

KENYA MEDICAL SUPPLIES AUTHORITY

Commercial Street, Industrial Area
P.O. Box 47715, 00100 GPO,
Nairobi, Kenya



Tel: +254 20 3922000, Fax: +254 203922400
GSM +254 719 033000, +254 733 606600
Email: info@kemsaco.ke

All Correspondence should be addressed to Chief Executive Officer

When replying please quote our ref:

KEMSA/ADM/AUD/2012

The Clerk,
Kenya National Assembly,
P.O. BOX 41842-00100,
NAIROBI.



3rd June, 2013

Dear Sir,

RE: KEMSA FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

In accordance with Public Audit Act, Kenya Medical Supplies Authority (KEMSA) is hereby forwarding to your office 380 (three hundred and eighty) copies of audited financial statements and audit reports for the year ended 30th June 2012.

Attached also, find 15 (fifteen) copies of responses to the audit reservations raised by the Controller & Auditor General for the aforesaid period.

Thank you.

Yours faithfully,

DR. JOHN MUNYU, MBS
CHIEF EXECUTIVE OFFICER

- Cc: 1. Ngari M. W. (MS) CBS
PS Ministry of Medical Services
2. Controller & Auditor General

KENYA MEDICAL SUPPLIES AUTHORITY

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When replying please quote our ref:

REF: KEMSA /FM/05/21(1)

3rd June 2013

The Clerk,
Kenya National Assembly,
P. O. Box 41842-00100,
NAIROBI.

Dear Sir,

RE: RESPONSE TO THE REPORT OF AUDITOR GENERAL ON FINANCIAL STATEMENTS OF KEMSA FOR THE YEAR ENDED 30TH JUNE 2012

We acknowledge receipt of the letter from Kenya National Audit Office Ref: KEMSA/214/2011/2012/ (56) dated 22nd April 2013 and the report of the Auditor General on Financial Statements for the year ended 30th June 2012.

During the FY 2011/2012, the report of the Auditor General on the financial statements of KEMSA contained one paragraph and the following is our response.

Property, Plant and Equipment:

The paragraph had a reservation on the valuation of various parcels of land and formed the basis of the qualified opinion, to which we respond as follows.

The Government of Kenya is enjoined by legal notice no 17 and the Kemsaco Act 2013 to pass ownership of property, plant and equipment to Kemsaco. Before the process is completed Kemsaco is required to ascertain the value of the aforesaid property, plant and equipment.

With the support of USAID, Kemsaco engaged TYSONS Ltd (Registered valuers, estate and managing agents) who carried out the valuation of Kemsaco properties and submitted a latest report dated 14 February 2013. (See Executive Summary attached). Based on the valuation report and again with USAID support, Kemsaco hired the firm of Kipkorir, Tiara and Titoo advocates in carrying out a conveyance and ensuring registration and obtainance of titles.

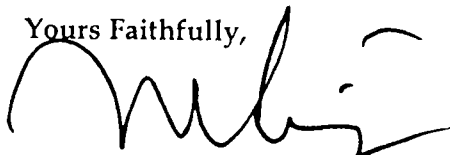
We concur with the observation that the Agency did not include the value for the Parcel of land in Embakasi-Nairobi and Kakamega in the books because despite us having the titles/letters of

allotment, the valuation for the Land was ongoing and as at the end of the financial year we had not received the report from the valuer.

On completion of the valuations, we requested KENAO in writing for adjustment of KEMSA property values to be in line with the current valuation before the signing of the financial statements. However this request was not granted.

Thank you.

Yours Faithfully,

A handwritten signature in black ink, appearing to read 'John Munyu', with a stylized flourish at the end.

DR. JOHN MUNYU, MBS
CHIEF EXECUTIVE OFFICER



*Registered Valuers,
Estate and
Managing Agents*

OUR MISSION STATEMENT

To provide asset valuation and real estate solutions that meet global standards and constantly satisfy customer requirements.

OUR VISION

To be the preferred valuation and real estate solutions provider.

Directors:

B.O. Ragalo, B.A. (L.E.) (Hons) MBA (SM), M.I.S.K. R.V. (Managing)
A.C. Munyiingi (Miss), B.A. (L.E.), M.I.S.K. R.V.
S.O. Odiembo, B.A. (L.E.), M.I.S.K. R.V.
R.M. Kiambi, B.A. (L.E.), M.I.S.K. R.V.

Associates:

P.K. Gatenjwa, B.A. (L.E.), M.I.S.K. R.V.
S.O. Omengo, B.A. (L.E.), M.Sc. (Info. Sys. Eng.) M.I.S.K. R.V.
P.K. Njuguna, B.A. (L.E.), M.I.S.K. R.V.
W.O. Ongwae, B.A. (L.E.), M.I.S.K. R.V.

Consultants:

Dr. E.T.S. Adriko, C.Eng., B.Sc. (Eng.), Ph.D. (Lond.).
M.I. Mech., E.Reg. (Eng)
L.W. Muchiri, B.A. (L.E.) Hons, M.Sc. (Reading), M.I.S.K. R.V.
S.M. Ethingata, B.A. (L.E.), M.Sc., M.I.S.K. R.V.
H.M. Mathu, B.A. (L.E.), M.Sc. M.A.A.K. (T.P.), M.I.S.K. R.V.

Please address all correspondence to the Company and not to individuals.

Kindly quote our reference.

OUR REF: *VAL:OSO::cn*

YOUR REF:

FIRST FLOOR
JUBILEE INSURANCE HOUSE, WABERA STREET
P.O. BOX 40228, 00100, NAIROBI GPO, KENYA
TELEPHONES: 2222011, 310649, 310660, 310666, 310884
MOBILE PHONES: 0722 207403, 0734 222002
FAX: 2212389
E-mail: info@tysons.co.ke
Website: <http://www.tysons.co.ke>

EXECUTIVE SUMMARY

REPORT AND VALUATION

OF

THE ASSETS OF

KENYA MEDICAL SUPPLIES AGENCY

Prepared by



MOMBASA OFFICE: P.O. BOX 2375 TELEPHONE: 2222265 FAX: 2315703, E-mail: info@mombasa.tysons.co.ke
NYERI OFFICE: P.O. BOX 12237 TELEFAX: 2030754 NYERI, E-mail: info@nyeri.tysons.co.ke

"YOUR LINK TO ALL PROPERTY SOLUTIONS"

**EXECUTIVE SUMMARY: REPORT AND VALUATION
KENYA MEDICAL SUPPLIES AGENCY (KEMSA)**

Kenya Medical Supplies Agency (KEMSA)
P.O. Box 47715 00100
Nairobi

CERTIFICATE OF VALUE

In accordance with the Terms of Reference we value the assets of Kenya Medical Supplies Agency free from any encumbrances as at today's date as follows

<i>S/No</i>	<i>LR Number</i>	<i>Market Value Kshs.</i>	<i>Insurance Value Kshs.</i>
1	209/7154 (Part) Nairobi	350,000,000/-	195, 000,000/-
2	Kisumu Warehouse	64,500,000/-	45,000,000/-
3	Eldoret Warehouse	55,000,000/-	35,000,000/-
4	Nakuru Warehouse	55,000,000/-	36,500,000/-
5	Kakamega Warehouse	7,000,000/-	5,000,000/-
6	Nyeri Warehouse	40,000,000/-	30,000,000/-
7	Mombasa Warehouse	110,000,000/-	36,000,000/-
8	Nairobi Plots	110,000,000/-	-
9	Nairobi Plots	110,000,000/-	-
10	Kakamega vacant	7,500,000/-	-
11	Garissa	6,500,000/-	-
	Total	915,500,000/-	187,500,000/-

MARKET VALUE

**KENYA SHILLINGS NINE HUNDRED
FIFTEEN MILLION FIVE HUNDRED
THOUSAND ONLY**

INSURANCE VALUE

**KENYA SHILLINGS ONE HUNDRED
EIGHTY SEVEN MILLION FIVE
HUNDRED THOUSAND ONLY**

For: **TYSONS LIMITED**



**S.O. OMENGO, B.A. (LAND ECONOMICS), M.Sc. INFORMATION SYSTEMS
ENGINEERING, M.I.S.K., R.V., R.E.A. R-LEAD EXPERT E.I.A/A.**

DATED: 14TH FEBRUARY, 2013

REPUBLIC OF KENYA

Telephone: +254 20 342330
Fax: +254 20 311482
E-mail: eag@kenao.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

Date.....

KENYA NATIONAL AUDIT OFFICE

KEMSA/214/2011/2012/(56)

22 April 2013

The Chief Executive Officer,
Kenya Medical Supplies Agency,
P.O Box 47715 – 00100,
NAIROBI.

Dear Sir,

**AUDIT REPORT OF THE AUDITOR-GENERAL ON THE FINANCIAL STATEMENTS
OF KENYA MEDICAL SUPPLIES AGENCY FOR THE YEAR ENDED 30 JUNE 2012**

Enclosed herewith please find one set of the audited financial statements for the year ended 30 June 2012 for your Agency duly certified and with the seal of the Auditor-General affixed thereon for your use and retention.

Please make arrangements to print the audited financial statements and submit 380 copies to the National Assembly through your parent Ministry for appropriate action in accordance with Article 229 (8) of the Constitution of Kenya. Kindly send five (5) copies to this office.

A fee note No. 0002794 for Kshs. 1,044,000 being audit fees for 2011/2012 financial year is attached for your action. Please remit your payment in favour of Kenya National Audit Office, Nairobi within 30 days from the date of the invoice.

Yours faithfully,

B. Kalinda Mulli
For: AUDITOR-GENERAL

Copy to: The Permanent Secretary,
Ministry of Medical Services,
P.O. Box 30016-00100,
NAIROBI (NB: This is only for notification)

REPUBLIC OF KENYA



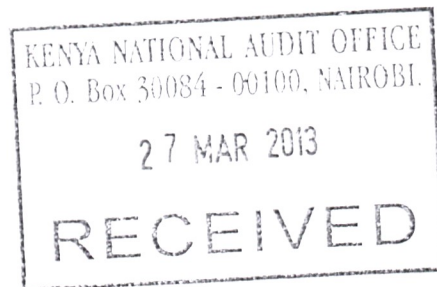
KENYA NATIONAL AUDIT OFFICE

**REPORT OF
THE
AUDITOR-GENERAL**

ON

**THE FINANCIAL STATEMENTS OF
KENYA MEDICAL SUPPLIES AGENCY
(KEMSA) FOR THE YEAR ENDED
30 JUNE 2012**

KENYA MEDICAL SUPPLIES AGENCY



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE

YEAR ENDED 30 JUNE 2012

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Institutional information:

Establishment

Kenya Medical Supplies Agency (KEMSA) was established as a State Corporation under Legal Notice No. 17 of 3rd February, 2000.

Core Mandate

The Agency Core Mandate as defined in the Legal Notice is to Procure, Warehouse and distributes medical commodities to public health activities in the Country

Functions of the Agency

- To develop and operate a viable commercial service for the procurement and sale of drugs and other medical supplies.
- To provide a secure source of drugs and other medical supplies to Public Health institutions.
- To advise the Health Management Boards and the general public on matters relating to the procurement, cost effectiveness and rational use of drugs and other medical supplies.

VISION AND MISSION STATEMENT AND OUR CORE VALUES

OUR VISION

To be become the medical logistics support organization of choice

OUR MISSION

KEMSA will provide reliable, effective and sustainable support to health care delivery

OUR CORE VALUES

Core values are the ideals and enduring principles that underpin the organisation's performance and culture. The following have been agreed as forming the fundamentals of KEMSA's core values:

- **Customer focus** - KEMSA will focus on anticipating and meeting the needs of its customers and responding to their queries in a timely manner
- **Innovativeness** - KEMSA will promote and recognise creativity and innovativeness aimed at enhancing value to the institutions operations and the medical supplies supply chain
- **Operational Excellence**- KEMSA will strive to continuously review and enhance value of its operations and providing the most efficient and effective delivery within the medical supplies supply chain

- **Ethical** - KEMSA is committed to sound ethics and ethical business practices and expects that every staff and stakeholder of the organisation will constantly exhibit fairness, honesty, integrity and respect for others in everything they do.
- **Professional**- KEMSA will conduct its dealings and interactions with the utmost professionalism and ensuring that confidentiality is maintained throughout
- **Transparency and accountability**- KEMSA will ensure compliance to all regulatory requirements in its operations and ensure that in all it does, its actions are open and responsible.
- **Respect for diversity**- KEMSA will respect the diversity of its stakeholders (that is, staff, customers, suppliers, stakeholders) and actively to seek to understand their views and opinions and acknowledge their contribution to the institution

Registered office and principal place of business

Commercial Street, Industrial Area,
P.O Box 47715 00100,
NAIROBI

Bankers

- | | |
|--|---|
| 1. National Bank of Kenya
Harambee Avenue,
NAIROBI | 2. Commercial Bank of Africa
Nyerere Road,
NAIROBI |
| 3. Kenya Commercial Bank
Industrial Area
NAIROBI | 4. Co-operative Bank of Kenya
Enterprise Road
NAIROBI |

Independent Auditor

Auditor-General
Kenya National Audit Office,
Anniversary Towers, University Way,
NAIROBI.

Board Members

	Name	Designation	Date of Appointment	Representation as per the KEMSA Amendment Order Section 3. (2)
1.	Amb. Solomon W. Karanja	Chairman	16th October 2009	(a) Non- Executive Chair
2.	Mr. Cyprian Awiti	Vice Chairman	24th August 2009	(j) Level 4 Health Management Committee Representative
3.	Amb. Felistas V. Khayumbi	Alt. Director	24th August 2009	(b) Permanent Secretary, Ministry of Medical Services
4.	Mr Francis Musyimi	Alt. Director	24th August 2009	(c) Permanent Secretary, Ministry of Public Health & Sanitation
5.	Mr. Michael Gatimu	Alt. Director	24th August 2009	(d) Permanent Secretary, Ministry of Finance
6.	Ms. Dorcas Achapa	Alt. Director	24th August 2009	(e) Attorney General
7.	Dr. Francis Kimani	Director	24th August 2009	(f) Director of Medical Services
8.	Mr. Charles Rigoro	Director	24th August 2009	(i) Private Sector Representative
9.	Dr. Moses Mwangi	Director	24th August 2009	(h) Pharmaceutical Society of Kenya Representative
10.	Ms. Florence Oile	Director	24th August 2009	(g) Kenya Institute of Supplies Management Representative
11.	Ms. Ruth Lelewu	Director	24th August 2009	(j) Level 4 Health Management Committee Representative
12.	Dr. John Munyu	Director	24th August 2009	(k) Chief Executive Officer

BOARD COMMITTEES

The Board committees as at the date of this report comprise:

Reforms & Development Committee	Human Resources Committee	Finance Committee	Audit Committee	Technical Committee
Composition	Composition	Composition	Composition	Composition
6 Directors and the CEO	6 Directors and the CEO	5 Directors and the CEO	5 Directors and the CEO	5 Directors and the CEO
Main Function	Main Function	Main Function	Main Function	Main Function
Oversee implementation of the Task Force recommendations after Board approvals, examine the recommended structure developments including ICT installations and make appropriate recommendations	Consideration of human resources and administration matters that require to be considered by the Board including recruitment, promotions, discipline and welfare of staff.	Review and monitoring of KEMSA financial position, accounts, financial statements and statutory reports, Consideration of audit matters arising out of KEMSA's financial position and statements.	Consideration of matters relating to audit queries, audit management letters and quality assurance of systems and processes, including review of risk management.	Oversee QA & control systems, warehousing & distribution of medicines, customer services, co-ordinate updates of EMMS list, commodities procurement systems compliance to the law, ICT policy, accuracy of stock
Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum	Frequency of meetings per annum
Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis	Quarterly or on need basis
Chairman	Chairman	Chairman	Chairman	Chairman
Mr. Cyprian Awiti	Ms. Florence Oile	Mr. Charles Rigoro	Ms. Ruth Lelewu	Dr. Moses Mwangi
Members	Members	Members	Members	Members
Dr Moses Mwangi, Mr Charles Rigoro, Ms, Florence A. Oile, Ms Ruth Lelewu, Ms. Dorcas Achapa	Mr Cyprian Awiti, Dr Moses Mwangi, Mr Charles Rigoro, Ms Ruth Lelewu, Amb Felistus V Khayumbi	Amb Felistus V Khayumbi, Mr Francis Musyimi, Mr Michael Gatimu, Dr Moses Mwangi	Mr Cyprian Awiti, Mr Michael Gatimu, Mr Charles Rigoro, Ms. Dorcas Achapa	Dr Francis Kimani, Ms, Florence A. Oile, Ms Ruth Lelewu,

Senior Management Staff

	<u>Name</u>	<u>Designation</u>
a)	Dr. John Munyu	Chief Executive Officer
b)	Mr. Joseph C. Kiptoo	Director Finance & Administration
c)	Mr. Joshua Obell	Operations Director
d)	Mr. Charles Juma	Procurement Director
e)	Mr. Fredrick Wanyonyi	Director of Legal Services/ Corporation Secretary
f)	Mr. John Mwangi	Finance Manager
g)	Mr. Ignatius K. M'Arithi	Distribution Manager
h)	Dr. Wanjau Mbuthia	National Customer Service Manager
i)	Dr. John Aduda	Quality Assurance Manager
j)	Mr. Enos Namasaka	HR & Admn. Manager
k)	Mr. Samuel Wataku	ICT Manager
l)	Mr. John Kabuchi	Procurement Manager
m)	Mr. Samuel Okanda	Warehouse Manager
n)	Mr. Pariken Sankei	Internal Audit Manager
o)	Mr. Dominic Kabiru	Public Relations and Communications Manager

CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which corporations are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Kenya Medical Supplies Agency, the Board places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the Agency's activities. The Board has adopted the Code of Best Practice for Corporate Governance issued by the Centre of Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles. The Board is responsible for the governance of the Agency and conducts the business and operations of the Agency with integrity and in accordance with generally accepted corporate practices, based on transparency, accountability and responsibility.

BOARD OF DIRECTORS

The composition of the Board is set out on page 5. The Board of Directors of the Agency comprises of the Chairman who is appointed by the President, the CEO is appointed by the Minister for Medical Services on recommendation by the Board, the Permanent Secretary of the Ministry for Medical Services or her representative, the Permanent Secretary to the Treasury or his representative, the Permanent Secretary Ministry Public Health and sanitation or his representative, the Director of Medical Services, five members who are not public officers with diverse medical supply chain management experience appointed by the Minister. All non-executive directors are independent of management of the Agency. The Board has varied and extensive skills in the areas of medical supply chain management and business management. The directors' responsibilities are set out in the Statement of Directors Responsibilities on page 13. The directors are responsible for the development of internal financial controls, which give reasonable assurance against material mis-statements.

The chairman provides the overall leadership to the Board without limiting the principle of collective responsibility for Board decisions. He acts as the link between the Board and the CEO and plays a lead role in consensus building between the Board members, the CEO and senior management. The Board has delegated the authority for day-to-day management to the CEO. It however retains the overall responsibility for decisions with regard to finances and operations of the Agency.

The Board meets quarterly and has a formal schedule of matters reserved to it. Board papers are generally circulated well in advance of the Board meetings by the Director Legal Services. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas. The key function of the Board is to guide and control the performance and management of the affairs of the Agency.

This includes the duty to ensure that the functions of the KEMSA are carried out in an efficient, transparent and ethical manner and that no particular person or body is given undue preference or subjected to any undue disadvantage. The Board considers and advises the Minister for Medical Services on the development and maintenance of Medical Supply Chain policy framework and the objectives of KEMSA. It considers and approves general performance targets, both strategic and business, and the annual budgets of the Agency.

The Board has power to control the use of and oversee the administration of assets of the Agency and also to determine the provisions to be made for capital and recurrent expenditure and for revenue reserves of the Agency.

The Board has appointed various standing Committees to which it has delegated certain responsibilities with the chairmen of the Committees reporting to it. The composition of the standing Committees is set out on page 6.

CHAIRMAN'S REPORT

On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements of Kenya Medical Supplies Agency (KEMSA) for the financial year ended 30th June 2012

The current Board was appointed under a reform Agenda Platform in August 2009 with a mandate of implementing the KEMSA Task Force report that was a product of an eleven member team appointed by the Minister of Medical services after dissolution of the previous Board for non performance.

During the year ended 30th June 2012, the Kenya Medical Supplies Agency (KEMSA) strengthened its core mandate of medical supply chain by enhancing capacity in procurement, warehousing and distribution as well as prudently managing its public resources; in order to efficiently offer high-end customer service standards. As a State Corporation, KEMSA continued to be a secure source of value-for-money drugs and other medical supplies to over 5,000 Public Health Facilities in the country.

During the financial year under review, the Board in collaboration with the parent ministry and its key stakeholders initiated the following reforms intended to enhance the Agency's strategic positioning in fulfilling its core mandate of providing logistical support to health care system in Kenya;

- a) Integration of all procurement processes and activities within KEMSA;
- b) Drafting of KEMSA Act of Parliament which is now before the National assembly for discussion and ratification;
- c) Drafting of KEMSA 2011-2015 Corporate Strategic Plan and Business Plan with a view to realigning it to expectations of the Government's Vision 2030 initiative; This strategic plan will be launched in the course of FY2011/2012
- d) The Agency came up with blue-print to establish a Supplementary Services Division that will supplement Government's efforts in the provision of medical commodities to Public Health Facilities;
- e) Human resource capacity building where new directorates were created and operationalized with harmonized terms of employment;
- f) Automation of all core functional/operational areas of the Agency through the roll out of the ERP system which led to increased service efficiency.

Other achievements made during the year ending June 2012 include;

- a) The 24 hrs 7days operation of the central warehouse in Embakasi with effect from December, 2010 thus increasing output by over 200%;
- b) Achievement of "Very Good" rating of Performance Contracting ;

c) ISO recertification pass

It is noted that during this financial year, the global economy experienced a major downturn that led to increase in the cost of doing business. I am glad to mention in this report that despite downturn, KEMSA continued to offer value for money in its medical commodity pricing as evidenced by independent price surveys by Development Partners.

Let me take this opportunity therefore to reaffirm the commitment of the Board of Directors to provide effective leadership for the growth of Kenya Medical Supplies Agency (KEMSA). In this, we will endeavour to support the Management and also work with the Parent Ministry and Stakeholders and Partners for continued growth of the health sector.

Overall, Kenya Medical Supplies Agency (KEMSA) operated within the approved budgetary estimates for Financial Year 2011/2012.

In conclusion, KEMSA is working hard to ensure it effectively delivers its mandate and attain its vision of being **'the medical logistics support organization of choice'**



Amb. Solomon Karanja,
Chairman, Board of Directors

REPORT OF THE DIRECTORS

The directors submit this report together with the financial statements for the year ended 30 June 2012, in accordance with Section 14 of the State Corporations Act, section 14 (2) of the Legal Notice No. 17 of 3rd February, 2000.

PRINCIPAL ACTIVITIES

The Kenya Medical Supplies Agency ("KEMSA") was established on 3rd February 2000 by the Legal Notice No. 17 of 3rd February, 2000 with the primary to mandate to procure, warehouse and distribute medical commodities to public health facilities in the country.

RESULTS


The net surplus for the year is Kshs 187,627,203 (2010/2011 Kshs 60,708,253).

DIRECTORS

The names of the directors who held office during the year to the date of this report are set out on page 5. In accordance to the KEMSA Legal Notice No. 17 of 3rd February, 2000 as amended on 15th May 2009, directors who are not public officers will be due for retirement in October 2012 for the chairman of the Board and in August 2012 for the other non executive directors.

AUDITORS

Kenya National Audit Office audits the accounts of KEMSA, in accordance to with Section 14 of the State Corporations Act and Section 14(1) of KEMSA Legal Notice No. 17 of 3rd February, 2000.



**By Order of the Board
Corporation Secretary**

**Nairobi
March 2013**

STATEMENT OF BOARD MEMBERS' RESPONSIBILITIES

The Board members are required to prepare financial statements which give a true and fair view of the state of affairs of The Kenya Medical Supplies Agency as at the end of the financial year and of its surplus or deficit for that year. The Board is required to ensure that the Agency maintains proper accounting records which disclose with reasonable accuracy, the financial position of the Agency.

The Board is responsible for safeguarding the assets of the Agency. The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, consistent with previous years and in conformity with the international financial reporting standards.

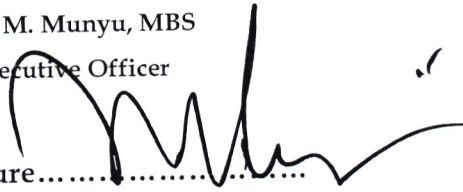
The Board is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Agency as at 30th June 2012 and of its surplus for the year then ended. The Board further confirms the accuracy and completeness of the accounting records maintained by the Agency which has been relied upon for the preparation of financial statements as well as the adequacy of the systems of the internal financial controls.

This statement is approved and signed on behalf of the Board by:

Dr. John M. Munyu, MBS
Chief Executive Officer

Signature.....

Date.....



26/3/13

Amb. Solomon Karanja
Board Chairman

Signature.....

Date.....



26/3/13



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA MEDICAL SUPPLIES AGENCY (KEMSA) FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Medical Supplies Agency set out on pages 15 to 29, which comprise the statement of financial position as at 30 June 2012, 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

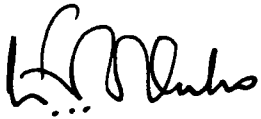
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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 opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229

accordance with International Financial Reporting Standards and comply with the Kenya Medical Supplies Agency Order, 2000.



Edward R.O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 April 2013

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

		2012	2011
	Note	<u>Kshs.</u>	<u>Kshs.</u>
<u>Income from Operations</u>			
Grants from Ministries	2	389,600,000	525,990,000
Other Operating Incomes	3	225,061,515	146,934,276
Total Operating Income		614,661,515	672,924,276
<u>Operating Expenses</u>			
Distribution Costs	4	323,782,850	294,883,462
Administration Expenses	5(a)	239,783,179	183,515,706
Board Expenses	5(b)	7,215,561	8,532,693
Other Operating Expenses	6(a)	287,402,301	229,949,676
Audit Fees	6(b)	900,000	600,000
Finance costs	6 (c)	466,927	468,342
Total Operating Expenses		859,550,818	717,949,879
Deficit from Operations		(244,889,303)	(45,025,603)
<u>Other Incomes</u>			
Non-Operating Income	7	432,516,506	105,733,857
Surplus for the year	8	187,627,203	60,708,253

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

ASSETS	NOTE	<u>2012</u> Kshs.	<u>2011</u> Kshs.
Non- Current Assets			
Property, Plant & Equipment	9A	386,180,048	344,936,881
Intangible Asset	9B	43,588,005	86,803,263
Total Non-Current Assets		429,768,053	431,740,144
Current Assets			
Trade & Other Receivables	12	146,569,930	35,533,959
Inventory	11A	5,192,377,272	5,656,918,123
Cash and Cash Equivalents	10	5,406,392,890	4,650,632,991
Total Current Assets		10,745,340,092	10,343,085,073
Total Assets		11,175,108,145	10,774,825,217
EQUITY AND LIABILITIES			
Capital and Reserves			
Accumulated fund		256,950,298	256,950,298
Revaluation Reserve	13	31,554,069	31,554,069
Revenue Reserves		526,610,211	338,983,009
Total Equity		815,114,578	627,487,376
Non Current Liabilities			
Deferred Income	14	84,901,020	92,403,626
Total Non-Current Liabilities		84,901,020	92,403,626
Current Liabilities			
Trade & Other Payables	15	523,233,575	377,457,626
Project Fund	11C	20,277,084	10,316,933
Medical Commodity Fund	11B	9,731,581,887	9,667,159,656
Total Current Liabilities		10,275,092,546	10,054,934,215
Total Equity and Liabilities		11,175,108,145	10,774,825,217

The financial statements have been signed on behalf of the Members of the Board by:

Dr. John M. Munyu, MBS
Chief Executive Officer

Amb. Solomon Karanja
Board Chairman

Signature.....

Signature.....

Date.....

Date.....

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	Accumulated Funds <u>Kshs.</u>	Surplus/ (Deficit) <u>Kshs.</u>	Revaluation Reserves <u>Kshs.</u>	Total <u>Kshs.</u>
As at 1st July 2010		256,950,298	278,274,755	31,554,069	566,779,112
Motor vehicle revaluation		-	60,708,253		60,708,253
As at 30th June 2011		256,950,298	338,983,009	31,554,069	627,487,376
As at 1st July 2011		256,950,298	338,983,009	31,554,069	627,487,376
Surplus/(Deficit)	8		187,627,203	-	187,627,203
As at 30th June 2012		256,950,298	526,610,211	31,554,069	815,114,578

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2012**

	2012	2011
	<u>Kshs.</u>	<u>Kshs.</u>
<u>CASHFLOWS FROM OPERATING ACTIVITIES</u>		
Surplus (Deficit)	187,627,203	60,708,253
Adjustments For:		
Depreciation	36,483,291	31,259,953
Amortization	43,494,818	44,983,297
Interest on deposits	(432,516,506)	(105,733,857)
Surplus Before Working Capital Changes	(164,911,194)	31,217,647
(Increase)/ Decrease in Receivables	(111,035,971)	(21,173,485)
Decrease/(Increase) in inventories	464,540,851	(1,191,183,969)
Increase in project fund	9,960,151	10,316,933
Increase/(Decrease) in payables	145,775,949	125,547,191
Cash From Operations	344,329,785	(1,045,275,683)
Increase/(Decrease) in Deferred Income	(7,502,606)	(32,980,371)
Increase/(Decrease) in Unutilized Drugs Receipts	64,422,231	934,974,567
Net Cash Used On Operating Activities	401,249,411	(143,281,488)
<u>CASHFLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of Assets	(78,006,018)	(124,428,074)
Fixed Deposit Recalled	-	5,000,000
Interest Received	432,516,506	105,733,857
Net Cash Used On Investing Activities	354,510,488	(13,694,218)
<u>CASHFLOWS FROM FINANCING ACTIVITIES</u>		
Net Cash used On Financing Activities	-	-
Net (Decrease)/Increase in Cash & Cash Equivalents	755,759,899	(156,975,705)
Cash & Cash Equivalents at start of Year	4,650,632,991	4,807,608,696
Cash & Cash Equivalents end of Period	5,406,392,890	4,650,632,991

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2012

1 ACCOUNTING POLICIES:

The principal accounting policies adopted in the preparation of the Financial Statements are set out below and are in accordance with International Financial Reporting Standards:

a) Basis of preparation

The Financial statements have been prepared on historical cost accounting basis as modified to include revaluation of certain assets.

b) Income recognition

Grants from the Ministry of Health and other sources are recognised when due and when the receipt is definite respectively. Grant for payment of medical commodities has been accounted for using the capital method as per the IAS 20.

Deferred grant income is as a result of grants related to property, plant and equipments accounted for and recognised in Financial Statements on a systematic basis over the useful life of the assets.

c) Property, Plant and Equipment

Property, Plant and Equipment are stated at historical cost adjusted for any revaluations less accumulated depreciation. The depreciation charge is based on Straight line method.

The assets have been depreciated as follows;

	<u>Rate per annum (%)</u>
* Building	2.5
* Fixtures, fittings & equipments	12.5
* Plant & Machinery	10
* Furniture	12.5
* Motor vehicles	25
* Computer & Equipment	33.33
* Intangible Assets	33.33

d) Inventories

There has been a change in the accounting of inventories from disclosure to recognition in current assets due to the control held by KEMSA over the inventories including insurable interest vesting to the Agency.

Inventories are stated at cost. KEMSA holds the stocks in trust. The stocks were purchased through funding from the Ministry of Medical Services, Ministry of Public Health and other Development Partners. The inventories recognised in the balance sheet are represented by an equivalent medical commodity fund which fluctuates based on the movement of inventory.

e) Cash and Cash equivalents

For the purposes of the cash flow statement, Cash & Cash-equivalents comprise cash in hand and bank, and un-dispatched cheques.

f) Comparatives

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

g) The financial statements are presented in Kenya Shillings (Kshs.)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D) FOR THE YEAR ENDED 30TH JUNE 2012

2. Grants From Ministries

	2012 Kshs	2011 Kshs
Personnel Emoluments	198,000,000	180,000,000
Distribution MOMS-Voted	164,100,000	164,100,000
Distribution MOPHS-Voted	7,500,000	161,890,000
Development	20,000,000	20,000,000
	389,600,000	525,990,000

3. Other Operating Income

Sale of tender documents	7,594,230	4,830,596
Gain on Disposal of Fixed Asset	191,808	
Miscellaneous income	441,199	
HSSP	94,957,391	
Parallel Programs	71,022,911	21,752,537
Global Fund	31,164,671	47,971,682
USAID - Material Handling	(Note 14A) 2,440,309	2,440,309
USAID - Metallic Racking	(Note 14B) 3,139,497	3,139,497
MCA	(Note 14C)	64,757,194
PSCMC	(Note 14D) 932,800	1,052,460
JSI	(Note 14E) 990,000	990,000
SWAP	12,186,699	
	225,061,515	146,934,276

4. Distribution costs

Fuels & oils	9,095,796	9,429,464
Vehicle maintenance & Levies	6,954,764	7,310,140
Outsourced distribution	307,732,290	278,143,859
	323,782,850	294,883,462

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2012

5. (a) Administration expenses	2012	2011
Staff costs	Kshs	Kshs
Staff seconded to KEMSA	10,930,919	10,579,846
Casual Employees	178,550	1,475,105
Kemsa Permanent & Contractual	228,673,710	171,460,754
Total Staff Costs	239,783,179	183,515,706
<p>The Ministry of Medical Services has seconded staffs to KEMSA who are on the Ministry payroll and KEMSA pays them a Top-up salary being the difference between MOMs salary and the equivalent payable as per the KEMSA salary grades.</p>		
5 (b). BOD expenses		
Sitting Allowances	3,970,000	5,080,648
Lunch Allowances	416,000	430,000
Accommodation	972,561	1,183,000
Travelling & Mileage	663,000	783,445
Conferences	150,000	11,600
Honoraria	960,000	960,000
Telephone expenses	84,000	84,000
Total Board Expenses	7,215,561	8,532,693
Total Administration Expenses	246,998,740	192,048,398

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2012

6 (a)	<u>Other Operating Costs</u>	2012	2011
		Kshs	Kshs
	Insurance		
	Staff Group Insur--BOD	202,761	202,800
	Staff Group Insur – Staff PA& Life	1,760,811	1,803,067
	Medical Ins	10,672,194	5,912,985
	M/Vehicles	2,829,626	2,797,508
	Inventory-Fire & In transit	4,951,313	4,969,566
	Other Insurance Covers	2,054,290	2,110,425
	Insurance Sub-Total	22,470,995	17,796,351
	Other Expenses		
	Training	7,015,062	3,532,109
	Entertainment	11,736,640	5,275,855
	Telephone, fax & postage	7,369,085	6,857,316
	ICT consumables	10,289,662	5,735,528
	Water, electricity, generators	10,554,912	8,077,039
	Rent & Rates	55,363,970	41,288,767
	Travel & Accommodation	18,707,241	25,077,573
	Stationery & Office Expenses	9,844,056	4,943,713
	Warehouse Mat'ls, Pallets, and other costs.	4,572,985	4,220,040
	Security	7,011,565	5,868,917
	Social and external relations	6,870,496	3,078,547
	Advertising of tenders	8,330,031	2,088,654
	Disposal of Damaged Stocks	-	2,600,000
	Consultancy	5,064,633	4,398,347
	Legal	13,801,402	2,034,432
	Quality assurance	1,368,275	2,320,815
	Assets repair & maint	2,356,350	3,652,657
	Depreciation expense	36,483,290	31,259,953
	Amortization of intangible assets	43,494,818	44,983,297
	Other office expenses	4,696,831	4,859,766
	Other Expenses Sub-Total	264,931,306	212,153,325
	Total Other Operating Expenses	287,402,301	229,949,676
6 b.	Audit Fees	900,000	600,000
6. c	Finance Costs		
	Bank Charges and Commissions	466,928	468,342
7.	<u>Non-Operating Income</u>		
	Interest on Deposits	432,516,506	105,733,857
8.	<u>Surplus</u>		
	The Statement of Comprehensive Income shows a surplus of Ksh 187,627,203 This surplus is not as a result of profit in operations, but as a result of timing differences in incomes & expenditures, capital expenditures & wear and tear allowances.		

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2012
9A PROPERTY, PLANT & EQUIPMENT SCHEDULE FOR TWELVE MONTHS ENDING 30 JUNE 2012

	LAND	BUILDINGS	OFFICE EQUIPMENT	PLANT & MACHINERY	FURNITURE	MOTOR VEHICLE	COMPUTER HARDWARE	WIP	TOTAL
COST/VALUATION AS AT 1/7/2011	151,528,000	81,334,766	33,599,910	94,952,928	17,227,951	77,144,509.20	33,881,282.60	7,791,271.50	497,460,618.26
ADDITIONS			3,399,589	327,100	1,948,400	21,184,960	7,216,640.60	43,649,768.20	77,726,457.80
DISPOSALS						(6,834,300)	(416,306.00)		(7,250,606)
DEPRECIATION AS AT 1/7/2011	151,528,000	81,334,766	36,999,499.13	95,280,028	19,176,351	91,495,169.2	40,681,617.2	51,441,039.70	567,936,470.06
ACC DEPR ON DISPOSAL	-	13,027,418.62	19,940,582.62	24,083,346.2	8,958,682.67	59,467,142.1	27,046,565.23	-	152,523,737.43
DEPRECIATION CHARGE FOR THE 12 MONTHS		1,987,972	4,088,545.24	9,101,631.70	2,015,265.87	13,567,852.55	5,722,023.73		(7,250,605.67)
ACCUMULATED DEPRECIATION	-	15,015,390.43	24,029,127.90	33,184,977.9	10,973,948.53	65,983,735.65	32,569,242.30	-	36,483,291
NBV AS AT 30/06/12	151,528,000	66,319,375.47	12,970,371.27	62,095,050.1	8,202,402.4	25,511,433.55	8,112,374.90	51,441,039.707	386,180,047.38

PROPERTY, PLANT & EQUIPMENT SCHEDULE FOR TWELVE MONTHS ENDING 30 JUNE 2011

	LAND	BUILDINGS	OFFICE EQUIPMENT	PLANT & MACHINERY	FURNITURE	MOTOR VEHICLE	COMPUTER HARDWARE	WIP	TOTAL
COST/VALUATION AS AT 1/7/2010	151,528,000	80,431,788	32,117,664	52,991,103	12,194,742	73,184,509	23,629,226	-	426,077,033
ADDITIONS		902,978	1,482,246	41,961,825	5,033,209	3,960,000	10,252,057	7,791,271	71,383,585
DEPRECIATION AS AT 1/7/2010	151,528,000	81,334,766	33,599,910	94,952,928	17,227,951	77,144,509	33,881,282	7,791,271	497,460,618
DEPRECIATION CHARGE FOR THE 12 MONTHS	-	11,039,447	16,276,986	15,014,425	7,186,967	49,497,795	22,248,166	-	121,263,784
ACCUMULATED DEPRECIATION	-	13,027,419	19,940,583	24,083,346	8,958,683	59,467,142	27,046,565	-	152,523,737
NBV AS AT 30/06/11	151,528,000	68,307,347	13,659,328	70,869,582	8,269,268	17,677,367	6,834,717	7,791,271	344,936,881

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2012

9B INTANGIBLE ASSETS SCHEDULE FOR TWELVE MONTHS ENDING 30 JUNE 2012

	COMPUTER SOFTWARE	REBRANDING	TOTAL
COST/VALUATION AS AT 1/7/2011	130,204,894	4,744,996	134,949,890
ADDITIONS		279,560	279,560
WIP Transfer			-
REVALUATION			
	130,204,894	5,024,556	135,229,450
AMORTIZATION AS AT 1/7/2011	43,401,631	4,744,996	48,146,627
AMORTIZATION CHARGE FOR THE 12 MONTHS	43,401,631	93,187	43,494,818
ACCUMULATED AMORTIZATION	86,803,262	4,838,183	91,641,445
NBV AS AT 30/06/12	43,401,632	186,373	43,588,005

INTANGIBLE ASSETS SCHEDULE FOR TWELVE MONTHS ENDING 30 JUNE 2011

	COMPUTER SOFTWARE	REBRANDING	WIP	TOTAL
COST/VALUATION AS AT 1/7/2010	-	4,744,996	77,160,405	81,905,401
ADDITIONS			53,044,489	53,044,489
WIP Transfer	130,204,894		(130,204,894)	-
REVALUATION				
	130,204,894	4,744,996	-	134,946,890
AMORTIZATION AS AT 1/7/2010	-	3,163,331	-	3,163,331
AMORTIZATION CHARGE FOR THE 12 MONTHS	43,401,631	1,581,666	-	44,983,297
ACCUMULATED AMORTIZATION	43,401,631	4,744,996	-	48,146,627
NBV AS AT 30/06/11	86,803,263	-	-	86,803,263

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30TH JUNE 2012

10. <u>Cash & Cash-equivalents</u>	2012 Kshs	2011 Kshs
National Bank Of Kenya	340,414,971	170,484,492
National Bank Of Kenya - WB EAPHL	23,855,313	10,030,850
Coop Bank of Kenya - Pooled	652,213,554	-
Coop Bank of Kenya - Non Pooled	11,776,596	286,083
CBA Bank	10,028,761	9,710,399
KCB DRUG A/C	1,776,796	8,933,508
COOP DRUG A/C	4,245,043,318	4,282,519,309
KCB DISTRIBUTION A/C	22,367,000	168,668,350
Global Fund	98,916,582	-
Total	5,406,392,890	4,650,632,991

11. A Inventory

Inventory held in trust as at 30th June 2012 based on the annual valuation cost have been recognised in the financial statements and an equivalent medical commodity fund raised on which movements of stocks are factored into. The total value of consumable inventory as at 30th June 2012 is Ksh.5,192,377,272 made up of inventory from the various sources of funds i.e. GOK MOMs, GOK MOPHs and Development Partners as shown below.

	2012 Kshs	2011 Kshs
GOK/MOMs	1,571,966,595	1,933,275,286
GOK/MOPHs	1,175,885,797	2,105,809,266
Development Partners	2,444,524,880	1,617,833,571
	5,192,377,272	5,656,918,123

11 B Medical commodity fund

This consists of medical inventories / funds from various sources to procure medical commodities. The fund is made up of the following;

	2012 Kshs	2011 Kshs
Inventories	5,192,377,272	5,656,918,123
GF Medical fund	27,610,267	-
Unutilized medical receipts	4,511,594,348	4,010,241,533
	9,731,581,887	9,667,159,656

11 C World Bank Project

This consists of funds from World bank for operations and purchase of medical commodities. The fund is made up of the following.

	2012	2011
HSSP	5,804,724	10,030,850
EAPHL	14,472,360	286,083
Totals	20,277,084	10,316,933

12. <u>Trade and Other Receivables</u>	2012 Kshs	2011 Kshs
Staff-Travel Imprest / Advances	181,864	90,354
Prepayments & Deposits	16,677,111	19,567,471
Receivables	129,710,955	15,771,281
Insurance Receivable	-	104,853
	146,569,930	35,533,959

13. <u>Revaluation Reserves</u>	2012 Kshs	2011 Kshs
	31,554,069	31,554,069

14. Deferred Income

A) USAID - Material Handling

This is as a result of grants in form of Property, Plant and equipment received from USAID in 2009/2010 amounting to ksh.24,403,091, with a useful life of 10 (ten) years. An amount of Ksh.2,440,309 is accounted for as income every year and the balance is deferred until the total value is exhausted over a period of ten (10) years

	2009/10	2010/11	2011/12	Recognised	Deferred
	24,403,091	21,962,782	19,522,473	2,440,309	17,082,163
Totals	24,403,091	21,962,782	19,522,473	2,440,309	17,082,163

B) USAID - Metallic Racking

This is as a result of grants in form of Property, Plant and equipment received from USAID in 2010/2011 amounting to ksh.31,394,968 with a useful life of 10 (ten) years. An amount of Ksh.3,139,497 is accounted for as income every year and the balance is deferred until the total value is exhausted over a period of ten (10) years

	2010/11	2011/12	Recognised	Deferred
	31,394,968	28,255,471	3,139,497	25,115,974
Totals	-	31,394,968	3,139,497	25,115,974

C) Millenium Challenge Account (MCA)

a)The following is as a result of grants in form of ERP Software from MCA, now capitalized following the completion of the project

2008/09	2009/10	2010/11	Recognised
193,052,000	121,431,820	103,421,215	53,044,489
193,052,000	121,431,820	103,421,215	53,044,489

b)In addition, the following Property, plant & equipments were purchased from MCA account

2 Coldrooms	9,259,479
Installation of wireless LAN	2,453,226
	11,712,705

	2010/11	Recognised	Deferred
TOTAL MCA	50,376,726	64,757,194	38,664,021

D) Procurement Supply Chain Management Consortium (PSCMC)

The following is as a result of KEMSA taking over assets of the Procurement & Supply Chain Management Consortium (PSCMC)

	2010/11	2010/12	Recognised	Deferred
Totals	-	4,044,122	2,991,661	932,800
			2,058,861	2,058,861

E) JSI Motor Vehicles

The following is as a result of JSI handing over two Trucks to KEMSA

	2010/11	2011/12	Recognised	Deferred
Totals	-	3,960,000	2,970,000	990,000
			1,980,000	1,980,000
GRAND TOTAL		92,403,626	7,502,606	84,901,019

15. Trade and Other Payables

	2012	2011
	Kshs	Kshs
Transporters & other payables	89,772,446	107,192,382
Fees payable to GF partners	39,887,274	-
Supplier Funds Retained	10,977,838	-
Staff Payables	-	28,454
Drug Payables	361,229,820	263,212,974
Accruals for the period	21,366,198	7,023,816
	523,233,575	377,457,626

16. Significant Accounting Policies**(a) Inventories**

The agency has shifted from a policy of disclosing inventories acquired on behalf of GOK and other partners in form of a note to actual recognition of the same in the balance sheet. This is to improve on the disclosure since the Agency receives funds for acquisition, warehousing and distribution of medical commodities and accounts for those funds to GOK and other partners. The corresponding liability has been recognised as a medical commodity fund.

(b) Deferred Medical Receipts

In the previous years funds received from the government but not utilized at the close of the year have been recognised as deferred medical receipts. In order to correctly disclose the nature of these funds, the same has been re-classified to medical commodity fund. The balance on the Medical commodity fund includes both un-utilized receipts and the stocks held on behalf of the government.

17. Post Balance Sheet Event

After the balance sheet date, a fire broke out on the night of 19th January 2013 and destroyed the holding warehouse at Embakasi. Inventory of an estimated value of Kshs 1.2 billion was destroyed. The inventory was insured. The Agency has lodged a claim with the insurance and compensation is expected within the current financial year.