

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011
FINANCIAL STATEMENTS
30 JUNE 2023

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

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KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

TRUSTEES, PROFESSIONAL ADVISERS AND OTHER INFORMATION

THE BOARD OF TRUSTEES	Peter Mureithi Winnie Mwangi Evanson Kamuri Irene Moke Calvin Nyachoti Duncan Msafiri Stella Githaiga Morris Karaine	Chairman Trust Secretary
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 th 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 2023.

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	4,326	493	4,819
New members	340	106	446
Less: Leavers	(96)	(84)	(180)
	<hr/>	<hr/>	<hr/>
Total members at end of the year	4,570	515	5,085
	<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. 894,033,774 (2022: Shs. 596,271,320) and the statement of net assets on page 12 shows the scheme's net assets as Shs. 6,557,928,707 (2022: Shs. 5,663,894,933). The net rate of return to be credited to members' accounts for the year is 3.6% (2022: -0.3%).

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 2023, the investments' portfolio was as follows

	2023 Shs	2023 %	2022 Shs	2022 %	RBA limits %
Kenya government securities	4,064,567,886	62	3,328,555,944	58.72	90
Investment in equities	820,723,811	12	926,175,340	16.34	70
Investment property	1,109,050,681	17	1,081,333,606	19.07	30
Corporate bonds	18,714,204	1	18,712,954	0.33	30
Offshore investments	195,676,793	3	47,508,847	0.84	20
Term deposits	292,130,108	4	208,702,480	3.68	30
Cash and bank balances	2,149,102	1	57,910,146	1.02	5
	<u>6,503,012,585</u>	<u>100</u>	<u>5,668,899,317</u>	<u>100</u>	

All the investments are within the statutory limits set by Retirement Benefits Authority and Investment Policy Statement of the Scheme.


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


Trustee

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	48 years	Member Elected	4	Yes	Masters degree	None
Evanson Kamuri	52 years	Sponsor Nominated	3	Yes	Masters degree	Yes; KNH DB
Calvin Nyachoti	41 years	Sponsor Nominated	4	Yes	Masters degree	None
Winnie Mwangi	48 years	Sponsor Nominated	4	Yes	Masters degree	Yes; KNH DB
Irene Moke	45 years	Member Elected	4	Yes	Bachelors degree	None
Stella Githaiga	48 years	Member Elected	4	Yes	Diploma	None
Duncan Msafiri	56 years	Member Elected	4	Yes	Higher Diploma	None
Morris Karaine	58 years	Sponsor Nominated	4	Yes	Masters degree	None

2. The Board of Trustees held **4 quarterly meetings** during the year ended **30 June 2023**.

The meetings were held on the dates set out hereunder:

- a) BOT – 23rd August 2022
- b) BOT – 22nd November 2023
- c) BOT – 7th February 2023
- d) BOT – 3rd May 2023

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

- a) Gender balance: Female: **37%** Male: **63%**
- 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.)
Property and Investment Committee	4	No	Nil
Audit and Risk Committee	4	Yes, to offer expertise on risk management	20,000
Welfare Committee	4	No	Nil
Finance & Administration	4	Yes, to offer expertise on procurement	20,000

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. Sponsor updated regularly.

8. Annual general meeting

The Board of Trustees held the annual general meeting virtually on the 09 December 2022 at which about 262 members, making up 5% 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 & Members' day	14 th & 15 th February 2023 (Physical meeting)	170	Members issues were addressed adequately
	15 th & 16 th June 2023 (Virtual Meeting)	200	

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

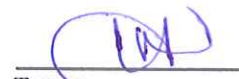
During the year under review, the Trustees were paid a gross sum of **Kshs. 5,047,712**. The payments complied with the Trustees remuneration policy of the scheme.

11. Board of Trustees' evaluation

The Board and individual Trustees undertook a Board evaluation on **26th April 2023**.

Signed on behalf of Board of Trustees on 25 Sep 2023.


Trustee


Trustee

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 19th September ,2023 and signed 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 24, which comprise the statement of net assets available for benefits as at 30 June 2023, the statement of changes in net assets available for benefits and 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 2023 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
STAFF RETIREMENT BENEFITS SCHEME 2011(Continued)

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. King'ang'i
For and on behalf of King'ang'i Kamau & Co.
Certified Public Accountants (Kenya)
Nairobi, Kenya

27/9/2023
Date: 27/9/2023
Box 5698 - 00200
NAIROBI

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 Shs	2022 Shs
CONTRIBUTIONS AND BENEFITS			
Contributions	4	785,294,246	659,812,091
Transfers in	5	3,709,052	77,072
Benefits payable	6	(111,424,747)	(48,140,311)
		<hr/>	<hr/>
Net surplus from dealings with members		677,578,551	611,748,852
		<hr/>	<hr/>
RETURNS ON INVESTMENTS			
Investment income	7	561,081,248	442,830,504
Loss on maturity/disposal of treasury bonds	14	(2,124,220)	(6,472,921)
Gain/(loss) on disposal of equity investments	16(a)	12,369,668	(199,189)
Fair value gain/(loss) on offshore investments	12	22,864,183	(7,688,653)
Fair value loss on treasury bonds	14	(156,690,916)	(125,256,722)
Fair value loss on quoted equity investments	16(a)	(157,096,708)	(265,008,613)
Fair value gain on unquoted equity investments	16(b)	4,803,269	1,043,334
Investment management expenses	8	(17,615,035)	(17,708,486)
		<hr/>	<hr/>
NET RETURNS ON INVESTMENTS		267,591,489	21,539,254
		<hr/>	<hr/>
Administrative expenses	9	(46,682,104)	(34,452,457)
		<hr/>	<hr/>
Net returns on investments before taxation		220,909,385	(12,913,203)
Taxation charge on income from unregistered scheme	23	(4,454,162)	(2,564,329)
		<hr/>	<hr/>
Net returns on investments after taxation		216,455,223	(15,477,532)
		<hr/>	<hr/>
Increase in net assets during the year		894,033,774	596,271,320
		=====	=====

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

STATEMENT OF NET ASSETS
30 JUNE 2023

	Note	2023 Shs	2022 Shs
FIXED ASSETS			
Office Equipment	10	977,889	939,467
INVESTMENTS			
Term deposits	11	292,130,108	208,702,480
Offshore investments	12	195,676,793	47,508,847
Treasury bills	13	228,154,172	52,607,766
Treasury bonds	14	3,836,413,714	3,275,948,178
Corporate bonds	15	18,714,204	18,712,954
Quoted equity investments	16(a)	736,915,390	852,784,225
Unquoted equity investments	16(b)	83,808,421	73,391,115
Investment property	17	1,109,050,681	1,081,333,606
		<u>6,500,863,483</u>	<u>5,610,989,171</u>
CURRENT ASSETS			
Bank balances	18	2,149,102	57,910,146
Contribution due	19	71,164,719	-
Other receivables	20	8,477,495	19,121,483
		<u>81,791,316</u>	<u>77,031,629</u>
LIABILITIES			
Unpaid benefits	21	4,341,193	2,743,562
Accrued expenses	22	19,729,387	21,275,403
Tax payable	23	1,633,401	1,046,369
		<u>25,703,981</u>	<u>25,065,334</u>
NET ASSETS	24	<u><u>6,557,928,707</u></u>	<u><u>5,663,894,933</u></u>
REPRESENTED BY:			
Balances allocated to members		<u><u>6,557,928,707</u></u>	<u><u>5,663,894,933</u></u>

The financial statements on pages 11 to 24 were approved and authorized for issue by the trustees on

19th September, 2023 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 2023

	Note	2023 Shs	2022 Shs
CASH FLOWS FROM OPERATING ACTIVITIES			
Contributions received		714,081,469	711,844,737
Transfers in		3,709,052	77,072
Benefits paid		(109,853,816)	(47,454,948)
Administrative expenses paid		(72,535,151)	(34,911,122)
Tax paid		(3,867,130)	(2,053,383)
		<hr/>	<hr/>
Net cash generated from operating activities		531,534,424	627,502,356
		<hr/>	<hr/>
CASH FLOW FROM INVESTING ACTIVITIES			
Investment income received		562,579,418	426,372,774
Proceed from disposal of financial assets		321,901,675	532,679,432
Purchase of financial assets		(1,395,160,485)	(1,387,521,973)
Investment management expenses paid		(20,398,446)	(18,063,197)
		<hr/>	<hr/>
Net cash used in investing activities		(531,077,838)	(446,532,964)
		<hr/>	<hr/>
Increase in cash and cash equivalents		456,586	180,969,392
		<hr/>	<hr/>
MOVEMENT IN CASH AND CASH EQUIVALENTS			
At start of the year		266,612,626	85,643,234
Increase in cash and cash equivalents		456,586	180,969,392
		<hr/>	<hr/>
At end of the year	18	267,069,212	266,612,626
		<hr/> <hr/>	<hr/> <hr/>

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

1 ACCOUNTING POLICIES

Statement of compliance

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

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.

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).

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1 ACCOUNTING POLICIES

Impairment of 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.

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.

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

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.

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 investments in offshore markets at 30 June 2023 and was therefore exposed to foreign exchange. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2023, 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. 36,845,770 (2022: Shs. 42,639,211). 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. 191,820,686 (2022: Shs. 163,797,409).

(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.

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.

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 FINANCIAL RISK MANAGEMENT (Continued)

Impairment of financial assets(Continued)

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

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 58.72% (2022: 59.85%) 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 Shs	Level 2 Shs	Level 3 Shs	Total Shs
30 June 2023				
Government securities	4,064,567,886	-	-	4,064,567,886
Quoted equities	736,915,390	-	-	736,915,390
Investment property	-	1,109,050,681	-	1,109,050,681
	-----	-----	-----	-----
	4,801,483,276	1,109,050,681	-	5,910,533,957
	=====	=====	=====	=====
30 June 2022				
Government securities	3,328,555,944	-	-	3,328,555,944
Quoted equities	852,784,225	-	-	852,784,225
Investment property	-	1,081,333,606	-	1,081,333,606
	-----	-----	-----	-----
	4,181,340,169	1,081,333,606	-	5,262,673,775
	=====	=====	=====	=====

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2023 Shs	2022 Shs
4 CONTRIBUTIONS		
Employer	475,179,169	438,515,881
Employees	308,050,294	219,257,940
Employees- Additional Voluntary Contributions (AVC)	2,064,783	2,038,270
	<u>785,294,246</u>	<u>659,812,091</u>
	=====	=====
5 TRANSFERS IN		
Transfers in	3,709,052	77,072
	<u>3,709,052</u>	<u>77,072</u>
	=====	=====
Relates to member benefits transferred from other schemes during the year		
6 BENEFITS PAYABLE		
Benefits paid and payable	111,424,747	48,140,311
	<u>111,424,747</u>	<u>48,140,311</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	24,270,029	6,219,723
Interest from corporate bonds	2,252,844	1,505,596
<i>Investments at fair value through profit or loss</i>		
Interest from treasury bonds	460,058,866	372,209,125
Interest from treasury bills	16,033,126	10,440,125
Dividend incomes	58,466,383	52,455,935
	<u>561,081,248</u>	<u>442,830,504</u>
	=====	=====
8 INVESTMENT MANAGEMENT EXPENSES		
Investment manager fees	11,925,557	10,907,378
Custodian fees	5,689,478	6,801,108
	<u>17,615,035</u>	<u>17,708,486</u>
	=====	=====

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

	2023 Shs	2022 Shs
9 ADMINISTRATIVE EXPENSES		
RBA levy	5,000,000	5,000,000
Administrator's fees	14,964,938	12,386,292
Trustees' expenses	5,047,712	2,794,618
AGM Expenses	119,180	346,900
Member training expense	594,100	109,000
Trustees' indemnity	203,934	449,001
Bank charges	417,599	370,197
Audit fees	360,000	360,000
Property expenses	3,062,872	363,500
Trustees training	12,787,154	10,754,551
Legal fees	295,000	400,000
Depreciation	551,878	469,733
Member election costs	-	648,665
Secretariat office running expenses	110,200	-
Subscription fees	323,000	-
Strategic planning costs	2,844,537	-
	<u>46,682,104</u>	<u>34,452,457</u>
	=====	=====
10 OFFICE EQUIPMENT		
At 1 July	939,467	-
Purchases	590,300	1,409,200
Depreciation charge	(551,878)	(469,733)
	<u>977,889</u>	<u>939,467</u>
	=====	=====
11 TERM DEPOSITS		
Held to maturity		
ABSA Bank plc	15,050,342	
Equity Bank Limited	145,452,192	8,503,959
Cooperative Bank of Kenya	61,052,286	121,083,013
Imperial Bank Limited	6,135,266	6,135,266
<i>Less impairment loss</i>	<i>(6,135,266)</i>	<i>(6,135,266)</i>
NCBA Bank Kenya	15,010,685	-
Kenya Commercial Bank Limited	55,564,603	39,045,371
I & M Bank Limited	-	40,070,137
	<u>292,130,108</u>	<u>208,702,480</u>
	=====	=====
Imperial Bank Limited deposit was impaired in the financial years ended 30 June 2017 and 30 June 2018 till further information is provided on the fate of the bank.		
12 OFFSHORE INVESTMENTS		
At 1 July	47,508,847	-
Purchases	125,303,763	55,197,500
Fair value change	22,864,183	(7,688,653)
	<u>195,676,793</u>	<u>47,508,847</u>
	=====	=====

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

13	TREASURY BILLS	2023 Shs	2022 Shs
	Held to maturity		
	At 1 July	52,607,766	199,762,873
	Purchases during the year	286,321,280	51,900,960
	Maturity during the year	(126,808,000)	(210,202,998)
	Earned discount	16,033,126	10,440,125
	Accrued interest	-	706,806
		<hr/>	<hr/>
		228,154,172	52,607,766
		<hr/> <hr/>	<hr/> <hr/>
14	TREASURY BONDS		
	At fair value through profit or loss		
	At 1 July	3,275,948,178	2,817,301,676
	Purchases during the year	927,387,927	949,472,763
	Maturity/disposal during the year	(208,107,255)	(359,096,618)
	Loss on maturity/disposal	(2,124,220)	(6,472,921)
	Fair value loss	(156,690,916)	(125,256,722)
		<hr/>	<hr/>
	At 30 June	3,836,413,714	3,275,948,178
		<hr/> <hr/>	<hr/> <hr/>
15	CORPORATE BONDS		
	At fair value through profit or loss		
	East Africa Breweries Plc	18,714,204	18,712,954
	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>
		<hr/>	<hr/>
		18,714,204	18,712,954
		<hr/> <hr/>	<hr/> <hr/>

The scheme had invested in a 7-year Chase Bank bond. The investment was deemed impaired by the board of trustees in the financial year ended 30 June 2019.

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Units At 01-Jul-22	Additions	Disposals	Units At 30-Jun-23		Market value 01-Jul-22 Shs	Additions Shs	Disposals Shs	Realised gain Shs	Unrealised gain/(loss) Shs	Market value 30-Jun-23 Shs
55,810	-	-	55,810	Bamburi Cement Ltd	1,917,074	-	-	-	(510,662)	1,406,412
2,425,825	-	-	2,425,825	ABSA Group Plc	25,349,871	-	-	-	3,274,864	28,624,735
314,016	-	-	314,016	Stanbic Holdings Plc	31,009,080	-	-	-	3,925,200	34,934,280
1,944,081	-	-	1,944,081	Co-operative Bank (K) Ltd	21,190,483	-	-	-	2,527,305	23,717,788
590,004		(225,930)	364,074	East African Breweries Ltd	80,978,049	-	(43,378,559)	12,369,668	6,462,312	56,431,470
3,737,619	-	-	3,737,619	Equity Group Holdings Plc	160,717,617	-	-	-	(17,753,690)	142,963,927
166,640	-	-	166,640	I&M Holdings Ltd	2,832,880	-	-	-	16,664	2,849,544
6,500	-	-	6,500	Scangroup Ltd	20,020	-	-	-	(1,235)	18,785
30,165	-	-	30,165	Standard Chartered Bank Ltd	3,763,083	-	-	-	1,078,399	4,841,482
414,000	-	-	414,000	Umeme Limited	3,037,474	-	-	-	3,565,166	6,602,640
3,854,381	-	-	3,854,381	KCB Group Ltd	148,971,826	-	-	-	(36,038,462)	112,933,364
274,170	-	-	274,170	KPLC Ltd	392,063	-	-	-	41,126	433,189
43	-	-	43	Nation Media Group Plc	733	-	-	-	86	819
128,999	-	-	128,999	NCBA Group Plc	3,044,376	-	-	-	1,967,235	5,011,611
14,441,025	3,006,700	-	17,447,725	Safaricom Plc	360,303,574	72,236,764	-	-	(127,205,150)	305,335,188
1,658,475	-	-	1,658,475	MTN Uganda Ltd	9,256,022	-	-	-	1,554,134	10,810,156
					<u>852,784,225</u>	<u>72,236,764</u>	<u>(43,378,560)</u>	<u>12,369,668</u>	<u>(157,096,708)</u>	<u>736,915,390</u>
					=====	=====	=====	=====	=====	=====

16.(b) UNQUOTED EQUITY INVESTMENTS

3,066,370	-	-	3,066,370	Real Estate Investment Trust	66,543,403	-	-	-	2,940,480	69,483,883
58,114	43,823	-	101,937	Everstrong Kenya Infr. Fund	6,847,712	5,614,037	-	-	1,862,789	14,324,538
					<u>73,391,115</u>	<u>5,614,037</u>	<u>-</u>	<u>-</u>	<u>4,803,269</u>	<u>83,808,421</u>
					=====	=====	=====	=====	=====	=====

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2023 Shs	2022 Shs
17. INVESTMENT PROPERTY		
At cost		
At 1 July	1,081,333,606	1,053,800,000
Additional costs	27,717,075	27,533,606
Fair value gain	-	-
	<u>1,109,050,681</u>	<u>1,081,333,606</u>
As at 30 June	=====	=====
Relates to land in Kajiado /Kitengela-6242 and Kajiado/Kaputie North/9072 acquired in 2018. Investment property is stated at fair value.		
18. 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	2,149,102	57,910,146
Term deposits	264,920,110	208,702,480
	<u>267,069,212</u>	<u>266,612,626</u>
	=====	=====
19. CONTRIBUTIONS DUE		
Outstanding for less than 30 days	71,164,719	-
	<u>71,164,719</u>	<u>-</u>
	=====	=====
20. OTHER RECEIVABLES		
Dividends receivable	8,477,495	19,121,483
	<u>8,477,495</u>	<u>19,121,483</u>
	=====	=====
21. UNPAID BENEFITS		
Amounts due to leaving members	4,341,193	2,743,562
	<u>4,341,193</u>	<u>2,743,562</u>
	=====	=====
22. ACCRUED EXPENSES		
RBA Levy payable	5,000,000	5,000,000
Management fees payable	5,091,519	7,652,407
Administration fees payable	7,480,039	6,193,066
Custodial fees payable	906,959	1,479,060
Audit fees payable	360,000	360,000
Property management fees	300,000	-
AGM expenses provision	590,870	590,870
	<u>19,729,387</u>	<u>21,275,403</u>
	=====	=====

KENYATTA NATIONAL HOSPITAL
STAFF RETIREMENT BENEFITS SCHEME 2011

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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%.

	2023 Shs	2022 Shs
Tax charge for the year	4,454,162	2,564,329
	=====	=====
Balance at start of year	1,046,369	535,423
Tax charge for the year	4,454,162	2,564,329
Tax paid during the year	(3,867,130)	(2,053,383)
	-----	-----
Balance at end of year	1,633,401	1,046,369
	=====	=====

24. NET ASSETS AT END OF YEAR

At 1 July	5,663,894,933	5,067,623,613
Net increase in assets during the year	894,032,253	596,271,320
	-----	-----
At 30 June	6,557,927,186	5,663,894,933
	=====	=====

25. RELATED TRANSACTIONS

Related parties comprise 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 19.

26. CONTINGENT LIABILITIES

There were no contingent liabilities of the scheme at 30 June 2023.

27. CURRENCY

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