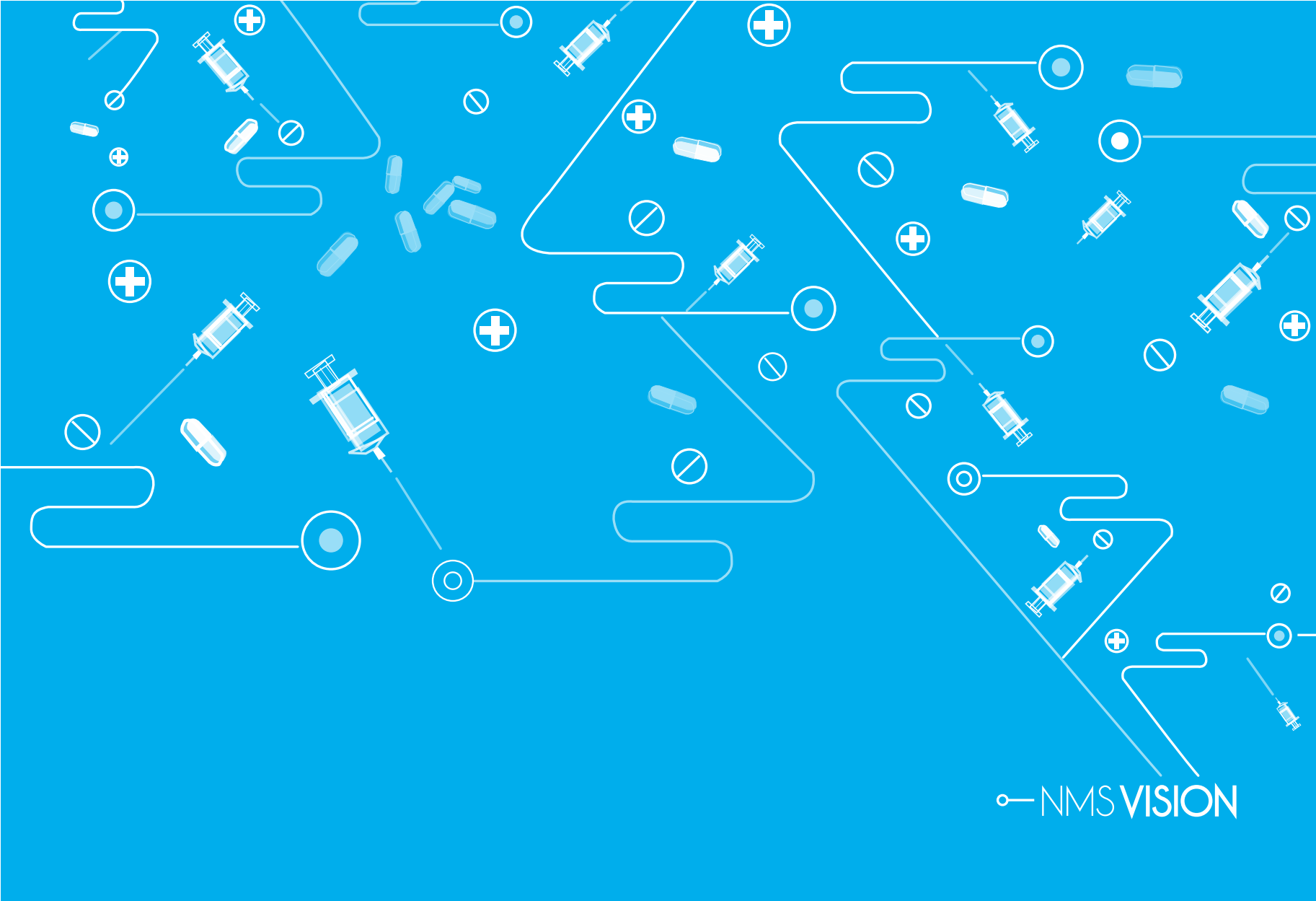


NMS
MEDICAL LOGISTICS
Passionate about your Life

2016-2017
ANNUAL REPORT



A population with adequate and **accessible** quality medicines and medical supplies.



— NMS VISION



— NMS MISSION

To effectively and efficiently
supply **Essential Medicines** and
Medical Supplies to all Health
Facilities in Uganda





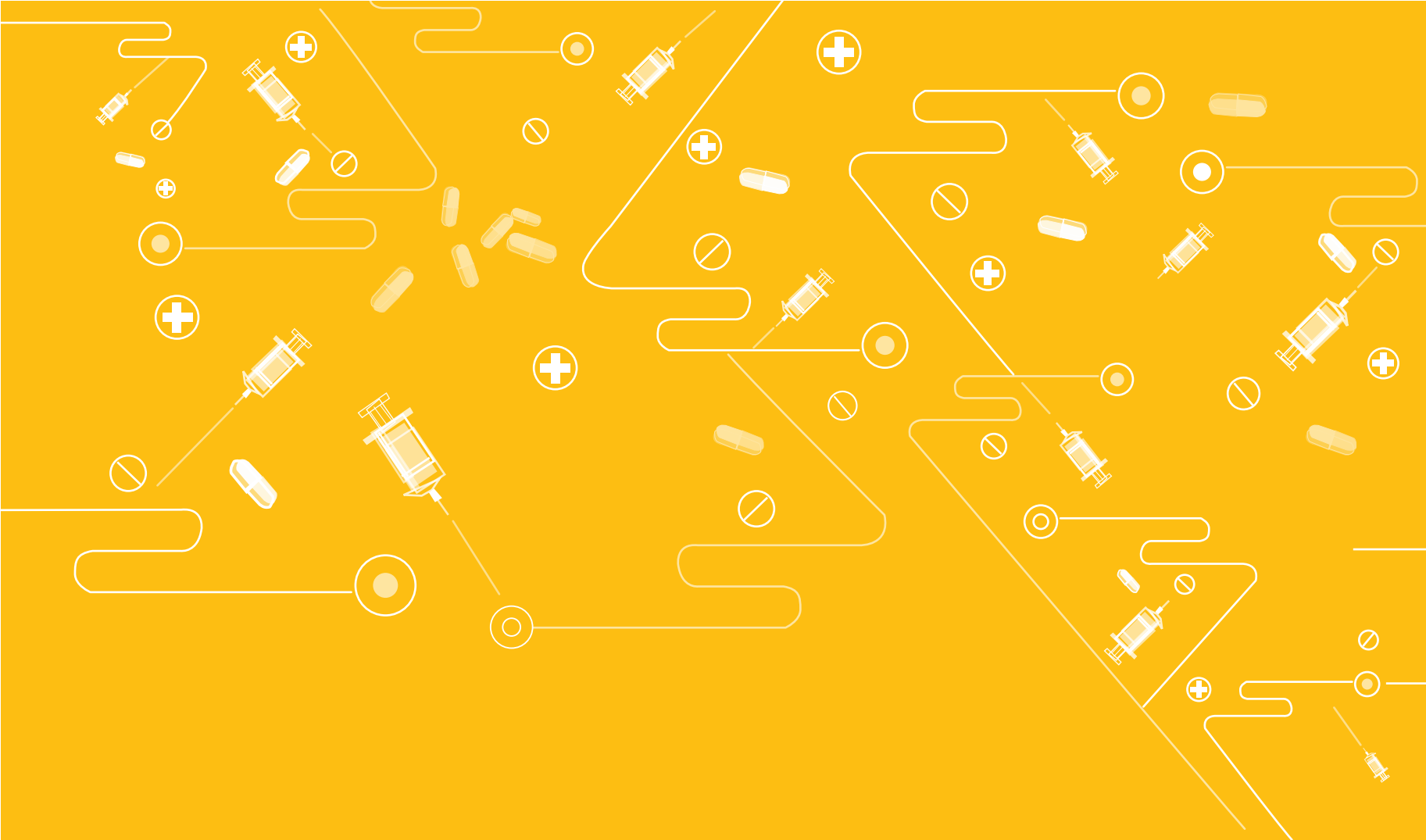
Customer **Focus**

Operational **Excellence**

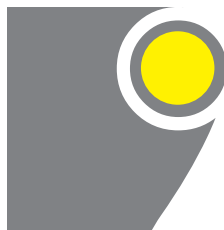
Teamwork

Accountability

Integrity



— NMS CORE VALUES



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BOARDCHAIRMAN'SFORWARD

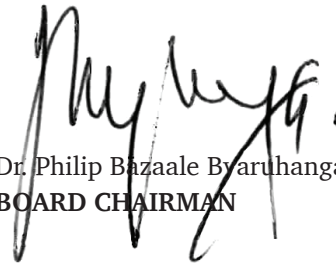


“Life is fragile. We’re not guaranteed a tomorrow so give it everything you’ve got.” -*Tim Cook, CEO Apple*

The FY 2016/17 was characterized by major challenges, mainly availability of funds to Procure, Store and Distribute Essential Medicines and Health Supplies (EMHS). This situation affected availability of EMHS, especially in the last Quarter of the Financial Year. The introduction of the Test and Treat for HIV, without corresponding provision of resources was another challenge. These challenges were not addressed until the end of the Financial Year 2016/17, thereby affecting the overall performance on the Key deliverables.

At the beginning of the Financial Year, 12 targets were set in the Operating Plan. The Performance against these targets by the close of the financial year was satisfactory. Given that majority of the challenges encountered in FY

2016/17 have been resolved going into FY 2017/18, it is expected that performance for the next Financial Year shall improve. Board, Management and Staff of National Medical Stores undertake to double our efforts so as to continue improving Service Delivery in FY 2017/18.

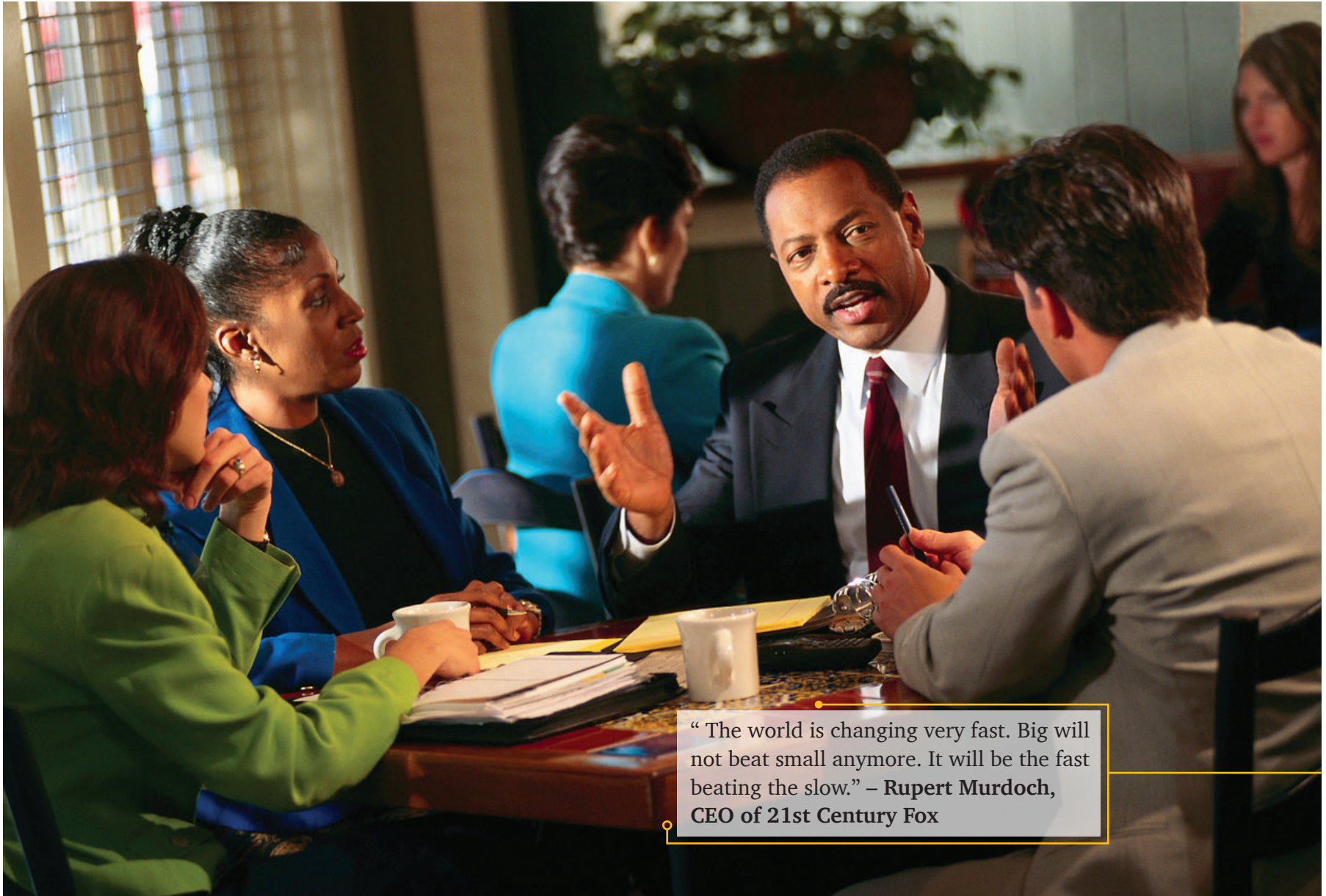


Dr. Philip Bazaale Byaruhanga
BOARD CHAIRMAN

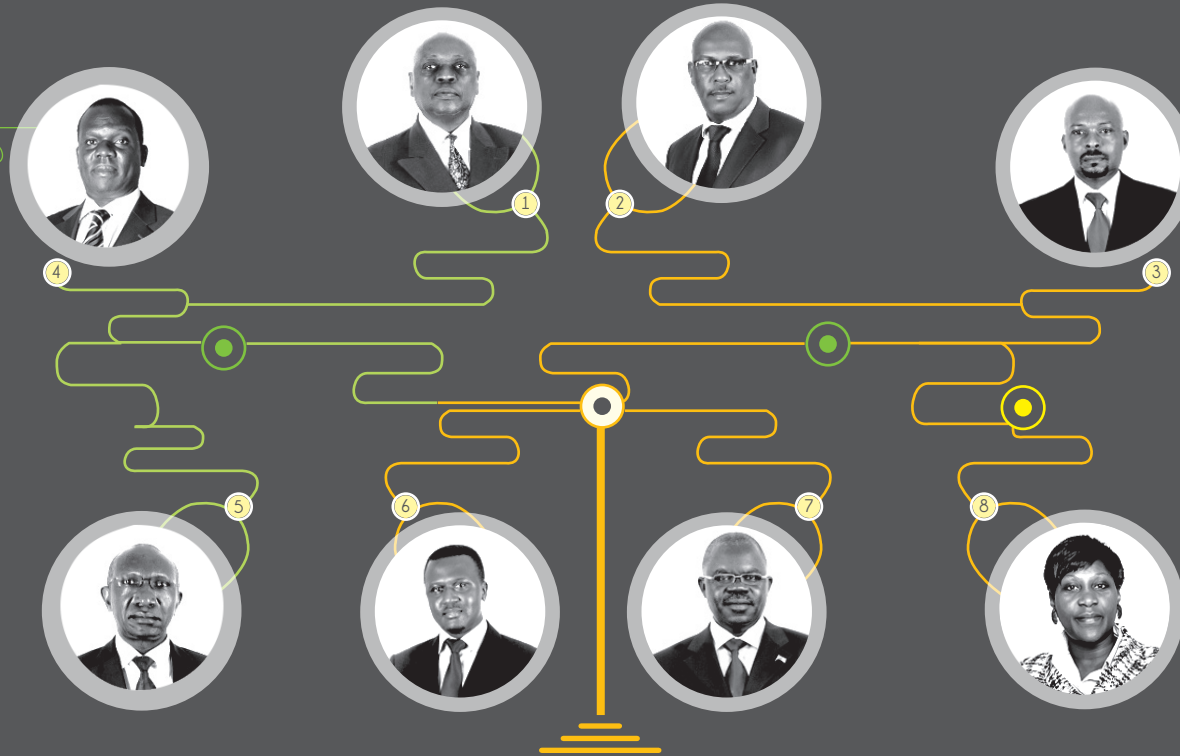




BOARD DIRECTORS STRUCTURE

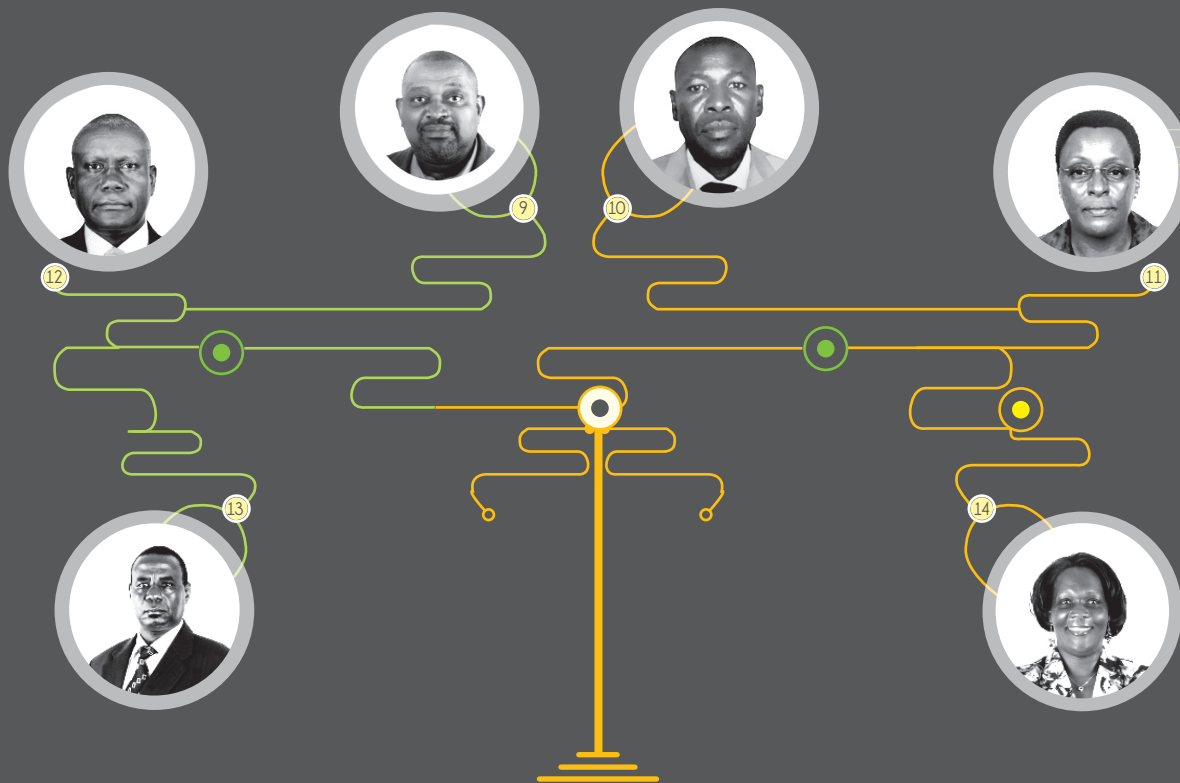


“ The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow.” – **Rupert Murdoch**, CEO of 21st Century Fox



- 01 Dr. Phillip Byaruhanga **CHAIRMAN** • 02 Mr. Moses Kamabare **G. MANAGER**
- 03 Mr. Apollo N. Mwesigye **CORP SECRETARY** • 04 Mr. George Omonyokol **CHAIRMAN ARMCO**
- 05 Mr. Justinian Niwagaba **CHAIRMAN PRHAC** • 06 Dr. Patrick Kerchan **CHAIRMAN FPMLC**
- 07 Mr. Alfred Driwale **CHAIRMAN TPDC** • 08 Ms. Pamela PE Blessed **MEMBER**

BOARD of DIRECTORS

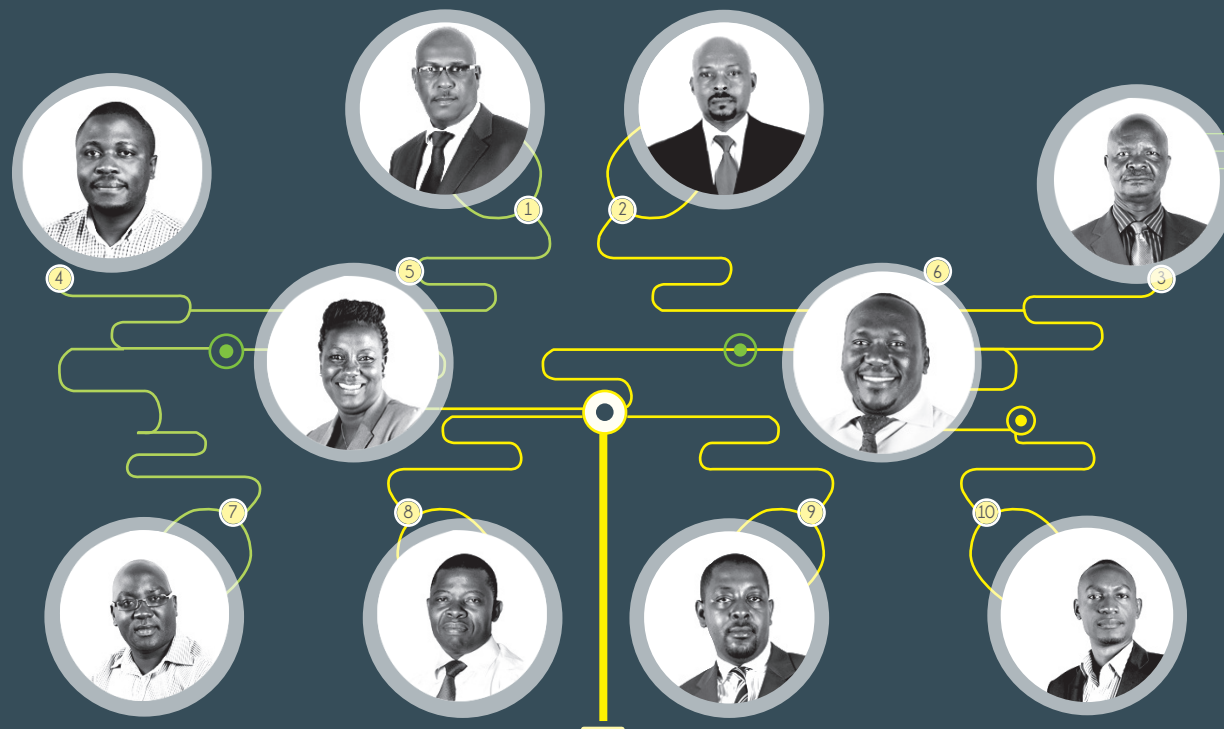


- 09 Mr. Patrick Tusiime MEMBER • 10 Mr. Osuna Emmanuel MEMBER
- 11 Ms. Naome Kibaaju MEMBER • 12 Mr. Laban Mbulamuko MEMBER
- 13 Mr. Simplicious Wagaba MEMBER • 14 Ms. Sarah N. Nansubuga MEMBER

BOARD of DIRECTORS

NMS at the ACIA AWARDS






- 01 Mr. Moses Kamabare G.MANAGER/CEO
- 02 Mr. Apollo Mwesigye CORP. SECRETARY
- 03 Mr. Johnny Byohangiirwe Hd. HR/SUPPORT SERVICES
- 04 Mr. Anthony Ddamba Hd. SALES + MKTG
- 05 Mrs. Edith N. Kakuba Hd. FINANCE + ACCOUNTS
- 06 Mr. Paul Okware Hd. STORES + OPERATIONS
- 07 Mr. Alfred Natamba Hd. PROCUREMENT
- 08 Mr. James Masawi CHIEF INTERNAL AUDITOR
- 09 Mr. Dan Atwijukire K. PR. OFFICER
- 10 Mr. Steven Kisuze MANAGEMENT “IS” OFFICER

MANAGEMENT STRUCTURE



CORPORATE GOVERNANCE



“Governance is the process whereby people in power make decisions that create, destroy or maintain social systems.”

- **Maria Ramos (CEO: Transnet)**

3.1 NATIONAL MEDICAL STORES (NMS)

Is a Statutory Corporation set up under the National Medical Stores (NMS) Act (CAP 207) with the mandate to Procure, Store and Distribute Essential Medicines and other Medical Supplies of good quality, primarily to the Public Health Facilities. Section 8 of the NMS Act vests the Governance of the Corporation in the Board of Directors.

3.2 BOARD OF DIRECTORS

This office bears the ultimate responsibility for the organization and administration of the Corporation. Its work and responsibilities are governed by the National Medical Stores Act, the Public Enterprise Reform and Divestiture Act (PERD Act) and the

Corporate Governance Best Practices. During the period, the Board was comprised of Thirteen (13) members including the General Manager/ Chief Executive Officer. Apart from the General Manager/ Chief Executive Officer, all the other Directors are independent and non-executive.

3.2.2 SECRETARY TO THE BOARD

Section 12 of the NMS Act provides for the position of the Secretary to the Board. The Secretary to the Board takes custody of the seal of the Corporation and provides both Secretarial and Logistics Support to the Board of Directors.

During the period, the Board was comprised of Thirteen (13) members.

The Secretary to the Board also ensures timely provision of information to all Directors, drawing and serving notices of meetings, drawing Board Work plans and taking of minutes at all Board and Board Committee meetings.

3.2.3 FUNCTIONS OF THE BOARD

The functions of the Board are spelt out in Section 10 of the NMS Act. These include:-

- a. to formulate and review the policy of the corporation having regard to its purposes as set out in this Act;
- b. to set targets for the annual performance of the corporation both in terms of public service

and financial results;

- c. to appraise and evaluate the performance of the management of the corporation;
- d. to make recommendations to the Minister regarding the appointment, performance and dismissal of the general manager of the corporation and the terms of his or her appointment;
- e. to appoint, appraise and discipline senior members of the staff of the corporation;
- f. subject to the limitations of this Act, to determine the organizational structure and staffing of the corporation;
- g. to establish its own procedures and to approve an operations manual for the internal operation of the

Our board appoints, appraises and disciplines senior members of the staff of the corporation

corporation on the basis of a draft submitted by the management committee and to approve proposals for modifications to the operations manual;

h. to perform any other functions relating to the above functions as the Minister may direct.

3.2.4 DUTIES AND CONDUCT OF THE BOARD.

The Board exercises high standards of integrity and ethical conduct in carrying out its functions. To this end each Board members ascribes to a Code of Conduct as a conformation to his/her commitment to ethical conduct. The Code of Conduct articulates the following obligations for each Director:-

- a.** To act in the best interests of the Corporation.
- b.** To act within his or her powers and not act Ultra vires.
- c.** To preserve and protect the confidentiality of the information entrusted to him/her by the Corporation.
- d.** To disclose immediately any contractual interests whether direct or indirect.
- e.** Not to divert to his advantage any business opportunity the corporation may be pursuing.
- f.** At all times, to act with utmost good faith towards the Corporation.
- g.** Not to accept any benefits from Third Parties.
- h.** To exercise reasonable care and skill in the performance of his duties.
- i.** To exercise independent judgment and oppose any decision or act that may jeopardize the interests of the Corporation.

The board exercises high standards of integrity and ethical conduct in carrying out its functions.

Special Board Meetings are held as and when there is business that cannot wait for the scheduled Board meeting.

3.2.5 BOARD MEETINGS.

The Board exercises its Powers through Board Meetings. A Scheduled full Board Meeting is held each quarter. Special Board Meetings are held as and when there is business that cannot wait for the scheduled Board meeting.

BOARD MEMBER	DATE	SCHEDULED BOARD MTG ATTENDED	SPECIAL BOARD MTG ATTENDED
DR. PHILIP B. BYARUHANGA	02. 01. 2015	4/4	4/4
DR. PATRICK KERCHAN	02. 01. 2015	4/4	3/4
DR. ALFRED DRIWALE	02. 01. 2015	3/4	2/4
MR. GEORGE OMUNYOKOL	02. 01. 2015	4/4	4/4
MR. JUSTINIAN NIWAGABA	02. 01. 2015	4/4	4/4
MRS. SARAH N. NANSUBUGA	02. 01. 2015	4/4	4/4
MS. PAMELA P. BLESSED	02. 01. 2015	4/4	4/4
MR. SIMPLICIOUS WAGABA	02. 01. 2015	4/4	4/4
MR. MOSES KAMABARE	02. 01. 2015	4/4	4/4
MRS. NAOME KIBAAJU	02. 06. 2016	2/4	3/4
DR. PATRICK TUSIIME	10. 10. 2016	3/4	0/4
MR. EMMANUEL OSUNA	10. 10. 2016	3/4	2/4
MR. LABAN MBULAMUKO	31. 10. 2016	2/4	1/4



Honourable Nasasira at the NMS Smart Care Launch.

The Board evaluation was conducted under the auspices of the Institute of Corporate Governance of Uganda.

3.2.6 BOARD COMMITTEES

The Board's work was complimented by Board Committees. During the period, the Board had the following Committees:-

- a. Audit and Risk Management Committee.
- b. Technical, Planning and Development Committee.
- c. Public Relations, Human Resource and Administration Committee.
- d. Finance, Procurement, Marketing and Logistics Committee.

3.2.7 REMUNERATION OF THE DIRECTORS.

The remuneration of the

Directors, save for the General Manager, was in accordance with their appointment instruments. The Board Chairman was paid a gross sum of UGX 2,500,000/= per month, and each Director was paid a gross sum of UGX 2,000,000/= per month, as retainer. This sum is subject to taxation in accordance with the law.

3.2.8 BOARD EVALUATION.

The Board carried out an the Overall Board Performance Evaluation, Individual Director Evaluation, Board Chairman Performance Evaluation, Evaluation of the Performance of the General Manager and Evaluation of the Performance of the Secretary to the Board. The evaluation was conducted under the auspices of the Institute of Corporate Governance

of Uganda. The purpose of the Evaluation was to assess performance, enhance effectiveness and identify areas of improvement.

3.2.9 ACHIEVEMENTS OF THE BOARD.

During the period, the following achievements were, among others, registered:-

- a. Four (4) new Board Members were inducted and oriented into their roles, responsibilities and liabilities.
- b. Adopted the Financial Statements for the Financial Year ended 30th June 2016.
- c. Adopted the Corporation's Annual Performance report for the Financial Year 2015/16.
- d. Adopted the report of the Board Field Visits carried out across the

country from 13th – 17th June 2016 for implementation of the recommendations therein.

- e. Trained in “Enterprise Governance Risk and Compliance” “Finance for Non- finance Directors in the Public Sector” and “Stake holder Management”.

3.2.10 INTERNAL CONTROL

The Board ensured that a sound control function was in place to safeguard the Corporation's assets and business. This was done by:-

- a. Strengthening laid down internal procedures and regulations. Policy

The board adopted the Corporation's Annual Performance report for the Financial Year 2015/16.

documents were reviewed, updated and approved to be used as governance instruments in the operations of the Corporation.

b. Strengthening the independent Internal Audit function, which reports directly to the Audit and Risk Management Committee of the Board. The Internal Audit continued to review internal control systems and reporting on their effectiveness and recommending areas of improvement.

Procedures aimed at identifying and evaluating the risks that may affect internal control were enacted and implemented.

3.2.11 RISK MANAGEMENT

Within the framework of the Corporation's operating

activities and functions, an Enterprise Risk Management Framework was continually implemented. Procedures aimed at identifying and evaluating the risks that may affect internal control were enacted and implemented. Risk Champions were appointed to spear head risk management.

3.2.12 BUSINESS CONTINUITY MANAGEMENT

National Medical Stores (NMS) is committed to continuous supply of Essential Medicines and Medical Supplies to all Public Health Facilities in Uganda at all times, including during times of crisis, through the best use of available resources, proper planning and in accordance with legislative requirements. The Board put in place a framework to ensure that in the event of service interruption,



CORPORATE GOVERNANCE

essential services are maintained and normal services restored as soon as possible.

The Board monitored the effectiveness of the approved Business Continuity Policy and Business Continuity Plan. The Policy communicates Business Continuity Management (BCM) framework, responsibilities and guiding principles for NMS to effectively prepare for, and achieve its strategic BCM aim, through times of major crises, service interruption or a disaster.

National Medical Stores (NMS) is committed to continuous supply of Essential Medicines and Medical Supplies to all Public Health Facilities in Uganda at all times.



FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

In line with the requirements of the NMS and PERD Acts, the Corporation kept proper accounts and records of all its transactions and affairs.

4.1 THE FINANCIAL STATEMENTS

of the Corporation are prepared, in accordance with the International Public Sector Accounting Standards (IPSAS). The following accounting policies are used:

a) Basis of Accounting

The Financial statements are prepared under the historical cost convention as modified by the revaluation of assets.

b) Revenue Recognition

Revenue comprised the value of medicines and medical

supplies dispatched to health facilities. For a fee, Services of the Corporation were offered to the Government of Uganda and the Development Partners.

c) Property, Plant and Equipment

The property, plant and equipment are stated at cost or valuation less accumulated depreciation. Depreciation is calculated on a straight line basis to write-off the assets over their estimated useful live in accordance with the matching concept. The annual rates used for this purpose are as indicated:

Freehold Land	0%
Leasehold Land	Amortized Over Lease Term
Buildings	5%
Motor Vehicles	25%
Office Equipment	20%
Computers & Software	33%
Furniture & Stores Equipment	12%

d) Inventory

Inventory is stated at the lower of cost and net realizable value. Cost is determined on weighted average basis comprised all costs of purchase and other costs incurred in bringing the inventory to its present location and condition.

e) Provisions

Provisions were recognized where the Corporation had a legal or constructive obligation as a result of past events and it's probable that an outflow of resources will be required to settle the obligation that can be reliably measured.

f) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated into Uganda shillings at rates ruling at the balance sheet date. Transactions denominated in foreign currency are converted at the rates ruling at the dates of the transactions. The resulting differences from translation are posted to the Statement of Financial performance in the period in which they arise.

4.2 OPERATING PERFORMANCE INDICATORS.

The Board of Directors, at its 9th Special meeting of the 7th Board of Directors on 28.04.2016 adopted Budget Estimates for 2016-17 (Operating Plan). The budget was approved by the Ministry of Finance, Planning & Economic Development on 4.07.2016.

4.2.1 THE PLAN HAD THE FOLLOWING FOCUS & TARGET AREAS IN ACCORDANCE WITH VOTE OUTPUTS

- i. To supply EMHS Basic Kits to Health Center II > UGX 11BN
- ii. To supply EMHS Basic Kits to Health Center III > UGX 18.3BN
- iii. To supply Essential Medicines & Health Supplies to Health Center IV > UGX 8BN
- iv. To supply Essential Medicines & Health Supplies to General Hospitals > UGX 14BN
- v. To supply Essential Medicines & Health Supplies to Regional Referral Hospitals > UGX 13BN
- vi. To supply Essential Medicines & Health Supplies to National Referral Hospitals > UGX 12BN
- vii. To supply ACTs, ARVs & Anti TB drugs to National Referral Hospitals, Regional Referral Hospitals & General Hospitals & Local Government units > UGX 110BN
- viii. To supply Reproductive Health Supplies to all health facilities > UGX 8BN
- ix. To supply Essential Medicines & Health Supplies > UGX 18.104BN to UHI, UCI, UBTS.
- x. To handle Emergency Supplies & donated items at > UGX 2.5BN
- xi. To handle Immunization Supplies including Hepatitis B Vaccine > UGX 17BN
- xii. To supply Laboratory Commodities > UGX 5BN



GOVT
REVENUE
TOWARDS
MEDICINES
& HEALTH
SERVICES

4.3 OPERATING PERFORMANCE INDICATORS

The funds appropriated to the Corporation under Vote 116 for the FY 2016/17 was UGX 237.6 billion. This amount was more by UGX 9.35billion (including Hepatitis B Vaccine UGX 8 billion and UGX 1.35 billion added on to the 10 hospitals) of the indicative planning figure UGX 228.6 billion that was used at the time of the operational budget compilation. During the course of the year, a supplementary budget of UGX 27billion was received to cover the funding gap for Anti malaria drugs (UGX 20billion) and (UGX 7 billion) blood collection

supplies. NMS also received UGX 4billion from Ministry of Health for Procurement of Referral Hospital Health Workers Uniforms (ugx. 3billion) and for Medical Stationary (ugx.1billion).

4.4 STATEMENT OF FINANCIAL PERFORMANCE

4.4.1 Revenue

Revenue refers to the funds that have been turned into services upon delivery of medicines and medical supplies to public health facilities during the Financial Year 2016/17 under review.

The revenue from Government of Uganda contribution towards medicines and health services registered UGX 269billion. This was 117.6% performance when

FINANCIAL PERFORMANCE

comparing the actual performance to the budgeted revenue of UGX 228.6 billion that was anticipated by the end Financial Year 2016/17. The anticipated budget figure was increased by UGX 27billion (towards Anti malaria drugs and blood transfusion supplies and was linearly distributed through the budget year. The revenue registered was below the target of UGX 264billion that was released by MoFPED.

Another stream of Revenue was contributed towards Medicines and Medical Supplies by Development Partners amounting to shs.709billion.

4.4.2 Charges for Services Delivered
Charges for services delivered yielded UGX 25billion. Performance level

of 158.03% was registered when compared to the budgeted level of UGX15.8 billion anticipated for the year under review. This reflected the level of activity that was handled by the Corporation in form of Third Parties Supplies. Supplies that were handled were those procured by Uganda Global Fund.

During the FY 2016/17 under review, Global Fund commodities were front loaded to mitigate the possible stock out of items like ARVS, Anti TB drugs and Malaria drugs. This explained the registered more than expected

The anticipated budget figure was increased by UGX 27billion (towards Anti malaria drugs and blood transfusion supplies and was linearly distributed through the budget year.



REVENUE
CONTRIBUTION
FROM PARTNERS

performance for the Period July 2016 - June 2017. Other Third Party Partners include Clinton foundation, UNFPA, CHAI, SCMS, World Bank and DFID.

4.4.3 Other Revenue

The Corporation earned UGX 2.3 billion and most of it was from disposal of assets and sale of bid documents. This is 804.24% level of performance when compared to the budget amount of UGX 280 million.

4.5 PROCUREMENT OF MEDICINES

The Corporation incurred an amount of UGX 249billion for procurement of medicines and health supplies. This represents

117% level of performance when compared to the budgeted amount of UGX 212billion. This performance was disproportionate to the budgeted Cost of procurement during the year but collated to the budgeted figure of performance mark of revenue to which it related.

4.6 ADMINISTRATIVE AND OPERATIONAL EXPENSES

These are expenses which are incurred through functions that support the core business of the corporation. These include Staff expenses, Motor Vehicle expenses, Storage Packaging Distribution, Rent and rates, Utilities, Marketing and Public Relations and other Administrative expenses. An amount of UGX 251.3 billion including procurement of medicines was incurred in expenses for the FY



EARNED BY
CORPORATION
FROM DISPOSAL
OF ASSETS &
SALE OF BID
DOCUMENTS

FINANCIAL PERFORMANCE

2016/17 under review. Most of the expenses kept within the confines of the budget. Performance against the Budgeted accounts can be summarized as follows:-

We note that towards the end of FY 2016/2017, the depreciation of the Shilling against major international currencies oscillated at an average of Shs.3595.90/= per dollar and thus the less than anticipated exchange loss incurred.

S/NO.	ITEM	% OF THE BUDGETED SUMS
1	STAFF EXPENSES AT	94.98%
2	MOTOR VEHICLE EXPENSE	94.7%
3	STORAGE PACKAGING/DISTRIBUTION	86.3%
4	ADMINISTRATION COSTS	90%
5	RENT, UTILITIES & MAINTENANCE	87%
6	MARKETING & PUBLICATIONS	56%
7	QUALITY ASSURANCE	13.8% (MOST ACTIVITIES TOOK PLACE AT THE END OF THE FY)
8	PROFESSIONAL FEES	90%

4.7 SURPLUS

The Corporation registered a surplus amounting to **UGX 10.7 billion** (including depreciation and amortization which are paper expenses).

The favorable variance occurs where the actual performance is more than the budgeted amounts in the case of revenue.

An illustration of the Corporation's financial performance which compares the actual performance against the budgeted performance and registers an appropriate variance and the level of performance attained for the FY 2016/17 is relayed in the table illustrated:-

4.7.1 STATEMENT OF FINANCIAL PERFORMANCE AS AT 30TH JUNE 2017

REVENUE	NOTES	'17 UGX'000	RESTATED '16 UGX'000
CONTRIBUTION FROM GOVT OF UGANDA	17	269,141,775	228,140,272
CONTRIBUTION FROM DEVT PARTNERS(TPT)	17	628,111,743	482,043,805
CHARGES FOR SERVICES DELIVERED	19	27,100,609	30,415,459
OTHER REVENUE	20	203,552	908,235
TOTAL OPERATING REVENUE		924,557,679	741,507,771
EXPENSES			
PROCUREMENT OF MEDICINES & MEDICAL SS	18	248,818,959	205,380,937
COST OF DONATED ITEMS	18	628,111,743	482,043,805
NON-VIABLE STOCK(NMS STOCK)	21	805,578	211,283
NON-VIABLE STOCK(DONATED STOCK)	21	3,496,854	-
NON-VIABLE STOCK(CDC PROJECT)	21	411,383	-
PERSONNEL COSTS	22	14,030,244	12,606,776
OTHER OPERATIONAL EXPENSES	23	16,800,615	16,289,065
TOTAL OPERATING EXPENSES		912,475,376	716,531,866
GRANT REVENUE	10	1,004,861	453,186
EXCHANGE (LOSS)GAINS	24	(2,341,943)	(14,548,369)
NET NON-OPERATING EXPENSES		(1,337,082)	(14,095,183)
NET SURPLUS/(DEFICIT) FOR THE YEAR		10,745,221	10,880,721

4.7.2 STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

ASSETS	NOTES	'17 UGX'000	'16 UGX'000
NON-CURRENT ASSETS			
PROPERTY PLANT AND EQUIPMENT	2	24,472,684	19,541,369
PREPAID OPERATING LEASES	3	5,328,645	176,163
INTANGIBLE ASSETS	4	31,301	65,537
TOTAL NON- CURRENT ASSETS		29,832,630	19,783,069
CURRENT ASSETS			
INVENTORIES(NMS STOCK)	5	88,008,571	122,725,028
INVENTORIES(TPT STOCK)	5	256,013,731	230,229,454
RECEIVABLES	6	11,825,660	31,019,627
OTHER DEBTORS AND PREPAYMENTS	7	14,762,866	14,334,635
CDC BALANCE	12	9,609,915	10,826,503
CASH AND BANK	8	18,578,786	3,105,796
TOTAL CURRENT ASSETS		398,799,530	412,241,042
TOTAL ASSETS		428,632,160	432,024,111
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
GOVERNMENT SUBVENTIONS	9	7,089,751	7,089,751
CAPITAL GRANTS	10	4,269,240	5,274,101
REVALUATION RESERVES	11	15,353,832	5,188,791
ACCUMULATED SURPLUS		36,967,118	26,113,345
NON-CURRENT LIABILITIES		63,679,941	43,665,988
STAFF GRATUITY FUND	14	274,423	646,739
CURRENT LIABILITIES			
PAYABLES	15	93,104,133	137,254,602
SUNDRY PAYABLES	16	30,201	5,334,240
VOTE 116 DEFERRED REVENUE	13	10,879,731	14,893,088
THIRD PARTY STOCKS TO DISPATCH	5	256,013,731	230,229,454
OTHER DEFERRED REVENUE	13	4,650,000	-
		364,677,796	387,711,384
TOTAL EQUITY AND LIABILITIES		428,632,160	432,024,111

4.8 FINANCIAL PERFORMANCE INDICATORS FOR THE PERIOD.

4.8.1 Short-term Solvency/Liquidity Ratio

	2017	2016
Current Ratio	1:09	1:06
Acid Test Ratio	0.85	0.75

The current ratio gauges how capable an organization is in paying current liabilities by using current assets only. It is also called the working capital ratio. The ratio demonstrates NMS' ability to cover up current liabilities with current assets (1.09 times) without keeping excess idle cash. The analysis shows that immediate liquidity can cover the Corporation's

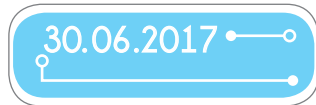
liabilities as they increase by 0.85 times as at 30th June 2017. The table below contains figures from which the computations are derived:

PARTICULARS	June 2017 UGX 000	June 2016 UGX 000
Current Assets	398,799,530	412,241,042
Current Liabilities	364,677,796	387,711,384
Inventories	88,008,571	122,725,028

FINANCIAL PERFORMANCE

4.8.2 Management Efficiency

Efficiency ratios evaluate how well the company manages its assets. The following ratios can be used:



Stock turnover	2.36 times
Debtors' collection period	295 days
Creditors' turnover ratio	0.81 times

a. Stock Turnover

$$\text{Stock turnover}^2 = \frac{\text{Cost of Sales}}{\text{Average Stock}} = X \text{ times}$$

The stock turnover for the year under review registered a performance of turning stock 2.36 times. Faster turn-overs are generally viewed as a positive trend as they increase cash flow; reduce

warehousing and other related costs.

b. Debtors' collection period

The average collection period was 295 days as at the end of 30th June 2017 compared to the desirable 90 days as per the set targets.

$$\text{Debtors Collection Period} = \frac{\text{Average Debtors} \times 365}{\text{Credit Sales}}$$

c. Creditors Turnover

$$\text{Creditors turnover ratio} = \frac{\text{Credit purchases}}{\text{Average Creditors}} \times \text{times}$$

On average the creditors were being paid 1.89 times for the FY ended 30th June 2017.

* The Acid test ratio also called the quick ratio focuses on immediate liquidity (i.e. cash and accounts receivables) but excludes inventory and prepayments. This shows how much cash equivalents are available to pay for the immediate liabilities of the Corporation.

** Stock turnover shows how many times in one accounting period the company turns over (sells) its stock. The ratio is valuable for spotting under stocking, overstocking, obsolescence and the need for merchandising improvement.*

d. Operating Cost Ratio

This is a ratio that determines the efficiency of a company's management by comparing the company's operating expenses to net revenue.

$$\text{Operating Cost} = \frac{\text{Operating Cost} * 100}{\text{Net Sales}}$$

The Operating cost ratio registered a performance of 11% for the FY 2016/17 that ended on 30th June 2017.

4.9 ABSORPTION OF FUNDS ON VOTE 116

The Corporation received an amount of 264,964,466,778= under Vote 116 during the FY 2016/17 broken down as illustrated in the table below:-

4.10 DEBTORS MOVEMENT SUMMARY AS AT 30TH JUNE 2017

DEBTOR	CHARGE RATE	BAL B/F-1 JULY-2016	CHARGES	COLLECTIONS	BAL C/F 30.06.2016
UNFPA	10.0%	400,769,832	0	0	400,769,832
CLINTON HEALTH ACCESS INITIATIVE	8.0%	331,182,853	483,285,825	(814,468,678)	0
MINISTRY OF HEALTH	10.0%	7,943,426,507	0	0	7,943,426,507
UGANDA GLOBAL FUND	8.5%	25,680,297,888	23,894,272,184	(41,829,304,339)	7,745,265,734
THE AIDS SUPPORT ORG.	8.5%	686,312,110	400,871,217	(1,087,183,326)	0
SCMS, USAID	10.0%	241,438,872	273,133,739	(514,572,610.42)	0
UG. AIDS COMMISSION	10.0%	89,671,401	0	0	89,671,401
NMS GENERAL BRANCH	MEDICINES	205,315,961	0	0	205,315,961
CDC PROJECT	22.5%	8,775,551,759	0	0	8,775,551,759
TOTAL		44,353,967,182	25,051,562,965	(44,245,528,953)	25,160,001,194

4.9 ABSORPTION OF FUNDS ON VOTE 116



S/NO.	VOTE OUTPUT CODE	% OF THE BUDGETED SUMS	AMOUNT RECEIVED UGX	AMOUNT SPENT UGX
1.	085906	SS OF EMHS TO HC 11 (BASIC KIT)	11,163,236,943	11,163,236,943
2.	085907	SS OF EMHS TO HC 111 (BASIC KIT)	18,360,000,000	18,360,000,000
3.	085908	SS OF EMHS TO HC 1V	7,992,000,000	7,992,000,000
4.	085909	SS OF EMHS ORDERS TO GENERAL HOSPITALS	14,456,000,000	14,456,000,000
5.	085910	SS OF EMHS ORDERS TO REG. REFERRAL HOSPITALS	3,024,000,000	13,024,000,000
6.	085911	SS OF EMHS ORDERS TO NATIONAL REFERRAL HOSPITALS	12,365,600,000	12,365,600,000
7.	085912	SS OF ACTS & ARVS & ANTI -TB DRUGS TO HEALTH FACILITIES.	130,000,000,000	129,999,969,280
8.	085913	SS OF EMHS TO SPECIALIZED UNITS	25,103,629,835	25,103,629,835
9.	085914	SS OF EMERGENCY AND DONATED MEDICINES.	2,500,000,000	2,500,000,000
10.	085915	SS OF REPRODUCTIVE HEALTH ITEMS.	8,000,000,000	8,000,000,000
11	085916	IMMUNIZATION SUPPLIES INCLUDING HEPATITIS B VACCINE	17,000,000,000	17,000,000,000
12.	085917	LABORATORY COMMODITIES	5,000,000,000	5,000,000,000
TOTAL			264,964,466,778	264,964,436,058
PERFORMANCE				99.9%



CUSTOMER**SERVICE**

5.1 IN ITS CUSTOMER

SERVICE Delivery, the Corporation purposed to:-

- a. Identify and rationalize the priority (XV) items to procure, store and distribute.
- b. Establish and maintain effective procurement planning systems at all levels of care.
- c. Satisfy customers with respect to their needs by segments
- d. Adhere to delivery schedules.
- e. Build capacity of regional offices with the aim of:
 - i. Optimizing speed and quality of customer responsiveness
 - ii. Undertaking targeted,

individual and value-adding facility field visits.

- f. In collaboration with Ministry of Health (Pharmacy Division), build capacity of facilities on the selection, quantification, procurement and inventory management of EMHS.
- g. Offer advisory services to the government with regard to the needs of EMHS.
- h. Participate, advocate and keep abreast of strategic initiatives in the management of strategic public health programs.

5.2 CUSTOMER ORDERING

There was greater alignment of Customer needs/plans against Customer orders due to improved procurement planning by all Health Facilities.

5.3 AVAILABILITY OF MEDICINES & HEALTH SUPPLIES (EMHS)

Due to the changes in the economic environment, National Medical Stores, in consultation with the Health Facilities and Ministry of Health, developed and adopted an Extra Vital (XV) List of medicines and health supplies. This was mainly to improve the availability of vital medicines amidst the challenging economic environment. Health Facilities' Procurement Plans are now based on these Extra Vital Items.

5.4 ASSESSMENT OF FACILITY REQUIREMENTS

a. Needs Analysis Reviewed the list of XV (extra vital) supplies and reduced it to 380 items

b. Procurement Planning Completed Essential Medicines and Health Supplies

planning with most Health facilities for FY2017/18 in February 2017.

c. Quantification

d. Quantification for FY2017/18 completed with the following outputs:

- i. National Medical Stores Procurement Plan FY2017/18
- ii. FY2017/18 National Quantification Report.

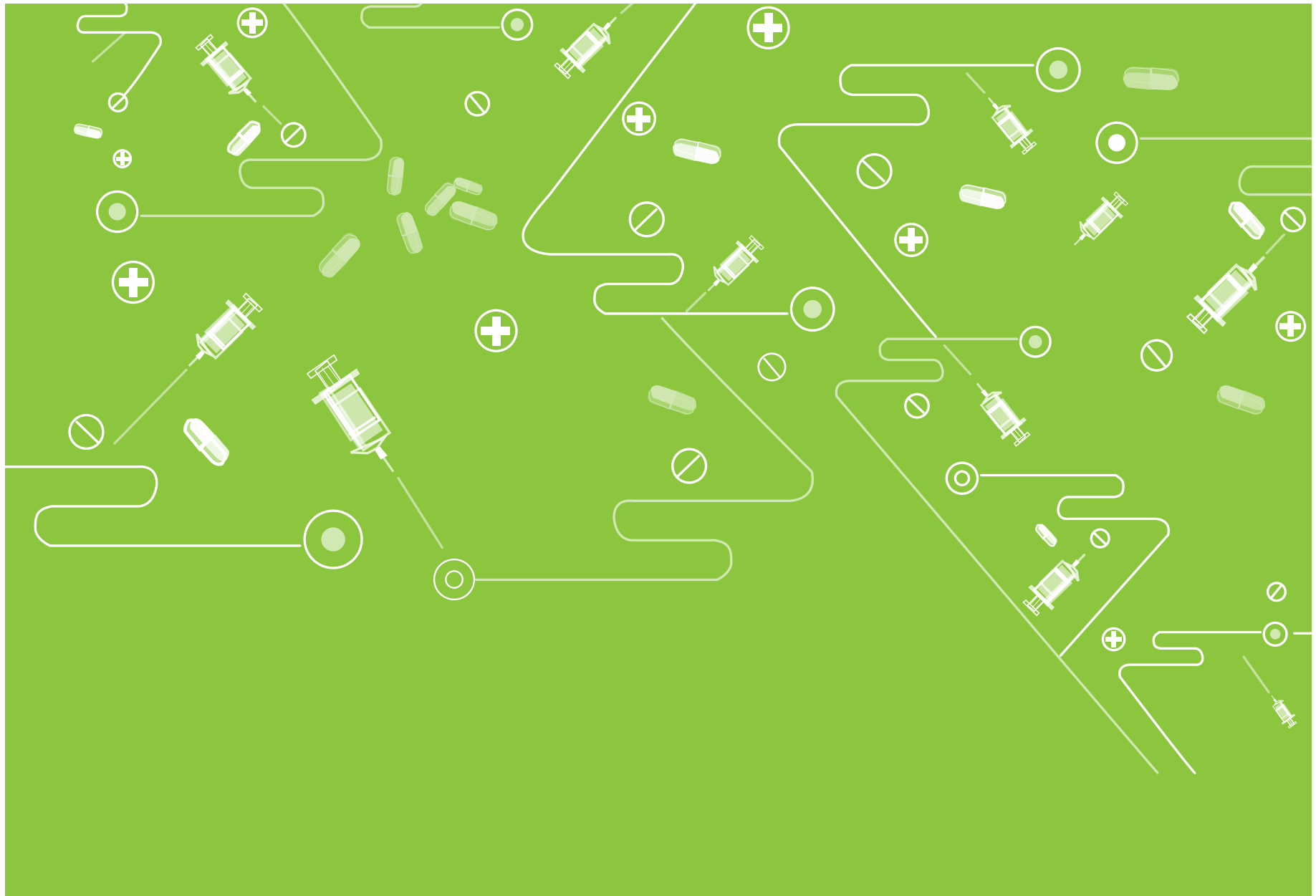
The next table shows the Level of Service Delivery during the period:-

FY 2016/17 QTR 1 - 4 OUT PUT PERFORMANCE SUMMARY

BUDGET OUTPUT	BAL BF 1.07.2016	FY 2016/17 BUDGET UGX	FY 2016/17 AVAILABLE BUDGET UGX	DISPATCHED MEDICINES UGX	BAL C/F 30.06.2017 UGX	% PERFORMANCE VS BUDGET
085906 - HCII	654,715,338	11,163,236,943	11,817,952,281	-11,176,183,177	641,769,104	100%
085907 - HCIII	2,456,542,571	18,360,000,000	20,816,542,571	-18,352,773,937	2,463,768,634	100%
085908 - HCIV	661,890,591	7,992,000,000	8,653,890,591	-9,430,580,996	-776,690,405	118%
085909 - General Hospitals	666,907,518	14,456,000,000	15,122,907,518	-14,077,311,881	1,045,595,637	97%
085910 - Regional Ref. Hospitals	-1,013,091,555	13,024,000,000	12,010,908,445	-15,047,132,232	-3,036,223,787	116%
085911 - National Ref. Hospitals	-382,068,202	12,365,600,000	11,983,531,798	-12,188,494,324	-204,962,526	99%
085912 - ACTs & ARVs & TB	466,872,132	130,000,000,000	130,466,872,132	-132,369,123,991	-1,902,251,859	102%
085913 - Specialized units & Non Communicable Diseases	-5,256,780,941	25,103,629,835	19,846,848,894	-18,185,053,781	1,661,795,113	72%
085914 - Emergencies	50,569,815	2,500,000,000	2,550,569,815	-2,550,569,815	0	102%
085915 - Reproductive Health	51,004,098	8,000,000,000	8,051,004,098	-7,964,659,593	86,344,504	100%
085916 - Immunization supplies	-38,662,663	9,000,000,000	8,961,337,337	-10,532,669,912	-1,571,332,575	117%
085917 - Lab Commodities	3,016,742,146	5,000,000,000	8,016,742,146	-3,572,170,795	4,444,571,352	71%
TOTAL	1,334,640,849	256,964,466,778	258,299,107,627	-255,446,724,435	2,852,383,192	99%
Hepatitis B vaccines	6,867,844,405	8,000,000,000	14,867,844,405	-13,287,121,852	1,580,722,553	166%
GRAND TOTAL	8,202,485,254	264,964,466,778.00	273,166,952,032	-268,733,846,287	4,433,105,745	101%



PERFORMANCE AGAINST
THE PROCUREMENT PLAN



PROCUREMENT PLAN

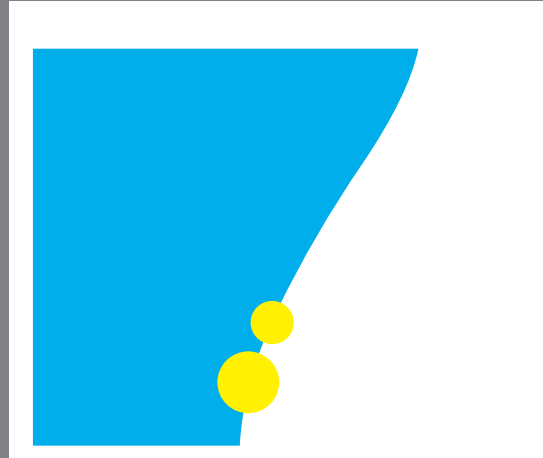
The Board approved a Procurement Plan as part of the NMS Budget.

6.1 PROCUREMENT OF ESSENTIAL MEDICINES & MEDICAL SUPPLIES

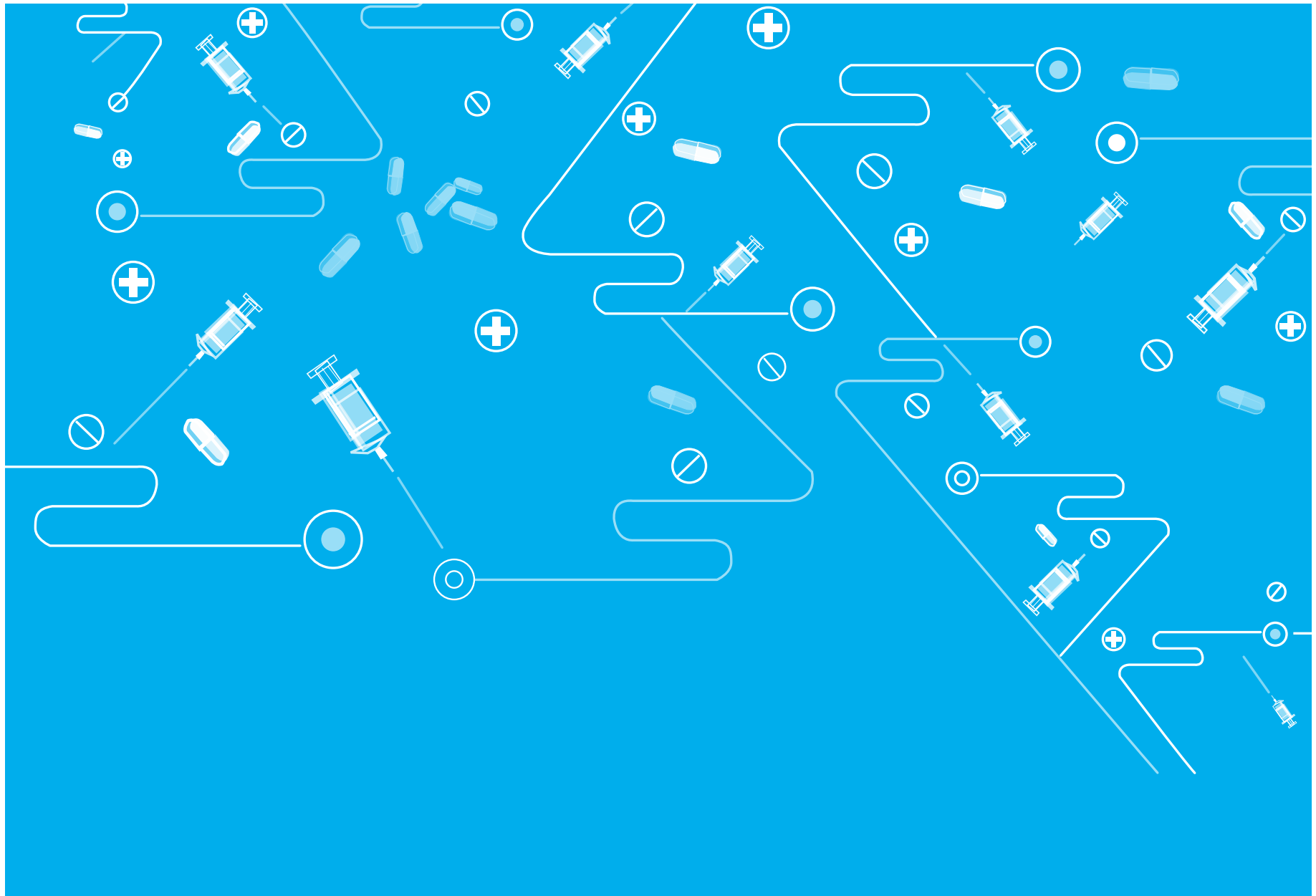
Requirements for all Essential Medicines and Medical Supplies were on framework contracts and stock was delivered by issuing of Call-off Orders as and when stock was required.

The summary of the procurements is in the table below:-

CATEGORY	VALUE(UGX)
Medicines	30,156,111,000
Sundries and Laboratory Supplies	34,413,600,215
NMS Operational Procurements	73,211,500,200
Total	137,781,211,415



AVAILABILITY AND DISTRIBUTION
OF EMHS



7.0 AVAILABILITY AND DISTRIBUTION OF EMHS

7.1 Stock Availability

Contracts for Medicines and Health Supplies. The corporation purposed to ensure that through the regular monitoring of stock levels, adequate quantities of medicines were available at all times.

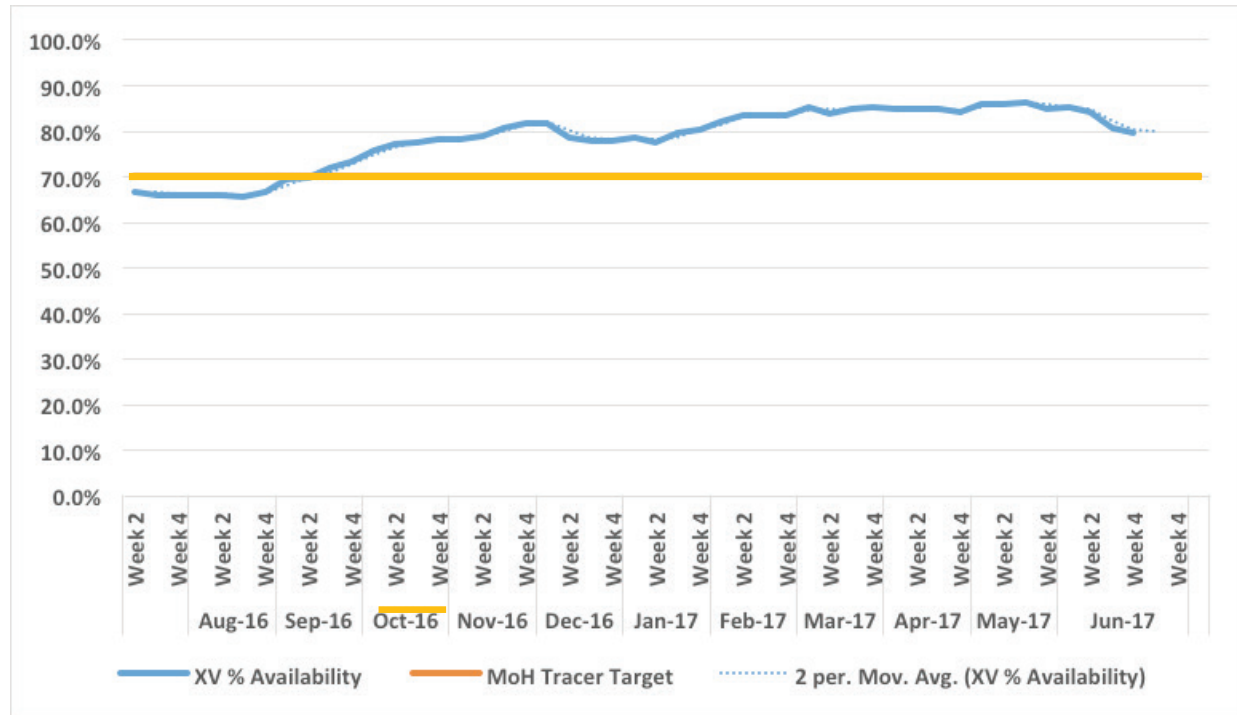
Procurement of EMHS was based on the consolidated procurements plans of all public health facilities in the country and stock replenishment is based on minimum stock levels that's must be maintained to ensure a continuous supply of

medicines. The National Pharmaceutical Sector Strategic Plan III 2015/16-2019/20 set targets for stock availability for 41 tracer items at the central level as follows:-

Period	Target	Archived by Quarter			
		Q1	Q2	Q3	Q4
FY 2015 / 2016	65%	65.6%	72.8%	80.2%	66.7 %
FY 2016 / 2017	70%	73.4 %	78.0 %	85.3	80.6
FY 2017 / 2018	75%				
FY 2019 / 2020	80%				

AVAILABILITY HOWEVER WAS ABOVE THE SET TARGETS AS SHOWN BELOW:

STOCK AVAILABILITY TREND – Q1-Q4 FY 2016/2017



7.2 Delivery Schedule
Distribution of Medicines and Health Supplies to public health facilities was done on a scheduled basis every 2 months. Adherence to this schedule was a key focus area. During the period EMHS were delivered as follows:

DELIVERY CYCLE	HC-II TO GENERAL HOSPITALS	REGIONAL REFERRALS TO NATIONAL REFERRALS
CYCLE 1	DELIVERY 7 DAYS BEHIND SCHEDULE	ON TIME
CYCLE 2	DELIVERED IN TIME [ONE DAY AHEAD OF SCHEDULE]	ON TIME
CYCLE 3	DELIVERED IN TIME [30 DAYS AHEAD OF SCHEDULE]	ON TIME
CYCLE 4	DELIVERED IN TIME [8 DAYS AHEAD OF SCHEDULE]	ON TIME
CYCLE 5	IN PROGRESS [ON SCHEDULE]	ON TIME
CYCLE 6	SOME ZONE 5 ORDERS LATE DELIVERED BY 7 DAYS	ON TIME

DISTRIBUTINGEMS

7.3 DISTRIBUTION FLEET

The NMS fleet comprises of 21 distribution trucks. Given the increased volume of business [550bn in FY 2014/2015 to 975bn FY 2016/2017 an increase of 77%], the ideal number of distribution trucks to match the business needs for the FY 2016-2017 was is 25.

The ideal fleet size envisaged for FY 2017-2018 to ably carry out the distribution mandate is 30 Distribution trucks. With the support of the Global Fund four (4) Distribution trucks are being procured for NMS through TASO. Delivery was expected by December 2017.

7.4 LAST MILE DELIVERY

Two third party logistics partners had been contracted to undertake Last Mile delivery and ensure medicines are delivered to the door of every Public Health Facility in the country.

In an effort to strengthen LMD, cross dock containers [shipping containers] were planned to be placed at district stores to improve the chain of custody throughout the supply chain.

The shipping containers were called off and delivered. The transportation of the containers is to commence in July 2017 and support for the transportation of these containers had been promised by USAID.

7.5 Vaccines Logistics
NMS had been engaged in vaccine logistics since July 2012 and distributed vaccines on a monthly basis to all Districts in the country ever since.

Vaccines Coverage Forecasts and targets were developed by UNEPI, UNICEF, WHO & NMS. Distribution of the regular vaccines for Quarters 1 to 4 of FY 2016/ 2017 was as follows:

2016	Jul	657,000	732,000	458,500		51,800	185,000	405,100	93,400	2,582,800
Q1 and Q2	Aug	665,000	685,000	527,500	282,940		201,000	435,000	469,700	3,266,140
	Sep	327,000	415,000	259,020	91,440		145,000	289,200	305,900	1,832,560
	Oct	364,000	570,000	327,500	222,977		182,500	316,400	226,960	2,210,337
	Nov	438,000	648,000	363,500		167,200	323,900	348,200	377,500	2,666,300
	Dec	475,000	672,000	357,000	79,270	141,000	241,010	356,400	258,500	2,580,180
Grand Total		2,926,000	3,722,000	2,293,020	676,627	360,000	1,278,410	2,150,300	1,731,960	15,138,317

Years	Dates_issued	BCG	bOPV	DTP-HepB-Hib	HepB	HPV	IPV	Measles	PCV-10	TT	Grand Total
2017	Jan	449,000	364,400	533,000	206,600		85,750	189,800	416,600	244,000	2,960,150
Q3 and Q4	Feb	3,000	713,000	276,000	9,900	243,040	850	173,500	331,000	330,000	2,080,290
	Mar	504,000	616,000	293,000	107,000	56,790		185,500	359,800	266,000	2,388,090
	Apr	519,000	624,000	427,500		74,880	169,000	347,000	414,600	474,000	3,049,980
	May	245,000	555,000	314,000	110,700	133,450	156,400	202,500	343,200	338,500	2,398,750
	Jun	429,000	598,000	375,000	268,630	70,360	122,600	110,000	353,000	207,640	2,544,330

7.6 CONSTRUCTION OF THE NEW WAREHOUSE

i. The procurement of a Contractor for the Design and Build of the New NMS warehouse was successful. China National Complete Plant Import & Export Corporation [COMPLANT] JV Oubuntu Consulting Limited emerged as the best bidder for the project.

ii. Clearance from the Solicitor General was obtained and a contract worth 69 billion UGX approx. USD 19.2 million was signed for the Design and Build of the New NMS warehouse. The commencement date for the Project is 3rd July 2017 and the project is expected to be completed within 22 months.

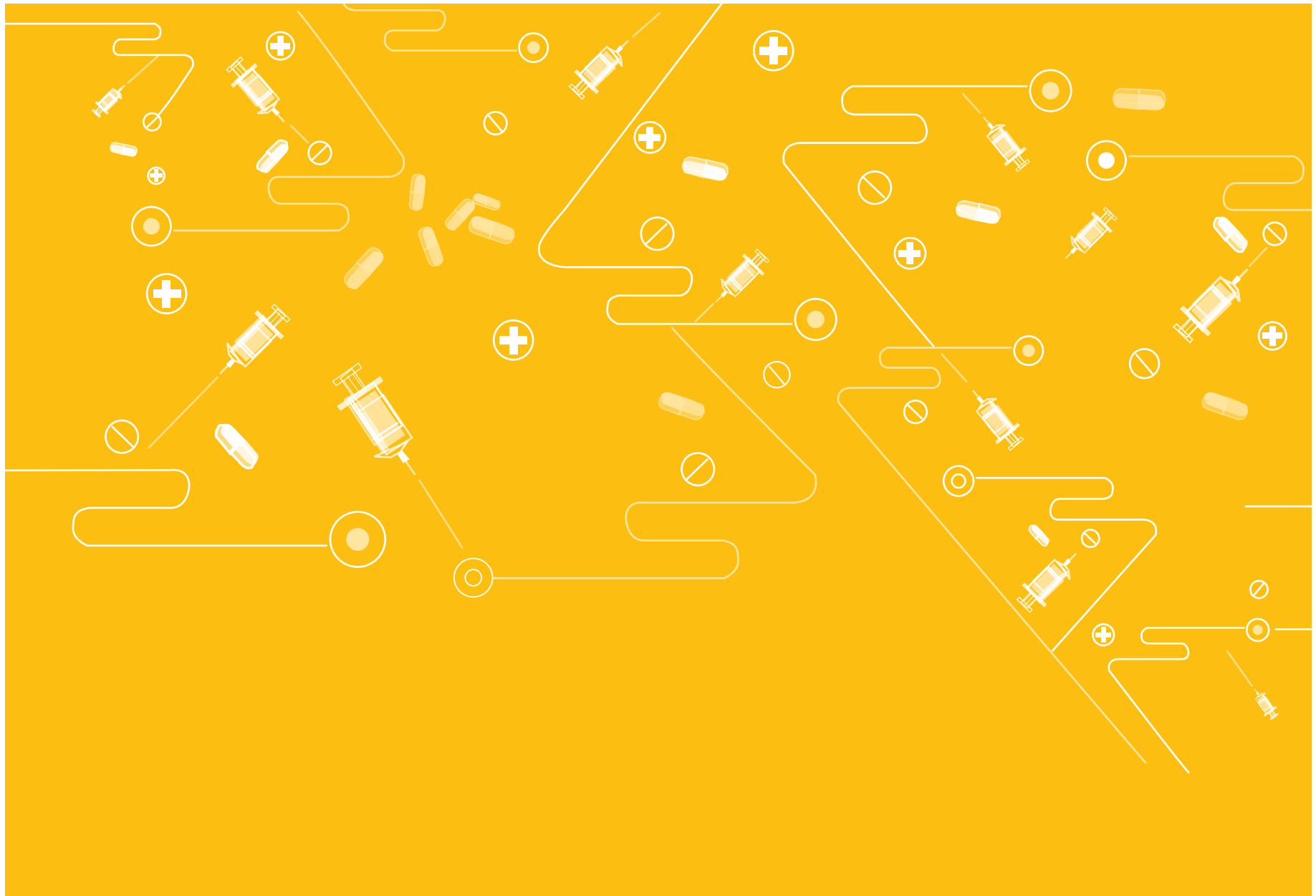
7.7 SUPPORT TO IMMUNIZATION

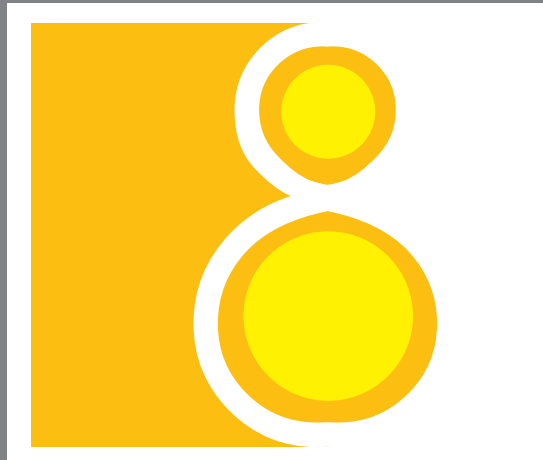
Activities NMS continued with the Procurement and Distribution of Vaccines on a monthly basis to all Districts in the country. Vaccines Coverage Forecasts and targets are developed by UNEPI, UNICEF, WHO and NMS.

In addition to the routine vaccines, NMS continued to procure and distribute Hepatitis B Vaccines and supplies.



SIGNED FOR
DESIGN & BUILD
OF THE NEW
NMS WAREHOUSE



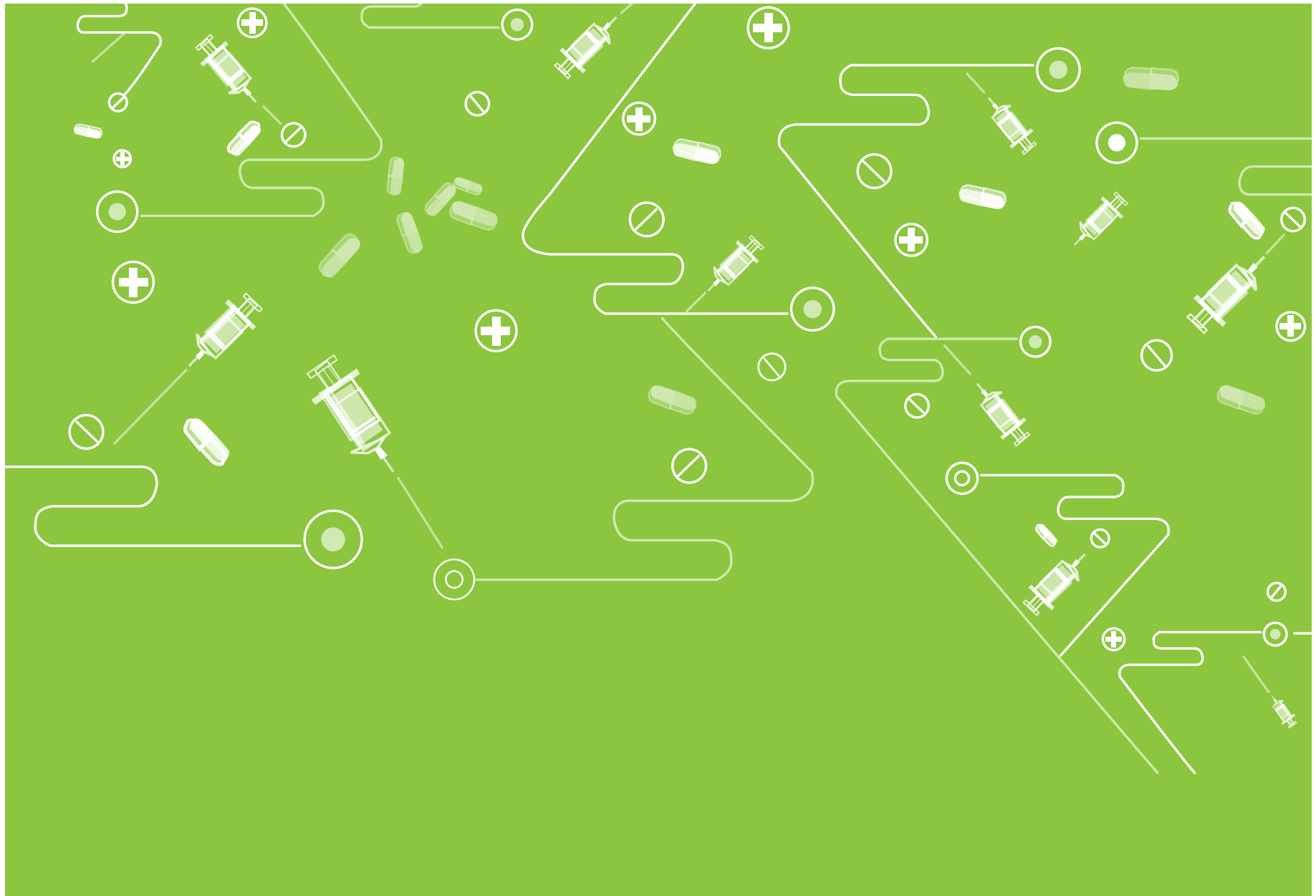


HUMANRESOURCES

8.0 HUMAN RESOURCES

8.1 the staff establishment was kept within the optimum levels as indicated in the table below:-

SCALE LEVEL	ESTABLISHMENT	CURRENT STRENGTH	VACANT POSITIONS
Executive	1	1	0
Grade 1	1	1	0
Grade 2	6	6	0
Grade 3	8	8	0
Grade 4	29	28	1
Grade 5	4	3	1
Grade 6	57	51	6
Grade 7	7	7	0
Grade 8	3	2	1
Grade 9	2	2	0
Grade 10	66	66	0
Grade 11	26	22	4
Grade 12	24	18	6
TOTAL	234	215	19





MANAGEMENT INFORMATION-
SYSTEM (MIS)

MANAGEMENT INFORMATION SYSTEM

9.0 MANAGEMENT INFORMATION SYSTEM is key to the operations of NMS. NMS was run on MACs/SAGE, which was donated by the United States Government. A Business Process Review was undertaken which recommended procurement of a new Enterprise Resource Planning (ERP) package as the current system had significant limitations that negatively affect NMS' operations. The Board approved the ERP Project to upgrade the current Management Information System; SAGE 500 to SAGE ERP X3.

Funding and implementation support were secured from CDC and later the entire responsibility was taken up by USAID. By close of financial year, the update from USAID indicated that the

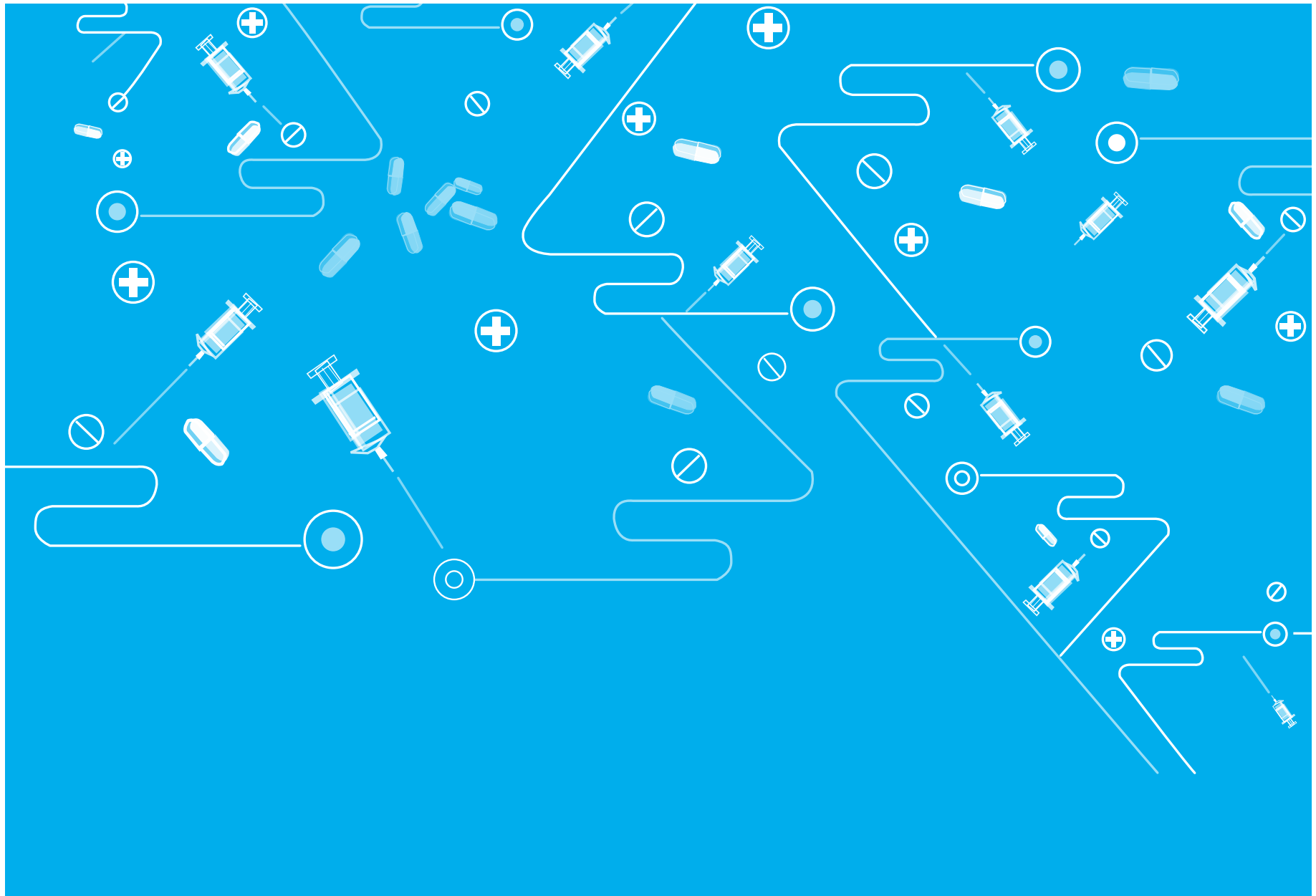
partner was in advanced stages of preparation for Procurement. It was expected that NMS technical team will take part in the evaluation stage of the procurement process.

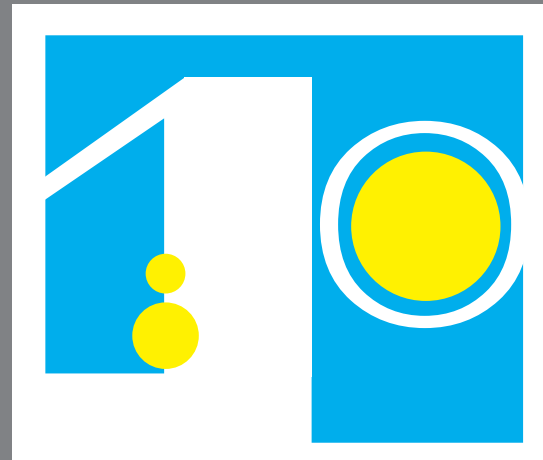
NMS also intends to have a pre-implementation review for the Functional Requirements Document before engagement with the USAID implementation provider takes place.

Funding and implementation support were secured from CDC and later the entire responsibility was taken up by USAID.



INFORMATION
SYSTEM WAS
DONATED BY
THE U.S.A





STAKEHOLDER INTERACTION

10.0 STAKEHOLDER INTERACTION

As part of accountability, the Board took a deliberate Policy to identify and forge a close relationship with Key Stakeholders. This is a continuous process. The aim was to identify, understand and respond to stakeholder concerns, as well as explaining to the stakeholders, NMS' decisions, actions and performance.

During the period, stakeholder engagements were held with:-

- i. Hosted development partners involved in medicine supply chain. These included UNICEF, USAID, DFID and CDC.
- ii. Civil Society Organization Uganda
- iii. Parliamentary Health Committee
- iv. The US Ambassador to Uganda
- v. The Head of USAID.
- vi. Global Fund Team.
- vii. Rt. Hon Speaker of Parliament and Heads of Parliament Committees.
- viii. Civil Society Organizations
- ix. Members of COSASE
- x. stakeholders from Eastern Uganda from the Districts of (Mbale, Iganga, Tororo, Busia, Kapchorwa, Namayingo, Kween, Butaleja, Bulambuli, Bududa, Butaleja and Sironko)
- xi. Inter Religious Council of Uganda on 15th December 2016
- xii. Clinton Health Access Initiative global team
- xiii. District Internal Security Officers (DISO's) from South Western Uganda
- xiv. International Health Sciences University (IHSU).



CORPORATE SOCIAL
RESPONSIBILITY



The Board and Management are conscious of the environment and society. Specific programs were designed, undertaken and finalized to promote a healthy environment. The following Corporate Social responsibility activities were undertaken during the financial year:-

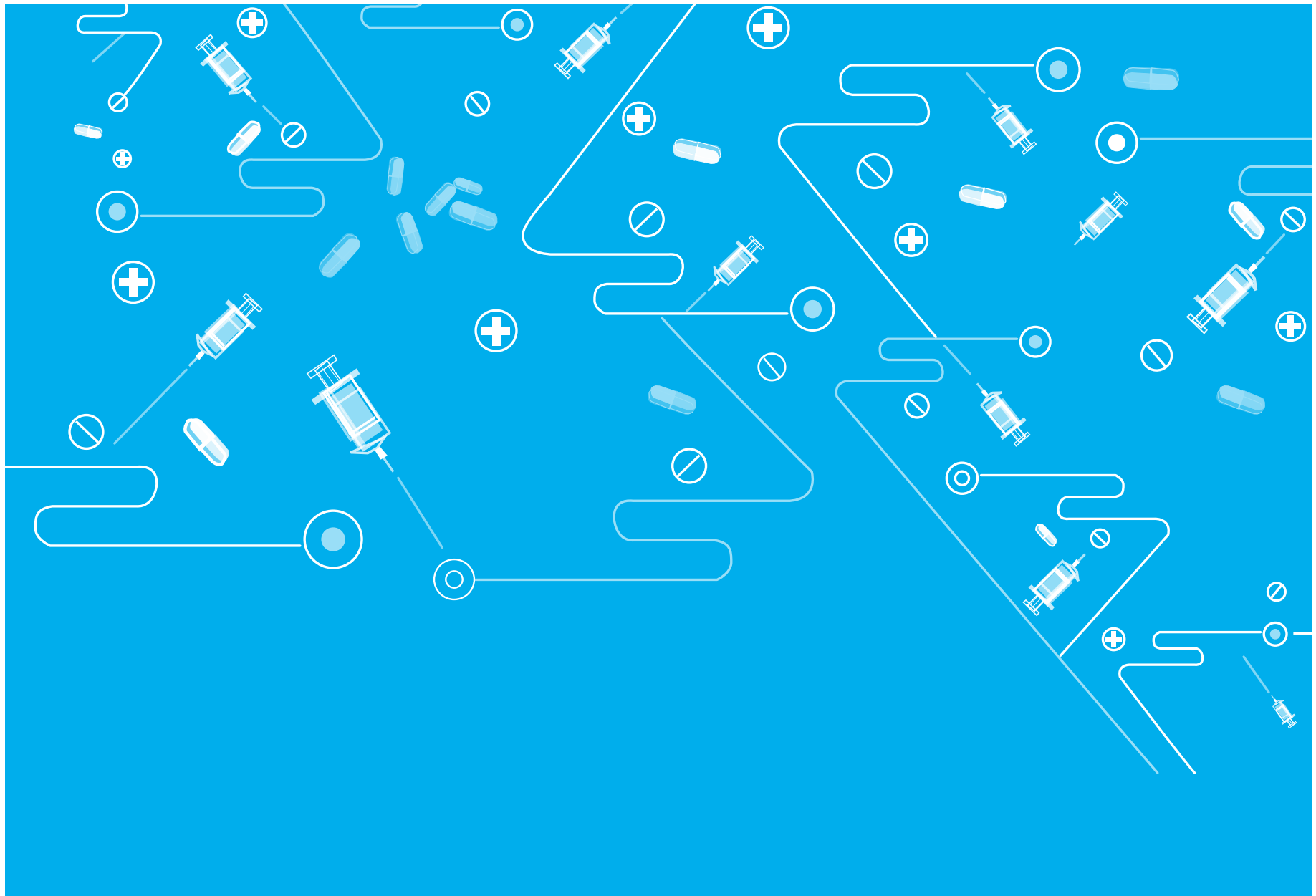
- i.** A Jigger Elimination Campaign in Kamuli District in partnership with Almeca Hospital.
- ii.** Distributed food items to the Muslim stakeholders at Masjid Noor Mosque, Katabi.
- iii.** NMS continues to collect and incinerate Expired Medicines and Medical Supplies from Government Health Facilities, to the extent of funds available for this activity.



PREVENTIVEHEALTHCARE

12.0 PREVENTIVE HEALTH CARE

Initiated and continued to campaign for Preventive Health Care. This campaign will be continued in the FY 2017/18. It's the Board's conviction that Preventive Health Care has the potential to decrease Government Expenditure on Essential Medicines and Health Supplies (EMHS).



The shortened forms of lengthy expressions, words or phrases used in this report

BCM	Business Continuity Management
CSR	Corporate Social Responsibility
EMHS	Essential Medicines and Health Supplies
LMD	Last Mile Distribution
MIS	Management Information System
MoFPED	Ministry of Finance, Planning and Economic Development
MoH	Ministry of Health
NMS	National Medical Stores
FY	Financial Year
PERD Act	Public Enterprises Reform and Divestiture Act.

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CORPORATE OFFICE

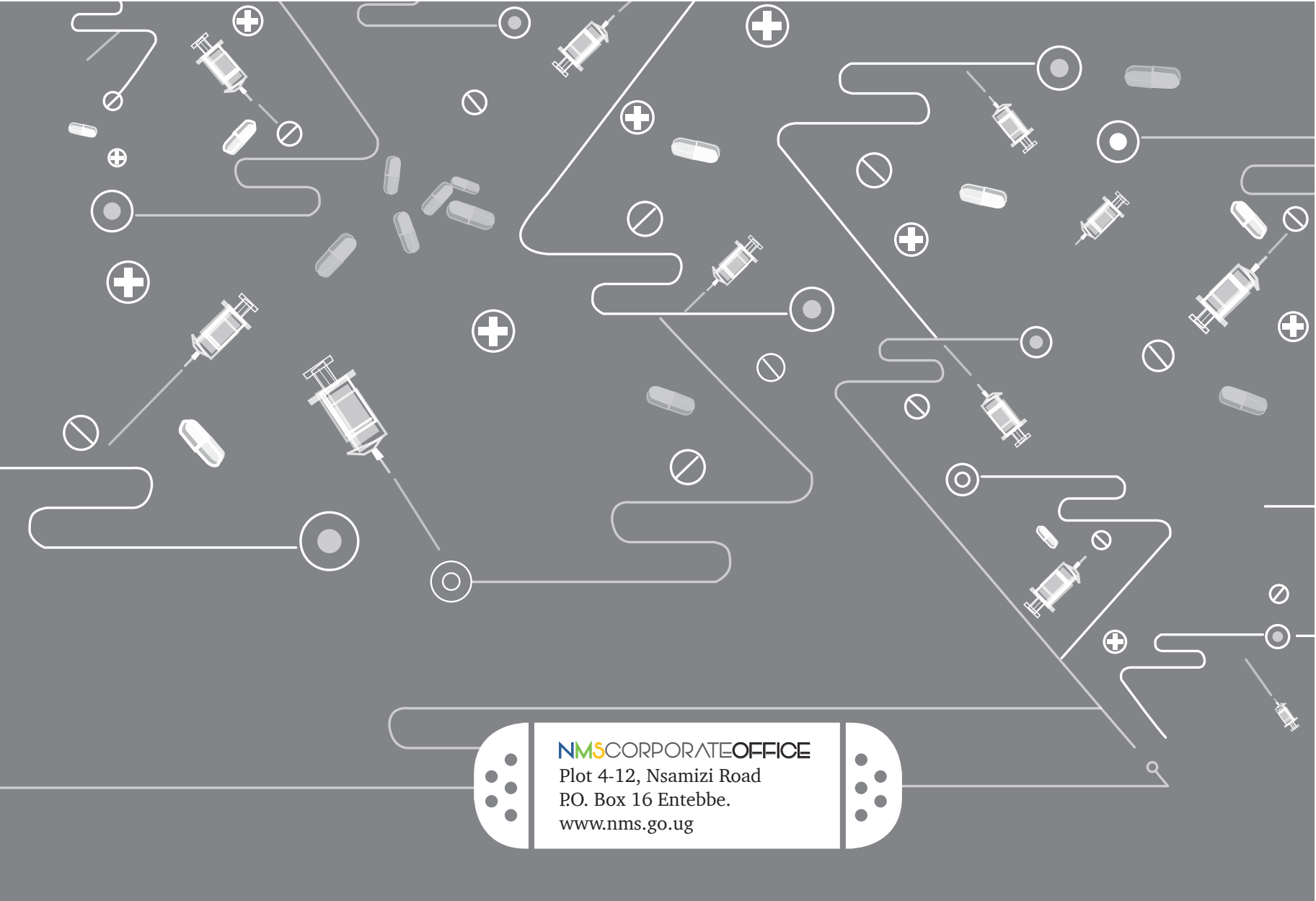
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