shs'000
Outstanding for less than 30 days-April to June 2016 contributions				226,988	295,760
				226,988	295,760
<hr/>					
April contributions received in July 2016. May & June contributions were received on					
12 Other receivables				30.06.2016 Shs'000	30.06.2015 Shs'000
Water deposit				4	4
Garbage Deposit				5	5
Electricity deposit				201	201
Other sundry receivables				2,754	3,990
Accrued Interest Income				127,382	71,737
Accrued Dividends				49,835	28,979
Knight Frank				14,456	10,888
Rent arrears-Ambank House				24,048	20,780
Rent arrears-Unipen Apartments				1,234	860
				219,919	137,444
<hr/>					
13 Cash & Cash Equivalents				30.06.2016 Shs'000	30.06.2015 Shs'000
For the purposes of the cash flow statement, cash and cash equivalents comprise the following:					
Standard Chartered Bank-Custodian account-GenAfrica				4,556	11,620
Standard Chartered Bank-Custodian account-Pine Bridge				2,281	1,958
Barclays Bank Current Account as per cashbook				50,067	38,696
Call & Fixed deposits				774,000	1,184,000
Treasury Bills				1,676,753	362,275
				2,507,657	1,598,549
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UNIVERSITY OF NAIROBI PENSION SCHEME 2007
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30TH JUNE 2016

14 Deferred dues to members	30.06.2016	30.06.2015
	Shs'000	Shs'000
Retirement	242,782	249,353
Death Lump sum	120,129	96,811
Death Fund Credit	123,490	46,018
Monthly Pension	4,294	4,498
	490,695	396,680

The following is the age analysis of the deffered amounts to members:

	< = 2 years	> 2 years	Total
Retirement	225,438	17,344	242,782
Death Lump sum	52,145	67,984	120,129
Death Fund Credit	106,056	17,434	123,490
Monthly Pension		4,294	4,294
	383,639	107,056	490,695

Deferred amounts more than two years

The amount for retirement is for members who retired and have deferred their dues to later dates when annuity rates in the market will be favourable. Death lumpsum and death fund credit is for beneficiaries who are minors and will only be paid once they attain the age of 18 years.

15 Death in service benefits Fund	30.06.2016	30.06.2015
	Shs'000	Shs'000
Balance b/fwd	57,396	57,347
Transfer for the year from reserve fund	22,604	22,653
Payments made during the year	(49,958)	(22,604)
Balance as at 30th June	30,042	57,396

Treasury through Circular No. 18/2010 directed that all public service retirement benefit schemes provide death in service benefits through an insurance policy purchased from a reputable insurance company. The Trustees appealed to Treasury and the Scheme was allowed to insure death in service benefits in-house. The Actuaries advised the Trustees to have a fund of Kshs. 80 million this year to cater for these benefits. During the year, ten (10) members passed on and an amount of Kshs. 22,604,000 was transferred from the reserve fund to top up the opening balance to Kshs. 80 million.

16 Other payables	30.06.2016	30.06.2015
	Shs'000	Shs'000
Federated Superannuation System for Universities-capitation	1,511	1,511
Federated Superannuation System for University members	2,904	2,904
Rent Deposits-Unipen Apartments	2,707	2,707
Rent Deposits-Ambank House	9,604	9,604
Prepaid Rent(Unipen Apartments)	463	492
Prepaid Rent(Ambank House)	4,134	6,049
Tax payable on income on unregistered contributions	7,471	7,233
	28,794	30,500

UNIVERSITY OF NAIROBI PENSION SCHEME 2007
NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30TH JUNE 2016

	30.06.2016	30.06.2015
	Shs'000	Shs'000
21 Board of Trustees Expenses		
Trustees' Sitting Allowances & other sitting allowances	2,472	3,727
Trustees Seminars & Training expenses	5,762	6,664
Trustees Election expenses	40	20
Trustees AGM Expenses	65	169
Gifts and expenses for outgoing Trustees	300	300
Trustees Meeting expenses	295	285
Transport Expenses	183	-
Trustees Christmas Vouchers	400	405
	9,517	11,570

	30.06.2016	30.06.2015
	Shs'000	Shs'000
22 Staff Costs		
Salaries	12,061	11,496
Gratuity	3,677	3,502
Medical Expenses	529	500
	16,267	15,498

The scheme had four(4) employees during the year (2015: 4)

Retirement Benefit costs

The Scheme and its employees contribute to the National Social Security Fund.

Employees entitlements

Employee entitlement to gratuity are recognized when they accrue to employees.

Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the statement of financial position date. The estimated monetary liability for employees' accrued annual leave entitlement at the statement of financial position date is recognized as an accrued expense.

Medical Costs

The Scheme staff have a medical cover operated under the University Health Services.

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 2016	30.06.2016	30.06.2015
	Shs'000	Shs'000
23 Administrative expenses		
Actuarial fees	1,280	1,160
Audit fees	1,160	1,160
Professional fees	492	439
Change in legislation expenses	-	270
Strategic plan expenses	72	-
RBA Levy provision	5,000	5,000
Seminars & Training	1,949	1,541
Bank Charges	194	133
Stationery	203	122
Depreciation	987	791
I pads	116	971
Election expenses	1,458	878
Insurance	971	1,093
Legal fees	477	668
Motor Vehicle Running Expenses	148	128
Advertising	153	220
Telephone & Postage	150	152
AGM Expenses	346	407
Office expenses	211	262
Christmas Vouchers	248	245
	15,615	15,640
	15,615	15,640
24 Interest on members creditors	30.06.2016	30.06.2015
	Shs'000	Shs'000
Interest on members creditors	20,254	28,500
	20,254	28,500

This is interest declared for the year ended 30.06.2015 but was credited to member creditors accounts in the year ended 30.06.2016

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 30TH JUNE 2016

25 Investment Income-Rental Account Unipen Apartments	30.06.2016	30.06.2015
	Shs'000	Shs'000
Gross Rental Income	17,311	17,188
Less Expenditure		
Rates	99	99
Water	197	260
Electricity	970	1,510
Security	278	278
Insurance	5	-
Painting & maintenance of Unipen	868	117
Cleaning	324	324
Ground Upkeep	150	136
Staff Costs	451	432
Valuation fees	-	200
	3,342	3,356
Net Rental Income	13,969	13,832
	30.06.2016	30.06.2015
	Shs'000	Shs'000
26 Investment Income-Rental Account Ambank House		
Gross Rental Income/Service Charge/Parking fees	136,344	130,397
Less Expenditure		
Rates	574	574
Water	1,050	1,068
Security	5,081	4,822
Insurance	3,871	3,600
Professional fees	197	-
Lease renewals	346	52
Management fees	5,402	6,106
Letting fees	527	422
Repairs & Maintenance	4,716	5,761
Cleaning	1,588	1,657
Sundry Expenses	35	25
Staff Costs	603	1,047
Valuation fees	-	200
Telephone	27	23
Audit fees	200	-
Other Expenses	460	407
Bank Charges	72	-
IT Services/Internet Connectivity	144	-
	24,893	25,764
Net Rental Income	111,451	104,633

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

NOTES FORMING PART OF THE FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 30TH JUNE 2016

27 Other investment income	30.06.2016	30.06.2015
	Shs'000	Shs'000
Dividends receivable:		
: Quoted shares (Kenya)	169,526	136,901
Interest and discounts receivable:		
: Fixed and time deposits; T/Bills	299,409	229,355
: Interest on Corporate Bonds	108,511	93,073
: Treasury Bonds	591,460	506,752
	1,168,906	966,081

28 Investment management expenses	30.06.2016	30.06.2015
	Shs'000	Shs'000
Fund management fees	26,865	26,684
Custodian fees	10,425	10,303
	37,290	36,987

29 Other Income	30.06.2016	30.06.2015
	Shs'000	Shs'000
Tender fees	26	29
Rent from Billboard at Unipen	600	286
Hire of Boardroom	6	-
Profit on Sale of Motor Vehicle	-	389
	632	704

30 Tax status of the scheme

University of Nairobi Pension Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income. Income earned on unregistered contributions is taxed at 30%.

	30.06.2016	30.06.2015
	Kshs. '000'	Kshs. '000'
Income from unregistered contributions		132,766
Tax payable @ 30% for year 2016/2015	53,276	39,830

31 Contingent liabilities

Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the Scheme as at 30th June 2016 or 30th June 2015.

32 Self investment

The fund does not hold any investment in the University of Nairobi or any other related company or persons related to it.