

REPUBLIC OF KENYA

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By Hon Aden Duale,
Leader of Majority
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KENYA NATIONAL AUDIT OFFICE

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REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS
OF KENYATTA NATIONAL HOSPITAL

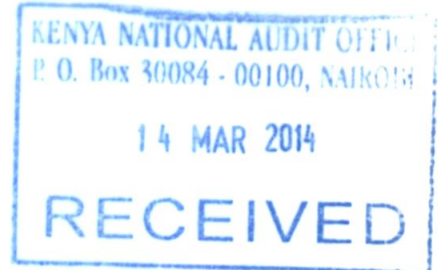
FOR THE YEAR ENDED
30 JUNE 2013

AGENCY - FEDERAL BUREAU OF INVESTIGATION
UNIT - NEW YORK OFFICE

DATE - 10/15/64

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KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013



KENYATTA NATIONAL HOSPITAL

FINANCIAL STATEMENTS

FOR THE YEAR

ENDED 30TH JUNE 2013

KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

Vision

A world class patient centered specialized care hospital

Mission

To optimize patient experience through innovative healthcare; facilitate training and research; and participate in National Health Policy.

Core Values

- Customer focus
- Professionalism & integrity
- Teamwork
- Equity and Equality
- Employee empowerment
- Environmental safety

Motto

We Listen and We Care.

KENYATTA NATIONAL HOSPITAL
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MEMBERS OF THE BOARD OF MANAGEMENT

Mrs. Margaret Wanjohi	-	Chairperson (Retired on 20/07/2013)
Mr. Lawrence O. Omire	-	Member
Prof. Achola Pala	-	Member
Ms. Mary W. Mungai	-	Member
Mr. Ibrahim M. Abdille	-	Member
Mr. Jackson K. Mpario	-	Member
Mr. Joseph Kinyua	-	PS, Treasury
		Mr. Michael M. Gatimu - Alternate to PS, Treasury
Ms. Mary Ngari	-	PS, Ministry of Medical Services
		Mr. John Munywoki - Alternate to PS, Ministry of Medical Services
Prof. Isaac Kibwage	-	Principal, College of Health Sciences, UoN
Dr. Charles O. Onudi	-	Director, Kenya Medical Training College
Mr. Richard L. Lesiyampe	-	Chief Executive Officer (Resigned 30/06/2013)

BOARD COMMITTEES

During the Special Board meeting held on 3rd April 2013 in Mombasa Pangoni Beach Hotel at 9:00am, the Board constituted the following Committees:

1. FINANCE COMMITTEE

Ms. Mary W. Mungai	-	Chairperson
Mr. Lawrence Omire	-	Member
PS Treasury	-	Member
PS Medical Services	-	Member
Principal, CHS, UoN	-	Member
Chief Executive Officer, KNH	-	Secretary

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2. RISK & AUDIT COMMITTEE

Mr. Ibrahim M. Abdille	-	Chairman
Mr. Jackson K. Mpario	-	Member
Dr. Achola Pala	-	Member
PS Medical services	-	Member
PS Treasury	-	Member
SAD Risk & Audit Manager, KNH	-	Secretary

3. CLINICAL RESEARCH & ETHICS

Prof. Achola Pala	-	Chairman
Mr. Jackson K. Mpario	-	Member
Mr. Ibrahim Abdille	-	Member
Principal, CHS, UoN	-	Member
Director, KMTC	-	Member
Chief Executive Officer, KNH	-	Secretary

4. HUMAN RESOURCE COMMITTEE

Mr. Jackson Mpario	-	Chairman
Mr. Lawrence Omire	-	Member
Mr. Ibrahim Abdille	-	Member
PS Medical Services	-	Member
Principal, CHS, UoN	-	Member
Chief Executive Officer, KNH	-	Secretary

5. CORPORATE, STRATEGY & ENTERPRISE

Ms. Mary Mungai	-	Chairperson
Mr. Jackson Mpario	-	Member
PS Treasury	-	Member
PS Medical Services	-	Member
Principal, CHS, UoN	-	Member
Chief Executive Officer	-	Secretary

KENYATTA NATIONAL HOSPITAL
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SENIOR MANAGEMENT

- | | |
|--------------------------|---|
| Mrs. Lily Koros Tare | - Chief Executive Officer (from 10/02/2014) |
| Mr. Richard L. Lesiyampe | - Chief Executive Officer (upto 30/06/2013) |
| Dr. Simeon Monda | - Deputy Director, Clinical Services |
| Mr Carylus Odiango | - Deputy Director (Finance & Administration) |
| Mrs. Philomena Maina | - Deputy Director, Nursing Services |
| Mrs. Dinah Kirwa | - Senior Assistant Director, Human Resource & Administration |
| Mr. Michael Kihuga | - Senior Assistant Director, Finance |
| Mrs. Ludmila I. Shitakha | - Senior Assistant Director, Corporate Support Services |
| Dr. Henry Kioko | - Senior Assistant Director, Private Wing |
| Eng. Richard Binga | - Senior Assistant Director, Technical Services |
| Dr. Elizabeth Odera | - Senior Assistant Director, Diagnostic Services & Health Information |
| Dr. Thomas Mutie | - Senior Assistant Director, Medical Services |
| Dr. Bernard Githae | - Senior Assistant Director, Surgical Services |
| Dr. Godffrey Ombuya | - Senior Assistant Director, Pharmaceutical & Nutritional Services |
| Dr. Henderson Irimu | - Senior Assistant Director, Special Programmes |
| Mrs. Rose Njoroge | - Senior Assistant Director, Supply Chain |
| Mr. Calvin Nyachoti | - Corporation Secretary |

REGISTERED OFFICES

Kenyatta National Hospital
Hospital Road, off Ngong Road
P. O. Box 20723 - 00202

NAIROBI

Tel: +254 20 2726300, +254 20 2726550

Fax: +254 20 2725272

Email address: knhadmin@knh.or.ke

Website : www.knh.or.ke

KENYATTA NATIONAL HOSPITAL
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AUDITORS

Auditor General
Kenya National Audit Office
P. O. Box 30084 - 00100

NAIROBI

Website : www.kenao.go.ke

BANKERS

National Bank of Kenya Limited
Hospital Branch
P. O. Box 30763 - 00100

NAIROBI

Website : www.nationalbank.co.ke.

Kenya Commercial Bank Limited
Moi Avenue Branch
P. O. Box 30081

NAIROBI

Website : www.kcbbankgroup.com

Equity Bank Limited
Equity Centre Branch
P.O. Box 75104 - 00200

NAIROBI

Website : www.equitybank.co.ke

Amulashu

KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

REPORT OF THE BOARD OF MANAGEMENT

The Board of Management submits its annual report together with the financial statements for the year ended 30th June 2013 which disclose the state of affairs of the Hospital.

Incorporation

The Hospital is domiciled in Kenya and was established under the State Corporations Act as per Legal Notice No. 109 of 6th April 1987

Principal Activities

The principal activity of the Hospital is to provide specialized quality healthcare and facilitate medical training and research.

Results

The surplus for the year of Kshs.87 million (2012: Kshs.201 million) has been added to accumulated fund.

Board of Management

The members of the Board of Management who served in the period to 30th June 2013 are set out on pages 3 to 4.

Auditor

The Auditor General is responsible for the statutory audit of the Hospital's books of accounts in accordance with Section 14 of the Public Audit Act, 2003.

By order of the Board

Lily Koros Tare

CHIEF EXECUTIVE OFFICER

Sign 

DATE

11/03/2014

KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

CHAIRPERSON'S REPORT

It is with great pleasure that I present the Hospital Annual Report and Financial Statements for the year ended 30th June 2013. While we appreciate our important role as the National Referral and Teaching Centre, our vision is to be a world patient-centered specialized care hospital offering the best healthcare not only in the country and region but world-wide.

The burden of disease among the Kenyan population continues to be a challenge and it has direct impact on KNH. Non-communicable diseases such as cancer, diabetes, renal failure and cardiac conditions have continued to have a higher negative effect on the lives of Kenyans. Emerging and re-emerging diseases such as HIV/AIDS and tuberculosis (TB) continue being a challenge; hence we have continued to identify innovative approaches to deal with them as outlined in the following areas.

Putting patients first

I'm proud to convey as Chairman of Kenyatta National Hospital where dedicated and exceptional staff provides high-quality care for our patients and helpful support for their families.

Our goal is nothing less than to be the best hospital in the country. We are pursuing our goal through our basic commitment; We Listen, We care.

In an effort to ensure quality of care, we apply the latest medical technology, adoption of new research knowledge and an experienced and highly trained staff to support the patients' healing process. Our physician specialists are recognized leaders in treating the most challenging illnesses and injuries, while achieving outstanding clinical outcomes. Our nurses and other caregivers are known for delivering expert, attentive and compassionate patient care. Members of our support staff provide essential services that create a pleasant and inviting atmosphere for customer satisfaction.

**KENYATTA NATIONAL HOSPITAL
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The presence of diseases has kept Kenyatta National Hospital on top of healthcare solutions to reclaim patients' health. Health is our greatest gift we have continued to offer. It is God given, but the duty to nurture it is ours.

KNH has spent 2013 enriching its capacity to offer excellent healthcare where thousands of lives have been healed. Our commitment for advanced patients care has helped us put in place the solid systems for kidney transplant as well as other specialized surgeries.

The operations of KNH Prime Care Centre (KPCC) has provided a corporate outpatient and pharmacy services which have offered a readily solutions to majority of corporate clients who require efficient private services. The subsidized services are a great milestone that has offered competitive specialized healthcare services to individuals and corporate patients.

The expansion of KPCC services at Ongata Rongai is a deliberate strategic decision to deliver serves close to mwananchi. We believe that the completion of the ongoing renovation of the KPCC wards will bring in additional bed capacity and positively transform KNH private healthcare services into a competitive facility.

The expansion plans as envisaged also includes extra Critical Care beds as part of our transformation initiative. These initiatives are demand driven and to fulfill our commitment to patients and Kenyans.

In line with vision 2030, KNH is on a journey of transformation in line with the growing national healthcare priorities. Staying healthy thus has become a mantra in all our corporate campaigns and outreach projects. The commission of our new incinerator is one such commitment driven by quest for a healthy citizens and clean environment.

We encourage every facet of our ecosystem to embrace the importance of staying healthy. Lifestyle diseases are a great threat to a health citizenry. KNH has committed resources and professional capacity to create awareness to empower the public with information on cancer, diabetes, obesity HIV, and Sexually Transmitted Diseases (STD) among others.

KENYATTA NATIONAL HOSPITAL
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Financially speaking, staying healthy to deliver the prescribed results translates to prudent selection of the right opportunities, strategic capital infusion, forethought in allocation, and the capacity to balance growth with profitability.

We live in a borderless world and healthcare is indeed a global concern in every nation. KNH eyes are therefore focused on adopting medical tourism, reduce number of patient seeking medical treatment abroad and increase demand for healthcare services by our neighbors and beyond. Potential specialized areas to attract medical tourism include cardiology, oncology, orthopaedics, neurology, gastroenterology, or transplants.

In pursuit of this agenda, we have embarked on initiatives keeping the future in mind. Building competencies and capabilities, infusing fresh talent, and future-proofing our team, remain our top agenda. Harnessing the power of information technology in reaching out to the patients will continue to be our focus for enabling quality health care to all.

Once again I would like to extend my special thanks to our partners, stakeholders, Management and staff and others who so generously give their time and skills to support KNH and the cause for which we all work.

I would like to salute the Government of Kenya and the Board of Management for providing unwavering support through every step and initiative undertaken by us. We recognize the generosity by the donors, and all who have ensured that the highest standards of good governance and ethics are applied to every aspect of our work.

Finally, I thank each one of you and look forward to your continued support, belief and trust

Ms. Mary W. Mungai
BOARD MEMBER

Sign



DATE

12/03/2014

THE CHIEF EXECUTIVE OFFICER'S REPORT

For over 100 years, Kenyatta National Hospital has existed to positively impact the health and well being of the people we are privileged to serve through provision of specialized healthcare. As the premier Hospital, we are dedicated to serving the many health needs not only for Kenyan but also patients from the East and central Africa region.

Appropriately, the 2013 financial review pays tribute to the people whose interests we serve, whose support we depend on and whose successes are inextricably linked with the services of KNH. The beliefs we share here are the source of the strategic decisions we make and of our confidence in the ability to grow in a sustainable way.

But fundamentally, this report is about people: the passion and commitment of KNH employees in the provision of specialized healthcare. We continue to be dedicated to providing local access to high-quality, comprehensive medical care by offering the latest medical innovations to meet the evolving healthcare needs of our community.

Customers Focus

It is our conviction that complexity can be translated. Central to this is the belief that it is our job to reclaim the health of our patients and improve their wellbeing. In collaboration with friends and partners we have extended our services to less fortunate through various medical projects and outreaches. Through these initiatives, we are able to empower the public and patients to make better decisions with better information and have confidence in the choices they make on their health. Never dictating and certainly never preaching, we uphold a simple commitment "We listen, we care."

Healthcare, like all disciplines, require a multidisciplinary approach for success. Our preference is to work with patients and relatives in order to build trust and efficiency. The application of quality management systems have demonstrate that it's better when employees are empowered to find better ways of doing things -

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ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

and that empowerment begins with confidence; to be passionate about eliminating clutter and waste, where fewer layers amount to greater simplicity. We have managed to create a team that takes seriously their duty to society as a whole; to live up to the expectation that we manage our Hospital responsibly; and finally to drive for higher performance on behalf of our many stakeholders, to whom we're ultimately accountable. As part of that commitment, we partner with other non-profit health organizations to bring you health education, screenings, and other important activities vital to maintaining a lifestyle.

A fundamental repositioning of our Hospital

The journey of transformation initiated along 2012 has shown some remarkable outcome in systems improvement, patients' care as well creating an enabling environment as a great place to work impacting positively on staff morale. Very purposefully, we have been repositioning KNH as an equal healthcare competitor not only locally but also globally. No doubt that we have fundamentally changed our position in the marketplace. The opening of KNH Ongata Rongai is an opportunity to provide healthcare experience to customers as we build long-term value for money.

KNH has made great strides in 2013 and has achieved a number of accomplishments; thanks to the hard work of our dedicated staff. From a quality perspective, the facility, maintained ISO 9001:2008 Certificate and enrolled for the Joint Commission Accreditation. I am also very excited to report that our specialists successfully managed to conduct the first ever kidney transplant to five children and open-heart surgery for babies below one year. The rewards of all our efforts give hope beyond today's advances and living life to it's fullest beyond tomorrow.

Performance Contract

The performance contract period ended on 30th June 2013 was presented in accordance with the Legal Notice No. 93 of 2004 fourth quarter and annual performance contract report for the 2012/2013 Board's Performance Contract. The overall performance based on all the indicators was composite

KENYATTA NATIONAL HOSPITAL
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Score of **2.9420** which falls within the 'Very Good' category. Comparative achievements for the financial year 2011/12 and 2012/13 are given in the table below:

Criteria	2011/2012	2012/2013
Overall Achievement	3.3431	2.942
Rank description	Good	Very Good

The annual evaluation has helped us to focus on opportunities for innovation, effectiveness and achieve measurable results as contained in our Strategic Plan.

Lily Koros Tare
CHIEF EXECUTIVE OFFICER

Sign  _____

DATE 11/03/2014

**KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013**

STATEMENT OF CORPORATE GOVERNANCE

Kenyatta National Hospital governance is a culture built on principles of integrity, accountability and transparency. The Hospital is managed under the direction of the Board of Directors whose responsibility is to maximize long-term economic value for all stakeholders. The Board and its Committees oversee the corporate governance, advises management in developing financial plans, corporate strategy, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

Board of Management

Kenyatta National Hospital has adopted high standards and applies strict rules of conduct, based on best practices. As part of this commitment the Board has adhered to the Guidelines on Corporate Governance. The Board consists of eleven members, including a non-executive Chairman/person and the Chief Executive Officer. The full and special Board of Management held 5 and 6 meetings respectively while Board Committees held 27 meetings during the financial year ended 30th, June, 2013.

The Board committees set up are five whose members are stated in pages 3 and 4. The committees reinforce the Board's independence and legitimacy in areas where there is potential for conflict of interest.

**KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013**

STATEMENT OF THE BOARD OF MANAGEMENT RESPONSIBILITIES

The State Corporations Act requires the Board of Management to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Hospital. It also requires the Board to ensure that the Hospital keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Hospital.

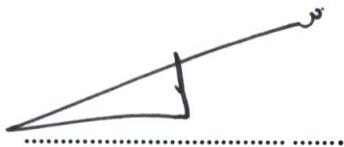
The Board of Management accepts responsibility for the preparation and fair presentation of financial statements that are free from material misstatements. They also accept responsibility for;

- i) Designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements;
- ii) Selecting and applying appropriate accounting policies and
- iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Board of Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Hospital as at 30th June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Approved by the Board of Directors on 27th September, 2013 and signed on its behalf by:



.....

Ms. Mary Mungai
Board Member



.....

Lily Koros Tare
Chief Executive Officer

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYATTA NATIONAL HOSPITAL FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenyatta National Hospital set out on pages 17 to 39 which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and 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 14 of the Public Audit Act, 2003. 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.

Management's Responsibility 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an independent opinion on these financial statements based on the audit and report in accordance with the provision of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Articles 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessments of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk

assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. An audit also includes evaluating the appropriateness of accounting policy used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Inventories

As similarly reported in 2011/12, the inventories balance of Kshs.278,456,000 as at 30 June 2013 excludes deficits and surpluses amounting to Kshs.13,045 and Kshs.60,732 respectively. Although a Board of enquiry to investigate the cause of this deficits, surpluses and obsolescence had been established, the results of the investigation have not been made available for audit review and the adjustments had not been effected in the inventories balance of Kshs.278,455,439 as at 30 June 2013.

Consequently, and as in the previous year, the validity and accuracy of the inventories balance of Kshs.278,456,000 as at 30 June 2013 could not be ascertained.

2. Trade and Other Receivables

- i. As reported in 2011/2012, the trade and other receivables balance of Kshs.1,623,919,000 as at 30 June 2013 includes receivables from institutional debtors, individual debtors, Ministry of Health (WB) and temporary imprest amounting to Kshs.168,908,395, Kshs.2,041,978,997, Kshs.2,467,265 and Kshs.1,140,686 respectively which have been outstanding for a considerably long period of time. Similarly, the balance of Kshs.1,623,919,000 include Kshs.487,956,316, Kshs.2,339,380, Kshs.132,324 and Kshs.26,210,154.30 all totalling Kshs.516,639,174.70 for NHIF loss, RD cheques, Rojeans Café and rent respectively which have been outstanding for more than one year. Although a provision for bad and doubtful debts of Kshs.2,872,602,000 has been made for individual debtors (main hospital) and Kshs.144,568,000 for other receivables from the Ministry of Health, the recovery in full of these debts is doubtful.
- ii. The balance of Kshs.1,623,919,000 also includes amounts of Kshs.487,956,316 due from National Hospital Insurance Fund (NHIF). However the financial statements of NHIF as at 30 June 2013 showed that an amount of Kshs.120,552,483 was owing to the Hospital. The resultant difference of Kshs.367,403,833 in the financial statements had not been reconciled or explained as at 30 June 2013.

- iii. The balance of Kshs.1,623,919,000 also includes prepayments totalling Kshs.31,733,575 relating to supply contracts for three firms in the amounts of Kshs.15,792,611, Kshs.2,213,309 and Kshs.13,727,655. As similarly observed in the previous year, the first prepayment is in dispute while to the second one is under investigation. The third pre-payment relates to micro filming project at the hospital which had not been completed as at 30 June 2013.
- iv. The balance of Kshs.1,623,919,000 similarly includes an amount of Kshs.96,519,385 in respect of letters of credit issued by the Hospital to foreign based firms for supply of various goods and services. As in the previous year, the goods and services have not been recognized and accounted for in these financial statements.

In the circumstances, and in the absence of any other information to the contrary, it has not been possible to confirm the validity and accuracy of the trade and other receivables balance of Kshs.1,623,919,000 as at 30 June 2013.

3. Property, Plant and Equipment

The property, plant and equipment balance of Kshs.11,685,532,000 as at 30 June 2013 includes 4 parcels of land valued at Kshs.50,600,000 which have been excised and allocated to other parties. Further, the property, plant and equipment balance of Kshs.11,685,532,000 also includes 3 parcels of land valued at Kshs.329,000,000 whose ownership is contested between Kenyatta National Hospital, Kenya Medical Training College and National Quality Control Laboratory.

Consequently, it has not been possible to ascertain the ownership status of the parcels of land in dispute, and that the balance of Kshs.11,685,532,000 as at 30 June 2013 is fairly stated.

4. National Hospital Insurance Fund (NHIF) loss Kshs.323,843,000

Included in the operating and maintenance costs of Kshs.3,543,468,000 for the year ended 30 June 2013 is National Hospital Insurance Fund (NHIF) loss of Kshs.323,843,000. This loss is the net of rebate received from the NHIF and the amount the Hospital spent in the treatment of NHIF members. According to information available, the Hospital entered into a contract with NHIF in August 2008 to treat NHIF members at a rebate rate of Kshs.2,400 for inpatient care per day. However, the contract expired in August 2010 and had not been renewed as at 30 June 2013. Information available in the contract document indicate that the contract provided for a variation for the rate of rebate depending on quality management reports and increase of scope of services. However, this rebate rate has remained the same despite the continued losses.

In the circumstances, it has not been possible to confirm the propriety of this particular expenditure/ loss amounting to Kshs.323,843,000 for the year ended 30 June 2013.

5. Borrowings

As previously reported, the borrowings balance of Kshs.1,199,863,000 as at 30 June 2013 relates to a loan received in 2007/2008 from the Kingdom of Spain, in form of medical equipment. According to information available, the loan was payable by the Hospital at an interest rate of 3% per annum on a reducing balance for the first six (6) years and thereafter, the interest plus principal for the next nine (9) year with effect from 1 July 2008. However and according to records seen, no interest has been paid or accrued in the five financial years 2008/2009, 2009/2010, 2010/2011, 2011/12 and 2012/2013. Although indications are that the Management has sought assistance from the Ministry of Health towards settlement of the loan, response from the ministry was not availed for audit review. As a result, it has not been possible to confirm the accuracy of the loan and that the long term liability balance of Kshs.1,199,863,000 as at 30 June 2013 is fairly stated.

Qualified Opinion

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly the financial position of the Hospital as at 30 June 2013 and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Kenyatta National Hospital Board Order 1987.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

7 April 2014

KENYATTA NATIONAL HOSPITAL
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STATEMENT OF COMPREHENSIVE INCOME

	Note	2013 Kshs. `000	2012 Kshs. `000
Income			
Revenue	4	9,634,900	7,717,146
Disposal Gain		95	-
Total income		<u>9,634,995</u>	<u>7,717,146</u>
Expenditure			
Staff Costs	5	6,001,637	4,179,828
Finance Costs	6	3,224	4,036
Operating and Maintenance costs	7	3,543,468	3,010,814
Total expenditure		<u>9,548,329</u>	<u>7,516,278</u>
Surplus/(Deficit)	8	<u>86,666</u>	<u>200,868</u>

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ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

REPORT OF THE AUDITOR GENERAL

KENYATTA NATIONAL HOSPITAL
ANNUAL REPORT & FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2013

STATEMENT OF FINANCIAL POSITION

	Note	2013 Kshs. `000	2012 Kshs. `000
Reserves			
Capital Reserves		3,717,546	3,257,946
Accumulated Fund		(460,689)	(547,355)
Revaluation Reserve		9,199,351	9,199,351
Total Reserves		12,456,208	11,909,942
Non-current liabilities			
Borrowings	10	1,199,863	1,199,863
		1,199,863	1,199,863
		13,656,071	13,109,805
REPRESENTED BY:			
Non-Current Assets			
Property, Plant & -Equipment	9	11,685,532	11,861,241
		11,685,532	11,861,241
Current Assets			
Inventories	11	278,456	207,739
Trade & other receivables	12	1,623,919	895,849
Cash & cash Equivalents	13	1,571,458	1,042,451
		3,473,833	2,146,039
Current Liabilities			
Payables and Accruals	14	1,438,294	758,137
Deferred income		65,000	139,338
		1,503,294	897,475
Net Current Assets		1,970,539	1,248,564
		13,656,071	13,109,805

The financial statements on pages 13 to 34 were authorized for issue by the board of management on 27th September 2013 and were signed on its behalf by:


Ms. Mary Mungai
Board Member


Lily Koros Tare
Chief Executive Officer

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STATEMENT OF CHANGES IN EQUITY

	Capital Reserves Kshs. `000	Accumulated Fund Kshs. `000	Revaluation Reserve Kshs. `000	Totals Kshs. `000
At 1st July 2011	3,252,150	(748,223)	9,199,351	11,703,278
(Deficit)/Surplus for the year		200,868		200,868
Capital adjustment(Grant-development)	5,796	0	0	5,796
At 30th June 2012(As restated)	3,257,946	(547,355)	9,199,351	11,909,942
At 1st July 2012	3,257,946	(547,355)	9,199,351	11,909,942
(Deficit)/Surplus for the year		86,666		86,666
Capital adjustment(Grant-development)	459,600	0		459,600
At 30th June 2013	3,717,546	(460,689)	9,199,351	12,456,208

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STATEMENT OF CASH FLOWS

	Note	2013 Kshs. `000	2012 Kshs. `000
Net Surplus/(Deficit) For The Year		86,666	200,868
Adjusted For: -			
Depreciation	9	437,811	444,756
Investment Income	4	(73,549)	(9,881)
Grant Projects	4	(160,375)	(184,694)
Profit/ Loss on disposal of fixed asset		(95)	
Operating Deficit Before Working Capital Changes		290,458	451,548
(Increase) / Decrease In Stock		(70,716)	(19,125)
(Increase) / Decrease In Trade and other Receivables		(728,070)	(125,626)
Increase / (Decrease) In Trade and other Payables		680,157	144,901
Increase / (Decrease) In Deferred Income		(74,338)	90,348
Net Cash Outflow From Operating Activities		97,491	541,548
Cash Flows From Investing Activities			
Purchase Of Fixed Assets	9	(262,285)	(136,780)
Proceeds from sale of fixed assets		278	
Investments Income		73,549	9,881
Increasing in Capital reserves		459,600	5,796
Net Cash Outflows From Investing Activities		271,142	(121,104)
Cash Flows From Financing Activities			
Projects Grants		160,375	184,694
Net Cash Inflows From Financing Activities		160,375	184,694
(Decrease)/Increase In Cash and Cash Equivalents		529,007	605,138
Cash and Cash Equivalents at the beginning		1,042,451	437,313
Cash and Cash Equivalents at the end	13	1,571,458	1,042,451

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

a) Basis of Preparation and form of presentation

The Financial Statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRS). The Financial Statements have been prepared under the historical cost convention except where stated in the accounting policies. The financial statements and all financial information are presented in Kenya Shillings thousand (Kshs. `000) which is the Hospital's functional currency.

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

b) Changes in accounting policy and disclosures

The financial statements presentation has been changed to comply with IFRS IAS 1 on disclosure of financial statements. Comparative figures for 2012 have been restated to comply with the same.

c) Translation of foreign currency

Foreign currency transactions are translated into Kenya Shillings using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income.

d) Revenue Recognition

Revenue comprises the fair value of consideration received or receivable for the sale of goods and services in the course of the Hospital's activities. It's stated net of value added tax, rebate and discounts where applicable. Revenue is recognized when it is probable that the economic benefits will flow to the Hospital and the amount of revenue can be measured reliably.

Revenue is recognized as follows:

- i) Sales of goods/services are recognized in the period in which the Hospital delivers products/services to the customer, the customer has accepted the products/services and collectability of the related receivables is reasonably assured.
- ii) Sales of services are recognized in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.
- iii) Rental income is recognized on a straight line basis over the period of the lease.
- iv) Interest income is recognized on a time proportion basis using the effective interest method.

e) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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Capitalized costs include interest charges and foreign currency exchange differences on borrowings for projects under construction to the extent that they are regarded as adjustments to interest rates.

All other borrowing costs are recognized in statement of comprehensive income in the period in which they are incurred.

f) Income Tax

The Hospital income is exempt from corporate tax. The Hospital is however not exempted from value added tax (VAT) and therefore pays VAT on chargeable goods and services.

g) Financial Instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Hospital include loans, term deposits, receivables arising from day to day sale of goods and services, trade and other payables and cash and bank balances.

Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio every balance sheet date to ensure that all financial instruments are appropriately classified.

Financial instruments are measured initially at cost including transaction costs. Loans and receivables which include term deposits and receivables arising from day to day sale of goods and services are measured at amortized cost less impairment losses.

A financial asset is derecognized when the Hospital loses control over the contractual rights that comprises that asset. This occurs when the rights are realized, expire or are surrendered. A financial liability is derecognized when it is extinguished.

h) Leases

Leases in terms of which the Hospital assumes substantially all the risks and rewards of ownership 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. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and, except for investment property, the leased assets are not recognized on the Hospital's statement of financial position. Payments made under operating leases are recognized in statement of comprehensive income on a straight-line basis over the term of the lease.

i) Provisions

A provision is recognized if, as a result of a past event, the Hospital has a present legal or constructive obligation as a result of past events that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

j) Post-employment benefits obligations

i) Defined Benefit Scheme

The Hospital operated a defined benefit scheme from 1st January 1991 to 30th June 2011 for all its employees, funded by contributions from the Hospital and the employees. The scheme defined the benefits an employee was to receive on retirement. The assets of the scheme are held in a separate trustee administered scheme.

ii) Defined Contribution Scheme

The Hospital operates a defined contribution retirement benefit scheme for its employees as from 1st July 2011, the assets of which are held in a separate trustee administered scheme managed by an insurance company and funded by contributions from both the Hospital and employees. A defined contribution scheme is a plan under which the Hospital pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

The Hospital and all its employees also contribute to the National Social Security Fund, which is a mandatory defined contribution scheme and contributions determined by local statute. The Hospital's contributions are charged to the statement of comprehensive income in the year to which they relate.

k) Short term employee benefits

The estimated monetary liability for employees' accrued leave and staff gratuity entitlement at the reporting date is recognized as an expense in the Statement of Comprehensive income and liability recognized in the Financial Statements.

l) Property, plant and equipment

All property, plant and equipment are initially recognized at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset; such cost includes the cost of replacing part of the property and equipment when that cost is incurred, if the recognition criteria are met. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. Computer software, including the operating system that is an integral part of the related hardware is capitalized as part of the computer equipment.

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Increases in carrying amount arising on revaluation are credited to revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the statement of comprehensive income. Each year the depreciation based on the revalued carrying amount of the asset are charged to the statement of comprehensive income.

Land is not depreciated. Depreciation on other assets is calculated on a reducing balance basis to write off the cost of each asset, or the revalued amount, to their residual values over the estimated useful life. The annual rates used for this purpose are as follows:

Buildings	2.5%
Plant & Machinery	12.5%
Furniture and Fittings	12.5%
Motor Vehicles	25.0%
Tractors	37.5%
Computers, copiers and faxes	30.0%
Medical Equipment	12.5%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating surplus. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to accumulated funds.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss, and cost includes professional fees. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for the intended use.

m) Intangible Assets

Costs incurred on computer software are accounted for at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated on the reducing balance basis over the estimated useful lives not exceeding a period of five years.

Costs associated with maintaining computer software programmes are recognized as an expense when incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Hospital and that will probably generate economic benefits exceeding costs beyond one year are recognized as intangible assets.

n) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. An impairment loss is recognized for the amount by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

o) Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is determined using first-in-first-out (FIFO) method and comprises of expenditure incurred in the normal course of business, including direct material costs. Net realizable value is the price at which the inventory can be realized in the normal course of business after allowing for the costs of realization. Obsolete and defective inventories are fully written off.

p) **Cash and Cash Equivalents**

Cash and cash equivalent includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months from date of issue.

q) **Receivables**

Trade receivables are amounts due from customer for services performed in the ordinary course of business. Receivables are recognized initially at fair value and subsequently measured at amortized cost.

A provision for impairment of receivables is established when there is objective evidence that the Hospital will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows. The amount of the provision is recognized in the statement of comprehensive income.

Bad debts are written off when all reasonable steps to recover them have been taken without success.

r) **Payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and are stated at their nominal value. Accounts payable are classified as current liabilities if payment is due within one year or less if not, they are presented as non-current liabilities.

s) **Comparatives**

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

t) Government Grants

Government grants are recognized in statement of comprehensive income on a systematic basis over the periods in which the grants are intended to compensate.

Government grants whose primary condition is that the Hospital should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the statement of financial position and transferred to capital reserve on completion/acquisition.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Hospital with no future related costs recognized in statement of comprehensive income in the period in which they become receivable.

2. Financial Risk Management And Policies

The Hospital activities expose it to a variety of financial risks including credit, liquidity and market risks. The Hospital's overall risk management policies are set out by the board of management and implemented by management, and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Hospital's performance by setting acceptable levels of risk.

a) Credit risk

Credit risk is the risk of financial loss to the Hospital, if a patient or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Hospital's receivables from customers. Credit risk also arises from cash and cash equivalents, and deposits with banks as well as other receivables.

The carrying amount of financial assets recorded in the financial statements representing the Hospital maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	Fully performing	Past due but not impaired	Past due and impaired	Total
2013	Kshs. `000	Kshs. `000	Kshs. `000	Kshs. `000
<u>Financial assets</u>				
NHIF	97,588	202,746	187,623	487,957
Other institutions	25,970	95,840	365,800	487,610
individuals	58,512	292,558	2,444,474	2,795,544
Short term deposits	29,262	-	429,661	458,923
TOTAL	211,332	591,144	3,427,558	4,230,034
2012				
<u>Financial assets</u>				
NHIF	62,938	80,971	187,623	331,532
Other institutions	12,250	71,505	288,891	372,646
individuals	53,189	256,317	2,139,738	2,449,244
Short term deposits	46,624	-	429,661	476,285
TOTAL	175,001	408,793	3,045,913	3,629,707

Credit risk from balances with banks and financial institutions is managed according to the Hospital policies, investments of surplus funds are made only with approved counterparties.

b) Liquidity risk

Liquidity risk is the risk that the Hospital will not be able to meet its financial obligations as they fall due. The Hospital's approach to managing liquidity is to ensure, as far as possible that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Hospital reputation.

The Hospital ensures it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligation. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence.

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The table below analyzes maturity profile of the financial liabilities of the Hospital based on the remaining period using 30th June 2013 as a base to the contractual maturity date. They are the contractual undiscounted cash flows.

	Less than one month Kshs. `000	1 to 2 months Kshs. `000	Over one year Kshs. `000	Total Kshs. `000
2013				
Trade and other payables	604,855	491,037		1,095,892
Amount due to NSSF		-	310,830	310,830
Borrowings - Spanish	-	-	1,199,862	1,199,862
TOTAL	915,685	61,656	1,291,125	2,268,466
2012				
Trade and other payables	262,885	453,367		716,252
Amount due to NSSF	0	-	-	0
Borrowings - Spanish	-	-	1,199,863	1,199,863
TOTAL	262,885	453,367	1,199,863	1,916,115

c) Market risk

Market risk is the risk that the fair value or cash flows of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates and will affect the Hospital income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control risk exposures within acceptable parameters, while optimizing the returns on risk.

i) Foreign currency risk

Foreign currency risk arises on sales, purchases and borrowings denominated in currencies other than Kenya shillings. The Hospital is exposed to foreign exchange risks arising from future commercial transactions and recognized assets and liabilities that are denominated in foreign currency.

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	EUR	USD
	'000	'000
Year 2013		
Monetary assets		
Cash and bank balances		20
Monetary liabilities		
Borrowings- Spanish Loan	14,000	
Net open position	14,000	20

Year 2012		
Monetary assets		
Cash and bank balances		20
Monetary liabilities		
Borrowings	14,000	
Net open position	14,000	20

3. Capital Management

The Hospital monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital (reserves). Net debt is calculated as total borrowings less cash and cash equivalents. Reserves comprises of capital reserves, accumulated funds and revaluation reserves.

	2013	2012
	Kshs. `000	Kshs. `000
Capital reserves	3,717,546	3,257,945
Accumulated funds	(460,689)	(547,355)
Revaluation reserves	9,199,351	9,199,351
Reserves balances	12,456,208	11,909,942
Total borrowings	1,199,863	1,199,863
Less: Cash and Cash equivalent	(1,571,458)	(1,042,451)
Net debt	(371,595)	157,412
Gearing ratio	3%	1%

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4. Revenue

	2013	2012
	Kshs. `000	Kshs. `000
GoK Grant	5,809,361	4,162,359
Grant to donor funded projects	160,375	184,694
Cost sharing revenue	3,313,255	2,869,513
Rental income	152,905	145,844
Investment income	73,549	9,881
Other income	125,455	344,855
	9,634,900	7,717,146

Gok grants are received primarily for financing staff costs. Costs sharing revenue represents charges to patients for services rendered.

5. Staff Costs

Personnel Emoluments	5,219,551	4,041,895
Employers contribution to NSSF	321,749	9,959
Hosp. Cont. Staff Superannuation Scheme	275,702	277 ,053
Staff medical expenses	184,635	172,521
	6,001,637	4,501,428

The employers contribution to National Social Security Fund (NSSF) includes arrears relating contributions for the period April 2001 to November 2009 when the hospital had sought for an exemption from the Minister of Labour and Human Resource Development as `other public service. The accrued amount as at 30th June 2013 of Kshs. 311 Million represents the amount that NSSF has demanded from the hospital. The hospital has requested the government for funding in order to settle this debt.

6. Finance Costs

Bank Charges	3,224	4,036
	3,224	4,036

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7. Operating and Maintenance costs

	2013	2012
	Kshs. `000	Kshs. `000
Medical Costs	1,030,695	958,394
Transport, Utilities & Maintenance	621,002	609,946
Increase in provision for bad and doubtful debts	542,963	286,999
Depreciation	437,811	444,756
NHIF Loss	323,843	162,898
KPCC expenses	247,341	200,082
Project cost	160,375	184,694
Administrative Costs	147,399	117,920
Research Costs	82,957	48,914
Directors emoluments	19,798	15,337
Stock Change	(70,716)	(19,125)
	3,543,468	3,010,814

8. Surplus for the year

The surplus for the year is arrived at after charging/ (crediting) the following items:

Staff costs (note 5)	6,001,637	4,501,428
Depreciation (note 9)	437,811	444,756
Audit fee	1,740	1,740
Board Expenses	19,798	15,337
Provision for bad and doubtful (note 12)	542,963	286,999
Gain on disposal of property, plant and equipment	(95)	-

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	Freehold Land Shs'000	Freehold Building Shs'000	Plant, Machinery and Medical Equipment Shs'000	Motor vehicles Shs'000	Furniture and fittings Shs'000	Computers, copiers and faxes Shs'000	Capital work in progress Shs'000	Total Shs'000
COST OR VALUATION								
As at 1st July, 2011	4,014,600	6,690,058	3,397,301	56,148	216,065	32,890	139,016	14,546,078
Additions		9,005	61,356		13,254	33,431	19,834	136,780
Transfers		2,375	19,415				(21,790)	
As at 30th June, 2012	4,014,600	6,701,438	3,478,072	56,148	229,220	66,321	137,060	14,682,859
Comprising:								
Cost	81,500	2,006,421	2,913,815	41,597	140,259	66,321	137,060	5,386,973
Valuation -2006	3,933,100	4,695,017	564,257	14,550	88,961			9,295,886
As at 30th June, 2012	4,014,600	6,701,438	3,478,072	56,148	229,220	66,321	137,060	14,682,859
As at 1st July, 2012	4,014,600	6,701,438	3,478,072	56,148	229,220	66,321	137,060	14,682,859
Additions		4,440	150,539	10,359	3,804	12,806	80,338	262,285
Disposals				(1,370)				(1,370)
Transfers		35,378	64,998		36,684		(137,060)	
As at 30th June, 2013	4,014,600	6,741,256	3,693,608	65,137	269,708	79,127	80,338	14,943,773
Comprising:								
Cost	81,500	2,046,239	3,129,351	50,586	180,747	79,127	80,338	5,647,888
Valuation -2006	3,933,100	4,695,017	564,257	14,550	88,961			9,295,886
As at 30th June, 2013	4,014,600	6,741,256	3,693,608	65,137	269,708	79,127	80,338	14,943,773

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DEPRECIATION

As at 1st July, 2011	770,371	1,446,157	38,991	101,859	19,485		2,376,863
Charge for the year	148,277	262,194	4,313	15,920	14,051		444,755
As at 30th June, 2012	918,647	1,708,351	43,304	117,779	33,536		2,821,617
As at 1st July, 2012	918,647	1,708,351	43,304	117,779	33,536		2,821,617
Charge for the year	145,565	253,807	5,770	18,992	13,677		437,811
Disposal			(1,187)				(1,187)
As at 30th June, 2013	1,064,213	1,962,158	47,886	136,771	47,213		3,258,242

NET BOOK VALUE

As at 30th June, 2013	4,014,600	5,677,043	1,731,450	17,250	132,937	31,914	80,338	11,685,532
As at 30th June, 2012	4,014,600	5,782,791	1,769,721	12,844	111,441	32,785	137,060	11,861,241

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10. Borrowings

	2013	2012
	Kshs. `000	Kshs. `000
Spanish Loan	1,199,863	1,199,863

The GoK on 29th July 2005, guaranteed a loan of Euros 14 million (Kshs. 1,199,862,823) received from the Kingdom of Spain in form of medical equipment.

The loan was repayable to the Permanent Secretary, Ministry of Finance in fifteen (15) years with a six year grace period by eighteen (18) half year equal installments commencing on 30th June 2013. The credit was to attract a rate of interest of 3.0% per annum on reducing balance payable semi annually on the 30th day of June and on the 30th day of December each year commencing on 30th day June 2008.

The hospital is in negotiation with the National Treasury with a view of converting the loan into a capital grant.

11. Inventory

Pharmaceutical Surgical & Laboratory Materials	234,901	165,480
Stationery, Electrical & Maintenance materials	44,857	42,870
Less: Obsolete Inventory	(1,302)	(611)
Net Inventory	278,456	207,739

12. Trade & Other Receivables

Trade receivables	3,810,292	3,097,292
Less: Provision	(2,872,602)	(2,329,639)
Net trade receivables	937,690	767,654
Other receivables	830,797	272,763
Less: Provision	(144,568)	(144,568)
	1,623,919	895,849

Other receivables include Grant receivable for the month of June 2013 and Prepayments, of Kshs. 629 million and Kshs. 202 million respectively. Thr

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provision on trade receivables relates to accumulated unsecured debtors arising from credit facilities extended to poor Kenyans and Hospital's lost revenue due to abscondment of patients from the wards.

The movement on the provision for impairment losses is as follows:

	2013	2012
	Kshs. `000	Kshs. `000
At 1 st July	2,474,207	2,187,208
Net increase/decrease charged to Income statement	542,963	286,999
Provisions utilized	-	-
At 30 th June	<u>3,017,170</u>	<u>2,474,207</u>
Being;		
Provision on trade receivables	2,872,602	2,329,639
Provision for other receivables	144,568	144,568

13. Cash & Cash Equivalents

Short term deposits	458,919	476,285
Less: provision for impairment	(429,661)	(429,661)
Net short term deposits	<u>29,258</u>	<u>46,625</u>
Bank balances	1,537,820	993,640
Cash in Hand	4,379	2,186
Total cash & cash equivalents	<u>1,571,458</u>	<u>1,042,451</u>

The provision for impairment of Kshs. 429,661 relates to short term deposits held in Euro Bank now in liquidation. The net short term deposits are held at National bank of Kenya and Housing Finance Corporation of Kenya.

14. Payables & Accruals

Trade payables	707,792	689,656
Other payables	698,405	26,694
Un-utilized patients deposit	32,097	41,786
	<u>1,438,294</u>	<u>758,137</u>

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Other payables include payroll deductions of Kshs. 256 Million (2012: Kshs. 4 million) that had not been paid by year end and accrued expenses of Kshs. 330 Million (2012: Kshs.21 million), including Kshs. 311 million relating to NSSF demand for unpaid contributions for the year 2001 to 2009.

	Kshs. `000	Kshs. `000
15. Commitments	583,216	86,652

The hospital had commitments of Kshs. 583 million as at 30th June 2013 relating to orders planned for supply of capital items that had not been delivered by year end. The funds to pay off the commitments are available and are included in Capital reserves and cash and cash equivalents.

16. Contingent Liabilities

Kenyatta National Hospital staff superannuation Scheme Deficit

The actuarial deficit for the Staff Superannuation scheme as at 30th June 2011 amounted to KShs.3, 549 million. The viable financing option based on actuarial advice is of a monthly installments of KShs.56.5 million that will clear the deficit over a period of 6 years from 30th June, 2012 resulting in an annual expenditure of KShs.815 million of which the Government has allocated KShs.100 million leaving KShs.715 million unfunded for the year. Discussions with the government to fully fund the deficit are ongoing.

The Hospital may need to fund the deficit if the negotiations with the Government to fully fund the deficit do not succeed.

17. Currency

The accounts are presented in Kenya Shillings thousands (Kshs. `000).



Kenya Medical Research Institute



Kenya Medical Research Institute

Garp - Kenya	613,402	600	-	-	-	-	-	50,100	192,000	806,002
AVAC-USA	5,106,801	-	-	-	94,325	-	-	459,102	866,697	6,067,823
CRDF	-	-	-	197,739	3,190,177	14,400.00	155,810	-	928,405	4,486,531
University of Munich	-	2,000	885,290	-	989,679	-	144,630	-	560,000	2,581,599
University of Cape Town	1,662,027	-	-	-	362,139	-	-	-	6,528	2,030,694
University of Liverpool	348,700	-	-	37,027	-	260,575.00	-	-	1,325,262	1,971,564
Imperial College of Sciences	8,049,266	1,200	96,800	518,024	2,158,805	-	256,800	254,704	3,827,446	14,908,341
Other Collaborative Agencies	21,407,414	5,395,970	819,722	4,526,842	12,156,120	1,099,832	6,497,243	12,141,989	964,413,746	1,016,316,888
Local Grants	16,259,271	169,396	6,274,293	35,410,852	27,226,096	2,194,513	1,705,312	-	6,005,218	95,244,951
TOTAL	3,255,063,234	6,812,507	13,962,680	67,172,105	124,245,793	24,607,498	21,505,096	111,531,619	2,881,954,300	6,506,854,832