KENYATTA NATIONAL HOSPITAL

STAFF RETIREMENT BENEFITS SCHEME 2011

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

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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 30th June 2021 will be held on Friday, 10 December 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. To review members' contributions
9. Question & Answers session
10. 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*

Re-elected 30 July 2021

Dr Evanson 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

Irene Moke

Trustee – Re-elected 30 July 2021

Stella Githaiga

Trustee – Elected on 30 July 2021

Mr Duncan Msafiri

Trustee – Elected on 30 July 2021

Retired Trustees

Alice Atamba

Trustee – Retired 15 December 2020

Mr Kenneth Kimengech

Trustee – Retired 29 July 2021

Mr Charles Mbaka

Trustee – Retired 29 July 2021

Chairman's report

KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011

ANNUAL GENERAL MEETING FOR THE YEAR ENDING 30 JUNE 2021

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 2021. 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 the board is comprised as follows; -

1. Mr. Peter Mureithi - Member Elected Trustee & Chairman
2. Ms. Winnie Mwangi - Sponsor Nominated Trustee & Trust Secretary
3. Dr. Richard Kamau - Sponsor Nominated Trustee
4. Dr. Evanson Kamuri - Sponsor Nominated Trustee
5. Mr. Calvin Nyachoti - Sponsor Nominated Trustee
6. Ms. Stella Githaiga - Member Elected Trustee
7. Mr. Duncan Msafiri - Member Elected Trustee
8. Ms. Irene Moke - Member Elected Trustee

During the year ended 30 June 2021, Ms Alice Atamba, Mr Charles Mbaka and Mr Kenneth Kimengech served as a Trustees.

On 30th July 2021, Trustees elections were conducted for members to elect their representatives to the Board of Trustees and Ms. Irene Moke and myself were re-elected by members to serve for a final term of 3 years. New Trustees elected were Ms Stella Githaiga and Mr Duncan Msafiri. I wish to note that Trustee Kenneth had served the maximum allowable term.

The Scheme Service Providers are as follows:

Fund Managers	- GenAfrica Asset Managers
	- 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, the 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 2020/2021

The Covid-19 pandemic hit the scheme during the first half of the scheme financial year causing uncertainties in the economy growth as well as investments due to the lockdown measures put in place. Kenya started its vaccination program in early March and the current progress is boosting the overall economy.

Annual inflation averaged 6.3% as at 30 June 2021 and within the CBK upper limit target on inflation of 7.5%. The local currency strengthened towards the last quarter of the scheme financial year to close at K Shs 107.5.

The equity market had a positive return with the Nairobi All Share Index gaining 26.5% for 12 months as at 30 June 2021.

Results for Year 2020/2021

The fund value of the scheme increased to KES. 5.07 billion with a total membership of 4,206 active contributors and 431 deferred members. The Schemes net return to June 2021 was 12.92% and we confirm the same was awarded to your members statements as at June 2021.

The scheme's average return for the last 10 years since commencement is 10.89%.

Audit for the Year Ended 30 June 2021

The Scheme was audited by 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 and Legislative Changes

There have been various regulatory and legislative changes. The key ones to note are:

1. **Mortgage Regulations, 2020** – The Mortgage Regulations were gazette in September 2020 allowing members to use their pension benefits to purchase a residential house. The Board of Trustees has developed a Mortgage policy and is in the final stages of amending the Trust Deed and Rules to include the provisions for members to utilize the same.
2. **Preservation of Benefits** - Members who leave the service of their employers/sponsors before attaining the specified retirement age and opt for payment shall be entitled to access not more than fifty percent (50%) of their total accrued benefits including the investment income accrued.

Post-Retirement Medical Fund

The Regulations allow that members can do voluntary contribution for the purpose of purchasing a post-retirement medical cover at retirement. The Board of Trustees have proceeded to set-up up a post-retirement medical fund within the scheme and the rules have been provided in the Trust Deed and Rules which is in the final stages of approval.

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 30 September 2021

The fund has continued to grow and the fund value as at 30 September stood at KES 5.34 billion.

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 2020

MINUTES OF THE MEMBERS ANNUAL GENERAL MEETING FOR KENYATTA NATIONAL HOSPITAL STAFF RETIREMENT BENEFITS SCHEME 2011 HELD ONLINE VIA ZOOM.US ON 12 MARCH 2021 AT 9.00 AM

Present

Mr Peter Mureithi	Member Elected Trustee (Chairman)
Ms Winnie Mwangi	Sponsor Appointed Trustee (Trust Secretary)
Dr Evanson Kamuri	Sponsor Appointed Trustee
Mr Calvin Nyachoti	Sponsor Appointed Trustee
Dr Richard Kamau	Sponsor Appointed Trustee
Mr Kenneth Kimengech	Member Elected Trustee
Mr Charles Mbaka	Member Elected Trustee
Ms Irene Moke	Member Elected Trustee

Members present: As per the Appendix Attached

Service Providers:

Ms Lilian Gitau	Minet Kenya Financial Services (Fund Administrator)
Ms Mary Gitau	Minet Kenya Financial Services (Fund Administrator)
Mr Joram Mutunga	Minet Kenya Financial Services (Fund Administrator)
Mr Matthew Mue	Sanlam Investment Managers (Fund Manager)
Mr Mohamed Abdi	GenAfrica Kenya Investment Managers (Fund Manager)
Ms Enidjoy Magiri	Ebony Estates (Fund Property Manager)
Ms Esther Maina	Kenya Commercial Bank (Fund Custodian)
Mr Edwin Barui	King'ang'i Kamau & Company (Fund Auditor)
Mr John Muli	Retirement Benefits Authority (Regulator)

MIN 01/2021 - OPENING MEETING & PRAYERS

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

There was introduction of Trustees and service providers present.

MIN 02/2021 - NOTICE OF THE AGM & AGENDA

The Trust Secretary, Ms Wininie Mwangi read the notice and agenda for the members annual general meeting and was proposed and seconded by Dr Tom Menge and Veronica Njagi respectively.

MIN 03/2021 - CEO'S REMARKS

The CEO, Dr Kamuri welcomed all members to the annual general meeting and noted that the turnout of the membership was low. He thanked the Trustees who have been managing the scheme and there has been no cause of alarm in the running of the fund.

Dr Kamuri stated that it was quite unfortunate that as a nation Covid-19 came about and affected the market performance. He mentioned that as a scheme, there is need to relook at new investment strategies. He noted that the purpose for the scheme is to provide income when one can no longer work and encouraged members to consider increasing their contributions to boost their savings.

Dr Kamuri encouraged members to adhere to the Covid measures put in place and ensured members that as the sponsor will continue giving the required support to the scheme.

MIN 04/2021 - CONFIRMATION OF THE MINUTES OF THE MEMBERS AGM HELD ON 6 DECEMBER 2019

Minutes of the annual general meeting held on 6 December 2019 were read by Ms Lilian Gitau of Minet Kenya. The Scheme members confirmed the minutes to be a true record of the proceedings and were proposed and seconded by Stephen Mwai and Rose Njoroge respectively.

MIN 05/2021 - MATTERS ARISING FROM THE MINUTES OF THE MEMBERS AGM HELD ON 6 DECEMBER 2019

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

MIN 06/2021 - SCHEME CHAIRMAN'S REPORT

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

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.

Management of the Fund: The Chairman mentioned the Board of Trustees and noted that there were two new Trustees appointed in 2020; Winnie Mwangi in July 2020 and Calvin Nyachoti in December 2020.

Service Providers: Chairman reported the service providers for the Scheme as Sanlam Investments, GenAfrica Investments, KCB Bank, Minet Kenya and King'ang'i Kamau & Company.

Board Committees: The Chairman reported that the Trustees have continued to serve in 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 is paid from the Scheme.

Fund Position: The total assets of the Scheme as at 30 June 2020 increased to K Shs 3.95 billion from K Shs 3.32 billion in June 2019. The fund has continued to grow and stood at 4.4 billion as at 31 December 2020.

Regulatory Changes: The Chairman reported that during the year there were 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 and noted that 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. He further mentioned that the Trustees are scheduling member education sessions to be held in April 2021.

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

MIN 07/2021 - REPORT OF THE AUDITED ACCOUNTS FOR YEAR ENDING 30th JUNE 2020

Mr Edwin Bariu of Kin'ang'i Kamau & Company presented to the members the Audited Accounts for the period ending 30 June 2020. The highlights of the report were:

Results for the period: The statement of net assets available to benefits as at 30 June 2020 was K Shs 3,951,083,026 compared to K Shs 3,316,867,680 as at 30 June 2019.

Net return on investments amounted to K Shs 194,777,367.

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

Mr Edwin read their opinion and members adopted the report proposed and seconded by Veronica Njagi and Sammy Biwott respectively.

MIN 08/2021 - REPORT OF THE FUND MANAGERS

The Investment Managers, represented by Matthew Mue of Sanlam Investments and Mohamed Abdi of GenAfrica Investments presented their report and the following was noted:

The primary role of the Fund Manager is to advise Trustees on the available investment options.

The investment manager invests the scheme assets according to the approved investment policy and reports the performance to the Trustees on a quarterly basis.

Economic updates: GDP expanded by 5.4% in 2019 compared to 6.3% in 2018. Kenya's projected GDP growth in 2020 was revised by the IMF from contraction to 1.0% growth.

Assets as at 30 June 2020 were confirmed as K Shs 3,928,506,408 invested in the following categories:

Asset Class	Fund Value (K Shs)	% Allocation
Government Securities	2,198,884,078	56%
Quoted Equities	546,837,363	14%
Investment Property	958,648,258	24%
Corporate bonds	31,833,231	1%
Term Deposits	182,162,355	4%
Cash and Bank Balances	10,141,123	1%
Total	**3,928,506,408**	**100%**

Members adopted the report proposed and seconded by Veronica Njagi and Sammy Biwott respectively.

MIN 09/2021 - REPORT OF THE CUSTODIAN

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

Custodian's primary role is to be responsible for the safe custody of the schemes existing assets and all future contributions and deal with all administrative matters relating to those assets.

Esther Maina took members through the statutory obligations of a Custodian.

She confirmed that during the year all investments were executed within the laid down regulations, contributions were remitted by the sponsor, income arising out of investments was collected on time and the assets held by the custodian as at 30 June 2020 were as detailed in the audited accounts.

Accordingly, she confirmed that assets of the Scheme were safe.

Members adopted the report proposed and seconded by Veronica Njagi and Sammy Biwott respectively.

MIN 10/2021 - REPORT OF THE PROPERTY REPORT

Ms Enidjoy Magiri from Ebony Estates presented the property report and the following was noted:

The property reported that the two properties are well guarded and noted that fencing of the properties was ongoing.

Members adopted the report proposed and seconded by Veronica Njagi and Sammy Biwott respectively.

MIN 11/2021 - REPORT OF THE ADMINISTRATOR

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

Scheme Structure: The scheme is a Defined Contribution pension scheme 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 can make contributions over and above the current 5% to boost their savings.

Ms Lilian Gitau took members through what benefits are payable upon exit from employment and how the benefits are taxed.

Highlights on Regulatory Updates on Mortgage Regulations were presented as follows:

- Effective 25 April 2020, the Retirement Benefits Act was amended to allow pension scheme members to use a portion of their retirement benefits to purchase a residential house.
- The proportion available for the purchase of a house shall be 40% of members accrued benefit (remitted contributions) subject to a maximum of K Shs. 7,000,000
- The Trustees to make provisions to allow a member to utilize a proportion of his accrued benefits to purchase a residential house from an institution.
- Trustees shall cause the title of the residential house to be encumbered to restrict transfer to any person until the member retires (early or normal retirement age), Death of a member, Ill health retirement and permanent immigration.
- Where a member has an existing mortgage, they shall not use their accrued benefits to offset that mortgage.

Members adopted the report proposed and seconded by Veronica Njagi and Sammy Biwott respectively.

MIN 12/2021 - 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 how Covid-19 pandemic has impacted the pensions industry.

Mr Muli provided updates to the members which included:

- Mortgage regulations allowing members to utilize a portion of their benefits to purchase a residential house.
- Introduction of debt instruments financing of infrastructure or affordable housing projects
- Commencement of the government contributory scheme

Mr Muli also gave highlights on advancements on the post-retirement medical funds.

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.

The Chairman reported that in regards to the Post-retirement medical scheme they had a meeting with the union officials and the Trustees are still working on developing the same for members.

Members noted the content of the report.

MIN 13/2021 - QUESTION AND ANSWER SESSION

Members were given the chance to write their questions on the chat box functions as well as asking directly to the service providers and Trustees for responses.

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

MIN 14/2021 - VOTE OF THANKS

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

- God for the gift of life and this moment to have the AGM.
- The members for attending the meeting.
- The Board of Management through the stewardship of the CEO, Dr Kamuri for the support accorded to the Board of Trustees.
- The Board of Trustees for managing the scheme.
- Pension Secretariat for their support to the Board of Trustees.
- The planning committee for their time and ensuring the AGM meeting was well planned.
- The service Providers for contributing to the success of the fund.

MIN 15/2021 - CLOSE MEETING

There being no other business to discuss, the meeting ended at 11:56am. Closing prayer was led by Rev Joseph Miriti.

Signed for Circulation _____ Date _____

Trust Secretary _____ Date _____

Chairman _____ Date _____

Annual Report and Financial Statements for the year ended 30 June 2021

KENYATTA NATIONAL HOSPITAL

STAFF RETIREMENT BENEFITS SCHEME 2011

FINANCIAL STATEMENTS

30 JUNE 2021

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

TRUSTEES, PROFESSSIONAL ADVISERS AND OTHER INFORMATION

THE BOARD OF TRUSTEES	Peter Mureithi	Chairman–Reappointed 30 July 2021
	Winnie Mwangi	Trust Secretary
	Dr.Evanson Kamuri	
	Dr.Richard Kamau	
	Irene Moke	Reappointed 30 July 2021
	Calvin Nyachoti	Appointed 15 December 2020
	Duncan Msafiri	Appointed 30 July 2021
	Stella Githaiga	Appointed 30 July 2021
	Charles Mbaka	Retired 29 July 2021
	Kenneth Kimengech	Retired 29 July 2021
	Alice Atamba	Retired 15 December 2020

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,5th 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 2021.

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

	Active	**Deferred**	**Total**
Total members at start of the year	**3,719**	**405**	**4,124**
New members	551	59	610
Less: Leavers	(64)	(33)	(97)
Total members at end of the year	**4,206**	**431**	**4,637**

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. 1,116,540,587 (2020: Shs. 634,215,346) and the statement of net assets on page 12 shows the scheme's net assets as Shs. 5,067,623,631 (2020: Shs. 3,951,083,026).

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.

REPORT OF THE TRUSTEES (continued)

As at 30 June 2021, the investments' portfolio was as follows

	2021 Shs	2021 %	2020 Shs	2020 %	RBA limits %
Kenya government securities	3,017,064,549	59.85%	2,198,884,078	56	90
Quoted equity investments	884,067,837	17.54%	546,837,363	14	70
Investment property	1,053,800,000	20.91%	958,648,258	24	30
Corporate bonds	-	-	31,833,231	1	30
Term deposits	83,810,328	1.66%	182,162,355	4	30
Cash and bank balances	1,832,906	0.04%	10,141,123	1	5
	5,040,575,620	100	3,928,506,408	100	

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 have expressed their willingness to continue in office.

Signed on behalf of the Trustees

Trustee

29/9/2021

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	46 years	Member Elected	4	Yes	Masters degree	None
Dr. Evanson Kamuri	50 years	Sponsor Nominated	2	Yes	Masters degree	Yes; KNH DB
Calvin Nyachoti	39 years	Sponsor Nominated	2	Yes	Masters degree	None
Dr. Richard Kamau	63 years	Sponsor Nominated	4	Yes	Masters degree	None
Winnie Mwangi	46 years	Sponsor Nominated	3	Yes	Masters degree	Yes; KNH DB
Irene Moke	43 years	Member Elected	4	Yes	Diploma	None
Charles Mbaka	51 years	Member Elected	4	Yes	Bachelors degree	None
Kenneth Kimengech	43 years	Member Elected	4	Yes	Masters degree	None

2. The Board of Trustees held **4 meetings** during the year ended **30 June 2021.**

   The meetings were held on the dates set out hereunder:

   a) BOT – 28th August 2020
   b) BOT – 3rd December 2020
   c) BOT – 10th March 2021
   d) BOT – 11th June 2021

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

   a) Gender balance: Female: **25%** Male: **75%**
   b) Skills mix: No of Trustees with financial skills: …**One**…….
   c) 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	4	No	Nil
Audit and Risk Committee	4	No	Nil
Administration Committee	4	No	Nil
Welfare Committee	4	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.

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 …12th March 2021… at which **…274……** members, making up **……7%……** of scheme members attended. The board adequately addressed the members' concerns.

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
Members' day and Retirement planning meeting	06/04/2021 07/04/2021 08/04/2021	117 188 115	Members issues were addressed adequately

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.3,439,674.** The payments complied with the Trustees remuneration policy of the scheme.

11. Board of Trustees' evaluation

The Board and individual Trustees undertook a board evaluation on **21 June 2021**.

Signed on behalf of Board of Trustees on----29/sep/----2021

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 29th September 2021 and signed on its behalf by:

For the Trustees

29-10-2021

Trustee

Trustee

King'ang'i Kamau & Co.
Certified Public Accountants

Partners
David Ndung'u Kamau
Peter G. King'ang'i

8th Floor, Suite 809
Electricity House, Harambee Avenue
P.O Box 5698 - 00200 Nairobi, Kenya
Tel: +254 020 316463, +254 020 310494
Mobile: 0722-785467 / 0722-879126
Email: info@kingangikamau.com
Website: http://www.kingangikamau.com

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 27, which comprise the statement of net assets available for benefits as at 30 June 2021, 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 2021 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.

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.***

Peter G. Kinglangi

For and on behalf of KingángíKamau & Co.
Certified Public Accountants (Kenya)
Nairobi, Kenya

Date: 29 | sep | *2021*

KING'ANG'I KAMAU AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
P. O. BOX 5698 - 00200
NAIROBI

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Shs	2020 Shs
CONTRIBUTIONS AND BENEFITS			
Contributions	4	592,062,390	489,596,885
Transfers in	5	915,622	347,668
Benefits payable	6	(21,973,252)	(27,102,873)
Net surplus from dealings with members		571,004,760	462,841,680
RETURNS ON INVESTMENTS			
Investment income	7	319,668,837	254,497,148
Loss on maturity/disposal of treasury bonds	12	(8,721,510)	(3,044,361)
Gain/(loss) on disposal of equity investments	14	1,650,293	(341,088)
Fair value gain on treasury bonds	12	13,627,005	9,290,512
Fair value gain/(loss) on equity investments	14	180,028,153	(53,911,915)
Fair value gain on investment properties	15	87,925,742	-
Investment management expenses	8	(14,281,071)	(11,712,929)
NET RETURNS ON INVESTMENTS		579,897,449	194,777,367
Administrative expenses	9	(32,981,657)	(22,559,163)
Net returns on investments before taxation		546,915,792	172,218,204
Taxation charge on income from unregistered scheme	21	(1,379,965)	(844,538)
Net returns on investments after taxation		545,535,827	171,373,666
Increase in net assets during the year		1,116,540,587	634,215,346

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF NET ASSETS
30 JUNE 2021

	Note	2021 Shs	2020 Shs
ASSETS			
Term deposits	10	83,810,328	182,162,355
Treasury bills	11	199,762,873	297,289,513
Treasury bonds	12	2,817,301,676	1,901,594,565
Corporate bonds	13	-	31,833,231
Quoted equity investments	14	884,067,837	546,837,363
Investment property	15	1,053,800,000	958,648,258
Bank balances	16	1,832,906	10,141,123
Contribution due	17	52,032,646	43,173,834
Other receivables	18	167,470	797,450
		5,092,775,736	3,972,477,692
LIABILITIES			
Unpaid benefits	19	2,058,200	2,469,543
Accrued expenses	20	22,558,500	18,635,751
Tax payable	21	535,423	289,372
		25,152,123	21,394,666
NET ASSETS	22	5,067,623,613	3,951,083,026
REPRESENTED BY:			
Balances allocated to members		5,067,623,613	3,951,083,026

The financial statements on pages 11 to 27 were approved and authorised for issue by the trustees on

29th September 2021 and were signed on their behalf by:

Peter Mureithi

Trustee

KIANNIE MWANGI

Trustee

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 Shs	2020 Shs
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		583,203,578	482,349,581
Transfers in		915,622	347,668
Benefits paid		(22,384,595)	(27,320,060)
Administrative expenses paid		(31,625,151)	(20,861,058)
Tax paid		(1,133,914)	(523,768)
Net cash generated from operating activities		528,975,540	433,992,363
CASH FLOW FROM INVESTING ACTIVITIES			
Investment income received		334,527,265	258,931,066
Proceed from disposal of financial assets		648,929,356	655,004,426
Purchase of financial assets		(1,607,377,563)	(1,365,992,712)
Investment management expenses paid		(11,714,842)	(15,796,668)
Net cash used in investing activities		(635,635,784)	(467,853,888)
Decrease in cash and cash equivalents		(106,660,244)	(33,861,525)
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		192,303,478	226,165,003
Decrease in cash and cash equivalents		(106,660,244)	(33,861,525)
At end of the year	16	85,643,234	192,303,478

1 ACCOUNTING POLICIES

Statement of compliance

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

Adoption of new and revised International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee (IFRIC)

(a) Relevant new standards and amendments to published standards effective for the year ended June 2021

During the year IAS 8 Accounting policies, changes in accounting estimates and errors and IFRS 16 became effective. The Trustee has evaluated the impact of the new standard and interpretations and it did not have a significant impact on the scheme's financial statements. IFRS 16 Leases was effective in January 2019 and did not have on impact the schemes reporting since the scheme does not hold any property under lease.

(b) *Relevant new and amended standards and interpretations in issue but not yet effective in the year ended June 2021*

At the date of authorisation of these financial statements, various revised standards and interpretations were issued but not yet effective. The Trustees anticipate that the adoption of these standards, interpretations and amendments when effective, will have no material impact on the financial statements of the scheme. The standards include IAS 1 presentation of financial statements and IAS 37 provisions, contingent liabilities and contingent assets.

Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The measurement basis applied is the historical cost basis, except for financial assets measured at fair value as per section 'Financial instruments' below.

Revenue recognition

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

Dividend income from investments is recognised when the Schemes' rights to receive payment as a shareholder have been established.

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

Benefits payable

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

1 ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents include cash at bank and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Scheme in the management of its short-term commitments.

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).

Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model. 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 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.

Further, at 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 income statement of changes in net assets whenever the carrying amount of the asset exceeds its recoverable amount.

1 ACCOUNTING POLICIES

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 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.

Fair value

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

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.

Equity shares

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

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 it's 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES (Continued)

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. The Scheme had no foreign exchange at 30 June 2021.

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.

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.

3 FINANCIAL RISK MANAGEMENT(Continued)

Market risk(Continued)

(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. 2,657,866 (2019: Shs. 2,904,323). 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. 26,252,273 (2019: Shs. 24,510,659).

(iii) Cash flow and fair value interest rate risk

The Scheme's interest bearing assets are investments in treasury bonds, corporate bonds, treasury bills 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:

2021	**1-3 Months Shs**	**3-6 Months Shs**	**6-12 Months Shs**	**Over 1 year Shs**	**Total Shs**
Treasury bonds	29,535,882	-	33,208,797	2,754,556,997	2,817,301,676
Treasury bills	-	-	199,762,873	-	199,762,873
Term deposits	83,810,328	-	-	-	83,810,328
Bank balance	1,832,906	-	-	-	1,832,906
Contributions due	52,032,646	-	-	-	52,032,646
Other receivables	167,470	-	-	-	167,470
Payables & accruals	(22,558,500)	-	-	-	(22,558,500)
	144,820,732	-	232,971,670	2,754,556,997	3,132,349,399

3 FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk (Continued)

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)
	344,635,133	172,657,040	141,618,613	1,786,686,619	2,445,597,405

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 2021	**Note**	**Internal/ external rating**	**12 months or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net amount**
Term deposits	10	Investment grade banks		83,810,328	-	83,810,328
Treasury bills	11	Investment grade banks	Lifetime ECL	199,762,873	-	199,762,873
Treasury bonds	12	Investment grade	Lifetime ECL	2,817,301,676	-	2,817,301,676
Bank balances	17	Investment grade banks		1,832,906	-	1,832,906
Contributions due	18	Performing	Lifetime ECL	52,032,646	-	52,032,646
Total				**3,154,740,429**	**-**	**3,154,740,429**

3 FINANCIAL RISK MANAGEMENT (Continued)

Impairment of financial assets (Continued)

30 June 2020	**Note**	**Internal/ external rating**	**12 months or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net amount**
Term deposits	10	Investment grade banks		182,162,355	-	182,162,355
Treasury bills	11	Investment grade banks	Lifetime ECL	297,289,513	-	297,289,513
Treasury bonds	12	Investment grade	Lifetime ECL	1,901,594,565	-	1,901,594,565
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
Contributions due	18	Performing	Lifetime ECL	43,173,834	-	43,173,834
Total				**2,466,194,621**	**-**	**2,466,194,621**

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

2021	Not past due	Contributions – days past due <30	31 – 60	61 –90	91 – 120	>120	Total
Gross carrying amount at default	52,032,646	-	-	-	-	-	52,032,646
Net Amount	**52,032,646**	**-**	**-**	**-**	**-**	**-**	**52,032,646**

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

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.

Impairment requirements under IFRS 9 as at 30 June 2020.

From the date of initial application of IFRS 9, the scheme has been analyzing its financial assets as regards loss allowances determined under IFRS 9, no additional impairment is required due to the nature of financial assets held by the scheme as disclosed above.

3 FINANCIAL RISK MANAGEMENT (Continued)

Impairment requirements under IFRS 9 as at 30 June 2020 *(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 60.92% (2020: 56%) 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.

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	**Level 2**	**Level 3**	**Total**
	Shs	**Shs**	**Shs**	**Shs**
30 June 2021				
Government securities	3,017,064,549	-	-	3,017,064,549
Quoted equities	884,067,837	-	-	884,067,837
Investment property	-	-	1,053,800,000	1,053,800,000
	3,901,132,386	-	1,053,800,000	4,954,932,386
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
	2,745,721,441	31,833,231	958,648,258	3,736,202,930

NOTES TO THE FINANCIAL STATEMENTS (continued)

		2021 Shs	2020 Shs
4	CONTRIBUTIONS		
	Employer	393,486,080	325,481,722
	Employees	196,742,860	162,740,861
	Employees- Additional Voluntary Contributions (AVC)	1,833,450	1,374,302
		592,062,390	489,596,885
5	TRANSFERS IN		
	Transfers in	915,622	347,668

Relates to member benefits transferred from other schemes during the year

6	BENEFITS PAYABLE		
	Benefits paid and payable	21,973,252	27,102,873

Relates to amounts paid to members who leave the Scheme before retirement age and retirement benefits paid to members.

7	INVESTMENT INCOME		
	Held to maturity investments		
	Interest from term deposits	11,118,202	12,458,786
	Interest from corporate bonds	2,318,046	7,924,664
	Investments at fair value through profit or loss		
	Interest from treasury bonds	267,222,702	165,859,508
	Interest from treasury bills	12,191,315	33,032,435
	Dividend incomes	26,285,470	33,129,795
	Other incomes	450,243	387,742
	Refund of Imperial Bank deposit	82,859	1,704,218
		319,668,837	254,497,148
8	INVESTMENT MANAGEMENT EXPENSES		
	Investment manager fees	8,617,831	6,804,355
	Custodian fees	5,663,240	4,908,574
		14,281,071	11,712,929

		2021 Shs	2020 Shs
9	ADMINISTRATIVE EXPENSES		
	RBA levy	4,991,229	4,705,793
	Administrators fees	13,387,490	9,856,387
	Trustees expenses	3,439,674	1,697,169
	AGM Expenses	337,640	787,883
	Member training expense	260,000	-
	Trustees indemnity	463,906	350,398
	Bank charges	301,447	211,995
	Audit fees	360,000	360,000
	Property expenses	1,980,476	1,005,584
	Trustees training	7,062,304	3,489,954
	Legal fees	353,400	-
	Office equipment	44,091	94,000
		32,981,657	22,559,163

10	TERM DEPOSITS		
	Held to maturity		
	Equity Bank Limited	-	53,000,000
	Cooperative Bank of Kenya	71,778,274	50,054,794
	Imperial Bank Limited	6,135,266	6,135,266
	Less impairment loss	*(6,135,266)*	*(6,135,266)*
	Stanbic Bank of Kenya	-	77,251,835
	NCBA Bank Kenya	12,032,054	1,855,726
		83,810,328	182,162,355

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.

11 TREASURY BILLS

	2021 Shs	2020 Shs
Held to maturity		
At 1 July	297,289,513	232,025,137
Purchases during the year	196,176,850	445,582,970
Maturity during the year	(309,480,825)	(430,649,809)
Earned discount	12,191,315	33,032,435
Accrued interest	3,586,020	17,298,780
	199,762,873	297,289,513

12 TREASURY BONDS

At fair value through profit or loss		
At 1 July	1,901,594,565	1,255,346,164
Purchases during the year	1,236,016,984	860,631,581
Maturity/disposal during the year	(325,215,368)	(220,629,331)
Loss on Maturity/disposal	(8,721,510)	(3,044,361)
Fair value gain	13,627,005	9,290,512
At 30 June	2,817,301,676	1,901,594,565

13 CORPORATE BONDS

At fair value through profit or loss		
NCBA Group Plc	-	14,325,519
East Africa Breweries Limited	-	17,507,712
Chase Bank Limited	6,300,000	6,300,000
Impairment of Chase Bank Limited	*(6,300,000)*	*(6,300,000)*
	-	31,833,231

*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-20	Additions	Disposals	Units At 30-Jun-21		Market value 01-Jul-20 Shs	Additions Shs	Disposals Shs	Realised gain/(loss) Shs	Unrealised gain/(loss) Shs	Market value 30-Jun-21 Shs
144,565	-	(88,755)	55,810	Bamburi Cement Ltd	4,047,820	-	(3,762,911)	1,277,771	399,042	1,961,722
1,725,825	700,000	-	2,425,825	ABSA Group Plc	17,258,250	6,697,707	-	-	108,227	24,064,184
232,016	82,000	-	314,016	Stanbic Holdings Plc	19,547,348	6,372,954	-	-	(485,006)	25,435,296
1,698,082	246,000	-	1,944,081	Co-operative Bank (K) Ltd	20,631,693	3,023,931	-	-	3,172,706	26,828,330
92,808	-	-	92,807	Diamond Trust of Kenya Ltd	6,565,905	-	-	-	(1,067,090)	5,498,815
357,004	65,000	-	422,004	East African Breweries Ltd	58,013,151	10,441,731	-	-	7,822,341	76,277,223
1,768,619	1,569,000	-	3,337,619	Equity Group Holdings Plc	61,371,081	55,202,759	-	-	32,784,610	149,358,450
288,680	255,680	(33,000)	511,360	I&M Holdings Ltd	14,434,000	-	(1,451,289)	(198,711)	(1,610,784)	11,173,216
6,500	-	-	6,500	Scangroup Ltd	107,250	-	-	-	(73,450)	33,800
72,912	7,289*	-	80,201	Standard Chartered Bank Ltd	12,376,793	-	-	-	(1,970,728)	10,406,065
414,000	-	-	414,000	Umeme Limited	2,904,447	-	-	-	(237,470)	2,666,977
2,141,181	1,288,700	-	3,429,881	KCB Group Ltd	77,831,926	47,338,424	-	-	21,114,071	146,284,421
274,170	-	-	274,170	Kenya Power & Lighting Co Ltd	526,406	-	-	-	(142,568)	383,838
16,130	1,613*	-	17,743	Nation Media Group Plc	248,402	-	-	-	195,173	443,575
323,714	79,570	(274,285)	128,999	NCBA Group Plc	8,594,607	1,082,790	(7,191,501)	571,233	232,347	3,289,476
8,459,975	1,189,300		9,649,275	Safaricom Plc	242,378,284	37,797,433	-	-	119,786,732	399,962,449
					546,837,363	167,957,729	(12,405,701)	1,650,293	180,028,153	884,067,837

*Bonus issue 1:10

		2021 Shs	2020 Shs
15	INVESTMENT PROPERTY		
	At cost		
	At 1 July	958,648,258	958,648,258
	Additional costs	7,226,000	-
	Fair value gain	87,925,742	-
	As at 30 June	1,053,800,000	958,648,258

Relates to land in Kajiado /Kitengela-6242 and Kajiado/Kaputie North/9072 acquired in 2018. Investment property is stated at fair value.

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	1,832,906	10,141,123
	Term deposits	83,810,328	182,162,355
		85,643,234	192,303,478
17	CONTRIBUTIONS DUE		
	Outstanding for less than 30 days	52,032,646	43,173,834
18	OTHER RECEIVABLES		
	Dividends receivable	167,470	797,450
19	UNPAID BENEFITS		
	Amounts due to leaving members	2,058,200	2,469,543
20	ACCRUED EXPENSES		
	RBA Levy payable	5,000,000	4,709,854
	Management fees payable	7,940,719	5,699,512
	Administration fees payable	7,274,682	4,887,890
	Custodial fees	1,545,459	1,220,436
	Audit fees	360,000	360,000
	Property consultancy fees payables	100,000	675,000
	AGM expenses provision	337,640	787,883
	Trustees indemnity payable	-	295,176
		22,558,500	18,635,751

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 30%.

	2021 Shs	2020 Shs
Tax charge for the year	1,379,965	844,538
Balance at start of year	289,372	(31,398)
Tax chargefor the year	1,379,965	844,538
Tax paid during the year	(1,133,914)	(523,768)
Balance at end of year	535,423	289,372

22 NET ASSETS AT END OF YEAR

At 1 July	3,951,083,026	3,316,867,680
Net increase in assets during the year	1,116,540,587	634,215,346
At 30 June	5,067,623,613	3,951,083,026

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 2021.

25 CURRENCY

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