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NOTICE OF ANNUAL GENERAL MEETING

KENYATTA NATIONAL HOSPITAL
P.O Box 20723-00202, Nairobi
Tel 2726300-9

STAFF RETIREMENT BENEFITS SCHEME 2011 (DC)

NOTICE OF ANNUAL GENERAL MEETING
Notice is hereby given that the Members Annual General Meeting for Kenyatta National Hospital Staff Retirement Benefits Scheme 2011 (DC) for the year ended 30th June 2018 will be held on Friday 25th January 2019, at the KNH Administration car park, starting from 9.00 am.

The agenda will be:
Notice of the AGM
KNH SRBS2011 Chairmans report
Receive report of Audited Accounts
Receive report of investment managers
Receive report of the custodian
Receive report of the Administrator
Questions & Answers session
All members of the scheme are invited.

ELPHAS CHOGO
TRUST SECRETARY
KNH STAFF RETIREMENT BENEFITS SCHEME 2011
3/1/2019
Board of Trustees KNHSRBS 2011 (DC) Pension Scheme

Mr. Peter Mureithi
Chairman
Appointed on 27 July 2018

Mr. Elphas Choge
Trustee Secretary

Dr Thomas Mutie
Ag CEO/ Trustee
Appointed on 25/9/2018

Ms. Alice Atamba
Trustee

Mr. Kenneth Kimengech
Trustee

Mr. Charles Mbaka
Trustee Appointed on 27 July 2018

Ms. Irene Moke
Trustee Appointed on 27 July 2018
Former Board of Trustees for KNH Staff Retirement Benefits Scheme 2011 (DC ) Pension Scheme

Mr. Albert Ambune
Chairman
Retired on 26th July 2018

Lily Koros Tare
CEO / Trustee
Retired on 24th Sept 2018

Dr. Richard Kamau
Trustee
Retired on 24th Sept 2018

Mr. Duncan Msafiri
Trustee
Retired on 26 July 2018

Ms. Grace Akinyi
Trustee
Retired on 26 July 2018
Chairman’s Report

Dear Members, I am delighted to provide you with our 7th annual general meeting report of the KNH Staff Retirement Benefits Scheme 2011 for the year ended 30 June 2018.

Establishment

KNH Staff Retirement Benefits Scheme 2011 was established under irrevocable trust and commenced operations on 1 July 2011. The main purpose of the Scheme is to provide pension benefits to eligible employees of the hospital and benefits for dependants of deceased members. The Scheme operates on a defined contribution basis, whereby the benefits to the members and their dependants are based on accumulated contribution plus accrued interest.

Board of Trustees

Member elections were held in July 2018 and new Trustees were elected. In compliance with the provisions of the Retirement Benefits Act, members elect half of the Board while the Sponsor appoints the other half. The current Board of Trustees are:

- Mr Peter Mureithi - Member elected/Chairman
- Ms Alice Atamba - Sponsor appointed
- Mr Elphas Choge - Sponsor appointed
- Dr Thomas Mutie - Sponsor appointed
- Mr Charles Mbaka - Member elected
- Mr Kenneth Kimengech - Member elected
- Ms Irene Moke - Member elected

The sponsor is yet to nominate one Trustee to replace Dr Richard Kamau.

Service Providers

The Scheme’s service providers for the year were:

- Administrator: Minet Kenya Insurance Brokers Limited
- Fund Managers: Sanlam Investments
- Custodian: KCB Bank
- Auditor: VC Karani & Associates

Scheme’s Overview

Contributions

The Members contributed 5% of their basic salary to the Scheme while the Sponsor contributed 10% of member’s basic salary within the year.

NSSF Act 2013

We confirm that the NSSF Act 2013 is still a matter in court and therefore the new contribution rates are not yet effective. We shall keep members updated in regards to the court ruling as and when it happens.

Remuneration of Trustees

The Retirement Benefits Act requires that we disclose and request members to approve of the Trustees sitting allowance every three years. I confirm that currently, the Board of Trustees are paid a sitting allowance of Kes. 20,000 per sitting that is subjected to tax and is paid from the pension Scheme. The same was approved by members in the last AGM and there has been no change.

Audit for The Year Ended 30 June 2018

The Scheme was audited by VC Karani & Associates and the financial statements were approved and signed by the Trustees in accordance to the retirement regulations. The financials were also filed with the relevant authorities within the stipulated timelines.

Results for year 2017/2018

Our scheme recorded a positive growth despite the many economic challenges that the investment environment was facing. Assets under the Scheme increased from Kes. 2,147,529,725 in June 2017 to Kes. 2,785,920,015 in June 2018. The Scheme return to June 2018 was 11.24% and we confirm the same interest allocation was awarded to the members statements as at 30 June 2018.
Scheme Growth
The scheme has grown over the last 7 years from Kes. 287million as at 30 June 2012 to Kes. 2.7billion as at 30 June 2018.

GROWTH OF THE FUND FROM JUNE 2012 TO JUNE 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Fund Value '000</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2012</td>
<td>286,991</td>
</tr>
<tr>
<td>June 2013</td>
<td>706,327</td>
</tr>
<tr>
<td>June 2014</td>
<td>1,372,922</td>
</tr>
<tr>
<td>June 2015</td>
<td>1,203,958</td>
</tr>
<tr>
<td>June 2016</td>
<td>1,602,642</td>
</tr>
<tr>
<td>June 2017</td>
<td>2,147,530</td>
</tr>
<tr>
<td>June 2018</td>
<td>2,785,920</td>
</tr>
</tbody>
</table>

Members Training
The Trustees wish to assure members that they will organise for more training on topics that are relevant to personal growth. We confirm that about 700 members were trained in 2018.

Benefit Statements
The details of the benefits you are entitled to as a member of the defined contribution Scheme are set out in your individual benefit statement.

Please ensure that the personal details contained in your benefit statement are correct. If you have any questions about the statements please liaise with the Trust Secretary or the Pension Secretariat office.

Members Statement & Nomination of Beneficiary
We encourage members to continue accessing their statements online. We thank the administrator, Minet Kenya for their continued support and improvement on their services.

The link is as follows: [http://pensions.minet.co.ke/login](http://pensions.minet.co.ke/login)

Members can also access their benefits update through their mobile phones by going to the Playstore (for Andorids) and Appstore (for iOS) and search for the app ‘Minet’ and download the same.

We would like to request members to ensure that their nomination of their beneficiaries’ forms are completed and or updated for those who have completed before. Please liaise with the HR office or the pension secretariat and ensure you update your nomination of beneficiary form so that in the unfortunate event of your death the Trustees will know who your Pension Scheme benefits are payable to.

Property
Last year, as Trustees we reported that we are looking into diversifying into the property market as an investment strategy and had reviewed a couple of properties, we wish to report that we bought two properties in Kitengela and Isinya which are 14.20Ha and 20.23Ha respectively.

Conclusion
In conclusion I wish to thank all the members and service providers for their continued support to the Board of Trustees.

Thank you.

Mr Peter Mureithi
Chairman
Board of Trustees
KNH Scheme Retirement Benefits Scheme 2011
MINUTES OF THE MEMBERS ANNUAL GENERAL MEETING FOR THE KENYATTA NATIONAL HOSPITAL STAFF SUPERANNUATION SCHEME (DB SCHEME) & KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011 (DC SCHEME) HELD ON 26TH JANUARY 2018
Minutes of the Members Annual General Meeting for the Kenyatta National Hospital Staff Superannuation Scheme (DB Scheme) & Kenyatta National Hospital Staff Retirement Benefits Scheme 2011 (DC Scheme) held on 26th January 2018, at the Kenyatta National Hospital premises, commencing at 1000am

Present:

Board of Trustees of the KNH SSS (DB Scheme)
Dr. Simeon Monda Sponsor Appointed Trustee (Chairperson)
Mr. Calvin Nyachoti Sponsor Appointed Trustee (Trust Secretary)
Mrs. Lily Koros Tare Sponsor Appointed Trustee
Mr. Elphas Choge Sponsor Appointed Trustee
Mr. Kipkemoi Arap Bor Sponsor Appointed Trustee
Mr. Wycliffe Lisalitsa Member Elected Trustee
Mr. Jared Owiny Member Elected Trustee

Board of Trustees of the KNH SRBS 2011 (DC Scheme)
Mr. Albert Ambune Member Elected Trustee (Chairperson)
Mr. Duncan Msafiri Member Elected Trustee (Trust Secretary)
Mrs. Lily Koros Tare Sponsor Appointed Trustee
Mrs. Alice Atamba Sponsor Appointed Trustee
Dr. Richard Kamau Sponsor Appointed Trustee
Mr. Elphas Choge Sponsor Appointed Trustee
Mr. Kenneth Kimengech Member Elected Trustee
Ms. Grace Akinyi Member Elected Trustee

Members Present
List in the file of KNH Pension Secretariat

Service Providers:
Mr. Mathew Maina Zamara Actuaries Administrators & Consultants
Mr. Adil Suleman Zamara Actuaries Administrators & Consultants
Mr. Daniel Mainga Minet Kenya Insurance Brokers Limited
Mr. Nick Muhuni NIC Bank Limited
Mrs. Eva Bore Mwangi NIC Bank Limited
Mrs. Rosemary Omayo Stanlib Kenya Limited
Mr. Brian Chege British American Asset Managers
Mr. Mohamed Adil GenAfrica Asset Management Limited
Mr. Matthew Mue PineBridge Investments E A Limited
Mr. Samson Kagati King’ang’i Kamau & Co
Mr. Mary Luvisya King’ang’i Kamau & Co
Mr. Evans Ogari VC Karani & Associates
Mrs. Enidjoy Muriungi Ebony Estates Limited
Mr. Timothy Machira Retirement Benefits Authority

Master of Ceremony
Ms. Irene Moke Kenyatta National Hospital

1. (Min 01/18) Open Prayers

1.1 Present and Apologies
The DB Scheme Chairman, Dr. S Monda called the meeting to order and welcomed all present. He informed the members that the Annual General Meeting (AGM) would be co-Chaired jointly with Mr. A Ambune, the chairperson of the DC Scheme.

He advised that the KNH CEO, L K Tare, the Board Chairman, Mr. M Bor, the Corporation Secretary, Mr. C Nyachoti and Board Director Dr. R Kamau who were also Trustees of the DB & DC Schemes were attending a meeting in parliament and would be joining the AGM later.

He further requested all present to observe a minute of silence in honor of Dr. Njuguna, their colleague who had passed on.

Rev. Joseph Miriti Kanamba of Chaplaincy was invited to give a short sermon and pray for the meeting.
2. (Min 02/18) Notice of the Annual General Meeting and Agenda

2.1 Reading of the AGM Agenda
The Trust Secretary of the DC Scheme Mr. D Msafiri read the notice and the agenda for the annual general meeting which was adopted.

3. (Min 03/18) Confirmation of the Minutes of the Joint DB and DC Scheme Annual General Meeting for the financial year ended 30 June 2016 held on 27th January 2017
The Minutes of the AGM held on 27th January 2017 were read by Mr. D Mainga of Minet Kenya. The Scheme members confirmed the minutes to be a true record of proceedings and were proposed and seconded by Messrs Pius Cheboi and Eric Otieno.

4. (Min 04/18) Matters arising from the Minutes of the Joint DB and DC Scheme Annual General Meeting for the financial year ended 30 June 2016 held on 27th January 2017
There were no matters arising from the minutes of the previous AGM

5. (Min 05/18) Chief Executive Officer’s (CEO’s) Remarks
Mr. E Choge, the Hospital’s Head of Human Resources delivered the speech on behalf of the CEO. He welcomed all present to the AGM and the following was the highlight of the speech:
• He thanked members who were present for availing themselves and emphasized the AGM was an important event for members to receive feedback from the Trustees and Service providers. He requested for those present to be ambassadors of the Scheme and encourage others to attend the function in future;
• He reaffirmed the Sponsor’s commitment to supporting the DB and DC Scheme’s and therefore encouraged members to take interest in their schemes;
• He noted that the Member sensitization forums the DB Scheme would be held soon although the HR department was in conjunction with the RBA conducting training for members who were close to retirement. This program, assisted by the administrators would be cascaded to member’s in the lower age bands;
• He noted the hospital was committed to providing a good working environment for all staff and would look at ways of promoting healthy living including possible annual medical checks for the staff of KNH; and
• He reaffirmed the Sponsor’s support to all the staff in their work stations and assured them of adequate security so that they could continue working without fear. He however reminded members to be vigilant and report any suspicious ongoing within the hospital as everyone was responsible for the security of the hospital.

6. (Min 06/18) KNH SSS (DB Scheme) Chairman’s Report
The Chairman Dr. S Monda welcomed all members to the AGM and informed them of the following

Economic Overview
The economic environment in 2016/17 improved from year 2015 with the Kenyan economy growing by 5.8% largely driven by tourism and non-core sectors such as ICT and Transport. The economy also experiences some challenges with erratic rains affecting food security and increasing energy process while the capping of interest rates lead to a reduction of private sector credit growth which greatly affected funding for real estate and infrastructure projects as well as investor confidence in banking stocks. This saw the NSE 20 and NASI indices decline by 21% and 8.5% respectively. The low interest rates however increased the revaluation of bonds and encouraged purchase of government treasuries to cushion investors from poor performance at the NSE.

Scheme Performance
The Scheme assets increased to K Shs. 6.965bn as at 30 June 2017 from K Shs. 6.690bn as at 30 June 2017 an increase in the value of assets by K Shs.275mn. This growth was attributable to the positive investment returns and increase in the value of the Scheme’s property investment

Recalculation of Scheme benefits
During the year 2017, Trustees and the Scheme Administrator, Zamara embarked on a recalculation of benefits for members who retired after 30th June 2011 based on the revision of 2011 closure terms. This exercise saw 346 calculations revisited and over K Shs 100 paid to qualifying members as an enhancement to what they had earlier received.

Payment of Actuarial Deficit and commutation factor.
The Board of Trustees during the year presented to the Board of the Sponsor a remedial plan to clear the actuarial deficit together with a recommendation from the actuary for the Sponsor to increase their contribution rate into the Scheme from 10% to 14.1%. The Sponsor was already working to obtain funding to clear the deficit as well as for raising the contribution rates.
Changes to the Board of Trustees
During the Scheme’s financial year, Trustees Michael Kihuga and Wilson Owuor left the Board while Messrs Mark Bor and Eliphas Choge were appointed into the Board.

The Chairman, on behalf of the Trustees encouraged members to plan for their retirement and reaffirmed the Board’s commitment to manage the Scheme in accordance with the Regulations and international best practices. He further encouraged members to update their Nomination of Beneficiary Forms regularly.

7. (Min 07/18) KNH SRBS 2011 (DC Scheme) Chairman’s Report
The Chairman Mr. A Ambune welcomed all members to the AGM and informed them of the following

Contributions
The Scheme was established as an irrevocable Trust and commenced operations on 01 July 2011. It operates on a Defined Contribution (DC) basis with contributions of Employee 5% and Employer 10% of basic salary. The purpose of the Scheme was to provide pension benefits to employees and benefits for dependents of deceased members.

Results of the Year 2016/17
It was noted the Scheme was audited by VC Karani & Associates and the financial statements were approved and signed by Trustees as required by law. The Scheme assets increased to K Shs 2.147bn in June 2016 from K Shs. 1.602bn in June 2017 and as a result the Trustees were able to declare a rate of return of 10.75% an allocation which was reflected in the already distributed member benefits. Members were encouraged to obtain their benefit statements from the Minet online portal as well as confirm their bio data details.

NSSF Act 2013
The chairman reported the NSSF Act had not taken effect as it was still in court. He however advised that the Sponsor was willing to match enhanced contributions by members if the proposals of the new NSSF act were implemented.

Strategic Plan
It was noted the Scheme launched its five (5) year strategic plan during the year and members were encouraged to read the document and familiarize themselves with it.

Member Training
During the year, the Scheme held member education sessions for those aged 50 years and above courtesy of GenAfrica Asset Managers. The Scheme was looking at ways of expanding the session to younger members of the Scheme and would commence as soon as they had finalized the training material

Property Investments
During the year, the Trustees resolved to venture into the asset class with a view to diversify the portfolio of investments. The Trustees were currently reviewing viable opportunities which once was complete would see the Scheme purchase its first property by end of March 2018.

Member Trustee Elections
The chairman informed the meeting that the term in office of Member Trustees were coming to an end in the second half of the year. He encouraged members to turn out in large numbers and elect their representatives

The Chairman, on behalf of the Trustees reaffirmed the commitment to manage the Scheme in accordance with the Regulations and international best practices.

8. (Min 08/18) Remuneration of Scheme Trustees
The joint Chairman confirmed that Trustees of both the DB and DC Schemes received a taxable sitting allowance of K Shs. 20,000 per sitting. However, new Regulations by the RBA required for members to approve the sitting allowance to be paid to Trustees for the for the new financial year. The DB and DC Scheme Chairpersons confirmed Trustee of the two schemes were proposing to retain the same rate for the coming financial year and requested members to vote to retain the same or not. The votes cast were as follows

<table>
<thead>
<tr>
<th>Member Proposed</th>
<th>Taxable Allowance</th>
<th>Votes Cast</th>
</tr>
</thead>
<tbody>
<tr>
<td>8,000.00</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>10,000.00</td>
<td></td>
<td>24</td>
</tr>
<tr>
<td>20,000.00</td>
<td></td>
<td>72</td>
</tr>
</tbody>
</table>

With the above votes cast, K Shs 20,000 was confirmed as the sitting allowance, net of taxes payable to the Trustees of the two Schemes during the new financial year.
9. (Min 09/18) Report of the Audited Financial Statements for the year ended 30th June 2017

9.1 KNH SSS (DB Scheme)
Mr. Samson Kagati of Kingang’i Kamau & Company presented to the members the audited financial statements for the year ending 30th June 2017. The highlight of the report was as below:

Results of the Year
The net assets available for benefits as at 30th June 2017 were K Shs 6,936,784,278 an increase of K Shs. 275,598,214 up from K Shs 6,662,791,372 as at June 2016.
The members were taken through the statement of net assets available for benefits, the statement of changes in net assets and the statement of cash flows.

Actuarial Valuation
Members noted the valuation of the Scheme conducted as at 30 June 2014 revealed the Scheme was underfunded by 33% or with a deficit being K Shs. 2.8bn. A new valuation would be carried out as at 30 June 2017 to determine the new funding levels.

9.2 KNH SRBS 2011 (DC Scheme)
Mr. Evans Ogari of VC Karani & Associates presented to the members the audited financial statements for the year ending 30th June 2017. The highlight of the report was as below:

Results of the Year:
The net assets available for benefits as at 30th June 2017 were K Shs 2,147,529,725 an increase of K Shs. 544,888,210 down from K Shs 1,602,641,515 as at June 2017.
The members were taken through the statement of net assets available for benefits, the statement of changes in net assets and the statement of cash flows.

The Investment Managers Messrs. M Adil and B Chege of GenAfrica and British American Asset Managers presented their reports which included an economic review and their outlook for the domestic and global markets. The following was also noted in relations to the role of the Investment Manager.

The investment manager offered investment advice to the Board of Trustees and was responsible for security selection and portfolio management in adherence to international best practices and RBA guidelines. They were also responsible for the overall asset growth of the individual portfolios and provided reports of performance to the Board of Trustees on a quarterly basis.
The investment managers were guided by the Investment Policy Statements as regards to strategic asset allocations.
The two investment managers reported they had a positive performance outlook for the market for the current financial year and were look for good declarations by the schemes come year 2018.
Assets as at 30 June 2017 were noted as follows;
KNH SSS (DB Scheme): K Shs. 6,936,784,278; and
KNH SRBS 2011 (DC Scheme): K Shs. 2,147,529,725
The members noted the contents of the report

11. (Min 11/18) Report of the Custodian
Mr. N Muhuni of NIC Bank Custody and Mr. Timothy Ndemwa of Kenya Commercial Bank Custody presented the custodial report and the following was noted.
The main role of the custodian was noted as safekeeping of the Scheme assets. Other roles that the custodian held were, trade settlements, receipt of Scheme remittances, execution of payment instructions, proxy voting and corporate actions events such as providing access to offshore markets.
The assets under custody as at 30th June 2015 were confirmed as follows.
KNH SSS (DB Scheme): K Shs. 6,936,784,278; and
KNH SRBS 2011 (DC Scheme): K Shs. 2,147,529,725
They also confirmed assets of the two schemes were safe
Members noted the contents of the report.

12. (Min 12/18) Report of the Property Manager for the KNH SSS (DB Scheme)
Mrs. Muriungi of Ebony Estate presented the property report and made her presentation with the following being noted;
The DB Scheme had completed the Westlands property and were now letting to the general public. In order to diversify the property portfolio and in line with the property strategy the DB Scheme had purchased 74 acres along Namanaga Road in Isinya, Kajiado County. Property values in satellite towns close to Nairobi County and in particularly in Kajiado county were rapidly increasing, with a high demand for mixed user developments which the Scheme would consider venturing into in future.

She also informed the members the DC Scheme was also seeking venture into property and would notify members once the purchase was complete.

She further informed members that her company was committed to managing the Scheme properties in line with best practices and that they would continue advising Trustees of new development in the property market.

The members noted the contents of the report.

13. (Min 13/18) Report of the Administrator
M Maina and Mr. D. Mainga of Zamara and Minet Kenya respectively presented the administration reports which highlighted the DB and DC Schemes’ benefit structures.

The DB Scheme design was such that members only contributed a small proportion of their basic salaries although the Sponsor retained the responsibility of funding the Scheme. The final benefit payable to retiring members was based on a formula and not on returns earned over the savings period. Members were encouraged to review the Trust Deed and Rules of the DB Scheme to best familiarize themselves with the Scheme Rules.

The DB Scheme actuary, Mr. A Suleman of Zamara clarified that the salary which was used to calculate the final benefit was a members’ pensionable salary, as defined in the Scheme Rules. He also advised that the firm had recalculated benefits for over 350 members and paid those who qualified enhanced lumpsums and pension benefits. He urged members to seek correct information from the right sources and avoid any information that has not been verified by the Trustees.

The DC Scheme design was such that a member’s retirement income was determined by the level of their combined employee and employer contributions into the Scheme and the investment income earned to their date exit.

Members were reminded of the importance of saving for retirement and preservation of Scheme benefits upon withdrawal as it affected their final retirement dues. Further that increasing their Scheme contributions by making Additional Voluntary Contributions would boost their retirement savings and greatly increase their chances of a financially sound retirement.

The members noted the contents of the report.

14. (Min 14/18) Address by the Retirement Benefits Authority Representative
The RBA representative Mr. Timothy Machira addressed members and the following was noted:

- He thanked Trustees for the invitation to the AGM and commended present members for attending the AGM;
- He informed the members that the RBA was responsible for supervising the industry, protecting member benefits and ensuring compliance by Schemes;
- He encouraged members to attend the AGM and member trainings so they can understand the Scheme operations better. He also wished that members familiarize themselves with the Scheme Rules as most of the complaint cases they were receiving showed members did not have a good understanding of their Scheme rules.
- He also encouraged Trustees to educate members and encourage members to attend these sessions once;
- He advised that RBA had issued practice notes that required members to approve the Trustees allowances and related expenses at Scheme AGMs in a bid to control Scheme expenses. He further commended the DB and DC Scheme chairman for informing the members of the new Law and members for voting for the allowances to be paid for the coming financial year;
- He commended the DB Scheme & DC Scheme investment strategies and pledged the Regulators support to the Schemes. The Schemes were encouraged to manage risk appropriately in order to ensure that members’ funds were safeguarded and that they were assured of their benefits upon leaving the Scheme.

The members noted the contents of the report.

15. (Min 15/18) Question and Answer Session
Members were given the chance to write all their questions and forward to the service providers and Trustees for responses.

The Trustees and service providers responded to all the questions that had been raised to the members’ satisfaction.

16. (Min 16/18) Remarks by the Sponsor
The CEO, Mrs. L Koros Tare informed members the Directors of the Scheme who were also Sponsor Appointed Trustees would have wished to be present for the entire AGM but had to attend a meeting scheduled by the Parliamentary Health Committee earlier in the morning.
She gave her condolences to the family, friends and colleagues of the departed Dr. Njuguna who she termed was hard working, committed and dedicated to his work at the hospital and to the nation. She assured members the Sponsor was committed to resolving the Scheme issues and commended Trustees, Secretariat and the DB administrator for handling retiree issues well and encouraged those who felt aggrieved to meet the Trustees. She encouraged staff to continue praying for the institutions and reaffirmed the Sponsor’s commitment to investigate and resolve all issues at the hospital and encouraged all to remain motivated and work without fear.

17. (Min 17/18) Vote of Thanks
Dr. S Monda thanked Trustees and members for giving him the opportunity to serve as the DB Scheme chairman. He informed the meeting that he would be retiring come end of the year 2018 and wished the Scheme and the remaining members of the Board of Trustees well as they manage Scheme affairs.
Ms. Grace Akinyi in conclusion further thanked the following
- The God Almighty, for the day and proceedings throughout the AGM;
- The co-Chairpersons Dr. S Monda and Mr. A Ambune for their stewardship;
- the KNH SSS (DB Scheme) and KNH SRBS 2011 (DC Scheme) Trustees for prudent management of the Schemes;
- the Pension Secretariat for their support to the trustees;
- the service provider for their quality services;
- the RBA and the RBA representative Ms. T Machira for the assistance accorded to the Scheme;
- The Drama team for the insightful Skit on savings for retirement
- The AGM organizing committee for organizing the AGM;
- the Sponsor, KNH for the support and funding the Schemes; and
- the Master of Ceremony Mrs. Irene Moke and Chaplain Rev. J. M. Kanamba for a job well done

18. (Min 18/18) CLOSE MEETING
There being no further matters to discuss the Chairman thanked all for their participation and closed the meeting at 01.30 pm
Kenyatta National Hospital  
Staff Retirement Benefits Scheme 2011  
Annual Report and Financial Statements  
For the year ended 30 June 2018

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<td>11</td>
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<td>12 - 20</td>
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</tbody>
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Kenyatta National Hospital
Staff Retirement Benefits Scheme 2011
Trustees, Advisors and Other Information
For the year ended 30 June 2018

TRUSTEES

Lily Koroe
Alice Atamba
Dr. Richard Kamau
Kenneth Kirigengech
Elphas Choge
Irene Moke
Peter Mureithi
Charles Mbaka
Albert Ambune
Duncan Msafiri
Grace Akinyi

Re-appointed 27 July 2018
Appointed 6 June 2017
Appointed 27 July 2018
Appointed 27 July 2018
Retired 27 July 2018
Retired 27 July 2018

ADMINISTRATOR

Minet Kenya Financial Services Limited
(Formerly AON Kenya Insurance Brokers Limited)
AON House, Mamlaka Road
P.O Box 20102 - 00200
NAIROBI

INVESTMENT MANAGERS

GenAfrica Asset Managers Limited
Arlington Block, 14 Riverside Business Park
P.O Box 40884 - 00100
NAIROBI

Sanlam (formerly PineBridge) Investments East Africa Limited
Africa Re Centre, 5th Floor
P.O Box 67262 - 00200
NAIROBI

CUSTODIANS

NIC Bank Kenya Limited
NIC House
Masaba Road Branch
P.O. Box 44599 - 00100
NAIROBI

Kenya Commercial Bank Ltd
Piedmont Plaza
Ngong Road
P.O. Box 30664-00100
NAIROBI

REGISTERED OFFICE

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

AUDITOR

VC Karani & Associates
Certified Public Accountants
Fort Granite Flats, A6, Bishop Road
P.O Box 45481 - 00100
NAIROBI
Kenyatta National Hospital
Staff Retirement Benefits Scheme 2011
Report of the Trustees
For the year ended 30 June 2018

The trustees present their report together with the audited financial statements for the year ended 30 June 2018 which disclose the state of affairs of the scheme.

1 Establishment, nature and purpose of the scheme

The scheme was established and is governed by an irrevocable Trust deed dated 28 June 2011.

It is a defined contribution scheme whose main purpose is the provision of pension and other retirement benefits for members upon retirement from the founder's service and relief for the dependants of deceased members.

The scheme is an exempt approved plan (Income Tax ref. P/20130717/44) under the Income Tax Act and is registered with the Retirement Benefits Authority (Scheme ref. RBA/SC/01885).

2 Contributions

The employer and members contribute at the rate of 10% and 5% of the members' basic salary respectively. In addition, members are allowed to make additional voluntary contributions.

3 Membership

All permanent employees of the employer aged atleast 18 years are eligible to join the scheme. The movement in membership of the scheme during the year was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Active</th>
<th>Deferred</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At start of year</td>
<td>3325</td>
<td>285</td>
<td>3,610</td>
</tr>
<tr>
<td>Entrants</td>
<td>228</td>
<td>74</td>
<td>302</td>
</tr>
<tr>
<td>Exits</td>
<td>(62)</td>
<td>(29)</td>
<td>(91)</td>
</tr>
<tr>
<td>At end of year</td>
<td>3,491</td>
<td>330</td>
<td>3,821</td>
</tr>
</tbody>
</table>

4 Financial review

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 Kshs. 638,390,290 (2017: Kshs. 544,888,210) and the statement of net assets available for benefits on page 8 shows the scheme's net assets as Kshs. 2,785,920,015 (2017: Kshs. 2,147,529,725).
5 Investment of funds

Under the terms of their appointment, Sanlam Investments East Africa Limited and GenAfrica Asset Managers Limited are responsible for the investment of the scheme's funds. However, the overall responsibility for investment and performance lies with the trustees.

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

<table>
<thead>
<tr>
<th>Investment Portfolio</th>
<th>Amount (Kshs)</th>
<th>Percentage (%) of Portfolio</th>
<th>Percentage (%) RBA Limits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>22,922,126</td>
<td>0.65%</td>
<td>5%</td>
</tr>
<tr>
<td>Fixed, time and call deposits</td>
<td>873,141,237</td>
<td>24.59%</td>
<td>30%</td>
</tr>
<tr>
<td>Commercial papers and corporate bonds</td>
<td>105,063,251</td>
<td>2.96%</td>
<td>30%</td>
</tr>
<tr>
<td>Kenya government securities</td>
<td>1,037,960,398</td>
<td>29.24%</td>
<td>90%</td>
</tr>
<tr>
<td>Quoted local and regional equities</td>
<td>595,657,159</td>
<td>16.78%</td>
<td>70%</td>
</tr>
<tr>
<td>Investment property</td>
<td>915,452,656</td>
<td>25.79%</td>
<td>30%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,550,196,827</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

6 Auditors

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

For the trustees:

[Signature]

Trust Secretary

Dated: 20/09/2018
Kenyatta National Hospital
Staff Retirement Benefits Scheme 2011
Statement of Trustees’ Responsibilities
For the year ended 30 June 2018

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

The trustees accept responsibility for the annual 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 and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

The trustees are of the opinion that the financial statements give a true and fair view of the financial transactions of the scheme and of the disposition of its assets and liabilities, other than liabilities to pay pensions and benefits falling due after the end of the year. 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 controls 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 purpose of the audit was correct and complete in every aspect.

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.

For the trustees:

[Signatures]

Trustee

Trustee

Dated: 20/09/2018
INDEPENDENT AUDITOR’S REPORT
TO THE BOARD OF TRUSTEES OF
KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Kenyatta National Hospital Staff Retirement Benefits Scheme 2011, set out on pages 9 to 20, which comprise the statement of net assets available for benefits as at 30 June 2018, 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 our opinion, the accompanying financial statements give a true and fair view of the financial position of the scheme as at 30 June 2018 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the Retirement Benefits Act 1997 as amended.

Basis of Opinion

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

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 period. 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 are:

<table>
<thead>
<tr>
<th>Key Audit Matter</th>
<th>How the matter was addressed in our audit</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Contributions receivable</td>
<td>Our audit procedures in this area included among others:</td>
</tr>
<tr>
<td>The scheme has recognised contributions for the year of Kshs. 384,648,499 (see note 3) and contributions outstanding as at the end of the year of Kshs. 33,045,020 (see note 12).</td>
<td>• Reviewing monthly contribution schedules and confirming that correct employee and employer rates have been used as per the Trust Deed and Rules; and correct classification/split has been made including disclosure of additional voluntary contributions.</td>
</tr>
<tr>
<td>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.</td>
<td>• Confirming contribution remittances to the custodian; and</td>
</tr>
<tr>
<td></td>
<td>• Verifying contributions outstanding by reconciling contributions receivable in the monthly contributions schedules and contribution remitted.</td>
</tr>
<tr>
<td>2. Benefits payable</td>
<td>Our audit procedures in this area included among others:</td>
</tr>
<tr>
<td>The scheme has recognised benefits payable for the year of Kshs. 8,882,516 (see note 5) and benefits outstanding as at the end of the year of Kshs. 2,128,633 (see note 16).</td>
<td>• Reviewing schedule of benefits payable and confirming that benefits payable relate to former members of the scheme who left the scheme through any one of the allowed mode of exit i.e. resignation, dismissal, retirement, ill-health, death etc. and that benefits payable were duly approved by the Trustees.</td>
</tr>
<tr>
<td>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 scheme funds if not properly managed.</td>
<td>• Reviewing benefit computation worksheets on sample basis and confirming that benefits payable and/or deferred 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.</td>
</tr>
<tr>
<td></td>
<td>• Confirming that benefit payment and discharge vouchers were duly approved by authorized trustees and signed off by the beneficiaries.</td>
</tr>
</tbody>
</table>
### Key Audit Matter

<table>
<thead>
<tr>
<th>3. Trustee expenses</th>
</tr>
</thead>
</table>
| The scheme incurred cumulative trustee expenses of Kshs. 8,408,307 (see note 9). We considered this to be a key audit matter because these expenses relate to trustees who are the key decision makers of the scheme and therefore the need to obtain assurance that the expenditure incurred related wholly to the operations of the scheme. | Our audit procedures in this area included among others:  
- Reviewing schedules of trustee expenses (i.e. trustee training expenses, trustee allowances, strategic planning expenses, trustee liability cover etc) incurred by the scheme and verifying them to Board Minutes, Board Meeting Attendance Register, Service providers’ invoices and payment vouchers, travel tickets, training bookings and other relevant expenditure supporting documents. |

<table>
<thead>
<tr>
<th>4. Investment property</th>
</tr>
</thead>
</table>
| The scheme has recognised investment property of Kshs. 915,452,656 (see note 10) and balance of land purchase price of Kshs. 780,824,520 as at the end of the year (see note 16). We considered this to be a key audit matter because investment property makes up significant portion of scheme assets and therefore the need to obtain assurance on the investment property’s ownership and value reported. | Our audit procedures in this area included among others:  
- Verifying ownership by scrutinising purchase documents (i.e. sale agreements, executed transfer documents etc), documents of title and confirming that the titles are registered in the name of the scheme and that they are free from encumbrances.  
- Verifying property transaction costs to supporting documents such as stamp duty payment receipts, surveyor’s consultancy agreement, payment advices of the transaction costs etc.  
- Verifying the balance of land purchase price payable to the agreed purchase price as per the executed sale agreements less purchase price paid as at end of year and agreed to the scheme’s bank statements and custodian transaction report. |

<table>
<thead>
<tr>
<th>5. Financial assets</th>
</tr>
</thead>
</table>
| The scheme has recognised financial assets of Kshs. 1,500,456,033 at fair value and Kshs. 1,111,368,012 at amortised; total Kshs. 2,611,822,045 (see note 11). 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. | Our audit procedures in this area included among others:  
- Verifying ownership by obtaining confirmation of the financial assets held from the scheme’s custodian.  
- Reviewing classification and valuation of the financial assets and confirming that it is consistent with IFRS 9.  
INDEPENDENT AUDITOR’S REPORT
TO THE BOARD OF TRUSTEES OF
KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011

Responsibilities of Trustees and those charged with Governance 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. Those charged with governance are responsible for overseeing the Scheme’s financial reporting process.

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. Mistatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Scheme’s internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.

• Conclude on the appropriateness of the trustees’ use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Scheme’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Scheme to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

• Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Scheme to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Scheme audit. We remain solely responsible for our audit opinion.
INDEPENDENT AUDITOR’S REPORT
TO THE BOARD OF TRUSTEES OF
KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011

Auditor’s Responsibilities for the Audit of the Financial Statements (continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore key audit matters. We describe these matters in our auditors’ report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Certified Public Accountants
Nairobi

Dated: 27.09.2018

VC Karani & Associates
Certified Public Accountants
### Kenyatta National Hospital
### Staff Retirement Benefits Scheme 2011
### Statement of changes in net assets available for benefits
### For the year ended 30 June 2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 Kshs</th>
<th>2017 Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income from dealings with members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>3</td>
<td>384,648,499</td>
</tr>
<tr>
<td>Transfers in</td>
<td>4</td>
<td>315,000</td>
</tr>
<tr>
<td><strong>Total Income</strong></td>
<td></td>
<td>384,963,499</td>
</tr>
<tr>
<td><strong>Outgoings from dealings with members</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits payable</td>
<td>5</td>
<td>(8,882,516)</td>
</tr>
<tr>
<td><strong>Net additions from dealings with members</strong></td>
<td></td>
<td>376,080,983</td>
</tr>
<tr>
<td><strong>Returns on investment</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>6</td>
<td>236,942,309</td>
</tr>
<tr>
<td>Change in fair value of investments</td>
<td>7</td>
<td>65,680,135</td>
</tr>
<tr>
<td><strong>Less:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment management expenses</td>
<td>8a</td>
<td>(9,587,033)</td>
</tr>
<tr>
<td>Impairment of financial assets</td>
<td>8b</td>
<td>(6,135,483)</td>
</tr>
<tr>
<td><strong>Net returns on investments</strong></td>
<td></td>
<td>286,919,928</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>9</td>
<td>(24,010,691)</td>
</tr>
<tr>
<td>Tax expense</td>
<td>18</td>
<td>(599,929)</td>
</tr>
<tr>
<td><strong>Increase in net assets for the year</strong></td>
<td></td>
<td>638,390,290</td>
</tr>
<tr>
<td>Net assets available for benefits at start of year</td>
<td></td>
<td>2,147,529,725</td>
</tr>
<tr>
<td><strong>Net assets available for benefits at end of year</strong></td>
<td></td>
<td>2,785,920,015</td>
</tr>
</tbody>
</table>
Kenyatta National Hospital  
Staff Retirement Benefits Scheme 2011  
Statement of Net Assets Available for Benefits  
As at 30 June 2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 (Kshs)</th>
<th>2017 (Kshs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment property</td>
<td>10</td>
<td>915,452,656</td>
</tr>
<tr>
<td>Financial assets</td>
<td>11</td>
<td>2,611,822,045</td>
</tr>
<tr>
<td>Contributions due</td>
<td>12</td>
<td>33,045,020</td>
</tr>
<tr>
<td>Other receivables and accrued income</td>
<td>13</td>
<td>3,119,708</td>
</tr>
<tr>
<td>Cash at bank</td>
<td>14</td>
<td>22,922,126</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>3,586,361,555</td>
</tr>
<tr>
<td><strong>Less: Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits payable</td>
<td>15</td>
<td>3,517,116</td>
</tr>
<tr>
<td>Other payables and accrued expenses</td>
<td>16</td>
<td>796,924,424</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td></td>
<td>800,441,540</td>
</tr>
<tr>
<td><strong>Net assets available for benefits</strong></td>
<td></td>
<td>2,785,920,015</td>
</tr>
<tr>
<td><strong>Financed by:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Members’ account and reserve fund</td>
<td></td>
<td>2,785,920,015</td>
</tr>
</tbody>
</table>

The financial statements on pages 9 to 20 were approved for issue by the trustees on 2019 and signed on their behalf by:

[Signatures]

Trustee

Trustee
# Kenyatta National Hospital
## Staff Retirement Benefits Scheme 2011
## Cash flow statement
### For the year ended 30 June 2018

<table>
<thead>
<tr>
<th>Notes</th>
<th>2018 Kshs</th>
<th>2017 Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions received</td>
<td>381,846,293</td>
<td>352,778,292</td>
</tr>
<tr>
<td>Transfers in</td>
<td>315,000</td>
<td>629,427</td>
</tr>
<tr>
<td>Paid to KNH SSS - DB Scheme</td>
<td>-</td>
<td>(16,565,888)</td>
</tr>
<tr>
<td>Benefits paid to seceding members</td>
<td>(11,904,746)</td>
<td>(13,959,166)</td>
</tr>
<tr>
<td>Administrative expenses paid</td>
<td>(22,357,810)</td>
<td>(16,416,779)</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(621,190)</td>
<td>(527,218)</td>
</tr>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td><strong>347,077,546</strong></td>
<td><strong>305,938,668</strong></td>
</tr>
</tbody>
</table>

## Cash flow from investing activities

| Investment income received | 219,304,894 | 184,795,437 |
| Investment management expenses paid | (6,665,321) | (6,106,649) |
| Purchase of financial assets | (974,174,414) | (1,124,304,275) |
| Proceeds from disposal of financial assets | 1,346,308,646 | 590,386,520 |
| Purchase of investment property | (134,628,136) | - |
| Impairment of fixed deposits | (6,135,483) | (7,718,774) |
| **Net cash flow from investing activities** | **444,010,186** | **(362,947,741)** |

## Net increase (decrease) in cash and cash equivalents

| 791,087,732 | (57,009,072) |

Cash and cash equivalents at start of year | 104,975,631 | 161,984,703 |

| Cash and cash equivalents at end of year | **896,063,363** | **104,975,631** |

## Represented by:

| Cash at bank | 17 | 22,922,126 | 1,805,477 |
| Fixed, time and call deposits | 17 | 873,141,237 | 103,170,154 |
| **Total** | **896,063,363** | **104,975,631** |
1 a) Basis of preparation


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

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

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

i New and revised standards effective - IFRS 9 Financial Instruments

At the date of authorization of these financial statements, various new and revised standards and interpretations were issued and effective. Except for the Revised Version of IFRS 9 Financial Instruments which was issued in 2014 and became effective on 1st January 2018, none of them has had an effect on the scheme’s financial statements.

Impact of IFRS 9 Financial Instruments

IFRS 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

i) Initial recognition - Financial assets

IFRS 9 requires all financial instruments to be initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. This requirement is consistent with IAS 39.

ii) Classification subsequent to initial recognition - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets namely:

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

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

The FVTOCI classification is mandatory for certain debt instruments unless the option of FVTPL (“the fair value option”) is taken. For debt instruments measured at FVTOCI, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses are recognised directly in profit or loss. The difference between cumulative fair value gains or losses and the cumulative amounts recognised in profit or loss is recognised in OCI until derecognition, when the amounts in OCI are reclassified to profit or loss.
b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

**Impact of IFRS: Financial Instruments**

A debt 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 debt 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.

All other debt instrument assets are measured at fair value through profit or loss (FVTPL).

Based on assessment, the new classification requirements do not have a material impact on the scheme’s accounting for receivables, investments in debt and equity securities whose classification and recognition in the past has been consistent with the principles outlined in IFRS 9.

**iii) Impairment - Financial assets**

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This model requires considerable judgement about how economic factors affect ECLs, which should be determined on a probability-weighted basis.

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

Under IFRS 9, loss allowances will 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.

Based on assessment and advise by the Capital Markets Authority, the scheme has considered fully impairment of a fixed deposit and accrued interest thereon of Kshs. 6,135,483 held with Imperial Bank which was placed under statutory receivership and has high likelihood of non-recovery.
b) Adoption of new and revised International Financial Reporting Standards (IFRSs)

Impact of IFRS Financial Instruments
iv) Classification - Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value charges of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The scheme has not designated any financial liabilities at FVTPL and it has no current intention to do so.

iv) Hedge accounting

IFRS 9 requires the Scheme to ensure that hedge accounting relationships are aligned with the Scheme’s risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. IFRS 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting.

The Scheme does not currently undertake hedging of risks.

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. None of them has had an effect on the scheme's financial statements.

iii Early adoption of standards

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

2 Accounting policies

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

a) Contributions

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

b) Benefit transfers

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

c) Benefits payable

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

d) Income from investments

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

ii) Dividends are recognized as income in the period in which the right to receive payment is established.

iii) Rental income is recognized in the period in which it is earned.
e) Investment property

Investment property comprises land and buildings held to earn rentals and/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. Repairs and maintenance expenses are charged to the statement of changes in net assets available for benefits during the financial period in which they are incurred. Investment property are not subject to depreciation.

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

f) Financial instruments

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. Subsequent measurement of financial assets and liabilities depends on their classification as follows:

Financial assets at amortised cost
These are non-derivative assets with fixed or determinable payments and fixed maturities which the scheme intends hold to maturity.

Financial assets at fair value through profit or loss
These comprise of financial assets held specifically for trading purposes and also include financial investments other than equity instruments that do not have a price quoted on an active market but for which the fair value can be determined.

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

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

Payables
Payables are stated at their nominal value.
Kenyatta National Hospital
Staff Retirement Benefits Scheme 2011
Notes to the financial statements
For the year ended 30 June 2018

<table>
<thead>
<tr>
<th>3 Contributions receivable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employer - Normal</td>
</tr>
<tr>
<td>Members - Normal</td>
</tr>
<tr>
<td>Members - Additional Voluntary Contributions (AVC)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>4 Transfers in</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

This is in respect of benefits of employees who joined from other schemes

<table>
<thead>
<tr>
<th>5 Benefits payable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits to and on account of leavers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6 Investment income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends receivable from local and regional equities</td>
</tr>
<tr>
<td>Interest receivable:</td>
</tr>
<tr>
<td>- Kenya Government Securities</td>
</tr>
<tr>
<td>- Commercial paper and corporate bonds</td>
</tr>
<tr>
<td>- Fixed, time and call deposits</td>
</tr>
<tr>
<td>Gain/ (loss) on disposal of local equities</td>
</tr>
<tr>
<td>Gain/ (loss) on disposal of Kenya Government Securities</td>
</tr>
<tr>
<td>Rebate commissions and other income</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>7 Change in fair value of investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local and regional equities</td>
</tr>
<tr>
<td>Kenya Government Securities</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>8 Investment expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>a Investment management expenses</td>
</tr>
<tr>
<td>Management fees</td>
</tr>
<tr>
<td>Custody fees</td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>b Impairment of financial assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for impairment for Imperial Bank fixed deposit (Note 19)</td>
</tr>
<tr>
<td><strong>Total investment expenses</strong></td>
</tr>
</tbody>
</table>
9 Administrative expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 Kshs</th>
<th>2017 Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA Levy</td>
<td>3,541,129</td>
<td>2,868,679</td>
</tr>
<tr>
<td>Administration fees</td>
<td>9,076,506</td>
<td>7,015,615</td>
</tr>
<tr>
<td>Audit fees</td>
<td>214,600</td>
<td>214,600</td>
</tr>
<tr>
<td>Trustees' and secretarial allowances</td>
<td>3,244,844</td>
<td>2,271,817</td>
</tr>
<tr>
<td>Trustees' liability insurance premium</td>
<td>277,700</td>
<td>167,518</td>
</tr>
<tr>
<td>Trustees' training expenses</td>
<td>4,082,767</td>
<td>2,107,079</td>
</tr>
<tr>
<td>Strategic Planning costs</td>
<td>802,996</td>
<td>1,700,603</td>
</tr>
<tr>
<td>Members' training expenses</td>
<td>1,887,767</td>
<td></td>
</tr>
<tr>
<td>Annual General Meeting (AGM) expenses</td>
<td>613,266</td>
<td>687,768</td>
</tr>
<tr>
<td>Other expenses</td>
<td>8,859</td>
<td>17,500</td>
</tr>
<tr>
<td>Bank and other transaction charges</td>
<td>291,257</td>
<td>294,087</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,010,691</td>
<td>17,405,466</td>
</tr>
</tbody>
</table>

10 Investment property

Investment property relates to land purchased by the scheme. During the year, the Board of Trustees purchased two parcels of land. Title Numbers: Kajiado/ Kikangala/ 6242 (Approx. 14.2 Ha) and Kajiado/ Kapsai North/ 9072 (Approx. 20.23 Ha) at purchase prices of Kshs. 570,500,000 and Kshs. 267,082,800. The parcels of land were acquired from Joems Estates Limited and Zabibu Limited respectively as per sale agreements dated 13th February 2018.

As at year end, the scheme had only paid 10% deposit of the purchase price with the remaining balance of 90% having been settled thereafter.

11 Financial assets

<table>
<thead>
<tr>
<th>Description</th>
<th>Value at 01/07/2017 Kshs</th>
<th>Less: Interest b/w Kshs</th>
<th>Purchases at cost Kshs</th>
<th>Disposals at average cost Kshs</th>
<th>Change in fair value at 30/06/2018 Kshs</th>
<th>Add: Accrued interest c/f Kshs</th>
<th>Value at 30/06/2018 Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) At fair value</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Quoted local and regional equities</td>
<td>435,054,469</td>
<td>-</td>
<td>247,817,031</td>
<td>(139,194,517)</td>
<td>51,980,176</td>
<td>-</td>
<td>595,657,159</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,307,743,883</strong></td>
<td><strong>(19,889,307)</strong></td>
<td><strong>506,202,224</strong></td>
<td><strong>(380,617,467)</strong></td>
<td><strong>65,680,136</strong></td>
<td><strong>21,338,567</strong></td>
<td><strong>1,500,466,033</strong></td>
</tr>
<tr>
<td>b) At amortised cost</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kenya Government securities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Treasury bills)</td>
<td>603,226,746</td>
<td>(23,156,355)</td>
<td>467,972,190</td>
<td>(922,544,838)</td>
<td>-</td>
<td>7,661,779</td>
<td>133,161,524</td>
</tr>
<tr>
<td>Corporate bonds and commercial paper</td>
<td>118,154,885</td>
<td>(2,777,674)</td>
<td>-</td>
<td>(12,674,101)</td>
<td>-</td>
<td>2,360,142</td>
<td>105,063,251</td>
</tr>
<tr>
<td>Fixed, time and call deposits</td>
<td>103,176,154</td>
<td>(34,681/1)</td>
<td>3,391,794,452</td>
<td>(2,616,294,436)</td>
<td>(6,135,483)</td>
<td>641,237</td>
<td>873,141,237</td>
</tr>
</tbody>
</table>

The following table summarises the average interest (coupon) rates at the year end on the main interest bearing investments:

<table>
<thead>
<tr>
<th>Description</th>
<th>2018 % rate</th>
<th>2017 % rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya Government securities</td>
<td>12.11%</td>
<td>12.11%</td>
</tr>
<tr>
<td>Corporate bonds and commercial paper</td>
<td>12.96%</td>
<td>12.85%</td>
</tr>
<tr>
<td>Fixed, time and call deposits</td>
<td>8.07%</td>
<td>8.60%</td>
</tr>
</tbody>
</table>
11 Financial assets (continued)
The following investment classes exceed 5% of financial investments of the scheme:

<table>
<thead>
<tr>
<th>Investment Class</th>
<th>2018 % holding</th>
<th>2017 % holding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kenya Government Securities- Treasury bonds</td>
<td>34.64%</td>
<td>40.93%</td>
</tr>
<tr>
<td>Kenya Government Securities- Treasury bills</td>
<td>5.10%</td>
<td>28.29%</td>
</tr>
<tr>
<td>Local and regional equities</td>
<td>22.81%</td>
<td>20.40%</td>
</tr>
<tr>
<td>Corporate bonds and commercial paper</td>
<td>4.02%</td>
<td>5.54%</td>
</tr>
<tr>
<td>Fixed, time and call deposits</td>
<td>33.43%</td>
<td>4.84%</td>
</tr>
</tbody>
</table>

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

12 Contributions due

<table>
<thead>
<tr>
<th></th>
<th>2018 Kshs</th>
<th>2017 Kshs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding for less than 30 days</td>
<td>33,045,020</td>
<td>30,042,814</td>
</tr>
</tbody>
</table>

Contributions outstanding relate to the month of June 2018.

13 Other receivables and accrued income

<table>
<thead>
<tr>
<th>Receivable Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment income receivable (Dividends)</td>
<td>3,045,418</td>
<td>1,415,394</td>
</tr>
<tr>
<td>Prepaid trustees indemnity cover</td>
<td>74,290</td>
<td>54,829</td>
</tr>
<tr>
<td></td>
<td>3,119,708</td>
<td>1,470,223</td>
</tr>
</tbody>
</table>

14 Cash at bank

<table>
<thead>
<tr>
<th>Bank Account Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>KCB Bank Custody Account - GenAfrica Asset Managers Limited</td>
<td>20,340,418</td>
<td>344,696</td>
</tr>
<tr>
<td>KCB Bank Custody Account - Sanlam Investments East Africa Limited</td>
<td>2,581,708</td>
<td>1,453,851</td>
</tr>
<tr>
<td>NIC Bank Custody Account - Sanlam Investments East Africa Limited</td>
<td>-</td>
<td>6,930</td>
</tr>
<tr>
<td></td>
<td>22,922,126</td>
<td>1,805,477</td>
</tr>
</tbody>
</table>

15 Benefits payable

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits due to members who have left employment</td>
<td>3,517,116</td>
<td>6,539,347</td>
</tr>
</tbody>
</table>

16 Other payables and accrued expenses

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>RBA Levy</td>
<td>3,539,459</td>
<td>2,900,430</td>
</tr>
<tr>
<td>Management fees</td>
<td>5,241,932</td>
<td>2,484,301</td>
</tr>
<tr>
<td>Custody fees</td>
<td>1,028,016</td>
<td>883,934</td>
</tr>
<tr>
<td>Administration fees</td>
<td>4,931,747</td>
<td>3,517,344</td>
</tr>
<tr>
<td>Audit fees</td>
<td>214,600</td>
<td>214,600</td>
</tr>
<tr>
<td>Annual General Meeting (AGM) expenses</td>
<td>994,446</td>
<td>1,375,536</td>
</tr>
<tr>
<td>Tax Payable (Note 17)</td>
<td>149,704</td>
<td>170,965</td>
</tr>
<tr>
<td>Balance of land purchase price i.e. 90% of purchase price (Note 9)</td>
<td>780,824,520</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>796,924,424</td>
<td>1,547,110</td>
</tr>
</tbody>
</table>

17 Cash and cash equivalents

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

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash at bank</td>
<td>22,922,126</td>
<td>1,805,477</td>
</tr>
<tr>
<td>Fixed, time and call deposits</td>
<td>873,141,237</td>
<td>103,170,154</td>
</tr>
<tr>
<td></td>
<td>896,063,363</td>
<td>104,975,631</td>
</tr>
</tbody>
</table>
18 Taxation

Kenyatta National Hospital Staff Retirement Benefits Scheme 2011 has been approved by the Kenya Revenue Authority and is exempt from income tax on its investment income. Taxation reflected in the financial statements relates to tax payable on net investment income of the unregistered segment of the scheme and is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable income</td>
<td>1,999,764</td>
<td>1,364,327</td>
</tr>
<tr>
<td>Tax charge for the year at 30%</td>
<td>599,929</td>
<td>409,298</td>
</tr>
<tr>
<td>Add: Balance of tax payable b/fwd</td>
<td>170,965</td>
<td>288,885</td>
</tr>
<tr>
<td>Less: Tax paid</td>
<td>(621,190)</td>
<td>(527,218)</td>
</tr>
<tr>
<td>Tax payable</td>
<td>149,704</td>
<td>170,965</td>
</tr>
</tbody>
</table>

Taxable income is determined as Investment income less expenses as apportioned proportionately based on members' cumulative balances in the unregistered segment of the scheme as at 30 June 2018.

19 Contingent liabilities

Other than the liability to pay future pensions and other benefits, there were no contingent liabilities of the scheme at 30 June 2018.

20 Related party transactions

Related parties comprise of the trustees, administrator and the sponsor. Except for the contributions receivable (note 2) 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.

Market risk

(i) Foreign exchange risk
The scheme has no investments in offshore markets and is therefore not exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro.

(ii) Cashflow and fair value interest rate risk
The scheme does not hold any interest-bearing financial liability or asset at a variable rate which would expose the scheme to cashflow 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 and contributions receivable. The scheme does not have any significant concentrations of credit risk. The investment manager assesses the credit quality of each investment, 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.

During the previous 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 a fixed deposit of Kshs. 15,000,000 with Imperial Bank Limited and a 7-year Corporate Bond with Chase Bank with face value of Kshs. 6,300,000. During the year the balance of the fixed deposit held in Imperial Bank and accrued interest thereon totaling Kshs. 6,135,483 was impaired based on advise by the Capital Markets Authority in the previous financial year that had indicated high likelihood of non-recovery and advised depositors/investors to impair investments held in Imperial Bank for two years i.e. 50% in first year and 50% in the second year. However, no provision for impairment has been made in respect of the Corporate Bond for Chase Bank as trustees await for advise from the Capital Markets Authority on the bond’s recoverability.

The amounts held in Imperial Bank and Chase Bank represented 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 payments. The trustees agree with fund manager on the amount to be invested in assets that can be easily liquidated.

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 2018 was Kshs.2,785,920,015 (2017: Kshs.2,147,529,725).