# KENYA HOSPITAL ASSOCIATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## 31 DECEMBER 2023

KENYA HOSPITAL ASSOCIATION

# ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

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KENYA HOSPITAL ASSOCIATION

CORPORATE INFORMATION

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| BOARD OF MANAGEMENT | Hon. Dr. Chris M. N. Bichage, PhD | Chairman, (Re-elected as Director 21st December 2022) |
| | Mr. Philemon Mwaisaka, EBS, SS | Vice Chairman, (Re-elected as Director 21st September 2023) |
| | Dr. David Githanga, MBS | Elected 3rd September 2020 |
| | Dr. Magdalene Muthoka, PhD | Elected 3rd September 2020 |
| | Mrs. Ludmila Shitakha, HSC | Elected 3rd September 2020 |
| | Hon. Justice (Rtd) Philip Waki, EBS | Elected 21st December 2022 |
| | Dr. W. Irungu Ndirangu, Major (Rtd) | Re-elected 21st December 2022 |
| | Dr. Gladwell Kiarie | Elected 14th June 2023 |
| | Prof. Herman Manyora | Elected 21st September 2023 |
| | Dr. Fred Kambuni, MBS | Elected 24th May 2023 |
| | Dr. Barcley Onyambu | Elected 21st September 2023 |
| | Mr. Sammy Onyango | Co-opted 2nd November 2023 |
| | Mr. Geoffrey Ng'etich | Co-opted 2nd November 2023 |
| | Prof. Eng. John Mwero | Co-opted 2nd November 2023 |
| | Dr. Joe Kamau, PhD | Retired 21st September 2023 |
| | Mr. John Sergon, EBS | Retired 21st September 2023 |
| | Mr. Richard Baraza | Retired 25th May 2023 |
| | Dr. Jane Kabutu | Retired 14th June 2023 |
| | Mrs. Agnes Odhiambo, CBS | Retired 5th April 2023 |
| | Dr. Louis Litswa | Retired 21st September 2023 |
| MEDICAL ADVISORY COMMITTEE (MAC) | Dr. Fred Kambuni | Chairperson |
| | Dr. Gladwell Kiarie | |
| | Prof. Guyo Waqo Jaldesa | |
| | Dr. Caroline Odula-Obonyo | |
| | Dr. Mbira Gikonyo | |
| | Dr. Agnes Gachoki | |
| | Dr. Stephen Muhudhia | |
| | Dr. Thomas Chokwe | |
| | Dr. Henry Kioko | |
| | Dr. Peter Chacha Magabe | |
| FINANCE AND INVESTMENT COMMITTEE | Dr. Magdalene Muthoka, PhD | Chairperson |
| | Dr. Fred Kambuni, MBS | |
| | Dr. David Githanga, MBS | |
| | Hon. Justice (Rtd) Philip Waki, EBS | |
| | Mr. Sammy Onyango | |
| | Mrs. Ludmila Shitakha, HSC | |
| INFRASTRUCTURE PROJECTS MANAGEMENT COMMITTEE | Mr. Philemon Mwaisaka, EBS, SS | Chairperson |
| | Dr. Fred Kambuni, MBS | |
| | Prof. Herman Manyora | |
| | Dr. Magdalene Muthoka, PhD | |
| | Mr. Geoffrey Ng'etich | |
| | Prof. Eng. John Mwero | |
| | Dr. Barclay Onyambu | |
| | Dr. Gladwell Kiarie | |

## CORPORATE INFORMATION (Continued)

| | | |
|---|---|---|
| AUDIT, RISK & GOVERNANCE COMMITTEE | Dr. David Githanga, MBS | - Chairperson |
| | Dr. W. Irungu Ndirangu (Maj Rtd.) | |
| | Mr. Philemon Mwaisaka, EBS, SS | |
| | Mrs. Ludmila Shitakha, HSC | |
| | Hon. Justice (Rtd) Philip Waki, EBS | |
| | Mr. Sammy Onyango | |
| HUMAN RESOURCES COMMITTEE | Dr. Barclay Onyambu | - Chairperson |
| | Dr. W. Irungu Ndirangu (Maj Rtd.) | |
| | Prof. Herman Manyora | |
| | Dr. Gladwell Kiarie | |
| | Mr. Geoffrey Ng'etich | |
| | Prof. Eng. John Mwero | |

BANKERS

NCBA Bank Kenya Plc
Mara & Ragati Roads, Upper Hill
P O Box 44599 – 00100 GPO
Nairobi

ABSA Bank Kenya Plc
Hurlingham Branch
P O Box 30120 – 00100 GPO
Nairobi

Stanbic Bank Kenya Limited
Stanbic Bank Centre, Westlands Road
P O Box 30550 – 00100 GPO
Nairobi

Standard Chartered Bank Kenya Limited
Muthaiga Branch
P O Box 64355 – 00620
Nairobi

Equity Bank (Kenya) Limited
Equity Centre
P O Box 75104-00200
Nairobi

Co-operative Bank of Kenya
Co-operative House, Haile Selassie Avenue
P O Box 48231 – 00100
Nairobi

KENYA HOSPITAL ASSOCIATION

CORPORATE INFORMATION (Continued)

| | |
|---|---|
| ADVOCATES | Kaplan & Stratton<br>Williamson House, 9th Floor<br>P O Box 40111 – 00100 GPO<br>Nairobi |
| | Hamilton Harrison & Mathews<br>Delta-Offices, Waiyaki Way<br>P O Box 30333 – 00100 GPO<br>Nairobi |
| | Echessa & Bwire Advocates LLP<br>4th Ngong Towers, 17th Floor<br>4th Ngong Avenue, off Bishops Road<br>P O Box 50307 – 00100 |
| | Wamae & Allen Advocates<br>Top Plaza, Kindaruma Road, Off Ngong Road<br>P O Box 4132-00200<br>Nairobi |
| | Munyao Muthama & Kashindi Advocates<br>AEA Plaza, Valley Road<br>P O Box 24482 – 00100<br>Nairobi |
| | Triple OK Advocates<br>ACK Garden House, 5th Floor<br>1st Ngong Avenue<br>P.O. Box 43170 - 00100<br>Nairobi |
| | Ondaba & Partners Advocates LLP<br>Applewood Park, Off Wood Avenue<br>Suite 304, 2nd Floor, East Wing<br>Nairobi |
| | Mutubwa & Company Advocates<br>Mayfair Centre, 2nd Floor<br>Ralph Bunche Road<br>P O Box 23418-00100<br>Nairobi |
| | Kamotho Njomo & Advocates<br>Mpesi Lane, Off Muthithi<br>The Westery, 6th Floor, Suite 6A<br>Westlands |
| | R. M. Mabera & Company Advocates<br>Harambee Avenue<br>Shankardass House, 4th Floor, Suite 400<br>Nairobi |
| AUDITORS | Deloitte & Touche LLP<br>Certified Public Accountants (Kenya)<br>Deloitte Place, Waiyaki Way, Muthangari<br>P O Box 40092 – 00100 GPO<br>Nairobi |

KENYA HOSPITAL ASSOCIATION

TRUSTEES' STATEMENT

## BOARD OF TRUSTEES STATEMENT

My fellow Kenya Hospital Association Members, I am delighted to present to you the second report of the Board of Trustees. The members through the establishment of the Kenya Hospital Association Board of Trustees created under Article 38 (f) operationalized this article by the establishment of the Board of Trustees through a Trust Deed.

The Trust Deed was registered in the Ministry of Lands on 1st March, 2021. Thereafter, the Trustees petitioned the Cabinet Secretary for Ministry of Lands for incorporation of the Trustees as a body corporate under the Trustees (Perpetual Succession) Act Chapter 164 of the Laws of Kenya. This was to ensure that the body shall have continued existence whose role is to oversee and protect the real property and assets of the Hospital.

The Trustees have met several times and deliberated to secure the real property and assets of Kenya Hospital Association. This included the process of extension of the head leases from the Government of Kenya secured a 50-year lease. A longer lease term is being pursued. It also included re-registration of the land under the new land regime as required by the Land Registration Act 2012. These two processes have been completed.

From time to time, the Board of Trustees have augmented the Board of Management in Corporate Social Responsibility initiatives.

**Hon. Prof. Githu Muigai, EGH, SC**

**Chairperson – Board of Trustees**

26 June **2024**

KENYA HOSPITAL ASSOCIATION

# CHAIRMAN'S STATEMENT

## OVERVIEW

The Board of Management is delighted to report on the substantial progress achieved in advancing the institution's strategic initiatives throughout 2023 building on the foundation laid out in our 2019 to 2024 strategy. Our focus remained steadfast on delivering exceptional patient-centered care through continuous innovation and strategic investments in pivotal areas such as medical equipment, technology, and human resources.

Our success in the healthcare industry is underpinned by our agile mindset, enabling swift adaptation to market changes while maintaining quality standards. Crucial to this achievement is our commitment to collaboration, engaging stakeholders at all levels to align with strategic objectives and foster a shared purpose.

## OPERATING ENVIRONMENT

The year 2023 began with cautious optimism after the 2022 general elections in Kenya. Throughout the year, the global economic landscape grappled with the repercussions of previous years' geopolitical tensions particularly the Russia-Ukraine war and the middle east conflict. Despite initial hopes for a swift recovery, economic activity remained subdued in many regions, with sporadic disruptions impacting supply chains and driving up costs.

Inflationary pressures persisted across various sectors, driven by supply chain constraints and rising input costs. Tightening financial conditions added to the challenges, raising the cost of capital and straining liquidity for businesses worldwide. Currency fluctuations remained a concern, with the local currency facing continued depreciation against major currencies, particularly the United States Dollar, amplifying the cost burden of imports and foreign debt servicing.

In response to the evolving operating environment, the Hospital continued to prioritize efficiency and risk management strategies. Efforts were made to streamline operations and optimize resource utilization to mitigate the impact of global disruptions on service delivery. Proactive measures were also taken to manage foreign currency risks more effectively, including hedging strategies and diversified sourcing practices, to mitigate the adverse effects of currency depreciation on procurement costs.

Looking ahead, the Hospital remains optimistic about the prospects for 2024, anticipating a gradual recovery in economic conditions and a stabilization of the global health landscape. Plans are underway to repurpose East Wing facility to mother and child hospital in alignment with shifting healthcare needs and market dynamics, ensuring continued relevance and effective utilization.

## OUR STRATEGY

Our unwavering commitment lies in delivering an unparalleled stakeholder experience, maintaining exceptional quality, ensuring patient safety, and fostering sustainable growth. Aligned with the hospital's strategic plan, we've made significant investments in expanding our main campus. I'm pleased to report the successful completion of several key projects, including the Western Entrance, Main Entrance, Integration of Services, and Link Corridors.

The 2025-2029 strategic plan is underway building on the success of the 2019-2024 plan with its focus being enhanced quality care incorporating latest technology while at the same time expanding the medical offerings of the Kenya Hospital Association.

## ACKNOWLEDGEMENTS

I extend my sincere gratitude to the members of the Kenya Hospital Association for their continued trust and support as we navigate the ongoing journey to transform the Hospital into a regional center of excellence.

I am pleased to acknowledge the exemplary performance of the Board and its committees over the past year. Their dedication and diligence in fulfilling their duties, coupled with their unwavering support of management, have been instrumental in our progress. Their commitment to transparency and accountability while delegating responsibilities reflects the ethos of our institution.

## CHAIRMAN'S STATEMENT (Continued)

### ACKNOWLEDGEMENTS (Continued)

The Board remains optimistic about the future trajectory of the Hospital. With the collective support of Kenya Hospital Association members, Management, Staff, and all Stakeholders, we are confident in our ability to realize our vision of becoming a world-class, multi-specialty hospital. It is through our collective efforts that we will continue to make significant strides towards our shared goals.

**Hon. Dr. Chris M. N. Bichage, PhD**
**Chairperson**
**Board of Management**

26 June **2024**

# CHIEF EXECUTIVE OFFICER'S STATEMENT

## INTRODUCTION

In the pursuit of excellence and sustainability, the Kenya Hospital Association remains steadfast in its commitment to becoming a world-class, multi-specialty healthcare institution. Our unwavering dedication to delivering exceptional quality care and ensuring outstanding stakeholder experiences is embedded in every facet of our operations. We continue to invest in human capital, technological advancements, and ongoing research to address the evolving medical needs of our society. As we navigate through the complexities of the healthcare landscape, our strategic investments in infrastructure, systems, and policies are geared towards fostering a conducive work environment, empowering our staff to uphold our promise of delivering quality healthcare services with distinction. This statement encapsulates the key achievements and focus areas of the Kenya Hospital Association for the year 2023.

## PATIENT CARE AND EXPERIENCE

Elevating the standard of patient care and experience remains paramount to our mission. Throughout 2023, we implemented a series of initiatives aimed at enhancing the quality and safety of care provided within our institution. Our unwavering commitment to personalized, compassionate care has resulted in consistently high patient satisfaction scores, underscoring our dedication to fostering an environment of trust, safety, and comfort. We continued to make strategic investments in initiatives such as revamping radiology with modern equipment to optimize service delivery, augmenting investment in theatres and Cath lab services, refurbishing wards, and ongoing overall enhancements to our facilities to ensure utmost patient comfort.

## EMPLOYEE ENGAGEMENT AND WELLNESS

Our dedicated staff members are integral to our hospital's success, and in 2023, we continued our focus on enhancing employee satisfaction and engagement. Through the introduction of various wellness programs, trainings, and professional development opportunities, alongside competitive benefits such as mortgage and car loans, we aimed to foster a supportive work environment conducive to employee retention and morale.

## STRATEGIC PARTNERSHIPS

Collaborating with like-minded partners remains instrumental in achieving our organizational objectives. Through strategic partnerships, we have expanded our service offerings, increased referrals, and extended our reach to a wider patient population. This includes engaging in medical tourism collaborations, such as our partnership with the Malawi Government.

To further augment our impact within the healthcare landscape, we have forged a strategic alliance with the U.S. Trade and Development Agency to fund a comprehensive feasibility study aimed at expanding and improving healthcare access and services in Kenya. The identified high-impact, high-opportunity areas include the establishment of new medical centers, acquisition of oncology equipment, and ICT upgrades.

## OPERATING PERFORMANCE

Despite the challenging economic backdrop experienced in 2023, characterized by escalating operational costs and fluctuating market dynamics, the Kenya Hospital Association remained resilient in its pursuit of excellence. Remarkably, in 2023, we managed to achieve a surplus of Sh. 191 million, a significant turnaround from the deficit of Sh. 565 million in the previous year. This achievement underscores our commitment to prudent financial management and strategic decision-making in the face of adversity.

## LOOKING FORWARD

As we chart our course for the future, we remain optimistic about the opportunities that lie ahead. Building upon our strong foundation and leveraging our internal capabilities, we are poised to capitalize on emerging opportunities and further expand our footprint within the healthcare sector. Through the execution of our strategic initiatives and unwavering commitment to excellence, we are confident in our ability to continue delivering superior healthcare services and making a positive impact on the communities we serve.

CHIEF EXECUTIVE OFFICER STATEMENT (Continued)

**APPRECIATION**

In closing, I extend my sincere gratitude to our valued clients for entrusting us with their health and well-being. Your continued support drives us to continually strive for excellence in care delivery. I also express my appreciation to the Chairman, Members of the Board, and our dedicated staff for their unwavering commitment and contributions towards the success of the Kenya Hospital Association. Together, with the support of our stakeholders and partners, we are poised to achieve our vision of becoming a world-class healthcare institution delivering exceptional care to all.

**James Nyamongo, MBS**
**Chief Executive Officer**

26 June **2024**

KENYA HOSPITAL ASSOCIATION

# CORPORATE GOVERNANCE STATEMENT

## PREAMBLE

The Hospital has instituted systems to ensure that high standards of corporate governance are maintained at all levels of the Hospital. The Board of Management recognizes the importance of corporate governance and as such it carries out its mandate with honesty, openness, and integrity.

The Nairobi Hospital Board of Management is responsible for the corporate governance of the Hospital and is accountable to Kenya Hospital Association members for ensuring that the company complies with the laws and the highest standards of corporate governance and business ethics. The Board members attach great importance to the need to conduct the business and operations of the Hospital in accordance with generally accepted corporate practice.

Below are the key features of corporate governance structures and internal control systems put in place and that were in operation during the year.

## BOARD OF MANAGEMENT

The Board of Management is composed of non-executive members elected by Kenya Hospital Association Members. The Kenya Hospital Association Members' responsibility is to elecxt the Board of Management and to ensure that the Board is held accountable and responsible for the efficient and effective governance of the institution.

Members of the Board have a range of skills and experience, and each brings an independent judgment and considerable knowledge to the Board's discussions. One third of the members of the Board retire by rotation each year and these members may offer themselves for re-election if eligible in accordance with the Articles of Association.

Summarized below are the key roles and responsibilities of the Board:

- Approve and adopt strategic plans and annual budgets, set objectives, and review key risk and performance areas;
- Determine overall policies and procedures to ensure integrity of the Hospital's management of risk and internal controls; and
- Review at regular meetings Management's performance against approved budget.

The full Board meets at least four times a year and the Chairman has weekly meetings with the Chief Executive Officer. The Board members are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues. Except for direction and guidance on general policy, the Board has delegated authority for conduct of day-to-day business to the Chief Executive Officer. The Board nonetheless retains responsibility for establishing and maintaining the Hospital's overall internal control, financial, operational and compliance framework.

## BOARD DIVERSITY

The board comprises of the following skill set:

| Skill | Count | % Age |
|---|---|---|
| Governance | 3 | 21% |
| Medical | 5 | 37% |
| Audit & Finance | 2 | 14% |
| Economics | 1 | 7% |
| Legal | 1 | 7% |
| ICT | 1 | 7% |
| Engineering | 1 | 7% |
| | 14 | 100% |

**BOARD MEETINGS**

The Board, as per the Annual work plan meets quarterly or additionally when necessary to consider matters of overall oversight of the business. The Board agenda and work plan are prepared early in the year and adequate notice, agenda and Board papers are circulated within stipulated timelines. The Board of Management held 13 meetings. Due to changes in the board, the number of meetings attended per member varied depending on their joining dates.

| Member | Meeting attendance |
|---|---|
| Hon. Dr. Chris M. N. Bichage, PhD | 13/13 |
| Mr. Philemon Mwaisaka, EBS, SS | 13/13 |
| Dr. David Githanga, MBS | 13/13 |
| Dr. Magdalene Muthoka, PhD | 13/13 |
| Dr. Barcley Onyambu | 5/5 |
| Dr. W. Irungu Ndirangu, Major (Rtd) | 13/13 |
| Dr. Fred Kambuni, MBS | 8/8 |
| Mrs. Ludmila Shitakha, HSC | 13/13 |
| Hon. Justice (Rtd) Philip Waki, EBS | 12/13 |
| Dr. Gladwell Kiarie | 7/7 |
| Prof. Herman Manyora | 5/5 |
| Mr. Sammy Onyango | 3/3 |
| Mr. Geoffrey Ng'etich | 3/3 |
| Prof. Eng. John Mwero | 3/3 |

**BOARD REMUNERATION**

Non-Executive Directors provide services to the company to which they are entitled to remuneration. They are paid a standard fee for attending Board meetings, board committee meetings and any other company business that they may be called to undertake. Kenya Hospital Association Memorandum and Articles of association provides for remuneration of the board members.

**COMMITTEES OF THE BOARD**

The Board has five committees, which meet regularly under the terms of reference set by the Board.

**Audit, Risk and Governance Committee**

There is an Audit, Risk and Governance Committee constituted by the Board. The Committee meets at least four times a year. Its membership comprises six non-executive members and the Head of Internal Audit. The external Auditors attend the meeting when requested by the Committee. Its responsibilities include monitoring of internal controls and management of financial, exchange, interest and other risks.

The internal audit department performs various activities in the evaluation of risk management, control and governance. Material business risks in the systems and financial controls are highlighted and brought to the attention of the Audit, Risk & Governance Committee, Senior Management and external auditors. In 2023, the committee convened 8 times. Due to changes in committee membership, the number of meetings attended per member varied depending on their joining dates.

| | | |
|---|---|---|
| Dr. David Githanga, MBS | Chairperson | 8/8 |
| Dr. W. Irungu Ndirangu, Major (Rtd) | Member | 2/2 |
| Mr. Philemon Mwaisaka, EBS, SS | Member | 2/2 |
| Hon. Justice (Rtd) Philip Waki, EBS | Member | 2/2 |
| Mrs. Ludmila Shitakha, HSC | Member | 2/2 |
| Mr. Sammy Onyango | Member | 1/1 |

### Medical Advisory Committee

The Board has constituted a Medical Advisory Committee (MAC), which meets at least four times a year. Its membership comprises elected members of Admitting Staff, the Chief Executive Officer, the Director Medical Services and Research and the Director of Nursing Services. Its responsibilities include the review of professional standards, ethics and any patients' complaints on the performance of any consultant. It also lays down rules of operating procedures and conduct. The committee oversees the Divisions of Anesthesia, Medicine, Pediatrics, Surgery, Obstetrics and Gynecology amongst other clinical areas. In 2023, the committee convened 12 times. Due to changes in committee membership, the number of meetings attended per member varied depending on their joining dates.

| Name | Role | Meetings attended |
|---|---|---|
| Dr. Fred Kambuni | Chairperson | 12/12 |
| Dr. Gladwell Kiarie | Vice Chairperson | 11/12 |
| Prof. Guyo Waqo Jaldesa | Member at Large | 12/12 |
| Dr. Caroline Odula-Obonyo | Chairperson, Obs & Gyn | 12/12 |
| Dr. Mbira Gikonyo | Chairperson, Surgery | 4/7 |
| Dr. Agnes Gachoki | Member at Large | 12/12 |
| Dr. Stephen Muhudhia | Chairperson, Paediatrics | 12/`12 |
| Dr. Thomas Chokwe | Chairperson, Anaesthesia | 6/6 |
| Dr. Henry Kioko | Coopted Member | 2/2 |
| Dr. Peter Chacha Magabe | Coopted Member | 1/2 |

### Finance and Investment Committee

There is a Finance and Investment Committee constituted by the Board. The Committee meets at least four times a year. Its membership comprises six non-executive members. The Chief Executive Officer and the Finance Director attend as Co-opted members to deliver technical expertise. The Head of Internal Audit attends when there are audit issues.

The Committee's main responsibilities include:

- Receiving and considering the Company's annual budget and periodic management accounts;
- Reviewing annual financial statements;
- Reviewing compliance with accounting standards;
- Considering recommendations for capital expenditure; and
- Evaluating investment proposals before they are approved by the Board.

In 2023, the committee convened 9 times. Due to changes in committee membership, the number of meetings attended per member varied depending on their joining dates.

| | | |
|---|---|---|
| Dr Magdalene Muthoka, PhD | Chairperson | 9/9 |
| Dr. Fred Kambuni, MBS | Member | 3/3 |
| Dr. David Githanga, MBS | Member | 7/7 |
| Hon. Justice (Rtd) Philip Waki, EBS | Member | 3/3 |
| Mrs. Ludmila Shitakha, HSC | Member | 3/3 |
| Mr. Sammy Onyango | Member | 8/8 |

### Human Resources Committee

There is a Human Resources Committee of the Board which meets quarterly. The Committee is mandated to review and formulate on behalf of the Board human resources policies for the Hospital on employee recruitment, staff training development, staff welfare and training, and organizational development. It is further mandated to ensure the Hospital has in place Human Resources strategic objectives and that these are implemented. In 2023, Its membership comprises six non-executive members.

In 2023, the committee convened 2 times. Due to changes in committee membership, the number of meetings attended per member varied depending on their joining dates.

| | | |
|---|---|---|
| Dr. Barcley Onyambu | Chairman | 2/2 |
| Dr. W. Irungu Ndirangu, Major (Rtd) | Member | 1/2 |
| Prof. Herman Manyora | Member | 2/2 |
| Dr. Gladwell Kiarie | Member | 2/2 |
| Mr. Geoffrey Ng'etich | Member | 2/2 |
| Prof. Eng. John Mwero | Member | 2/2 |

### Infrastructure Projects Management Committee

There is an Infrastructure Projects Management Committee whose role is to fulfill the Hospital's infrastructure planning, development and construction activities. The role of the committee includes oversight, reporting and making recommendations to the Board with emphasis on a long-term strategic infrastructure plans. Its membership comprises eight non-executive members with senior management invited into the deliberations.

In 2023, the committee convened 7 times. Due to changes in committee membership, the number of meetings attended per member varied depending on their joining dates.

| | | |
|---|---|---|
| Mr. Philemon Mwaisaka, EBS, SS | Chairperson | 7/7 |
| Dr. Fred Kambuni, MBS | Member | 4/4 |
| Prof. Herman Manyora | Member | 2/2 |
| Dr. Magdalene Muthoka, PhD | Member | 2/2 |
| Dr. Gladwell Kiarie | Member | 4/4 |
| Dr. Barcley Onyambu | Member | 2/2 |
| Mr. Geoffrey Ng'etich | Member | 2/2 |
| Prof. Eng. John Mwero | Member | 1/2 |

## INTERNAL CONTROLS

The Hospital has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for major transactions and for ensuring compliance with laws and regulations that have material financial implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the organization remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Board considers the results of all the work carried out to audit and review the activities of the Hospital. A comprehensive management accounting system is in place providing financial and operational performance measurement indicators. Weekly meetings are held by executive management to monitor operations and performance.

## RISK MANAGEMENT AND COMPLIANCE

The Risk and Compliance function aims at ensuring that the hospital assesses and responds to all the risks that could affect achievement of its strategic, financial, and operational objectives. The function consists of the following functional areas:

1. Enterprise Risk Management
2. Compliance
3. Business Continuity Management
4. Emerging risks

The risk management program in The Nairobi Hospital is a blend of ISO 31000 and COSO ERM Frameworks. Our primary goal is to provide the highest quality of healthcare services to our patients. As a result, we accept that there are inherent risks that come with the business. However, we have implemented a robust risk management framework that helps us identify, assess, and manage these risks effectively. By doing so, we reduce the likelihood and impact of negative events, which can harm our patients, staff, reputation, and financial performance. We remain committed to continuously improving our risk management processes to ensure that we achieve our objectives while maintaining a safe and sustainable healthcare environment.

The Quality Management System is run based on ISO 9001:2015, the quality department also oversees Food Safety based on ISO 22001:2018, Environmental Management based on ISO 14001:2015 and Occupational Health and Safety matters based on ISO 45001:2018. The Hospital is certified on all these standards except for ISO 45001 but is working towards the same. The Hospital recently hired a Health and Safety officer to help the Hospital in its pursuit of the ISO 45001 accreditation. The Hospital is also currently pursuing the Joint Commission International Accreditation ("JCIA") with the objective to complete the same in the next 18 to 24 months.

### Our Risk Management Principles

The Risk management and Control approach is based on the following principles:

1. **Governance and Culture**: The Nairobi Hospital has established a governance structure, Audit Risk & Governance ("ARG") Committee, that provides oversight and accountability for the Hospital's risk management activities. The Hospital also has a culture that values risk management and encourages open communication about risks.
2. **Risk management is an integral part of the Hospital's processes**: The Hospital has integrated risk management into all its processes, including planning, operations, and decision-making. Risk management is considered at all levels of the Hospital, from the board of directors to the operational level.
3. **Strategy and Objective-Setting**: The Hospital has aligned its risk management activities with its overall strategy and objectives. This involves identifying the risks that could impact on the Hospital's ability to achieve its strategic goals and taking appropriate measures to manage those risks.
4. **Information, Communication, and Reporting**: The Hospital has established upward and downward communication and reporting processes that ensure that relevant stakeholders are informed about the Hospital's risk management activities. This involves providing timely and accurate information about risks and risk management practices to the board of directors, senior management, and other stakeholders as appropriate.
5. **Risk management is based on the best available information**: The Hospital bases its risk management framework on the best available information, including internal and external data, expert opinions, and stakeholder feedback. The Hospital continuously monitors its environment and adjusts its risk management approach accordingly.
6. **Risk management is part of decision-making**: The Hospital uses risk management to inform and support decision-making at all levels of the Hospital. Decision-makers considers the potential risks and their impact before making any significant decisions.
7. **Review and Revision**: The Hospital periodically reviews and revises its risk management framework to ensure that it remains effective and relevant. This involves assessing the Hospital's risk management practices and making changes to address any deficiencies or emerging risks. The current framework is valid for a period of 3 years.

### The Elements of our ISO 31000 and COSO ERM Risk Management process

The Hospital incorporates the following elements of the COSO ERM Framework and ISO 31000 to strengthen its risk management capabilities and ensures that it is better prepared to respond to potential threats and uncertainties.

i. **Risk assessment:** This includes identification of the potential risks facing the Hospital, both internally and externally, is done by analyzing past incidents, conducting risk assessments, and engaging with stakeholders. Our risk taxonomy mapping has identified 77 sections in the Hospital for which risk assessment is done. These include all the wards, all clinical areas, corporate functions and all our outpatient centers. The identified risks are then evaluated for likelihood and impact, using a structured approach.

ii. **Risk response:** As a Hospital, we develop and implement appropriate risk responses, is based on the results of the risk assessment. This involves treating, taking, terminating, or transferring the risk.

iii. **Control activities:** The Hospital implements control activities to mitigate identified risks. This may involve implementing policies and procedures, monitoring activities, and providing training and awareness programs.

iv. **Risk reporting:** Risk reporting is done weekly, monthly, and quarterly to the CEO's office. Risk reports are prepared and presented to the Audit, Risk and Governance committee of the board every quarter. Discussions and deliberations of the committee are then shared with the full board for ratification. Risk assessment reports are also shared with functional heads for their knowledge, use and mitigation. Content of the risk reports is tailored based on the audience and professional judgement.

v. **Information and communication:** Risk & Compliance has established effective communication channels to ensure that risk information is shared appropriately throughout the organization. This includes reporting on risk management activities to senior management and the board.

vi. **Monitoring:** Regular monitoring of the effectiveness of the risk management framework is done to ensure that it remains relevant and effective.

### CODE OF ETHICS

The Hospital is committed to the highest standards of integrity, behavior, and ethics in dealing with all its stakeholders. A formal code of ethics has been approved by the Board and is fully implemented to guide management, employees, and stakeholders on acceptable behavior in conducting business. All employees of the Hospital are expected to avoid activities and financial interests that could clash with their responsibilities to the Hospital.

### COMMUNICATION WITH KHA MEMBERS

The Hospital is committed to ensuring that KHA members are provided with full and timely information about the Hospital. This is achieved by the distribution of the Hospital's annual report and the release of notices and circulars to the press as and when necessary. There is one open day in a year which provides members with the opportunity to see for themselves the developments going on at the Hospital and to raise any matter with the Board and Management.

**Hon. Dr. Chris M. N. Bichage, PhD**
**Chairman**

26 June 2024

**James Nyamongo, MBS**
**Chief Executive Officer**

KENYA HOSPITAL ASSOCIATION

OPERATING STATISTICS

| | 2023 | 2022 | Percentage change |
|---|---|---|---|
| **MEMBERSHIP** | | | |
| KHA members | 2,515 | 2,379 | 6% |
| **HOSPITAL SERVICES** | | | |
| Beds available | 329 | 329 | 0% |
| Eastwing-UN TNH Hospital | 135 | 135 | 0% |
| Patients admitted | 15,983 | 14,673 | 9% |
| Bed occupancy-MH | 66% | 65% | 1% |
| Bed occpancy-Eastwing | - | - | - |
| Total in-patient days | 78,513 | 78,564 | 0% |
| Average length of stay | 5 days | 5 days | |
| Overall Out-patient totals | 153,040 | 155,154 | -1% |
| **Operations performed** | | | |
| *Main theatre* | | | |
| Major operations | 5,231 | 4,861 | 8% |
| Minor Operations | 817 | 803 | 2% |
| Total | 6,048 | 5,664 | 7% |
| *Labour ward theatre* | | | |
| Major operations | 1,198 | 1,237 | -3% |
| Minor Operations | 394 | 278 | 42% |
| Total | 1,592 | 1,515 | 5% |
| *Day Surgery* | | | |
| Total DSU Operations | 1,734 | 1,599 | 8% |
| **Details** | | | |
| Births | 2,525 | 2,917 | -13% |
| Laboratory tests | 640,590 | 620,622 | 3% |
| Radiology services | 77,244 | 74,830 | 3% |
| Renal Unit Services | 9,773 | 13,654 | -28% |
| Endoscopy | 7,330 | 6,523 | 12% |
| Rehabilitation services | 59,093 | 71,162 | -17% |
| Pharmacy prescriptions | 557,012 | 523,385 | 6% |
| Oncology | 17,358 | 17,657 | -2% |

# REPORT OF THE BOARD OF MANAGEMENT

The Board of Management has the pleasure of submitting its annual report and the audited financial statements for the Kenya Hospital Association (the "Company" "Hospital") for the year ended 31 December 2023, in accordance with the Kenyan Companies Act, 2015, which disclose the situation of the Company.

## INCORPORATION

The Company is incorporated under the Kenyan Companies Act as a Company Limited by Guarantee and is domiciled in Kenya.

## PRINCIPAL ACTIVITIES

The Company provides not-for-profit private health care services through The Nairobi Hospital (TNH). It also provides the Kenya Registered Nurse (KRN) training for the nursing profession in Kenya.

## BUSINESS REVIEW

**Financial Performance**

The surplus for the year of Sh 191 million has been transferred to the operating fund. The surplus position is primarily from the additional theatres impacting admissions moving up by 9% with its ripple effect felt in Pharmacy and laboratory all above prior year by 6% and 3% respectively. The United Nations Nairobi Hospital wing is still not in operation. In 2024, the same is being repurposed for other use. Our debtor's collection efficiency has been addressed with our 2023 collections amounting to Sh 13 billion exceeding operating revenue.

The business recorded an increase on its revenue of 11% to Sh 12.2 billion from Sh 11.0 billion the previous year. This was amid a generally depressed macro environment and an equally challenging internal business environment especially for the health sector.

**Principal risks and uncertainties**

The Board of management is constantly reviewing whether the policies and risk management programs in place are appropriate and effective to manage and minimize the exposure in the long term.

The risks that the Company is exposed to include:

i. **Regulatory Risk:** The healthcare industry is highly regulated, and the Hospital is subject to various laws and regulations, including those related to billing, privacy, and patient safety. Failure to comply with these laws and regulations may result in legal and financial penalties, as well as reputational damage. The Hospital is mitigating this risk by regularly monitoring and ensuring compliance with all applicable laws and regulations.

ii. **Strategic Risk:** The Hospital's strategic decisions can significantly impact its operations, financial performance, and reputation. Strategic risks include failure to adapt to changing market conditions, ineffective resource allocation, and poor decision-making. The Hospital manages this risk by implementing a strategic planning process, conducting regular reviews of its strategy, and monitoring its performance.

iii. **Financial Risk:** The Hospital is exposed to financial risks, including interest rate risk, foreign exchange risk, liquidity risk and supply chain disruption. The Hospital manages this risk by implementing financial risk management policies, monitoring cash flow, and diversifying its funding sources.

iv. **Credit Risk:** The Hospital is exposed to credit risk, which is the risk that patients, insurers, and other payers will default on their payment obligations. This risk is managed by setting credit limits, verifying the patient's insurance status before treatment, having deposits for cash payers, and monitoring the payment history of payers.

v. **Competition Risk**: The Hospital faces competition from other healthcare providers in the region. This competition can impact the Hospital's revenue and market share. The Hospital is mitigating this risk by implementing a patient-centric approach, providing high-quality care, and offering specialized services.

vi. **Cybersecurity Risk**: The Hospital collects and stores sensitive patient data, making it vulnerable to cyber-attacks. A breach of patient data can result in reputational damage, legal action, and financial penalties. The Hospital is mitigating this risk by implementing robust cybersecurity measures, including regular security audits, employee training, and data encryption.

**Principal risks and uncertainties (Continued)**

vii. **Reputational Risk**: The Hospital's reputation is a critical asset that can be damaged by negative publicity or patient complaints. The Hospital mitigates this risk by implementing quality management programs, ensuring compliance with regulatory standards, and investing in staff training and development.

viii. **Personnel risk:** The Hospital continues to face heightened turnover rates among clinical staff, which could negatively impact the Hospital's operations. To mitigate this risk, the Hospital has leveraged its nursing school. By recruiting graduates of the school who are already familiar with the Hospital's culture, it may be easier for them to seamlessly integrate into their roles. The Hospital also focuses on recruitment, training, and retention efforts, as well as ensuring compliance with labor laws and regulations, and providing a safe and healthy workplace.

ix. **Legal Risk:** The Hospital is exposed to legal risks, including malpractice claims, breach of contract claims, and employment-related claims. The Hospital manages this risk by implementing risk management policies, obtaining appropriate insurance coverage, and ensuring compliance with legal requirements.

x. **Pandemic Risks:** The Hospital is exposed to the risk of pandemics, which could lead to a surge in patient demand, staffing shortages, and supply chain disruptions. To mitigate this risk, the Hospital has implemented a pandemic response plan that includes surge capacity planning, staff training, and supply chain management.

xi. **Environmental Risk:** The Hospital's operations can impact the environment, including waste management, energy consumption, and carbon emissions. The Hospital manages this risk by implementing environmental policies, promoting sustainable practices, and complying with environmental regulations.

**Future outlook**

The Hospital's focus continues to be on quality patient care, which continues to be the pillar of the Hospital and it is with this culture of service excellence that continues to strengthen our patient-focus, service delivery and processes to deliver healthcare with a difference as well.

BOARD OF MANAGEMENT

The present members of the Board of Management are listed on page 3.

BOARD OF MANAGEMENTS' STATEMENT AS TO INFORMATION GIVEN TO AUDITORS

Each of the persons who is a member of the Board of Management at the date of approval of this report confirms that:

- so far as the Board Member is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Board Member has taken all the steps that he/she ought to have taken as a Board Member in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

Deloitte & Touche LLP, having expressed their willingness, continue in office in accordance with the provisions of section 719 (2) of the Kenyan Companies Act, 2015. The Board of Management monitors the effectiveness, objectivity and independence of the auditor. The Board of Management also approves the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

BY ORDER OF THE BOARD

Gilbert Nyamweya Omoke
Public Certified Secretary
P. O. Box 20621 - 00100
Nairobi
C.P.S. No. 2274

---------------------------------------------

**Gilbert Nyamweya Omoke**
**Company Secretary**

26 June 2024

KENYA HOSPITAL ASSOCIATION

## STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

The Kenyan Companies Act, 2015 requires the Board of Management to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company as at the end of the financial year and of the results of its financial activities for that year. It also requires the Board of Management to ensure that the Company maintains proper accounting records that are sufficient to show and explain the transactions of the Company and disclose, with reasonable accuracy, the financial position of the Company. The Board of Management is also responsible for safeguarding the assets of the Company, and for taking reasonable steps for the prevention and detection of fraud and error.

The Company's Board of Management accepts responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Kenyan Companies Act, 2015. It also accepts responsibility for:

(i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
(ii) selecting suitable accounting policies and applying them consistently; and
(iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having assessed the Company's ability to continue as a going concern, the Board of Management is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Company's ability to continue as a going concern.

The Company's Board of Management acknowledges that the independent audit of the financial statements does not relieve it of its responsibilities.

Approved by the Company's Board of Management on 26 June 2024 and signed on its behalf by

**Hon. Dr. Chris M. N. Bichage, PhD**
**Chairman, Board of Management**

**Mr. Philemon Mwaisaka, EBS, SS**
**Vice Chairman, Board of Management**

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# INDEPENDENT AUDITORS' REPORT
# TO THE MEMBERS OF KENYA HOSPITAL ASSOCIATION

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of Kenya Hospital Association (the 'Company'), set out on pages 24 to 59, which comprise the statement of financial position as at 31 December 2023, and the statement of income and expenditure, statement of changes in fund balances and the statement of cash flows for the year then ended, and a summary of material accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and the requirements of the Kenyan Companies Act, 2015.

### 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 Company 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 Board of Management is responsible for the other information, which comprises the Chairman's statement, the Chief Executive Officer's Statement, the Corporate Governance Statement, Operating Statistics and the Report of Board of Management which were obtained prior to the date of the auditor's report. 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.

**Report on the Audit of the Financial Statements (Continued)**

**Responsibilities of the Board of Management for the Financial Statements**

The Board of Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and for such internal controls as the Board of Management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management;
- Conclude on the appropriateness of the Board of Management's 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 Company'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 Company to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF KENYA HOSPITAL ASSOCIATION (Continued)

**Report on other matters prescribed by the Kenya Companies Act, 2015**

In our opinion, the information given in the Report of the Board of Management on pages 18 to 19 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is
**CPA Fred Aloo, Practicing certificate No. 1537**

**For and on behalf of Deloitte & Touche LLP**
**Certified Public Accountants (Kenya)**
**Nairobi**

6 August **2024**

KENYA HOSPITAL ASSOCIATION

# STATEMENT OF INCOME AND EXPENDITURE
## INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|---|
| INCOME | | | |
| Operating revenue | 4 | 11,606,402 | 10,301,466 |
| Finance income | 5 (a) | 270,291 | 268,197 |
| Other income | 6 | 334,724 | 430,977 |
| **TOTAL INCOME** | | 12,211,417 | 11,000,640 |
| **EXPENSES** | | | |
| Direct expenses | 7 (a) | (8,860,453) | (8,500,775) |
| Other operating expenses | 7 (b) | (3,191,039) | (3,224,376) |
| Expected credit losses | 7 (c) | 97,827 | 236,317 |
| Net foreign exchange loss | 5 (b) | (25,126) | (26,969) |
| Interest on lease liabilities | 5 (c) | (41,907) | (49,516) |
| TOTAL EXPENSES | | (12,020,698) | (11,565,319) |
| SURPLUS/(DEFICIT) FOR THE YEAR | | **190,719** | **(564,679)** |

KENYA HOSPITAL ASSOCIATION

# STATEMENT OF FINANCIAL POSITION AS AT 31DECEMBER 2023

| | Note | 31-Dec-23 Sh'000 | 31-Dec-22 Sh'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property and equipment | 10 | 11,387,325 | 10,509,589 |
| Intangible assets | 11 | 49,406 | 54,855 |
| Right-of-use asset | 12 | 278,201 | 300,444 |
| | | 11,714,932 | 10,864,888 |
| **Current assets** | | | |
| Inventories | 13 | 919,685 | 736,134 |
| Trade and other receivables | 14 | 1,840,444 | 1,356,034 |
| Fixed deposits | 15(d) | 1,146,033 | 1,391,497 |
| Treasury Bonds | 16 | 1,179,574 | 1,191,388 |
| Cash and bank balances | 15(b) | 69,312 | 255,173 |
| | | 5,155,048 | 4,930,226 |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Lease liabilities | 17 | 233,186 | 267,168 |
| Deferred income | 20 | 382,936 | 417,640 |
| | | 616,122 | 684,808 |
| **Current liabilities** | | | |
| Lease liabilities | 17 | 146,164 | 141,829 |
| Trade and other payables | 18(a) | 3,011,031 | 2,396,412 |
| Bank overdraft | 15(c) | 310,122 | - |
| Premium finance | 18(b) | 344,608 | 317,605 |
| Deferred income | 20 | 61,467 | 64,713 |
| | | 3,873,392 | 2,920,559 |
| **Net assets** | | 12,380,466 | 12,189,747 |
| **Fund balances** | | | |
| Operating fund | | 993,141 | 1,680,158 |
| Capital investment fund | 19 | 11,387,325 | 10,509,589 |
| **Total funds** | | 12,380,466 | 12,189,747 |

The financial statements on pages 24 to 59 were approved and authorized for issue by the Board of Management on 26 June 2024 and were signed on its behalf by:

Hon. Dr. Chris M. N. Bichage, PhD
Chairman, Board of Management

Mr. Philemon Mwaisaka, EBS, SS
Vice Chairman, Board of Management

KENYA HOSPITAL ASSOCIATION

# STATEMENT OF CHANGES IN FUND BALANCES FOR THE YEAR ENDED 31 DECEMBER 2023

| | Operating fund Sh'000 | Capital Investment fund* Sh'000 | Total Sh'000 |
|---|---|---|---|
| At 1 January 2022 | 1,945,236 | 10,809,190 | 12,754,426 |
| Transfers to capital investment fund | 299,601 | (299,601) | - |
| Deficit for the year | (564,679) | - | (564,679) |
| At 31 December 2022 | 1,680,158 | 10,509,589 | 12,189,747 |
| At 1 January 2023 | 1,680,158 | 10,509,589 | 12,189,747 |
| Transfers to capital investment fund | (877,736) | 877,736 | - |
| Surplus for the year | 190,719 | - | 190,719 |
| At 31 December 2023 | 993,141 | 11,387,325 | 12,380,466 |

*The capital investment fund represents the Company's net investment in property and equipment and as disclosed in note 19 it is stated at an amount equivalent to the net book value of property and equipment net of borrowings acquired to finance capital acquisitions if any. The fund is not distributable as dividends, the Company uses the fund to invest in property and equipment.

## STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED 31 DECEMBER 2023

| | Note | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus/(deficit) for the year | | 190,719 | (564,679) |
| Adjustments | 15(a) | 779,228 | 811,286 |
| Changes in working capital | 15(a) | (91,294) | 406,699 |
| Interest income received | | 258,181 | 268,197 |
| Net cashflow from operating activities | | 1,136,834 | 921,503 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property and equipment | 10 | (1,740,282) | (612,522) |
| Purchase of intangible assets | 11 | (6,557) | - |
| Proceeds of disposal of property and equipment | | 4,445 | 2,093 |
| Purchase of treasury bonds | 16 | - | (856,179) |
| Net cash used in investing activities | | (1,742,394) | (1,466,608) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Payment of lease liability | 17 | (142,143) | (134,769) |
| Insurance premium financing | 18(b) | 27,003 | 317,605 |
| Net cash outflow from financing activities | | (115,140) | 182,836 |
| DECREASE IN CASH AND CASH EQUIVALENTS | | (720,700) | (362,269) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 1,646,670 | 2,005,515 |
| Effect of exchange rate differences on cash and cash equivalents | | (20,747) | 3,424 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 15(b) | 905,223 | 1,646,670 |

1 MATERIAL ACCOUNTING POLICIES

**(a) Statement of compliance**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and the requirements of the Kenyan Companies Act, 2015.

For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is presented in the statement of income and expenditure.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Management to exercise its judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment, or where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

**(b) Application of new and revised IFRSs**

***(i) Relevant new standards and amendments to published standards effective for the year ended 31 December 2023***

Several new and revised standards and interpretations became effective during the year. The Directors have evaluated the impact of the new standards and interpretations and none of them had a material impact on the Company's financial statements.

The following revised IFRSs were effective in the current year and the nature and the impact of the relevant amendments are described below.

**Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 regarding disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

**Amendments to IAS 8 - Definition of Accounting Estimates**

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the Board retained the concept of changes in accounting estimates in the Standard with the following clarifications: A change in accounting estimate that results from new information or new developments is not the correction of an error.

The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

1 MATERIAL ACCOUNTING POLICIES (Continued)

***(ii) Impact of new and amended standards and interpretations in issue but not yet effective***

At the date of authorization of these financial statements, the Company has not yet applied the following new and revised IFRS Standards that have been issued but are not yet effective.

| *New and Amendments to standards* | *Effective for annual periods beginning on or after* |
|---|---|
| Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback | Annual periods beginning on or after 1 January 2024 with earlier application permitted |
| Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements | Annual periods beginning on or after 1 January 2024 with earlier adoption permitted |
| Amendments to IAS 1 - Non-current Liabilities with Covenants | Annual periods beginning on or after 1 January 2024 |
| IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information | Annual periods beginning on or after 1 January 2024 |
| IFRS S2 - Climate-related Disclosures | Annual periods beginning on or after 1 January 2024 |
| Amendments to IAS 1 - Classification of liabilities as current or non-current | Annual periods beginning on or after 1 January 2024 |
| Amendments to IAS 21 - Lack of exchangeability | Annual periods beginning on or after 1 January 2025 |

**Amendment to IFRS 16 - Lease Liability in a Sale and Leaseback**

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16.

This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

**Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements**

**Amendments to IAS 7**

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and the entity's exposure to liquidity risk.

Supplier finance arrangements are characterised by one or more finance providers offering to pay amounts an entity owes its suppliers and the entity agreeing to pay according to the terms and conditions of the arrangements at the same date as, or a date later than, suppliers are paid.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)**

**Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements (continued)**

**Amendments to IAS 7 (continued)**

These arrangements provide the entity with extended payment terms, or the entity's suppliers with early payment terms, compared to the related invoice payment due date. Supplier finance arrangements are often referred to as supply chain finance, payables finance or reverse factoring arrangements.

Arrangements that are solely credit enhancements for the entity (for example, financial guarantees including letters of credit used as guarantees) or instruments used to settle directly with a supplier the amounts owed (for example, credit cards) are not supplier finance arrangements.

**Amendments to IFRS 7**

The amendments include as an additional factor whether the entity has accessed, or has access to, supplier finance arrangements that provide the entity with extended payment terms or the entity's suppliers with early payment terms. The amendments add that concentrations of liquidity risk and market risk may arise from supplier finance arrangements resulting in the entity concentrating with finance providers a portion of its financial liabilities originally owed to suppliers.

**Amendments to IAS 1 - Non-current Liabilities with Covenants**

The IASB amends IAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

An entity is required to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months

The amendments are applied retrospectively (applying IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors) and are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

**IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**

IFRS S1 sets out overall requirements for sustainability-related financial disclosures with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium, or long term. The standard refers to these risks and opportunities as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

An entity whose sustainability-related financial disclosures comply with all the requirements of IFRS Sustainability Disclosure Standards is required to make an explicit and unreserved statement of compliance. An entity is not permitted to describe sustainability-related financial disclosures as complying with IFRS Sustainability Disclosure Standards unless they comply with all the requirements of IFRS Sustainability Disclosure Standards; that is:

(i) Conceptual foundation – the usefulness of related financial information is enhanced if the information is comparable, verifiable, timely and understandable.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)**

**IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information (continued)**

(ii) Fair presentation - requires disclosure of relevant information about sustainability related risks and opportunities that could reasonably be expected to affect the entity's prospects, and their faithful representation in accordance with the principles set out in IFRS S1. To achieve this an entity is required to provide a complete, neutral, and accurate depiction of those sustainability-related risks and opportunities.

(iii) Materiality - Information is material if omitting, misstating, or obscuring that information could reasonably be expected to influence decisions that primary users of general-purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures, and which provide information about a specific reporting entity.

(iv) Reporting entity and connected information - An entity is required to provide information in a manner that enables users of general purpose financial reports to understand:

- The connections between the items to which the information relates - such as connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

- The connections between disclosures provided by the entity-Within its sustainability related financial disclosures such as connections between disclosures on governance, strategy, risk management, and metrics and targets or: across its sustainability-related financial disclosures and other general purpose financial reports published by the entity such as its related financial statements and an entity is required to identify the financial statements to which the sustainability-related financial disclosures relate.

(v) Core content- An entity is required to make disclosures about:

Governance - the governance processes, controls and procedures the entity uses to monitor and manage sustainability-related risks and opportunities

Strategy - the approach the entity uses to manage sustainability-related risks and opportunities, including:

- Business model and value chain
- Strategy and decision making
- Financial position, financial performance and cash flows
- Resilience of the entity's strategy and its business model

Risk management - the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities

Metrics and targets - the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set, or is required to meet by law or regulation

**Amendments to IAS 1 - Classification of liabilities as current or non-current**

The amendment was to clarify the classification criteria for liabilities as current or non-current. The most significant changes are listed below.

(i) A clarification has been added to both IAS 1:69 and 73 to emphasise that for a liability to be classified as non-current, the entity's right to defer settlement must exist 'at the end of the reporting period'. This was previously illustrated in the examples but not explicitly stated.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**(ii) Impact of new and amended standards and interpretations in issue but not yet effective (continued)**

**Amendments to IAS 1 - Classification of liabilities as current or non-current (continued)**

(ii) The IASB specifies that for a liability to be non-current an assessment is required of whether an entity has the right to defer settlement of a liability and not whether the entity will exercise that right. The reference to an entity's expectations in IAS 1:73 has been deleted and a new paragraph has been added to state explicitly that classification is unaffected by management intentions or expectations.

(iii) The word 'unconditional' has been removed from IAS 1:69 and a new paragraph has been added to clarify that if the right to defer settlement is conditional on the compliance with covenants the right exists if the conditions are met at the end of the reporting period, even it the lender does not test compliance until a later date.

(iv) A definition of the word 'settlement' has been added that states "For the purpose of classifying a liability as current or noncurrent, settlement refers to a transfer to the counterparty that results in the extinguishment of the liability." This transfer could be of cash, goods and services or the entity's own equity instruments.

(v) The IASB also clarifies the scope of when counterparty conversion options affect classification as current or non-current. Applying the amendment, if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current if the entity recognizes the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

**Amendments to IAS 21 - Lack of exchangeability**

The IASB has published amendments to IAS 21 that specify how to assess whether a currency is exchangeable and how to determine the exchange rate when it is not.

Applying the amendments, a currency is exchangeable when an entity is able to exchange that currency for the other currency through market or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose. However, a currency is not exchangeable into the other currency if an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose.

When a currency is not exchangeable at the measurement date, an entity is required to estimate the spot exchange rate as the rate that would have applied to an orderly exchange transaction at the measurement date between market participants under prevailing economic conditions. In that case, an entity is required to disclose information that enables users of its financial statements to evaluate how the currency's lack of exchangeability affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

***Early adoption of standards***

The Company did not early-adopt any new or amended standards in the year ended 31 December 2023.

**Revenue recognition**

Income is recognized when rights and obligations of the service has been transferred to the customer being at the point when the patient receives the services at the Hospital and is stated net of credit card commissions and prompt payment discounts.

Entrance fees by new members are taken to income when received. Members' subscriptions are recognized over a period when the services are provided to the members.

Student fees are recognized over the period of instruction. Fees paid in advance are deferred and are carried in the statement of financial position as liabilities.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Revenue recognition (continued)**

Revenue from lease rental income is recognized when rights and obligations of the asset is transferred to the customer, that is being at the point in which the asset is utilized by the lessee.

Interest income is recognized on a time proportion basis using the effective interest rate method.

**Deferred income**

Deferred income represents the unamortized portion of funds received for the assets at the UN-TNH Covid hospital resulting from the partnership between the United Nations and the Nairobi Hospital. The amount recognized in the income statement is equivalent to the depreciation charge of the assets.

**Translation of foreign currencies**

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling on the transaction dates. Assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the income and expenditure account in the year in which they arise.

**Property and equipment**

All categories of property and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation on leasehold improvements and buildings is calculated on the straight-line basis to write down the cost over the remaining term of the lease as follows:

| | | |
|---|---|---|
| Short term lease | - | 12.5 years |
| Long term lease | - | 35.5 years |

Depreciation on all other property and equipment is calculated on the reducing balance basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

| | |
|---|---|
| Furniture, fittings and other equipment | 12.5% |
| Medical equipment | 20% |
| Computer equipment and motor vehicles | 25.5% |

The cost of refurbishing the Company's property is capitalized in the year in which it is incurred and depreciated over the remaining term of the leasehold property.

Properties in the course of construction for medical or other purposes are recorded as capital work in progress at historical cost less any accumulated impairment losses. The cost of such assets includes professional fees and costs directly attributable to the asset. Such assets are not depreciated until they are ready for their intended use.

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are considered in determining surplus or deficit for the year.

Linen, cutlery, and crockery are written off in the year of purchase.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Intangible assets**

Intangible assets represent computer software and are stated at their historical cost less accumulated amortization and any accumulated impairment losses.

Amortization is calculated to write off the cost of computer software on the straight-line basis over its estimated useful life not exceeding three years. The useful life of intangible assets and the pattern of utilization of economic benefits arising from the use of the intangible assets are reviewed at each reporting date to take into account any changes in the market, economic and industry trends.

**Leases**

(a) The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value. For these leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date.
- The amount expected to be payable by the lessee under residual value guarantees.
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Company measures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever: The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate.

The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is measured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Leases (Continued)**

(a) The Company as a lessee (Continued)

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.
The right-of-use assets are presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Other expenses" in profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(b) The Company as a lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

**Financial instruments**

Financial assets and liabilities are recognized in the Company's statement of financial position when the Company has become a party to the contractual provisions of the instrument. Financial assets and financial liabilities are recognized in the company's statement of financial position when the company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

**Financial assets**

All recognized financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial instruments

All recognized financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortized 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 amortized 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); and all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). The company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

Despite the foregoing, the company may make the following irrevocable election/designation at initial recognition of a financial asset: the company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and the company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at Fair Value through Other Comprehensive Income (FVTOCI). Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs.

Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss is not be reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

**Financial assets**

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'other income' line item in profit or loss.

*Impairment of financial assets*

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, lease receivables, trade receivables, short term loans and contract assets. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company recognizes lifetime ECL for trade receivables, short term loans, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

*Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without considering any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Company writes-off debt only when there is objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

**Financial assets**

*Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Trade receivables*

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established using an ECL model in line with the requirements of IFRS 9 as outlined in the next section below. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is charged to the income statement.

*Impairment of financial assets*

The Company measures loss allowance equal to lifetime expected credit losses for trade receivables held at amortized cost as these receivables do not contain a significant financing component, since such receivables are normally due for settlement within 90 days from invoice date.

Cash flows relating to short-term receivables (0-12 months) generally are not discounted unless the effect of doing so would be material. The carrying amount of the asset should be reduced to its estimated recoverable amount through use of an allowance account. The amount of the loss should be included in net profit and loss for the period. As trade receivables are generally due within 90 days from invoice date, existing provision matrices/methodologies incorporating both historical and forward-looking information may be used to determine the lifetime expected credit losses and therefore measuring the provision for doubtful debts for trade receivables is not expected to change under IFRS 9.

*(i) Significant increase in credit risk*

At each reporting date, the Company measures the loss allowance for a trade receivable measured at amortized cost at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

This assessment is made considering all reasonable and supportable information, including that which is forward looking. Indicators of significant increase in credit risk could include (but not limited to) any of the following:

- significant financial difficulty
- an actual breach of contract, such as a default in interest or principal payments
- a high probability of bankruptcy or other financial reorganization
- the disappearance of an active market due to financial difficulties

If there is no significant increase in expected losses, then a loss allowance for 12 months must be recognized.

1 MATERIAL ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

**Financial assets (Continued)**

*Impairment of financial assets (Continued)*

*(ii) Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. The Company writes off debt only when their objective evidence that the debt will not be recovered and after it has exhausted its collection avenues.

*(iii) Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

*Financial liabilities*

Financial liabilities include and are initially measured at fair value, net of transaction costs. They are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payment through the expected life of the financial liability or where appropriate, a shorter period to the net carrying amount on limited recognition.

*Trade payables*

Trade payables are stated at their nominal value.

Cash and cash equivalents

For the purposes of the statement of cash flow, cash and cash equivalents comprise cash in hand and deposits held at call with banks.

# 1 MATERIAL ACCOUNTING POLICIES (Continued)

**Financial instruments (continued)**

*Financial liabilities (Continued)*

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Any impairment losses are recognized as an expense immediately. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount. A reversal of an impairment loss is recognized as income immediately.

Inventories

Inventories, which comprise pharmaceutical drugs and medicines, catering supplies, general stocks, surgical supplies, laboratory, and X-ray materials, are stated at the lower of cost and net realizable value. Cost is determined on a weighted average cost basis. Net realizable value is the estimate of the selling price in the ordinary course of business, less selling expenses. Goods in transit are stated at cost. The Company continuously monitors inventory for obsolescence through the periodic stock taking process. Obsolete stocks identified are written off in the period identified.

Employee entitlements

Employee entitlements to annual leave and gratuity are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements because of services rendered by employees up to the reporting date. The estimated monetary liability for employees accrued annual leave entitlements at the reporting date is recognized as an expense accrual.

**Retirement benefits obligations**

The Company contributes to the statutory defined contribution scheme, National Social Security Fund, in respect of all its permanent employees. The Company's obligations under the scheme are limited to specific contributions legislated from time to time. The Company also operates a defined contribution retirement benefits scheme for all its employees. The assets of the scheme are held in a separate trustee administered fund that is funded from contributions from both the Company and employees. The Company's obligations to both the NSSF and the defined contribution scheme are charged to the statement of income and expenditure as they fall due.

**Designated funds**

Included under the capital employed in the statement of financial position are the following funds:

*Operating fund*

The fund represents un-appropriated net movements in fund balances from the statement of income and expenditure.

*Capital investment fund*

This fund represents the Company's investment in property, plant and equipment and is stated at an amount equivalent to the net book value of property, plant and equipment net of outstanding borrowings acquired to finance capital acquisitions.

**Comparatives**

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

## 2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

In the process of applying the Company's accounting policies, the Board of Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities within the next financial year.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Key sources of estimation uncertainty**

Below is a disclosure of the key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

**Property, equipment, and intangible assets**

Critical estimates are made by the Board of Management in determining depreciation and amortization rates for equipment and intangible assets and evaluation of the useful lives of these assets.

**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 Company to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. In other words, it is no longer necessary for a credit loss event to have occurred before credit losses are recognized. Specifically IFRS 9 requires the Company to recognize a loss allowance for expected credit losses on:

- Trade receivables
- Bank balances; and
- Treasury bond.

In particular, IFRS 9 requires the Company 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. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables.

***Determination of discount rate***

The Company on application of IFRS 16 has applied a discount rate to each lease that was determined by taking into account the risk free rate, adjusted for factors such as credit rating linked to the life of the underlying asset.

***Determining the lease term of contracts with renewal and termination options***

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Company has several property lease contracts that include extension options. The Company applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or terminate.

3 FINANCIAL RISK MANAGEMENT

The Company's financial risk management objectives and policies are disclosed below:

**Credit risk**

Credit risk is managed on a Company basis and arises from cash and cash equivalents, deposits with banks, as well as trade receivables. Management assesses the credit quality of each customer, considering its financial position, past experiences, repayment history and other factors. Bad debts are monitored closely and are minimal and when occurs are fully provided for by the Company. The Company has no significant concentrations of credit risk. The credit risk on bank balances is limited because the counter parties are banks with high credit ratings assigned by banking regulatory authority. The amount that best represents the Company's maximum exposure to credit risk at 31 December 2023 is made up as follows:

| | Note | Internal/ external rating | 12 months or lifetime ECL | Gross carrying amount Sh'000 | Loss allowance Sh'000 | Net amount Sh'000 |
|---|---|---|---|---|---|---|
| **31-Dec-23** | | | | | | |
| Trade receivables | 14 | Performing | Lifetime ECL (simplified approach) | 2,559,387 | (1,428,162) | 1,131,225 |
| Doctors' fees prepayment | 14 | Doubtful | Lifetime ECL (simplified approach) | 314,878 | (308,775) | 6,103 |
| Bank balances | 15(b) | Ba, Baa | 12 months ECL | 69,757 | (1,095) | 68,662 |
| Treasury Bond | 16 | Ba, Baa | 12 months ECL | 1,216,491 | (36,917) | 1,179,574 |
| Fixed deposits | 15(d) | Ba, Baa | 12 months ECL | 1,166,211 | (20,178) | 1,146,033 |
| | | | | 5,326,724 | (1,795,127) | 3,531,597 |
| **31-Dec-22** | | | | | | |
| Trade receivables | 14 | Performing | Lifetime ECL (simplified approach) | 2,258,727 | (1,536,257) | 722,470 |
| Doctors' fees prepayment | 14 | Doubtful | Lifetime ECL (simplified approach) | 318,439 | (308,775) | 9,664 |
| Bank balances | 15(b) | Ba, Baa | 12 months ECL | 259,048 | (4,525) | 254,523 |
| Treasury Bond | 16 | Ba, Baa | 12 months ECL | 1,216,491 | (25,103) | 1,191,388 |
| Fixed deposits | 15(d) | Ba, Baa | 12 months ECL | 1,409,791 | (18,294) | 1,391,497 |
| | | | | 5,462,496 | (1,892,954) | 3,569,542 |

*Bank balances and bank deposits*: Bank balances and bank deposits are not restricted and include deposits held with banks that have high credit ratings.

3 FINANCIAL RISK MANAGEMENT (Continued)

**Credit risk (Continued)**

*Trade receivables*: The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of revenues over a period of 12 months before 31 December 2023 and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The Company has identified the Gross Domestic Product (GDP) to be the most relevant factor, and accordingly adjusts the historical loss rates based on expected changes in these factors. On that basis, the loss allowance as at 31 December 2023 was determined as follows for trade receivables:

| | Current | More than 30days past due | More than 60days past due | More than 90 days past due | Total |
|---|---|---|---|---|---|
| **As at 31 December 2023** | | | | | |
| Expected loss rate | 17% | 40% | 85% | 100% | 62% |
| Gross carrying amount -Trade Receivables (Sh'000) | 942,631 | 319,218 | 102,295 | 1,195,243 | 2,559,387 |
| Security/Cash deposits | | | | | |
| Exposure at default (Sh'000) | 942,631 | 319,218 | 102,295 | 1,195,243 | 2,559,387 |
| Loss allowance (Sh'000) | 158,379 | 126,603 | 86,842 | 1,056,338 | 1,428,162 |
| **As at 31 December 2022** | | | | | |
| Expected loss rate | 25% | 42% | 96% | 104% | 68% |
| Gross carrying amount -Trade Receivables (Sh'000) | 545,222 | 149,760 | 65,010 | 1,498,736 | 2,258,727 |
| Security/Cash deposits | | | | | |
| Exposure at default (Sh'000) | 545,222 | 149,760 | 65,010 | 1,498,736 | 2,258,727 |
| Loss allowance (Sh'000) | 135,856 | 62,262 | 62,475 | 1,275,664 | 1,536,257 |

The Company's credit facility to its individual customers are secured by bank guarantees and cash deposits.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 365 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

*Doctors' fees Prepayment*

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for the doctors' prepayment that was made during the year 2019 of Kes 308,775. No additional provision has been made as the Hospital recovers the same from doctor payments. The prepayment was made against the doctors' fees for which amounts are expected to be recovered from the Insurance companies that pay KHA directly.

3 FINANCIAL RISK MANAGEMENT (Continued)

**Credit risk (Continued)**

*Doctors' fees Prepayment (Continued)*

| **As at 31 December 2023** | More than 90 days past due | Total |
|---|---|---|
| Expected loss rate | 100% | 100% |
| Gross carrying amount –Doctors' fees prepayments (Sh'000) | 314,878 | 314,878 |
| Exposure at default (Sh'000) | 314,878 | 314,878 |
| Loss allowance (Sh'000) | 308,775 | 308,775 |
| **As at 31 December 2022** | | |
| Expected loss rate | 100% | 97% |
| Gross carrying amount –Doctors' fees prepayments (Sh'000) | 318,439 | 318,439 |
| Exposure at default (Sh'000) | 318,439 | 318,439 |
| Loss allowance (Sh'000) | 308,775 | 308,775 |

**Market Risk**

(i) Foreign exchange risk

The Company undertakes certain transactions denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters. The carrying amounts of the Company's foreign currency denominated monetary assets and liabilities at the end of each reporting period as follows:

| | USD Usd'000 | GBP Gbp'000 | EURO Euro'000 |
|---|---|---|---|
| **2023** | | | |
| Bank and cash balances | 213 | 1 | 1 |
| Trade payables | (620) | - | (80) |
| Net position | (407) | 1 | 79 |
| **2022** | | | |
| Bank and cash balances | 102 | 1 | 18 |
| Trade payables | (642) | - | (15) |
| Net position | (540) | 1 | 3 |

3 FINANCIAL RISK MANAGEMENT (Continued)

**Market Risk (Continued)**

(i) Foreign exchange risk (Continued)

*Foreign exchange risk - appreciation/depreciation of Sh against other currencies by 5%.*

The following sensitivity analysis shows how loss and operating fund would change if the market risk variables had been different on the balance sheet date with all other variables held constant.

| | 2023<br>Effect on surplus/loss | 2023<br>Effect on operating fund | 2022<br>Effect on surplus/loss | 2022<br>Effect on operating fund |
|---|---|---|---|---|
| Currency- US dollars | | | | |
| + 5 percentage point movement | 65 | 336 | (191) | 569 |
| -5 percentage point movement | (58) | (304) | 1 | (3) |
| Currency-GB Pounds | | | | |
| + 5 percentage point movement | 51 | 265 | (151) | 449 |
| -5 percentage point movement | (46) | (240) | 1 | (2) |
| Currency-Euro | | | | |
| + 5 percentage point movement | 59 | 306 | (174) | 518 |
| -5 percentage point movement | (53) | (277) | 1 | (3) |

(ii) Interest rate risk management

Financial assets and liabilities obtained at different rates expose the company to interest rates risks. The Company invests in fixed deposits whose rates are not variable. It also has investments in bonds carried at amortized costs hence hedging against fair value risk. The company has a bank overdraft and Insurance Premium Financing (IPF). As at 31 December 2023, a 1 percentage point increase/ decrease in average borrowing and IPF rate would have resulted in an increase/ decrease in surplus for the year by Shs 6,547,300 (2022: Shs 3,176,050).

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Management, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity requirements. The Company manages liquidity risk by maintaining adequate banking facilities as well as through continuous monitoring of forecast and actual cash flows.

3 FINANCIAL RISK MANAGEMENT (Continued)

**Liquidity risk (Continued)**

The table below provides a contractual maturity analysis of the Company's liabilities:

| **As at 31 December 2023** | 6 months or on demand Sh'000 | Between 6 months and 1 year Sh'000 | More than 1 year Sh'000 | Total Sh'000 |
|---|---|---|---|---|
| Trade payables | 2,416,264 | - | - | 2,416,264 |
| Bank overdraft | 310,122 | - | - | 310,122 |
| Insurance premium financing | 344,608 | | | 344,608 |
| Lease liabilities | 73,082 | 73,082 | 316,676 | 462,840 |
| | 3,144,076 | 73,082 | 316,676 | 3,533,834 |
| **As at 31 December 2022** | | | | |
| Trade payables | 1,683,132 | - | - | 1,683,132 |
| Insurance premium financing | 317,605 | - | - | 317,605 |
| Lease liabilities | 70,914 | 70,914 | 365,896 | 507,724 |
| | 2,071,651 | 70,914 | 365,896 | 2,508,461 |

**Capital risk management**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern while maintaining an optimal capital structure to reduce the cost of capital. Consistent with similar entities in the industry, the Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. The Company ensures that funds are available for capital developments by monitoring overdraft and insurance premium financing. Fund balances comprise operating fund and capital investment fund. During 2023, the company's strategy, which was unchanged from 2022, was to maintain a low gearing ratio.

4 OPERATING REVENUE

| | 2023 Sh '000' | 2022 Sh '000' |
|---|---|---|
| Medicine & drugs | 3,672,965 | 3,052,111 |
| In-patient bed Fees | 1,589,832 | 1,441,194 |
| Laboratory | 2,286,854 | 2,082,799 |
| Radiology | 782,971 | 748,136 |
| Surgical | 964,380 | 1,152,059 |
| Theatre | 716,580 | 340,475 |
| Dental services | 5,429 | - |
| Accident & emergency | 844,420 | 732,029 |
| Physical medicine | 307,477 | 305,442 |
| Endoscopy & oxygen | 274,232 | 296,318 |
| Cancer care & treatment | 195,882 | 183,559 |
| | 11,641,022 | 10,334,122 |
| Less: Patient discounts | (34,620) | (32,656) |
| Total operating revenue | 11,606,402 | 10,301,466 |

5 (a) FINANCE INCOME

| | 2023<br>Sh '000' | 2022<br>Sh '000' |
|---|---|---|
| Interest income earned on bank deposits - held to maturity | 266,531 | 250,666 |
| Interest income earned on the current accounts | 3,760 | 17,531 |
| | 270,291 | 268,197 |

Interest income has been calculated using the Effective Interest Method.

(b) NET FOREIGN EXCHANGE LOSS/(GAIN)

| | | |
|---|---|---|
| Foreign exchange gain | (65,219) | (9,333) |
| Foreign exchange loss | 90,345 | 36,302 |
| | 25,126 | 26,969 |

(c) INTEREST ON LEASE LIABILITIES

| | | |
|---|---|---|
| Interest on lease liabilities (note 17) | 41,906 | 49,516 |

6 OTHER INCOME

| | | |
|---|---|---|
| Rent | 50,398 | 49,881 |
| Miscellaneous income* | 66,228 | 197,881 |
| Laundry income | 29,333 | 15,985 |
| Parking income | 16,277 | 14,672 |
| Convention Centre Income | 10,635 | 12,243 |
| Bad debt recovery income | 173 | 1,042 |
| Health & Fitness centre income | 4,504 | 1,830 |
| Commission on doctors' fees** | 14,939 | 14,911 |
| Prompt payment income | 378 | 4,011 |
| Student fees – Nursing School | 99,989 | 79,244 |
| KHA members' subscriptions | 9,450 | 11,116 |
| Staff canteen sales | 32,420 | 28,161 |
| | 334,724 | 430,977 |

* Miscellaneous income is derived from tender fees, sale of empty containers, boxes and jerry cans, and requests for medical reports.

**Commission on doctors' fees represents a 1% administration fee.

## 7 EXPENSES

### (a) Direct expenses

| | 2023 Sh '000' | 2022 Sh '000' |
|---|---|---|
| Staff costs (note 9) | 3,336,997 | 3,056,371 |
| Medicine | 2,184,979 | 1,896,947 |
| Surgical material | 926,238 | 1,064,789 |
| Depreciation on right of use asset (note 12) | 92,833 | 92,261 |
| Laboratory Material | 515,246 | 587,706 |
| X-ray & CT Scan material | 43,923 | 47,983 |
| Cathlab materials | 38,615 | 28,472 |
| Oxygen | 4,747 | 8,502 |
| Depreciation of property and equipment | 708,150 | 647,859 |
| Water, light & fuel | 243,181 | 197,213 |
| Impairment of assets | - | 104,555 |
| Repairs & maintenance | 307,564 | 317,509 |
| Catering & foodstuffs | 197,133 | 198,025 |
| Rent and rates | 39,850 | 21,960 |
| Cleaning services | 93,702 | 71,326 |
| Printing & stationery | 83,515 | 120,892 |
| Linen & laundry | 27,349 | 19,681 |
| Amortization of intangible assets | 16,431 | 18,724 |
| | 8,860,453 | 8,500,775 |

### (b) Other operating expenses

| | 2023 Sh '000' | 2022 Sh '000' |
|---|---|---|
| Staff costs (note 9) | 1,605,575 | 1,455,884 |
| Directors remuneration | 62,672 | 72,073 |
| Depreciation | 145,043 | 132,650 |
| Repairs & renewals | 99,148 | 98,342 |
| General expenses | 121,309 | 159,360 |
| Water, light & fuel | 162,121 | 131,476 |
| Marketing & promotion | 68,820 | 68,718 |
| Catering & foodstuffs | 76,663 | 77,010 |
| Legal & professional | 390,426 | 585,803 |
| Printing & stationery | 55,677 | 80,595 |
| Cleaning services | 62,468 | 47,551 |
| Telephone & postage | 13,087 | 13,285 |
| Security charges | 77,249 | 77,583 |
| Insurance | 40,858 | 41,061 |
| Amortization of intangible assets | 3,365 | 3,835 |
| Bank charges | 37,851 | 27,042 |
| Audit fees | 8,807 | 9,365 |
| Credit card charges | 35,464 | 26,507 |
| (Gain)/loss on disposal of assets | (2,883) | 2,712 |
| Rent & rates | 4,428 | 2,440 |
| Transport | 19,222 | 16,285 |
| License fees | 73,067 | 72,256 |
| Accreditation expense | 4,137 | 5,191 |
| Discounts allowed | 8,987 | - |
| Strategy implementation expenses | 17,478 | 17,352 |
| | 3,191,039 | 3,224,376 |

7 EXPENSES (Continued)

(c) Expected credit losses

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Expected credit loss allowance on receivables (note 14(b))* | (108,095) | (253,421) |
| Expected credit loss allowance on bank deposits (note 15(d)) | 1,884 | (7,176) |
| Expected credit loss allowance on Treasury Bonds (note 16) | 11,814 | 20,213 |
| Expected credit loss allowance on bank balances (note 15(d)) | (3,430) | 4,067 |
| | (97,827) | (236,317) |

8 SURPLUS/ (DEFICIT)OR THE YEAR

The surplus/(deficit) for the year is arrived at after charging:

| | | |
|---|---|---|
| Staff costs (note 9) | 4,942,572 | 4,512,255 |
| Depreciation on property and equipment (note 10) | 853,193 | 780,509 |
| Amortization of computer software (note 11) | 19,797 | 22,559 |
| Audit fees | 8,807 | 9,365 |
| (Gain)/loss on disposal of assets | (2,883) | 2,712 |
| Expected credit losses (note 7c) | (97,827) | (236,317) |
| Depreciation on right of use asset (note 12) | 92,833 | 92,261 |
| Board of management remuneration (note 22) | 62,672 | 72,073 |
| Interest on lease liability (note 17) | 41,907 | 49,516 |

9 STAFF COSTS

| | | |
|---|---|---|
| Salaries & wages | 3,865,230 | 3,698,040 |
| Retirement benefits - defined contribution scheme** | 430,002 | 307,907 |
| staff medical | 494,948 | 400,892 |
| Staff welfare | 4,580 | 7,282 |
| Staff training | 48,409 | 53,624 |
| Staff uniforms | 17,052 | 899 |
| Group life & personal accident cover | 58,161 | 37,253 |
| Staff recruitment | 1,167 | 1,817 |
| Social security contributions | 23,023 | 4,541 |
| | 4,942,572 | 4,512,255 |
| **Classified as follows:** | | |
| Direct Expenses - note 7(a) | 3,336,997 | 3,056,371 |
| Operating expenses - 7(b) | 1,605,575 | 1,455,884 |
| | 4,942,572 | 4,512,255 |

** Retirement benefits include staff gratuity payments and affordable housing costs.

*Impairment write back on account of reduced exposure on balances held at the end of 2023.

## 10 PROPERTY AND EQUIPMENT

| | Buildings Sh '000 | Leasehold improvements Sh '000 | Medical equipment Sh '000 | Furniture, fittings, and other equipment Sh '000 | Computers Sh '000 | Motor vehicles Sh '000 | Capital Work in Progress Sh '000 | Total Sh '000 |
|---|---|---|---|---|---|---|---|---|
| At 1 January 2022 | 8,850,205 | 708,338 | 4,197,926 | 2,286,482 | 535,641 | 73,861 | 945,735 | 17,598,188 |
| Additions | - | - | 244,282 | 29,259 | 23,131 | 15,323 | 300,527 | 612,522 |
| Transfers from WIP | 175,919 | - | - | 13,189 | - | - | (200,104) | (10,996) |
| Transfer to software | - | - | - | - | - | - | (11,670) | (11,670) |
| Disposals | - | - | (47,227) | - | - | - | - | (47,227) |
| Write offs | - | - | - | - | - | - | (104,555) | (104,555) |
| At 31 December 2022 | 9,026,124 | 708,338 | 4,394,981 | 2,328,930 | 558,772 | 89,184 | 929,933 | 18,036,262 |
| At 1 January 2023 | 9,026,124 | 708,338 | 4,394,981 | 2,328,930 | 558,772 | 89,184 | 929,933 | 18,036,262 |
| Additions | 78,995 | - | 948,941 | 32,520 | 34,586 | - | 645,240 | 1,740,282 |
| Transfers from WIP | 460,256 | 15,140 | - | 41,780 | - | - | (517,176) | - |
| Transfer to software | - | - | - | - | - | - | (7,791) | (7,791) |
| Disposals | - | - | - | (120) | (176) | (10,765) | - | (11,061) |
| At 31 December 2023 | 9,565,375 | 723,478 | 5,343,922 | 2,403,110 | 593,182 | 78,419 | 1,050,206 | 19,757,692 |

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 10 PROPERTY AND EQUIPMENT (Continued)

| | Buildings | Leasehold improvements | Medical equipment | Furniture, fittings and other equipment | Computers | Motor vehicles | Capital Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| DEPRECIATION | Sh '000 | Sh '000 | Sh '000 | Sh '000 | Sh '000 | Sh '000 | Sh '000 | Sh '000 |
| At 1 January 2022 | 1,605,842 | 483,949 | 2,913,377 | 1,322,158 | 401,803 | 61,869 | - | 6,788,998 |
| Charge for the year | 279,105 | 53,538 | 281,402 | 125,782 | 35,690 | 4,993 | - | 780,509 |
| Disposals | - | - | (42,834) | - | - | - | - | (42,834) |
| At 31 December 2022 | 1,884,947 | 537,487 | 3,151,945 | 1,447,940 | 437,493 | 66,862 | - | 7,526,673 |
| At 1 January 2023 | 1,884,947 | 537,487 | 3,151,945 | 1,447,940 | 437,493 | 66,862 | - | 7,526,673 |
| Charge for the year | 289,775 | 52,913 | 355,375 | 113,939 | 35,578 | 5,613 | - | 853,193 |
| Disposals | - | - | - | (25) | (67) | (9,408) | - | (9,499) |
| At 31 December 2023 | 2,174,722 | 590,400 | 3,507,320 | 1,561,854 | 473,004 | 63,067 | - | 8,370,367 |
| **NET BOOK VALUE** | | | | | | | | |
| As at 31 December 2023 | 7,390,653 | 133,078 | 1,836,602 | 841,256 | 120,178 | 15,352 | 1,050,206 | 11,387,325 |
| As at 31 December 2022 | 7,141,178 | 170,851 | 1,243,036 | 880,990 | 121,280 | 22,321 | 929,933 | 10,509,589 |

The Company owns parcels of leasehold land represented by L.R No. 209/4209/2 and L.R No. 209/6442. The leases expire on 30 June 2051 and 30 June 2028 respectively. They have no carrying value as they were granted at no cost to the Company in 1952 and 1964 respective. Capital work in progress represents costs incurred on various construction works being carried out under the hospital master plan. These include construction of central core/Western entrance, Pediatrics Centre, Power Centre and civil works.

## 11 INTANGIBLE ASSETS – COMPUTER SOFTWARE

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| COST | | |
| At 1 January | 298,066 | 286,396 |
| Additions | 6,557 | - |
| Transfers from property and equipment (note 10) | 7,791 | 11,670 |
| At December | 312,414 | 298,066 |
| AMORTISATION | | |
| At 1 January | 243,211 | 220,652 |
| Charge for the year | 19,797 | 22,559 |
| At 31 December | 263,008 | 243,211 |
| NET BOOK VALUE | | |
| At end of year | 49,406 | 54,855 |

## 12 RIGHT OF USE ASSET

| | 2023 | 2022 |
|---|---|---|
| COST | | |
| At 1 January | 674,761 | 675,471 |
| Additions | 70,590 | - |
| Disposals | - | (710) |
| | 745,351 | 674,761 |
| DEPRECIATION | | |
| At 1 January | 374,317 | 282,056 |
| Charge for the period | 92,833 | 92,261 |
| Disposal | - | - |
| At 31 December | 467,150 | 374,317 |
| At 31 December | 278,201 | 300,444 |
| NET BOOK VALUE | | |
| At 31 December | 278,201 | 300,444 |

The Company leases office space. Information about the leases in which the Company is a lessee is presented below. The additional leased relates to Southfield lease renewed from September 2023.

## 12 RIGHT OF USE ASSET (Continued)

The buildings average remaining lease term is 4 years. The various lease agreements do not provide for purchase options on expiry of the lease terms.

No restrictions have been imposed by the lessors on the Company in respect to dividend pay outs, borrowings, or further leasing. Amounts recognized in the income statement are as follows:

| | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|
| Depreciation on right of use asset | 92,833 | 92,261 |
| Interest on lease liabilities | 41,907 | 49,516 |
| Service charge expenses | 24,535 | 22,137 |
| Cash outflow for leases | (142,143) | (134,769) |

## 13 INVENTORIES

| | | |
|---|---|---|
| Pharmaceutical drugs and medicine | 384,578 | 276,569 |
| Surgical consumables | 286,059 | 242,411 |
| Laboratory materials | 135,887 | 115,046 |
| Other stores | 92,106 | 89,805 |
| Food and drinks | 21,055 | 12,303 |
| | 919,685 | 736,134 |

## 14 TRADE AND OTHER RECEIVABLES

(a) Analysis of trade and other receivables

| | | |
|---|---|---|
| Patient fees receivable | 2,559,387 | 2,258,727 |
| Other receivables | 288,933 | 246,807 |
| Prepayments-Others | 414,183 | 377,093 |
| Prepayments-Doctors | 314,878 | 318,439 |
| Expected credit loss allowance-patient fees receivable | (1,428,162) | (1,536,257) |
| Expected credit loss allowance-doctors prepayment | (308,775) | (308,775) |
| Net trade & other receivables | 1,840,444 | 1,356,034 |

(b) Movement in expected credit loss allowance accounts

| | | |
|---|---|---|
| At 1 January | 1,845,032 | 2,152,983 |
| Provisions write back during the year (note 7(c)) | (108,095) | (253,421) |
| Write back | - | (54,530) |
| At 31 December | 1,736,937 | 1,845,032 |
| Expected credit loss allowance-patient fees receivable | 1,428,162 | 1,536,257 |
| Expected credit loss allowance-doctors prepayment | 308,775 | 308,775 |
| At 31 December | 1,736,937 | 1,845,032 |

## 15 NOTES TO THE STATEMENT OF CASH FLOWS

### (a) Reconciliation of surplus/(deficit) for the year to cash generated from operations

| | Note | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|---|
| Deficit for the year | | 190,719 | (564,679) |
| Adjustments for: | | | |
| Effect of forex differences on cash balances | | 20,747 | (3,424) |
| Depreciation on property, plant & equipment | 10 | 853,193 | 780,509 |
| Depreciation on right of use asset | 12 | 92,833 | 92,261 |
| Amortization of intangible assets | 11 | 19,797 | 22,559 |
| Loss on disposal of equipment | | (2,883) | 2,298 |
| Loss on write-off of assets | 7(a) | - | 104,555 |
| Impairment charge on Treasury Bond | 16 | 11,814 | 20,213 |
| Interest in lease liability | 17 | 41,906 | 49,516 |
| Work in progress expense | 10 | - | 10,996 |
| Interest income | 5(a) | (258,179) | (268,197) |
| Total adjustments | | 779,228 | 811,286 |
| Working capital changes: | | | |
| (Increase)/decrease in inventories | | (183,551) | 239,214 |
| (Increase)/decrease in trade and other receivables | | (484,411) | 121,801 |
| Increase in trade and other payables | | 576,668 | 45,68~~13~~ |
| Total changes in working capital | | (91,294) | 406,6989 |
| Cash generated from operations | | 878,653 | 653,305 |

### (b) Analysis of cash and cash equivalents:

| | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|
| Cash at hand | 650 | 650 |
| Bank balances | 68,662 | 254,523 |
| Cash and bank balances | 69,312 | 255,173 |
| Bank overdraft (note 15 (c)) | (310,122) | - |
| Fixed deposits (note 15(d)) | 1,146,033 | 1,391,497 |
| | 905,223 | 1,646,670 |

### (c) Bank Overdraft & Insurance premium financing

| | 2023 Sh'000 | 2022 Sh'000 |
|---|---|---|
| Bank Overdraft (note 15(b)) | (310,122) | - |
| Insurance premium financing (note 18(b)) | (344,608) | (317,605) |

15 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

**(d) Fixed deposit maturity details were as follows:**

| | 2023<br>Sh'000 | 2022<br>Sh'000 |
|---|---|---|
| Fixed deposits maturity details | | |
| Maturing within three months | 1,166,211 | 1,409,791 |
| Provision for expected credit losses | (20,178) | (18,294) |
| | 1,146,033 | 1,391,497 |
| Expected credit losses on fixed deposits | | |
| At 1 January | 18,294 | 25,470 |
| Increase/(decrease) in expected credit losses | 1,884 | (7,176) |
| At 31 December | 20,178 | 18,294 |

The short-term deposits are held with local financial institutions. The weighted average effective interest rate on the deposits as at 31 December 2023 was 8.68%, (2022 – 8.78%). The Government Infrastructure bonds are for an expected tenure of 20 years at an interest rate of 13.44%.

**(e) Expected Credit Losses movement on bank balances**

| | 2023<br>Sh'000 | 2022<br>Sh'000 |
|---|---|---|
| At 1 January | 4,525 | 458 |
| (Decrease)/increase in expected credit losses | (3,430) | 4,067 |
| At 31 December | 1,095 | 4,525 |

16 TREASURY BONDS

| | | |
|---|---|---|
| At 1 January | 1,216,491 | 360,312 |
| Additions | - | 856,179 |
| At December | 1,216,491 | 1,216,491 |
| Expected credit losses | | |
| At 1 January | 25,103 | 4,890 |
| Charge for the year | 11,814 | 20,213 |
| At 31 December | 36,917 | 25,103 |
| Net Book Value | 1,179,574 | 1,191,388 |

The Government Infrastructure bonds are for an expected tenure of 20 years at an interest rate of 13.44%.

## 17 LEASE LIABILITIES

The movement in the lease liabilities is as follows:

| | 2023<br>Sh'000 | 2022<br>Sh'000 |
|---|---|---|
| At 31 December | 408,997 | 494,960 |
| Additions | 70,590 | - |
| Disposals | - | (710) |
| Interest on lease liabilities | 41,906 | 49,516 |
| Lease payments | (142,143) | (134,769) |
| At 31 December | 379,350 | 408,997 |
| Amounts due for settlement within 12 months | 146,164 | 141,829 |
| Amounts due for settlement after 12 months | 233,186 | 267,168 |
| | 379,350 | 408,997 |

**Maturity Analysis for lease liability plus interest**

| | 2023 | 2022 |
|---|---|---|
| Year 1 | 146,164 | 141,829 |
| Year 2 | 128,819 | 128,955 |
| Year 3 | 78,220 | 114,001 |
| Year 4 | 109,637 | 62,865 |
| Year 5 | - | 60,074 |
| | 462,840 | 507,724 |
| Less: Unearned Interest | 83,490 | 98,727 |
| Net Lease liability | 379,350 | 408,997 |

The Company does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Company's finance function. All lease obligations are denominated in Kenya Shillings.

## 18 TRADE AND OTHER PAYABLES

(a) Trade and Other payables

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Trade payables | 2,416,264 | 1,683,132 |
| Corporate deposits | 85,335 | 84,835 |
| Other payables | 156,474 | 252,056 |
| Accrued expenses | 337,130 | 373,894 |
| UN-TNH Obligations | 15,828 | 2,495 |
| | 3,011,031 | 2,396,412 |

The UN-TNH obligations relate to suppliers engaged for the joint UN TNH program. The insurance premium financing relates to funding from Stanbic Bank to cater for all Insurance categories.

18 TRADE AND OTHER PAYABLES (Continued)

b) Insurance premium finance

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| At 1 January | 317,605 | - |
| Additions | 572,840 | 443,381 |
| Payments | (545,837) | (125,776) |
| At 31 December | 344,608 | 317,605 |

Insurance premium financing of Sh. 572 million was obtained from Stanbic bank at a rate of 4% for a period of 10 months to cover the hospital insurance needs both staff and property. No security is attached to the facility.

19 CAPITAL INVESTMENT FUND

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| At 1st January | 10,509,589 | 10,809,190 |
| Transfer from operating fund | 877,736 | (299,601) |
| At 31st December | 11,387,325 | 10,509,589 |
| Represented by net book value of property and equipment (note 10) | 11,387,325 | 10,509,589 |

20 DEFERRED INCOME

| | 2023 | 2022 |
|---|---|---|
| At the beginning of the year | 482,353 | 547,067 |
| Received during the year | 23,517 | - |
| Amortization for the year | (61,467) | (64,714) |
| At the end of the year | 444,403 | 482,353 |
| Deferred income will be amortized as follows: | | |
| Within 1 year | 61,467 | 64,713 |
| Within 2 and 5 years | 184,398 | 129,427 |
| After 5 years | 198,538 | 288,213 |
| | 382,936 | 417,640 |
| | 444,403 | 482,353 |

Deferred income represents the unamortized portion of funds received for the assets at the UN-TNH COVID hospital resulting from the partnership between the United Nations and the Nairobi Hospital. The amount recognized in the income statement is equivalent to the depreciation charge of the assets.

## 21 TAXATION

The income of the Company is exempt from corporate tax. The Company is, however, not exempt from Value Added Tax (VAT) and, therefore, pays VAT on chargeable goods and services.

## 22 RELATED PARTY TRANSACTIONS

The remuneration of key management during the year was as follows:

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Board of management | 62,672 | 72,073 |
| Senior management | 259,545 | 182,118 |
| | 322,217 | 254,191 |

## 23 OPERATING LEASE ARRANGEMENTS

Operating leases, in which the Company is the lessor, relate to property owned by the Company with lease terms of between 5 to 10 years on extension option.

The future minimum lease payments receivable under non-cancellable operating leases, with various tenants at the Nairobi Doctors Plaza are as follows:

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Receivable within one year | 85,411 | 79,511 |
| Receivable between two and five years | 256,233 | 238,534 |
| | 341,644 | 318,045 |

During the year Sh 50,397,389 (2022: Sh 49,881,130) was recognized as rental income in the statement of income and expenditure.

## 24 COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Commitments at year-end for which no provision has been made in these financial statements are as follows.

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Authorized and contracted for | 1,306,866 | 993,790 |
| Authorized but not contracted for | 1,057,758 | 413,286 |

b) Contingent liabilities

There are various civil suits filed against the Company by various parties in the normal course of business.

| | 2023<br>Sh '000 | 2022<br>Sh '000 |
|---|---|---|
| Pending lawsuits | 408,722 | 330,859 |

## 24 COMMITMENTS AND CONTINGENCIES (Continued)

The claims have not been provided for in the financial statements. The Company, based on advice received from its legal advisors, is of the opinion that no material claims will crystallize from the pending suits.

As at the reporting date, the entity had issued letters of credit, performance bonds and letters of guarantees to various suppliers through NCBA amounting to USD 1,139,507 and Sh 87,146,292 respectively in the ordinary course of business from which the management does not anticipate any material loss.

In the ordinary course of business, on 26 May 2022, the Kenya Revenue Authority (KRA) issued an assessment notice to Kenya Hospital Association under section 31(1) of the Tax Procedures Act 2015. Several meetings were held between the commissioner and the Hospital's representatives as part of Alternative Dispute Resolution (ADR). The parties on 23 February 2024 agreed on the following:

a) On Withholding tax on doctors' tax liability for years 2017 to 2020 amounting to principal tax of Sh 24.9 million. Payments to KRA of Sh 24.9 million was made on 25 February 2024 and the matter has been closed.
b) The Hospital's appeal was upheld by the Tax Appeal Tribunal and the matter closed with no penalties accrued to the Hospital. The Company's management considers the case to have been closed.

## 25 KHA MEMBERSHIP

Membership entry fee for the Kenya Hospital Association is Sh 10,000. The cost of a subscription is Sh 5,000 per annum for those under 60 years and Sh 3,000 per annum for those who are 60 years and above. Those members whose annual subscriptions have been paid in full are entitled to discounts and rebates on services received from the hospital determined by the length of time they have been members.

## 26 CURRENCY

The financial statements are presented in Kenya shillings (Sh'000) which is also the functional currency.

## 27 EVENTS AFTER THE REPORTING DATE

There were no significant adjusting events after the period end that required adjustment or disclosure in these financial statements.

# PROXY FORM

## KENYA HOSPITAL ASSOCIATION

I, ____________________________________________

of ____________________________________________

being a member of the above-named Association hereby appoints

____________________________________________

of ____________________________________________

or failing him/her ____________________________________________

of ____________________________________________

as my proxy to vote for me on my behalf at the Annual General Meeting of the Association to be held on 2024 and at any adjournment thereof.

This form is to be used as follows:

In respect of the resolutions mentioned below:

Resolution Agenda Item No. 3 Approval of the Minutes For/Against
Resolution Agenda Item No. 4 Adoption of audited accounts For/Against
Resolution Agenda Item No. 7 Fix remuneration of Auditors For/Against

In respect of election of members to the Board of Management:

1 ------------------------------------------------------------------------

2 ------------------------------------------------------------------------

3 ------------------------------------------------------------------------

Unless instructed as above, the proxy may vote as he/she thinks fit or abstain from voting in respect of one or more resolutions.

Signed this ............................... day of ...................... 2023

Signature: --------------------------------------------------

Name of Member: --------------------------------------------------

Note: 1 The proxy form should be completed and returned not less than 48 hours or in the case of a Corporate Member, written authorization shall be returned not less than 48 hours before the Meeting or any adjournment thereof:

Note: 2 A representative appointed to represent a Corporate Member under Article 31(1) shall not represent more than one Corporate Member at the same time.

Note: 3 No person is entitled to hold and vote under more than 2 proxy forms appointing him/her as a proxy.

Note: 4 A proxy must be a Member of the Association.