

AUDITED ANNUAL REPORT AND FINANCIAL STATEMENTS

2017

Prepared in accordance with the Accrual Basis of
Accounting Method under International
Financial Reporting Standards (IFRS)

NATIONAL HOSPITAL INSURANCE FUND

BOARD OF MANAGEMENT





Winner in the Category: Use of
Information Communication
Technology (ICT) Healthcare Service
Provision in the Public Sector



A service Excellence Award in the
Government/Public Sector
(2nd Runners Up)



Winner in Gender and Disability
Mainstreaming

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KEY NHIF INFORMATION

Background information

National Hospital Insurance Fund, referred to as the Fund, was established by an Act of Parliament, NHIF Act No. 9 of 1998. At cabinet level, the Fund is represented by the Cabinet Secretary for Health, who is responsible for the general policy and strategic direction of the Fund.

Our Vision

To be a World Class Social Health Insurance Scheme

Our Mission

To provide accessible, affordable, sustainable and quality social health insurance through effective and efficient utilization of resources to the satisfaction of stakeholders

Our Core Values

In pursuit of its vision and mission NHIF is guided by the following core values:

- **Responsiveness to Customer Needs**

The Board of Management and the Management of NHIF believe that the success of the Fund depends largely on customer focus and will, therefore, ensure that customer responsiveness is practiced in the entire organization.

- **Professionalism and Integrity**

The Board of Management, Management and Employees of NHIF will act morally and ethically by consistently demonstrating high degree of probity in dealing with stakeholders.

- **Accountability and Transparency**

The Board of Management, the Management and employees of NHIF will remain accountable to all stakeholders of the Fund and will acknowledge responsibility for their decisions.

- **Efficiency and Effectiveness**

The Board and the Management will ensure the Fund maintains efficiency and effectiveness in all its processes and procedures so as to fulfil its mandate.

- **Creativity and Innovation**

The Board and the Management and staff of NHIF will ensure the Fund enhances its creativity and innovation for improved service delivery and quality products.

- **Team Spirit and Staff Motivation**

The Board, the Management and staff of NHIF will ensure that the entire workforce is highly motivated and embraces team spirit through synergy in the furtherance of the Fund's mandate.

- **Passion and Enthusiasm**

The Board will ensure that the entire workforce of NHIF serves the Kenyan people with passion and enthusiasm.

Principal Activities

The Fund's core mandate is to provide healthcare financing to all its members and their declared dependants (spouse and children), who contribute either as employed persons, self-employed persons and or voluntary contributors. The NHIF membership is open to all Kenyans who have attained the age of 18 years and have a monthly income of more than Ksh 1,000.00.

NHIF has 61 fully autonomous branches across the country. Each of these branches offers all NHIF services including payment of benefits to hospitals or members or employers. Smaller satellite offices and service points in district hospitals also serve these branches.

Customer Service Charter

The Fund has a customer service charter that pledges and commits the following to the customer:

- Treating with courtesy and respect
- Upholding professionalism in serving
- Providing quality service
- Being accessible
- Providing accurate, relevant, timely and clear information.
- Being responsive to customer needs and expectations
- Monitoring and evaluating customer satisfaction levels
- Handling all customer information with utmost confidentiality
- Upholding ethics in a corruption free environment

KEY NHIF INFORMATION (cont'd)

BOARD OF MANAGEMENT

The representation of the Board in the Financial Year 2016/2017 was as follows:-

NAME	TITLE/ REPRESENTING	DATE APPOINTED
Hon. Mohamud Mohammed Ali	Chairman	Left
Mr. Geoffrey G. Mwangi	Chief Executive Officer	5th Feb. 2016
Dr. Pacifica Onyancha	PS/Ministry of Health	Alternate Member
Mr. Yusuf Ibrahim	PS /Min. of Public Service Youth & Gender	Alternate member
Mr. Joseph M. Kamau	PS /National Treasury	Alternate Member
Dr. Peter Kimuu	Director of Medical Services	Alternate Member
Mr. Akelo T. Misoru	Central Organisation of Trade Unions	3rd Sept. 2012
Mr. Mudzo Nzili	Kenya National Union of Teachers	1st March 2016
Mrs. Gilda Odera	Federation of Kenya Employers	3rd Sept. 2012
Dr. Elly Nyaim Opot	Kenya Medical Association	3rd Sept. 2012
Mr. Latiff Shaban	Faith Based Healthcare Organisations	4th Sept 2015

LEGAL SERVICE PROVIDERS

The State Law Office,
 Harambee Avenue,
 P.O. Box 40112 - 00200 ,
 City Square ,
 Nairobi.

Koskey Monda & Co. Advocates,
 Laptrust House,
 3rd Floor, Rm 305,
 Haile Sellasie Avenue,
 P.O. Box 41736-00100,
 Nairobi.

Munyao Muthama & Kashindi Advocates,
 Chaka Place, 3rd Floor ("TCA")
 Argwings Kodhek Road,
 P.O. Box 24482-00100,
 Nairobi.

Otieno Ragot & Co. Advocates,
 Post Bank House, 2nd Floor, Banda Street,
 P.O. Box 48305-00100,
 Nairobi.

Mwaniki Gachoka & Co. Advocates,
 Design Centre, 3rd Floor ,
 Tausi/Mogotio Rd, off Muthithi Rd.
 P.O. Box 13439-00800,
 Nairobi.

Kembi Gitura & Co. Advocates,
 Upper Hill Road,
 P.O. Box 45834-00100,
 Nairobi.

Rachier & Amolo Advocates,
 Mayfair Centre, 5th Floor,
 Ralph Bunche Rd.
 P.O. Box 55645-00200,
 Nairobi

Ndegwa Muthama Katisya Advocates,
 Sulfat Harimy Complex, 2nd Floor,
 P.O. Box 87171-80100,
 Mombasa.

Moronge & Co. Advocates,
 Electricity House, 4th Floor,
 P.O. Box 44289-00100,
 Nairobi.

Kiptui Kipkemei & Co. Advocates,
 Ukulima Cooperative House, 7th Floor,
 P.O. Box 61435-00200,
 Nairobi.

Mulondo, Oundo Muriuki & Co. Advocates
 Finance House, 10th Floor, Loita Street
 P.O. Box 24627-00100,
 Nairobi

Ogeto Otachi & Co. Advocates
 Ambassador Court, 2nd Floor, Milimani Road
 P.O. 79438-00200, Nairobi

KEY NHIF INFORMATION (cont'd)

Chief Executive Officer:-

Mr. Geoffrey G. Mwangi,
P.O. Box 30443 - 00100,
Nairobi, KENYA.

Registered Office:-

NHIF Building,
Ragati Road,
P.O. Box 30443 - 00100,
Nairobi, KENYA.

Corporate Bankers:-

National Bank of Kenya,
Hill Branch,
P.O. Box 45219-00100
Nairobi, KENYA.

Kenya Commercial Bank,
Moi Avenue Branch,
P.O BOX 30081-00100,
Nairobi, KENYA.

Independent Auditors:-

Auditor General,
Kenya National Audit Office,
Anniversary Towers, University Way,
P.O. Box 30084 - 00100,
Nairobi, KENYA.

Corporate Headquarters:-

P.O. Box 30443 - 00100,
NHIF Building,
Ragati Road,
Nairobi, KENYA.

Corporate Contacts:-

Telephone: (254) 020 2723255/6,
E-mail: info@nhif.or.ke,
Website: www.nhif.or.ke,

Corporate Bankers:-

Co-operative Bank of Kenya,
Parliament Road Branch,
P.O Box 5772-00200,
Nairobi, KENYA,

Equity Bank Limited,
Community Branch,
P.O Box 8181-00100,
Nairobi, KENYA,

BOARD OF MANAGEMENT

The Board of Management is representative of all key stakeholders and is charged with the running of the Fund through policy formulation and decision making on all policy matters. The Chief Executive Officer serves as the secretary to the Board of Management. The following were the members of the Board of Management:



Mr. Mudzo Nzili
Kenya National Union of Teachers (KNUT)
Appointed 1st March 2016



Pacifica Onyancha (Dr)
Alt. Member to PS/Ministry of Health



Mr. Joseph Mwaura
Alt. Member to PS / The National
Treasury



Mr. Yussuf Ibrahim
Alt. Member to PS / Min. of Devolution &
Planning



Peter Kimuu (Dr)
Alt. Member to Director of
Medical Services



Mr. Akelo M. T. Misor
Central Organisation of Trade Unions (K)
(COTU (K))
Appointed 3rd Sept 2012



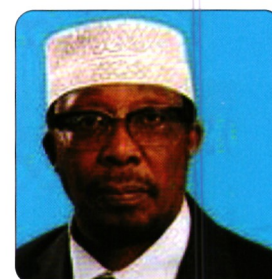
Mrs. Gilda Odera
Federation of Kenya Employers
Appointed 3rd Sept 2012



Elly Nyaim Opot (Dr)
Kenya Medical Association
Appointed 3rd Sept. 2012



Mr. Geoffrey G. Mwangi
Chief Executive Officer/ Board Secretary
Appointed 5th Feb. 2016



Mr. Lattif Shaban
Faith - Based Healthcare Organizations
Appointed 4th Sept. 2015

KEY MANAGEMENT TEAM

The Key Management team is comprised of the Chief Executive officer and Directors who are dedicated professionals working with staff and clients to provide strategic planning for the Fund's future goals. The directors were appointed on 1st of July 2015. The following are the key management of the Fund:

Geoffrey Gitau Mwangi - Chief Executive Officer



Mr Geoffrey Mwangi is the C.E.O/ Board Secretary of National Hospital Insurance Fund . Geoffrey has managed to steer proper strategic health purchasing with a good mix of health care payment mechanisms that have seen increased service provision of

the Fund to its members.

Geoffrey is a Certified Public Accountant (CPAK) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) with 18 years' post qualification experience. He has gained extensive knowledge in financial planning and has valuable experience in healthcare financing strategies applied globally.

Geoffrey was awarded Masters of Commerce Degree (MCOM) Finance option from School of Commerce and Management, Strathmore University. He has specialized in Behavioral Finance theory. He has published publications titled: Behavioural factors influencing investment decisions in the Kenyan property market, published in Afro-Asian Journal of Finance & Accounting 2014. Geoffrey is also a holder of Bachelor of Science in Business Administration (Bsc. BA) Accounting Option - United States International University (USIU) where he specialized in Accounting Systems and Processes.

Dinah Jemelly Kirwa- Director, Corporate Services



Dinah is a Human Resource Specialist with a wealth of experience in the Human Resource and administration both in public and private sector. She is an active member of Institute of Human Resources Management (IHRM) Kenya.

Dinah is currently pursuing a PhD in Leadership & Governance. She is a holder of Master of Philosophy

in Human Resource Development from Moi University and a Post-graduate Higher Diploma in Human Resource Management from the Institute of Personnel Management. She also holds a Bachelor of Arts degree from University of Nairobi. She has a certificate in Leadership for Health (LEHHO) from Strathmore University. She has a certificate in Pension Management and Corporate Governance. She has attended several professional and leadership workshops, seminars and trainings within and outside the Country.

Nicodemus Ochieng' Odongo - Director, Strategy, Planning and Marketing



Odongo is a Planning, Policy, and Strategy specialist with a wealth of experience spanning over eighteen (18) years in Public Finance Management, Strategic Research, Economic & Budget Analysis and

Marketing. He holds a Masters degree in Economics and a Bachelors degree in Economics both from the University of Nairobi. Odongo has trained in numerous fields including Advanced Tax Analysis and Revenue Forecasting; Pay and Grading strategies for change in the public administration international (PAI); Financial Management in the Public Sector; Balanced Scorecard (BSC) and Performance Management; QMS ISO 90001 Internal Auditors Course (BVKL); Research Skills Development and Strategic Planning.

Odongo has attended a number of international seminars and workshops such as Global Flagship course on Health Systems Strengthening and Sustainable Financing - The Challenge of UHC - (Washington DC); Parliamentary Oversight on Decentralised System (Wisconsin & US Congress); Corporate Governance; Devolution Systems (Manila, Philippines); Determination of Remuneration in Public Sector- Practices in UN and United States (New York and Washington DC). Odongo is a full member of the Kenya Institute of Management ,Marketing Research Society, Marketing Society of Kenya and P R society of Kenya.

KEY MANAGEMENT TEAM (cont'd)

Ambrose Juma Lugho - Director, Operations and Quality Assurance



Lugho is a financial sector management specialist with a wealth of experience in the banking industry. He is a member of the Institute of Directors, Institute of Bankers of Kenya and Kenya

Institute of Management. Lugho is currently pursuing a PhD in Strategic Management. He holds an MBA in Strategic Management from the University of Nairobi and a Bachelor of Science from Kenyatta University. He has a wealth of work experience spanning 17 years in various organizations.

Joseph Mutinda Mbuvi - Ag. Director Finance & Investments



Mbuvi is a financial management and internal audit specialist with a wealth of experience in audit and financial management. He's a member of ACFE, Institute of internal auditors, Kenya Institute of

Management. He has an Executive Master of Business Administration (Finance) and a Bachelor of Commerce (Accounting). Mbuvi has trained in numerous fields including Corporate Governance, Leadership & Management, Financial Management and advanced trustee. Mbuvi has certificate courses from several professional workshops and seminars within and outside the Country. He has work experience from the public sector and has moved through the ranks within NHIF for over 30 years.

Ruth Makallah - Ag. Head of Legal Services/ Corporation Secretary



Ruth is an advocate of the High Court of Kenya and commissioner for Oaths. She's a member of the Law Society of Kenya, Joint Learning Network on Universal Healthcare and Trustee Development

Programme - Kenya. Ruth holds a Masters Degree in Business Administration (MBA), Postgraduate Diploma in Law, Kenya School of Law and a Bachelor of Laws (LLB).

Ruth has a wide experience in Corporate Governance, Conduct of meetings and Minute writing, Legislative drafting course and Public Procurement & Framework Contracts and Agreements. She has certificates from several professional workshops and seminars attended within and outside the Country amongst them Joint learning Network on Management of Claims and Occupational Health and Safety Courses.

Mr. David Mulli - Head of Internal Audit



Mulli is an experienced auditor and accountant. He's is a Certified Public Accountant (CPA-K) and an active Member of the Institute of Certified Public Accountants of Kenya (ICPAK), a member of

Institute of Internal Auditors, a Certified Ethics officer and a member of Institute of Ethics of South Africa. He is a member of ISACA (Information Systems Audit and Control Association). Mulli holds a Bachelor of Commerce (Accounting) from University Of Nairobi and Masters in Commerce (Accounting & Finance) from KCA. He's the Fund's ISO Lead Auditor. He has certificates from several professional workshops and seminars attended within and outside the Country.

CHAIRMAN'S STATEMENT



Mr. Mudzo Nzili
Vice-Chairman

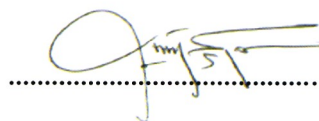
I am delighted to present the annual report and financial statements of the National Hospital Insurance Fund, for the year ended 30th June 2017. For NHIF, the FY 2016/17 was yet another year of outstanding financial performance and milestones. This remarkable improved performance is testament to the great potential that the Board has and emphatically underscores continued growth in offering quality Social Health Insurance.

I would like to start by highlighting that the Kenyan Economy had a steady growth over the period despite the rising inflation brought about by the drought and rising food prices, the Health Sector was also faced with challenges like the Doctors and nurses strike which affected service delivery in the sector. As an Organisation we remained optimistic on the outcome and fortunately the disputes were resolved and services resumed.

During the past year, there has been renewed focus on Stakeholder engagement and customer Service delivery. The Board has spent a significant proportion of its time examining and strengthening the Organisation Policies. At NHIF we strive to be efficient and that is why as an organisation we have invested in systems and prioritized mapping of our staff to optimize

service delivery to our stakeholders. Furthermore, we have taken measures to mitigate risk by introducing a Biometric system to identify our members upon seeking services from the Healthcare Providers.

In the future we strive to fully embrace technology by automating and digitizing our services. This move will ease the burden to our members by creating convenience in our services. All this will be achievable in the near future as a Board and we feel we have the right balance of skills, experience and backgrounds to support and challenge the management team.

A handwritten signature in black ink, appearing to read 'M. Nzili', written over a horizontal dotted line.

MR. MUDZO NZILI
VICE CHAIRMAN - BOARD OF MANAGEMENT

REPORT OF THE CHIEF EXECUTIVE OFFICER



Geoffrey G. Mwangi
 Chief Executive Officer

Introduction

This has been a significant year for the National Hospital Insurance Fund (NHIF); with delivery of unprecedented change over the past 12 months as the Fund continued to improve Services to its members. NHIF is committed to provide accessible, affordable, sustainable, equitable and quality social health insurance through efficient and effective utilization of resources to the satisfaction of stakeholders. Since then, the Fund has begun to transform the health sector by working with the Ministry of Health, Employers, the National Government, County governments and ultimately serving the customers. One of the most important changes made over the past year is enhancing the benefits package which has enabled the Fund to edge closer to the goal of Universal Health Coverage.

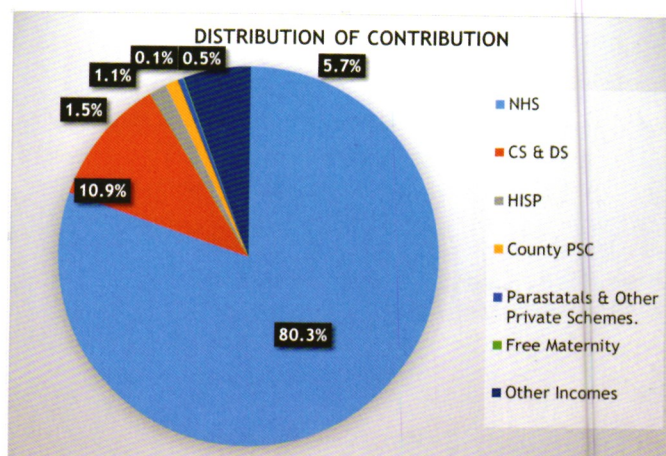
During the past year the NHIF Management Team have taken decisive action on the challenges faced. In a very deliberate way, changes needed have been made to re-energize the Fund's operations. Efforts have been guided and major strides have been taken towards streamlining and improving internal processes which include integrating systems with more agents and setting up of regional offices Countrywide.

In the 2016/17 financial year, the benefits package has continuously been improved; with the Emergency Ambulance Services accessible to all NHIF members as the recently launched package. Increased benefits to meet member needs has enabled NHIF reach the target market within the Informal Sector which has been a challenge to penetrate.

2016/17 Performance Review

In the 2016/2017 Financial year, the total revenue was **Kes. 32.65 Billion** which included; **Kes. 2.1Billion** income from investments, **Kes. 166.4 Million** Surplus from the Civil Servants & Disciplined services medical scheme, **Kes. 222.5 Million** Surplus from Health Insurance Subsidy Programme (HISP), **Kes. 165.3 Million** Surplus from County Public Service Commission (PSC) Schemes, **Kes. 98.45 Million** Surplus from Parastatal and Other Private medical (POPM) schemes and **Kes. 28.2 Million** from Free Maternity (Linda Mama). This represented an 8% increase of the total revenue in 2016/2017 compared to the 2015/2016 financial year where the total revenue was **Kes. 30.2 Billion**.

Kes.29.9 Billion Contributions were received from the National Scheme (this includes **Kes. 63,000** premiums for Older persons and persons with severe disabilities) while premiums for the Civil Servants & Disciplined Services, HISP, County PSC Schemes, POPM Schemes and Linda Mama contributions were at **Kes. 4 Billion, 561.5 Million, 404.8 Million, 181.8 Million and 28.2 Million** respectively.



The overall growth in revenue was attributed to:

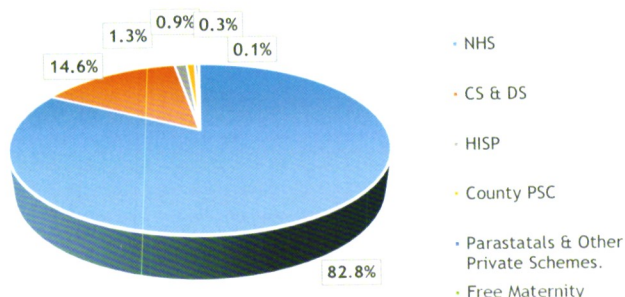
1. Full implementation of new contribution rates
2. Membership growth from the informal sector due to:
 - a. Counties that have sponsored elderly persons and indigents in their Counties.
 - b. Introduction of new benefits for the National Scheme members
 - c. Implementation of the reviewed penalty policy that saw many members of the sector reactivating their membership status.
 - d. Working with Community health volunteers on recruitment of members through various partners.
3. Continued support by National and County Governments on the special schemes
4. Premiums from private medical scheme to Parastatals, Hospitals and private companies.

The Fund's main objective is to finance health care through the member benefits. The total benefits paid

REPORT OF THE CHIEF EXECUTIVE OFFICER (cont'd)

out amounted to **Kes. 26.5 Billion** which translates to an overall benefit pay-out ratio of 76% of total contributions received. Total benefits paid out from the National Scheme was **Kes. 22 Billion (74% Pay-out ratio)**, while the pay-out ratio for other categories were: **Kes. 3.9 Billion (96% Pay-out ratio)** by Civil Servants & Disciplined Services, **Kes. 339 Million (60% Pay-out ratio)** by Health Insurance Subsidy Program, **Kes. 239 Million (59% Pay-out ratio)** by County PSC Schemes, **Kes. 83.4 Million (46% Pay-out ratio)** by POPM Schemes and **28.2 Million (100% Pay-out ratio)** by Linda Mama.

BENEFITS EXPENSES PER SCHEME



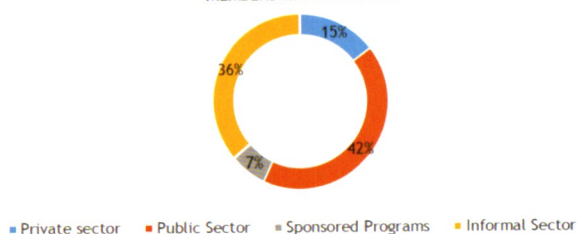
Review of Debt Management; Development of Guidelines and Implementation

NHIF aspires to ensure that all uncollected debts are made good within the shortest time possible. Debt levels must be maintained at the bare minimum in line with best practice as failure to do so may affect service delivery to members. The Fund endeavors to develop effective methods of reducing debt and improve collections. Consequently, a Manual that addresses Debt Management, Penalty Administration and Prosecution in the Fund was developed, approved and shared with the all Branch Offices for implementation. It seeks to give clarity to the debt management processes while bringing uniformity in implementation that is envisaged to lead to reduction of bad debts through enhancing skills on sound Debt Management.

Member Registration

Total active membership as at the end of the financial year was 4,169,871. This constitutes 73% of the total enrolled members, who are 6,711,643. The formal sector comprised of 3,235,417 active membership while that of the informal sector was at 934,454. The chart below shows membership per sector.

MEMBERSHIP PER SECTOR



Vision 2030 Flagship Projects

The Health Insurance Subsidy Program (HISP) scale up phase was successful as 97% of the targeted beneficiaries were reached while 3% of the missing beneficiaries could not be traced using the IPRS system or the community links that had been set up.

Older Persons & Persons living with Severe Disabilities (OPPSD) scheme saw a scale down of beneficiaries to be covered by the Ministry of Health and the scale down was implemented successfully, by updating the system and the beneficiaries too. A total of **Kes. 252M** was received as premiums.

The Free Maternity Program tagged 'Linda Mama' was launched in October 2016, followed by the signing of the MOU between the Government and the Fund in February 2017. Services for registered mothers' begun on 1st May 2017 after a total of **Kes. 400M** was remitted for the program. So far, 40,221 mothers benefited from the program with 423 Private and Faith Based facilities contracted to offer services during the Phase one implementations.

Looking Ahead

As we move forward we strive to accredit more hospitals to increase accessibility, re-categorize the hospitals to improve quality and integrate the biometric system to all accredited hospitals to ensure sustainability of our services by curbing fraud. We do acknowledge there is still more to be done but we continue to improve and build momentum towards the achievement of Universal Health Coverage.

In conclusion, as I invite all our stakeholders to internalise the financial report, I would like to express my appreciation to the Board of Management and the staff of NHIF for their hard work during the year. We have made significant progress in reforming the operations of the Fund for greater efficiency. These gains ought to be nurtured and jealously safeguarded to propel the fund into greater heights in line with the expanded mandate of rolling out Universal Health Cover.

Closing Remarks

NHIF's results continue to be a clear reflection of the success of its strategic thrust. The Fund remains focused on meeting the customer needs, and is confident in the ability to continue to provide value for all stakeholders whilst prudently managing resources. NHIF has already had a positive start to 2018 and expects to continue to realize healthy, sustainable growth through the current year and beyond.

GEOFFREY G. MWANGI
 CHIEF EXECUTIVE OFFICER

CORPORATE GOVERNANCE REPORT

Principles of Corporate Governance

NHIF has established high standards of corporate governance which are a key contributor to the long term success of the Fund. The Fund is managed by an effective Board which is composed of competent, diverse and qualified members capable of exercising objective and independent judgment. The Board of Management's appointment and composition is in line with the NHIF Act No. 9 of 1998. The Board has autonomy and authority to exercise its functions and accountable to shareholders and act responsibly towards stakeholders. The Board of Management promotes the best practice of corporate governance, and is bound by the highest standards of integrity and accountability in its operations. The Board adheres to the Code of Governance prescribed in the Mwongozo (The Code of Governance for State Corporations), NHIF Act and other Government of Kenya guidelines.

Management Board

The Board of Management is ultimately accountable to all stakeholders for ensuring that the Fund's business is conducted in accordance with high standards of corporate governance. Of particular importance to the Fund is the protection of stakeholders' interests and open corporate communication.

The Board of Managements' conduct is regulated by the provisions of the Board Charter. It dictates among other things the size, role, responsibilities, functions and powers of the Chairman and other members, inductions, appointments, performance evaluation and remuneration of the members. It also comprises a Work Plan setting out the schedule of Board meetings and the main business to be dealt with at those meetings.

The Board continues to undertake annual self-evaluations and reviews of its performance, which includes the review of the suitability of its composition, the diversity of skills and experience on the Board performance against the terms of reference and succession planning, together with the performance of the Committees, Chairman, Chief Executive Officer and Fund's Corporate Secretary.

Board Responsibilities

The Board of Management is charged with the duty of steering the Fund. It is responsible for formulating NHIF policies and strategies and ensuring that business objectives, aimed at promoting and protecting stakeholder value are achieved.

The Board defines the Fund's strategic intent, objectives and values and ensures that procedures and practices are in place to protect the Fund's assets and reputation. It is responsible for the stewardship of the Fund and assumes responsibility for retaining full and effective control over

the Fund.

The conduct of Board members is consistent with their duties and responsibilities to the Fund and they must always act within the limitations imposed by the NHIF Act.

In order to ensure that the Board is able to discharge its responsibilities, the Management is required to provide adequate and timely information on the Fund's policies. It also considers an operational report from the Chief Executive Officer; Management Accounting for each quarter; reports from each Board Committee, specific proposals for capital expenditure and acquisitions; and major issues and strategic opportunities for the Fund.

The Fund also trains its Board members continuously on Board processes. Members of the Board have attended varied courses on Corporate Governance Principles and Practices.

In line with the Mwongozo code on organisational risks, the Board has in place Risk and Management Policy and the Whistle Blowing Policy.

Composition of the Board

The Board draws its representatives from different stakeholders as set out in Section 4(1) of the NHIF Act. The following were the Board members during 2015/2016 Financial Period:

- i. Chairman
- ii. Principal Secretary or representatives - Ministry of Health
- iii. Principal Secretary or representative - National Treasury
- iv. Principal Secretary or representative - Ministry of Devolution and Planning
- v. Director of Medical Services or his/her representative
- vi. Federation of Kenya Employers
- vii. Central Organization of Trade Unions (K) - COTU
- viii. Kenya National Union of Teachers (KNUT) / Kenya Union of Post Primary Education Teachers
- ix. Kenya Medical Association (KMA)
- x. Faith Based Healthcare Organisations
- xi. Chief Executive Officer (Secretary of the Board)

The governance, control and administration of the Fund are vested in the Management Board.

Responsibility for Financial Reporting

The Board of Management recognizes its responsibility to present a true and fair view of the state of the financial affairs of the Fund. The Fund's financial statements are prepared in accordance with International Financial Reporting Standards and the requirements of the PFM Act, the State Corporations Act, and the NHIF Act and

CORPORATE GOVERNANCE REPORT (cont'd)

are audited in accordance with International Auditing Standards.

Remuneration

In remunerating the board of management, the Fund's policy has been to consider, the demands and requirements made on the board of management in relation to the business of the Fund and the availability of the board of management for ad hoc consultation. The board members' sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed by the register of attendance.

Details of the directors' remuneration are set out on page 41.

Service Contracts and Compensation

Apart from the Chief Executive Officer, no Board member or a party related to a member has a service contract or receives compensation from the Fund.

Disclosure of Interests

The Board members are under a fiduciary duty to act honestly and in the best interests of the Fund. To curb instances where the Board members' self-interests conflict with their duty to act in the best interests of the Fund, the Fund has instituted policies requiring the Board members' to make declarations on any such interests at any such meeting where such business will be discussed in addition to absolving themselves from making decisions on the respective business.

Transparency

The Fund publishes an Annual Report, Quarterly Reports and Monthly Bulletin. On an annual basis, the financial statements are published in the in the Fund's website.

Role of the Chairman vs. the Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are clearly defined and are not vested in the same person. The day-to-day executive management of the Fund is delegated to the Chief Executive Officer whereas the running of the Board is the responsibility of the Chairman. The Chief Executive Officer directs the implementation of the Board of Management's decisions and instructions on the general management of the Fund with the assistance of the Senior Management team.

Board Committees

To assist the Board better discharge its responsibilities, the Board has constituted four Board Committees

comprising a balanced mix of the Board members. Each Board Committee has a Charter which contains provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's detailed duties. Annual performance reviews of each Committee are carried out and presented to the Board.

The Board has set up the following committees:

1. Governance, Strategy & Human Resource Board Committee

It deals with the structure and establishment of the Fund, Staff and advisory matters. The following were the members of the committee in 2016/2017:

No.	Name of Member	Organisation	Position
1	Mr. Akelo T. Misor	Central Organizations of Trade Unions (K)	Chairman
2	Mrs. Gilda Odera	Federation of Kenya Employers	Member
3	Dr. Pacifica Onyancha	Alt. Member/ PS Ministry of Health	Member
4	Mr. Yussuf Ibrahim	Alt. Member/PS/Ministry of Public Service Youth & Gender	Member
5	Mr. Joseph M. Kamau	Alt. Member/CS/The National Treasury	Member
6	Mr. Lattif Shaban	Faith Based Organizations	Member
7	Mr. Geoffrey Mwangi	Chief Executive Officer	Secretary

2. Operations and Quality Assurance Board Committee

It deals with matters relating to compliance with the NHIF Act, Employers, Healthcare Providers and other stakeholders. The following were the members of the committee in 2016/2017:

No.	Name of Member	Organisation	Position
1	Dr. Elly Nyaim Opot	Kenya Medical Services	Chairman
2	Dr. Peter Kimuu	Alt. Member/Director of Medical Services	Member
3	Mr. Yussuf Ibrahim	Alt. Member/PS/Ministry of Public Service Youth & Gender	Member
4	Mrs. Gilda Odera	Federation of Kenya Employers	Member
5	Mr. Lattif Shaban	Faith Based Organizations	Member
6	Dr. Pacifica Onyancha	Alt. Member/PS/ Ministry of Health	Member
7	Mr. Geoffrey Mwangi	Chief Executive Officer	Secretary

CORPORATE GOVERNANCE REPORT (cont'd)

3. Finance and Investment Board Committee

It deals with all financial and investment matters. The following were the members of the committee in 2016/2017:

No.	Name of Member	Organisation	Position
1	Dr. Pacifica Onyancha	Alt. Member/PS/Ministry of Health	Chairman
2	Mr. Mudzo Nzili	Kenya National Union of Teachers/ Kenya Union of Post Primary Education Teachers	Member
3	Mr. Joseph M. Kamau	Alt. Member/CS/The National Treasury	Member
4	Mr. Akelo T Misori	Central Organization of Trade Unions	Member
5	Mr. Lattif Shaban	Faith Based Organizations	Member
6	Mr. Geoffrey Mwangi	Chief Executive Officer	Secretary

4. Audit and Integrity Assurance Board Committee

It deals with the internal control systems, fraud and integrity matters. The following were the members of the committee in 2016/2017:

No.	Name of Member	Organisation	Position
1	Mr. Mudzo Nzili	Kenya National Union of Teachers/Kenya Union of Post Primary Education Teachers	Chairman
2	Mr. Joseph M. Kamau	Alt. Member/CS/The National Treasury	Member
3	Mr. Yussuf Ibrahim	Alt. Member/PS/Ministry of Public Service Youth & Gender	Member
4	Dr. Peter Kimuu	Alt. Member/Director of Medical Services	Member
5	Dr. Elly Nyaim Opot	Kenya Medical Association	Member
6	Mr. Geoffrey Mwangi	Chief Executive Officer	Secretary

Number of Board meetings

No.	Board Meetings	Number of Meetings
1.	Full Board Meetings	10
2.	Governance Strategy & HR	29
3.	Finance & Investments	5
4.	Operations & Quality Assurance Committee	5
5.	Audit Committee	5

Corporation Secretary

All members of the Board have direct access to the Corporation Secretary who is responsible for ensuring that board procedures, rules and regulations are followed. As the Corporation Secretary is also the Chief Legal Officer, she reports independently and directly to the board on litigious matters affecting the Fund.

External Auditors

Whereas the Board of Management is responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Fund, the external auditors examine and give their opinion on the reasonableness of the financial statements.

The auditor's report independently and directly to the Board through the Chief Executive Officer who is the Fund's accounting officer and the Secretary to the Board. Office of the Auditor General carried out the Fund's audit for 2016.

Internal Auditors

The Fund's internal auditors report directly to the Audit and Integrity Assurance Board Committee.

The Board of Management submits this annual report and audited financial statements for the year ending 30 June 2016. The annual report and audited financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Fund's position and prospects. The Board reports that the business is a going concern and they have no reason to believe that the Fund will not be a going concern into the foreseeable future.



Beneficiary of affordable healthcare through government sponsored Elderly Persons With Disability Program

MANAGEMENT DISCUSSION AND ANALYSIS

1. Key Stakeholder Groups and Engagements

As a Fund, stakeholder engagement is very critical in our business. We have ensured constant engagement with our Stakeholders with the aim of keeping them informed and building synergy to achieve our mandate and improve on areas of service delivery. The past Financial Year, various Stakeholders have had an influence on our Performance and sustainability. This include:-

i. National Government

During the period, NHIF enjoyed massive goodwill from the National government. The National Government has created awareness through public pronouncements urging the citizens to enrol with NHIF to access health services. This has had a major impact on the Membership Registration, Contributions collected and an Increase in the Benefit Payout ratio.

Through the Ministry of Health, the National Government has implemented social protection programs such as Health Insurance Subsidy Program (HISP), Older Person & Persons with Severe Disabilities (OPPwSD) and the most recent Program, Linda Mama Project which is a Free Maternity Service for all expectant mothers. The Ministry has created awareness and provided funds in a timely manner allowing NHIF administer the program smoothly. Additionally such programs have played a key role in helping the organization achieve Universal Health Coverage.

ii. Members/Contributors

Previously our members have had a negative perception towards the Organisation but since we employed new strategies, members have embraced NHIF and are now our ambassadors; this was further boosted by the roll out of the new benefit packages and there has been a major shift in perception of NHIF.

iii. Healthcare Providers

The Hospitals have been one of our major stakeholders in driving change and perception. Healthcare providers are also a contact point of our customers and the experience they get in the hospitals is indirectly a reflection of NHIF. Through constant engagement hospitals have been able to increase their capacity by offering more services and at the same time not compromising but improving on quality.



NHIF & M-Tiba Partnership

iii. County Governments

Through the County Governments, NHIF has been able to increase coverage and pooling by setting up Special Schemes for County Government employees. Over the period the Fund has engaged over 15 counties with an aim to target all 47 counties.

iv. Annual members Conference

A concept note was developed to hold the first annual members conference during the financial year. The main objective of the conference was to bring together representatives of all our stakeholders and partners with an aim of sharing information and enhancing transparency and accountability.

2. Commentary on Sustainability

Overall strategy for sustainability

As an organization we strive to improve and provide benefits to our members to reach the optimum satisfaction levels. However, at the same time we are cautious that whatever we offer we deliver within our sustainability commitments. Thus over the period we have been able to achieve this as we collected Kes.37 Billion and the benefit paid out amounted to Kes. 26.4 Billion, representing a 71% benefit payout ratio.

Over the past 12 months there have been various factors that have had an impact on the Organization:-

i) Political Environment

Being a political year, it was bound that the political environment would affect businesses mainly the formal sector. Some companies relocated to neighbouring countries, most cut down on recruitment thus limiting the Fund's capability on registering new members and ultimately on contributions for the sector. Though we remain optimistic on improving in the next financial year after the elections.



Deputy President leads NHIF Registration Campaign

ii) Environmental Sustainability

To fulfill the role of ensuring environmental sustainability, the fund partnered with the community of Kenze Primary school in Kitui

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

County in a tree planting exercise. Tree planting is essential to the sustainability of the environment as well as a reduction to the effects of global warming. "It is the tree that you plant today that will provide you with shade for tomorrow"...Deputy Commissioner Kitui .

To ensure the protection of tree, students are encouraged to "adopt a tree". The school headmaster indicated that they were in the process of working out a reward system in order to motivate the student with an aim of ensuring the tree grows to maturity. Led by the NHIF environmental team, the students and their parents planted 100 tree seedlings in the school compound



Tree planting in Kitui County.

iii) Marketing Campaigns

In the quest to achieve Universal Health Coverage, the Fund embarked on various marketing campaigns to create awareness on the new benefit packages and different modes of premium payment. This really boosted the registration in the informal sector and benefit payout ratio as more members were aware of the benefits.

iv) Electronic Health Information Management System/Biometric Integration

In the Financial Year we were able to fully integrate the accredited hospitals with biometric system, this will be a major step towards increasing efficiency and curbing of fraud.

v) Approval of Policies

The Fund was able to approve various policies during the period, this is a major step towards improvement of processes by articulation of required steps when implementing a procedure. This is because policies set rules and guidelines for decision-making in routine situations.

vi) Conformance to International Standards

NHIF Quality Policy is, 'NHIF is committed to providing Quality Health Insurance that is affordable, accessible, and sustainable through the use of effective and efficient systems and procedures so as to meet or exceed the customer needs and expectations'.

NHIF is committed to comply with requirements and continually improve the effectiveness of the Quality Management System (ISO 9001).

Our key objectives:

- Achieve and maintain a level of quality which enhances the Fund's reputation with customers.
- Ensure compliance with the NHIF ACT and other relevant statutory and safety requirements.
- Endeavour to always maximize customer satisfaction through provision of Quality services

Occupational Health & Safety Policy is, 'It is the policy of NHIF not only to comply with the Health and Safety measures required by law, but also to act positively where it can to prevent injury, ill health, damage and loss arising from its operations. It considers the promotion of Health and Safety of its employees to be an essential part of responsible management.

NHIF recognizes that the effective prevention of accidents and incidents depends as much on a committed attitude of mind to safety, as on design, operation and maintenance of plant and equipment and to this end, it will seek to encourage employee's participation in the contribution to the establishment and observance of safe working practices.

NHIF is conscious of Health, Safety responsibilities to stakeholders including customers, employees and society at large. Our key objectives are to:

- Ensure the health & safety status of our employees, work operations and the work environment.
- Comply with all applicable statutory and regulatory OHS requirements to which NHIF subscribes to.
- Educate employees on their OHS responsibilities and equip them with adequate authority and resources to carry out their duties successfully.
- Implement, sustain, expand upon and continuously improve our OHS Standard within our business and conform to appropriate benchmarking standards.
- Involve all employees, customers and strategic partners in improving our OHS standard.
- Recognize and reward good OHS performance.
- Regularly review our effectiveness and audit our performance in achieving our OHS objectives

Social Accountability Policy is, 'NHIF is committed to providing safe, healthy and humane working conditions for its personnel on a continual basis'. The Fund has Certification by SA: 8000:2008. NHIF has included the requirements of the SA: 8000 as an integral part of its

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

service delivery and therefore subscribes to its principles below that;

- The Fund shall not engage in or support the use of Child labour as defined by law.
- NHIF shall not engage in or support the use of forced labour.
- NHIF shall provide safe, healthy and humane working Conditions for its personnel on a Continuous basis.
- NHIF shall respect the rights of all personnel to form and join trade unions of their choice And to bargain collectively
- NHIF shall not engage in or support discrimination
- NHIF shall not engage in or support the use of corporal punishment, mental or physical Coercion and verbal abuse.
- NHIF shall comply with applicable laws and industry on working hours.
- NHIF shall ensure that wages paid for a standard month shall meet the industry or legal Minimum standards.

Based on the Triple Bottom Line concept it can be evidenced the Organization is of going concern;

- Financially we were able to achieve excess on total income as discussed in the CEO's report.
- Socially we were able to impact our members by providing affordable, accessible and quality services. We were also able to undertake Cardiac programme as a CSR which had an impact on the improving livelihoods
- Environmentally, we were able to come up with eWaste Disposal Policy and at the same time by automating/digitizing our processes we were able to cut down on the use of paper.

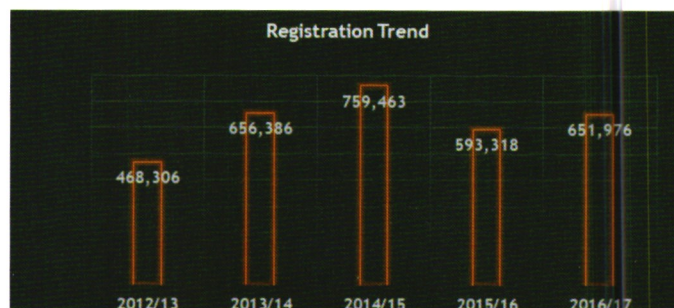
Summary of Performance

In 2016-17 we have made strong progress in delivering our sustainability commitments. We have monitored progress against our Strategic Plan and increased member registration and revenue collection. We are also on track to increase member retention from 55% to 80% by end of 2017/18.

The total number of active members stands at **4,733,366**, with the total registered members being **6,711,643** as at the end of the 2016/17 FY. A total count of new members enrolled during the period were 651,976 translating to a 79% achievement of the annual target. This is mainly attributed to strategies set in place that include targeted registrations of schools, SACCOS and Cooperatives and sponsorship programs.

A 5-year comparison of registration performance is shown in the graph below.

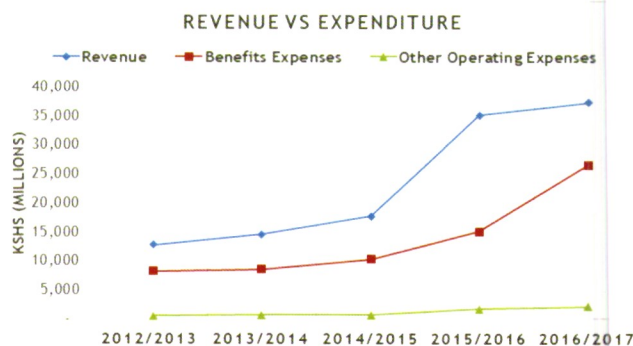
Registration of new members in 2016/17 FY increased by 9% from those registered in 2015/16 FY.



During the period under review, a total of **Kes. 29,858,615,338** was collected in form of premium contributions under the National health scheme translating to 95% achievement against the annual target. This was achieved by developing and implementing debt management guidelines, reviewing the prosecution guidelines and carrying out risk based payroll audits.

The cumulative Benefit pay-out ratio for the National scheme was 76% against a target of 72% at the end of the financial year. Benefits Payment trends reflected benefits paid out standing at **Kes. 26,440,821,523** paid out through the various benefit packages for the various schemes managed by the Fund.

A 5-year comparison of revenue and expenditure is shown in the graph below:



Governance

We monitor our sustainability performance as an integral part of our monthly performance management reporting regime. The NHIF Board receives quarterly reports on performance both in terms of Strategic measures and against government commitments laid out in the Performance Contracting Regulations of 2004. Internal audit regularly reviews internal sustainability reporting, focusing on validating data that supports external reports and performance against our business plan measures.

3. Vision 2030 Flagship Projects

a. Health Insurance Subsidy Program

The Health Insurance Subsidy Program (HISP) is a government flag-ship project under the Vision 2030 Flagship Projects being implemented by NHIF and

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

financed by the World Bank. Phase I of the project was rolled out in December 2014 in all the 47 counties. HISP target group constitute the beneficiaries of the Orphans and Vulnerable Children Cash Transfer Program (OVC-CTP) under the Ministry of East African Community, Labor and Social Protection.

Following successful implementation, the Ministry of Health and the World Bank proposed and agreed to have the program scaled up. HISP Scale up /Phase II was rolled out from 1st August 2016 targeting 160, 422 households spread in all 47 counties.

Performance in registering the scheme members for the upscale phase is as shown below:

Scheme	Annual Target	Registered members	Achievement against Annual target (%)
HISP	160,422	155,519	97

The upscale of the Health Insurance Subsidy Program (HISP) coverage was given priority in the 1st and 2nd quarter and that explains the good performance. Field visits together with the Ministry of Health's KHSSP Department were done in 3 counties namely; Voi, Marsabit and Turkana counties that sought to evaluate the implementation of the scale up phase for the program. It was found that;

I. Registration was hindered due to;

- ID Numbers for some beneficiaries listed in the Cash transfer programs do not exist in the IPRS system hence hindering 100% completion of registration in these regions
 - Overlaps in the list submitted where some beneficiaries were already registered in the pilot phase
 - Some of the beneficiaries could not be traced using the laid out community structures i.e. chiefs and village heads; or due to cultural practices of some communities, such as pastoralism in some areas
- II. Health seeking behaviors e.g. self-medication and traditional medicine skews utilization of benefits
- III. Spatial distribution of healthcare providers especially in Northern parts of Kenya such as Mandera, Turkana, Marsabit, Tana River, West Pokot
- IV. Contracted healthcare providers not submitting returns as is required hindering reporting in utilization of the outpatient services. A good example is the Marsabit County Referral hospital that requested the Fund for support with staff to aid in capturing all NHIF outpatient returns to the system

b. Older Persons & Persons with Severe Disabilities Scheme (OPPwSD)

Beneficiaries of the scheme were drawn from the Ministry of Labour, Social Security and Services' Cash Transfer Programme (CTP) and consisted of a total of 238,598

beneficiaries, 213,108 of whom are Older Persons, while Persons with Severe Disabilities are 25, 481. The members of the program were to access the National Health Scheme benefits package.

The Fund received a notice from the Ministry of Health to scale down the number of households covered under the program to 42,000. NHIF engaged the Ministry of Health and the Social Protection Secretariat in the Ministry of East African Community, Labour and Social Protection to agree on a selection criteria for the households.

The Ministry of Health, upon receipt of the categorised list of households, communicated to NHIF the names of the targeted group in March 2017. Consequently, the members who were not in the list were deactivated from the NHIF system.



c. Free Maternity Services (Linda Mama Program)

The Government through the Ministry of Health and in collaboration with NHIF launched an expanded free maternal care program dubbed Linda Mama, Boresha Jamii on 18th October 2016 in a bid to achieve universal access to quality maternal healthcare as well as reduce maternal morbidity and mortality rates in the country, particularly in the rural areas. The launch of Linda Mama is a great step towards improving access and quality of maternal, new-born and child healthcare services for all Kenyans.



Guidelines on administering the program were developed which outlines the following:

i. Implementation Phases that outline the

MANAGEMENT DISCUSSION AND ANALYSIS (cont'd)

benefit package to be offered at every phase and contracted facilities

Phase One Implementation: The benefit package comprised of Deliveries only, both normal and caesarian section, in Private and Faith based Hospitals. Reimbursement of facilities for services rendered was done.

Phase Two Implementation: The benefit package covers Outpatient and Inpatient services for the mother and newborn for a period of one (1) year which will entail:

- Antenatal Care
- Delivery
- Postnatal Care
- Emergency referrals for pregnancy related conditions and complications

ii. Registration of Beneficiaries, documentation required and platform for registration

- Pregnant women of age 18 years and above will be registered using their National identity cards and the Ante Natal Care records.
- Pregnant women under 18 years will be registered using their guardians' National Identity cards and Ante Natal Care records.
- Pregnant women without National Identity cards or guardians will be registered using the Ante Natal Care records

iii. Platforms for registration of beneficiaries:

- Mobile platform - USSD, *263#
- Website - NHIF online registration
- Hospital - facility web application
- NHIF service Centres (94)
- Huduma Centres (40)

4. Disease Prevalence

A total of 703 conditions were reported during the period July to June of financial year 2016-17. Delivery was the most prevalent in the period with 12% of the total notifications, followed by renal failure at 9%. Diabetes Mellitus had the highest ALOS at 7.81 whereas persons encountering health services for specific procedures and health care had the lowest ALOS.

Top ten most prevalent conditions as at 30th June are tabulated below.

Disease	ALOS	Prevalence
Delivery	2.89	12%
Renal failure	0.59	9%
Protozoal diseases e.g. malaria	3.90	9%
Influenza and pneumonia	5.10	5%
Intestinal infectious diseases	4.51	5%
Diseases of Oesophagus, stomach and duodenum	4.73	4%
Hypertensive diseases	5.27	3%

Persons encountering health services for specific procedures and health care 0.50 2%

Acute upper respiratory infections 3.85 2%

Diabetes mellitus 7.81 2%

Utilization of benefit packages

The table below shows utilization of benefit packages throughout the financial year

Package	Claims	Amount	Package	Claims	Amount
Standard	561,010	10,365,409,724	MRI	24,135	427,918,824
Caesarian Section	28,701	806,784,955	CT-Scan	18,135	193,776,090
Normal Delivery	51,194	495,413,004	Radiotherapy	7,907	501,255,997
Dialysis	102,918	949,672,813	Chemotherapy (Basic)	7,752	131,974,449
Rehabilitation for Drugs & Substance Abuse	303	23,592,346	Chemotherapy (Complex)	1,922	141,148,159
Minor surgeries	5,214	181,046,040	Free Maternity	1,143	5,796,500
Major Surgeries	10,378	956,345,243	Specialized Surgeries	611	154,211,918
Grand Total		822,375			15,362,965,138

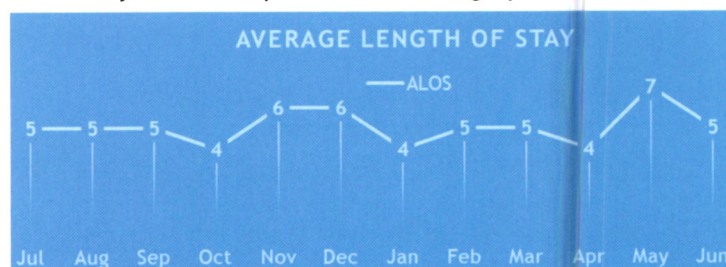
5. Quality Management Plan

A Quality management plan was developed. It involves monitoring of Quality health indicators, health outcome indices and conducting the quality improvement programs that include sensitization of branches, HCPs and conducting quality audits.

Outpatient Morbidity		Inpatient Morbidity	
Acute upper respiratory infections	15%	Deliveries	4%
Malaria	8%	Malaria	3%
Intestinal Infectious Diseases	7%	Renal Failure	2%
Hypertensive diseases	6%	Intestinal Infectious Diseases	2%
Diseases of the Oesophagus, Duodenum & Stomach	6%	Influenza & Pneumonia	1%

Average Length of Stay

Average length of stay was 4days. The ALOS trend for the financial year is as represented in the graph below.



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Over the period the Organisation approved various policies mainly touching on Customer Service, Corporate Governance, Benefits and Financial Management. The approved policies will ensure efficient and standardized services.

Our Corporate Social Responsibility (CSR) program echoes our brand essence 'Afya yetu Bima yetu' which means 'Our Health Our Insurance' and NHIF is committed to ensuring that the CSR Program is an integral part of its basic strategy and plans. The target is to provide value addition to customers, employees' welfare and community relations while supporting our environment. The Fund has a CSR policy that outlines the organizations commitment to good business practices, which provide value to all strategic stakeholders.

In a bid to give back to the society, the Fund has been engaging in CSR activities. During the year under review, the Fund undertook the following:

Cardiac Program.



CEO at Mater heart Run Launching Open Heart Surgery

The NHIF @50 Cardiac Program was rolled out in September 2016 with an aim to alleviate suffering amongst NHIF members who are in need of treatment interventions pertaining to cardiac conditions.

A review of beneficiary cases in need of heart treatment and therapeutic interventions by NHIF at various accredited facilities demonstrated a proof that treatment delays and lapses in to disease complications occasion discontinuity of enlisted beneficiaries to follow up on management of the diagnosed disease conditions as attributed to the lengthened durations of waiting

So far, 73 patients have benefited, with 60 undergoing various surgical interventions and four having medical interventions.



Patient receiving open Heart Surgery

NHIF assists ill boy to be evacuated by AMREF Flying Doctor in Mandera County.



Abdi Bari Sheikh evacuated from Mandera County.

Ten-year-old, Abdi Bari Sheikh evacuated from Mandera county with an abnormal growth on the neck was evacuated from his home to Nairobi's Kenyatta National Referral Hospital for further treatment by NHIF. The boy had a history of progressive anterior neck swelling. NHIF through partner Amref flying doctors evacuated the boy from Mandera where he was subsequently treated at KNH at NHIF cost.

NHIF sponsors and participates in Chama and SACCO summit.

National Hospital Insurance Fund (FUND) in partnership with AITEC Africa held AITEC CHAMA & SACCO Investment Summit (Conference & Exhibition) at Hilton Hotel, Nairobi. The Theme was "Unlocking the Economic power of Investment Groups".

CORPORATE SOCIAL RESPONSIBILITY STATEMENT (cont'd)

The Summit was sponsored by NHIF to a tune of 1.5 million shillings. The Summit offered an opportunity to engage with investment groups, Chamas, investors and showcase the latest developments, strategies, solutions and opportunities available for organizations and individuals who are either self-employed or whose employers do not fund their health insurance benefits.



Internship Program.

NHIF offers work integrated learning for graduate students for their qualification and for those who would like to experience the world of working during their school vacation. Due to the training nature of this program, the intern will be based at a directorate for a period of at least 3 months. As an intern you will be assigned to a Manager whose role will be to provide support as well as regular feedback on your performance and development.

Our internship program is open to the following academic areas: Corporate Services, Legal affairs, Finance & Investment, Insurance, Human Resources & Administration, ICT, Customer Care, Marketing, Strategy & Planning, Operations, Standards & Quality Assurance, Audit and Actuarial. We look for the best talents to help us develop cutting edge ideas and achieve growth. In return, we invest in their intellectual ability, encourage early responsibility and support their ambition and progress. With our coaching, guidance and global reach, the future is yours to



Visit to children's home.



Photo session with the children during the visit.



Marsabit Governor (Former NHIF Chairman) & CEO in marsabit county for registration campaign.

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management submit their report together with the financial statements for the year ended June 30, 2017 which show the state of the Fund's affairs.

Principal activities

The principal activity of the Fund is to receive income for healthcare financing of all its members.

Results

The results of the Fund for the year ended June 30, 2017 are set out on pages 34 - 56. Below is the summary of the surplus made during the year

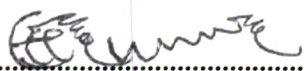
Board of Management

The members of the Board of Management who served during the year are shown on page 8.

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board,



GEOFFREY G. MWANGI
CHIEF EXECUTIVE OFFICER

DATE: 29/9/2017

STATEMENT OF BOARD OF MANAGEMENT'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, section 14 of the State Corporations Act and Section 38 of the NHIF Act, require the board to prepare financial statements in respect of that Fund, which give a true and fair view of the state of affairs of the Fund at the end of the financial year/period and the operating results of the Fund for that year/period. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

The Board are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes:

- i. maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- iii. designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. safeguarding the assets of the Fund;
- v. selecting and applying appropriate accounting policies; and
- vi. making accounting estimates that are reasonable in the circumstances.

The Board accept responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Fund's financial

**STATEMENT OF BOARD OF MANAGEMENT'S
RESPONSIBILITIES (cont'd)**

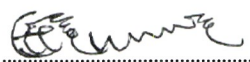
statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

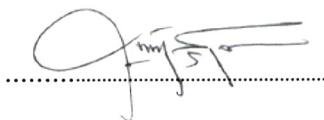
Approval of the financial statements

The Fund's financial statements were approved by

the Board on 29/9/2017 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER



VICE CHAIRMAN

AUDITOR-GENERAL'S REPORT

REPUBLIC OF KENYA



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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOSPITAL INSURANCE FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Hospital Insurance Fund, set out on pages 36 to 75, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Hospital Insurance Fund as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the National Hospital Insurance Fund Act, 1998.

In addition, as required as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that Public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

Proposed Resource Centre at Karen Land

Included in the property, plant and equipment balance of Kshs.13,103,788,341 as at 30 June 2017 is capital work in progress balance of Kshs.1,444,687,484 as disclosed in note 17 to the financial statements, being payments for drawings and designs for the proposed resource centre. Construction of the resource centre has not yet commenced since the land was acquired fifteen years ago. As noted in the previous year, the management has however explained that construction of the resource centre has not yet commenced due to lack of approval from the parent Ministry.

In the circumstance, it has not been possible to ascertain the accuracy and validity of the Kshs.1,444,687,484 included in the property, plant and equipment balance of Kshs.13,103,788,341 in the statement of financial position as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Hospital Insurance Fund in accordance

Report of the Auditor-General on the Financial Statements of National Hospital Insurance Fund for the year ended 30 June 2017

AUDITOR-GENERAL'S REPORT (cont'd)

with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section of my report, I have determined that there are no Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Corporation's or to cease operations, or have no realistic alternative but to do so.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

The audit 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 auditors report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

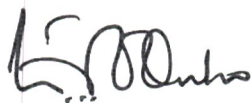
Report of the Auditor-General on the Financial Statements of National Hospital Insurance Fund for the year ended 30 June 2017

AUDITOR-GENERAL'S REPORT (cont'd)

- 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 my 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 and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the 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 Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



FCPA Edward R.O. Ouoko, CBS
AUDITOR-GENERAL

Nairobi

07 May 2018

Report of the Auditor-General on the Financial Statements of National Hospital Insurance Fund for the year ended 30 June 2017

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30 JUNE 2017

	Note	2017	2016
		Kes	Kes
REVENUES			
Contributions	6	29,858,615,338	28,477,921,015
Surplus from CS & DS Scheme	7	166,385,569	5,508,905
Surplus from HISP	8	222,474,774	2,687,844
Surplus from County PSC Scheme	9	165,332,706	79,753,793
Surplus from Parastatal & Other Private Schemes	10	98,445,025	-
Free Maternity	11	28,172,808	-
Other Income	12	2,108,495,639	1,609,565,963
TOTAL REVENUES		32,647,921,860	30,175,437,518
OPERATING EXPENSES			
Benefit Expenses	13	21,963,838,108	10,248,787,085
Free Maternity	11	28,172,808	-
Staff Costs	14	4,715,908,503	3,786,395,327
Board Expenses	15	27,360,517	13,476,653
Other Operating Expenses	16	2,432,660,856	1,774,828,675
Depreciation of PPE	17	586,740,096	567,327,657
Amortization of Intangible Assets	18	6,969,670	3,480,000
Total Operating Expenses		(29,761,650,557)	(16,394,295,398)
Operating Surplus		2,886,271,303	13,781,142,120
Finance Expenses	19	(267,603,821)	(237,877,825)
Surplus Before Taxation		2,618,667,482	13,543,264,295
Tax Expense	20	(267,077,394)	(232,831,759)
SURPLUS AFTER TAXATION		2,351,590,088	13,310,432,536

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	2017	2016
		Kes	Kes
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	17	13,103,788,341	12,841,519,701
Intangible Assets	18	15,840,158	0
Receivable - South B Estate Mortgage	21	16,825,992	29,564,106
Fixed Interest Investments (Bonds)	22	34,200,000	34,200,000
Long Term Deposits	23	734,425,255	730,363,857
Unquoted Investments	24	69,507,912	86,037,440
Total Non-Current Assets		13,974,587,657	13,721,685,103
Current Assets			
Trade and Other Receivables	25	5,317,399,455	3,926,313,543
Short Term Deposits	26	16,879,113,329	15,275,768,478
Cash and Bank Balances	27	1,231,463,271	954,268,368
Total Current Assets		23,427,976,055	20,156,350,389
TOTAL ASSETS		37,402,563,712	33,878,035,492
EQUITY AND LIABILITIES			
Capital and Reserves			
Accumulated Fund	28	12,209,923,340	12,209,923,340
Surplus Funds	29	22,398,967,115	20,047,377,027
Total Capital and Reserves		34,608,890,455	32,257,300,367
Current Liabilities			
Claims Payables	30	290,774,877	315,317,222
Other Trade Payables	31	1,350,647,455	376,315,326
Tax Payable	32	40,042,787	99,754,534
Provision for Liabilities	33	1,112,208,138	829,348,044
Total Current Liabilities		2,793,673,258	1,620,735,125
TOTAL EQUITY AND LIABILITIES		37,402,563,712	33,878,035,492

The financial statements on pages 26 to 56 were approved by the Board of Management on 29/9/2017 and signed on its behalf by:



CHIEF EXECUTIVE OFFICER

ICPAK M/NO. 3056



VICE CHAIRMAN

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Accumulated Fund	Retained Earnings	Total
	Kes	Kes	Kes
Note	28	29	
At July 1, 2015	12,209,923,340	6,736,944,491	18,946,867,831
Changes in the year / Total comprehensive income	-	13,310,432,536	13,310,432,536
At June 30, 2016	12,209,923,340	20,047,377,027	32,257,300,367
At July 1, 2016	12,209,923,340	20,047,377,027	32,257,300,367
Changes in the year / Total comprehensive income	-	2,351,590,088	2,351,590,088
At June 30, 2017	12,209,923,340	22,398,967,115	34,608,890,455

The notes set out on pages 26 to 56 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The management do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

(iii) Early adoption

The organization did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund activities as described below.

- i. Revenue is generally recognized in the income statement on accrual basis. Best estimates of what is receivable are included in the accounts.
- ii. Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iii. Rental income is recognised in the income statement as it accrues using the effective lease agreements.
- iv. Other income is recognised as it accrues.

b. Benefit Expenses (Claims)

These are payments on claims to health care providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in the approved and accredited health care providers. Health care providers report claims upon admission

by way of notification and upon discharge, the health care provider presents to the Fund the claims for payment. Claims are recognized as liabilities only after verification. The average length of stay in the health care providers is 5 days. Claims not received within 90 days from date of discharge are not admissible.

At the close of business on 30 June of the financial period, any valid claims not presented to the Fund are automatically accounted for in the subsequent financial period.

c. Property, Plant And Equipment

All categories of property, plant and equipment are initially measured at cost less accumulated depreciation and impairment losses.

d. Depreciation and Impairment of Property, Plant And Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life.

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

e. Intangible Assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

f. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount

g. Finance and Operating Leases

Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

h. Fixed Interest Investments (Bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at cost.

i. Unquoted Investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

j. Trade and Other Receivables

Trade and other receivables are recognised at fair

values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

k. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

l. Trade & Other Payables

These payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

m. Retirement Benefit Obligations

The Fund operates a defined contribution scheme for all full-time employees from July 1, 2001. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month

n. Budget information

The original budget for FY 2016-2017 was approved by the National Assembly on 8th of June 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations 1st March 2017 on the 2016-2017 budget following the governing body's approval.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 35 of these financial statements.

o. Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

p. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

q. Taxation

The Fund is an appointed agent for Withholding tax and Value Added Tax. Tax payable for the current period and prior periods are measured at the amounts expected to be paid to the tax authorities and in accordance with the VAT Act and the income Tax act. Withholding tax expense relates to Interest on investment and is deducted from Surplus before taxation.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

Provisions for bad and doubtful debts were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 25 (a) .

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 CONTRIBUTIONS

	2017 Kes	2016 Kes
Standard Contribution	24,895,219,946	23,312,273,163
Self Employed Contributions	2,765,759,265	2,389,379,243
Late Contributions	2,007,082,353	2,618,765,703
Penalties	190,553,775	157,502,905
Total	29,858,615,338	28,477,921,015

This is recognised in accordance with the NHIF Act, through Standard Contributions and Self Employed contributions. Included in the self-employed contributions is Kes. 63,000, 000 premiums for the Older Persons and Person's with Severe disabilities sponsored by the Ministry of Health.

7 SURPLUS FROM CIVIL SERVANTS (CS & DS) SCHEME

Premiums	4,036,715,203	4,670,724,498
Expenses:		
Group life Expenses	811,049,228	1,146,247,218
Administrative Expenses	186,970,407	345,089,327
Outpatient Expenses	757,911,136	1,476,051,841
Inpatient Expenses	1,485,541,622	1,400,183,047
Benefits Package Expenses	438,680,485	-
Evacuation Services Expenses	190,176,757	297,644,160
Total Expenses	3,870,329,634	4,665,215,593
Deficit/Surplus for the Year	166,385,569	5,508,905

The Fund entered into a contract with the government to provide private medical insurance cover to civil servants and members of the disciplined services.

8 SURPLUS FROM HISP

Premiums	561,475,833	123,620,896
Expenses:		
Administrative Expenses	-	172,830
Outpatient Expenses	173,243,741	97,444,389
Inpatient Expenses	125,700,872	23,315,834
Benefits Package Expenses	40,056,447	-
Total Expenses	339,001,060	120,933,053
Surplus for the Year	222,474,774	2,687,844

The funds were awarded by the world bank through the Ministry of Health to the Fund to administer a Health Insurance Subsidy programme - OVCT which is aimed at providing comprehensive medical cover to a selected group of the most vulnerable (very poor) in some selected counties in the country.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017	2016
	Kes	Kes
9 SURPLUS FROM COUNTY PSC SCHEME		
Premiums	404,812,619	104,209,767
Expenses:		
Group Life Expenses	27,089,474	-
Outpatient Expenses	19,483,795	2,919,126
Inpatient Expenses	110,940,443	21,536,849
Benefits Package Expenses	68,478,172	-
Evacuation Services	13,488,028	-
Total Expenses	239,479,913	24,455,975
Surplus for the Year	165,332,706	79,753,793

The Fund entered into a contract with County Governments to provide private medical insurance cover to the staff of the counties.

10 PARASTATALS AND OTHER PRIVATE MEDICAL SCHEMES

Premiums	181,803,848	-
Expenses:		
Outpatient Expenses	1,717,430	-
Inpatient Expenses	60,756,832	-
Benefits Package Expenses	16,903,730	-
Evacuation Services	3,980,830	-
Total Expenses	83,358,823	-
Surplus for the Year	98,445,025	-

The Fund entered into contracts with parastatals to offer private medical insurance cover to the employees of the parastatals at a premium.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
11 FREE MATERNITY		
Premiums	28,172,808	-
Expenses:		
Caesarean Delivery Expenses	5,461,000	-
Normal Delivery Expenses	4,880,000	-
Administrative Expenses	17,831,808	-
Total Expenses	28,172,808	-

This is a managed scheme sponsored by the government of Kenya through the Ministry of Health.

12 OTHER INCOMES

Interest On Investments	1,720,595,185	1,261,395,606
Hospital Accreditation Fee	3,050,000	3,326,800
Interest from Disposal South B Estate	1,325,857	2,027,979
Rent From Properties	372,088,926	334,872,850
Recoveries out of Provision	-	-
Agency Commissions	1,916,664	1,843,057
Miscellaneous Receipts	1,082,295	1,158,032
Proceeds On Disposal	8,436,712	4,941,640
Total	2,108,495,639	1,609,565,963

Other incomes are those that accrue to the Fund from Short and long term Investments as well as services rendered to third parties.

13 BENEFIT EXPENSES

Outpatient Expenses	4,123,176,764	1,529,850,818
Inpatient Expenses	10,265,925,804	8,718,936,268
Benefits Package Expenses	7,459,235,540	-
Evacuation Services	115,500,000	-
Total	21,963,838,108	10,248,787,085

These are medical benefits paid out to health care facilities for providing medical services to members of the national scheme and Older Persons and Persons with Severe Disabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Standard/Amendment to a standard	Effective date	Impact
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): i. changes from financing cash flows; ii. changes arising from obtaining or losing control of subsidiaries or other businesses; iii. the effect of changes in foreign exchange rates; iv. changes in fair values; and v. other changes. The management have evaluated the impact of this new standard and interpretation and had no significant impact on the organization's financial statements. Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The management have evaluated the impact of this new standard and interpretation and had no significant impact on the organization's financial statements

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective Date	Impact
FRS 15 Revenue from Contracts with Customers (issued in May 2014)	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Standard	Effective Date	Impact
IFRS 9 Financial Instruments (issued in July 2014)	1 Jan 2018	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition: • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The de-recognition provisions are carried over almost unchanged from IAS 39.
IFRS 16: Leases (issued in January 2016)	1 Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	Notes	2017	2016
		Kes	Kes
OPERATING ACTIVITIES			
Cash generated/used from/in operations	34	1,263,871,714	11,518,285,301
Tax Paid	20	(267,077,394)	(232,831,759)
Net cash generated from operating activities		996,794,320	11,285,453,542
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	17	(849,008,736)	(1,169,265,375)
Purchase of Intangible Assets	18	(22,809,828)	-
Proceeds from disposal of property, plant and equipment	12	8,436,712	4,941,640
Interest from investment	12	1,721,921,042	1,263,423,585
Proceeds from sale of South B estate	21	12,738,114	8,366,227
Purchase of Long term Deposit	23	(4,061,398)	(160,317,645)
Redemption of unquoted investment	24	16,529,528	16,212,239
Net cash used in investing activities		883,745,433	(36,639,331)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		1,880,539,753	11,248,814,212
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34 (a)	16,230,036,846	4,981,222,634
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		18,110,576,599	16,230,036,846

The notes set out on pages 26 to 56 are an integral part of these financial statements

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Difference	Explanation
	2016/2017	2016/2017	2016/2017	2016/2017	2016/2017	2016/ 2017	Notes
INCOME	Kes	Kes	Kes	Kes	Kes	%	No.
National Scheme	33,250,634,165	-	33,250,634,165	29,858,615,338	(3,392,018,827)	-11%	35 (a)
Interest from Investment	714,376,455	665,424,045	1,379,800,500	1,721,921,042	342,120,542	20%	35 (b)
Rental Income	286,171,691	-	286,171,691	372,088,926	85,917,235	23%	35(c)
CS & DS Scheme	4,670,724,498	(714,696,486)	3,956,028,012	3,223,678,501	(732,349,511)	-23%	35 (d)
Free Maternity (Linda Mama)	-	2,250,000,000	2,250,000,000	400,000,000	(1,850,000,000)	-463%	35(e)
HISP (OVC)	-	189,625,106	189,625,106	962,530,000	772,904,894	80%	35(f)
County Medical Schemes	65,557,975	-	65,557,975	452,792,046	387,234,071	86%	35(g)
TOTAL INCOME	38,987,464,784	2,390,352,665	41,377,817,449	36,991,625,854	(4,386,191,595)	-12%	
RECURRENT EXPENDITURE							
(a) Personnel Emoluments	4,144,002,059	626,172,628	4,770,174,687	4,715,908,503	54,266,184	1%	
(b) Administration Expenses	2,450,090,515	(9,113,334)	2,440,977,181	2,432,556,334	8,420,847	0%	
(c)Tax Expense	104,850,806	-	104,850,806	219,870,013	(115,019,207)	-110%	35(h)
(d)Finance Cost	288,000,000	-	288,000,000	267,603,821	20,396,179	7%	
Total Admin. Expenses	6,986,943,380	617,059,294	7,604,002,674	7,635,938,671	(31,935,997)	0%	
Benefits Expenses							
National Scheme	26,619,247,329	-	26,619,247,329	21,963,838,108	4,655,409,221	17%	35(i)
CS & DS Scheme	4,570,724,498	(714,696,486)	3,856,028,012	3,870,329,634	(14,301,622)	0%	

FINANCIAL STATEMENTS (cont'd)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017 (cont'd)

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Percentage Difference	Explanation
	2016/2017	2016/2017	2016/2017	2016/2017	2016/2017	2016/ 2017	Notes
INCOME	Kes	Kes	Kes	Kes	Kes	%	No.
Free Maternity (Linda Mama)	-	2,250,000,000	2,250,000,000	28,172,808	2,221,827,192	99%	35(j)
HISP (OVC)	-	189,625,106	189,625,106	339,001,060	(149,375,954)	-79%	35(k)
County Medical Schemes	65,557,975	(2,000,000)	63,557,975	239,479,913	(175,921,938)	-277%	35(l)
Total Benefit Expenses	31,255,529,802	1,722,928,620	32,978,458,422	26,440,821,523	6,537,636,899	20%	
TOTAL RECURRENT EXPENSES	38,242,473,182	2,339,987,914	40,582,461,096	34,076,760,194	6,505,700,902	16%	
SURPLUS	744,991,602	50,364,751	795,356,353	2,914,865,660	(2,119,509,307)		

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NHIF is established by and derives its authority and accountability from NHIF Act. The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is receiving of contributions and paying of benefits to its members.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS), the PFM Act, the State Corporations Act and NHIF Act. The measurement basis used is the historical cost basis, as modified by carrying of certain items of property, plant and equipment, financial instruments, impaired assets at their estimated recoverable amounts.

The financial statements are presented in Kenya Shillings (Kes), which is also the functional currency.

The financial statements comprise the statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, and notes.

3. ADOPTION OF NEW AND REVISED STANDARDS

- i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard/Amendment to a standard	Effective date	Impact
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1st Jan 2017	The amendments clarify that: - Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. - The carrying amount of an asset does not limit the estimation of probable future taxable profits. - Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. The management have evaluated the impact of this new standard and interpretation and had no significant impact on the organization's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Standard/Amendment to a standard	Effective date	Impact
Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)	1st Jan 2017	The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): i. changes from financing cash flows; ii. changes arising from obtaining or losing control of subsidiaries or other businesses; iii. the effect of changes in foreign exchange rates; iv. changes in fair values; and v. other changes. The management have evaluated the impact of this new standard and interpretation and had no significant impact on the organization's financial statements. Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The management have evaluated the impact of this new standard and interpretation and had no significant impact on the organization's financial statements

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
FRS 15 Revenue from Contracts with Customers (issued in May 2014)	1 Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Standard	Effective Date	Impact
IFRS 9 Financial Instruments (issued in July 2014)	1 Jan 2018	This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition: • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. • For the impairment of financial assets, IFRS 9 introduces an "expected credit loss" model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The de-recognition provisions are carried over almost unchanged from IAS 39.
IFRS 16: Leases (issued in January 2016)	1 Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

The management do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

(iii) Early adoption

The organization did not early adopt any new standards and/or interpretation that are in issue but not yet effective.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Revenue Recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Fund and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Fund activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Fund activities as described below.

- i. Revenue is generally recognized in the income statement on accrual basis. Best estimates of what is receivable are included in the accounts.
- ii. Finance income comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iii. Rental income is recognised in the income statement as it accrues using the effective lease agreements.
- iv. Other income is recognised as it accrues.

b. Benefit Expenses (Claims)

These are payments on claims to health care providers and general claimants arising from hospitalization and any other goods or services incurred by the Fund for the direct benefit of the contributor in the approved and accredited health care providers. Health care providers report claims upon admission

by way of notification and upon discharge, the health care provider presents to the Fund the claims for payment. Claims are recognized as liabilities only after verification. The average length of stay in the health care providers is 5 days. Claims not received within 90 days from date of discharge are not admissible.

At the close of business on 30 June of the financial period, any valid claims not presented to the Fund are automatically accounted for in the subsequent financial period.

c. Property, Plant And Equipment

All categories of property, plant and equipment are initially measured at cost less accumulated depreciation and impairment losses.

d. Depreciation and Impairment of Property, Plant And Equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of on-going but incomplete works on buildings and other civil works and installations. Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life.

Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

e. Intangible Assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

f. Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount

g. Finance and Operating Leases

Leases which confer substantially all the risks and rewards of ownership to the Fund are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

h. Fixed Interest Investments (Bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at cost.

i. Unquoted Investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

j. Trade and Other Receivables

Trade and other receivables are recognised at fair

values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

k. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

l. Trade & Other Payables

These payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Fund or not, less any payments made to the suppliers.

m. Retirement Benefit Obligations

The Fund operates a defined contribution scheme for all full-time employees from July 1, 2001. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month

n. Budget information

The original budget for FY 2016-2017 was approved by the National Assembly on 8th of June 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations 1st March 2017 on the 2016-2017 budget following the governing body's approval.

The Fund's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under note 35 of these financial statements.

o. Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

p. Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

q. Taxation

The Fund is an appointed agent for Withholding tax and Value Added Tax. Tax payable for the current period and prior periods are measured at the amounts expected to be paid to the tax authorities and in accordance with the VAT Act and the income Tax act. Withholding tax expense relates to Interest on investment and is deducted from Surplus before taxation.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Fund based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Fund
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Provisions

Provisions for bad and doubtful debts were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 25 (a) .

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

6 CONTRIBUTIONS

	2017 Kes	2016 Kes
Standard Contribution	24,895,219,946	23,312,273,163
Self Employed Contributions	2,765,759,265	2,389,379,243
Late Contributions	2,007,082,353	2,618,765,703
Penalties	190,553,775	157,502,905
Total	29,858,615,338	28,477,921,015

This is recognised in accordance with the NHIF Act, through Standard Contributions and Self Employed contributions. Included in the self-employed contributions is Kes. 63,000, 000 premiums for the Older Persons and Person's with Severe disabilities sponsored by the Ministry of Health.

7 SURPLUS FROM CIVIL SERVANTS (CS & DS) SCHEME

Premiums	4,036,715,203	4,670,724,498
Expenses:		
Group life Expenses	811,049,228	1,146,247,218
Administrative Expenses	186,970,407	345,089,327
Outpatient Expenses	757,911,136	1,476,051,841
Inpatient Expenses	1,485,541,622	1,400,183,047
Benefits Package Expenses	438,680,485	-
Evacuation Services Expenses	190,176,757	297,644,160
Total Expenses	3,870,329,634	4,665,215,593
Deficit/Surplus for the Year	166,385,569	5,508,905

The Fund entered into a contract with the government to provide private medical insurance cover to civil servants and members of the disciplined services.

8 SURPLUS FROM HISP

Premiums	561,475,833	123,620,896
Expenses:		
Administrative Expenses	-	172,830
Outpatient Expenses	173,243,741	97,444,389
Inpatient Expenses	125,700,872	23,315,834
Benefits Package Expenses	40,056,447	-
Total Expenses	339,001,060	120,933,053
Surplus for the Year	222,474,774	2,687,844

The funds were awarded by the world bank through the Ministry of Health to the Fund to administer a Health Insurance Subsidy programme - OVCT which is aimed at providing comprehensive medical cover to a selected group of the most vulnerable (very poor) in some selected counties in the country.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017	2016
	Kes	Kes
9 SURPLUS FROM COUNTY PSC SCHEME		
Premiums	404,812,619	104,209,767
Expenses:		
Group Life Expenses	27,089,474	-
Outpatient Expenses	19,483,795	2,919,126
Inpatient Expenses	110,940,443	21,536,849
Benefits Package Expenses	68,478,172	-
Evacuation Services	13,488,028	-
Total Expenses	239,479,913	24,455,975
Surplus for the Year	165,332,706	79,753,793

The Fund entered into a contract with County Governments to provide private medical insurance cover to the staff of the counties.

10 PARASTATALS AND OTHER PRIVATE MEDICAL SCHEMES

Premiums	181,803,848	-
Expenses:		
Outpatient Expenses	1,717,430	-
Inpatient Expenses	60,756,832	-
Benefits Package Expenses	16,903,730	-
Evacuation Services	3,980,830	-
Total Expenses	83,358,823	-
Surplus for the Year	98,445,025	-

The Fund entered into contracts with parastatals to offer private medical insurance cover to the employees of the parastatals at a premium.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
11 FREE MATERNITY		
Premiums	28,172,808	-
Expenses:		
Caesarean Delivery Expenses	5,461,000	-
Normal Delivery Expenses	4,880,000	-
Administrative Expenses	17,831,808	-
Total Expenses	28,172,808	-

This is a managed scheme sponsored by the government of Kenya through the Ministry of Health.

12 OTHER INCOMES

Interest On Investments	1,720,595,185	1,261,395,606
Hospital Accreditation Fee	3,050,000	3,326,800
Interest from Disposal South B Estate	1,325,857	2,027,979
Rent From Properties	372,088,926	334,872,850
Recoveries out of Provision	-	-
Agency Commissions	1,916,664	1,843,057
Miscellaneous Receipts	1,082,295	1,158,032
Proceeds On Disposal	8,436,712	4,941,640
Total	2,108,495,639	1,609,565,963

Other incomes are those that accrue to the Fund from Short and long term Investments as well as services rendered to third parties.

13 BENEFIT EXPENSES

Outpatient Expenses	4,123,176,764	1,529,850,818
Inpatient Expenses	10,265,925,804	8,718,936,268
Benefits Package Expenses	7,459,235,540	-
Evacuation Services	115,500,000	-
Total	21,963,838,108	10,248,787,085

These are medical benefits paid out to health care facilities for providing medical services to members of the national scheme and Older Persons and Persons with Severe Disabilities.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
14 STAFF COSTS		
Basic Salary	2,343,899,527	2,534,820,874
Gratuity / Pension Contributions	295,776,096	326,649,803
N.S.S.F - Employer Contributions	4,192,800	4,107,400
Other Allowances	948,122,143	920,817,251
Termination Benefits- VER/VSI	1,123,917,936	
Total	4,715,908,503	3,786,395,327

NUMBER OF STAFF

	2017	2016
Permanent - Management	589	460
Permanent - Unionisable	1,175	1,244
TOTAL	1,764	1,704

15 BOARD EXPENSES

Sitting Allowance	8,071,000	3,620,000
Seminars And Conferences	4,520,868	1,142,672
Accommodation	1,741,910	799,002
Honoraria	640,000	880,000
Mileage And Per Diem	8,540,722	4,553,081
Lunch All. & Refreshments	1,407,512	887,438
Travel - Local	2,438,505	1,594,460
Total	27,360,517	13,476,653

These are medical benefits paid out to health care facilities for providing outpatient and inpatient services to members of the national scheme. The inpatient expenses include payment for chronic illnesses cover by the Fund.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

16 OTHER OPERATING EXPENSES

	2017 Kes	2016 Kes
Group Personal Accident/Group	35,643,454	36,978,710
Medical Expenses /Ex-Gratia (Inpatient)	193,069,590	124,578,842
Subscriptions & Contributions	34,678,458	27,998,785
Audit Expenses	4,016,800	3,886,000
Legal Expenses	78,243,351	14,058,714
Security Expenses	59,528,924	57,928,716
Transport Operating Exp.	177,007,366	146,094,810
Transport Allowance	1,134,379	484,542
Travel & Accommodation	308,658,209	191,738,818
Postage	15,128,587	12,606,864
Telephone Expenses	80,978,988	74,694,838
Official Entertainment	32,416,550	31,946,278
Electricity, Water & Conservancy	14,355,701	14,614,239
Uniforms & Clothing	5,702,492	4,047,020
Newspapers/ Periodicals/ Books	6,769,948	8,607,530
Printing & Stationery-General	69,781,845	46,723,424
Advertising & Publicity	558,666,420	377,118,453
Security Printing	69,752,954	34,009,825
Show Expenses	10,603,029	9,706,511
Cleaning Materials & Services	32,759,659	27,766,294
Computer Stationary & Material	19,347,983	21,742,166
Rent & Rates	158,532,506	130,269,852
Insurances and Licenses	43,187,934	35,131,523
Staff Welfare	35,267,264	29,825,281
Training Expenses	192,518,433	114,552,035
Bad Debts Write Off	27,465,038	-
Maintenance of Office Equipment	80,393,842	102,599,740
Maintenance of Computer	87,051,152	95,118,866
Total	2,432,660,856	1,774,828,675

NATIONAL HOSPITAL INSURANCE FUND

Reports and Financial Statements

For the year ended June 2017

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17 PROPERTY, PLANT AND EQUIPMENT

2016/2017 FY	Land	Buildings	Motor Vehicles, including motor cycles	Computers & related equipment	Office equipment, furniture & fittings	EHIMS (BIOMETRIC)	Capital work in progress	Total
	Kes	Kes	Kes	Kes	Kes	Kes	Kes	Kes
COST								
At July 1, 2016	298,589,665	9,583,454,453	343,746,257	2,139,144,395	2,203,758,167	-	1,634,578,339	16,203,271,276
Additions	-	16,610,992	47,976,200	403,852,201	127,483,102	253,086,241	-	849,008,736
Transfers	-	151,967,543	-	(784,404,000)	37,923,313	784,404,000	(189,890,856)	0
As at 30th June, 2017	298,589,665	9,752,032,988	391,722,457	1,758,592,596	2,369,164,582	1,037,490,241	1,444,687,484	17,052,280,013
DEPRECIATION								
At July 1, 2016	-	1,384,185,381	251,576,805	928,775,980	797,213,409	-	-	3,361,751,576
Charge for the year	-	136,131,817	22,734,542	120,871,859	45,795,346	261,206,532	-	586,740,096
Eliminated on disposal/transfer	-	-	-	(222,122,655)	-	222,122,655	-	-
As at 30th June, 2017	-	(1,520,317,198)	(274,311,348)	(827,525,184)	(843,008,755)	(483,329,187)	-	(3,948,491,672)
NBV as at June 30, 2017	298,589,665	8,231,715,790	117,411,108	931,067,412	1,526,155,827	554,161,054	1,444,687,484	13,103,788,341

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

17(a) PROPERTY, PLANT AND EQUIPMENT (Kes) (Continued)

2015/2016 FY	Land	Buildings	Motor Vehicles, including Motor cycles	Computers & Related Equipment	Office equipment, furniture & fittings	Capital work in progress	Total
COST							
At July 1, 2015	298,589,665	9,583,454,453	244,238,717	1,231,612,294	2,096,090,566	1,580,020,206	15,034,005,901
Additions	-	-	99,507,540	907,532,102	107,667,601	54,558,133	1,169,265,375
As at June 30, 2016	298,589,665	9,583,454,453	343,746,257	2,139,144,395	2,203,758,167	1,634,578,339	16,203,271,276
DEPRECIATION							
At July 1, 2015	-	1,248,053,563	235,828,979	561,627,020	748,914,355	-	2,794,423,918
Charge for the year	-	136,131,817	15,747,826	367,148,960	48,299,054	-	567,327,657
As at June 30, 2016	-	(1,384,185,381)	(251,576,805)	(928,775,980)	(797,213,409)	-	(3,361,751,576)
NBV as at 30/06/2016	298,589,665	8,199,269,072	92,169,451	1,210,368,415	1,406,544,758	1,634,578,339	12,841,519,701

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
18 INTANGIBLE ASSETS		
COST		
As at 1st July	119,503,222	119,503,222
Additions	22,809,828	-
Disposals	-	-
As at June 30	142,313,050	119,503,222
Amortization		
As at 1st July	119,503,222	116,023,222
Charge for the year	6,969,670	3,480,000
As at June 30	(126,472,892)	(119,503,222)
NBV as at June 30	15,840,158	0

19 FINANCE EXPENSES

Bank Charges	10,750,654	8,931,774
Commissions	256,853,167	228,946,051
TOTAL	267,603,821	237,877,825

20 TAX EXPENSES

With Holding Tax Expense	219,870,013	186,700,312
Vat Expense - Property A/C	47,207,381	46,131,448
Total	267,077,394	232,831,759

21 RECEIVABLE - SOUTH B ESTATE MORTGAGE

Opening Balance as at 1st July	29,564,106	37,930,332
Less Payments Received in the Year	(12,738,114)	(8,366,227)
Balance Receivable as at June 30	16,825,992	29,564,106

The fund sold houses in South B estate to staff members through mortgage at a rate of 6%. The recovery for the year and balance as at 30 June 2017 is shown above.

22 FIXED INTEREST INVESTMENTS (BONDS)

In Central Bank of Kenya 12.5% 12-Year Infrastructure Bond	34,200,000	34,200,000
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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
23 LONG TERM DEPOSITS		
NBK (Car Loan)	55,771,424	54,831,982
Savings & Loan	678,653,831	675,531,875
Total	734,425,255	730,363,857

The Fund has held deposits in NBK and KCB as guarantee for staff Car Loan and Mortgages respectively issued at negotiated interest rate to the Fund's employees.

24 UNQUOTED INVESTMENTS

Consolidated Bank Shares	54,200,000	54,200,000
MTRH Loan	15,307,912	31,837,440
Total	69,507,912	86,037,440

MTRH Loan refers to a loan advanced by the Fund to the Moi Teaching and Referral Hospital (MTRH) earning an interest of two and half percentage (2.5%) per annum. The interest is recognised among interest on investments under other incomes.

25 TRADE AND OTHER RECEIVABLES

Civil Servants Receivables	2,068,827,110	1,255,790,408
Electricity Deposit	1,332,384	1,322,384
Fuel Deposit	150,000	150,000
Hospital Surcharges	-	5,722,635
Interest Receivable	120,057,864	280,887,382
Letter Of Credit	6,500,000	5,004,000
Outstanding Contributions	2,852,859,226	2,252,090,039
R/D Cheques	11,517,676	18,825,644
Rent Deposit	26,954,611	21,205,644
Rent Receivable	161,343,123	165,767,227
Revenue Holding A/C	-	12,187,821
Staff Medical Scheme Deposit A	3,900,000	3,900,000
Staff Receivables	3,794,312	9,333,533
Sundry Prepayments	1,987,285	35,542,500
Supplier Advances	-	4,660,314
Telephone Deposits	253,804	253,804
Temporary Imprest	57,922,060	34,257,747
Less: Provision for Doubtful Receivables (Note 25(a))	-	(180,587,538)
Total	5,317,399,455	3,926,313,543

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

25 (a) PROVISIONS FOR DOUBTFUL DEBTS

	2017 Kes	2016 Kes
Provision for other Doubtful Receivables	-	7,537,029
Provision for un-surrendered Imprest	-	1,055,254
Provision for Revenue Lost	-	12,187,821
Provision for Outstanding Contributions	-	159,807,434
Total	-	180,587,538

The board of management resolved to write off all the bad debts that had been outstanding for a long period of time that had been provided for since they were unrecoverable.

26 SHORT TERM INVESTMENTS

NBK Call Deposits	1,100,000,000	700,000,000
KCB Call Deposit	3,274,113,329	5,212,768,478
Co-op Call Deposit	2,913,000,000	3,873,000,000
CBK Treasury Bills	5,240,000,000	2,590,000,000
Equity Bank Fixed Deposit A/C	4,352,000,000	2,900,000,000
Total	16,879,113,329	15,275,768,478

The call deposits and Treasury Bills in the stated banks are held for periods less than six months and one year respectively. All the non performing investments were written off by the board of management since they had been outstanding for a long period of time and they were unrecoverable.

27 BANK AND CASH BALANCES

Cash in Hand	598,545	847,882
Cash at Bank	1,230,864,726	952,203,506
Cash in Transit	-	1,216,979
Total	1,231,463,271	954,268,368

The call deposits and Treasury Bills in the stated banks are held for periods less than six months and one year respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

28 ACCUMULATED FUND

These are capital funds held by the Fund and represented by the Fund's various accumulated fixed assets. The accumulated fund was Kshs. 12,209,923,340 as at 30 June 2017.

29 RETAINED EARNINGS

The Fund made a surplus after tax of Kes. 2,351,590,088 in the current financial year compared to Kes. 13,310,432,536 in 2015/16. The drop in the surplus is attributed to the full implementation of the enhanced benefit packages dubbed special benefit packages introduced in the year to meet member's needs. This amount goes to the surplus fund which is fully utilised for the benefit of the members. Surplus Fund at the end of the financial year 2016/17 stood at Kes. 22,398,967,115.

	2017 Kes	2016 Kes
30 TRADE PAYABLES (Claims)		
Claims Payable	290,774,877	315,317,222

31 OTHER TRADE PAYABLES

Accruals	1,202,885	402,885
Agency General Payment (Staff Payables)	65,522	60,522
Agency: Group Personal Life/ Ac	32,141,023	12,631,499
Civil Servants Group Life Scheme	-	30,498,503
Legal Fees NHIF Tenants	157,000	157,000
Pension Payable	374,618	288,351
Rent Deposits	22,480,499	22,480,499
Retention Money	7,590,244	6,399,100
Rockefeller Foundation Grant	12,415	12,415
Salary Clearance Accounts	11,021,266	6,036,822
Tender Refundable Deposits	1,265,000	1,065,000
Trade Creditors	105,780,633	258,069,109
Value Added Tax (Agency A/C)	22,227,243	15,032,866
Value Added Tax on Property	427,842	1,123,121
W.H.T Payable - Creditors	10,621,543	6,437,018
HISP	401,054,167	-
OPPSD	189,000,000	-
County PSC Scheme unearned income	63,600,044	15,620,616
Para, Univ. & other schemes unearned income	109,798,319	-
Free Maternity	371,827,192	-
Total	1,350,647,455	376,315,326

32 WITHHOLDING TAX PAYABLE

W. H. Tax Payable - Investments	35,892,345	99,754,534
W. H. Tax on Rent	4,150,443	-
Total	40,042,787	99,754,534

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

	2017 Kes	2016 Kes
33 PROVISION FOR LIABILITIES		
Provision for Civil Servants Scheme	294,822,579	324,382,044
Provision for External Audit Fees	4,966,000	4,966,000
Provision for Open Heart Surgery	307,791,943	500,000,000
Provision for VER/VERSI	504,627,617	-
Total	1,112,208,138	829,348,044

Provision of Kes. 294,822,579 for Civil Servants Scheme was created as per IAS 37 to cater for pending fee for service claims, capitation payments relating to the scheme for various hospitals including Clinix and Meridian hospitals. Provision of Kes. 308 Million is to cater for sponsorship for Open heart surgery program. The Fund made a provision of Kes 505 Million for Voluntary Early Retirement and Voluntary Separation Incentive in the year under review.

34 NOTES TO THE STATEMENT OF CASH FLOWS

a) Reconciliation of Operating Surplus to Cash Generated from Operations

	2017 Kes	2016 Kes
Operating Surplus	2,618,667,482	13,543,264,295
Depreciation	586,740,096	567,327,657
Amortization	6,969,670	3,480,000
Gain On Disposal Of Property, Plant & Equipment	(8,436,712)	(4,941,640)
Interest From Investments	(1,721,921,042)	(1,263,423,585)
Operating Surplus before Working Capital Changes	1,482,019,493	12,845,706,728
Working Capital Changes		
Increase in Trade and Other Receivables	(1,391,085,912)	(1,672,987,467)
Decrease in Claims Payables	(24,542,345)	(201,916,653)
Increase/(Decrease) in Other Trade Payables	974,332,130	(44,886,907)
(Decrease)/ Increase in Tax Payable	(59,711,746)	89,563,601
Increase in Provisions for Contingent liabilities	282,860,094	502,806,000
	(218,147,779)	(1,327,421,427)
Cash Generated From Operations	1,263,871,714	11,518,285,301

b) Analysis of cash and cash equivalents

Short term deposits	16,879,113,329	15,275,768,478
Cash at bank	1,230,864,726	952,203,506
Cash in hand	598,545	847,882
Cash in Transit	-	1,216,979
Balance at end of the year	18,110,576,600	16,230,036,846

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

35 NOTES EXPLAINING VARIANCE BETWEEN ACTUAL EXPENDITURE AND BUDGET

Income:

- a. National scheme contributions fell 11% below the budgeted amounts because of low business experienced in the country due to the experienced drought and the electioneering period.
- b. Interest on investment achieved 20% above budgeted amounts because our call deposits increased thus increasing interest earned due to the slow uptake of the outpatient scheme as well as the benefit packages at the beginning of the financial period under review.
- c. Rental income exceeded the budget by 23%. This is attributable to the high tenancy occupancy of the rental properties of the Fund.
- d. The Civil Servants and Disciplined Services Medical Scheme fell below the target by 23% because of underpayment of the premium amounts by the GoK
- e. The government of Kenya pledged to pay for Free Maternity as explained in the Vision 2030 Flagship programmes. The implementation of the programme delayed due to logistical challenges.
- f. HISP had a scale up of the beneficiaries from the budget amounts thus surpassing budget by 80%
- g. More Counties than projected signed up for the private medical scheme thus surpassing budget by 86%

Recurrent Expenditure:

- h. Tax expense exceeded budget by 110% because of the increase in withholding tax on investment due to the increase on investments in the year.

Benefits Expenses

- i. Benefits paid for National scheme fell below the budgeted amounts by 17%. This is because members did not select their outpatient facilities as were required thus the outpatient benefits fell below the budget amounts.
- j. Benefits paid for Free Maternity fell way below the budgeted amounts because of the delayed implementation of the programme.
- k. Benefits paid for HISP exceeded the budget because of the scale up of the membership of the programme.
- l. The number of counties who signed up for the private medical scheme surpassed the budget due to the enhanced benefit packages.

Statement of Reconciliation of Actual Amounts on a Comparable Basis included in the Statement of Comparison of Budget and Actual Amounts as Per Statement of Financial Performance:

- i. Interest on investment in the statement of comparison of budget and actual amounts includes interest from South B Estate of Kes 1,325,857
- ii. Premium from County PSC in the statement of comparison of budget and actual amounts includes differed income of Khs. 63,600,044
- iii. Tax Expense in the statement of comparison of budget and actual amounts includes VAT on property of Kes 47,207,381

36 CONTINGENT LIABILITIES

	2017	2016
	Kes	Kes
Bank guarantees	6,500,000	5,004,000
Legal claims against the Fund	-	-
Total	6,500,000	5,004,000

The bank guarantees relates to the Fund's motor vehicles' fuel, service and general repairs held with Vivo energy, Total Kenya and Toyota Kenya.

The Fund has a civil suit filed by Meridian Medical Centre in the High Court of Kenya, Milimani Commercial Courts (Civil suit No.345 of 2013).The Plaintiff filed the claim to be paid for services offered to Civil Servants and Disciplined Force Medical Pilot project. As the amount to be awarded by the courts cannot be determined, this contingent liability is hereby disclosed by the way of note as per IAS 37.

Consultants commissioned to carry out a feasibility study on the development on the parcel of land at Karen Area, Nairobi, have raised claims for services rendered. The extent of liability to the Fund shall be known once the necessary approvals are received. This contingent liability is hereby disclosed by the way of note as per IAS 37.

37. CAPITAL COMMITMENTS

There were no capital commitments in the year.

38. FINANCIAL RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks, and effects of

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

changes in foreign currency. The Fund's 's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to clients with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a. Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from default. The Fund's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by setting counterparty limits that are reviewed and approved by management at regular interval.

Trade receivables consist of a large number of clients, spread across diverse geographical areas. On an ongoing basis, a credit evaluation is performed on the financial condition of the clients.

The credit risk on bank balances and short term deposits is limited because the counterparties are banks with high credit ratings assigned by the banking regulatory authority. The carrying amount of financial assets recorded in the financial statements that represents the Fund's maximum exposure to credit risk obtained is as follows:

	Total Amount	Fully performing	Past due	Impaired
	Kes	Kes	Kes	Kes
30-Jun-17				
Due from related parties	2,068,827,110	2,068,827,110	-	-
Trade receivables	3,248,572,345	-	3,248,572,345	0
Bank balances	1,230,864,726	1,230,864,726	-	-
Total	6,548,264,181	3,299,691,836	3,248,572,345	0
30-Jun-16				
Due from related parties	1,255,790,408	1,255,790,408	-	-
Trade receivables	2,851,110,673	-	2,670,523,136	180,587,538
Bank balances	952,203,506	952,203,506	-	-
Total	5,059,104,586	2,207,993,913	2,670,523,136	180,587,538

As at the end of the reporting period, no collateral was being held as a means of mitigating the risk of financial loss from default.

The clients under the fully performing category are paying their debts as they continue benefiting. The default rate is low. Part of the debt that is past due is not impaired and continues to be paid. The finance department is actively following up this debt. The debt that is impaired has been fully provided for. However, the finance department is pursuing various measures to recover the impaired debt.

b. Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Board of Management, which has developed and put in place an appropriate

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

liquidity risk management framework for the management of the Fund's short, medium and long-term funding and liquidity management requirements. The Fund manages liquidity risk by maintaining adequate reserves, banking facilities and continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Fund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

At 30th June	2017	2016
	Kes	Kes
Trade payables	290,774,877	315,317,222
Tax Payable	40,042,787	99,754,534
Other Trade Payables	215,367,734	360,694,709
Provisions	1,112,208,138	829,348,044
Deferred Income	1,135,279,721	15,620,616
Total	2,793,673,258	1,620,735,125

c. Market Risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the organisation on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the organisation's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Internal Audit Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the Fund's exposure to

market risks or the manner in which it manages and measures the risk.

i. Interest rate risk

Interest rate risk is the risk that the organisation's financial condition may be adversely affected as a result of changes in interest rate levels. The organisation's interest rate risk arises from bank deposits. This exposes the organization to cash flow interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the organization's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kes 190.5 million (2016: Kes 162.3 million). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kes 952.5 million (2017: Kes 811.4 million)

ii. Foreign exchange risk

The Board does not undertake transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations do not arise.

iii. Price risk

The company does not hold investments that would

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

be subject to price risk hence the risk is not relevant

8 respectively.

39. CAPITAL RISK MANAGEMENT

The Fund manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimization of the debt and equity balances.

The capital structure of the Fund comprises the following funds:

	2017	2016
	Kes	Kes
Revaluation reserve	-	-
Retained earnings	22,398,967,115	20,047,377,027
Capital reserve	12,209,923,340	12,209,923,340
Total Funds	34,608,890,455	32,257,300,367
Total borrowings	-	-
Less: cash and bank balances	1,231,463,271	954,268,368
Net debt/(excess cash and cash equivalents)	1,231,463,271	954,268,368
Gearing	-96%	-97%

40. RELATED PARTY DISCLOSURES

a. Nature of related party relationships

Companies and other parties related to the company include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The Fund is related to:

- Government of Kenya
- Board of Management
- Key management

b. Related party transactions

The GoK has provided full guarantees to all long-term lenders of the Fund, both domestic and external. GoK finances the OP&PwSD, Civil Servants Scheme (CS&DS), Free Maternity (Linda Mama) and HISP. The transactions have been shown under notes 6,7,11 &

c. Key Management remuneration

	2017	2016
	Kes	Kes
Board of Management	27,360,517	13,476,653
Key Management	45,942,180	48,499,800

Members of the board of management have been shown on page 5 while key management are on page 6 & 7.

41. FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

The total future minimum lease payments due to third parties under

Non-cancellable operating leases are as follows:

	2017	2016
	Kes	Kes
Payable within one year	65,301,993	65,134,926
Payable after one year but not later than 5 years	167,012,927	195,404,777.25
Total	232,314,920	260,539,703

42. INCORPORATION

The Fund was established by the Act of Parliament No. 9 of 1998.

43. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

44. CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	The car park was completed in July 2008 at a total cost of Kshs.3,342,120,239, a further amount of Kshs.626,635,998 and Kshs.4,706,521 was incurred in 2009/2010 and 2010/2011 respectively on the Park increasing its total expenditure to Kshs.3,973,462,758 as at 30 June 2011 or resulting to an increase of approximately 337% over and above the original contract of Kshs.909,709,305. The escalation of costs of the car park by 337% over and above the original cost has not been justified.	This matter was presented to the 21st PIC committee where it recommended that the issues that have been satisfactorily resolved or comprehensively addressed by the committee should be excluded from the subsequent Reports of the Auditor General.		Resolved	
2.1	Included in the property, plant and equipment balance of Kshs.12,841,519,701 in the statement of financial position as at 30 June 2016 is land valued at Kshs.298,589,665 which includes an amount of Kshs.93,712,675 for Land Ref. No. LR 24968/2 measuring 10 hectares situated at Karen whose ownership is in dispute and the matter is in court.	The title of the land is registered in the name of the Board of management of NHIF and we are in ownership of the title. This matter was presented to the 21st PIC committee where it recommended that the issues that have been satisfactorily resolved or comprehensively addressed by the committee should be excluded from the subsequent Reports of the Auditor General.		Resolved	
2.2	Work in Progress balance of Kshs.1, 634,578, 339 out of which Kshs.1, 444,687,484 was in respect of payments for drawings and designs for the proposed Resource Centre whose construction has not yet commenced since the land was acquired fourteen years ago.				
3.	Included in the cash and cash equivalents balance of Kshs.16, 230,036,846 in the statement of financial position as at 30 June 2016 is short term investments balance of Kshs. 15,275,768,478 which is net of provision for impaired investments of Kshs.1, 304,410,609 and includes an amount of Ksh.49.5 million which was off-set by the Bank against a guarantee executed by the former Fund Chief Executive Officer, on behalf of Euro Bank Ltd. There has been no explanation provided for failing to recover the Kshs, 49.5million lost from the then Chief Executive Officer	This matter was presented to the 21st PIC Committee where it recommended that the query should be excluded from subsequent Reports of the Auditor General, provided that the management makes full disclosure of this unresolved matter in its financial statements as required by the International Accounting Standard no. 37. The Fund has made Provisions in the financial statements for the bad and doubtful debt in the Financial statements as per IAS 37.		Resolved	

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS (cont'd)

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.	The trade and other receivables balance of Kshs. 3,926,313,543 in the statement of financial position as at 30 June 2016 includes Hospital receivables of Kshs. 5,722,635, outstanding contributions of Kshs. 1,247,669,690, R.D cheques of Kshs. 1,150,561, staff receivables of Kshs. 2,104,123, supplier advances of Kshs. 4,660,314 and revenue holding account of Kshs. 11,934,574 all totaling Kshs. 1,273,241,897. Only provisions for bad and doubtful debts of Kshs. 180,587,538 had been made in the accounts. Although the management has indicated that efforts are underway to pursue the debts, the seriousness on the management on this issue is doubtful as the matter has been long outstanding as indicated in the previous reports. Further, the Public Investment Committee recommendation in the 19th report that the Chief Executive Officer puts in place financial control and debts collection immediately they fall due did not address the issue raised on the long outstanding debts.	This matter was presented to the 21st PIC Committee where it that the Fund ensures that, the gains made in improving revenue collection and sealing revenue leakages, are sustained. The Fund has put in place cashless revenue collection mechanisms to curb stealing by staff. This has been achieved through banking revenues directly at contracted banks by the contributors; introduction of online revenue collection; use of mobile money transfers and collection by contracted agents. The Fund makes Provisions in the financial statements for any bad and doubtful debts as per IAS 37. The Fund has made efforts to recover the long outstanding debts and recovered what was recoverable. The unrecoverable debt was written off as provided for in the Fund's debt management policy. All the long outstanding unrecoverable debts have been written off in the books of accounts as bad debts		Resolved	



CHIEF EXECUTIVE OFFICER

Date.....29/9/2017.....



VICE CHAIRMAN

Date.....29/9/2017.....

APPENDIX 2: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Where Recorded/recognized		Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Total Transfers during the Year
	Date received as per bank statement	Nature: Recurrent/ Development/ Others					
Ministry of Public Service, Youth and Gender	15/09/2016	Direct Payment	805,917,000	-	-	813,047,202	3,223,668,001
	14/10/2016		805,917,000	-	-		
	16/12/2016		1,611,834,001	-	-		
Ministry of Health - OPPSD	20/06/2017	Direct Payment	252,000,000	-	-	-	252,000,000
Ministry of Health - HISP	21/12/2016	Donor Fund	481,265,000	-	401,054,167	-	962,530,000
	04/03/2017		481,265,000	-		-	
Ministry of Health - Free Maternity	21/04/2017	Direct Payment	400,000,000	-	371,827,192	-	400,000,000
Total			4,838,198,001	4,626,363,845	772,881,358	813,047,202	4,838,198,001

NHIF COUNTRYWIDE BRANCH NETWORK

Note: NHIF offices are spread across the country as indicated. Services can also be accessed at the huduma centres

REGION	COUNTY	OFFICES	NAME OF BUILDING FL/ROAD	BOX NUMBER	TELEPHONE
SOUTHERN	MOMBASA	MOMBASA	Jubilee Building	84101, Mombasa	(041)-224360/ 2227463/ 0771109099
	KWALE	UKUNDA	Ali MbarakBldg, Gd floor, Beach road	1665-80400 Ukunda	(040)3202904/ (041)201105
	KILIFI	KILIFI	Equity Building 1st floor, Kwa CharoWamae Road	1310-80108 Kilifi	(041)- 2011024/ 2588864
		MARIAKANI	NHIF Office Next to Total Service Station	449 Mariakani	020-2476668
		MALINDI	Barani Plaza 1st floor, South Wing Jomo Kenyatta Road	1423, Malindi	(042)31269/31270/ 2011053/ 07753960092/ 041-2008951
		MTWAPA	Shella Properties Ltd	1423 Malindi	020-2588865
	TANA RIVER	HOLA	Rayaan Complex, Hospital Rd	1423 Malindi	020-8032490/
	LAMU	LAMU	ZawadiHse (Sea front Rd)	358-80500 Lamu	041-2011052
	TAITATAVETA	VOI	Mughonyi Plaza, 1stFl,	471-80300 Voi	(043)2030052/ 2030547/ (020)2437484
		TAVETA	Taveta Sub County Hospital	31 Taveta	721820409
	KITUI	KITUI	ZeinBd, 1st Fl. Kilugya Street	1466 Kitui	(044)2022919/ 2022920
		MWINGI	OsavinyaBd, 1st floor	1466 Kitui	(020)2323071
		MUTOMO	Mutomo Hospital	1466 Kitui	(020)2323072
	MAKUENI	MAKUENI	Double K Plaza (Punda Rd)		0774261541/ (020)2360350/ 0776090260
		MAKINDU	Siesta Guest House, 1st floor	211 Makindu	(020)2413220/ 0720248356/ 0774261550
NORTHERN		KIBWEZI	Mohammed Omar Building (Kibwezi Rd)		775869174
	GARISSA	GARISSA	Northern Site Bd, Sankuri Road	107-70100 Garissa	(046)2102020/ 2102049 (020)2524608
	WAJIR	WAJIR	Nasib House Hospital Road	239-70200 Wajir	775471262
	MANDERA	MANDERA	Haji Mohamed Ibrahim Bd	525-70300 Mandera	775216080
	MARSABIT	MARSABIT	DadachaHse	378 Marsabit	057-2513758
		MOYALE	Sharif Guest Hs opposite Moyale Police station	278 Moyale	061-2308632
	ISIOLO	ISIOLO	Ibada Plaza, 2ndFlr	476 Isiolo	061-2303451
	MERU	MERU	NHIF Building, Tom Mboya Street	2193, Meru	(064)3130137/ 3130629/ (061)2311052
		MAUA	Maua Methodist Hospital	437 Maua	020-8001920
	THARAKA NITHI	CHUKA	Mombasa Hse near Equity Bank	414 Chuka	(061)230350/ 0771263765
	EMBU	EMBU	Eastern Emporium, 1st floor, Kenyatta highway	1315- 60100 Embu	(068) 2230062/ 2230546/ (061)2311053/ 0776241476

NHIF COUNTRYWIDE BRANCH NETWORK (cont'd)

Note: NHIF offices are spread across the country as indicated. Services can also be accessed at the huduma centres

REGION	COUNTY	OFFICES	NAME OF BUILDING FL/ROAD	BOX NUMBER	TELEPHONE
	MACHAKOS	MACHAKOS	KCB 3rdFl, Syokimau Rd	2017-90100 Machakos	(044)2021043/ 2021686 (057)2508256
		MATUU	Bidii Textile bldg.Gatangird	2017 -90100 Machakos	773985933
		KANGUNDO	Homeland Plaza Tara-Kangundo Rd	2017-90100 Machakos	771237651
		MWALA/ MASII	Peter MuleiBldgMasii -Tawa Rd	2017-90100 Machakos	771648758
CENTRAL	NYANDARUA	OL'KALOU	Business Park Bldg, 1stflr,	602-20303 Ol'Kalou	020-2611187/ 0771290087
	NYERI	NYERI	Lwale place, 1st floor, Kimanthi Way, Field Marshall Mutungird	658-10100, Nyeri	(061)-2032899/ 2030957/0774757483
		OTHAYA	Nyeri Coop Union Hse, Grd Floor, Othaya -Mukurwe-ini Rd	670-10106 Othaya	(020)- 2665055
	KIRINYAGA	KERUGOYA	Machere Building 1st Floor	510 -10300 Kerugoya	(077)1067992
		MWEA	Digital Complex (Makutano/ Mwea Rd)	32 -10303 Wanguru	(020)2465272
	MURANG'A	MURANGA	Arahuka Building 2nd floor, Kenyatta Highway	534 -10200 Muranga	(061)- 2307610
	KIAMBU	KIAMBU	Mapa House, lower Grd, Biashara Street	254, Kiambu	(066) 2022137/ (020) 8055793/ 2022057
		LIMURU	Njegi Plaza 3rdFl, Market Street	1250 Limuru	(020)3545484 (066)2501262
		THIKA	Nellion Centre, Kenyatta road	P/Bag, Thika	(067)-2222271/ 2231446, 020- 2039910
		RUIRU	Central Plaza, 2ndflrRuiru- Githunguri Rd	1944-00232, Ruiru	020-2385345
	LAIKIPIA	NANYUKI	Cider mall 2nd floor	673-10400 Nanyuki	(020)2198401/ (062)31400/01, 0774608427
		NYAHURURU	Nyahururu Post Office bldg	2237-20300	(020)- 2620705/ 051-8007099
RIFT VALLEY	TURKANA	LODWAR	Africana Bldng	471-30500 Lodwar	(054)2221011 0770914918
	TRANS NZOIA	KITALE	Mega Center Mall 1st Floor	921-30200 Kitale	(054)31841/879/ 077449260
	UASIN GISHU	ELDORET	KVDA Plaza, Grd floor	3091 Eldoret	(053)2030749/ 2061400/0774530762
		MTRH	Moi Referral Hospsital	3091 Eldoret	(020)2148635/ 2688748/053-203347
		ITEN	Baraka Plaza	370 Iten	0773 781 133
		KAPSOWAR	Soin Building		(020)2148635/ (020)2646746/ (053)5252320/ 8013360
	NANDI	KAPSABET	Kapsabet Post Office Bldg (Alfred Bungei Rd)	120 Kapsabet	
		NANDI HILLS	Nandi Hills Plaza	302 Nandi Hills	(053)8001686/ 5252320/0776401995

NHIF COUNTRYWIDE BRANCH NETWORK (cont'd)

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REGION	COUNTY	OFFICES	NAME OF BUILDING FL/ROAD	BOX NUMBER	TELEPHONE
	BARINGO	KABARNET	Mart Properties Ltd	310-30400 Kabarnet	(053)8000312/21844
		ELDAMA RAVINE	KCB Bd 2ndFl, Mercy Hosp. Road	1048-20103 Eldama Ravine	(051)752122
	NAKURU	NAKURU	AFC Bldg, 1stFl, Kijabe Rd	155-20100 Nakuru	(051)2211118/2213278/8007494/077939907
			AIC Church Building, Ground flr	277 Olenguruone	051-8009892/0713117214
		MOLO	Cooperative Bank Building, 1st floor	60 Molo	770380263
		NAIVASHA	Jubilee Mall, 2nd floor	1981 Naivasha	(050)2020818/2021489
		GILGIL	Barclays Bank Building	1981 Naivasha	0722454284/0733345309
	NAROK	NAROK	Maa Towers 1st floor, Nairobi - Bomet Road	918 Narok	0773881838/0775513014
		KILGORIS	Kilgoris Business Centre	149 Kilgoris	0770 585 078
	KERICHO	KERICHO	Koinee Plaza 2nd floor temple Rd	1948 Kericho	(052)2020518/2020618/ (051)8007097
	BOMET	SOTIK	Bureti Tea Growers Sacco Bldg	321, Sotik	/0770348695/700
		BOMET	Aggie Plaza	538 -20400 Bomet	020-2531445
WESTERN	KAKAMEGA	KAKAMEGA	Mega Mall, 2nd floor	280-50100 Kakamega	(020) 2351271
		MUMIAS	Bemak House, 2nd floor off Nabongo Road	967-50102 Mumias	(056) 641484 / (056)641005
	VIHIGA	VIHIGA	Cherry House, Ground floor	1449 Maragoli	(020)2063909
	BUNGOMA	BUNGOMA	Daimah Plaza (Bungoma-Kanduyi Rd)	627-50200, Bungoma	(057)2504425
		WEBUYE	BettylyneBd, GdFl, WebuyeBungoma Road	627 - 50200, Bungoma	(020)2139955
	BUSIA	BUSIA	Ingonyera House, 2nd floor, Kisumu - Busia Road	746 Busia (K)	(055) 2222024
	SIAYA	SIAYA	Siaya Plaza 1st floor, Court Road	268-40600 Siaya	(057)- 2524078/5321300
	KISUMU	KISUMU	Re-insurance Plaza, Grd Floor, OgingaOdinga street	231-40100 Kisumu	(057)2020638/2020028/2500640
	HOMABAY	HOMABAY	Coldsprings Bldg	47 Homabay	775369644
		OYUGIS	1st Floor,Olando Plaza grdfir	74-40222 Oyugis	(020)2018067/0705813796
		MBITA	Mbita Dist. Hosp, Adm. Block	50 Mbita	722235144/0722482496
	MIGORI	MIGORI	Amicus Plaza 2nd floor	1183-40400 Migori	(059)20174/20927/ (020)8065903/04, 2348712
	KISII	KISII	Ouru Complex 1st floor, Kisii-Ksm Rd	3466-40200 Kisii	(058)2030426
	NYAMIRA	NYAMIRA	Sakami Hse, 1st Floor (main street)	962 -40500	(020)8064128/0775369601
NAIROBI	NAIROBI	NAIROBI	NHIF Car Park Bg, Gd Floor	Nyamira	(020) 2723297/6/4

NHIF COUNTRYWIDE BRANCH NETWORK (cont'd)

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REGION	COUNTY	OFFICES	NAME OF BUILDING FL/ROAD	BOX NUMBER	TELEPHONE
		KENYATTA	KNH Hospital	30443-00100 NRB	(020) 2723305
		EASTLEIGH	Sunrise Shopping Mall	7468-00610 NRB	(020) 8055788
		PUMWANI	Pumwani Maternity hosp.	1177-00515 Buruburu	020-6763297 / 2371981
		WESTLANDS	Bandari Plaza, 1stFl, Woodvale Groove	719-00606 Nairobi	(020)4452462 / 4449922
		KANGEMI	Palace BldgOpp Cooperative Bank	719-00606 Nairobi	(020)-2465577 / 020-7786690
		BURUBURU	Buruburu Business Complex, 3rdflrMumias Rd	1177-00515 Buruburu	(020) 2047161 / 2210026
		GIKOMBA	Gikomba House Kombo Munyiri Road	1177-00515	020 - 2659608
		MAMA LUCY KIBAKI HOSPITAL	Mama Lucy Kibaki Hospital, Spine Rd off Kangundo Rd	1177-00515 Buruburu	775587958
		INDUSTRIAL AREA	Liberty Plaza OpplmaraDaima Junction off Mbs Rd	143-00507 Viwandani	(020)- 2465578
		RUARAKA	Sabaki Centre, 1st Floor, Outering Rd	1105-00618, Ruaraka	020-2304011 / 0710 376931
		KAJIADO	Co-operative Building 1st Floor	30, Kajiado	
	KAJIADO	LOITOKTOK	Emparakuoni Plaza, ground Flr	30, Kajiado	722383313
		KITENGELA	EPZ Plaza Ground Floor opposite EPZ Kitengela	540-00242 Kitengela	(077)-4544818
			Rescom/National Building 1st floor, Magadi Road	231-00511 OngataRongai	(020)2465599

NOTES

Out-Patient Cover+

- Consultation
- Diagnostics and treatment
- Laboratory and X-ray services
- Drugs administration
- Minor surgical services
- Referral for specialized services
- Renal dialysis



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