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UNIVERSITY OF NAIROBI PRESS

ANNUAL REPORT

and

ACCOUNTS

for

THE YEAR ENDED 30TH JUNE, 2006



University of Nairobi Press

Annual Report and Accounts for the year ended 30th June, 2006

© **University of Nairobi Press**

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Institutional Details

The Directors have pleasure in submitting the Annual Report and Accounts for the year ended 30th June 2006.

Principal Activities

The principal activity of the Press remains that of book publishing.

Results For The Year

Trading Profit for the year: **KShs 1,078,331.80** and net loss for the year **KShs (789,466.60)**

Directors

The Directors who held office during the year were:

Chairman of the University of Nairobi Council

John P.N. Simba, LL.B (Dar-es-Salaam)

Vice-Chancellor

G.A.O. Magoha, IOM, M.B.B.S (Lagos), FRCS, FWACS, FICS, FABI, MSIC, FMCS (Urol)

Deputy Vice-Chancellor (Administration and Finance)

Peter M.F. Mbithi, BVM, MSc, Ph.D. (Nairobi) M.Vet Sc. (Saskatchewan, Canada)

Deputy Vice-Chancellor (Academic Affairs)

J.T. Kaimenyi, B.D.S. (Nairobi) M.D.S. (Mangalore, India) Ph.D. (Nairobi)

Managing Director- University of Nairobi Enterprises and Services Ltd.

J.K. Kimani, B.Sc., (Nairobi) Ph.D. (Nairobi)

Ag. Managing Editor, University of Nairobi Press

J.K. Kirimania,, B.A., (Nairobi) P.G.D. Mass Communication (Nairobi)

Bankers

Barclays Bank of Kenya Ltd.

Auditors

Controller and Auditor-General

Kenya National Audit Office

P.O. Box 30084-00100, GPO

NAIROBI

Registered Office

University of Nairobi, P.O.Box 30197, Nairobi Kenya.

Telephone: 318262. Ext.28581.

Fax: 245566.

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A university has three functions to perform: to advance knowledge; to conserve knowledge; and to disseminate knowledge. Having provided for the advancement and conservation of knowledge, it falls short of the full realization of its aim unless it makes provision for its dissemination as well. The third function, that is, dissemination of knowledge, devolves principally upon a university press and hence the University of Nairobi Press (UONP).

The University of Nairobi Press has overlapping responsibilities to the University, the academic community, and the reading public. Our fundamental mission is to disseminate scholarship (through books, journals, and in the future, electronic media) both within academia and to society at large. Basically, we select for publication, scholarship of the highest quality in all disciplines and levels, their commercial viability notwithstanding.

Although the mission of the University of Nairobi Press is essentially academic and scholarly in nature, we have strived to achieve this within a cost-effective environment that promotes long-term survival, growth and sound business principles.

Traditionally, the University of Nairobi Press has been publishing for the scholarly market with the university student and lecturer as its target market. However, due to various factors, like lack of book stipends for students, the sales for our publications have been low, bringing the issue of sustainability to the fore.

About four years ago, the UONP undertook a strategy of diversification of its products (publications). This is a business strategy with the aim of broadening the market and product base.

Primary and Secondary Schools Textbooks.

In the year 2002, the Ministry of Education, Science and Technology initiated new syllabus for primary and secondary schools and invited publishers to submit proposals for suitable textbooks to the Kenya Institute of Education (KIE) for evaluation. As a result, the UONP diversified into developing textbooks for primary and secondary schools market.

Reaching the Community

Under the strategy of diversifying our publications, the UONP is now making available to the broader public the full range and value of research and scholarships generated by the university faculty.

- Our “Cancer series booklets”, authored by the University of Nairobi, Faculty of Medicine lecturers, and targeting the man/woman on the street are already in the market.
- We have built strategic partnerships and alliances with University of Nairobi departments and other organizations in order to better serve the community .



Marketing

Our marketing section has continued to:

- (a) Promote and market scholarly publications to various public and private universities' bookshops and libraries in the country.
- (b) Participate in annual Nairobi International Bookfair and Nairobi International Trade Fair.
- (c) Promote and market academic and school textbooks through making direct contacts with schools (talking to teachers) and booksellers (bookshops) in Nairobi and environs.
- (d) Participate in organized teacher educational seminars and school science congresses e.g. Kenya Secondary Schools Head teachers Association Conference.
- (e) Initiate promotional activities for the school textbooks as carried out by use of electronic media (TV) and paid advertisements in print media, in an attempt to increase awareness of our products' existence.
- (f) Place catalogue on the UON website.

Performance Targets

The UONP has prepared performance targets for the year 2006/2007 guided by the University's Performance Contract with the Kenya Government.

Way Forward

The planned strategies are a continuation of diversifying our publications, publishing research findings from the research component of the University of Nairobi, other sponsored and subsidized publications.

In order to reach a wider market and better sales, UONP intends to use commission agents in sales and marketing.



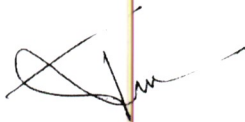
J. K. KIRIMANIA
AG. MANAGING EDITOR, UNIVERSITY OF NAIROBI PRESS.

Statement of University of Nairobi Press Board Members Responsibilities for the year ended 30th June, 2006


The University of Nairobi Press (UONP) Board is required to prepare statements that give a true and fair view of the state of affairs of the UONP 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 Press maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the UONP. The UONP Board is also responsible for safeguarding the assets of the Press.

The UONP Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, consistent with previous years and in conformity with International Financial Reporting Standards. The UONP Board is of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Press as at 30th June 2006. The UONP Board further confirms the accuracy and completeness of the accounting records maintained by the Press, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal financial control.

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



J. K. Kirimania
Ag. Managing Editor UONP



G.A.O. Magoha
Director UONP

Report of the Controller and Auditor General on the Financial Statements of University of Nairobi Press for the Year Ended 30th June 2006

I have audited the financial statements of University of Nairobi Press for the year ended 30 June 2006 in accordance with provisions of Section 14 of 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. The financial statements are in agreement with the books of accounts.

Respective Responsibilities of the Directors and the Controller and Auditor General

As set out in the statement of directors' responsibilities, the directors are responsible for the preparation of financial statements which give a true and fair view of the company's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

Basis of Opinion

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, proper books of accounts have been kept and the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2006 and of its loss and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Companies Act (cap 486 of the Laws of Kenya)



P. N. Komora
Controller And Auditor General

Nairobi

20 November 2006

Balance Sheet

as at 30th June 2006

ASSETS	NOTES	2006	2005
Non-Current Assets		Kshs.	Kshs.
Property, Plant and Equipment	5	<u>1,644,113.00</u>	<u>1,556,442.00</u>
Current Assets			
Inventories	6	9,217,021.00	7,987,958.00
Trade and Other Receivables	7	1,326,492.00	1,354,299.00
Short Term Deposit	11(b)	2,018,774.00	2,000,559.00
Cash and Cash Equivalents	8	969,582.00	1,007,491.00
		<u>13,531,869.00</u>	<u>12,350,307.00</u>
TOTAL ASSETS		<u>15,175,982.00</u>	<u>13,906,749.00</u>
 FUNDS AND LIABILITIES			
Capital Fund	9	3,809,495.00	3,809,495.00
Accumulated (Loss)/Profit		<u>(1,118,543.00)</u>	<u>(329,076.00)</u>
		<u>2,690,952.00</u>	<u>3,480,419.00</u>
Non-Current Liabilities		-	-
 Current Liabilities			
Trade and Other Payables	10	<u>12,485,030.00</u>	<u>10,426,330.00</u>
TOTAL FUNDS AND LIABILITIES		<u>15,175,982.00</u>	<u>13,906,749.00</u>



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G.A.O. Magoha, IOM, M.B.B.S. (Lagos), FRCS, FWACS, FICS, FABI, MSIC, FMCS (Urol.)
 Director



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Josphat K. Kirimania, B.A, (Nairobi) P.G.D Mass Comm. (Nairobi)
 Ag. Managing Editor

Profit and Loss Account for year ended 30th June, 2006

		2006	2005
	NOTES	<u>KSHS</u>	<u>KSHS</u>
INCOME			
Trading Profit	11(a)	1,078,331.80	1,512,589.95
Other Sources			
Salaries and Other Benefits	11(c)	9,484,065.40	9,376,255.25
Rent and Utilities	11(d)	1,615,200.00	1,615,200.00
Income from Deposits	11(b)	30,681.05	558.95
Printing & Photocopying services	11(e)	9,212.00	50,936.00
TOTAL INCOME		<u>1,118,224.85</u>	<u>1,564,084.90</u>
OPERATING EXPENSES:			
Salaries and Other Benefits	11(c)	9,484,065.40	9,376,255.25
Rent and Utilities	11(d)	1,615,200.00	1,615,200.00
Sitting Allowance- Editorial		52,000.00	232,000.00
Royalties	10(b)	216,108.50	319,205.30
Stationery and Office Expenses		490,187.30	380,362.55
Mileage and Traveling Expenses		64,725.00	72,802.00
Annual Subscription Fees (KPA)		20,000.00	20,000.00
Promotion & Marketing		179,040.00	405,425.00
Audit Fees (provision)	10(d)	80,000.00	80,000.00
Provision for Doubtful Debts	7	330,517.35	-
Bank Charges		10,547.20	17,904.05
Computer Maintenance		26,762.00	29,867.60
Photocopier Maintenance Charges		66,520.10	51,595.00
Depreciation	5	241,284.00	172,938.00
Directors' Allowances		130,000.00	260,000.00
TOTAL OPERATING EXPENSES		<u>13,006,956.85</u>	<u>13,033,554.75</u>
LOSS FOR THE YEAR		(789,466.60)	(478,014.60)
Accumulated Loss Brought Forward		(329,076.40)	238,938.20
Additional Provision for Audit Fees 10(d)		-	(90,000.00)
Accumulated Loss Carried Forward		<u>(1,118,543.00)</u>	<u>(329,076.40)</u>

Cash Flow Statement for the year ended 30th June, 2006

	Notes	2006 Kshs.	2005 Kshs.
<u>Cash Flow from Operating Activities</u>			
Net Loss for the Year		(789,467.00)	(478,015.00)
Adjustments for:			
Depreciation	5	241,284.00	172,938.00
Provision for Doubtful Debts Operating (Deficit)/ Surplus	7	330,517.00	-
Operating (Deficit)/ Surplus Before working Capital Changes		<u>(217,666.00)</u>	<u>(305,077.00)</u>
(Increase)/Decrease in Inventories	6	(1,229,063.00)	872,286.00
(Increase)/Decrease in Trade and Other Receivables	7	27,807.00	5,674.00
Increase in Provision for Doubtful Debts	7	(330,517.00)	-
Increase/(Decrease) in Trade and Other Payables	10	2,054,700.00	(27,361.00)
Audit Fees Paid 2002/2003 and 2003/2004 Audit 2004 /2005	10	<u>(240,000.00)</u>	<u>(90,000.00)</u>
Net Cash Flow from Financing Activities		<u>65,261.00</u>	<u>455,522.00</u>
<u>Cash Flow from Investing Activities</u>			
Purchase of Equipment	5	(84,955.00)	(180,893.00)
Net Cash Flow from Financing Activities		<u>(84,955.00)</u>	<u>(180,893.00)</u>
Net Increase/ (Decrease) in Cash and Cash Equivalent		(19,694.00)	274,630.00
<u>Movement in Cash and Cash Equivalent</u>			
Cash and Cash Equivalent at Beginning of Period		<u>3,008,050.00</u>	<u>2,733,420.00</u>
Cash and Cash Equivalent at End of Year		<u>2,988,356.00</u>	<u>3,008,050.00</u>

Notes to the Accounts for the year ended 30th June, 2006

1. Significant Accounting Policies

- 1.1 The Accounts are prepared under the historical cost convention.
- 1.2 Fixed assets are stated at cost.
Depreciation on fixed assets is provided for at annual rates estimated to write off the assets over the expected useful life.
The annual rate is: Furniture and Equipment - 10% on reducing balance method.
- 1.3 Stocks are valued at the lower of cost and net realizable value.

2. Taxation

The Company is exempted from Income Tax under paragraph 10 of the First Schedule of the Income Tax Act.

3. Incorporation

University of Nairobi Press is a Company incorporated in Kenya under the Company's Act. It is limited by guarantee and does not have any Share Capital.

4. Currency

The accounts are expressed in Kenya shillings (Kshs).

5. Property, Plant & Equipment

	Furniture	Equipment	Total
Cost or Valuation	Kshs.	Kshs.	Kshs.
As 1st July	3,997,870.00	-	3,997,870.00
Additions	<u>65,235.00</u>	<u>263,720.00</u>	<u>328,955.00</u>
At 30th June	<u>4,063,105.00</u>	<u>263,720.00</u>	<u>4,326,825.00</u>
Depreciation			
As 1st July	2,441,428.00	-	2,441,428.00
Charge for the Year	<u>162,168.00</u>	<u>79,116.00</u>	<u>241,284.00</u>
At 30th June	<u>2,603,596.00</u>	<u>79,116.00</u>	<u>2,682,712.00</u>
Net Book Value			
At 30th June 2006	<u>1,459,509.00</u>	<u>184,604.00</u>	<u>1,644,113.00</u>
At 30th June 2005	<u>1,556,442.00</u>	<u>NIL</u>	<u>1,556,442.00</u>

6. Inventories	2006	2005
	Kshs.	Kshs.
Scholarly Books	5,857,705.85	6,262,184.00
Secondary School Text Books	2,748,115.00	1,722,774.00
Work – in – Progress	611,200.00	–
	<u>9,217,020.85</u>	<u>7,987,958.00</u>

Work –in–progress - represents part payments made towards publication of books that were not complete as at the year-end.

7. Trade and Other Receivables

	2006	2007
	Kshs.	Kshs.
Trade Debtors (Net)	1,129,874.65	1,173,423.60
Income Receivable	750.00	–
Debt due from UoN	–	21,200.00
Advance Royalties	195,867.25	159,675.00
Total	<u>1,326,491.90</u>	<u>1,354,298.60</u>

Trade Debtors – During the year ended 30/6/2006, we made a provision for Doubtful Debts as follows:

Period of Debt	Gross (Kshs)	Rate	Amount (Kshs)	Net (Kshs)
Above 6 years	204,975.75	100%	204,975.75	NIL
Below 6 years	1,255,416.25	10%	125,541.60	1,129,874.65
Total	<u>1,460,392.00</u>		<u>330,517.35</u>	<u>1,129,874.65</u>

Debt due from UoN – This refers to Press Receipts deposited in UoN bank account instead of UoN-Press bank account. Kshs. 21,200.00 that was receivable as at 30th June 2005 was transferred to Press Account during the year ended 30th June 2006.

Income Receivable – This refers to income from typesetting and printing services that had not been received as at 30th June 2006.

Advance Royalties – This is money advanced to authors by UoN-Press to facilitate manuscript development and is recoverable from their annual royalties.

8. Cash and Cash Equivalents

	2006	2005
	Kshs.	Kshs.
Cash at Bank (BBK – Queensway Hse. A/C No. 8245353)	883,609.45	1,004,581.00
Cash at Hand	85,972.40	2,910.00
Total	<u>969,581.85</u>	<u>1,007,491.00</u>



9. Capital Fund – This is the initial contribution by the University of Nairobi for the set up of the University of Nairobi Press. The amount has remained the same over years.

10. Trade and Other Payables

	2006	2005
	Kshs.	Kshs.
Trade Creditors	701,106.50	2,060,801.20
Royalties Payable	159,215.30	263,116.55
Current Account – UoN	11,049,908.20	7,862,412.00
Provision for Audit Fees	80,000.00	240,000.00
Advances	<u>494,800.00</u>	<u>–</u>
Total	<u>12,485,030.00</u>	<u>10,426,329.75</u>

Royalties Payable

Royalties are money paid to our authors in proportion to number of units of particular title sold during the year. The rate of 20% on net sales is applied by the UON-Press in computing the amount of royalties payable to the authors.

Current Account (UoN)

This represents payments made by the University of Nairobi on behalf of University of Nairobi Press.

Provision for Audit Fees

Kshs. 80,000.00 was provided as audit fees for current year ended 30th June 2006. All the audit fees including the additional provision that were in arrears as at 30th June 2005 were cleared during the year ended 30th June 2006.

Advances

These are funds received by UoN-Press from sponsors for publication of particular titles. During the year, a total of Kshs. 654,800.00 were received as follows: Kshs. 160,000.00 from UNESCO-unitwin chair for publication of book titled Theory and Practice of Governance in Kenya, Kshs. 294,800.00 from IDS for publication of book titled Business in Kenya Institutions and Interactions and Kshs. 200,000.00 from B.G.V Nyombe for publication of book titled Some Aspects of Bari History, A comparative Linguistics and Oral Tradition Reconstruction. Of the publications, only the book titled Theory and Practice of Governance in Kenya was complete as at 30th June 2006. The amount of Kshs. 160,000.00 has been charged against production costs.

11. Sales and Other Income

(a) Trading account	2006	2005
	Kshs.	Kshs.
Gross Sales for the year	2,129,320.70	2,507,209.80
Less: Discount allowed	<u>(490,608.50)</u>	<u>(552,254.50)</u>
Net sales	1,638,712.20	1,954,955.30
Less: Cost of Sales	(560,380.40)	(442,365.35)
Trading Profit for the year	<u>1,078,331.80</u>	<u>1,512,589.95</u>

(b) Income from Deposits

Short-term deposits refer to Kshs. 2,000,000.00 placed on Call Deposit with Barclays Bank of Kenya- Queens way branch w.e.f 1 November 2004. The interest earned for the year ended 30th June 2006 totaled to Kshs. 30,681.05 of which Kshs.18, 215.30 was re-invested and Kshs. 12,465.75 was received.

(c) Salary and Other Benefits from UoN – (Paid to UONP Staff) Kshs. 9,376,292.25

	2006	2005
	Kshs.	Kshs.
Total Gross Salary (Including Leave Allowance)	8,462,485.40	8,371,393.85
Pension Contribution (20% of basic)	764,830.80	748,148.40
Medical Benefits	<u>256,750.00</u>	<u>256,750.00</u>
Total Salary and Other Benefits	<u>9,484,065.40</u>	<u>9,376,292.25</u>

Medical benefits are estimated at the rate of Kshs. 1,000.00 per month per person for outpatient and 50% of Kshs. 15,500.00 per person per annum for in-patient.

(d) Rent and Utilities from UoN – Kshs. 1,615,200.00

UoN – Estates Department, did the valuation of space occupied by Press offices.

The estimated rates are monthly rent of Kshs.125, 000.00 and Utilities of Kshs. 9,600.00 P.M.

(e) Income from Other Sources	2006	2005
	Kshs.	Kshs.
Photocopying	8,462.00	28,956.00
Typesetting and printing services	<u>750.00</u>	<u>21,980.00</u>
Total income from Other Sources	<u>9,212.00</u>	<u>50,936.00</u>