



# KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR  
THE YEAR ENDED 30 JUNE 2020

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# Notice of Annual General Meeting



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

KNH STAFF RETIREMENT BENEFITS SCHEME 2011  
(DC Scheme)

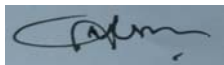
## **NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Members Annual General Meeting for Kenyatta National Hospital Staff Retirement Benefits Scheme 2011 (DC) for the year ended 30<sup>th</sup> June 2020 will be held on Friday, 12 March 2021 starting from 9.00 am. Note, the meeting will be held virtually and the link will be shared closer to the meeting. Members outside the workstation are requested to contact the pension secretariat for the link a week before the meeting.

The agenda will be:

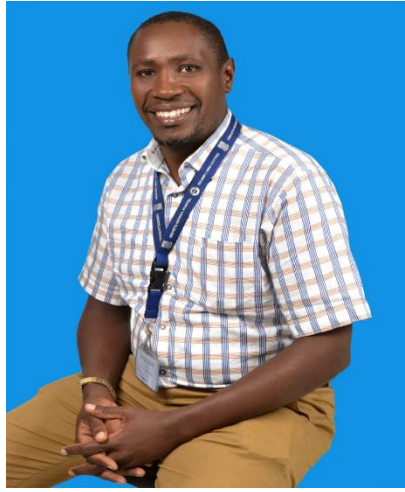
1. To read the Notice convening the meeting
2. To receive the Chairman's report
3. To receive the Audited Accounts
4. To receive the Report of the Investment Managers
5. To receive the Report of the Custodian
6. To receive the Report of the Administrator
7. To receive the Report of the Regulator
8. Question & Answers session
9. Any Other Business

All members of the scheme are invited.



WINNIE MWANGI  
TRUST SECRETARY  
KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

# Board of Trustees



*Mr Peter Mureithi – Trustee & Chairman*



*Dr Evans Kamuri*  
*Trustee & KNH CEO*



*Dr Richard Kamau*  
*Trustee*



*Mr Calvin Nyachoti*  
*Trustee - Appointed 15 December 2020*



*Winnie Mwangi*  
*Trustee & Trust Secretary*  
*Appointed 1 July 2020*



*Mr Kenneth Kimengech*  
*Trustee*



*Mr Charles Mbaka*  
*Trustee*



*Irene Moke*  
*Trustee*



*Alice Atamba*  
*Trustee – Retired 15 December 2020*

# Chairman's report

## KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011

### ANNUAL GENERAL MEETING FOR THE YEAR ENDING 30 JUNE 2020

#### CHAIRMAN'S STATEMENT

Dear Members,

On behalf of the board of trustees, I welcome you all to this year's Annual General Meeting for the year ended 30 June 2020. The AGM is not only a statutory requirement but also a very important event in the Scheme's calendar. It presents the opportunity for Trustees to disclose the scheme's financial status, provide members information on industry changes affecting your scheme as well as a forum for members to receive reports and engage with the Scheme's services providers.

#### Management of the Fund

The scheme is managed by a board of Trustees who serve for a term of 3 years renewable once. Half of the Board of Trustees are elected by members and half nominated by the Sponsor. Currently board is comprised as follows; -

- |                          |   |
|--------------------------|---|
| 1. Mr. Peter Mureithi    | - Member Elected Trustee & Chairman           |
| 2. Ms. Winnie Mwangi     | - Sponsor Nominated Trustee & Trust Secretary |
| 3. Mr. Charles Mbaka     | - Member Elected Trustee                      |
| 4. Dr. Richard Kamau     | - Sponsor Nominated Trustee                   |
| 5. Dr. Evans Kamuri      | - Sponsor Nominated Trustee                   |
| 6. Mr. Calvin Nyachoti   | - Sponsor Nominated Trustee                   |
| 7. Mr. Kenneth Kimengech | - Member Elected Trustee                      |
| 8. Ms. Irene Moke        | - Member Elected Trustee                      |

*During the year ended 30 June 2020, Ms Alice Atamba served as a Trustee and was replaced by Mr Calvin Nyachoti in December 2020. Winnie Mwangi joined the Board of Trustees in July 2020*

The Scheme Service Providers are as follows:

- |                     |  |
|---------------------|--|
| Fund Managers       | - GenAfrica Asset Managers<br>- Sanlam Investment Management Limited |
| Custodian           | - Kenya Commercial Bank  |
| Independent Auditor | - King'ang'i Kamau & Company   |
| Fund Administrator  | - Minet Kenya Financial Services                                     |

In order to ensure that the Trustees effectively meet their mandates, Trustees have continued to serve in the Four Committees to review the governance structures of the Scheme. The Four Committees are;

1. Administration and Communication Committee
2. Investment Committee
3. Audit and Risk Management Committee
4. Welfare Committee

### ***Economic Review, Financial Markets and Investment Performance for year 2019/2020***

The Covid-19 pandemic hit during the second half of the scheme financial year causes uncertainties in the economy growth as well as investments due to lockdown measures put in place.

Annual inflation in 2019 averaged 5.8% higher than 5.7% in 2018 and within the CBK upper limit target on inflation of 7.5%.

The local currency strengthened against the dollar in 2019 by 0.7% and later weakened by 4.9% in the first six months of 2020.

The equity market had a positive return in 2019 with the Nairobi All Share Index gaining 18.5% and a negative return of 16.4% in the first six months of 2020.

### **Results for Year 2019/2020**

The fund value of the scheme increased to KES. 3.95 billion with a total membership of 3,719 active contributors and 405 deferred members. The Schemes net return to June 2020 was 4.85% and we confirm the same was awarded to your members statements as at June 2020.

### **Audit for the Year Ended 30 June 2020**

The Scheme was audited King'ang'i Kamau & Company and the financials 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.

### **Regulatory Changes**

During the year the Law proceeded to introduce amendments to provisions of the Retirement Benefits Act under the mortgage provisions to allow members to use their pension benefits to purchase a residential house. The Board of Trustees is currently in the process of amending the Trust Deed and Rules to include the provisions for members to utilize the same. The Administrator will take you through the key highlights in today's session and further details will be covered during the member education sessions which we are organizing to be held in April 2021.

### **Remuneration of the Trustees**

RBA requires that we disclose whether Trustees are paid by the Fund in their capacity as Trustees. I can report that Trustees receive a taxable sitting allowance of KES 20,000 per meeting.

### **Current Fund Status as at 31 December 2020**

The fund has continued to grow and the fund value as at 31 December stood at KES 4,412,221,54

### **Conclusion**

I would like to thank the Sponsor for continued support and prompt payment of contributions to the Scheme. I thank the service providers for their diligence and outstanding efforts in managing our Scheme during the year. I would also like to thank my fellow Trustees who have voluntarily put in their energy, time and expertise to oversee the administration, investment and governance of the Scheme. We are committed to ensuring we meet the Fund's objectives in investment and positive outcomes for the members in retirement.

Thank you.



**Peter Mureithi**

**Chairman, Board of Trustees**

**KNH Staff Retirement Benefits Scheme 2011**

Minutes of the Members' Annual  
General Meeting for the year ended  
30 June 2019



**MINUTES OF THE MEMBERS ANNUAL GENERAL MEETING FOR KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011 HELD ON 6 DECEMBER 2019 AT KNH  
ADMINISTRATION BLOCK, CAR PARK COMMENCING 9.00 AM**

**Present**

Mr Peter Mureithi	Member Elected Trustee (Chairman)
Ms Alice Atamba	Sponsor Appointed Trustee
Dr Richard Kamau	Sponsor Appointed Trustee
Dr Evans Kamuri	Sponsor Appointed Trustee
Mr Kenneth Kimengech	Member Elected Trustee
Mr Charles Mbaka	Member Elected Trustee
Ms Irene Moke	Member Elected Trustee

**Apology**

Mr Elphas Choge	Sponsor Appointed Trustee (Trust Secretary)
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**Members present:**

List in file of the KNH Pension Secretariat

**Service Providers:**

Mr Daniel Mainga	Minet Kenya Financial Services
Ms Michelle Nyandiko	Minet Kenya Financial Services
Mr Stephen Maina	Minet Kenya Financial Services
Mr Matthew Mue	Sanlam Investment Managers
Mr Felix Maloba	GenAfrica Kenya Investment Managers
Ms Roselyn Musera	GenAfrica Kenya Investment Managers
Ms Florence Nduba	Kenya Commercial Bank
Ms Esther Maina	Kenya Commercial Bank
Mr Evans ogari	VC Karani & Associates
Mr John Muli	Retirement Benefits Authority

**Master of Ceremony**

Mr Simon Muchera	Kenyatta National Hospital
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#### **MIN 01/2020 OPENING MEETING & PRAYERS**

Mr Mureithi called the meeting to order and welcomed all present. Rev Joseph Miriti Kanamba was invited to pray for the meeting.

#### **MIN 02/2020 NOTICE OF THE AGM & AGENDA**

The Trust Secretary of the DC Scheme, Mr Charles Mbaka read the notice and agenda for the members annual general meeting and was proposed and seconded by Gideon KiboweN and Anne Njuguna respectively.

#### **MIN 03/2020 CONFIRMATION OF THE MINUTES OF THE MEMBERS AGM HELD ON 25 JANUARY 2019**

Minutes of the annual general meeting held on 25 January 2019 were read by Mr Mainga of Minet Kenya. The Scheme members confirmed the minutes to be a true record of the proceedings and were proposed and seconded by Margaret Chebii and Scholastica Bitu respectively.

#### **MIN 04/2020 MATTERS ARISING FROM THE MINUTES OF THE MEMBERS AGM HELD ON 25 JANUARY 2019**

There were no matters arising from the previous meeting minutes to be discussed.

#### **MIN 05/2020 CEO'S REMARKS**

The CEO, Dr Evans Kamuri welcomed all members to the annual general meeting and noted that he was sad cause the turnout of the membership was low. He informed members that members did not turn up due to ignorance and they don't realize that one day they will retire. He further said that it is quite unfortunate that they members wait till age 50 and above and then start getting interested in pensions.

The CEO asked the members present to educate their colleagues who did not come cause they need to understand and requested members to continue saving through the scheme at a personal level as they think about their future.

#### **MIN 06/2020 BOARD OF DIRECTOR'S REMARKS**

The Chairman, Board of Director's , Eng Nicholas Gumbo noted that people tend to ignore the most obvious things in life and at some point in life one will die and any employed person will retire.

Eng Gumbo informed members that needs will always be a moving target and noted that increase in contributions is a good thing as the fund is for their future. He further noted that it is possible to live a better life after retirement than while working.

Dr Richard Kamau thanked the Board of Trustees and the members for being present at the meeting. He noted the low turnout and took it as a challenge to ensure a better turnout next time.

#### **MIN 07/2020 SCHEME CHAIRMAN'S REPORT**

The Chairman, Mr Peter Mureithi welcomed all members to the annual general meeting and informed them of the following:

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 contributions plus accrued interest.

Board Committees: The Chairman reported that the Trustees constituted four committees that continuously review the governance structures of the scheme.

Trustees Allowance: The Chairman reported that in the course of the year, Trustees were earning a sitting allowance of K Shs 20,000 per Board of Trustee meeting which was subjected to tax. The allowance was paid from the Scheme.

The total assets of the Scheme as at 30 June 2019 increased to K Shs 3.32 billion from K Shs 2,78 billion in June 2018.

Service Providers: Chairman reported the service providers for the Scheme as Sanlam Investments, GenAfrica Investments, KCB Bank, Minet Kenya and VC Karani & Associates.

Post-Retirement Medical Savings: The Chairman reported that the Trustees were discussing modalities of setting up a Post Retirement Medical Fund within the scheme to enable members start saving towards their medical cover in retirement.

The Chairman thanked all members of the scheme and the service providers for the continued support to the Board of Trustees.

#### **MIN 08/2020 REPORT OF THE AUDITED ACCOUNTS FOR YEAR ENDING 30<sup>th</sup> JUNE 2019**

Mr Evans Ogari of V C Karani & Associates presented to the members the Audited Accounts for the period ending 30 June 2019. The highlights of the report were:

Results for the period: The statement of net assets available to benefits as at 30 June 2019 was K Shs 3,316,867,680 compared to K Shs 2,785,920,015 as at 30 June 2018.

Members were taken through the statement of net assets available for benefits, statement of changes in net assets available for benefits and also the statement of cash flows.

Members noted the content of the report.

### **MIN 09/2020 REPORT OF THE FUND MANAGERS**

The Investment Managers, Matthew Mue of Sanlam Investments and Felix Maloba of GenAfrica Investments presented their reports and the following was noted:

The primary function of the Fund Manager was noted as an investment advisor to the Board of Trustees.

The investment manager analyses and identifies securities, construct the best portfolio for the Scheme, constantly review the scheme portfolio, evaluate and report performance to the Trustees on a quarterly basis.

The investment manager also adheres to the investment policy that is prepared by the Board of Trustees and ensures compliance to the statement.

The two fund managers reported that the market was positive.

Assets as at 30 June 2019 were confirmed as K Shs 3,316,867,680.

Members noted the content of the report.

### **MIN 10/2020 REPORT OF THE CUSTODIAN**

The Custodian, Esther Maina from Kenya Commercial Bank presented the custodial report and the following was noted:

Custodians primary role was: Safekeeping of Assets, Trade settlements, Receipt of contributions/cash introduced, Implementation of investment and payment instructions from the client, Corporate action events, Banking facilities, Proxy voting and Access to offshore markets among other roles.

She also confirmed the assets held by the custodian as at 30 June 2019 as K Shs 3,316,867,680. Accordingly, she confirmed that assets of the Scheme were safe.

Members noted the content of the report.

### **MIN 11/2020 REPORT OF THE ADMINISTRATOR**

Ms Michelle from Minet Kenya presented the administration report and the following was noted:

Role of an administrator was to; keep members records, compute members benefits, liaise with the scheme service providers, liaise with the Retirement Benefits Authority and Kenya Revenue Authority, act as an advisor to the Board of Trustees among other functions.

DC Scheme structure was such that retirement benefits are determined by the members' & employers' contributions plus income accrued to the point of exit from the Scheme.

Additional Voluntary Contributions: Members were advised that it is important for members to utilize the scheme to secure your financial future and encouraged to use the pension fund as a savings avenue because it is a regulated, secure and tax efficient investment vehicle available at no additional cost.

Members noted the content of the report.

#### **MIN 12/2020 REPORT OF THE RETIREMENT BENEFITS AUTHORITY REPRESENTATIVE**

Mr John Muli of Retirement Benefits Authority presented his report and the following was noted:

Members were reminded on the role of the Authority which includes supervising Trustees and service providers.

Members were taken through the highlights of the authority's new strategic plan 2019 - 2024.

Mr Muli mentioned that there were new governance guidelines and noted that the Board of Trustees was compliant on the attendance of the Trustee Development Program of Kenya.

He thanked the sponsor for the continuous remittance of contributions in good time and the service providers for the good job done in managing the scheme.

Members noted the content of the report.

#### **MIN 13/2020 MOTIVATIONAL TALK**

The motivational speaker, Ms Roselyn Musera talked about family and health matters.

#### **MIN 14/2020 QUESTION AND ANSWER SESSION**

Members were given the chance to write all their questions and forwarded to the service providers and Trustees for responses.

The Trustees and service providers responded to all the raised questions to the members satisfaction.

#### **MIN 15/2020 VOTE OF THANKS**

Mr Kenneth Kimengech gave a vote of thanks and thanked the following:

- The almighty for the beautiful day and proceedings throughout the meeting.
- The CEO for the support accorded to the Board of Trustees.
- The Pension Secretariat for their support to the Board of Trustees.
- The security team, choir, ushers and all the service providers for their quality services.
- The AGM organizing committee for their time and ensuring the AGM meeting was well planned
- The Sponsor of the Scheme for making the AGM possible and also for funding the Scheme.
- The Master of Ceremony, Simon Muchera and Chaplain Rev J M Kanamba for the job well done.
- Mr Thiongo for mobilizing members to attend the AGM.

**MIN 16/2020 CLOSE MEETING**

There being no other business to discuss, the meeting ended at 1:00pm.

Signed for Circulation \_\_\_\_\_ Date \_\_\_\_\_

Trust Secretary \_\_\_\_\_ Date \_\_\_\_\_

Chairman \_\_\_\_\_ Date \_\_\_\_\_

Annual Report and Financial  
Statements for the year ended 30  
June 2020

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011  
FINANCIAL STATEMENTS  
30 JUNE 2020



KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

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KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

TRUSTEES, PROFESSIONAL ADVISERS AND OTHER INFORMATION

THE BOARD OF TRUSTEES	Peter Mureithi Charles Mbaka Dr.Evanson Kamuri Dr.Richard Kamau Alice Atamba Kenneth Kimengech Irene Moke Elphas Choge
ADMINISTRATOR	Minet Kenya Financial Services Limited Minet House, off Nyerere Road, P. O. Box 20102-00200 Nairobi
INVESTMENT MANAGERS	GenAfrica Asset Managers Limited Arlington Block,14 Riverside Business Park P. O. Box 40984-00100 Nairobi
	Sanlam Investments East Africa Limited Africa Re Centre,5 <sup>th</sup> Floor P.O.Box 67262-00200 Nairobi
PROPERTY MANAGERS	Ebony Estates Limited Hughes Building P.O. Box 19815-00100 Nairobi
CUSTODIAN	Kenya Commercial Bank Limited Piedmont Plaza,Ngong Road P.O Box 30664-0010 Nairobi
AUDITOR	King'ang'i Kamau & Company Certified Public Accountants (Kenya) Electricity House, Harambee Avenue P.O Box 5698 – 00200 Nairobi.
REGISTERED OFFICE	Kenyatta National Hospital Hospital Hill Road P.O. Box 20723-00202 Nairobi

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

REPORT OF THE TRUSTEES

The trustees have pleasure in submitting their report together with the audited financial statements for the year ended 30 June 2020.

ESTABLISHMENT, NATURE AND STATUS OF THE SCHEME

The scheme was established, and is governed, by a Trust Deed dated 28 June 2011 and amended on 22 August 2018. It is a defined contribution plan and provides, under the rules of the scheme, retirement benefits for the staff of Kenyatta National Hospital. It is an exempt approved plan under the Income Tax Act and is registered with the Retirement Benefits Authority.

MEMBERSHIP

Summary of joiners and leavers

	<b>Active</b>	<b>Deferred</b>	<b>Total</b>
Total members at start of the year	<b>3,713</b>	<b>362</b>	<b>4,075</b>
New members	74	77	151
Less: Leavers	(68)	(34)	(102)
	<hr/>	<hr/>	<hr/>
Total members at end of the year	<b>3,719</b>	<b>405</b>	<b>4,124</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

RESULTS FOR THE YEAR

The statement of changes in net assets on page 11 shows an increase in the value of net assets of the scheme for the year of Shs. 634,215,346 (2019: Shs. 530,947,665) and the statement of net assets on page 12 shows the scheme's net assets as Shs. 3,951,083,026 (2019: Shs. 3,316,867,680).

INVESTMENT OF FUNDS

Under the terms of their appointment GenAfrica Asset Managers Limited and Sanlam Investments East Africa Limited are responsible for the investment of available funds.

The overall responsibility for investment and performance lies with the trustees.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

REPORT OF THE TRUSTEES (continued)

As at 30 June 2020, the investments' portfolio was as follows

	2020 Shs	2020 %	2019 Shs	2019 %	RBA limits %
Kenya government securities	2,198,884,078	56	1,487,371,301	45	90
Quoted equity investments	546,837,363	14	549,766,579	17	70
Investment property	958,648,258	24	958,648,258	29	30
Corporate bonds	31,833,231	1	78,183,815	2	30
Term deposits	182,162,355	4	223,524,406	6	30
Cash and bank balances	10,141,123	1	2,640,597	1	5
	<u>3,928,506,408</u>	<u>100</u>	<u>3,300,134,956</u>	<u>100</u>	

All the investments are within the statutory limits set by Retirement Benefits Authority.

TRUSTEES

The Trustees are appointed in accordance with the Retirement Benefits Act. The names of the Trustees are shown on page 2.

AUDITOR

The Scheme auditor, King'ang'i Kamau & Co appointed in the year have expressed their willingness to continue in office.

Signed on behalf of the Trustees



Trustee

28/9/2020

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF SCHEME'S GOVERNANCE DISCLOSURES

1. Trustees in office.

Name of Trustee	Age	Category (Member-elected/Sponsor-nominated/)	No. of meetings attended	Certified (Yes/No)	Highest qualification	Membership of other boards
Peter Mureithi	45 years	Member elected	3	Yes	Masters degree	None
Charles Mbaka	50 years	Member elected	3	Yes	Bachelors degree	None
Dr. Evanson Kamuri	49 years	Sponsor nominated	2	Yes	Masters degree	None
Dr. Richard Kamau	62 years	Sponsor nominated	3	Yes	Masters degree	None
Alice Atamba	61 years	Sponsor nominated	3	Yes	Masters degree	None
Kenneth Kimengech	42 years	Member elected	3	Yes	Masters degree	None
Irene Moke	42 years	Member elected	3	Yes	Diploma	None
Elphas Choge	54 years	Sponsor nominated	1	Yes	Masters degree	None

2. The board of trustees held **3 (three)** meetings during the year ended **30 June 2020**.

The meetings were held on the dates set out hereunder:

- BOT – **26<sup>th</sup> August 2019**
- BOT – **15<sup>th</sup> November 2019**
- BOT – **26<sup>th</sup> May 2020**

3. The composition of the board of trustees is as hereunder:

- Gender balance: Female: **25%** Male: **75%**
- Skills mix: No of trustees with financial skills: **One**
- Age mix: Number of trustees who are younger than 35 years. **None**

Number of trustees who are older than 35 years. **Eight**

4. Committees of the board of trustees.

Committee name	No. of meetings held	Any external Allowances paid to advisors, invitees (Kshs.) meetings (Yes/No) (if yes, mention the purpose)	Allowances paid to advisors, invitees (Kshs.)
Investment and Finance committee	3	No	Nil
Audit and Risk committee	3	No	Nil
Administration committee	3	No	Nil

5. Fiduciary responsibility statement

The board of trustees is the governing body of the **Kenyatta National Hospital Staff Retirement Benefits Scheme 2011** and is responsible for the corporate governance of the scheme.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF SCHEME'S GOVERNANCE DISCLOSURES

5. Fiduciary responsibility statement (continued)

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 requisite degree of skill.

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

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

The board charter for the scheme has been 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.

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. No survey was conducted
- b) Regular reports and feedback from the sponsor. No. of reports. None

8. Annual general meeting

The board of trustees held the annual general meeting on 6<sup>th</sup> December 2019 at which 206 (two hundred and six) members, making up six percent of scheme members attended. The board adequately addressed the members' concerns.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF SCHEME'S GOVERNANCE DISCLOSURES

9. Members' sensitization

The board conducted the following sensitization activities (Name of sensitization forum)	Date held	No. of members who attended	Remarks
Retirement planning meeting	None	None	None
Members' day	None	None	None

During the sensitization activity, members will be 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. 1,697,169 (One million six hundred and ninety seven thousand, one hundred and sixty nine). The payments complied with the trustees remuneration policy of the scheme.

11. Board of trustees' evaluation

The board and individual trustees did not undertake board evaluation in the year under review.

Signed on behalf of board of trustees on 28/9/-----2020



Trustees

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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 those contributions are remitted to the Custodian in accordance with the rules of the Scheme.

The Trustees accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:


- i) Designing, implementing and maintaining internal controls as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii) Selecting and applying appropriate accounting policies; and
- iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Trustees are of the opinion that the financial statements give a true and fair view of the net assets available for benefits and changes in net assets available for benefits and the cash flows in accordance with International Financial Reporting Standards and the Retirement Benefits (Occupational Retirement Benefit Schemes) Regulations, 2000.

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

The financial statements were approved by the Board of Trustees on 28/9/ 2020 and signed on its behalf by:

For the Trustees

  
Trustee

  
Trustee





INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

**Report on the financial statements**

**Opinion**

We have audited the accompanying financial statements of Kenyatta National Hospital Staff Retirement Benefits Scheme 2011, set out on pages 11 to 31, which comprise the statement of net assets available for benefits as at 30 June 2020, the statement of changes in net assets available for benefits and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial transactions of the scheme during the year ended 30 June 2020 and of the disposition at that date of its assets and liabilities, other than liabilities to pay retirement and other benefits falling due after the end of the year in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act.

**Emphasis of matter**

Without qualifying our opinion, we draw attention to note 15 of this financial statements, investment property is reported at cost incurred in the year 2018 and additions for the year 2019. IAS 40 provides that investment property should be disclosed at fair value. These financial statements have not taken into account the fair value change in investment property.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this 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 other ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Other Information**

The trustees are responsible for the other information, which comprises the report of trustees as required by the Retirement Benefits Act. The other information 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 on the other information that we obtained prior to the date of this auditor's report, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Retirement Benefits Act, and for such internal controls as the trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF

KENYATTA NATIONAL HOSPITAL (Continued)

STAFF RETIREMENT BENEFITS SCHEME 2011

In preparing the financial statements, the trustees are responsible for assessing the Scheme's ability to continue as 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 ISA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement 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 entity 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's audit. We remain responsible for our audit opinion.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA Peter G. King'ang'i P/No 1223.

**KING'ANGI KAMAU AND COMPANY**  
Certified Public Accountants (Kenya)  
Nairobi, Kenya  
CERTIFIED PUBLIC ACCOUNTANTS  
P. O. BOX 5698 - 00200  
NAIROBI  
29/9/2020

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF CHANGES IN NET ASSETS  
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Shs	2019 Shs
<b>CONTRIBUTIONS AND BENEFITS</b>			
Contributions	4	489,596,885	416,628,197
Transfers in	5	347,668	670,875
Benefits payable	6	(27,102,873)	(21,013,825)
		<hr/>	<hr/>
Net surplus from dealings with members		462,841,680	396,285,247
		<hr/>	<hr/>
<b>RETURNS ON INVESTMENTS</b>			
Investment income	7	254,497,148	196,225,568
(Loss)/gain on disposal of treasury bonds	12	(3,044,361)	511,785
(Loss)/gain on disposal of equity investments	14	(341,088)	1,722,531
Fair value gain on treasury bonds	12	9,290,512	39,944,272
Fair value loss on equity investments	14	(53,911,915)	(63,333,631)
Impairment of Corporate bond	13	-	(6,300,000)
Investment management expenses	8	(11,712,929)	(10,557,055)
		<hr/>	<hr/>
NET RETURNS ON INVESTMENTS		194,777,367	158,213,470
		<hr/>	<hr/>
Administrative expenses	9	(22,559,163)	(22,922,530)
		<hr/>	<hr/>
Net returns on investments before taxation		172,218,204	135,290,940
Taxation charge on income from unregistered scheme	21	(844,538)	(628,522)
		<hr/>	<hr/>
Net returns on investments after taxation		171,373,666	134,662,418
		<hr/>	<hr/>
Increase in net assets during the year		<u><u>634,215,346</u></u>	<u><u>530,947,665</u></u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF NET ASSETS  
30 JUNE 2020

	Note	2020 Shs	2019 Shs
<b>ASSETS</b>			
Term deposits	10	182,162,355	223,524,406
Treasury bills	11	297,289,513	232,025,137
Treasury bonds	12	1,901,594,565	1,255,346,164
Corporate bonds	13	31,833,231	78,183,815
Quoted equity investments	14	546,837,363	549,766,579
Investment property	15	958,648,258	958,648,258
Bank balances	16	10,141,123	2,640,597
Contribution due	17	43,173,834	35,926,530
Other receivables	18	797,450	4,538,132
Tax recoverable		-	31,398
		<u>3,972,477,692</u>	<u>3,340,631,016</u>
<b>LIABILITIES</b>			
Unpaid benefits	19	2,469,543	2,686,730
Accrued expenses	20	18,635,751	21,076,606
Tax payable	21	289,372	-
		<u>21,394,666</u>	<u>23,763,336</u>
<b>NET ASSETS</b>	<b>22</b>	<u><u>3,951,083,026</u></u>	<u><u>3,316,867,680</u></u>
<b>REPRESENTED BY:</b>			
Balances allocated to members		<u><u>3,951,083,026</u></u>	<u><u>3,316,867,680</u></u>

The financial statements on pages 11 to 31 were approved and authorised for issue by the trustees on

28/9/ 2020 and were signed on their behalf by:

  
Trustee

  
Trustee

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Shs	2019 Shs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Contributions received		482,349,581	413,746,688
Transfers in		347,668	670,875
Benefits paid		(27,320,060)	(21,844,211)
Administrative expenses paid		(20,861,058)	(22,510,799)
Tax paid		(523,768)	(809,624)
		<hr/>	<hr/>
Net cash generated from operating activities		433,992,363	369,252,929
		<hr/>	<hr/>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment income received		258,931,066	176,979,044
Proceed from disposal of financial assets		655,004,426	379,630,174
Purchase of financial assets		(1,365,992,712)	(765,917,070)
Purchase of investment property		-	(824,020,122)
Investment management expenses paid		(15,796,668)	(5,823,316)
		<hr/>	<hr/>
Net cash used in investing activities		(467,853,888)	(1,039,151,290)
		<hr/>	<hr/>
Decrease in cash and cash equivalents		(33,861,525)	(669,898,361)
		<hr/>	<hr/>
<b>MOVEMENT IN CASH AND CASH EQUIVALENTS</b>			
At start of the year		226,165,003	896,063,364
Decrease in cash and cash equivalents		(33,861,525)	(669,898,361)
		<hr/>	<hr/>
At end of the year	16	<u>192,303,478</u>	<u>226,165,003</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

1 ACCOUNTING POLICIES

**Statement of compliance**

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

**i) Impact of new standards effective for the year ended 30 June 2020**

**IFRS 15 Revenue from Contracts with Customers-** Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The scheme adopted IFRS 15 on 1 January 2018 and has applied the modified approach method.

Having reviewed all revenue streams as part of its IFRS 15 impact assessment, there was no material impact given the nature of income streams mainly being contributions, dividend and interest income.

**IFRS 9 Financial Instruments-** Effective for annual periods beginning on or after 1 January 2018

Finalised version of IFRS 9, which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:

**Classification and measurement.** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

**Impairment.** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

Financial assets have been classified as at amortised cost', fair value through profit and loss', or fair value through other comprehensive income.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2020

1 ACCOUNTING POLICIES (Continued)

i) Impact of new standards effective for the year ended 30 June 2020 (continued)

**IFRS 9 Financial Instruments-** Effective for annual periods beginning on or after 1 January 2018 (Continued)

**Classification of financial assets on 1 January 2018**

The combined application of the business model and SPPI tests on adoption of IFRS 9 resulted in the reclassification of the following financial assets and liabilities.

(KES)	IFRS 9 July 1, 2019 Measurement category carrying amount		IAS 39 30 June 2019 Previous measurement Category Carrying amount	
	Financial assets:			
Treasury bills	Amortized cost	232,025,137	Amortized cost	232,025,137
Treasury bonds	FVTPL	1,255,346,164	FVTPL	1,255,346,164
Corporate Bonds	FVTPL	78,183,815	FVTPL	78,183,815
Equity	FVTPL	549,766,579	FVTPL	549,766,579
Term deposits	Amortized cost	223,524,406		223,524,406
Contributions due	Amortized cost	35,926,530		35,926,530

**Application of new and revised International Financial Reporting Standards (IFRSs)**

ii) New standards and amendments to published standards effective for the year ended 30 June 2020

**IFRS 16 Leases**

Applicable to annual reporting periods beginning on or after 1 January 2019

The company expects to adopt IFRS 16 on 1 January 2019 and based on current modelling, is likely to apply a modified transition method.

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The full impact is being evaluated, but is likely to have no material impact to both the balance sheet net liability position, and the income statement particularly as for future reporting periods after adoption.

*The following new or amended standards are not expected to have significant impact on the scheme's financial statements.*

**IFRIC 22 Foreign Currency Transactions and Advance Consideration-** Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018.

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

ii) **New standards and amendments to published standards effective for the year ended 30 June 2020**

**IFRIC 23 Uncertainty over Income Tax Treatments**-Applicable to annual reporting periods beginning on or after 1 January 2019.

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances.

**Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)** - Effective for annual periods beginning on or after 1 January 2018

Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.

**Transfers of Investment Property (Amendments to IAS 40)** - Effective for annual periods beginning on or after 1 January 2018.

The amendments to IAS 40 Investment Property:

Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.

**Disclosure Initiative (Amendments to IAS 7)** - Effective for annual periods beginning on or after 1 January 2018.

Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

The scheme has not early adopted any standard, amendment or interpretation that has been issued but not yet effective.

*Early adoption of standards*

The scheme did not early-adopt any new or amended standards in 2020.

**Basis of preparation**

The Scheme prepares its financial statements on the historical cost basis of accounting modified to include the revaluation of certain investments.

**Revenue recognition**

Contributions receivable are accounted for in the period in which they fall due.

Dividend income from investments is recognised when the scheme's rights to receive payment has been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable.



KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Benefits payable**

Benefits payable are accounted for in the period in which they fall due.

**Classification of financial instruments**

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Scheme may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Scheme may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Scheme may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

***Impairment of financial assets***

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires the Scheme to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In particular, IFRS 9 requires the Scheme to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Scheme is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

**Financial liabilities**

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship (see Hedge accounting policy). The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item (note 11) in profit or loss.

*Short term deposits*

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

*Government securities*

Government securities comprise treasury bills and treasury bonds, which debt securities are issued by the Government of Kenya. Treasury bills are classified as held to maturity and are stated at amortised cost while treasury bonds are classified as fair value through profit or loss and are stated at fair value.

*Corporate bonds*

Corporate bonds are classified as fair value through profit or loss and are stated at market value as at 30 June.

*Equity shares*

Quoted investments are classified as fair value through profit or loss and are stated at market value as at 30 June.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 ACCOUNTING POLICIES (Continued)

**Impairment of assets**

The carrying amounts of the Scheme's assets are reviewed annually at the end of each reporting period to determine if there is any indication of impairment. If such a condition is identified, the asset's net recoverable amount is estimated. Where the asset's carrying amount exceeds its net recoverable amount, it's written down immediately to the recoverable amount and the resulting impairment loss is treated as an expense in the statement of changes in net assets available for benefits.

**Fair value**

For financial instruments traded in an organised financial market, fair value is determined by reference to quoted market prices.

**Foreign currencies**

Foreign currency balances are translated into Kenyan Shillings at the rates of exchange ruling at the end of each reporting period. Transactions during the year are translated at the rates ruling when the transactions are effected. Gains and losses arising from the translations of monetary items are dealt with in the statement of changes in net assets available for benefits.

**Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash and bank balances, deposits and treasury bills maturing within three months from year end.

**Comparatives**

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

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

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

*Impairment losses on financial assets*

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

3 FINANCIAL RISK MANAGEMENT

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.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

*Market risk*

(i) Foreign exchange risk

The Scheme had no investments in offshore markets at 30 June 2020 and was therefore not exposed to foreign exchange. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

(ii) Price risk

The Scheme is exposed to equity securities price risk because of investments in quoted shares classified at fair value through profit and loss. The Scheme is also exposed to the risk that the value of debt securities will fluctuate due to changes in market value. To manage its price risk arising from investments in equity and debt securities, the Scheme diversifies its portfolio. For equities, the Scheme has invested in companies in different sectors of the economy, while for debt securities; the Scheme has invested in bonds of varying maturities. Diversification of the portfolio is done in accordance with resolutions passed on investments during quarterly trustees meetings. All quoted shares held by the Scheme are traded on the Nairobi Securities Exchange (NSE).

At 30 June 2020, if the prices of all equity investments had increased/decreased by 5% with all other variables held constant, the increase or decrease in net assets would amount to Shs. 27,341,868 (2019: Shs. 27,488,329). Holding all other factors constant, an impact of a 5% increase or decrease in prices of treasury bonds would have increased or decreased net assets by Shs. 95,079,728 (2019: Shs. 62,767,308).

(iii) Cash flow and fair value interest rate risk

The Scheme's interest bearing assets are investments in treasury bonds, corporate bonds, treasury bills, commercial paper and fixed deposits. All of these instruments are at fixed interest rates. The Scheme therefore has no interest rate risk.

**Credit Risk**

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

The amount that best represents the Scheme's maximum exposure to credit risk is made up as follows:

2020	1-3 Months Shs	3-6 Months Shs	6-12 Months Shs	Over 1 year Shs	Total Shs
Treasury bonds	-	47,541,549	84,874,109	1,769,178,907	1,901,594,565
Treasury bills	129,755,037	110,789,972	56,744,504	-	297,289,513
Corporate bonds	-	14,325,519	-	17,507,712	31,833,231
Term deposits	182,162,355	-	-	-	182,162,355
Bank balance	10,141,123	-	-	-	10,141,123
Contributions due	43,173,834	-	-	-	43,173,834
Other receivables	797,450	-	-	-	797,450
Payables & accruals	(21,394,666)	-	-	-	(21,394,666)
	<u>344,635,133</u>	<u>172,657,040</u>	<u>141,618,613</u>	<u>1,786,686,619</u>	<u>2,445,597,405</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011  
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

**Credit Risk (Continued)**

2019	1-3 Months Shs	3-6 Months Shs	6-12 Months Shs	Over 1 year Shs	Total Shs
Treasury bonds	62,529,956	-	31,615,171	1,161,201,037	1,255,346,164
Treasury bills	137,123,813	67,000,939	27,900,385	-	232,025,137
Corporate bonds	7,801,126	9,772,195	14,711,840	45,898,654	78,183,815
Term deposits	223,524,406	-	-	-	223,524,406
Bank balance	2,640,597	-	-	-	2,640,597
Contributions due	35,926,530	-	-	-	35,926,530
Other receivables	4,569,530	-	-	-	4,569,530
Payables & accruals	(23,763,336)	-	-	-	(23,763,336)
	<u>450,352,622</u>	<u>76,773,134</u>	<u>74,227,396</u>	<u>1,207,099,691</u>	<u>1,808,452,843</u>

**Impairment of financial assets**

For the purposes of impairment assessment, the corporate bonds, government securities, are considered to have low credit risk as the counterparties to these investments have a minimum BBB- credit rating. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the expected credit losses for these assets, the Trustees have taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of the redeemable notes, bills of exchange and debentures operate obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

The table below details credit quality of the scheme's financial assets as well as the scheme's maximum exposure to credit risk by credit risk rating grade.

30 June 2020	Note	Internal/ external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
Contributions due	18	Performing	Lifetime ECL (simplified approach)	43,173,834	-	43,173,834
Treasury bonds	12	Investment grade	Lifetime ECL	1,901,594,565	-	1,901,594,565
Treasury bills	11	Investment grade banks	Lifetime ECL	297,289,513	-	297,289,513
Corporate bonds	13	Not applicable	12 months ECL	31,833,231	-	31,833,231
Bank balances	17	Investment grade banks	-	10,141,123	-	10,141,123
Term deposits	10	Investment grade banks	-	182,162,355	-	182,162,355
<b>Total</b>				<u>2,466,194,621</u>	<u>-</u>	<u>2,466,194,621</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

*Impairment of financial assets (Continued)*

30 June 2019	Note	Internal/external rating	12 months or lifetime ECL	Gross carrying amount	Loss allowance	Net amount
Contributions due	17	Performing	Lifetime ECL (simplified approach)	35,926,530	-	35,926,530
Treasury bonds	12	Investment grade	Lifetime ECL	1,255,346,164	-	1,255,346,164
Treasury bills	11	Not applicable	-	232,025,137	-	232,025,137
Corporate bonds	13	Not applicable	Lifetime ECL	78,183,815	-	78,183,815
Bank balances	17	Investment grade banks	-	2,640,597	-	2,640,597
Term deposits	10	Investment grade banks	-	223,524,406	-	223,524,406
<b>Total</b>			-	<b>1,827,646,649</b>	<b>-</b>	<b>1,827,646,649</b>

The following table details the risk profile of receivables based on the Scheme's provisional matrix.

2020	Not past due	Contributions – days past due					Total
		<30	31 – 60	61 – 90	91 – 120	>120	
Gross carrying amount at default							
Lifetime ECL	43,173,834	-	-	-	-	-	43,173,834
<b>Net Amount</b>	<b>43,173,834</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>43,173,834</b>

For contribution receivables, the Scheme has applied the simplified approach in the IFRS 9 to measure the loss allowance. All contributions due are received within one month from the end of the month and thus no need for impairment.

**Reconciliation of impairment requirements under IAS 39 and IFRS 9 as at 1 January 2018.**

One the date on initial application of IFRS 9, the scheme compared the reconciliation of the ending allowances under IAS 39 for its financial assets to the opening loss allowance determined under IFRS 9, no additional impairment was required due to the nature of financial assets held by the scheme as disclosed above.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3 FINANCIAL RISK MANAGEMENT (Continued)

**Reconciliation of impairment requirements under IAS 39 and IFRS 9 as at 1 January 2018 (Continued)**

No collateral is held for any of the above assets. Except for Imperial bank and Chase bank corporate bonds which was fully impaired, no financial assets are either past due or impaired. Government securities comprise of 56% (2019: 45%) of the assets subject to credit risk, which is a high concentration. However, it is in line with the Retirement Benefits Authority's limit.

**Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash balances to cover anticipated benefit payments. The trustees agree with the investment manager on the amount to be invested in assets that can be easily liquidated.

The table below represents the Scheme's undiscounted financial assets and liabilities per their maturity date.

2020	1-3 Months Shs	3-6 Months Shs	6-12 Months Shs	Over 1 year Shs	Total Shs
Treasury bonds	-	47,541,549	84,874,109	1,769,178,907	1,901,594,565
Treasury bills	129,755,037	110,789,972	56,744,504	-	297,289,513
Corporate bonds		14,325,519	-	17,507,712	31,833,231
Term deposits	182,162,355	-	-	-	182,162,355
Bank balance	10,141,123	-	-	-	10,141,123
Contributions due	43,173,834	-	-	-	43,173,834
Other receivables	797,450	-	-	-	797,450
Payables & accruals	(21,394,666)	-	-	-	(21,394,666)
<b>Net liquidity gap</b>	<b>344,635,133</b>	<b>172,657,040</b>	<b>141,618,613</b>	<b>1,786,686,619</b>	<b>2,445,597,405</b>
<b>2019</b>					
Treasury bonds	62,529,956	-	31,615,171	1,161,201,037	1,255,346,164
Treasury bills	137,123,813	67,000,939	27,900,385	-	232,025,137
Corporate bonds	7,801,126	9,772,195	14,711,840	45,898,654	78,183,815
Term deposits	223,524,406	-	-	-	223,524,406
Bank balance	2,640,597	-	-	-	2,640,597
Contributions due	35,926,530	-	-	-	35,926,530
Other receivables	4,569,530	-	-	-	4,569,530
Payables & accruals	(23,763,336)	-	-	-	(23,763,336)
<b>Net liquidity gap</b>	<b>450,352,622</b>	<b>76,773,134</b>	<b>74,227,396</b>	<b>1,207,099,691</b>	<b>1,808,452,843</b>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

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

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

	Level 1 Shs	Level 2 Shs	Level 3 Shs	Total Shs
30 June 2020				
Government securities	2,198,884,078	-	-	2,198,884,078
Quoted equities	546,837,363	-	-	546,837,363
Corporate bonds	-	31,833,231	-	31,833,231
Investment property	-	-	958,648,258	958,648,258
	<u>2,745,721,441</u>	<u>31,833,231</u>	<u>958,648,258</u>	<u>3,736,202,930</u>
30 June 2019				
Government securities	1,487,371,301	-	-	1,487,371,301
Quoted equities	549,766,579	-	-	549,766,579
Corporate bonds	-	78,183,815	-	78,183,815
Investment property	-	-	958,648,258	958,648,258
	<u>2,037,137,880</u>	<u>78,183,815</u>	<u>958,648,258</u>	<u>3,073,969,953</u>

	2020 Shs	2019 Shs
4 CONTRIBUTIONS		
Employer	325,481,722	277,242,432
Employees	162,740,861	138,621,216
Employees- Additional Voluntary Contributions (AVC)	1,374,302	764,549
	<u>489,596,885</u>	<u>416,628,197</u>



KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2020 Shs	2019 Shs
5 TRANSFERS IN		
Transfers in	347,668	670,875
	<u>347,668</u>	<u>670,875</u>
Relates to member benefits transferred from other schemes during the year		
6 BENEFITS PAYABLE		
Benefits paid and payable	27,102,873	21,013,825
	<u>27,102,873</u>	<u>21,013,825</u>
Relates to amounts paid to members who leave the Scheme before retirement age and retirement benefits paid to members.		
7 INVESTMENT INCOME		
<i>Held to maturity investments</i>		
Interest from term deposits	12,458,786	11,833,727
Interest from corporate bonds	7,924,664	10,764,778
<i>Investments at fair value through profit or loss</i>		
Interest from treasury bonds	165,859,508	123,071,375
Interest from treasury bills	33,032,435	22,304,333
Dividend incomes	33,129,795	28,066,552
Other incomes	387,742	184,803
Refund of Imperial Bank deposit	1,704,218	-
	<u>254,497,148</u>	<u>196,225,568</u>
8 INVESTMENT MANAGEMENT EXPENSES		
Investment manager fees	6,804,355	6,659,080
Custodian fees	4,908,574	3,897,975
	<u>11,712,929</u>	<u>10,557,055</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2020 Shs	2019 Shs
<b>9 ADMINISTRATIVE EXPENSES</b>		
RBA levy	4,705,793	4,067,400
Administrators fees	9,856,387	9,427,567
Trustees expenses	1,697,169	1,920,997
AGM Expenses	787,883	818,880
AGM Expenses-Overprovision	-	(597,626)
Trustees indemnity	350,398	350,398
Bank charges	211,995	493,437
Audit fees	360,000	214,600
Property expenses	1,005,584	216,000
Member training	-	1,745,000
Trustees training	3,489,954	3,922,377
Trustees election cost	-	343,500
Office equipment	94,000	-
	<u>22,559,163</u>	<u>22,922,530</u>
<b>10 TERM DEPOSITS AND MONEY MARKET FUND</b>		
Held to maturity		
Kenya Commercial Bank of Kenya Limited	-	80,090,083
Equity Bank Limited	53,000,000	-
Cooperative Bank of Kenya	50,054,794	90,123,424
Absa Bank of Kenya	-	4,031,452
Imperial Bank Limited	6,135,266	6,135,266
<i>Less impairment loss</i>	<i>(6,135,266)</i>	<i>(6,135,266)</i>
Stanbic Bank of Kenya	77,251,835	28,126,619
NCBA Bank Kenya	1,855,726	21,152,828
	<u>182,162,355</u>	<u>223,524,406</u>

The Capital Markets Authority issued a circular to all investors with investments in Imperial Bank Limited, directing them to impair 50% of investments in the year ended 31 December 2016. The balance being impaired in the next financial year till further information is provided on the fate of the bank.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

11	TREASURY BILLS	2020	2019
		Shs	Shs
	Held to maturity		
	At 1 July	232,025,137	133,161,524
	Purchases during the year	445,582,970	251,437,410
	Maturity during the year	(430,649,809)	(188,862,646)
	Earned discount	33,032,435	22,304,333
	Accrued interest	17,298,780	13,984,516
		<u>297,289,513</u>	<u>232,025,137</u>
		<u><u>297,289,513</u></u>	<u><u>232,025,137</u></u>
12	TREASURY BONDS		
	At fair value through profit or loss		
	At 1 January	1,255,346,164	904,798,874
	Purchases during the year	860,631,581	476,273,551
	Maturity/disposal during the year	(220,629,331)	(166,182,318)
	(Loss)/gain on disposal	(3,044,361)	511,785
	Fair value gain	9,290,512	39,944,272
		<u>1,901,594,565</u>	<u>1,255,346,164</u>
	At 31 December	<u><u>1,901,594,565</u></u>	<u><u>1,255,346,164</u></u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

13 CORPORATE BONDS	2020 Shs	2019 Shs
At fair value through profit or loss		
NCBA Group Plc	14,325,519	18,686,555
East Africa Breweries Limited	17,507,712	20,605,557
Chase Bank Limited	6,300,000	6,300,000
<i>Impairment of Chase Bank Limited</i>	<i>(6,300,000)</i>	<i>(6,300,000)</i>
Centum Investment company Plc	-	14,711,842
CIC Insurance Group	-	5,415,802
Housing Finance Group of Kenya	-	1,079,250
Consolidated Bank of Kenya Limited	-	264,650
CSB	-	10,977,557
UAP Insurance Company Limited	-	3,277,144
African Banking Corp. Ltd	-	3,165,458
	<hr/>	<hr/>
	31,833,231	78,183,815
	<hr/> <hr/>	<hr/> <hr/>

*Impairment loss\**- The Capital Markets Authority issued a circular to all investors with investments in Imperial Bank Limited, directing them to impair 50% of investments in the year ended 31 December 2017. The balance being impaired in the next financial year till further information is provided on the fate of the bank.

*impairment loss\*\** Chase Bank Kenya Limited was put under receivership by the Central Bank of Kenya on 7 April 2017 due to unsafe financial conditions in the bank. However, the bank reopened on the 27 April 2017 under the statutory management of Kenya Deposit Insurance Corporation and was still operational as at 31st December 2018. The bond has been recognized at nominal value less the present value of estimated future cash flows. The Trustees assessed the impairment on the corporate bond by determining the difference between the carrying amount of the bond and the present value of estimated future cash flows, which were discounted at the bank's original effective interest rate. On 4 January 2018, the Central Bank of Kenya confirmed and approved the acquisition of Chase Bank Kenya Limited. The Trustees have booked full impairment of the corporate bond since there are no estimated future cashflows from the investment.

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14. QUOTED EQUITY INVESTMENTS (At fair value through profit or loss)

Units At 01-Jul-19	Additions	Disposals	Units At 30-Jun-20		Market value 01-Jul-19 Shs	Additions Shs	Disposals Shs	Realised gain/(loss) Shs	Unrealised gain/(loss) Shs	Market value 30-Jun-20 Shs
144,565	-	-	144,565	Bamburi Cement Ltd	16,371,986	-	-	-	(12,324,166)	4,047,820
1,028,025	697,800	-	1,725,825	ABSA Group Plc	10,742,862	8,072,074	-	-	(1,556,686)	17,258,250
225,870	-	(225,870)	-	Britam Holdings Plc	1,852,134	-	(1,852,965)	831	-	-
232,016	-	-	232,016	Stanbic Holdings Plc	22,969,584	-	-	-	(3,422,236)	19,547,348
1,699,082	265,000	(266,000)	1,698,082	Co-operative Bank (K) Ltd	20,388,983	3,976,534	(3,181,261)	(10,741)	(541,822)	20,631,693
92,808	-	-	92,808	Diamond Trust of Kenya Ltd	10,928,118	-	-	-	(4,362,213)	6,565,905
343,504	13,500	-	357,004	East African Breweries Ltd	68,614,924	2,087,395	-	-	(12,689,168)	58,013,151
1,528,619	240,000	-	1,768,619	Equity Group Holdings Plc	59,539,710	9,600,240	-	-	(7,768,869)	61,371,081
288,680	-	-	288,680	I&M Holdings Ltd	15,876,998	-	-	-	(1,442,998)	14,434,000
6,500	-	-	6,500	Scangroup Ltd	71,825	-	-	-	35,425	107,250
72,912	-	-	72,912	Standard Chartered Bank Ltd	14,181,454	-	-	-	(1,804,661)	12,376,793
595,000	-	(181,000)	414,000	Umeme Limited	4,943,365	-	(1,100,995)	(402,330)	(535,593)	2,904,447
1,347,681	793,500	-	2,141,181	KCB Group Ltd	51,548,798	36,041,917	-	-	(9,758,789)	77,831,926
274,170	-	-	274,170	Kenya Power & Lighting Co Ltd	1,066,521	-	-	-	(540,115)	526,406
16,130	-	-	16,130	Nation Media Group Plc	790,370	-	-	-	(541,968)	248,402
323,714	-	-	323,714	NCBA Group Plc	9,905,649	-	-	-	(1,311,042)	8,594,607
8,539,975	-	(80,000)	8,459,975	Safaricom Plc	239,973,298	-	(2,319,152)	71,152	4,652,986	242,378,284
					<u>549,766,579</u>	<u>59,778,160</u>	<u>(8,454,373)</u>	<u>(341,088)</u>	<u>(53,911,915)</u>	<u>546,837,363</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2020 Shs	2019 Shs
15 INVESTMENT PROPERTY		
At cost		
At 1 July	958,648,258	915,452,656
Legal costs	-	13,003,721
Agency costs	-	30,191,881
	<u>958,648,258</u>	<u>958,648,258</u>
As at 31 December	<u>958,648,258</u>	<u>958,648,258</u>
Relates to land in Kajiado /Kitengela-6242 and Kajiado/Kaputie North/9072 acquired in 2018. Investment property is stated at cost.		
16 CASH AND CASH EQUIVALENTS		
For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances and deposits held at call with banks maturing within 3 months after the scheme year end.		
Cash at bank	10,141,123	2,640,597
Term deposits	182,162,355	223,524,406
	<u>192,303,478</u>	<u>226,165,003</u>
17 CONTRIBUTIONS DUE		
Outstanding for less than 30 days	<u>43,173,834</u>	<u>35,926,530</u>
18 OTHER RECEIVABLES		
Dividends receivable	797,450	4,482,910
Prepaid trustees indemnity	-	55,222
	<u>797,450</u>	<u>4,538,132</u>
19 UNPAID BENEFITS		
Amounts due to leaving members	<u>2,469,543</u>	<u>2,686,730</u>
20 ACCRUED EXPENSES		
RBA Levy payable	4,709,854	4,070,939
Management fees payable	5,699,512	9,105,119
Administration fees payable	4,887,890	4,968,497
Custodial fees	1,220,436	388,977
Audit fees	360,000	214,600
Property consultancy fees payables	675,000	1,509,594
AGM expenses payable	787,883	818,880
Trustees indemnity payable	295,176	-
	<u>18,635,751</u>	<u>21,076,606</u>

KENYATTA NATIONAL HOSPITAL  
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 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 from the registered portion. Investment income accruing from contributions that are over and above KShs 20,000 per employee per month, net of tax allowable expenses are taxed at the corporate rate of 25%.

	2020 Shs	2019 Shs
Tax charge for the year	844,538	628,522
	=====	=====
Balance at start of year	(31,398)	149,704
Tax charge for the year	844,538	628,522
Tax paid during the year	(523,768)	(809,624)
	-----	-----
Balance at end of year	289,372	(31,398)
	=====	=====

22 NET ASSETS AT END OF YEAR

At 1 July	3,316,867,680	2,785,920,015
Net increase in assets during the year	634,215,346	530,947,665
	-----	-----
At 31 December	3,951,083,026	3,316,867,680
	=====	=====

23 RELATED TRANSACTIONS

Related parties comprise the trustees, the founder, and companies which are related to the parties through common shareholdings or common directorships. Balances received and due from the sponsor Kenyatta National Hospital, in respect of contributions receivable are disclosed in Notes 4 and 20.

24 CONTINGENT LIABILITIES

There were no contingent liabilities of the scheme at 30 June 2020.

25 CURRENCY

The financial statements are presented in Kenya Shillings (Shs).