

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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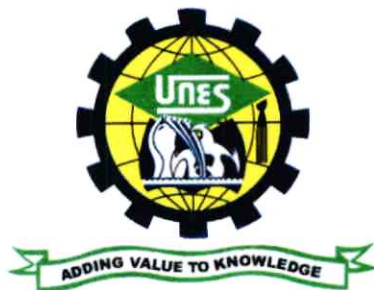
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI ENTERPRISES AND
SERVICES (UNES) LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2015**



UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2015

Prepared in accordance with the Accrual Basis of Accounting Method under the International Financial Reporting Standards (IFRS)

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

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KEY ENTITY INFORMATION

Background information

UNES Limited was registered as a private company limited by shares under the Companies Act (Chapter 486, Laws of Kenya) on 5th May 1996. The company is also registered in the State Corporations Act, under commercial entities. It is wholly owned by the University of Nairobi and thus the resources available to UNES are primarily those of the University. It is headed by a Board of Directors, which is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activities of UNES are.

- a) Provision of financial management services for income-generating activities within the University including, but not limited to, Chiromo Funeral Parlour, Diagnostic Imaging and Radiation Medicine, Clinical Studies and Vet farm.
- b) Managing the Consultancy unit that harnesses both the human and the physical resources of the University.
- c) Operating the UNES University Bookstore chain in the country focusing on serving tertiary institutions and the general public.
- d) Operating a Hospitality unit that primarily serves the University community and communities in its immediate surroundings.

Incorporation

The entity is incorporated in Kenya under the Kenyan Companies Act Cap 486 and is domiciled in Kenya.

Registered Office and Corporate Headquarters

Kolobot Drive, Off Arboretum Drive, Off State House Road
P.O. Box 68241
City square 00200
Nairobi, KENYA

Corporate Contacts

Telephone: (254) 20 2714240
E-mail: unes@uonbi.ac.ke
Website: www.uneskenya.com

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DIRECTORS

The Directors who served the entity during the year/period were as follows:

	Name	Designation	Representative
1	Dr Idle Omar Farah	Chairman	
2	Dr. Manu Chandaria	Member	
3	Mr. Hirji Shah	Member	
4	Principal Secretary, Ministry of Education	Member	Ms. F. Mwakisha
5	Principal Secretary, Ministry of Finance	Member	Mr. S. KIRU
6	The Governor, Central Bank of Kenya	Member	Prof K. Muragu
7	Managing Director Barclays Bank of Kenya	Member	Mr. Y. Omari
8	Prof. G.A.O. Magoha*	Member	
9	Prof. P.M.F. Mbithi	Member	
10	Prof. I.M. Mbeche	Member	
11	Prof. L. Irungu	Member	
12	Prof. E. Njeru	Member	
13	Prof H. Mutoro	Member	
14	Prof Julius A. Ogeng'o**	Former Managing Director	
15	Mr. John Kenduwo***	Managing Director	
16	Mr. T.O.A.Mweseli	Company Secretary	

**Member exited on 5th January 2015*

***Member exited on 28th February 2015*

****Member joined on 1st March 2015*

CORPORATE SECRETARY

Mr Tim O A. Mweseli
P.O. Box 16336-00100
Nairobi

CORPORATE BANKERS

1. Barclays Bank of Kenya
Westend Building
Off Waiyaki Way
P.O Box 30120
GPO 00100, Nairobi, Kenya
2. Standard Chartered Bank
48 Westlands road
P.O. Box 40310,
GPO 00100, Nairobi, Kenya
3. National Bank of Kenya
Hospital branch
P.O. Box 30763
GPO 00100, Nairobi, Kenya



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INDEPENDENT AUDITORS

Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100

THE BOARD OF DIRECTORS

	<p>Born in 1965, Dr. Idle Omar Farah is currently Chairman of the Board of University of Nairobi Enterprises and Services Limited, a member of the Task Force on the Kenya National Commission to UNESCO, a council member at the University of Nairobi and a Commissioner with the Commission for Higher Education.</p> <p>He was the Director at Institute of Primate Research before being appointed Director General of the National Museums of Kenya in 2003. In addition, Dr Farah has written a number of publications and presented several papers in both local and international conferences, workshops and seminars.</p>
<p>1. Dr. Idle Omar Farah, B.V.M., (Nairobi), Ph.D., (Uppsala).</p>	
	<p>Born in 1929. He has vast experience in the private sector, engaged in work covering many aspects within the framework of a jointly Indian family with interests in more than fifty countries and a workforce numbered in the many thousands. He is the founding chairman of East African Business Council to support and be part of the East African Community and Kenya Private Sector Alliance. He is the chairman of Bank of India Advisory Committee in Nairobi, Vice Chairman, Kenindia Assurance Company Limited, Vice Chairman, East Africa Reinsurance Company Limited, and Board member of Mabati Rolling Mills Limited, Kaluworks Limited, Aluminium Africa Limited (Dar es Salaam), Uganda Baati Limited (Kampala) and other group companies.</p> <p>Dr. Manu Chandaria serves the Government of Kenya in various capacities, which include, Trustee and Chairman of the street Families Rehabilitation Trust Fund, peace ambassador by Government of Kenya, Chancellor of Technical University of Kenya and Chancellor and Chairman of the Board of United State International University (USIU) Kenya.</p>
<p>2. Dr. Manu P. Chandaria, OBE, EBS. BSc., (Bombay), M.Sc. Eng. (Oklahoma), Hon. D.Sc., (Nairobi).</p>	

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Annual Report and Financial Statements for the year ended June 30, 2015



3. Mr. Hirji Shah, OGW

Born in 1936. Mr. Hirji Shah has vast experience in the private sector where he has been actively involved in several manufacturing industries, businesses and charitable organizations for the last 50 years, in Kenya and abroad. He is a director in several companies, including Mabati Rolling Mills Limited, Comcraft Kenya Limited, Kaluworks Limited, Booth Extrusions Limited, Booth Fire Fighting Limited, Bahari Forwarders Limited, Bahari Insurance Brokers Limited, Kifaru Investments Limited, Juhudi Investments Limited and Juhudi Distributors Limited.

He has also been chairman, trustee and board member of many organizations, federations and organizations in Kenya, Tanzania, Uganda, Ethiopia, South Africa and Mauritius.



4. Ms. Fenny Mwakisha, MBS, M.Ed.

Born in 1957. Ms. Fenny W. S. Mwakisha is the Ag. Director of Higher Education in the ministry of education, science and technology. She previously worked as an education attaché, curriculum developer and high school teacher.



5. Mr. Samuel Kiiru, M.A., B.A.

Born in 1969. He has worked for the National Treasury for over 15 years where he is currently a Principal Economist. He has experience in Policy reviews, Fiscal analysis, Macro level planning, Program and performance budgeting, Policy guidelines on Annual Budgets and Supplementary Budgets, Project appraisal, Monitoring and evaluation, and Program performance reviews. He is also a trainer on Programme and Performance Budgeting.

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 <p>6. Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p>	<p>Born in 1957. Professor Kinandu Muragu joined Central Bank of Kenya as Executive Director, Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p> <p>Before joining the School, Prof. Muragu worked under the sponsorship of the World Bank as the Projects Coordinator for the 19 Donor-funded Education Sector Development Programme in the Kingdom of Lesotho. He was responsible for creation of the e-governance system for the education sector that enabled him participate in the implementation of the e-schools project in Lesotho and thereafter follow progress of the initiative across the continent.</p> <p>He has consulted for a variety of international organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance. Prof. Muragu has also carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI), one of Africa's top management institutes. Before joining ESAMI, he had lectured at the University of Nairobi for 10 years rising to be a senior lecturer in the Department of Accounting and Finance. Prof. Muragu had his basic accountancy training at Delloite and Touche and later at Pricewaterhouse and Nyaga Associates.</p>
 <p>7. Mr. Yusuf Omari, MBA., B.Econ., ICPA(K), IIA.</p>	<p>Born in 1974. Mr. Yusuf Omari is the Chief Finance Officer of Barclays Bank of Kenya. He joined Barclays Bank of Kenya in 2004 from the Audit Firm, KPMG (1998-2004). He worked as the Head of Internal Audit East and West Africa cluster (2004-2008) & then as Head of Compliance (2008-2009) before his appointment as the Chief Financial Officer in 2009. He is a qualified Certified Public Accountant (CPA) as well as a Certified Internal Auditor.</p> <p>He holds an MBA from Strathmore Business School and a Bachelor's degree in Economics from University of Nairobi. He is a Member of the Institute of Chartered Public Accountants of Kenya (ICPAK) & Institute of Internal Auditors (IIA).</p> <p>Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK and IIA</p>

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8. Prof. P.M.F. Mbithi, EBS, IOM, B.V.M., M.Sc.(Nairobi), (Nairobi), M.V.Sc. (Saskatchewan), Ph.D.(Nairobi).

Born in 1956. Prof. Peter Mulwa Felix Mbithi is the Vice-Chancellor and Professor of Veterinary Surgery, University Of Nairobi. He was Chairman, Department of Clinical Studies and in 2003 he served as the Principal, College of Agriculture and Veterinary Sciences until he was appointed as Deputy Vice-Chancellor, Administration and Finance, a position he has held to date.

He has supervised MSc and PhD students, published extensively in peer-reviewed journals, and is a member of several professional organizations. His research interests are Clinical veterinary medicine and orthopaedic surgery, wounding and traumatology with special interest in lameness, joint surgery and arthritides.



9. Prof. H.W. Mutoro, B.Ed., M.A., (Nairobi), C.Phil., Ph.D., (UCLA).

Born in 1950. Prof. Henry W. Mutoro is currently the Deputy Vice-Chancellor, Academic Affairs (DVC – AA) of the University of Nairobi, and as such, he is the head of the academic division and chairs several committees, namely the Deans Committee, Senate Appeals Committee, Lectureship and Senior Lectureships appointments Committees. He is the immediate former Principal, College of Education and External Studies, a position he held for nine years. Prof. Mutoro is an Associate Professor in Archeology.

He served as Deputy Principal, College of Humanities and Social Sciences (1997-2004), Dean, Faculty of Arts (1996-1997) and Chairman, Department of History (1991- 1996). Prof. Mutoro is a widely published scholar with articles in peer reviewed journals, chapters in books, books and has made presentations in numerous public lectures, conferences and seminars.




10. Prof. I.M. Mbeche, B.Ed., M.A., (Nairobi), Ph.D., (Lancaster).

Born in 1952. He is the Deputy Vice-Chancellor, Student Affairs at the University of Nairobi (UoN) and a Professor in Management Sciences. Prof. Mbeche taught at the Nairobi School and the Kenya Science Teachers' College. In 1986, Prof. Mbeche joined the University as tutorial fellow in the Department of Management Science, Faculty of Commerce after which he was promoted to a lecturer, senior lecturer and associate professor thereafter. Between 1992 and 1993 he also worked as a Teaching Assistant, Department of Management Science, School of Management, Lancaster University, UK. In 2002, Prof. Mbeche was appointed the Principal, College of Humanities and Social Sciences (UoN), a position he held up to February 2011 when he was appointed as Deputy Vice-Chancellor, Student Affairs.


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 <p>11. Prof. L. Irungu, B.Sc.,(Nairobi), MSc., Ph.D., (Liverpool).</p>	<p>Born in 1957. Prof. Lucy W. Irungu is the Deputy Vice-Chancellor, Research, Production and Extension (UoN) and a Professor of Entomology in the School of Biological Sciences. In 1988, she joined the Department of Zoology (UoN) as a lecturer and rose through the ranks to Professor.</p> <p>Prof. Irungu has also served as the chairman of the Department of Zoology from 1999-2004. She was then appointed as the Principal College of Biological and Physical Sciences (CBPS), a position she held up to February 2011 when she was appointed as Deputy Vice-Chancellor, Research, Production and Extension. She has conducted research in the area of vector biology and control, with special reference to malaria vectors and other vectors and parasites of Neglected Diseases. In addition, she has supervised MSc students and PhD students. She has published extensively in peer-reviewed journals and is a fellow of the Royal Society of Tropical Medicine and Hygiene and a member of several other professional organizations.</p>
 <p>12. Prof. E. Njeru, B.A, M.A (Nairobi), Ph.D., (California).</p>	<p>Born in 1957. Prof. Njeru is currently the Principal, College of Humanities and Social Sciences (CHSS) at the University of Nairobi and a Professor of Sociology & Anthropology in the Department of Sociology. He has many years of lecturing and research experience. He is also a Medical Anthropologist and Fellow in Social Medicine – Health and behaviour (Harvard Medical School, Boston).</p> <p>Professor Njeru is widely experienced in both consultancy and research in areas with strong components on: participatory needs assessment and poverty analysis and sustainable community based reduction strategies design and implementation; gender mainstreaming; governance and organizational approaches to project selection, prioritization & design, implementation, evaluation & monitoring, participatory stakeholder collaboration, governance mainstreaming in development, HIV/AIDS & its implications for livelihoods. He worked as a Senior Research Fellow and Social Sector Program Coordinator (Education and Health) at IPAR (Institute of Policy Analysis & Research and was then (2001-2005) involved in educational policy analysis and research.</p>
 <p>13. Mr. John Kenduiwo, B.Sc., MBA.</p>	<p>Born in 1956, Mr. John Kenduiwo is the Managing Director of UNES and on secondment from the School of Business where he is a Senior Lecturer in the Department of Management Science. He joined UNES as the Deputy MD in 2009. He previously served as the Chairman of the Department of Management Science and subsequently the Dean of the School of Business.</p> <p>He has extensive experience in Teaching, Research and Consultancy in the areas of Strategic/Operations Management</p>

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	<p>and Performance Measurements Systems. He also serves as a non-executive Director in a number of both Private and Public Sector Boards. Membership to Professional Associations, he is a full member of the Kenya Institute of Management (KIM), and the Operations Research Society of Eastern Africa (ORSEA).</p>
 <p>14. Mr. T.O.A.Mweseli, LL.B.(Nairobi), LL.M.(Havard),CPS(K).</p>	<p>Born in 1955. Mr. T. O. Mweseli is currently a Senior Lecturer at the School of Law, University of Nairobi and company secretary of UNES. He is a member of the Law Society of Kenya, a Notary Public and a Certified Public Secretary CPS (K).</p> <p>Mr. Mweseli has over 30 years of experience in Law, both as a lecturer and an advocate of the High Court. He has served as Ag. Dean, School of Law and chaired several committees in the school of Law (UoN). He has also published several Law books and booklets and written numerous published & unpublished papers. He has also attended many seminars and workshops.</p>

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MANAGEMENT TEAM

 1. Mr. John Kenduiwo, B.Sc., MBA.	Managing Director
 2. Mr. T.O.A. Mweseli, LLB, LLM.	Company Secretary
 3. Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K).	Chief Manager, Finance and Administration
 4. Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K).	Chief Manager, Commercial Operations
 5. Mrs. Grace Kimotho, B.Com. (Finance), CPA (K).	Chief Manager, Risk and Internal Audit

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6. Ms. Belinda Muriuki, B.Sc. (Hotel and Restaurant Management), MBA. (Strategic Management).

Ag. Head Hospitality



7. Mr. Seith Abeka, B.Econ & Math., MA(Gender & Development Studies).

Ag. Consultancy Manager

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CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you UNES' Annual Report and Financial Statements for the year ended 30th June, 2015. During the year under review, UNES went through a major reorganization to refocus its strategic direction on non-academic revenue. The management of the Self Sponsored Academic Programs was dropped from the business portfolio. The effects of this change will therefore be observed in the Financial Statements for the year. The gross revenue dropped by 11% from KSh 736 million recorded previously to KSh 657 million. The net surplus reduced by 81 % from KSh 80 Million in 2013/2014 to KSh 15 Million. In the overall, the performance in 2014/2015 for the Arziki and Consultancy business units improved amid the reorganization made during the year. In the reviewed 2014/2018 Strategic Plan, focus has been placed on the business units to grow them further and improve on their performance.

UNES recognizes its responsibilities to its stakeholders both within and beyond its business. In this regard every year UNES identifies a needy school and provide support as part of corporate social responsibility activities. It is therefore without exception that in 2014/2015 UNES donated Books to Matuga Girls Secondary School in Mombasa.

In the year under review 2014/2015, Kenya's economy expanded by 5.3% (in 2014) which was a drop from 5.7% (in 2013), which is however expected to be on a positive trend to 6% in 2015, 6.6% in 2016 and eventually 7% in 2017. As the Kenya's economy continues to grow and the government continues to implement the devolved system of government, the board in its reviewed Strategic Plan 2014-2018 is prepared to tap into the business opportunities especially in the area of consultancies. The Board, however, continues to exercise a high degree of conservatism in its approach to business, as new business opportunities are judiciously evaluated before being taken up.

During the year under review, the Board continued to serve with dedication and provided the strategic direction in line with the company's mandate and Strategic objectives. I wish to express my sincere gratitude to the entire Board of Directors for their valuable support and dedication to discharging their responsibilities. I also recognize and appreciate the management and staff of UNES for their effort and commitment in making the year a success.

In conclusion, on my own behalf and that of the entire Board, I would like to take this opportunity to thank our principal shareholder, the University of Nairobi, for its strong support and commitment in providing capital and considering the recommendations of the Board over the years.



Dr. Idle Omar Farah
Chairman

Date: 16-2-2016

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REPORT OF THE CHIEF EXECUTIVE OFFICER

One of the core mandates of UNES has been Financial Management of revenue from Self Sponsored Programmes, the promotion of existing and facilitation for mounting of new University of Nairobi (UON) academic programmes. For the Financial Year ending June 30, 2015, this has since changed and the management of academic revenue was transferred to the newly installed Centre for Self Sponsored Programmes under the University of Nairobi. Going forward, UNES core mandate shall be engagement in Consultancies and more so in Institutional Consultancies as stipulated in the reviewed 2014-2018 Strategic Plan. In this regard, UNES shall therefore be on a new growth path based on the refocused strategic direction, with the main business areas being: Consultancy, Hospitality, Bookstores and Financial Management of Income Generating Units (IGUs).

In the year under review, the Financial Management of Academic Revenue was carried out for eight months only and ceased from March 2015. UNES revenue derived thereof decreased by 50% from KSh. 264 Million to KSh. 131 Million. Revenue from the business units namely: Bookstores, Hospitality and Consultancy, increased by 12% from KSh. 457 Million to KSh. 510 Million. The overall profitability of the company decreased by 81% from KSh. 80 Million recorded in 2013/2014 to Kshs 15 Million in 2014/2015, mainly due to the relinquishing of the Management of Academic Revenue in the last quarter of the year.

I wish to express my sincere gratitude to the staff and management without who the company would not run and continue to achieve and exceed its targets. I also wish to acknowledge and appreciate all the Board members who have warmly welcomed me as the Managing Director from March 2015 and provided support and leadership to the company. I look forward to seeing the company continue to steer to higher heights and executing its mandate to the principal shareholder and other stakeholders.



.....
Mr. John K. Kenduiwo
Managing Director

Date: 10/02/16

CORPORATE GOVERNANCE STATEMENT

Concept of Corporate Governance

The Directors are committed to the principles of good corporate governance and recognize the need to conduct business in accordance with generally accepted best practice. In addition to the Board committees, which have been set up to assist the Board in carrying out its mandate, the company has also put in place internal controls and good management processes that seek to ensure preservation and growth of shareholder value.

Board of Directors

The UNES Board of Directors is broadly constituted of Representatives from Government, Private Sector and the University of Nairobi. In fulfilling its responsibilities, UNES Board of Directors meets at least four times in a year.

Responsibilities of the Board

The Board is responsible for setting the strategic direction of the Company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of such strategies and policies through a structured approach of reporting by management.

The conduct of the Board members is consistent with their duties and responsibilities to the company and they must always act within the limitations imposed by the Board. The Company Secretary advises the Board on all Corporate Governance matters, Statutory Requirements and also attends all the Board and its Committee Meetings. The Board has set up the following Committees.

- 1. Audit Committee.** The Board has established the Audit Committee that shall meet at least four times in a year under the Terms of reference set by the Board. It consists of four Directors and is chaired by a non-executive Director. The committee is charged with the responsibility of verifying the company's financial information, regulatory compliance, compliance with accounting standards, and liaison with both internal and external auditors, and ensuring that the internal controls systems are sound and effectively administered. The audit committee has also been charged with the responsibility of enterprise risk management. Members of the Board Audit Committee who served during the year were: Mr. Yusuf Omari (Chairman), Prof. Henry Mutoro and Ms. Fenny Mwakisha.
- 2. Finance and General Purposes Committee:** The Finance and General Purposes committee of the Board monitors the financial performance of the Company and meets at least four times every financial year. Members of the Finance and General Purposes Committee who served during the year were: Prof. Kinandu Muragu (Chairman), Prof. George Magoha, Prof. Peter Mbithi, Prof. Isaac Mbeche and Mr. Samuel Kiiru.
- 3. Investment Committee:** The Board has established an Investments Committee to monitor performance of the Company's Investments and to evaluate Investment proposals and products. Members of the Investment Committee who served during the year were: Mr. Hirji Shah (Chairman), Prof. George Magoha, Prof. Lucy Irungu, Prof. Enos Njeru and Mr. Samuel Kiiru.

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Annual Report and Financial Statements for the year ended June 30, 2015

Internal Controls and Risk Management

The Company has prescribed an elaborate set of procedures and financial controls to ensure accurate reporting of financial information and protection of its assets. An Internal Audit department coordinates the activities of the Internal Control mechanisms and reports directly to the Audit Committee. The Company in implementing the framework for Enterprise Risk Management has expanded the Terms of Reference of the Board Audit Committee to include Risk Management. The position of Chief Manager, Risk and Internal Audit has also been put in place to spearhead Enterprise Risk Management for the company.

Shareholding

UNES as a Company limited by Shares has a share capital of Kshs 100,000 comprising of 5,000 Ordinary shares of KSh 20 each. Of these, 4998 are in the name of University of Nairobi, while the Vice chancellor and Deputy Vice Chancellor (Administration and Finance) hold one share each as nominee shareholders of the University.

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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

University of Nairobi Enterprises and Services Limited remains committed to giving back to the society by regularly implementing policies that integrate responsible practices to the environment and committing to uplifting the education of the girl child through the sponsoring and donation of books and sanitary towels to girls schools in various parts of the country. UNES identifies the most pressing needs of the schools and mobilizes resources to meet those needs cost-effectively, at all times involving the communities in seeking appropriate resolutions to their needs.

Environment Conservation: Tree Planting

UNES in collaboration with College of Biological and Physical Sciences, UON and Chiromo Funeral Parlour planted an additional 100 tree seedlings along the riverbanks of Chiromo River. Restoring trees and shrubs to riverbanks, is an important step toward improved water quality and riverbank stability by slowing rainwater runoff. Trees provide a good ambiance to the environment and provide spots to gather, reflect, and enjoy nature.

Further, UNES planted an additional 100 tree seedlings at the UNES Gardens by the Masongawai River. In the previous year, 200 tree seedlings had been planted by the Staff and Management at the same venue and have continued to nature and tend to them for survival. UNES continues to be a committed Partner in the promotion of Forest cover in Kenya for a greener environment.

Book Donations

Through communal engagement of our staff, partners and other stakeholders, we have in recent years mobilized our resources and directed it towards improving the standards of education of the less privileged children in relatively marginalized areas. Schools that have previously benefited from the book donations include: St Benedict Aror Girls Secondary School, Elgeyo Marakwet County; Giaki Secondary School, Meru County; St. Joseph's Girls Secondary School, Homabay County; Butula Girls Secondary School, Busia County and Kaheti Girls Secondary, Nyeri County.

During the year, Books were donated to Matuga Girls Secondary School in Mombasa, which is a girls' only boarding school. The School which is in Kwale County was selected for book donation, tree planting and sanitary towel donation. UNES donated books worth other Ksh. 300,000/- and sanitary towels worth Ksh. 50,000/-.

The school through its Principal and the Matuga community expressed their gratitude in the kind gesture extended to their school and promised improved performance in the forthcoming national examinations. Besides the donations the senior UNES staff members gave motivational talks and speeches to the girls encouraging them that everything was possible if they set their objectives and worked hard in their studies.

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Sanitary towel donation from UNES



The books donation at the school

With a strong policy on environmental preservation, UNES planted over 100 trees to champion environmental sustainability and ensure that the culture of environmental care is entrenched to the young ones.

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UNES Head of delegation and the Principal Matuga planting a tree at the school

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REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the company's affairs.

Principal activities

The principal activities of the entity continue to be Financial Management, Consultancy, Hospitality and Bookstore services.

Results

The results of the company for the year ended June 30, 2015 are set out on pages 21 -24.

Dividends

The Directors do not recommend the payment of for the year as a result of the drop in profit for the year as a result of the ceased management of Academic Programmes

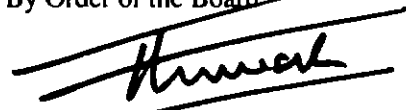
Directors

The members of the Board of Directors who served during the year are shown on pages 5-11.

Auditors

The Auditor General is responsible for the statutory audit of the company in accordance with the Public Finance Management (PFM) Act, 2012, which empowers the Auditor General to nominate other auditors to carry out the audit on his behalf.

By Order of the Board



T.O.A. Mweseli
Corporate Secretary
Nairobi

Date: 10th February 2016

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STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2015. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the UNES financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2015 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 30th October 2015 and signed on its behalf by:


Director


Director


Director



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES (UNES) LIMITED FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of University of Nairobi Enterprises and Services Limited set out on pages 21 to 49, which comprise the statement of financial position as at 30 June 2015, 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 report in compliance with the Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatements.

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

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

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

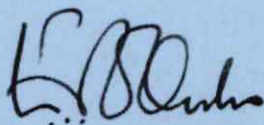
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2015, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap.486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit, that:

- i. 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;
- ii. In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's statement of financial position is in agreement with the books of account.



FCPA Edward R.O.Ouko, CBS
AUDITOR-GENERAL

Nairobi

11 February 2016

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2014/2015 Kshs'000'	2013/2014 Kshs'000'
REVENUES			
Allocation from Academic Programmes	1	131,147	263,969
Allocation from Income Generating Units	2	7,182	6,296
UNES University Bookstores	3	169,388	170,298
Arziki Restaurants and Chiromo Conference Centre	4	53,840	54,942
Consultancy	5	286,890	232,639
Other Income	6	823	1,052
TOTAL REVENUES		649,270	729,196
OPERATING EXPENSES			
Direct Costs	7	404,693	376,960
Administration Costs	8	228,754	270,801
Depreciation of property, plant and equipment	14-15	9,097	8,115
Amortisation of Intangible Assets	16	233	233
TOTAL OPERATING EXPENSES		642,777	656,109
OPERATING PROFIT	10	6,493	73,087
Finance Income	11	8,025	7,064
PROFIT BEFORE TAXATION		14,518	80,151
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT AFTER TAXATION		14,518	80,151
Earnings per share – basic	12	2.9	16.0

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

**STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2015**

	Note	2014/2015 Kshs'000'	2013/2014 Kshs'000'
ASSETS			
Non-Current Assets			
Property, plant and equipment	14-15	30,206	32,055
Intangible assets	16	154	388
Total Non-Current Assets		<u>30,360</u>	<u>32,443</u>
Current Assets			
Inventories	17	98,467	97,910
Trade and other receivables	18	519,518	1,007,344
Short-term Investments	19	136,500	136,500
Bank and cash balances	20	66,393	118,620
Total Current Assets		<u>820,878</u>	<u>1,360,374</u>
TOTAL ASSETS		<u>851,238</u> =====	<u>1,392,817</u> =====
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100	100
Retained earnings	22	83,192	128,953
Capital Reserve	23	11,107	12,479
Capital and Reserves		<u>94,399</u>	<u>141,532</u>
Non-Current Liabilities			
Long term liability	24	38,650	22,500
Total Non-Current Liabilities		<u>38,650</u>	<u>22,500</u>
Current Liabilities			
Trade and other payables	25	565,744	889,408
Staff gratuity obligations	26	43,608	46,440
Provision for leave pay	27	1,802	2,562
Dividends payable	28	60,349	69
Bank accounts with overdrawn cashbook	29	46,686	290,306
Total Current Liabilities		<u>718,189</u>	<u>1,228,785</u>
TOTAL EQUITY AND LIABILITIES		<u>851,238</u> =====	<u>1,392,817</u> =====

The financial statements were approved by the Board on 30th October 2015 and signed on its behalf by:

		
Chairman	Director	Director

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2015**

	Ordinary share capital	Capital reserve	Retained earnings	Total
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
At July 1, 2013	100	26,600	122,323	149,023
Expenses from capital reserves	0	(14,121)	0	(14,121)
Total comprehensive income	0	0	80,151	80,151
Final Dividends for 2012/2013 paid	0	0	(73,521)	(73,521)
At June 30, 2014	100	12,479	128,953	141,532
At July 1, 2014	100	12,479	128,953	141,532
Expenses from capital reserves	0	(1,372)	0	(1,372)
Total comprehensive income	0	0	14,518	14,518
Final Dividends for 2013/2014	0	0	(60,279)	(60,279)
At June 30, 2015	100	11,107	83,192	94,399

UNES LIMITED**Annual Report and Financial Statements for the year ended June 30, 2015****STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2015**

	Note	2014/2015 Kshs'000'	2013/2014 Kshs'000'
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	30(a)	175,836	(47,167)
Finance income (Interest received)	11	8,025	7,064
Dividends paid	30(b)	0	(94,121)
Net cash generated from/ (used in) operating activities		183,861	(134,224)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14-15	(7,247)	(18,371)
Capital renovations	23	(1,372)	(14,121)
Net cash generated from/(used in) investing activities		(8,619)	(32,492)
FINANCING ACTIVITIES			
Provision for write off (Bad debts/Dead stock)		0	(10,667)
Repayment of long term liability	24	16,150	0
Net cash (used in) financing activities		16,150	(10,667)
(DECREASE) IN CASH AND CASH EQUIVALENTS		191,392	(177,383)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		(35,185)	142,198
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30(d)	156,207	(35,185)
		=====	=====

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2015**

A. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company and all values are rounded to the nearest thousand (Kshs'000).

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, Companies Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

**B. Application of new and revised International Financial Reporting Standards (IFRSs).
*Relevant new standards and amendments to published standards effective for the year ended 30 June 2015***

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

i) *Amendments to IFRS 7 Disclosures - Offsetting Financial Assets and Financial Liabilities*

The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The application of the amendment had no effect on the company's financial statements as the company did not have any offsetting arrangements in place.

ii) *New and revised standards on consolidation and joint arrangements, associates and disclosures*

In May 2011, a package of five standards in consolidation and joint arrangements, associates and disclosures was issued comprising: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IASs 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendment to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain guidance on first application of the standards.

The application of the new standard has not had any impact on the disclosures or the amounts recognised in these financial statements as the company does not have any joint arrangements.

iii) *IFRS 13 Fair Value Measurement*

The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the company has not made any new disclosures required by IFRS 13 for the 2012 comparative period.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

iv) *Amendments to IAS 1 Presentation of Financial Statements*

(As part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when; a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

The application of the amendments had no effect on the company's financial statements during the financial year other than adoption of the new statement title.

v) *IAS 19 Employee Benefits (as revised in 2011)*

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

The above amendments are generally effective for annual periods beginning on or after 1 January 2013. Specific transitional provisions are applicable to first-time application of IAS 19 (as revised in 2011).

The amendments to IAS 19 have no impact on the company's financial statements as the company does not have defined benefit plans.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

vi) *IFRS 9 Financial Instruments*

<i>New and Amendments to standards</i>	Effective for annual periods beginning on or after
IFRS 9	1 January 2018
Amendments to IFRS 9 and IFRS 7	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27	1 January 2014
Amendments to IAS 32	1 January 2014
Amendments to IAS 36	1 January 2014
Amendments to IAS 39	1 January 2014

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the company anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

vii) *IFRS 15, Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

The directors of the company do not anticipate that the application of the standard will have a significant impact on the company's financial statements.

viii) *Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities*

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the company do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the company's financial statements as the company does not have any significant financial assets and financial liabilities that qualify for the offset.

ix) *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)*

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the company do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the company's financial statements as the company does not have any significant financial assets and financial liabilities that qualify for the offset

x) *Annual Improvements 2010-2012 Cycle*

The annual improvements 2010-2012 cycle makes amendments to the following standards.

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.
- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the company do not anticipate that the application of these improvements to IFRSs will have a significant impact on the company's financial statements.

Early adoption of standards

The company did not early-adopt any new or amended standards in 2015.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

C. Summary of Significant Accounting Policies

The principle accounting policies adopted in the preparation of these financial statements are set out below:

i) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the Company's activities as described below.

- a) **Revenue from the sale of goods and services** is recognised in the year in which the Company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured
- b) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- c) **Other income** is recognised as it accrues.

UNES is allocated an amount for budgetary support from revenue generated by the various Income Generating Activities (IGAs) of University of Nairobi under management of UNES, at rates approved by the university Council as shown below:

Project Categories	UNES Allocation
(i) Pure Consultancies	3.00%
(ii) Specialized Based Production Units	7.25%
(iii) General production units	7.25%
(iv) Workshops, Seminars & Short Courses	2.00%

ii) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

iii) Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. The estimated useful lives and depreciation rates in use for each class of asset are as follows:

	Years	Rate
Motor vehicles, including motor cycles	5 years	20%
Computers and related equipment	3 years	33 1/3%
Office equipment, furniture and fittings	10 years	10%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

A full year's depreciation charge is recognised in the year of asset purchase and none in the year of asset disposal

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

iv) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over five years

v) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of five years.

All computer software are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

vi) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges. Costs of Inventories are determined on a first-in first-out basis

vii) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

viii) Taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date

ix) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of one year or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised staff which were accounted for but not surrendered at the end of the financial year

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

x) Trade and other payables

Trade and other payables are non-interest bearing and are carried at cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to the suppliers.

xi) Retirement benefit obligations

The company's employees are employed on contract and are entitled to a service gratuity at the end of their contracts at the rate of 31% of basic pay. The company's obligation is accrued in the financial statements on pro rata basis.

The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

xii) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue to the employees. A provision is made for the estimated liability for annual leave at the reporting date.

xiii) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the company operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

xiv) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

xv) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2015.

xvi) Corporation tax

UNES is exempted from paying corporation tax.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

xvii) Financial risk management

UNES is exposed to various financial risks including liquidity risk, credit risk and foreign currency risk. The Company has prescribed an elaborate set of procedures and financial controls to ensure accurate reporting of financial information and protection of its assets.

a) Liquidity Risk

The definition of liquidity risk is the risk that UNES is unable to meet its obligations as they fall due as a result of a sudden, and potentially protracted, increase in net cash outflows. Such outflows would deplete available cash resources for operations and investments. UNES performs cash flow forecasting and monitoring rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet its operational needs.

The maximum exposure of the company to liquidity risk at the balance sheet date is as follows:

	Less than 1 month Ksh(000)	Between 1 -3 months Ksh(000)	Between 3 - 12 months Ksh(000)	Over 1 year Ksh(000)
30th June 2015				
Trade and other payables	0	0	566,122	0
Borrowings - bank	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	<u>566,122</u>	0
30th June 2014				
Trade and other payables	0	0	889,408	0
Borrowings - bank	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	0	0	<u>889,408</u>	0

b) Credit Risk

UNES is exposed to credit risk which is the risk that the counter party will cause a financial loss to UNES by failing to discharge an obligation. Credit risk arises mainly from trade debtors who receive goods and services from the business units on credit. UNES has reduced the impact of credit risk by implementing a credit policy which requires assessment of creditworthiness of clients before extending credit.

The maximum exposure of the company to credit risk as at the balance sheet date is as follows.

	Fully performing Ksh(000)	Past due but not impaired Ksh(000)	Past due and impaired Ksh(000)	Total Ksh(000)
30th June 2015				
Cash at bank	14,102	0	0	14,102
Trade & other receivables	<u>510,919</u>	<u>0</u>	<u>0</u>	<u>510,919</u>
Gross financial assets	<u>525,021</u>	<u>0</u>	<u>0</u>	<u>525,021</u>
30th June 2014				
Cash at bank	102,854	0	0	102,854
Trade & other receivables	<u>1,007,344</u>	<u>0</u>	<u>0</u>	<u>1,007,344</u>
Gross financial assets	<u>1,110,198</u>	<u>0</u>	<u>0</u>	<u>1,110,198</u>

c) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in the market price and comprises three types of risks; foreign exchange risk, price risk and interest rate risk.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Foreign Exchange Risk

Foreign currency risk is a financial risk that exists when transactions are denominated in a currency other than the base currency of UNES. UNES receives payments denominated in foreign currencies for both Kenyan and non Kenyan students' fees. UNES also makes payments denominated in foreign currencies for books purchased from outside Kenya.

UNES limits foreign transactions to at least two foreign currencies, that is, the US dollar and Euro and also uses mark up pricing to hedge against fluctuations.

ii) Price Risk

This is the risk resulting from a decline in the value of a security or a portfolio. UNES is not exposed to any price risk since it has no investments in any securities

iii) Interest Rate Risk

This is the risk that an investment's value will change due to a change in the absolute level of interest rates. UNES manages this risk by investing only in fixed income securities with different durations like treasury bills.

xviii) Critical Accounting Estimates and Judgements

In the process of applying the accounting policies adopted by the company, the Directors make certain judgments and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgments and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The Directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the available information

a) Impairment of non-financial assets

Non-financial assets that are carried at amortized cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use

b) Contingent liabilities and assets

A contingent liability is a potential obligation that may be incurred depending on the outcome of a future event. It is a situation where the outcome of an existing situation is uncertain, and this uncertainty will be resolved by a future event. A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated. A contingent asset is a potential asset associated with a contingent gain. Unlike contingent liabilities and contingent losses, contingent assets and contingent gains are not recorded in accounts, even when they are probable and the amount can be estimated.

c) Going concern issues

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

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

D. Explanatory notes to the financial statements

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
1 ALLOCATION FROM ACADEMIC PROGRAMMES		
School of Business	31,996	69,893
School of Law	10,718	18,125
Faculty of Arts	10,231	23,006
School of Economics	4,130	8,774
Institute of Anthropology, Gender & African studies	524	944
Population studies & Research Institute	281	495
Institute of Diplomacy & International studies	3,607	6,554
School of Journalism & Mass Communication	3,533	7,198
School of Medicine	19,101	39,137
School of Nursing	1,706	4,844
School of Pharmacy	2,390	4,784
School of Dental Sciences	1,025	2,106
Institute of Tropical & Infectious Diseases	228	375
School of Arts & Design	604	918
School of Built Environment	5,412	8,252
School of Engineering	7,222	11,761
School of Education	5,572	9,547
School of Continuing & Distance Studies	13,901	29,583
School of Physical Sciences	1,212	2,580
School of Mathematics	1,571	2,993
School of Biological Sciences	678	1,309
School of Computing and Informatics	1,905	4,471
CEBIB	180	208
Faculty of Veterinary Medicine	996	1,609
Faculty of Agriculture	1,593	2,736
CASELAP	254	628
Wangari Maathai Institute	139	146
ICCA	438	993
	131,147	263,969
	=====	=====

UNES ceased management of academic revenue effective 1st March 2015 and therefore the Academic Allocation for the current year is for the eight months that UNES managed the funds. Further there was a reduction in the UNES allocation from the previous allocation of 5% of tuition fees to an annual allocation of Ksh 196,720M. The management of academic revenue was transferred to the Centre for Self Sponsored Programmes, a unit within the University of Nairobi.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 ALLOCATION FROM INCOME GENERATING UNITS

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Veterinary Farm	595	572
Clinical studies	504	481
Dept. of Diagnostic Imaging & Radiation Medicine	1,448	1,464
Dept. of Haematology & Blood Transfusion	78	83
Chiromo Funeral Parlour	3,373	2,593
Department of Immunology	9	10
Clinical Chemistry	189	286
Dental Plaza	629	654
UON Library IGA	313	145
Surgery	23	8
Unitid	21	0
	<u>7,182</u>	<u>6,296</u>
	=====	=====

3 REVENUE FROM UNES UNIVERSITY BOOKSTORE

Nairobi	131,185	137,498
Mombasa	19,542	15,487
Kisumu	27,435	24,229
	<u>178,162</u>	<u>177,214</u>
Less: VAT paid	8,774	6,916
	<u>169,388</u>	<u>170,298</u>
	=====	=====

4 REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE

Restaurant services	38,770	37,745
Conference services	9,902	9,201
Outside catering services	12,690	14,839
Other Income	291	180
	<u>61,653</u>	<u>61,965</u>
VAT and Catering levy paid	7,813	7,023
	<u>53,840</u>	<u>54,942</u>
	=====	=====

5 REVENUE FROM CONSULTANCY

Consultancies	270,020	232,288
Training (Short courses)	16,128	351
Other Income	742	0
	<u>286,890</u>	<u>232,639</u>
	=====	=====

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 OTHER INCOME COSTS	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Payroll services	0	771
Sale of tender documents/Misc	823	281
	<u>823</u>	<u>1,052</u>
	=====	=====
7 DIRECT COSTS		
1) Cost of sales		
Nairobi Bookstore	95,022	106,143
Kisumu Bookstore	23,308	16,382
Mombasa Bookstore	16,734	10,297
Arziki Restaurants and conference centre	21,382	27,964
11) Consultancy direct project costs	248,247	216,174
	<u>404,693</u>	<u>376,960</u>
	=====	=====
8 ADMINISTRATION		
Staff Costs (note 9)		
UNES Head office	107,223	124,957
UNES University Bookstore-Nairobi	14,912	16,285
UNES University Bookstore-Kisumu	3,651	3,409
UNES University Bookstore-Mombasa	2,520	2,651
Chiromo Conference Center & Arziki Restaurants	17,190	17,260
UNES Consultancy unit	<u>6,203</u>	<u>4,417</u>
	151,699	168,979
Staff Bonus provision	<u>5,662</u>	<u>15,355</u>
	157,361	184,334
Directors Emoluments		
Directors Sitting Allowances	3,454	3,580
Directors Retainer Fees	1,500	1,500
Directors presents & awards	129	300
Chairman's Honorarium	960	960
Directors Bonus provision	<u>0</u>	<u>6,000</u>
	6,043	12,340
Office and other Costs		
(i) UNES Head office expenses		
Staff Training & Development	2,631	1,967
Medical Expenses	3,424	6,085
New Business Development	0	37
Out-Sourced Services	4,118	5,921
Staff Travelling and Accommodation	2,132	1,397
Transport operating expenses	776	1,043
Seminars and Workshops	2,275	2,734
Telecommunication	806	1,118

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Electricity & water	820	1,041
Printing Expenses	849	1,196
Uniforms and Clothing	148	226
Office Stationery	2,521	3,919
General expenses & Other consumables	4,475	5,243
Marketing & Advertisements	1,659	3,093
Physical space	1,696	2,544
Bank Charges	571	821
Maintenance of equipment	314	685
Maintenance of vehicles	344	519
Maintenance of Buildings & Grounds	64	137
Insurance Charges	959	959
Legal & Statutory Expenses	96	88
Security Expenses	1,432	2,184
Subscriptions	132	97
ICT Services	646	1,273
Audit Fees	870	870
Entertainment	444	1,571
Corporate Social Responsibility	411	495
Procurement Costs	103	178
Performance contracting	858	1,050
ISO-QMS Expenses	2,953	2,561
Anti-Corruption Activities	<u>567</u>	<u>180</u>
	39,094	51,232
(ii) UNES University Bookstore-Nairobi		
Casuals/Outsourced services	1,044	923
Staff training & development	12	9
Medical expenses	365	442
Bank Charges	504	569
Physical space	2,820	2,820
General office expenses	2,361	2,658
Maintenance and repairs	363	411
Marketing expenses	460	716
Statutory & legal expenses	30	30
Travelling expenses	224	845
Withholding VAT	37	51
Telecommunication	<u>285</u>	<u>365</u>
	8,505	9,839

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) UNES University Bookstore-Kisumu

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Out sourced services	239	52
Staff training & development	25	36
Staff medical expenses	141	94
Transport & Travelling Expenses	389	734
Rent Expenses	1,857	2,053
General office expenses	605	394
Marketing expenses	202	315
ICT Services	0	116
Telecommunication	33	124
Electricity	67	53
Repair and maintenance	160	0
Statutory & legal expenses	34	39
W/Holding Tax	4	4
Security	<u>181</u>	<u>139</u>
	3,937	4,153

(iv) UNES University Bookstore-Mombasa

Staff training & development	18	30
Casual labour	300	230
Staff medical expenses	48	48
Transport & Travelling Expenses	117	107
Rent Expenses	818	819
General office expenses	440	610
Marketing expenses	55	176
Repairs and maintenance	13	58
Telecommunication	62	89
Withholding VAT	8	11
Statutory & legal expenses	<u>34</u>	<u>34</u>
	1,913	2,212

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
(v) Chiromo Conference Center & Arziki Restaurants		
Out sourced services	1,240	654
Staff Medical expenses	629	610
Office Expenses	802	535
Transport Expenses	256	301
Telecommunication	100	94
Purchase of small kitchen equipments	301	0
Stationery/Printing	212	283
Electricity / Water	110	0
Maintenance of Equipment	141	252
Maintenance of building	510	19
Physical space	600	600
Legal & statutory expenses	329	343
Bank charges	<u>161</u>	<u>163</u>
	5,391	3,854
(vi) UNES Consultancy unit		
Stationery & Printing	1,559	661
Outsourced services	370	246
Travelling & Subsistence	130	0
Office expenses	1,464	47
Telecommunication expenses	401	789
Security Expenses	846	644
Legal & Statutory Expenses	140	90
Marketing	1,389	157
Bank charges	<u>211</u>	<u>203</u>
	<u>6,510</u>	<u>2,837</u>
Total administration costs	228,754	270,801
	=====	=====

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 STAFF COSTS

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Salaries and allowances employees	124,670	138,781
Compulsory national health insurance schemes	880	539
Compulsory national social security schemes	621	624
Leave pay and gratuity provisions	25,528	29,035
	<u>151,699</u>	<u>168,979</u>
	=====	=====

The average number of employees at the end of the year was:

Management level employees	4	7
Middle level employees	13	17
Lower level employees	75	124
	<u>92</u>	<u>148</u>
	=====	=====

10 OPERATING PROFIT

The operating profit is arrived at after charging/ (crediting):

Staff costs (note 9)	151,699	168,979
Depreciation of property, plant and equipment	9,097	8,115
Amortisation of intangible assets	233	233
Directors' emoluments - fees	6,043	12,340
Auditors' remuneration - current year fees	870	870
Loss on disposal of property, plant and equipment	0	0
Prepaid Rent	0	0

11 FINANCE INCOME

Interest income on government securities	7,385	6,926
Interest income on short-term bank deposits	640	138
	<u>8,025</u>	<u>7,064</u>
	=====	=====

12 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit of Kshs 14.5 Million (FY 2013/2014: Kshs.80 Million) by the average number of ordinary shares in issue during the year of 5,000 (FY 2013/2014. 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

13 DIVIDEND PER SHARE

Dividends are accounted for as a separate component of equity and are only presented in the accounts once ratified and declared at the relevant Annual General Meeting (AGM).

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 PROPERTY, PLANT AND EQUIPMENT

2014/2015	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total 2014/2015
COST OR VALUATION	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
At July 1, 2014	22,062	17,722	43,383	83,167
Additions	3,901	1,287	2,059	7,247
Transfers	0	0	0	0
Disposals	0	0	0	0
At June 30, 2015	25,963	19,009	45,442	90,414
DEPRECIATION				
At July 1, 2014	15,661	14,881	20,569	51,111
Charge for the year	2,879	2,231	3,987	9,097
Impairment loss	0	0	0	0
Eliminated on disposal	0	0	0	0
At June 30, 2015	18,540	17,112	24,556	60,208
NET BOOK VALUE				
At June 30, 2015	7,423	1,897	20,886	30,206

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

2013/2014	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total 2013/2014
COST OR VALUATION	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
At July 1, 2013	18,932	14,702	31,162	64,796
Additions	3,130	2,972	12,269	18,371
Transfers	0	0	0	0
Disposals	0	0	0	0
At June 30, 2014	22,062	17,674	43,431	83,167
DEPRECIATION				
At July 1, 2013	13,427	12,694	16,875	42,997
Charge for the year	2,234	2,187	3,694	8,115
Impairment loss	0	0	0	0
Eliminated on disposal	0	0	0	0
At June 30, 2014	15,661	14,881	20,569	51,111
NET BOOK VALUE At June 30, 2014	6,401	2,793	22,862	32,055

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2014/2015	2013/2014
		Kshs'000'	Kshs'000'
16	INTANGIBLE ASSETS		
	COST		
	At July 1	8,273	8,273
	Additions	0	0
	At June 30	<u>8,273</u>	<u>8,273</u>
	AMORTISATION		
	At July 1	7,886	7,652
	Charge for the year	233	233
	At June 30	<u>8,119</u>	<u>7,885</u>
	NET BOOK VALUE		
	At June 30	<u>154</u>	<u>388</u>
		=====	=====
	The intangible asset relate to computer software		
17	INVENTORIES		
	UNES Bookstores	92,591	91,603
	Chiromo Funeral Parlour	357	400
	Arziki Restaurants & Conference Centre	590	728
	UNES Head Office	727	895
	Clinical Studies	2,016	1,891
	Vet Farm	926	629
	Haematology	150	175
	Radiology	413	488
	Immunology	232	682
	Dental Plaza	115	88
	Clinical Chemistry	350	331
		<u>98,467</u>	<u>97,910</u>
		=====	=====
	All inventories are valued at historical cost.		
18	TRADE AND OTHER RECEIVABLES		
	Trade receivables	223,335	110,630
	Bank Guarantees	7,149	9,386
	Amount held for the University of Nairobi	262,972	872,635
	Staff receivables	3,032	3,641
	Other receivables	1,742	1,145
	Suppliers deposits and advances	20,257	9,907
	Alumni expenses	1,031	0
	Net trade and other receivables	<u>519,518</u>	<u>1,007,344</u>

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

19	SHORT TERM DEPOSITS	2014/2015 Kshs'000'	2013/2014 Kshs'000'
	91 Days Treasury bills	136,500	136,500
		<u>136,500</u>	<u>136,500</u>
		=====	=====

The effective interest rate on the short term deposits as at June 30, 2015 was 9.6% (Stated interest rate was 9.3%).

20 **BANK AND CASH BALANCES**

Cash at bank

Bank accounts with positive cashbook balances

UON Accounts

UNES Caution Deposits Account	11	906
UNES Application Fees Account	398	0
UNES/UON collection account	10,613	0
UON CESSP DSP account	147	0
UON CESSP Dollar account	6,764	0
	<u>17,933</u>	<u>906</u>

IGU Accounts

Transition Account NBK	1,741	23,326
CAVS Vet Farm BBK Account	1,426	9,471
Chiromo Funeral Parlour SCB Account	13,924	2,408
Faculty of Medicine BBK Account	11,134	782
CAVS Clinical Studies BBK Account	2,695	5,309
	<u>30,920</u>	<u>41,296</u>

UNES Accounts

UNES Consultancy Account	0	693
UNES Arziki Restaurant BBK	2,629	5,725
UNES US-Dollar Account BBK	0	61,896
UNES Euro Account BBK	11,528	6,730
UNES University Bookstore Account	2,105	0
	<u>16,262</u>	<u>75,044</u>

Total cash at bank	65,115	117,246
Cash in hand	1,278	1,374
	<u>66,393</u>	<u>118,620</u>
	=====	=====

Total Cash at bank and in hand

The bulk of the cash at bank was held at Barclays Bank of Kenya, the company's main bankers.

21 **ORDINARY SHARE CAPITAL**

Authorised:

5,000 ordinary shares of Kshs.20 par value each	100	100
	=====	=====

Issued and fully paid:

5,000 ordinary shares of Kshs.20 par value each	100	100
	=====	=====

The University of Nairobi holds 4,998 shares while 2 shares are held by nominees of the University.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

22 NOTES TO THE FINANCIAL STATEMENTS (Continued)
RETAINED EARNINGS

2014/2015 2013/2014
Kshs'000' Kshs'000'

The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilised to finance the company's business activities.

Balance at beginning of the year	128,953	122,323
Add: Total comprehensive income for the year	14,518	80,151
Less: Dividends declared during the year	<u>(60,279)</u>	<u>(73,521)</u>
	83,192	128,953
	=====	=====

23 CAPITAL RESERVE

The capital reserve includes funds set aside for improvement of certain items of property, plant and equipment netted off with the capital expenditures.

Balance at beginning of the year	12,479	26,600
Less: Capital renovations during the year		
Arziki restaurant & conference centre	(122)	(5,562)
Head office	(1,250)	(6,684)
Mombasa bookstore	0	(140)
Kisumu bookstore	0	(118)
Nairobi bookstore	0	(205)
Consultancy unit	0	(1,412)
	<u>(1,372)</u>	<u>(14,121)</u>
Balance at end of the year	11,107	12,479
	=====	=====

24 LONG TERM LIABILITY

Bookstore amount due to UON (22 months)

Balance at beginning of the year	22,500	33,167
Add:		
Provision for bad debt (Reversal)	4,378	0
Provision for dead stock reversal	10,272	0
(Reversed payment) Amount paid	<u>1,500</u>	<u>(10,667)</u>
Balance at end of the year	38,650	22,500
	=====	=====

25 TRADE AND OTHER PAYABLES

Trade payables	22,362	38,915
Provision for direct service providers	374,481	626,082
Returned salaries and refunds	0	35,746
Remittance for consultancies	119,392	80,318
Provision for audit fees	870	870
Provision for expenses	7,009	4,860
Provision for rent	3,229	2,012
Provision for directors' expenses	4,500	3,000
Provision for output VAT	6,334	2,333
Provision for PAYE	0	46,209
Student deposits- Bookstore	407	0
IGU creditors	1,850	1,850

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Deposits – SA Veterinary Students	0	488
Receipts in advance	15,962	21,562
Provision for staff and directors' bonuses	9,348	25,163
	<u>565,744</u>	<u>889,408</u>
	=====	=====
26 STAFF GRATUITY AND OBLIGATIONS		
Staff gratuity	43,608	46,440
	<u>43,608</u>	<u>46,440</u>
	=====	=====
The staff gratuity is accrued for the year at the entitlement rate which is currently 31% of Basic Pay		
27 PROVISION FOR LEAVE PAY		
Additional provision at end of year	1,802	2,562
Balance at end of the year	<u>1,802</u>	<u>2,562</u>
	=====	=====
Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year		
28 DIVIDENDS PAYABLE		
The balance of dividends payable relates to unpaid dividends as at the end of the year. The balances are analysed in annual amount below.		
Balance brought forward	69	20,669
Dividends declared	60,280	73,521
	<u>60,349</u>	<u>94,190</u>
Less: Dividend paid	0	94,121
Balance at end of the year	<u>60,349</u>	<u>69</u>
	=====	=====
29 BANK ACCOUNTS WITH OVERDRAWN CASHBOOK		
UNES/UON collection account	0	208,226
UNES/UON application fees account	0	24,544
UNES DSP account	5,115	43,144
UNES University Bookstore Account	0	9,981
UNES Corporate Account	5,628	4,411
UNES US-Dollar Account BBK	3,158	0
UNES Consultancy Account	625	0
UON CESSP Application account	2,254	0
UON CESSP Operations account	1,577	0
UON CESSP COLLECTION account	28,329	0
Balance at end of the year	<u>46,686</u>	<u>290,306</u>
	=====	=====

Note: The bank accounts in note 29 above have positive bank balances and the negative amounts are the cashbook balances.

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from/(used in) operations

	2014/2015	2013/2014
	Kshs'000'	Kshs'000'
Operating profit	6,493	73,087
Depreciation	9,330	8,348
Loss on disposal of property, plant and equipment	0	0
Operating profit/ (loss) before working capital changes	15,823	81,435
Decrease/ (Increase) in inventories	(557)	7,450
Decrease/ (Increase) in trade and other receivables	487,826	(376,810)
(Decrease)/ Increase in trade and other payables	(323,664)	225,217
(Decrease)/Increase in provision for staff gratuity	(2,832)	12,979
(Decrease)/Increase in provision for staff leave pay	(760)	2,562
Cash (used in) / generated from operations	175,836	(47,167)

(b) Analysis of dividend paid

Balance at beginning of the year	69	20,669
2012/2013 and 2011/2012 dividends declared	60,279	73,521
Balance at end of the year	(60,348)	(69)
Dividend paid	0	94,121

(c) Analysis of changes in long term liability

Balance at beginning of the year	22,500	33,167
Reversal/ (Repayment) during the year	1,500	(10,667)
Provision for bad debt (Reversal)	4,378	0
Provision for dead stock reversal	10,272	0
Balance at end of the year	38,650	22,500

(d) Analysis of cash and cash equivalents

Short term deposits	136,500	136,500
Cash at bank (See note 20)	65,115	117,246
Cash in hand	1,278	1,374
Bank Overdraft (See note 29)	(46,686)	(290,305)
Balance at end of the year	156,207	(35,185)

UNES LIMITED

Annual Report and Financial Statements for the year ended June 30, 2015

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operation decisions, or one other party controls both.

During the year, UNES Limited provided services to the University of Nairobi, which is the parent company having 100% control over UNES. These services were provided through UNES University Bookstore and Arziki Restaurant and Conference Centre. The University of Nairobi being the 100% shareholder for UNES receives dividends from UNES against the surplus realized and as declared at the Annual General Meeting on recommendation by the directors.

The balances between UNES and UON as at the balance sheet date were as follows:

	2014/2015 Ksh (000)	2013/2014 Ksh (000)
<u>Due from UON</u>		
Owings to Bookstore and Arziki	65,324	58,259
<u>Due to UON</u>		
Long-term liability- Bookstore amount on takeover by UNES	38,650	38,650
Dividends payable	60,359	69

The key management personnel of the company enjoy only short-term benefits based on the contractual agreements. The company does not have share-based payments, post-employment and other long-term benefits. The compensation to key management personnel of the company and the directors during the year amounted to Ksh 31.76 Million.

32 CONTINGENT LIABILITIES

Included in the financial statements as part of the long-term liability is dead stock amounting to Ksh 10,272,000 and bad debts of Ksh 4,378,000 which are the subject of a verification exercise with the aim of a write-off.

During the financial year the company was exposed to the loss of Ksh 691,000 through employee misappropriation. A claim of the same amount lodged with the insurer against employee infidelity has been recognized under receivables.



REPUBLIC OF KENYA



MINISTRY OF EAST AFRICAN AFFAIRS, COMMERCE AND
TOURISM/ MINISTRY OF AGRICULTURE, LIVESTOCK AND
FISHERIES

CABINET MEMORANDUM ON THE RATIFICATION OF THE EAC PROTOCOL ON SANITARY AND PHYTOSANITARY (SPS) MEASURES

1.0 OBJECTIVE OF THE MEMORANDUM

The objective of the memorandum is to inform the Cabinet about the East African Community (EAC) Protocol on Sanitary and Phytosanitary (Food Safety, Animal and Plant health) Measures and to request the Cabinet to approve its ratification.

2.0 BACKGROUND OF THE SUBJECT MATTER

The Treaty for the Establishment of the East African Community provides that the objectives of the Community is to develop programmes and policies aimed at widening and deepening cooperation among the Partner States.

In furtherance of these objectives, the EAC Protocol on Sanitary and Phytosanitary Measures was developed. Sanitary and phytosanitary measures are interventions applied to protect human, animal or plant life from diseases arising from biological or chemical substances or from the entry and spread

of disease causing organisms within the territories of the Partner States.

The process leading to the development of the Protocol started pursuant to a decision of the first meeting of the EAC Sectoral Council on Agriculture and Food Security held on 8th September 2006. The Protocol, developed in accordance with Article 108 of the EAC Treaty and Article 38 (1) and (2) of the EAC Customs Union Protocol, was negotiated by experts from the EAC Partner States. Stakeholder participation was sought at all stages in the preparation of the Protocol.

After completion, it was approved by the 14th Summit of the EAC Heads of State on 30th November 2012 and thereafter signed by the Partner States respective Ministers present at the 5th Meeting of the Sectoral Council on Agriculture and Food Security held on 12th July 2013.

At its 27th Meeting held from 27th – 31st August 2013, the EAC Council of Ministers urged Partner States to expedite the ratification of the Protocol and deposit instruments of ratification with the EAC Secretary General by June 2014 (EAC/CM 27/ Directive 19).

The principal objective of the Protocol is to adopt and enforce sanitary and phytosanitary measures in order to minimize their negative effects on trade. The Protocol elaborates rules for application which relate to the use of sanitary and phytosanitary measures and recognizes the rights of importing countries to implement these measures.

The specific objectives of the Protocol are too;

- a) Promote trade in goods and agricultural commodities within the Community and between the Community and other trading partners;
- b) Promote within the Community, the implementation of the principles on harmonization, equivalence, regionalization, transparency and risk assessment in the Agreement on the Application of Sanitary and Phytosanitary measures;
- c) Strengthen cooperation and coordination of sanitary and phytosanitary measures and activities at national and regional levels based on common understanding and application within the Community; and
- d) Enhance the sanitary and phytosanitary status through science based approach in the Community.

In order to implement the Protocol, the Republic of Kenya will be expected to cooperate with the other EAC Partner States in the harmonization of plant health, animal health and food safety measures.

This would be achieved by among others, the designation of appropriate authorities to implement the Protocol, facilitation of smooth movement of food and agricultural commodities through appropriate border posts controls, information sharing through the establishment and maintenance of a regional management system, undertaking to jointly seek technical assistance to build capacity for compliance and harmonization of relevant policies and laws.

The Protocol is consistent with the Constitution and is not contrary with any constitutional values and objectives. Its ratification will not necessitate any amendment(s) to the Constitution. The legislative intervention anticipated for the implementation of the Protocol is the development of a regional legislation to be enacted by the East African Legislative Assembly.

Although reservation is permitted under the EAC Treaty, there are no reservations recommended in this protocol since Kenya stands to benefit from its ratification and implementation. Thus, the Republic of Kenya does not propose to raise any reservation.

3.0 ANALYSIS OF THE PROBLEM

Agriculture is the backbone of the Kenyan economy. In the recent past, the East African Community region has faced challenges in sustaining food security for its growing population. This has been caused in part, by harm caused to human, animal and plant life by the spread of disease causing organisms or biological or chemical substances; for instance the aflatoxin problems in maize imports to Kenya. Cross border trade in agricultural products aimed at smoothing out gluts and shortages in the region has also been negatively impacted on. Among the EAC Partner States, Kenya more prone to shortages than gluts and therefore stands to benefit more from improved Agricultural commodities trade in the region. However, as trade increases, caution must be exercised to ensure food safety to humans and protection of animals and plants against cross border disease and pests spread. This is anticipated to be realized through implementation of this SPS Protocol.

Currently, Kenya imports 3 million bags of maize, 6 million bags of beans and 3 million bags of rice. On the other hand, Kenya is advanced in seed production whose trade can boost its earnings. In the absence of this protocol, Non tariff barriers keep coming up to curtail the free flow of trade.

In order to address these challenges, the EAC Treaty seeks to promote co-operation in the agricultural sector with the objective of achievement of food security and rational agricultural production within the Community. Of relevance to this Protocol is Article 108 providing for co-operation in the control of animal and plant diseases, such as Trans-boundary animals and plants diseases as well as invasive pests. In addition, wild animals and plant diseases and pests such as Cyprus aphids that threatened to wipe out Cyprus trees from this region during the 20th century.

Further, the 4th EAC Development Strategy 2011/2012-2015/2016 identifies harmonization of sanitary and phytosanitary standards as a strategic intervention in the priority area of promotion of agricultural productivity and value addition for increased cross border trade and sustainable food security.

The harmonization of sanitary and phytosanitary measures will improve the human, animal and plant life in all the Partner States and will ensure the rational development of the agricultural sector and increase quality production to ensure food security and free trade in agricultural products within the Community.

To this end, the implementation of the Protocol will be beneficial in addressing the identified problem through application and harmonization of sanitary and phytosanitary standards in the Community.

4.0 OPTIONS OF THE WAY FORWARD

Given the need to protect the human, animal and plant health and life in all the Partner States as a means of ensuring food security and free trade in agricultural products, it is necessary to strengthen the existing institutional framework for adoption and enforcement of sanitary and phytosanitary measures. It is expected that the implementation of the Protocol will result in;

- a) Increased trade in goods and agricultural commodities within the Community and between the Community and other trading partners;
- b) Harmonization of plant health, animal health and food safety measures;
- c) Harmonization of national policies, laws and regulations on sanitary and phytosanitary measures;
- d) smooth movement of food and agricultural commodities through appropriate border posts controls; and
- e) Establishment of relevant institutional frameworks for enforcement of sanitary and phytosanitary measures within the Community.

To date, the Protocol has been adopted by the EAC Council of Ministers, approved by the EAC Heads of State Summit and

subsequently signed by Partner States respective Ministers present at the 5th Meeting of the Sectoral Council on Agriculture and Food Security held on 12th July 2013.

In order to allow for the entry into force, it is proposed that the Republic of Kenya ratifies the EAC Protocol on Sanitary and Phytosanitary Measures alongside the other Partner States. The ratification of the Protocol would positively affect our national interests in the achievement of food security and increased cross border trade in agricultural products.

This Protocol is a regional trade matter that will not have any implications on matters relating to counties.

5.0 FINANCIAL IMPLICATIONS

Since the implementation of this Protocol will be incorporated into existing institutional frameworks and therefore no drastic budgetary changes are envisaged in terms of financial implications. In addition, the protocol burden is mostly regional rather than Kenya.

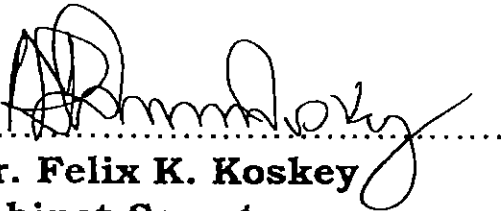
6.0 RECOMMENDATIONS TO CABINET

The Cabinet is requested to;

- a) take note of the contents of this Cabinet Memorandum;
- b) approve ratification of the EAC Protocol on Sanitary and Phytosanitary Measures;

c) direct the Cabinet Secretary, Foreign Affairs to submit the Protocol and a memorandum on the Protocol to the Speaker of the National Assembly

Signed



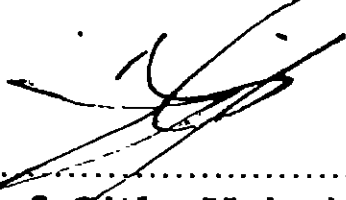
.....
Mr. Felix K. Koskey
Cabinet Secretary
Ministry of Agriculture, Livestock & Fisheries

Date: 15.1.014



.....
Mrs. Phyllis J. Kandie
Cabinet Secretary
Ministry of East African Affairs,
Commerce & Tourism

Date: 23.12.13



.....
Prof. Githu Muigai
Attorney General
Office of the Attorney General &
Department of Justice

Date: 13.1.14

.....
Mr. Henry K. Rotich
Cabinet Secretary
The National Treasury

Date:



REPUBLIC OF KENYA



EAST AFRICAN COMMUNITY PROTOCOL
ON SANITARY AND PHYTOSANITARY (SPS)
MEASURES

*Paper valid
22/6/2014*

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REPUBLIC OF KENYA

ARRANGEMENT OF ARTICLES

PREAMBLE

Article 1 Interpretation

Article 2 Objectives

Article 3 Scope of Cooperation

Article 4 Plant Health

Article 5 Animal Health

Article 6 Food Safety

Article 7 Competent Authorities

Article 8 Border Posts Control

Article 9 Sharing of Information and Expertise

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Article 11 Harmonisation of Policies, Law and Regulations

Article 12 Institutional Arrangement

Article 13 Regulations, Directives and Decisions

Article 14 Dispute Settlement

Article 15 Amendment of the Protocol

Article 15 Entry into Force

Article 16 Depository and Ratification

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PURSUANT TO THE PROVISIONS OF CHAPTER XVIII OF THE TREATY FOR THE ESTABLISHMENT OF THE EAST AFRICAN COMMUNITY, THE PROVISIONS OF THE PROTOCOL ON SANITARY AND PHYTOSANITARY MEASURES ARE HEREBY SET FORTH

PREAMBLE

WHEREAS the Republic of Burundi, the Republic of Kenya, the Republic of Rwanda, The United Republic of Tanzania and the Republic of Uganda are parties to the Treaty for the Establishment of the East African Community (hereinafter referred to as "the Partner States");

RECOGNIZING that under the provisions of Article 151 of the Treaty, the Partner States undertook to conclude such Protocols as may be necessary in each area of co-operation, which shall spell out the objectives and scope of, and institutional mechanisms for, co-operation and integration;

RECALLING that Articles 105 to 110 of Chapter 18 of the Treaty provide for Partner States to cooperate in agriculture and food security;

CONSCIOUS that Article 108 of the Treaty provides for cooperation in the control of plant and animal diseases and Article 38 of the Protocol on the Establishment of the East African Community Customs Union requires the Partner States to take cognisance of cooperation in sanitary and phytosanitary measures in order to facilitate trade within the community and other trading partners;

NOTING that the harmonisation of sanitary and phytosanitary measures will improve the human, animal and plant life or health situation in all the Partner States and will ensure the rational development of the agricultural sector, and increase quality production to ensure food security and safety and free trade in agricultural products within the Community and other trading partners;

ACKNOWLEDGING the important contribution of international standards, guidelines and recommendations as well as harmonisation of sanitary and phytosanitary measures in the Community;



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HEREBY AGREE AS FOLLOWS:

Article 1

Interpretation

In this Protocol, except where the context otherwise requires,

“animal” includes mammals, birds, bees, aquatic animals and wild fauna;

“area of low pest prevalence” means an area, as identified by the competent authority, in which a specific pest occurs at low levels and which is subject to effective surveillance, control or eradication measures;

“biological control agent” means a natural enemy, antagonist or competitor, or other organism, used for pest control;

“border post” means any official point of entry or exit, and includes an airport, or any port, railway station or road check-point open to regional and international trade of commodities, where import food and agricultural commodities inspections can be performed;

“Community” means the East African Community established by Article 2 of the Treaty;

“competent authority” means a government institution with the mandate to regulate and enforce sanitary and phytosanitary measures;

“contaminant” means any biological or chemical agent, foreign matter or other substance not intentionally added to food, which may compromise food safety;

“Council” means the Council of Ministers established by Article 9 of the Treaty,

“infected zone” means a zone in which the absence of the disease under consideration has not been demonstrated by the requirements specified in international standards;

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“international standards, guidelines and recommendations” means-

- (a) for food safety, the standards, guidelines and recommendations established by the Codex Alimentarius Commission relating to biological, chemical or physical hazards including food additives, veterinary drug and pesticide residues, heavy metals, methods of analysis and sampling, and codes and guidelines of hygienic practice,
- (b) for animal health and zoonoses, the standards, guidelines and recommendations developed under the auspices of the World Organisation for Animal Health;
- (c) for plant health, the international standards, guidelines and recommendations developed under the auspices of the Secretariat of the International Plant Protection Convention in cooperation with regional organizations operating within the framework of the International Plant Protection Convention; and
- (d) for other matters not covered under paragraphs (a) to (c), appropriate standards, guidelines and recommendations promulgated by other relevant international organizations open for membership to all the Partner States, as may be identified by the Committee;

“establishment” means the premises where animals are kept;

“food” means any substance whether processed, semi processed or raw, which is intended for human consumption and includes drinks, chewing gum and any substance which has been used in manufacture, preparation or treatment of food but does not include cosmetics or tobacco or substances used only as drugs;

“food safety” means assurance that food will not cause harm to the consumer when prepared and eaten according to its intended use;

“living modified organisms” means any living organism that possesses a novel combination of genetic material obtained through the use of modern biotechnology;


“modern biotechnology” means the application of-

- (a) in vitro nucleic acid techniques, including recombinant deoxyribonucleic acid (DNA) and direct injection of nucleic acid into cells or organelles; or













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(b) fusion of cells beyond the taxonomic family, that overcome natural physiological reproductive or recombination barriers and that are not techniques used in traditional breeding and selection;

“pest” means any specie, strain or biotype of plants, animals or pathogenic agents injurious to plants, or plant products, animal or animal products;

“pest free area means” an area in which a specific pest does not occur as demonstrated by scientific evidence and in which, where appropriate, this condition is being officially maintained;

“plant” means living plants and parts thereof including seeds and germplasm;

“plant product” means un-manufactured material of plant origin including grain, and those manufactured products that by their nature or that of their processing, may create a risk for the introduction and spread of pests;

“plant quarantine facility” means an official station for holding plants or plant products in quarantine;

“risk assessment” means the evaluation of the likelihood of entry, establishment or spread of a pest or disease within the territory of an importing Partner State according to the sanitary or phytosanitary measures which might be applied, and of the associated potential biological and economic consequences; or the evaluation of the potential for adverse effects on human or animal health arising from the presence of additives, contaminants, toxins or disease-causing organisms in food, beverages or feedstuffs;

“sanitary and phytosanitary measure” means any measure applied-

(a) to protect animal or plant life or health within the territory of a Partner State from risks arising from the entry, establishment or spread of pests, diseases, disease-carrying organisms or disease-causing organisms;

(b) to protect human or animal life or health within the territory of a Partner State from risks arising from biological, chemical and physical substances including additives, contaminants, toxins or disease-causing organisms;

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(c) to protect human life or health within the territory of a Partner State from risks arising from diseases carried by animals, plants or products thereof, or from the entry, establishment or spread of pests; or

(d) to prevent or limit other damage within the territory of a Partner State from the entry, establishment or spread of pests;

“Secretariat” means the Secretariat of the East African Community established by Article 9 of the Treaty;

“Secretary General” means the Secretary General of the Community provided for under Article 67 of the Treaty;

“surveillance” means an official process which collects and records data on pest occurrence or absence by survey, monitoring or other procedures;

“quarantine station” means a facility under the control of a veterinary authority, where an animal or group of animals is maintained in isolation, with no direct or indirect contact with other animals, in order to undergo observation for a specified length of time and, if appropriate, testing and treatment

“technical assistance” means provision of technologies, research and infrastructure, advice, credits, donations and grants, training and equipment;

“traceability of animals” means the ability to follow an animal or a group of animals during all stages of its life; and

“Treaty” means the Treaty for the establishment of the East African Community.

Article 2

Objectives

The objectives of this Protocol are to-

- (a) promote trade in food and agricultural commodities within the Community and between the Community and other trading partners;

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- (b) promote within the Community, the implementation of the principles on harmonisation, equivalence, regionalisation, transparency and risk assessment in the Agreement on the Application of Sanitary and Phytosanitary Measures;
- (c) strengthen cooperation and coordination of sanitary and phytosanitary measures and activities at national and regional level, based on common understanding and application within the Community; and
- (d) enhance the sanitary and phytosanitary status through science based approach in the Community.

Article 3

Scope of Cooperation

1. This Protocol shall apply in the Partner States cooperation in the adoption of sanitary and phytosanitary measures.
2. For the purposes of paragraph 1, the Partner States shall cooperate in the harmonisation of plant health, animal health and food safety measures.

Article 4

Plant Health

1. The Partner States undertake to cooperate in matters of plant health.
2. For purposes of paragraph 1, the Partner States shall -
 - (a) harmonise the inspection and certification procedures of plant and plant products;
 - (b) regulate the importation, research, development and use of living modified organisms and products of modern biotechnology and biological control agents;
 - (c) provide a framework for the management of pests,

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- (d) ensure the safe movement of plants and plant products;
- (e) build systems for surveillance, pest listing, pest risk analysis, pest reporting, and designation of pest free areas and areas of low pest prevalence;
- (f) provide appropriate facilities and strengthening capacity for undertaking phytosanitary measures;
- (g) harmonise import and export documents and procedures;
- (h) harmonise and enforce plant quarantine measures;
- (i) develop a framework for the design and management of plant quarantine facilities; and
- (j) harmonise the registration, identification and traceability of plants and plant products and agro-inputs.

Article 5

Animal Health

1. The Partner States undertake to cooperate in matters of animal health.
2. For purposes of paragraph 1, the Partner States shall -
 - (a) provide notification of the existence of animal diseases through prompt and transparent sharing of information on trade-sensitive diseases as well as identification of infected zones;
 - (b) harmonise the inspection, certification and approval of establishments, hatcheries, breeding centres, abattoirs, dairies, animal products, and feedstuff;
 - (c) develop a framework for the design and management of animal quarantine stations;
 - (d) standardize sanitary documents including import permits and veterinary certificates;
 - (e) harmonise systems for registration, identification and traceability of animals and animal products;
 - (f) harmonise control of veterinary drugs; and

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- (g) harmonise animal welfare measures.

Article 6


Food Safety

1. The Partner States undertake to cooperate in matters of food safety.
2. For purposes of paragraph 1, the Partner States shall -
 - (a) harmonise food inspection, certification and approval procedures;
 - (b) harmonise safety requirements for food derived from genetically modified organisms;
 - (c) provide guidelines for the safe movement of food;
 - (d) harmonise surveillance systems for food-borne hazards in the Community;
 - (e) harmonise the import requirements for food ;
 - (f) notify food-borne hazards through prompt and transparent sharing of information;
 - (g) harmonise and strengthen food traceability systems; and
 - (h) determine the tolerance levels for additives, contaminants, toxins and disease causing organisms in food.

Article 7

Competent Authorities

The Partner States shall designate competent authorities for the purpose of this Protocol.

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Article 8

Border Posts Control

The Partner States undertake to facilitate the smooth movement of food and agricultural commodities by-

- (a) identifying and declaring the border posts that permit movement of food and agricultural commodities across the region;
- (b) conducting joint inspection and clearance of food and agricultural commodities; and
- (c) developing the infrastructure and building capacity in border posts.

Article 9

Sharing of Information and Expertise

The Partner States undertake to cooperate in the sharing of information and expertise related to sanitary and phytosanitary measures through the establishment and maintenance of a regional information management system including-

- (a) a list of contact points for plant health, animal health and food safety;
- (b) a portal on sanitary and phytosanitary measures; and
- (c) any other relevant information.

Article 10

Technical Assistance

The Partner States undertake to jointly seek technical assistance to build capacity for compliance with sanitary and phytosanitary measures.



REPUBLIC OF KENYA

Article 11 Harmonization of Policies, Laws and Regulations

1. The Partner States undertake to harmonise their policies, laws and programmes to facilitate the achievement of the objectives of this Protocol.
2. The Council shall issue directives for purposes of implementing this Article.

Article 12 Institutional Arrangements

The Council shall establish and confer powers and authority upon such institutions as the Council may deem necessary to implement the provisions of this Protocol.

Article 13 Regulations, Directives and Decisions

The Council shall from time to time make regulations, issue directives and make decisions as may be necessary for the effective implementation of this Protocol.

Article 14 Dispute Settlement

Any dispute between two or more Partner States arising from interpretation or application of this Protocol shall be settled in accordance with the provisions of the Treaty.

Article 15 Amendment of the Protocol

This Protocol may be amended by the Partner States in accordance with the provisions of Article 150 of the Treaty.

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REPUBLIC OF KENYA

Article 16
Entry into Force

This Protocol shall enter into force upon ratification and deposit of instruments of ratification with the Secretary General by all the Partner States.

Article 17
Depository and Ratification

1. This Protocol and all instruments of ratification shall be deposited with the Secretary General who shall transmit certified true copies of the Protocol and instruments of ratification to all the Partner States.
2. The Secretary General shall register this Protocol with all regional and international organizations responsible for the implementation of sanitary and phytosanitary measures.

IN WITNESS WHEREOF, WE, the undersigned have appended our signatures hereto

DONE AT ARUSHA, TANZANIA this 12th day of JULY in the year 2013

For and on behalf of the
Republic of Kenya

For and on behalf of the
Republic of Rwanda

For and on behalf of the
Republic of Burundi

For and on behalf of the
United Republic of
Tanzania

For and on behalf of the
Republic of Uganda

Felix K. Koske

Eng. C. K. CHIZA

2013
Kwamirama Ruyi
MBS/AM-MRATF