

*Paper laid by  
leader of majority  
on 15/10/14  
@Kumh.*



ACCIDENT & EMERGENCY

**KENYATTA NATIONAL HOSPITAL**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**2012/2013**



## 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, We Care.

# Contents

## CORPORATE INFORMATION

Members of the Board of Management .....	3
Board Committees .....	4
Senior Management .....	5
Report of the Board of Management .....	7
Chairperson's Report .....	8
The Chief Executive Officer's Report .....	10
Statement of Corporate Governance .....	12
Statement of Board of Management Responsibilities .....	13

## FINANCIAL STATEMENTS

Report of the Auditor General .....	14
Statement of Comprehensive Income .....	18
Statement of Financial Position .....	19
Statement of Changes in Equity .....	20
Statement of Cash Flows .....	21
Notes for the Year Ended 30th June 2013 .....	22

## Members of the Board of Management



**Mrs. Margaret Wanjohi**  
Chairperson (Retired on  
20/07/2013)



**Mr. Ibrahim M. Abdille**  
Member



**Mr. Lawrence O. Omire**  
Member



**Ms. Mary Ngari**  
PS, Ministry of Medical Services



**Mr. Jackson K. Mpario**  
Member



**Dr. Achola Pala**  
Member



**Ms. Mary W. Mungai**  
Member



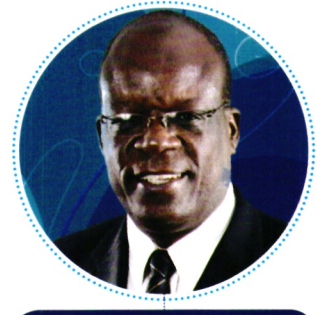
**Mr. Richard L. Lesiyampe**  
Chief Executive Officer (Resigned  
30/06/2013)



**Prof. Isaac Kibwage**  
Principal, College of Health  
Sciences, UoN



**Mr. Joseph Kinyua**  
PS, Treasury



**Dr. Charles O. Onudi**  
Director, Kenya Medical Training  
College

## Board Committees

During the Special Board meeting held on 3<sup>rd</sup> 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

### 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

## Senior Management



**Mrs. Lily Koros Tare**  
Chief Executive Officer (from  
10/02/2014)



**Dr. Simeon Monda**  
Deputy Director, Clinical  
services



**Mr. Carylus Odiango**  
Deputy Director, Finance  
& Administration



**Mrs. Philomena Maina**  
Deputy Director, Nursing  
Services



**Mrs. Joyce K. Ong'ayo**  
Ag. 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. Godfrey Ombuya**  
Senior Assistant Director,  
Pharmaceutical & Nutritional  
Services



**Dr. Henderson Irimu**  
Senior Assistant Director, Special  
Programmes



**Mrs. Rose Njoroge**  
Senior Assistant Director, Supply  
Chain Management



**Mr. Calvin Nyachoti**  
Senior Assistant Director,  
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](http://www.knh.or.ke)

## **AUDITORS**

Auditor General  
Kenya National Audit Office  
P. O. Box 30084 - 00100  
NAIROBI  
Website : [www.kenao.go.ke](http://www.kenao.go.ke)

## **BANKERS**

National Bank of Kenya Limited  
Hospital Branch  
P. O. Box 30763 - 00100  
NAIROBI  
Website : [www.nationalbank.co.ke](http://www.nationalbank.co.ke).

Kenya Commercial Bank Limited  
Moi Avenue Branch  
P. O. Box 30081  
NAIROBI  
Website : [www.kcbbankgroup.com](http://www.kcbbankgroup.com)

Equity Bank Limited  
Equity Centre Branch  
P. O. Box 75104 – 00200  
NAIROBI  
Website : [www.equitybank.co.ke](http://www.equitybank.co.ke)

## Report of the Board of Management

The Board of Management submits its annual report together with the financial statements for the year ended 30<sup>th</sup> 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 activities of the Hospital are to provide specialized quality healthcare and facilitate medical training and research.

### Results

The surplus for the year of Kshs.87 million has been added to accumulated fund.

### Board of Management

The members of the Board of Management who served in the period to 30<sup>th</sup> 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



## Chairperson's Report

It is with great pleasure that I present the Hospital Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2013. The report reflects our commitment to the provision of quality specialized healthcare focusing on our new vision "to be a world patient-centered specialized care hospital". Over the year KNH has remained a haven of hope in the provision of healthcare not only to Kenyans but also to patients from the region.

The burden of diseases among Kenyan population continues to be challenging and with direct negative impact on KNH limited resources. Non-communicable diseases such as cancer, diabetes, renal failure and cardiovascular diseases have continued to ravage on many Kenyans with low income families in Kenyan greatly affected. The situation is compounded by the new strains of emerging and re-emerging diseases such as HIV/AIDS and tuberculosis (TB) which calls for new innovative approaches to deal with the menace. The situation is not likely to reverse soon and the number of patients who cannot afford healthcare service will keep rising. In view of the situation, we need to forge strong ties with our partners to seek for support to mitigate the increasing challenges.

### Putting patients first

People are the lifeblood of our Hospital and I was particularly pleased to see positive improvement in the results from the customer satisfaction survey. While we are committed to meet the needs of every Kenyan, this sometimes is beyond our means and ability. I must admit that all the staff put in their best of what is humanly possible to see that patients leave the hospital smiling having recovered. We commit to engage more with our clients so that we understand their needs and make ourselves understood through a two way communication.

May I sincerely commend each staff for the dedicated and exceptional serve each one provided over the year. We've taken an honest and open approach with our staff and we will continue to address staff issues promptly and give them the opportunity to talk to us about the challenges that we face and provide solutions.

Like all public sector institutions, we face challenges in the future as we work to meet national efficiency targets. Rather than sit back, I wish to encourage suggestions and ideas from staff at all level in the hospital on how we could positively contribute to alleviate some of these challenges.

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

In an effort to ensure quality of care, we will continue to apply the latest medical technology, adoption of new research knowledge to guide our healthcare services. KNH is endowed with renown and highly specialized team of specialists with outstanding record of positive 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. Health is our greatest gift we have continued to offer. It is God given, but the duty to nurture it is ours. I have no doubt that KNH is the hospital of choice.

In the year 2013, we focused our efforts in enriching our capacity to offer excellent healthcare through staff capacity building not only in clinical but also building strong support team. Similarly, the focus was on improving our equipment and resource base through public private partnership. We are happy we are almost putting up solid systems for kidney transplant as well as other specialized surgeries. These commitments have indeed resulted to improved clinical outcome and patients care.

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 services 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 will also include extra Critical Care beds as part of our transformation initiative. These initiatives are demand driven and to fulfill our commitment to patients and Kenyans.

Lifestyle diseases are a great threat to a health citizenry. Staying healthy thus has become a mantra in all our corporate campaigns and outreach projects. We are proud to have reached many Kenyans through organized outreach programs and mentorships. We encourage every facet of our ecosystem to embrace the importance of staying healthy. 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.

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. We have the capacity to offer specialized healthcare in cardiology, oncology, orthopaedics, neurology, gastroenterology, or transplants.


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

Kenyatta National Hospital has existed to positively impact the health and well being of the people. KNH is all about creating the very best environment for our patients, so that we can provide the very best care. This ethos is being reflected in the feedback that we receive on our customer satisfaction survey. KNH is now amongst the best rated hospital in the health sector.

The views provided by members of the public have helped shape and improve our services at KNH and that can only mean that we can look forward to a bright future despite the challenges.

May I take this opportunity to thank all of our staff, the Board of management, partners and volunteers, for their dedication and support over the last 12 months. Meeting the standards that we set in our ISO 9001:2008 and maintaining would not be possible without their commitment, ideas and delivery.

We have continued to see periods of pressure on our emergency services due to increase disasters and incidences. We've moved to address these by completely redesigning our emergency admission systems through the referral office and enhanced acute medical unit and a greatly strengthened A&E department

The 2013 financial review recognizes 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.

### 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 – 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 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.

We look forward to serving you in 2014/ 2015 and in the future.

Lily Koros Tare

Sign .....  ..... Date 11 - 03 - 2014

**Chief Executive Officer**

## 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 30<sup>th</sup>, 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.

## Statement of 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 30<sup>th</sup> June 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

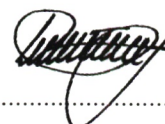
Nothing has come to the attention of the Board of Management to indicate that the Hospital will not remain a going concern for at least the next twelve months from the date of this statement.

Approved by the Board of Management on 27<sup>th</sup> September, 2013 and signed on its behalf by:



Ms. Mary Mungai

**Board Member**



Lily Koros Tare

**Chief Executive Officer**

# REPUBLIC OF KENYA

Telephone: +254-20-342330  
Fax: +254-20-311482  
E-Mail: [oag@oagkenya.go.ke](mailto:oag@oagkenya.go.ke)  
Website: [www.kenao.go.ke](http://www.kenao.go.ke)



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 18 to 34 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.

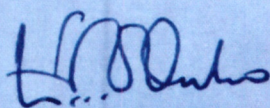
In the circumstances, it has not been possible to confirm the propriety of this particular expenditure/ loss amounting to Kshs.323,843,000 for the year ended 30 June 2013.

## 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**

## Statement of Comprehensive Income for the year Ended 30th June 2013

		2013	2012
	Note	Kshs.`000	Kshs.`000
<b>Income</b>			
Revenue	4	9,634,900	7,717,146
Disposal Gain		95	-
<b>Total income</b>		<b>9,634,995</b>	<b>7,717,146</b>
<b>Expenditure</b>			
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
<b>Total expenditure</b>		<b>9,548,329</b>	<b>7,516,278</b>
<b>Surplus/(Deficit)</b>	8	<b>86,666</b>	<b>200,868</b>

## Statement of Financial Position as at 30th June 2013

	Note	2013 Kshs.'000	2012 Kshs.'000
<b>Reserves</b>			
Capital Reserves		3,717,546	3,257,946
Accumulated Fund		(460,689)	(547,355)
Revaluation Reserve		9,199,351	9,199,351
<b>Total Reserves</b>		<b>12,456,208</b>	<b>11,909,942</b>
<b>Non-current liabilities</b>			
Borrowings	10	1,199,863	1,199,863
		<b>1,199,863</b>	<b>1,199,863</b>
		<b>13,656,071</b>	<b>13,109,805</b>
<b>REPRESENTED BY:</b>			
<b>Non-Current Assets</b>			
Property, Plant & -Equipment	9	11,685,532	11,861,241
		<b>11,685,532</b>	<b>11,861,241</b>
<b>Current Assets</b>			
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
		<b>3,473,833</b>	<b>2,146,039</b>
<b>Current Liabilities</b>			
Payables and Accruals	14	1,438,294	758,137
Deferred income		65,000	139,338
		<b>1,503,294</b>	<b>897,475</b>
<b>Net Current Assets</b>		<b>1,970,539</b>	<b>1,248,564</b>
		<b>13,656,071</b>	<b>13,109,805</b>

The financial statements on pages 18 to 34 were authorized for issue by the Board of Management on 27<sup>th</sup> September 2013 and were signed on its behalf by:



Ms. Mary Mungai  
**Board Member**



Lily Koros Tare  
**Chief Executive Officer**

## Statement of Changes in Equity as at 30th June 2013

	Capital Reserves	Accumulated Fund	Revaluation Reserve	Total
	Kshs.'000	Kshs.'000	Kshs.'000	Kshs.'000
At 1 <sup>st</sup> 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
<b>At 30<sup>th</sup> June 2012 (As restated)</b>	<b>3,257,946</b>	<b>(547,355)</b>	<b>9,199,351</b>	<b>11,909,942</b>
At 1 <sup>st</sup> 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
<b>At 30<sup>th</sup> June 2013</b>	<b>3,717,546</b>	<b>(460,689)</b>	<b>9,199,351</b>	<b>12,456,208</b>

## Statement of Cash Flows For the year ended 30th June 2013

	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		(160,375)	(184,694)
Profit/ Loss on disposal of fixed asset		(95)	
<b>Operating Deficit Before Working Capital Changes</b>		<b>290,458</b>	<b>451,548</b>
(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
<b>Net Cash Outflow From Operating Activities</b>		<b>97,491</b>	<b>541,548</b>
<b>Cash Flows From Investing Activities</b>			
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
<b>Net Cash Outflows From Investing Activities</b>		<b>271,142</b>	<b>(121,104)</b>
<b>Cash Flows From Financing Activities</b>			
Projects Grants		160,375	184,694
<b>Net Cash Inflows From Financing Activities</b>		<b>160,375</b>	<b>184,694</b>
(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 for the Year Ended 30th June 2013

## 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.

## Notes Continued

### 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.

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.



## Notes Continued

### **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 1<sup>st</sup> January 1991 to 30<sup>th</sup> 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 1<sup>st</sup> 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.

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.

## Notes Continued

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.

## Notes Continued

### 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.

## Notes Continued

### 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:

	Fully performing	Past due but not impaired	Past due and impaired	Total
	Kshs.`000	Kshs.`000	Kshs.`000	Kshs.`000
<b>2013</b>				
Financial assets				
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
<b>TOTAL</b>	<b>211,332</b>	<b>591,144</b>	<b>3,427,558</b>	<b>4,230,034</b>
<b>2012</b>				
Financial assets				
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
<b>TOTAL</b>	<b>175,001</b>	<b>408,793</b>	<b>3,045,913</b>	<b>3,629,707</b>

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.

## Notes Continued

The table below analyzes maturity profile of the financial liabilities of the Hospital based on the remaining period using 30<sup>th</sup> 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
<b>2013</b>				
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
<b>TOTAL</b>	<b>604,855</b>	<b>491,037</b>	<b>1,510,692</b>	<b>2,606,584</b>
<b>2012</b>				
Trade and other payables	262,885	453,367		716,252
Amount due to NSSF	0	-	-	0
Borrowings - Spanish	-	-	1,199,863	1,199,863
<b>TOTAL</b>	<b>262,885</b>	<b>453,367</b>	<b>1,199,863</b>	<b>1,916,115</b>

**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.

	EUR `000	USD `000
<b>Year 2013</b>		
<b>Monetary assets</b>		
Cash and bank balances	-	20
<b>Monetary liabilities</b>		
Borrowings- Spanish Loan	14,000	-
<b>Net open position</b>	<b>14,000</b>	<b>20</b>
<b>Year 2012</b>		
<b>Monetary assets</b>		
Cash and bank balances	-	20
<b>Monetary liabilities</b>		
Borrowings – Spanish Loan	14,000	-
<b>Net open position</b>	<b>14,000</b>	<b>20</b>

## Notes Continued

### 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%

### 4. Revenue

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
	<b>9,634,900</b>	<b>7,717,146</b>

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
	<b>6,001,637</b>	<b>4,501,428</b>

## Notes Continued

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 30<sup>th</sup> 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

	2013	2012
	Kshs.`000	Kshs.`000
Bank Charges	3,224	4,036
	<b>3,224</b>	<b>4,036</b>

### 7. Operating and Maintenance costs

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)
	<b>3,543,468</b>	<b>3,010,814</b>

### 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)	-

## 9. Property, Plant and Equipment

	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
<b>COST OR VALUATION</b>								
As at 1 <sup>st</sup> 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)	
<b>As at 30<sup>th</sup> June, 2012</b>	<b>4,014,600</b>	<b>6,701,438</b>	<b>3,478,072</b>	<b>56,148</b>	<b>229,220</b>	<b>66,321</b>	<b>137,060</b>	<b>14,682,859</b>
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
<b>As at 30<sup>th</sup> June, 2012</b>	<b>4,014,600</b>	<b>6,701,438</b>	<b>3,478,072</b>	<b>56,148</b>	<b>229,220</b>	<b>66,321</b>	<b>137,060</b>	<b>14,682,859</b>
As at 1 <sup>st</sup> 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)	
<b>As at 30<sup>th</sup> June, 2013</b>	<b>4,014,600</b>	<b>6,741,256</b>	<b>3,693,608</b>	<b>65,137</b>	<b>269,708</b>	<b>79,127</b>	<b>80,338</b>	<b>14,943,773</b>
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
<b>As at 30<sup>th</sup> June, 2013</b>	<b>4,014,600</b>	<b>6,741,256</b>	<b>3,693,608</b>	<b>65,137</b>	<b>269,708</b>	<b>79,127</b>	<b>80,338</b>	<b>14,943,773</b>
<b>DEPRECIATION</b>								
As at 1 <sup>st</sup> 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
<b>As at 30<sup>th</sup> June, 2012</b>		<b>918,647</b>	<b>1,708,351</b>	<b>43,304</b>	<b>117,779</b>	<b>33,536</b>		<b>2,821,617</b>
As at 1 <sup>st</sup> 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)
<b>As at 30<sup>th</sup> June, 2013</b>		<b>1,064,213</b>	<b>1,962,158</b>	<b>47,886</b>	<b>136,771</b>	<b>47,213</b>		<b>3,258,242</b>
<b>NET BOOK VALUE</b>								
As at 30 <sup>th</sup> June, 2013	4,014,600	5,677,043	1,731,450	17,250	132,937	31,914	80,338	11,685,532
As at 30 <sup>th</sup> June, 2012	4,014,600	5,782,791	1,769,721	12,844	111,441	32,785	137,060	11,861,241



## Notes Continued

**10. Borrowings**

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

The GoK on 29<sup>th</sup> 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 30<sup>th</sup> June 2013. The credit was to attract a rate of interest of 3.0% per annum on reducing balance payable semi annually on the 30<sup>th</sup> day of June and on the 30<sup>th</sup> day of December each year commencing on 30<sup>th</sup> 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)
<b>Net Inventory</b>	<b>278,456</b>	<b>207,739</b>

**12. Trade & Other Receivables**

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

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

## Notes Continued

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

	2013	2012
	Kshs.`000	Kshs.`000
At 1st July	2,474,207	2,187,208
Net increase/decrease charged to Income statement	542,963	286,999
Provisions utilized	-	-
At 30th June	3,017,170	2,474,207
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	29,258	46,625
Bank balances	1,537,820	993,640
Cash in Hand	4,379	2,186
Total cash & cash equivalents	1,571,458	1,042,451

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
	1,438,294	758,137

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.

### 15. Commitments

The hospital had commitments of Kshs.583 million as at 30<sup>th</sup> 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.

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

## Notes Continued

### 16. Contingent Liabilities

Kenyatta National Hospital staff superannuation Scheme Deficit

The actuarial deficit for the Staff Superannuation scheme as at 30<sup>th</sup> 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 30<sup>th</sup> 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).

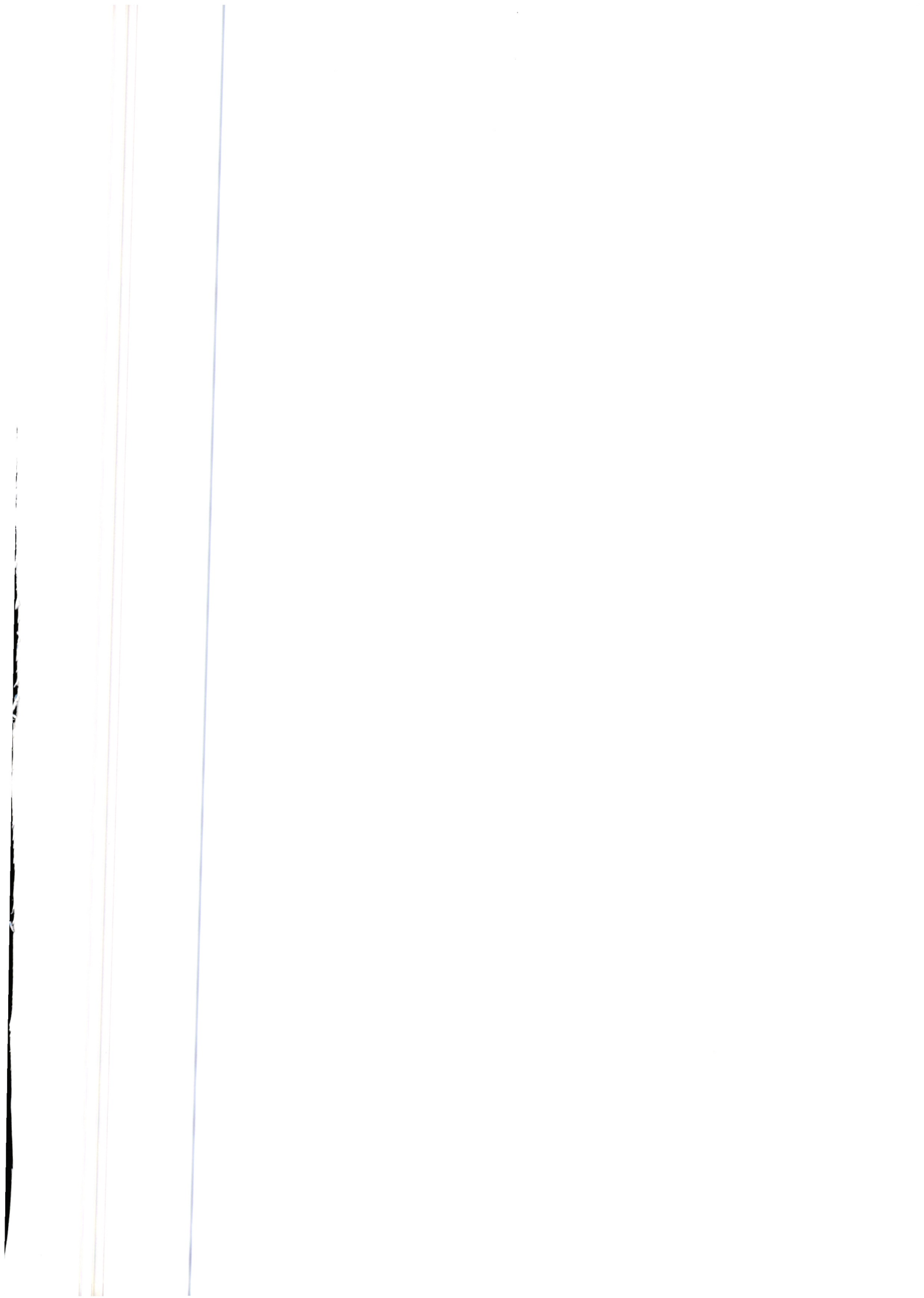


(Above) Committed to provide specialised healthcare services  
(Below) Outreach mission: Extending specialised healthcare services to the community.





Lily Koros Tare,KNH CEO; Dr. Gichuru Mwangi, Neurosurgeon; Baby Satrine and his father:  
Celebrating successful surgery after a bullet was removed from Satrine's head.





KENYATTA NATIONAL HOSPITAL

Hospital Road | P. O. Box 20723-00202 Nairobi, Kenya | Tel: +254 (20) 272 6300-9  
Direct Line +254 (20) 724 4000 / 424 3000 | Call toll (Free) 1521 | Cell: + 254 722 427 820 | Fax: 272 5272  
Email: knhadmin@knh.or.ke | Website: www.knh.or.ke | Facebook: Kenyatta National Hospital



ISO 9001:2008 Certified