

**KENYATTA NATIONAL HOSPITAL
STAFF SUPERANNUATION SCHEME
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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

**Kenyatta National Hospital
Staff Superannuation Scheme
Annual Report and Financial Statements
For the Year Ended 30 June 2023**

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**Kenyatta National Hospital
Staff Superannuation Scheme
Trustees, Advisors and Other Information
For the Year Ended 30 June 2023**

TRUSTEES

Mr. Albert Ambune	- Chairman
Mrs. Winnie Mwangi	- Trust Secretary
Dr. Evanson Kamuri	
Mrs. Ruth Mbithe	
Mrs. Grace Akinyi	
Dr. Kennedy Ondede	
Dr. Kennedy Momanyi	
Mr. Job Makanga	- Appointed on 03 October 2022
Mr. George Ooko	- Retired on 18 May 2023

ADMINISTRATOR

Minet Kenya Financial Services Limited
Minet House, Mamlaka Road
P O Box 48279 - 00100
NAIROBI

INVESTMENT MANAGERS

GenAfrica Asset Managers Limited
Arlington Block, 14 Riverside Business Park
P O Box 40984 - 00100
NAIROBI

Britam Asset Managers (Kenya) Limited
Britam Centre, Mara & Ragati Road Junction
P O Box 30375-001000
NAIROBI

CUSTODIAN

NCBA Bank Kenya Limited
NCBA House
Masaba Road
P O Box 44599 - 00100
NAIROBI

PROPERTY MANAGER

Ebony Estates Limited
Marsabit Plaza, 5th Floor, Ngong Road
P O Box 19815 - 00100
NAIROBI

**Kenyatta National Hospital
Staff Superannuation Scheme
Trustees, Advisors and Other Information
For the Year Ended 30 June 2023**

INDEPENDENT ACTUARY

Actuarial Services (E.A) Limited
UAP-Old Mutual Towers, Upper Hill Road
P O Box 10472-00100
NAIROBI

INDEPENDENT AUDITOR

VC Karani & Associates
Certified Public Accountants
Fort Granite Flats, A6, Bishop Road
P O Box 45481 - 00100
NAIROBI

REGISTERED OFFICE

Kenyatta National Hospital
Hospital Hill Road
P O Box 20723 - 00202
NAIROBI

**Kenyatta National Hospital
Staff Superannuation Scheme
Report of the Trustees
For the Year Ended 30 June 2023**

The Trustees present their report together with the audited financial statements for the year ended 30 June 2023 which disclose the state of affairs of the Scheme.

1 Establishment, nature and purpose of the Scheme

The Scheme was established under irrevocable trust and commenced on 1st January 1991. It is governed by Original Trust Deed and Rules dated 17th July 1991 as subsequently amended with deeds of addendum.

It is a Defined Benefit Scheme and provides, under the rules of the Scheme, pension, lumpsum and other retirement benefits for members on retirement and relief for dependants of deceased members.

The Scheme was closed to new entrants and future accrual of benefits save for continuing members with effect from 30th June 2011 in compliance with Treasury Circular No. 18 of 2010 which required the Sponsor to close the existing Defined Benefit Scheme and set up a new Defined Contribution Scheme for future accrual of benefits effective 1 July 2011. Continuing members of the Scheme are those members who had attained the age of 45 years or more at the closing date and who opted not to join the new Defined Contribution Scheme but rather continue contributing and accruing benefits under the Defined Benefit Scheme.

The Scheme is an exempt approved plan (Income Tax Ref. 92291B/1634 and Exemption Certificate Serial No. 00642) under the Income Tax Act and is registered with the Retirement Benefits Authority (Scheme Ref.No. 0822 and Certificate No. 0054).

2 Contributions

Members contribute to the Scheme at the rate of 5% of their pensionable emoluments while the Sponsor is required to contribute in each contribution year the amount required to meet the balance of the cost of retirement and other benefits provided under the Scheme's Trust Deed and Rules as advised by the actuary and after allowing for the members' contributions. The Sponsor currently makes contributions at the rate of 10% of the members' pensionable emoluments. In addition, members are allowed to make additional voluntary contributions. Contributions are remitted monthly.

The Sponsor has also been making special contributions towards settlement of the existing actuarial deficit.

3 Membership

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

	Active members	Deferred members	Pensioners	Total
At start of year	3,163	497	1,456	5,116
Entrants	-	39	62	101
Exits	(324)	(63)	(24)	(411)
At end of year	2,839	473	1,494	4,806

4 Financial review

The statement of changes in net assets available for benefits on page 12 shows a decrease for the year of Kshs.1,041,051,743 (2022:Kshs.1,082,357,674) and the statement of net assets available for benefits on page 13 shows the net assets stood at Kshs.5,362,192,718 (2022: Kshs.6,403,244,461).

5 Investment of funds

NCBA Bank Kenya Limited is the appointed Scheme Custodian while GenAfrica Asset Managers Limited and Britam Asset Managers (Kenya) Limited are the appointed Investment Managers.

Under the terms of their appointment, GenAfrica Asset Managers Limited and Britam Asset Managers (Kenya) Limited are responsible for investment of the funds under segregated arrangement. However, the overall responsibility for investment and performance lies with the Trustees.

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

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

Investment Portfolio	2023		2022		RBA
	Amount (Kshs)	Percentage (%) of Portfolio	Amount (Kshs)	Percentage (%) of Portfolio	Percentage (%) RBA Limits
Cash at bank	5,318,303	0.10%	59,176,013	0.93%	5%
Fixed and call deposits	63,714,668	1.26%	67,553,241	1.06%	30%
Corporate bonds	14,852,608	0.29%	14,835,225	0.23%	20%
Kenya government securities (Treasury bonds and bills)	1,481,004,909	29.23%	2,531,320,614	39.60%	90%
Listed local and regional equities	595,361,032	11.75%	859,116,896	13.44%	70%
Offshore private equity	370,922,157	7.32%	324,620,438	5.08%	10%
Investment property	2,535,800,000	50.05%	2,535,800,000	39.67%	30%
	<u>5,066,973,677</u>	100%	<u>6,392,422,427</u>	100%	

Note: All the investments are within the statutory limits set by Retirement Benefits Authority except for investment property as a result of its appreciation (revaluation gain) and not actual additions. However, this allocation is expected to drop after the sale of the property intended for subdivision and subsequent sale.

6 Actuarial position

An actuarial valuation was carried out as at 30th June 2021 by Actuarial Services (E.A) Limited, an independent firm of Actuaries, using the Attained Age Method.

The valuation results revealed an actuarial deficit of Kshs. 7.5 billion as at 30th June 2021. This represented a funding level of the Scheme of 50.1% which was lower than the statutory minimum funding requirement of 100% prescribed in the Retirement Benefits (Minimum Funding Level and Winding up of Schemes) Regulations 2000.

Remedial Action Plan

Pursuant to the provisions of Regulation 4(2) of the Retirement Benefits (Minimum Funding Level and Winding up of Schemes) Regulations 2000 under the Retirement Benefits Act 1997 as amended, a closed Scheme is required to submit to the Retirement Benefits Authority a Remedial Action Plan for settlement of the actuarial deficit valid for at most three (3) years for approval.

6 Actuarial position....cont'd

Remedial Action Plan....cont'd

In this regard, the Actuaries determined and recommended that monthly repayments of Kshs. 264.2 million would be payable for three years starting 30th September 2021 in order to settle the actuarial deficit determined within the statutory period of three (3) years. The Sponsor remitted Kshs. 300 million on 06 July 2023 towards actuarial deficit financing, giving cumulative remittance of Kshs.400 million so far.

7 Independent Auditor

VC Karani & Associates, Certified Public Accountants, have expressed their willingness to continue in office.

For the Trustees:



.....
Chairman

Dated: 27/9 2023

Kenyatta National Hospital Staff Superannuation Scheme
Report of the Trustees
For the year ended 30 June 2023

1. Trustees in office

Name of Trustee	Age	Category (Member elected/Sponsor nominated/Professional)	No. of meetings attended	Certified (Yes/No)	Highest Qualification	Membership of other Boards
Mr. Albert Ambune	58	Member Elected	4	Yes	CPA (K)	No
Mrs. Winnie Mwangi	48	Sponsor Nominated	4	Yes	Masters Degree	Yes; KNH DC
Dr. Evanson Kamuri	52	Sponsor Nominated	4	Yes	Masters Degree	Yes; KNH DC
Dr. Kennedy Momanyi	59	Sponsor Nominated	4	Yes	Masters Degree	No
Dr. Kennedy Ondede	53	Sponsor Nominated	4	Yes	Masters Degree	No
Mrs. Ruth Mbithe	57	Member Elected	4	Yes	Higher Diploma	No
Mrs. Grace Akinyi	60	Member Elected	4	Yes	Degree	No
Mr. Job Makanga	45	Sponsor Nominated	4	Yes	Masters Degree	No

2. The Board of Trustees held 4 quarterly meetings during the year ending 30 June 2023. The meetings were held on the dates set hereunder:

- a) 17-Nov-22
- b) 29-Sep-22
- c) 03-Mar-23
- d) 11-May-23

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

- a) Gender balance: Female...37.5%.... Male...62.5%..
- b) Skills mix: No. of Trustees with financial 2
- c) Age mix: No. of Trustees younger than 35 years...None.... No. of Trustees older than 35 years.....8.....

4. Committees of the Board

Committee Name	No. of Meetings held	Any external advisors, invitees to meetings (Yes/No)(if yes, mention	Allowances paid (Kshs.)
Property and Investment	9	No	845,000
Welfare and Administration	11	No	572,200
Audit and Risk	5	No	384,700

5. Fiduciary Responsibility Statement

The Board of Trustees is the governing body of Kenyatta National Hospital Staff Superannuation 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:

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

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

The Trustees have ensured that the Investment 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 is yet to be developed.

6. Responsible Corporate Citizenship

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

Kenyatta National Hospital Staff Superannuation Scheme
Report of the Trustees
For the year ended 30 June 2023

7. Key Outcomes

The Board of Trustees seeks to achieve the following:

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

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

- a) Triennial members' survey score. **There was no survey conducted during the year.**
- b) Regular reports and feedback from the sponsor. **Sponsor updated regularly.**

8. Annual General Meeting

The Board of Trustees held the annual general meeting on 02 December 2022 at which 497 Members attended. The Board adequately addressed the members' concerns.

9. The Board conducted the following sensitization activities:

Name of sensitization forum	Date held	No. of members who attended	Remarks
Members education	16th and 17th February 2023	173	The session was successful and all members' concerns were handled.

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

10. Trustees remuneration policy

During the year under review, the Trustees were paid a gross sum of Kshs.3,717,396.

11. Board of Trustees Evaluation

The Board and Individual Trustees undertook Board evaluation in the year under review on 12 May 2023. The Board review process was facilitated externally and the process took the form of questionnaires.

For the Trustees:



Chairman

Dated: 27/9/.....2023

**Kenyatta National Hospital
Staff Superannuation Scheme
Statement of Trustees' Responsibilities
For the Year Ended 30 June 2023**

The Retirement Benefits Act requires the Trustees to prepare financial statements in respect of the Scheme, which give a true and fair view of the state of affairs of the Scheme at the end of the financial year and the operating results of the Scheme for that year. The Trustees are also required to: a) ensure that the Scheme keeps proper accounting records which disclose with reasonable accuracy the financial position of the Scheme b) Safeguard the assets of the Scheme.

The Trustees are responsible for the preparation and presentation of the Scheme's financial statements, which give a true and fair view of the state of affairs of the Scheme for and as at the end of the financial year ended 30 June 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Scheme; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Scheme; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

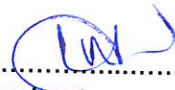
The Trustees are of the opinion that the Scheme's financial statements give a true and fair view of the state of the Scheme's transactions during the financial year ended 30 June 2023, and of the Scheme's financial position as at that date. The Trustees further confirm the completeness of the accounting records maintained for the Scheme, which have been relied upon in the preparation of the Scheme's financial statements as well as the adequacy of the systems of internal financial control.

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

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

For the Trustees:


.....
Chairman


.....
Trustee

Dated: .....2023

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO

E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



VCK/ARP/KNHSSS/2023

**REPORT OF THE INDEPENDENT AUDITOR
TO THE BOARD OF TRUSTEES OF
KENYATTA NATIONAL HOSPITAL STAFF SUPERANNUATION SCHEME**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kenyatta National Hospital Staff Superannuation Scheme, set out on pages 12 to 26, which comprise the statement of net assets available for benefits as at 30 June 2023, the statement of changes in net assets available for benefits and statement of cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Scheme as at 30 June 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Retirement Benefits Act 1997 as amended.

Emphasis of Matter

Without qualifying our opinion, we note that an actuarial valuation carried out as at 30th June 2021 by Actuarial Services (E.A) Limited revealed an actuarial deficit of Kshs. 7.5 billion as at 30th June 2021. This represented a funding level of the Scheme of 50.1% which was lower than the statutory minimum funding requirement of 100% prescribed in the Retirement Benefits (Minimum Funding Level and Winding up of Schemes) Regulations 2000. In addition, the Sponsor has not fully honored the Actuary's recommended remedial action of remitting monthly contributions of Kshs. 264.2 million starting 30th September 2021. The foregoing constitute material uncertainties related to events or conditions that may cast doubt upon the Scheme's ability to continue as a going concern into the foreseeable future.

Basis of Opinion

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

Key Audit Matters

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

	Key Audit Matter	How the matter was addressed in our audit
1.	Contributions receivable The Scheme has recognised contributions income for the year and contribution due at year end. We considered this to be a key audit matter because contributions make up the main capital inflows into the Scheme which dictate the Scheme's ability to continue operating as a going concern and therefore the need to obtain assurance on the amounts thus reported.	Our audit procedures in this area included among others: <ul style="list-style-type: none">• Reviewing monthly contribution schedules and confirming that correct classification/split of employee and employer portions as provided by the Trust Deed and Rules have been used; and that the disclosure of additional voluntary contributions has been made.• Confirming contribution remittances to the Custodian; and• Verifying contributions outstanding by reconciling contributions receivable in the monthly contributions schedules with contributions remitted.
2.	Benefits payable The Scheme has recognised benefits payable for the year and unpaid benefits at year end. We considered this to be a key audit matter because benefit payments make up the main capital outflows from the Scheme and therefore provides an area of high exposure to loss of Schemes' assets if not properly managed.	Our audit procedures in this area included among others: <ul style="list-style-type: none">• Reviewing schedule of benefits payable and confirming that they relate to members of the Scheme who accessed their benefits having exited through any one of the allowed mode of exit i.e. resignation, dismissal, retirement, ill-health, immigration, death etc.• Reviewing benefit computation worksheets on sample basis and confirming that benefits paid and/or unpaid were correctly determined as per the Trust Deed and Rules and the Retirement Benefits Act and withholding tax on benefits payable was correctly determined and remitted as per the Income Tax Act.

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



REPORT OF THE INDEPENDENT AUDITOR TO THE BOARD OF TRUSTEES OF KENYATTA NATIONAL HOSPITAL STAFF SUPERANNUATION SCHEME

Key Audit Matter	How the matter was addressed in our audit
<p>3. Financial assets</p> <p>The Scheme has invested in various financial assets.</p> <p>We considered this to be a key audit matter because financial assets make up the Scheme's major assets and therefore the need to obtain assurance on the financial assets' ownership and value reported, together with generated investment income.</p>	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none">• Verifying ownership by obtaining confirmation of the financial assets held from the Scheme's custodian.• Reviewing classification and valuation of the financial assets and confirming that it is consistent with IFRS 9: Financial Instruments and the requirements of the Retirement Benefits Act 1997 as amended and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000 that require Scheme assets to be recognised at market value.• Verifying investment income generated by each class of financial assets.
<p>4. Investment property</p> <p>The Scheme has invested in investment property.</p> <p>We considered the valuation and ownership of investment property as a key audit matter because it constitutes a major asset of the scheme and also due to estimation uncertainty in the determination of its value and therefore the need to obtain assurance on the investment property's ownership and value reported, together with rental income generated.</p>	<p>Our audit procedures in this area included among others:</p> <ul style="list-style-type: none">• Verifying ownership by obtaining confirmation of the title ownership.• Reviewing the valuation of the property investments based on a valuation performed by an independent appraiser.• Verifying rental income generated by the property.

Other information

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

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

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

Responsibilities of Trustees for the Financial Statements

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

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

Partners

V.C. Karani B.Com, CPA(K), CPS(K) - CEO
E.O. Ogari Msc, BSc (Actuarial Science), CPA(K), CIFA - Managing

VC Karani & Associates
Certified Public Accountants



**REPORT OF THE INDEPENDENT AUDITOR
TO THE BOARD OF TRUSTEES OF
KENYATTA NATIONAL HOSPITAL STAFF SUPERANNUATION SCHEME**

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- Conclude on the appropriateness of the Trustees' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Evans Ogari Onwonga, Practising Certificate No. 1971.

For and on behalf of:
VC Karani & Associates
Certified Public Accountants
Nairobi



Dated: 28/09/2023

**Kenyatta National Hospital
Staff Superannuation Scheme
Statement of changes in net assets available for benefits
For the Year Ended 30 June 2023**


	Notes	2023 Kshs	2022 Kshs
Income from dealings with members			
Contributions receivable	3	393,441,013	218,672,535
Outgoings from dealings with members			
Benefits payable	4	(1,574,682,239)	(1,362,886,959)
Net reduction from dealings with members		<u>(1,181,241,226)</u>	<u>(1,144,214,424)</u>
Returns on investment			
Investment income	5	404,468,348	521,935,491
Change in fair value of investments	6	(178,749,067)	(381,117,590)
Less:			
Investment management expenses	7a	(16,524,228)	(20,590,421)
Property management expenses	7b	(31,994,874)	(27,895,753)
Gross returns on investments		<u>177,200,179</u>	<u>92,331,728</u>
Less: Expenses			
Administrative expenses	8	(37,010,696)	(30,474,979)
Net returns on investments		<u>140,189,483</u>	<u>61,856,749</u>
Decrease in net assets for the year		<u>(1,041,051,743)</u>	<u>(1,082,357,674)</u>
Net assets available for benefits at start of year		6,403,244,461	7,485,602,135
Net assets available for benefits at end of year		<u>5,362,192,718</u>	<u>6,403,244,461</u>

**Kenyatta National Hospital
Staff Superannuation Scheme
Statement of Net Assets Available for Benefits
As at 30 June 2023**

	Notes	2023 Kshs	2022 Kshs
Investments			
Investment property	9	2,535,800,000	2,535,800,000
Financial assets	10	<u>2,525,855,374</u>	<u>3,797,446,414</u>
		<u>5,061,655,374</u>	<u>6,333,246,414</u>
Current assets			
Contributions due	11	7,125,703	582,988
Receivables & prepayments	12	339,303,055	47,013,198
Cash at bank	13	5,318,303	59,176,013
Trust Fund assets	16a	<u>422,439,359</u>	<u>373,156,963</u>
		<u>774,186,420</u>	<u>479,929,162</u>
Total assets		<u>5,835,841,794</u>	<u>6,813,175,576</u>
Less: Liabilities			
Benefits payable	14	17,655,385	-
Payables & accrued expenses	15	33,554,332	36,774,152
Trust Fund Benefits payable	16b	<u>422,439,359</u>	<u>373,156,963</u>
Total liabilities		<u>473,649,076</u>	<u>409,931,115</u>
Net assets available for benefits		<u>5,362,192,718</u>	<u>6,403,244,461</u>
Financed by:			
Members' Fund		<u>5,362,192,718</u>	<u>6,403,244,461</u>

The financial statements on pages 12 to 26 were approved for issue by the Trustees on 27/06/2023 and signed on their behalf by:


.....
Chairman


.....
Trustee

**Kenyatta National Hospital
Staff Superannuation Scheme
Cash flow statement
For the Year Ended 30 June 2023**

	Notes	2023 Kshs	2022 Kshs
Cash flow from operating activities			
Contributions received		386,898,298	228,851,365
Benefits paid to seceding members and pensioners		(1,557,026,854)	(1,362,886,959)
Administrative expenses paid		(38,248,102)	(27,170,107)
Net rent deposits received/ (paid)		<u>1,648,000</u>	<u>(3,336,444)</u>
Net cash flow from operating activities		<u>(1,206,728,658)</u>	<u>(1,164,542,144)</u>
Cash flow from investing activities			
Investment income received		101,693,629	487,024,443
Investment and property management expenses paid		(50,427,679)	(48,355,068)
Purchase of financial assets		(194,022,996)	(608,418,883)
Proceeds from disposal and maturity of financial assets		<u>1,291,789,422</u>	<u>1,228,778,096</u>
Net cash flow from investing activities		<u>1,149,032,375</u>	<u>1,059,028,587</u>
Net decrease in cash and cash equivalents		(57,696,283)	(105,513,557)
Cash and cash equivalents at start of year		<u>126,729,254</u>	<u>232,242,811</u>
Cash and cash equivalents at end of year		<u>69,032,971</u>	<u>126,729,254</u>
Represented by:			
Cash at bank	17	5,318,303	59,176,013
Fixed and call deposits	17	<u>63,714,668</u>	<u>67,553,241</u>
		<u>69,032,971</u>	<u>126,729,254</u>

1 Significant accounting policies

The principal accounting policies adopted in preparation of these financial statements are set out below. These policies have been consistently applied to all the periods unless otherwise stated.

a) Basis of preparation

The financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, the Retirement Benefits Act 1997 as amended, and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The financial statements summarize the transactions of the Scheme and deal with the net assets at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits that fall due after end of the Scheme period.

The financial statements are presented in the functional currency, Kenya Shillings (Kshs) and are prepared under the historical cost convention as modified by the carrying of certain investments at fair value.

b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

i New and revised standards effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued and effective. Those that relate and have an impact on the Scheme's operations have been adopted where applicable.

ii New and revised standards issued but not yet effective

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued but not yet effective. Those that relate and have an impact on the Scheme's operations will be adopted where applicable once they become effective.

iii Early adoption of standards

The Trustees do not have any plans to adopt any new and revised standards until they become effective. Based on their assessment of the potential impact of application of these standards, they do not expect that there will be a significant impact on the Scheme's financial statements.

c) Key sources of estimation uncertainty

In the application of the accounting policies, the Trustees are required to make the judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Except for the valuation of investment property for which Trustees have relied on valuation by an independent valuer and provision for anticipated liabilities, the Trustees have made no other sources of estimation uncertainty at the end of the reporting period that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial period.

d) Significant judgements made by Trustees in applying the Scheme's accounting policies

Trustees have made the following judgements that are considered to have the most significant effect on the amounts recognised in the financial statements.

i) Impairment of contributions due and other receivables

Contributions due

The Scheme recognises contributions receivable on an annual basis. Contributions outstanding for more than 30 days are considered overdue. In determining whether overdue contributions are impaired, the Trustees have made significant judgement as to whether there is any evidence indicating that the sponsor will not remit the overdue amount, if any, as stated.

Other receivables

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

ii) Impairment of financial assets

The Trustees have adopted the expected credit loss (ECL) model provided under the revised IFRS 9 in determining provision for impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

Based on the expected credit loss (ECL) model, the Trustees are of the opinion that, except for the Real People corporate note investment whose recoverability is uncertain, no provision for impairment of the rest of the financial assets is necessary since the assets have been stated at their market values or fair values as at the end of the period. For financial assets stated at amortised cost, fair value has been determined as the nominal value plus accrued interest thereon.

iii) Fair value measurement and valuation process

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date under current market conditions regardless of whether the price is directly observable or estimated using another valuation technique. The Trustees determine the fair value of the Scheme's assets and liabilities, where required, as follows:

- For assets and liabilities traded in the open market, fair value is the market value.
- For assets and liabilities not traded in the open market, fair value is determined using market observable data to the extent it is available.

e) Contributions

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

f) Benefit transfers

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

g) Benefits payable

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

h) Income from investments

Income comprises the fair value of the consideration received or receivable in the ordinary course of

The Scheme's income mainly comprising of investment income is recognized when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Scheme and when the specific criteria of the income class has been met as described below:

h) Income from investments

- i) Interest income is recognized for all interest bearing instruments on an accrual basis. Interest income includes coupons earned on fixed income investments and other discounted instruments.
- ii) Discount on government and corporate securities is recognized for securities purchased at prices lower than their respective nominal values and stated at amortised cost.
- iii) Dividends are recognized as income in the period in which the right to receive payment is established.
- iv) Rental income is recognized in the period in which it is earned.
- v) Other income is recognized in the period in which it is earned.

i) Investment property

Investment property comprises land and buildings held to earn rent income, for resale or for capital appreciation. They are initially recognized at cost (including incidental and transaction costs) and are subsequently carried at market value based on valuations by external independent valuers or at the lower of cost and net realisable value for property due for resale whose sale price has been determined. Repairs and maintenance expenses and other property associated costs are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred. Investment property is not subject to depreciation.

Changes in carrying amounts of the investment property between net asset statement dates are recognized through the statement of changes in net assets available for benefits.

j) Financial instruments

The Scheme recognizes financial instruments in accordance with IFRS 9: Financial Instruments. The standard sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Recognition and measurement

Financial assets and liabilities are initially recognized in the Scheme's statement of net assets at cost (including transaction costs) when the Scheme becomes party to the contractual provisions of the instrument.

IFRS 9 requires subsequent classification and measurement of financial instruments to reflect the business model in which the financial instruments are managed and their cash flow characteristics.

The standard contains three principal classification categories for financial instruments namely:

- i) At amortised cost;
- ii) At fair value through other comprehensive income (FVTOCI)
- iii) At fair value through profit or loss (FVTPL)

A financial instrument that meets the following two conditions must be measured at amortised cost unless the asset is designated at FVTPL under the fair value option:

- **Business model test:** The financial asset is held within a business model whose objective is to hold financial assets to collect their contractual cash flows (rather than to sell the assets prior to their contractual maturity to realise changes in fair value).

- **Cash flow characteristics test:** The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial instrument that meets the cash flow characteristics test and is not designated at FVTPL under the fair value option must be measured at FVTOCI if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and sell financial assets.

j) Financial instruments

Financial assets

Financial assets are initially recognised at cost using settlement date accounting, when the scheme has become party to the contractual provisions of the instrument.

The scheme classifies its financial assets into the following categories: Financial assets at fair value through profit and loss, financial assets at amortised cost and receivables. Trustees determine the appropriate classification of its investment at initial recognition.

(i) Financial assets at fair value through profit and loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value option. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces measurement inconsistency. Financial instruments cannot be transferred out of this category after inception. These category includes the following financial instruments:

- Government securities: Treasury bonds stated at market value
- Corporate bonds stated at market value.
- Quoted equities stated at market value.
- Offshore investments stated at market value.

(ii) Financial assets at amortised cost

Financial assets at amortised cost are non derivative financial assets with fixed or determinable payments and fixed maturities that trustees have the positive intention and ability to hold to maturity. These category includes the following financial instruments:

- Government securities: Treasury bills stated at amortised cost.
- Corporate bonds and commercial paper stated at amortised cost.
- Short term deposits stated at amortised cost

(iii) Receivables

Receivables are non derivative assets with fixed or determinable payments that are not quoted in an active market. They arise when trustees provide money or services directly to a debtor with no intention of trading the receivables. Receivables are carried at their original amount less an estimate made for bad and doubtful receivables based on the review of all outstanding amounts on an account by account basis, at the year end. Bad debts are written off in the year in which they are identified.

Impairment

IFRS 9 requires use of the 'expected credit loss' (ECL) model in determining impairment of financial assets. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

The impairment model is applicable to financial assets measured at amortised cost or FVTOCI except for investments in equity instruments and to contract assets.

The standard requires loss allowances to be measured on either of the following bases:

- **12-month ECLs:** these are ECLs that result from possible default events within the 12 months after the reporting date; and
- **Lifetime ECLs:** these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date.

j) Financial instruments...cont'd

Impairment...cont'd

The Scheme recognizes a loss allowance for expected credit losses on debt instruments that are measured at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which: (a) the credit risk has increased significantly since initial recognition; or (b) there is observable evidence of impairment. If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowances are recognised in profit or loss as impairment gains or losses.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Financial liabilities

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the profit and loss account.

Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

Presentation

All financial assets are classified as non-current except financial assets at fair value through profit or loss, those with maturities of less than 12 months from the reporting date, those which the Trustees have the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

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

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or the Scheme has transferred substantially all risks and rewards of ownership, or when the Scheme has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of net assets available for benefits only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

k) 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.

l) Comparatives

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

**Kenyatta National Hospital
Staff Superannuation Scheme
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3 Contributions receivable	2023	2022
	Kshs	Kshs
Employer - Normal	64,234,134	81,580,768
Members - Normal	29,197,279	37,082,167
Members - Additional Voluntary Contributions	9,600	9,600
Employer - Actuarial Deficit Financing	300,000,000	100,000,000
	<u>393,441,013</u>	<u>218,672,535</u>

Contributions for actuarial deficit financing paid by the Sponsor relates to the Sponsor's commitment in settlement of the existing actuarial deficit.

The Sponsor remitted Kshs. 300 million on 06 July 2023 (after the financial year end) towards actuarial deficit financing and this has been reflected in these financial statements as a receivable under Note 12. Also refer to Note 6 (Page 5) in the Report of Trustees.

4 Benefits payable	2023	2022
	Kshs	Kshs
Lumpsum benefits to and on account of leavers	899,856,446	543,230,329
Pension to and on account of retirees	530,229,936	354,380,764
Benefits re-computation and adjustment for underpayment in prior years following ruling by RBA Tribunal	144,595,857	465,275,865
	<u>1,574,682,239</u>	<u>1,362,886,959</u>

5 Investment income		
Rent income	80,356,850	71,061,013
Dividends receivable from equities	59,460,546	64,566,189
Interest receivable:		
- Treasury bonds	225,478,873	344,081,860
- Treasury bills	62,202	511,134
- Corporate bonds	1,799,741	1,213,928
- Fixed and call deposits	4,935,663	18,415,877
Gain (Loss) on disposal or maturity of investments	-	
- Local and regional equities	16,849,503	25,680,657
- Treasury bonds	13,375,821	(3,758,936)
Other income - Imperial bank deposit & credit interest	420,715	163,769
Other income - Other payables written back	1,728,434	-
	<u>404,468,348</u>	<u>521,935,491</u>

6 Change in fair value of investments	2023	2022
	Kshs	Kshs
Local and regional equities	(125,743,459)	(297,468,282)
Treasury bonds	(77,287,662)	(112,919,760)
Offshore private equity	24,282,054	(10,729,548)
Investment property	-	40,000,000
	<u>(178,749,067)</u>	<u>(381,117,590)</u>

**Kenyatta National Hospital
Staff Superannuation Scheme
Notes to the financial statements
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	2023	2022
	Kshs	Kshs
7 Investment expenses		
a) Investment management expenses		
Management fees	11,180,517	13,594,304
Custody fees	5,343,711	6,996,117
	<u>16,524,228</u>	<u>20,590,421</u>
b) Property management expenses		
Management fees	5,897,738	4,610,839
Property repair, maintenance and other expenses	24,056,936	23,284,914
Property consultancy costs	2,040,200	-
	<u>31,994,874</u>	<u>27,895,753</u>

Other property expenses aggregated with property repair and maintenance expenses relate to costs incurred in respect of valuation, security services, caretaker services, cleaning services, garbage collection services, water bills, electricity bills, land rent and rates and other miscellaneous expenses incurred in respect of the Scheme's properties.

	2023	2022
	Kshs	Kshs
8 Administrative expenses		
RBA Levy	5,000,000	5,000,000
Administration fees	5,519,904	5,750,993
Actuarial fees	-	696,000
Legal and consultancy expenses	3,158,100	888,579
Audit fees	420,000	420,000
Trustee election costs	-	801,698
Trustee allowances	3,717,396	2,439,516
Trustee & secretariat training expenses	12,034,177	11,445,894
Trustee indemnity insurance cover	299,381	840,013
Strategic plan expenses	3,594,800	-
Member education costs	633,000	106,400
Board evaluation expense	126,000	-
Annual general meeting (AGM) expenses	276,180	291,076
Subscription & office expenses	296,380	72,960
Bank and other transaction charges	1,935,378	1,721,850
	<u>37,010,696</u>	<u>30,474,979</u>

Kenyatta National Hospital
Staff Superannuation Scheme
Notes to the financial statements
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9 Investment property

Property Description	Balance b/fwd at 01/07/2022 Kshs	Revaluation gain/(loss) Kshs	Balance b/fwd at 30/06/2023 Kshs
L.R No. 209/12470 (Ngong Road Apartments)	559,200,000	-	559,200,000
L.R No. 1/872 (Waridi Court)	144,100,000	-	144,100,000
L.R No. 209/118/17/2(Chemelil Road)	209,000,000	-	209,000,000
L.R No. 209/74/8 & 209/74/9(Westlands Road)	926,200,000	-	926,200,000
Kajiado/Kaputiei North/(108933-109351)	659,403,261	-	659,403,261
Kajiado/Kaputiei North/(109376-109378)	37,896,739	-	37,896,739
	2,535,800,000	-	2,535,800,000

Investment property relates to Land and Building owned by the Scheme. They have been stated at assessed market values determined by Regent Valuers International (K) Limited, registered valuers.

Investment property on L.R No. 209/12470 (Ngong Road Apartments), L.R No. 1/872 (Waridi Court), L.R No. 209/118/17/2(Chemelil Road) and L.R No. 209/74/8 & 209/74/9(Westlands Road) are developed and have been rented out.

Investment property in respect of Kajiado/Kaputiei North/(108933-109351) and Kajiado/Kaputiei North/(109376-109378) comprise of 419 and 3 undeveloped parcels of land respectively that were sub-divided from two parcels of land reference nos: Kajiado/Kaputiei North/94869 and Kajiado/Kaputiei North/9122 which were acquired by the scheme for sub-division and re-sale.

The most recent valuation was carried out as at 29 September 2022 by Regent Valuers International (K) Limited, registered valuers, and the values have been adopted as the fair values as at 30th June 2023 due to insignificant time difference and changes in economic factors affecting the properties.

10 Financial assets

a) At fair value	Value at 01/07/2022 Kshs	Less: Accrued interest b/fwd Kshs	Purchases at cost Kshs	Disposals at average cost Kshs	Change in fair value Kshs	Add: Accrued interest c/fwd Kshs	Value at 30/06/2023 Kshs
Treasury bonds	2,530,382,815	(66,059,076)	172,003,332	(1,122,640,484)	(77,287,662)	44,605,983	1,481,004,909
Local and regional equities	859,116,896	-	-	(138,012,404)	(125,743,459)	-	595,361,032
Offshore private equity	324,620,438	-	22,019,664	-	24,282,054	-	370,922,157
	3,714,120,149	(66,059,076)	194,022,996	(1,260,652,888)	(178,749,067)	44,605,983	2,447,288,098
b) At amortised cost	Value at 01/07/2022 Kshs	Less: Accrued interest b/fwd Kshs	Purchases at cost Kshs	Disposals at average cost Kshs	Impairment Kshs	Add: Accrued interest c/fwd Kshs	Value at 30/06/2023 Kshs
Treasury bills	937,798	(26,588)	-	(911,210)	-	-	-
Corporate bonds	14,835,225	(290,256)	-	-	-	307,639	14,852,608
Fixed and call deposits	67,553,241	(53,241)	1,075,450,000	(1,079,450,000)	-	214,668	63,714,668
	83,326,265	(370,086)	1,075,450,000	(1,080,361,210)	-	522,307	78,567,276
Total Financial Assets	3,797,446,414	(66,429,162)	1,269,472,996	(2,341,014,098)	(178,749,067)	45,128,290	2,525,855,374

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

	2022 % holding	2023 % holding
Treasury bonds	58.63%	66.63%
Local and regional equities	23.57%	22.62%
Offshore private equity	14.69%	8.55%

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

**Kenyatta National Hospital
Staff Superannuation Scheme
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	2023	2022
	Kshs	Kshs
11 Contributions due	<u>7,125,703</u>	<u>582,988</u>
Outstanding contributions relates to the month of June 2023. The amount was remitted after the year end.		
12 Receivables & prepayments		
Investment income receivable (Dividends)	16,516,895	23,509,028
Due from KNH Trust Fund - Group Life Claims	19,209,618	19,209,618
Prepaid Trustee indemnity insurance cover	76,494	69,897
Rent receivable	3,500,048	4,224,656
Other receivable - Actuarial Deficit Financing (Note 3)	300,000,000	-
	<u>339,303,055</u>	<u>47,013,198</u>
13 Cash at bank		
NCBA bank custody a/c- GenAfrica Asset Managers Limited	1,481,753	17,517,668
NCBA bank custody a/c- Britam Asset Managers (K) Limited	3,836,550	41,658,346
	<u>5,318,303</u>	<u>59,176,013</u>
14 Benefits payable	<u>17,655,385</u>	<u>-</u>
Benefits payable to leavers		
15 Payables & accrued expenses		
RBA Levy	5,000,000	5,000,000
Rent deposit	15,265,466	13,617,466
Investment management fees	5,219,954	6,375,998
Custody fees	1,279,828	2,796,149
Property management fees	3,045,021	2,281,233
Administration fees	3,324,063	4,554,872
Audit fees	420,000	420,000
Other payables (Note 5)	-	1,728,434
	<u>33,554,332</u>	<u>36,774,152</u>

**Kenyatta National Hospital
Staff Superannuation Scheme
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16 Trust Fund Assets and Trust Fund Benefits payable

The Trust Fund holds benefits in respect of deceased members from which payments are made to beneficiaries on regular basis or as otherwise agreed by the Trustees and the beneficiaries. The funds held under the Trust Fund are invested separately and income earned thereof is credited to the beneficiaries accounts. As at year end, the Trust Fund held the following financial assets stated at market value:

	2023	2022
	Kshs	Kshs
a Trust Fund assets		
Cash at bank: NCBA Bank Custody account	1,445,468	891,906
Fixed and call deposits	58,706,689	24,832,394
Treasury bills	24,342,569	28,793,563
Treasury bonds	337,944,633	318,639,100
	<u>422,439,359</u>	<u>373,156,963</u>
b Trust Fund Benefits payable	<u>422,439,359</u>	<u>373,156,963</u>

17 Cash and cash equivalents

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

	2023	2022
	Kshs	Kshs
Cash at bank (Note 13)	5,318,303	59,176,013
Fixed and call deposits (Note 10b)	63,714,668	67,553,241
	<u>69,032,971</u>	<u>126,729,254</u>

18 Taxation

Kenyatta National Hospital Staff Superannuation Scheme has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income.

19 Contingent liabilities

The Scheme's contingent liabilities as at 30 June 2023 mainly comprised of the liability to pay future pensions and other benefits.

In addition, the Scheme has been issued a tax demand notice of Kshs. 15,450,936 by the Kenya Revenue Authority relating to the financial years 2018 - 2020. The Scheme has filed an objection to the tax demand and the matter is still under review by Kenya Revenue Authority.

20 Related party transactions

Related parties comprise of the Trustees and the Sponsor. Except for the contributions receivable (note 3) and the payment of fees and expenses (note 8), there were no other transactions carried out with related parties during the year.

21 Financial risk management disclosures

The Scheme's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Scheme's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Scheme does not hedge any risks.

Risk management is carried out by the investment managers of the Scheme in accordance with policies approved by the Board of Trustees as documented in the approved Investment Policy Statement.

Market risk

(i) Foreign exchange risk

The Scheme has investments in offshore private equity funds and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro.

21 Financial risk management disclosures..cont'd.

(ii) Cashflow and fair value interest rate risk

The Scheme does not hold any interest bearing financial liability or asset at a variable rate which would expose the Scheme to cash flow interest rate risk.

(iii) Credit risk

Credit risk refers to the risk that a counterparty will default on his obligations resulting in financial loss to the Scheme and arises principally from the Scheme's investments, contributions receivable and other receivables. The investment manager manages this risk by assessing the credit quality of each investment, and making investment decisions taking into account its credit rating. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Trustees in the Scheme's Investment Policy Statement.

In the financial year 2015/2016, Imperial Bank Limited and Chase Bank Limited were placed under statutory receivership by the Central Bank of Kenya due to unsound business practices. At the time of placement of the banks into statutory receivership, the Scheme held cash deposits with Imperial Bank Limited and a 7-year Corporate Bond with Chase Bank. The cash deposits held in Imperial Bank and accrued interest thereon totalling Kshs. 54,156,421 and the corporate bond held in Chase Bank of Kshs. 4,000,000 were fully impaired in the previous financial years 2016/2017 and 2017/2018. The amounts were fully impaired due to uncertainty on their recoverability and will be credited back to the Scheme in the event they are recovered in the future. The Scheme has since recovered Kshs. 5,110,758 (Kshs.327,055 in the current financial year) from Imperial bank. The recovered amounts were credited to the Scheme as other income in the financial years in which they were recovered.

to rent arrears left by tenants who vacated under distress and whose recovery is unlikely since the goods attached did not fully settle the arrears. Consequently, the cumulative rent arrears amount of Kshs. 3,873,341 relating to former tenants and whose recovery is uncertain was fully impaired in the previous financial year.

The amounts held in Imperial Bank and Chase Bank less recoveries made as well as rent arrears whose recovery is unlikely represent significant credit risk exposure to the Scheme as at year end.

No collateral is held for any of the Scheme's investments.

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit and expense payments. The Trustees advise the investment managers on regular basis on the liquidity needs of the Scheme in order for the investment managers to carry out investment decisions taking into account the Scheme's liquidity needs.

22 Capital management

The primary objective of the Scheme's capital management is to ensure that the Scheme's funds are invested in assets that provide optimal returns while complying with the approved investment policy and the set statutory investment guidelines in order to support its business and maximise members value.

The Scheme maintains an actively managed capital base to cover risks inherent in the business. The total accumulated fund as at 30 June 2023 was Kshs.5,362,192,718 (2022: Kshs.6,403,244,461).