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OFFICE OF THE AUDITOR-GENERAL

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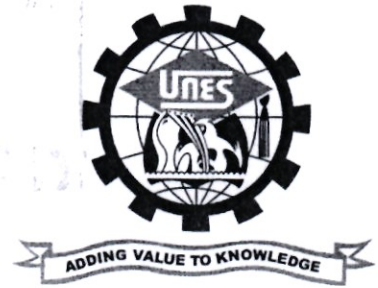
ON

**UNIVERSITY OF NAIROBI ENTERPRISES
AND SERVICES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2023**



UNIVERSITY OF NAIROBI
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UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

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

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

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1. ACRONYMS AND GLOSSARY OF TERMS

| | |
|--------|--|
| UNES: | University of Nairobi Enterprise and Services Limited |
| UON: | University of Nairobi |
| IGUs: | Income Generating Units |
| IGAs: | Income Generating Activities |
| IFRS: | International Financial Reporting Standards |
| PFM: | Public Finance Management |
| MDAs: | Ministries, Departments and Agencies |
| SCAC: | State Corporations Advisory Committee |
| TVETs: | Technical Vocational Education and Training Institutions |
| USAID: | United States Agency International Development |

2. KEY ENTITY INFORMATION

Background information

The University of Nairobi Enterprises & Services Limited (UNES) is a Limited Company registered under the Companies Act (Chapter 486, Laws of Kenya) on 5 May 1996. UNES is listed as a Commercial State Corporation, under the State Corporations Act CAP 446. UNES is wholly owned by the University of Nairobi as the sole shareholder, thus the resources available to UNES are primarily those of the University. UNES has a governance structure headed by Board of Directors, Managing Director, Management Team and Staff in the execution of its mandate. The board is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activities of UNES are:

- a) Provision of Consultancy Services & Short Professional Courses
- b) 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, Dental Plaza, Jomo Kenyatta Memorial Library (JKML) Bindery Services. Managing the Consultancy unit that harnesses both the human and the physical resources of the University.
- c) Provision of Bookstore Services focusing on serving Universities, Tertiary Institutions and the General Public.
- d) Hospitality business 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 4913910 0722 205498/0733 333549
E-mail : unes@uonbi.ac.ke
Website: www.unes.co.ke

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UNES DIRECTORS

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

| # | Name | Designation | Remarks |
|----|----------------------------|-------------------|---|
| 1 | Eng. Kariuki Muchemi | Chairman | Exited 23 rd May, 2023 |
| 2 | Prof. Kinandu Muragu | Member | Appointed on 12-06-2008 |
| 3 | Mr. Hirji Shah EBS, OGW | Member | Appointed on 12-09-2013 |
| 4 | Mr. Yusuf Omari | Member | Appointed on 15-09-2009 |
| 5 | Mr. Charles Orony Ogalo | Member | Exited 23 May, 2023 |
| 6 | Ms Miriam Musyoki | Member | Appointed on 26-11-2018 |
| 7 | Ms Flora Maghanga Mtuweta | Member | Exited 23 rd May, 2023 |
| 8 | Prof. Stephen Gitahi Kiama | VC & Member | Appointed on 09-04-2020 |
| 9 | Samuel Nthenge | Member | Exited 30-03-2023 |
| 10 | CS.Collins Fredrick Omondi | Company Secretary | Appointed on 1 st April 2020 |
| 11 | Mr. Seith Abeka | Managing Director | Appointed on 19-7-2021 |

CORPORATION SECRETARY

CS Collins Omondi

ICS No. 2794

P.O. Box 16336 - 00100

NAIROBI, KENYA

CORPORATE BANKERS

| | | |
|--|--|--|
| 1. Absa 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 |
|--|--|--|



INDEPENDENT AUDITORS



The Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100, Nairobi.

PRINCIPAL LEGAL ADVISORS


CS Collins Omondi
P.O. Box 16336 - 00100
Nairobi

3. BOARD OF DIRECTORS



| Name of Board Member | Board Member's profile |
|---|--|
|  <p data-bbox="272 857 703 920">Eng. Kariuki Muchemi, BSc. Civil Engineering, MSc, LLB,</p> | <p data-bbox="758 338 1412 510">Eng. Kariuki Muchemi, BSc. Civil Engineering, MSc, LLB, is UoN Council Member and Chairman of UNES board. Eng. Kariuki Muchemi was born in 1954 and he is a practising Civil Engineer with over thirty (30) years' experience in both public and private sector.</p> <p data-bbox="758 539 1412 842">He holds a BSc. Degree in Civil Engineering from the University of Nairobi, MSc Degree from the University of Birmingham UK, LLB from Mt. Kenya University and Post Graduate Diploma from the Kenya School of Law. He is a registered Consulting Engineer, a Corporate Member of the Institution of Engineers of Kenya and also an Advocate of the High Court of Kenya. He is also a member of the Institute of Directors, Kenya.</p> <p data-bbox="758 880 1412 1010">He has served as a Board member of the Geothermal Development Company, as a Trustee of the Water Services Trust Fund and a member of the Kenyatta University Council</p> |
|  <p data-bbox="344 1574 683 1608">Mr. Hirji Shah OGW, EBS</p> | <p data-bbox="751 1048 1412 1451">Mr. Hirji Shah OGW, EBS is an Independent director at UNES and is the chairman of the Strategy and Business Development Committee of the UNES Board (SBDC) He was born in 1936. Mr. Hirji Shah is Currently the Director, of several Companies including Comcraft Kenya Limited; Juhudi Investments Limited; Juhudi Distributors Limited; Karura Terrace Management Limited; Centre for Corporate Governance, Terra Maalum Limited, Tanzania and Uganda Aluminum Limited, Uganda. He was recently appointed to the Kenya National Qualifications Authority (KNQA) as a Council member.</p> <p data-bbox="751 1485 1412 1686">Until recently, he was a Director, National Industrial Training Authority (NITA). He is a Past Chairman of Federation of Kenya Employers (FKE) and East Africa Business Council (EABC). He is currently a Trustee; the Chandaria Foundation, Gandhi Smarak Nidhi Fund and Desai Memorial Foundation.</p> <p data-bbox="751 1720 1412 1821">Mr. Hirji has also been actively involved in several manufacturing enterprises, businesses and charitable Organizations for over 55 years in several countries. He</p> |

| Name of Board Member | Board Member's profile |
|--|---|
| | has been Chairman &/or Director of several Companies in Kenya, Uganda, Tanzania, Mauritius, Ethiopia, Zambia and South Africa etc. |
|  <p data-bbox="245 857 679 920">Mr. Yusuf Omari, MBA, B. Econ., ICPA(K), IIA.</p> | <p data-bbox="730 394 1380 591">Mr. Yusuf Omari is an Independent director of UNES and the chairman of the Governance Risk and Audit Committee of UNES Board. He was 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).</p> <p data-bbox="730 629 1380 826">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 data-bbox="730 864 1380 994">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).</p> <p data-bbox="730 1032 1380 1126">Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK, Barclays Pension Fund and Barclays Financial Services Limited</p> |
|  <p data-bbox="228 1724 703 1787">Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p> | <p data-bbox="730 1171 1380 1400">Prof. Kinandu Muragu is independent director of UNES and the chairman of Finance and General Purposes Committee (FGPC). Prof. Kinandu was born in 1957. Professor Kinandu Muragu joined Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p> <p data-bbox="730 1438 1380 1733">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 data-bbox="730 1771 1380 1798">He has consulted for a variety of international</p> |

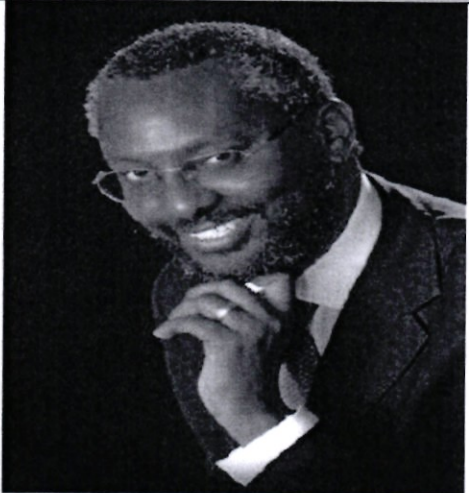

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| Name of Board Member | Board Member's profile |
|--|--|
| | <p>organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance.</p> <p>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 Deloitte and Touche and later at PricewaterhouseCoopers and Nyaga Associates</p> |
|  <p>Ms Flora Maghanga Mtuweta, BA (Econ), MBA (Strategic Mgt), CPA (K)</p> | <p>Ms Flora Maghanga Mtuweta, is UoN Council member and a nominee of the council to UNES board. She was born in 1967. Ms. Flora M. Maghanga-Mtuweta is a seasoned, accomplished Finance and Administration professional with over 25years experience; having held various senior management positions in private and public sector.</p> <p>She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya.</p> <p>She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the start-up of two Micro Finance Institutions one of which is a bank now.</p> <p>She is a Board Member of The Centre for Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.</p> |



*University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023*

| Name of Board Member | Board Member's profile |
|--|---|
|  <p>Mr. Abdi Mohamud Hassan MA, LLB, B.Sc, Advocate of the High Court of Kenya</p> | <p>Mr. Abdi Mohamud Hassan MA, LLB, B.Sc, is an Advocate of the High Court of Kenya. He is UoN Council member and council nominee to UNES board</p> <p>Mr. Abdi has served as a Council Member for LSK, Member of Presidential Power of Mercy Advisory Committee, Commissioner, Media Complaints Commission, Board Member, Numerical Machining Complex, Tourism Fund.</p> <p>He has also served as the Managing Partner, Hassan Mutembei & Company Advocates and Wamalwa, Abdi & Company Advocates.</p> |
|  <p>CPA Charles Ogalo</p> | <p>CPA Charles Ogalo is UoN Council member and a nominee of the Council in UNES board. Mr. Ogalo is a Certified Public Accountant of Kenya. He is a Council member of the University of Nairobi.</p> <p>Mr. Ogalo is also the MD, GenAfrica Asset Managers Limited. He was nominated by UoN Council as a board member bringing a wealth of knowledge in Financial management Services.</p> <p>He has served previously as Non-Executive Board Chairman of South Nyanza Sugar Company Ltd (SonySugar) South Nyanza Sugar Company Ltd (SonySugar) from October 2008 - Sep 2014 for 6 years.</p> <p>Previously he served as Ex-Chairman and Non-Executive Director of Ecobank Kenya Limited from January 2008 to June 2018 for a period of 10 yrs 6 months</p> |
| | <p>Prof. Kiama is the Vice Chancellor of the University of Nairobi. He is representing the Shareholder in UNES board as a director. Previously he served as the Deputy Vice Chancellor in charge of Human Resource and Administration at University of Nairobi, the Acting Deputy Vice Chancellor In-charge of Finance, Planning and Development, Principal College of Agriculture and Veterinary Sciences from 2016 to 2019, Director of</p> |


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| Name of Board Member | Board Member's profile |
|---|--|
|  <p data-bbox="256 757 724 824">Prof. Stephen G Kiama B.V.M, MSC, PhD, MKNAS</p> | <p data-bbox="756 264 1418 472">Wangari Maathai Institute for Peace and Environmental Studies from 2010 to 2016, Chairman of the Department of Veterinary Anatomy and Physiology from 2005—2010, Acting dean of the Faculty of Veterinary Medicine in 2014 and Associate Dean of the Faculty of Veterinary Medicine from 2003-2010.</p> <p data-bbox="756 506 1418 808">Born in 1964 Prof. Stephen Kiama Gitahi is the 8th Vice-Chancellor, University of Nairobi and UNES Board Member. He holds an earned doctorate degree in Structural Biology from University of Bern in Switzerland. He is an accomplished scholar with proven track record in formulating and managing academic programs and on research and publication. He has over 16 years' experience in management and leadership positions at the University of Nairobi.</p> <p data-bbox="756 842 1418 1043">Prof. Kiama was employed by the University of Nairobi upon graduation in 1990 as an assistant Lecturer in the Department of Veterinary Anatomy. Since then, he has risen through the ranks to positions of Lecturer (1995), Senior Lecturer (2002), Associate Professor (2012) and Professor (2016).</p> |
|  <p data-bbox="236 1653 724 1720">Mr. Samuel Nthenge, BA (Econ), MA (Economics)</p> | <p data-bbox="756 1081 1418 1346">Mr. Samuel Nthenge is a representative of the Principal Secretary Ministry of Education – State Department of University Education & Research. He holds a Master of Arts (M.A) degree in Economics, University of Nairobi, which he completed in September, 2005. He also holds a Bachelor of Philosophy (BPhil) degree in Economics, University of Nairobi, and Completed in September, 1991.</p> <p data-bbox="756 1379 1418 1581">He has over thirty years extensive experience in economic analysis, policy formulation and analysis, strategic planning and performance management, data collection, compilation and analysis, project planning, monitoring and evaluation and report writing in public sector.</p> <p data-bbox="756 1615 1418 1816">Mr. Nthenge has Great experience working with external partners (World bank, USAID and UNESCO) and ability to function well within multidisciplinary team. He has a Proven track record of success implementing other projects to influence economic policy decision-making related to domestic and globally</p> |



University of Nairobi Enterprises & Services Limited
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| Name of Board Member | Board Member's profile |
|--|---|
|  <p data-bbox="252 797 675 864">Ms Miriam Musyoki, BA (Econ), MBA (Economics)</p> | <p data-bbox="730 248 1383 353">relevant environment and development issues. He has considerable knowledge and understanding in health system, challenges and issues in Kenya.</p> <p data-bbox="730 353 1383 521">Ms Miriam Musyoki, is UNES director representing the Principal Secretary National Treasury. She was born in 1982. Ms Miriam Musyoki holds a Degree in BA, Economics and Master's Degree in Economics (Public Finance).</p> <p data-bbox="730 555 1383 689">She has worked in the National Treasury for 11 years as an Economist and currently as a Budget Officer. She brings a wealth of experience in Financial Management and budgeting</p> <p data-bbox="730 723 1383 790">She represents the interest of the PS National treasury in UNES Board.</p> |
|  <p data-bbox="323 1312 600 1379">CS. Collins F. Omondi Corporation Secretary</p> | <p data-bbox="730 864 1383 999">CS. Collins F. Omondi is the Company Secretary of UNES Limited. He is an expert in international trade and investments law, governance, human resources, and industrial relations practices.</p> <p data-bbox="730 1032 1383 1133">He has worked extensively on matters of disabilities and was instrumental in the review and amendments of the Persons with Disabilities Act 2003 in 2016.</p> <p data-bbox="730 1167 1383 1368">He holds a Master's in Law from the University of Nairobi (2018); an undergraduate law degree from Makerere University (2003); a Postgraduate Diploma in Legal Practice from the Kenya School of Law (2006), and a Certificate of Secretarial Practice and Governance Auditor (2012).</p> <p data-bbox="730 1402 1383 1469">He is a member of Institute of Certified Public Secretaries (ICS) No. 2794</p> |
| | <p data-bbox="730 1464 1383 1599">Mr. Seith Abeka is the Managing Director and Chief Executive Officer of UNES. Mr. Abeka was born in 1978. He has wealth of experience in Organization Development and Project Management.</p> <p data-bbox="730 1632 1383 1800">He has served previously as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country. He has extensive experience in HIV and AIDS</p> |



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| Name of Board Member | Board Member's profile |
|---|---|
|  <p data-bbox="261 618 699 680">Seith Abeka, B.Econ & Math., MA (Gender & Development Studies).</p> | <p data-bbox="746 277 1399 405">programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p> <p data-bbox="746 443 1399 869">Mr. Abeka served as Chief Manager Consultancy and Partnerships (CMCP) at UNES Consultancy Division before his appointment as the Managing Director. He successfully oversaw design and development of several big-ticket projects as the Chief Manager Consultancy and Partnerships. Some of the notable projects include USAID HealthIT project, Konza Technopolis development Authority Masterplan and designs; Dedan Kimathi University of Technology Science and Technology Parks, KPA Dongo Kundu Resettlement Action Plan Project,, KPC development of Maintenance Policy for the Pipeline amongst many others.</p> |

4. UNES SENIOR MANAGEMENT TEAM

| Name of Staff | Bio-data /Profile of Senior Management |
|---|---|
|  <p>Seith Abeka, B.Econ & Math., MA (Gender & Development Studies). Managing Director</p> | <p>Mr. Seith Abeka is the Managing Director and Chief Executive Officer of UNES. Mr. Abeka was born in 1978. He has wealth of experience in Organization Development and Project Management.</p> <p>He has served previously as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country.</p> <p>He has extensive experience in HIV and AIDS programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p> <p>Mr. Abeka served as Chief Manager Consultancy and Partnerships (CMCP) at UNES Consultancy Division before his appointment as the Managing Director. He successfully oversaw design and development of several big-ticket projects as the Chief Manager Consultancy and Partnerships. Some of the notable projects include USAID HealthIT project, Konza Technopolis development Authority Master-plan and designs; Dedan Kimathi University of Technology Science and Technology Parks, KPA Dongo Kundu Resettlement Action Plan Project,, KPC development of Maintenance Policy for the Pipeline amongst many others.</p> |
|  <p>CS. Collins F. Omondi Corporation Secretary</p> | <p>CS. Collins F. Omondi is the Company Secretary of UNES Limited. He is an expert in international trade and investments law, governance, human resources, and industrial relations practices.</p> <p>He has worked extensively on matters of disabilities and was instrumental in the review and amendments of the Persons with Disabilities Act 2003 in 2016.</p> <p>He holds a Master's in Law from the University of Nairobi (2018); an undergraduate law degree from Makerere University (2003); a Postgraduate Diploma in Legal Practice from the Kenya School of Law (2006), and a Certificate of Secretarial Practice and Governance Auditor (2012).</p> <p>He is a member of Institute of Certified Public Secretaries (ICS) No. 2794</p> |

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| Name of Staff | Bio-data /Profile of Senior Management |
|--|--|
|  <p>Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K), CPS. Chief Manager, Commercial Operations</p> | <p>Has work experience in Finance, Accounting and general Administration acquired at various levels of management over a period of fifteen years. A member of Institute of Certified Public Accountants of Kenya.</p> |
|  <p>Chief Manager, Finance & Administration Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K).</p> | <p>Has a long career experience spanning 23 years in private and public commercial sectors. He has previously served as Head, Business Advisory Services (UNES) and Accounts & Administrations Manager at Comp-rite Kenya Limited. A member of Institute of Certified Public Accountants of Kenya.</p> |

5. CHAIRMAN'S STATEMENT



“UNES is a concept and business model being emulated by many organizations. UNES is committed to adding value to knowledge that is resident within the University community”

On behalf of UNES board, I have the pleasure to present the Annual Financial Report for the Financial Year 2022/2023 which ended on 30th June, 2023 for the University of Nairobi Enterprises (UNES) which is body corporate and commercial state corporation. UNES is wholly owned by the University of Nairobi.

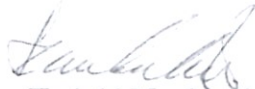
UNES is a premier social enterprise, committed to sustainable impact to the University and society at large. UNES is mandated to undertake Consultancy and commercial activities on behalf of the University of Nairobi. The company harnesses the resource of the University to support research, teaching and learning

UNES, therefore, plays a very critical role to the University and society at large. UNES prides itself as a Special Purpose Vehicle (SPV) to facilitate academia-research-industry engagements by tapping into the rich resource for income generation to support the University. UNES has achieved several milestones since its establishment in 1996. UNES successfully implemented the Academic Revenue program, commonly known as Module II programs until 2015 when the company was re-focused.

In this reporting period, UNES engaged with Local, National, International, Private and Public sector players in provision of its products and services. Some notable engagements in the FY2022/2023 is with USAID through a Cooperative Agreement in supporting the Ministry of Health in digitizing health systems through the HealthIT project. UNES traded in the following products and services during the FY2022/23:- Consultancy Services & Short Professional Courses; Bookshops and Bindery service; Hospitality, Conference & Events Management Services; Dental Services, Eye Care Services; Radiology Services and Funeral Services.

The FY 2022/2023, operations were affected by prolonged 2022 electioneering activities and business disruptions. The high cost of doing business compounded by increased global fuel prices greatly affected the Company. The company has aligned to the Kenya Kwanza Administration plan, to deliver the Bottom up Economic Transformation Agenda (BeTA) through various government Ministries, Departments and Agencies. I am confident that UNES will fulfil its mandate for greater impact to the University and Society.

In conclusion, I take this opportunity to thank UoN as the shareholder of UNES, UNES Board members, Management and staff for taking a centre stage in pursuit of better performance. May God Bless UNES and the University of Nairobi and Kenya.


Eng. Kariuki Muchemi
CHAIRMAN, UNES BOARD

05/01/24
DATE:

6. REPORT OF THE CHIEF EXECUTIVE OFFICER



“Our ambition is to drive a high-performance culture within UNES. We believe that the renewed focus of UNES on Consultancy, Capacity Building and Commercialization of innovation will enable the Enterprise to maximize on the massive opportunities within the Academia-Industry linkages to drive long-term value to the University of Nairobi”

On behalf of board, management and staff, I am delighted to present the annual report for the University of Nairobi Enterprises and Services herein referred as UNES, for the Financial Year 2022/2023 which ended on 30th June 2023.

Since taking up the roles and responsibilities of UNES as the Chief Executive Officer (CEO) it has become increasingly clear to me that UNES is a social enterprise created to support University of Nairobi Research, Teaching, Learning and extension services. UNES is entering a period of significant change bringing both challenges and opportunities in the wake of increased funding gap of University education.

UNES is the Consultancy & Commercial arm of the University of Nairobi registered as a Limited Company on 23rd May 1996. The idea behind establishing UNES by University Council was to commercialize the knowledge & resources of the University and promote academic-industry linkages. UNES is a Special Purpose Vehicle (SPV) of the University of Nairobi. History of UNES cannot be told without mention of successful Financial Management services for the Module II– Academic revenue. UNES came in handy to UoN at the time the University was undergoing financial distress coupled by the Structural Adjustment Programs (SAPs).

Currently UNES Products & Services include:- Service Consultancy, Capacity Building/Short Course Trainings, Contracted Research; Bookshops & Learning Resources Centre; IGUS – Specialized Medical Services (Eye, Dental, CFP & DIRM); Arziki Restaurants & Events Management; Commercialization of Research & Innovations Outputs; Financial Management Services. UNES draws its mandate from the MEMARTS. The core mandates include *inter alia* :-

1. To **harness** the resources of the University of Nairobi with a view to enhancing the University’s teaching and research capabilities.
2. To **undertake** consultancy work, research, production and other Income Generating Activities, to promote and facilitate such activities undertaken by the Faculties, Department, or other organs of the University of Nairobi.
3. To **manage** directly or provide managerial services for consultancies, research, production and other Income generating Activities undertaken by Faculties, Departments, or other organs of the University of Nairobi.
4. To **coordinate** the Income Generating Activities undertaken by the Faculties, Departments, or other organs of the University of Nairobi.

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5. To **develop the resources** and turn to account the lands, buildings and rights for the time being of the Company by laying out and preparing land for agricultural or building purposes constructing, altering, pulling down, decorating, maintaining, furnishing, fitting up and improving buildings and by letting on lease or other lawful agreement and by advancing money to and entering into contracts and arrangements of all kinds with builders, tenants and other, or whoever.
6. To **have, legal rights in and register patents** in any inventions, innovations, utility or rationalization model or industrial designs discovered or otherwise emanating from research undertaken, funded, promoted, assisted, guided, facilitated or otherwise initiated by the Company, and to participate in the leasing, assigning, sale or transfer or such invention, innovation utility or rationalization models or industrial design or otherwise participate as is appropriate in all that appertains to the publication, recognition protection and application of such invention, innovation, utility or rationalization model or industrial design.
7. To **engage in any form of business**, or otherwise carry out any trade so as to raise, earn or realize profits or other moneys, benefit advantage or facility for purpose of promoting or otherwise funding the objects of the Company.

UNES is currently implementing the 7th cycle 5 year strategic plan, 2023-2028. The 6th Strategic plan 2018-2023 ended on 30th June 2023. The following themes guided the implementation of the strategic plans for the company. The period 1996-2001 focused on the theme of **Adding value to knowledge**; 2002-2007 Strategic plan pushed the agenda of **Inculcating entrepreneurial culture within the University**; 2008-2013 focused on making UNES a **Profitable company for value to the shareholder**; 2013-2018 - **Rethinking UNES for greater relevance to the University**; 2018-2023 - **Solution oriented business enterprise and 2023 – 2028 – Social enterprise for sustainable impact**. UNES vision is a social enterprise committed to sustainable impact to the University and society with a Mission to provide quality products and services through Consultancy & Commercial Activities

Over the years, the Company has registered improved performance. However, despite the improved delivery in recent years, it is clear there are several areas of the company that need to be strengthened. That's why, in July, we set out four long-term priorities which everyone in the company is focused on: Financial Sustainability; Commercialization of Innovations; Sustainable Business Growth and Performance; Agile organizational culture and customer focus. I believe that these priorities enable us to focus on areas we can improve and allow us to respond more efficiently and effectively to our operating environment. These key priority areas will focus us on delivering improved performance and better returns to the shareholder in the short and long term, as well as high impact to the society.

In the FY2022/23, UNES generated total revenue of **KSh.805,940,391/=**, while the total operating expenses was KSh. 812,722,869/= resulting in a loss position of KSh. 6,567,290/= . Management has committed to report profits by 30th June, 2024 as enshrined in the UNES transformative strategic plan 2023-2028. UNES management and staff have focused their attention on four key priority areas which include: Revenue Generation/Financial Sustainability, Customer focus, Sustainable business Growth and Agile Organization/Operational Excellence (RCGO). All staff have committed to contribute to the RCGO agenda aligned to the company's products and services which include:- Consultancy & Short Professional Courses; Bookshops and Bindery Services;

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Hospitality, Conference & Events Management Services; Dental Services, Eye Care Services; Radiology medicine Services and Funeral services.

The Company is implementing a USAID funded HealthIT project which is now in its Year 8 of implementation in collaboration with the Ministry of Health. This is a collaborative agreement between USAID and UNES where USAID is substantially involved in the operations of the project. USAID has funded UNES for an Organization Development Systems Strengthening intervention which saw UNES benefit in a new Enterprise Resource Planning (ERP) system; review of the Human Resource Policy and Procedure Manuals; Procurement and Supply Chain Manual; Finance Policy and Procedures Manual, Board Charter and Internal Control Framework. Further, UNES is sporting Ministry of Sports in refurbishing the Sports Stadia in Kenya to FIFA standards in readiness for AFCON 2027. UNES has a five year framework agreement with Konza Technopolis Development Authority (KoTDA) for various assignments at Konza City. There are several anchor projects at UNES that assure it of a Going Concern status.

Once again behalf of UNES management and staff, I wish to express our sincere gratitude to our shareholder, the University of Nairobi (UoN) and various stakeholders for their zeal and support during the FY 2022/2023. We are confident that UNES shall remain profitable with greater impact to university and society. God bless UNES and UoN.


SEITH ABEKA
MANAGING DIRECTOR

05/01/2024
DATE:

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. UNES has four strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018/2019- FY 2022/2023. These strategic pillars/ themes/ issues are as follows: -

- Pillar /theme/issue 1: Enhancing shareholder value
- Pillar/theme/issue 2: Enhancing customer service experience
- Pillar/theme/issue 3: Enhancing Operational Excellence
- Pillar/theme/issue 4: Promote and enhance innovation and learning

UNES develops its annual work plans based on the above four pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The UNES achieved its performance targets set for the FY 2022/2023 period for its four strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--|--|----------------------------|--|--------------|
| Pillar /theme/issue 1: Enhancing shareholder value | To enhance and sustain business growth | Revenues (KSh 'M) | Identifying and pursuing viable projects under the National Government's priority areas: Big 4 Agenda, Vision 2030 | 181.3 |
| | | Revenues (KSh 'M) | Harnessing business opportunities from Development Partners, MDAs & County governments. | 67.61 |
| | | Revenues (KSh 'M) | Identify and pursue viable projects from Donor funded Projects, and the East African Community market | 7.075 |
| | | Revenues (KSh 'M) | Develop, market & implement marketable Training Programmes | 19.49 |
| | | Revenue (KSh 'M) | Enhance partnerships and | 1.33 |

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| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------------|-----------|---|--|--|
| | | | collaborations to improve the Arziki sales | |
| | | Revenue (KSh 'M) | Introduce low budget menus to attract students; regular price review for Arziki products to attract the UoN community | 4.53 |
| | | % Implementation level | Enhance collaborations with CAVS for farm inputs | 100 |
| | | Revenue (KSh 'M) | Enhance Marketing and visibility of the existing conference facility to other NGOs, Corporates and other Private Institutions & Groups | 2.01 |
| | | % implementation level: Revamped online Shop | Revamp the Bookstores Online Shop to attract and retain Customers. | 85 |
| | | Revenues (KSh 'M) | Enhance the revenue generation from: Universities, TVETs, MTCs, and GoK MDAs, through strategic books displays, visitations and tender applications. | 54.95 |
| | | Number of new Partnerships/collaborations established | Partner with strategic Institutions, Government Hospitals and Insurance Companies for Dental, Ophthalmology and Radiology services referrals | Three (3) partnerships were signed between Dental Plaza, Kenya Alliance, Heritage Insurance & CIC Insurance. |
| | | Number of new partnership agreements | Establish partnerships with Hospitals for body | Three (3) partnerships were signed with |

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| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|--|---|--|---|---|
| | | signed | collection services at CFP | Poplar, Arawelo and Care Hospitals for body collections. |
| | | UNES Income (KSh 'M) | Fully implement IGUs business model to maximize on available business opportunities | 10.23 |
| Pillar/theme/issue 2: Enhancing customer service experience | To continuously improve customer experience | % level of implementation | Enhance Online visibility through Digital Marketing Essential for: Consultancy, Bookstore, Hospitality | 100 |
| | | Approved infrastructure | Improve Public Complaints management and access to information infrastructure | A Complaints Management and Access to Information infrastructure was developed, approved and submitted to CAJ in Q1. Its implementation is underway. |
| | | Quarterly awareness creation activities undertaken | Train Staff on Complaints Handling Framework and Access to Information | Training of staff on UNES complaints handling framework was undertaken in March 2023. |
| Pillar/theme/issue 3: Enhancing Operational Excellence | To optimize organizational effectiveness and efficiency | ecommerce platform designs developed | Provide ecommerce platforms design with customer centric to deliver services to the demanding online masses | An ecommerce platform was developed for the Bookstores, and the UNES website was enhanced to issue electronic proforma invoice for short courses; Example the |

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| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|---|---|---|--|--|
| | | | | Basic Life Support professional course. |
| | | % implementation level of Automated Recruitment Process | Leverage on Technology to streamline recruitment and selection process | The process of recruitment is fully automated from the application to the interview phase. |
| Pillar/theme/issue 4: Promote and enhance innovation and learning | To enhance staff performance and creativity | Number of Wellness Activities | Maximize implementation of programs that deal with employees' wellness and Health Problems | 2 |
| | | % Level of implementation of: Gender & Mainstreaming activities; HIV/Aids Control Activities; COVID-19 safety measures/ADA Control measures | | Staff wellness events held in September 2022 and March 2023. Gender: 93%; DMC: 46.75%; HIV/AIDS: 94.08%; ADA: 66%. |

The implementation of the above FY 2023/2023 performance targets was largely through the Corporate Performance Contract and the cascaded departmental performance contracts.

8. 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. The company is also subject to an annual Governance Audit guided by the State Corporations Advisory Committee (SCAC).

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. The Board members are appointed by the University of Nairobi Council, except for the representatives from Government, who are appointed by their respective Ministries. The Company Secretary advises the Board on all Corporate Governance matters, Statutory Requirements and also attends all the Board Meetings.

The conduct of the Board is guided by the Board Charter, which is regularly reviewed to be in tandem with the dynamic environment in which the company operates. The conduct of Board members is guided by the provisions of the Public Ethics and Code of Conduct, as well as guidelines from SCAC.

The performance of the Board as a whole and that of individual members is assessed through an annual Board evaluation conducted by the SCAC. The remuneration of the Board members is guided by SCAC and the Salaries & Remuneration Commission (established in the Constitution of Kenya 2010). The remuneration details are stipulated in note 8 of the "Notes to the financial statements".

The Board is made up of members drawn from the University of Nairobi, being the shareholder, representatives from the Government (parent ministry and National Treasury) and from the private sector. This composition provides a mix of skills, competences, experiences and provides for independent members.

UNES Board was reconstituted in December 2018 as a result of revision of the UNES Memorandum and Articles of Association as well to ensure that the Board composition is in line with the new Mwangozo code of Governance for State Corporations. As a result, UNES currently has nine Board members. During the Financial Year, four Board members exited as a result of the reconstitution and three new members were appointed.

The meetings held by the Board and their attendance was as follows:

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| No | NAME | DATE OF MEETINGS | | | | ATTENDANCE | |
|-----|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------|------------|
| | | 1 st 29.09.22 | 2 nd 13.12.22 | 3 rd 30.03.23 | 4 th 28-06-23 | No. Present | No. Absent |
| 1. | Eng. Kariuki Muchemi | X | √ | √ | X | 2 | N/A |
| 2. | Prof. K. Muragu | √ | √ | √ | √ | 4 | Nil |
| 3. | Mr. Hirji Shah | √ | √ | √ | √ | 4 | Nil |
| 4. | Ms. Miriam Musyoki | √ | X | √ | √ | 3 | 1 |
| 5. | Mr. Yusuf Omari | √ | X | √ | √ | 3 | 1 |
| 6. | Brian Ouma | √ | X | √ | X | 2 | 2 |
| 7. | Ms. Flora Mtuweta | √ | √ | √ | X | 3 | NA |
| 8. | Charles Orony Ogalo | √ | √ | √ | X | 3 | NA |
| 9. | Prof. Stephen Kiama | X | X | X | X | Nil | NA |
| 10. | Mr. Samuel Nthenge | √ | √ | √ | X | 3 | NA |

1. N/A Indicates the members that were not Directors; they were either not yet appointed or ceased to be Directors
2. All members who were not present for any meeting as indicated above gave apologies and/or a representative

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 Board and its committees hold quarterly meetings to deliberate, review and monitor the activities of the company.

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. As a standing agenda item, all Board members must declare conflict of interest and record in the established register at the commencement of any meeting. Any Board member with a conflict of interest is allowed to abstain from the deliberations of the subject matter for which the conflict of interest is declared. The Board has set up the following Committees:

1. Governance Risk and Audit Committee:

The Board has established the Risk and 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: -

- i) Mr. Yusuf Omari (Chairman)
- ii) Mr. Samuel Nthenge
- iii) Mr. Hirji Shah
- iv) Ms Miriam Musyoki
- v) Charles Ogalo

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. It also reviews budget, staff, legal and procurement matters of the company. Members of the Finance and General Purposes Committee who served during the year were:

- i) Prof. Kinandu Muragu (Chairman)
- ii) Ms Miriam Musyoki
- iii) Mr. Brian Ouma Representing VC
- iv) Mr. Samwel Nthenge
- v) Flora Maghanga-Mtuweta

3. Strategy and Investment Committee:

The Board has established a Strategy and Investments Committee to monitor the company's medium and long-term strategic direction, business development, and risks and opportunities relating to strategy. Members of the Investment Committee who served during the year were:

- i) Mr. Hirji Shah (Chairman)
- ii) Mr. Brian Ouma Representing VC
- iii) Yusuf Omari
- iv) Prof. Kinandu Muragu
- v) Flora Maghanga-Mtuweta
- vi) Charles Ogalo

The appointment and removal of directors is done annually during the Annual General Meeting of the Company. New members are normally taken through an induction process by UNES Management in order to familiarize themselves with the Company and what is expected of them. Training of the directors is done on a need basis. To ensure business continuity and succession planning, retiring of Board members is normally staggered over a period of three years.

Shareholding

UNES as a Company limited by Shares has authorised share capital of KSh 10,000,000 comprising of 500,000 Ordinary shares of KSh 20 each, and issued capital of Ksh 100,000 comprising of 5,000 ordinary shares of Ksh 20 each.

9. MANAGEMENT DISCUSSIONS AND ANALYSIS

a) Overview of Business Unit's Operational and Financial Performance

i) Consultancy Unit

The actual revenue generated for the FY 2022/2023 was Ksh673M compared to Ksh761M in the FY 2021/2022. The reduction in revenue was mainly due to the significantly reduced business activities in QI & QII of the financial year as a result of regime transition following the August 2022 General Elections. Subsequently, the net surplus target was missed by 42.3% of the budgeted amount due to high cost of doing business in addition to Health IT revenue that attracts up to maximum 10% Administrative Fee as per USAID directives.

The total direct costs were within the budgeted amount with a 16.4% cost saving while the staff costs remained within the budgeted amount for the period with a 4.2% cost saving. In addition, the operating expenses were less by 35.3% of what was budgeted as a result of cost savings during the period.

Steady business is anticipated with increased demand for services from most of the MDAs during the new FY 2023/2024. The Unit is well prepared to spur revenue generation of over Kshs.900M by end of FY 2023/2024. Key strategies to support this include:-

- a) Implementation of long-term Framework Agreements with:- SportsKenya, Murang'a University of Technology, Kasneb, DynamicNav, Ministry of Health, Kenya National Examination Council, KUCCPS, National Syndemic Diseases Control Council etc.
- b) Sign new Framework Agreements with TangazoLetu, Performancesoft International, Kenya Institute of Project Management (KIPM), Kenya Academy of Sports, Kenya Institute of Supply Chain Management, Kenya Institute of Supplies Examination Board, KEMSA, Kenya Roads Board, National Cereals and Produce Board among other.
- c) Maintain and onboard development partners including USAID, GIZ, JICA, and International Fund for Animal Welfare, Africa Institute of South Africa *inter alia*.
- d) Enhanced roll-out of Short Courses Training Programmes in partnership with UoN departments.

ii) Arziki Hospitality Unit

The costs of inputs for Arziki have significantly gone up with the rising prices in the market as a result of increased fuel prices and taxation of essential commodities. This is being mitigated by widening the pool of suppliers and signing contract agreements with the major suppliers. The strategies being applied in the unit to improve the performance further include:

e) Incorporate Technology

We are in the process of procuring a Restaurant Management System (RMS) that will improve our efficiency. With incorporation of POS (Point of Sale) under the RMS it will enable quick billing which will not only increase table turnover but will reduce waiting time for customers. Will

collaborate with more third party delivery service providers like Jumia and Glovo to interact with a wider range of customers

f) Expand Our Services

Having secured spaces in our university libraries, we are in the process of opening coffee shops in major libraries starting with JKL which will lead to an increase in revenues.

g) Intensive Marketing of half portions meals

Our half portion meals are competitively priced and by intensively marketing it will attract more clients including students which has a higher profit margin compared to full portions. For example, 1/2 portion chicken is Ksh.260.00 and a full portion is Ksh. 380.00 meaning two half portions that make one full portion are going for Ksh. 520.00 which is Ksh. 140.00 more.

iii) UNES/UoN Bookshops

The University of Nairobi Bookshop is one of the Strategic Business Units of the University of Nairobi Enterprises and Services (UNES) Limited. The University of Nairobi established the Bookshop in 1972 to support the teaching, learning and research mandate of the University; by making available textbooks, stationery and other relevant learning materials to the students, teaching and non-teaching staff.

The Bookshop has undergone tremendous expansion occasioned by the growing demand from the higher education and TVET Sectors in Kenya and beyond. Over the years, the Bookshop has expanded its product portfolio aimed at exceeding its Customers' needs. The Bookshop operates from three branches strategically located in Nairobi, Kisumu and Mombasa.

The Bookshop endeavours to avail the products at competitive prices to its Customers: The University of Nairobi, Other Universities, TVETs, Medical Training Colleges and GoK MDAs. The Bookshop, therefore serves the general public. The Reforms in the Education Sector by the current Government has resulted in the low propensity of the Public Universities to acquire library books.

Though there is delayed funding to the TVET Sector, the Government has continued with the support to the said institutions, especially on the infrastructural developments. There are therefore the prospects of getting business in the sale of library books to TVETs. With the decentralization of procurement at the KMTC, the potential of getting business in sale of books to the KMTC Campuses is more viable.

Bookshop Strategic Objective

In tandem with the 2023-2028 UNES Strategic Plan anchored on the strategic direction that leverages on competencies gained to drive business growth and delivering the value expected by the stakeholders, the Bookshop has aligned its strategies to deliver the same. The Performance Contract and Quality Management System obligations are integral Key components that guide the Bookshop operation to achieve its mandate. *They Include:*

- Financial Sustainability
- Accelerate Business Growth

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- Operational Excellence
- Create an Agile Organization

Factors that Negatively Affected the Financial Performance in the FY 2022/23

1. There was presence of the residual effects of the Covid-19 Pandemic that disrupted the global supply chain occasioning the closure by a majority of the Publishers, Distributors, Customer and other Key Stakeholders. The period was the recovery phase of the Pandemic.
2. Decline in the number of orders from the Government funded entities occasioned by the Austerity measures on the procurement of Library Recourse materials.
3. Decline in the number of orders from the major customer; University of Nairobi
4. Failure to service some customers' orders because of the delayed delivery of ordered items from some suppliers. This was occasioned by presence of only one International Supplier and a few other unreliable and uncompetitive local ones.
5. High competition from private Bookshops, who do not subscribe to the Public Procurement guidelines.

Mitigation Measures to Improve the Financial Performance

1. The Bookshop is embracing information technology in delivery of products and services; both in up-stream and down-stream activities. Expansion of online visibility is underway by revamping the Bookshop online shop and Partnership MoUs with established online shops such as Jumia.
2. The University of Nairobi primary mandate is to support the Teaching, Learning and Research at the University of Nairobi. To Effectively Achieve this Objective and Offer Solutions to the growing Intellectual Demand from Educational Institutions and other Organizations, the Bookshop Opened its Services to the Public. To actualize this, the Bookshop avails Textbooks, Stationery, Electronics and other relevant resource materials. The prevailing challenges in the Book Trade Industry and Hard Economic Times notwithstanding, the Bookshop has steadfastly weathered the storms by remaining relevant in Kenya, Regionally and Globally by offering solutions to the Customers.
3. The Government reduced expenditure has contributed to low sales from the GoK funded entities. The period under review witnessed low key activities, courtesy of the Government's shift of priorities that saw very little sales from the aforesaid entities. GoK is our Key Account.
4. Despite the said challenges, the Bookshop was able to reduce its Operating Expenses from KSh. 5.1M in FY 2021/22 to KSh. 4.1M in FY 2022/23. This translated to KSh. 1.M Efficiency Level.
5. Revenue worth KSh. 12M is expected to be made in the FY 2023/34 from the Bindery Services, up from KSh. 9.8M recorded in the FY 2022/23. This is as a result of the Bookshop strategically taking over the management of Bindery Services. Marketing of the Bindery Services shall be Cost Effectively Enhanced. The Procurement of a New Bindery Blocking Machine and Trolleys shall Enhance Efficiency and Effectiveness.
6. The targets to Generate Revenue of KSh.14.8M in QI of the FY 2023/24.
7. Book Displays is Expected to be the Revenue Generation Game Changer in the FY 2023/24.

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8. To Keep Pace with the Fast-Changing Technological Trends, the Bookshop is continuously updating its Online Shop and shall venture in e-books to go hand in hand with the hard copy publications.
9. To Mitigate the Cash Flow and Working Capital Deficiencies, Sale or Return MoUs shall be Implemented.
10. Though UNES/UoN MoU, the Bookstores shall sell the Department of Food Science, Nutrition and Technology Products such as Drinking Water, Yogurt and Juices. This will lead to more Revenue Generation.
11. To Enhance Customer Experience, the Staff Members must first be happy. Staff Motivation has a Central in the Strategic Plan 2023-28. Staff Capacity Building in their areas of Specialties shall be done.
12. The Bookshop shall implement the Strategies contained in the Strategic Plan 2023-28 with the Target of Generating Sufficient Revenue to move from a loss position of KSh. 1.8M (Draft Accounts) to Profit of KSh. 6M.

iv) Income Generating Units

Dental Plaza: Revenue increased from KSh 24.2M registered in FY2021/2022 to KSh 25.1M in FY 2022/2023. However, the unit closed the year at a loss of KSh 1.6M. The unit is faced with the challenges of inconsistent doctors, lack of adequate equipment to meet customer needs and lack of specialist leading to some patients being referred elsewhere for specialist treatment. These challenges are being addressed in liaison with the department of dental sciences. One additional dental unit was acquired towards the end of the financial year 2022/2023, however, two more units are required to reach the optimal level.

Dental School: Revenue increased from KSh 3.9M registered in FY2021/2022 to KSh 6.5M in FY 2022/2023. The performance of the unit improved after acquisition of anaesthetic machine during the FY and resumption of services.

Eye Centre: Revenue increased from KSh 4.7M registered in FY2021/2022 to KSh 5.9M in FY 2022/2023. The performance of the unit is still low as it lacks adequate equipment to be able to perform optimally. Plans are in place to increase the range of diagnostic equipment and introduce additional services in various specialities.

Diagnostic Imaging & Radiation Medicine: The performance of the unit has remained very low due to the dilapidated and outdated equipment in use and the stiff competition for the services. The procurement of the ultrasound machine was done during the financial year 2022/2023; however, the delivery took longer than anticipated and the machine was delivered in July 2023.

Chiromo Funeral Parlour: CFP performance has declined greatly due to stiff competition from other morgues. There was increased cost during the financial year due to maintenance of equipment and the building that was carried out, hence reducing the profit margin compared to the previous year. Revenue decreased from KSh 32.7M in FY 2021/2022 to KSh 26.7M in FY 2022/2023. The unit, however, still registered a surplus of KSh 1.9M. Plans are underway to diversity and increase the range of services being offered at the unit.

b) Internal controls and risk management

UNES Limited has put into place an Internal Control System designed to provide reasonable assurance regarding the achievement of the Organization's Objective. Risk Management is an integral part of the Internal Control of UNES Limited. The goal of Risk Management is to support the Business Strategy and the achievement of Objectives by Managing Potential threats and Exploiting Opportunities for the Business.

The Internal Control System and Risk Management Process for Financial Reporting ensures that the financial reports disclosed by UNES Limited reflect the operations of the Organization, are reliable and comply with the applicable Laws, Regulations, International Financial Reporting Standards and Statutory Requirements.

The Board of Directors has approved the Risk Management Policy and Framework which is based on the components of the Committee of Sponsoring Organizations (COSO) Framework that comprises the following components of Internal Controls, the Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring. Implementation of the Risk Management Framework is continuous, regular assessment is undertaken and reported to the Board of Directors on a Quarterly basis.

UNES Continues to be ISO Certified under the ISO 9001:2015 Certification that requires that Risks embedded in Processes are identified and mitigated. Within the Financial Year, Senior Management was trained on ISO 31000 on Risk Management, this culminated into the revision of the Risk Register based on the new acquired knowledge.

i) Operational Risks

This is the risk that results from operational failure which includes System Failures, Violation of Policy, Laws and Regulations. UNES Manages Operational Risks by integrating Risk Management Practices into Processes, Systems and Culture. Mitigation Strategies are implemented through Business Plans, Budgets and Policies such as the Credit Policy, Pricing Policy, Human Resources Policy Manual, and Procurement Policy among others in the Strategic Business Units and Operational Department. The Risk and Internal Audit Department undertakes Assurance Audits to ensure implementation of the Policies, Laws and Regulations.

ii) Internal Controls

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.

The company has implemented ISO 9001:2015 which lays a great emphasis and requirement on the determination of risks and opportunities, addressing them appropriately in order to ensure

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continued conformity of products and services offered. In this regard risks and opportunities have been identified for all the processes in the organization as well as mitigations and exploitation strategies respectively.

The Quality Management System promotes Risk Based Approach (RBA) in planning, implementing and monitoring the effectiveness of the Quality Management System. Management has identified risks in the current operating environment, developed mitigation strategies to address their impact and likelihood.

Operational and Financial Performance of the Company for the last five years

The company has had mixed results for the last five years owing to the various external factors that have been affecting the Kenyan economy such as Covid-19 pandemic, high inflation rates, the war in Russia and Ukraine, the electioneering period among others as well as internal factors such closure of the University of Nairobi for longer periods, the adoption of online learning by the University of Nairobi leading reduced number of students and staff within the campus among others. All these factors combined have had a negative impact on the company's operational performance. The table below summarises the company's financial performance for the last five years.

| | FY 2017/2018 | FY 2018/2019 | FY 2019/2020 | FY 2020/2021 | FY 2021/2022 |
|-----------------------|---------------------|---------------------|-----------------|-------------------|--------------------|
| Revenue | 434,868,664 | 462,378,645 | 524,166,098 | 852,751,564 | 878,717,036 |
| Finance Income | 4,610,322 | 613,339 | 628,007 | - | 2,221,302 |
| Operating Expenses | (502,547,128) | (531,701,020) | (524,666,595) | (840,704,300) | (889,413,324) |
| Surplus (Loss) | (63,068,142) | (68,709,036) | 127,510 | 12,047,264 | (8,474,986) |

Compliance with Statutory Requirements

The company has complied with all its regulatory and statutory requirements and obligations. The only outstanding statutory payments as at 30th June 2023 are for the month of June 2023 which are payable by the following month.

Review of the Sector and Future Developments

The company operates in diverse sectors i.e Hospitality, Consultancy, Bookstore and Medical Services Consultancy. Each of the sectors have their own challenges and the company is doing its best to manage and cope with all the challenges in order to maximise on its returns.

Each sector also has its own future developments for example in Hospitality, the future will be more of home deliveries and meals prepared on site as opposed to walk in customers. In the Bookstore, the future will be more of e-books and online shopping as opposed to physical books and walk in customers.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

UNES was established by the University of Nairobi as the Consultancy and Commercial arm of the University mandated to infuse entrepreneurial culture and spirit into the University's operations. The company is expected to provide financial resources that advances the realization of the University's mandate of Teaching, Learning and Research.

UNES business focus include: - Financial Management, Consultancy Services and other commercial activities which include Hospitality, Bookstores, and Managing Income Generating Units (IGUs) on behalf of the University.

In addition, it was tasked as an agent of the teaching departments of the University in collecting fees from the self-sponsored programmes. However, this function was taken back to the University in 2015 which allowed UNES to refocus on the other key mandates outside the academic revenue.

i) Sustainability strategy and profile –

UNES sustainability strategy includes the disclosure and communication of environmental, social, and governance goals. We do this to improve corporate reputation, building consumer confidence, and improve on of risk management.

The Management is keen on corporate social responsibility programs and Health and Safety and Environmental aspects.

The Management also takes great concern on sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure

ii) Environmental performance

UNES recognizes that it has a responsibility to the environment beyond legal regulatory requirements. It is committed to reducing its environmental impact and continually improving its environmental performance as an integral part of its business strategy and operating methods, with regular review points. UNES will encourage customers, suppliers and other stakeholders to the same.

UNES has an environmental policy that guides the organisation in its environmental performance. UNES has successfully implemented environmentally friendly strategies. UNES is ISO certified and environmental sustainability is a fundamental aspect of the ISO Standard.

The management adequately manages biodiversity, waste management and has taken good efforts to reduce environmental impact of the organisation's products.

Notable strides have been made through the following measures: diversified sources of energy i.e., use of both renewable and non-renewable sources of energies; promoting efficiency in gas/electricity consumption levels; promoting efficiency in water consumption; restrictive measures on fleet management to ensure road mileage travelled by organization's fleet; reuse of stationary; promotion of recyclable products in product range.

iii) Employee welfare

UNES has a robust Human Resource Management Policy and Procedures manuals that guides the hiring process. The hiring process takes into account diversity and inclusion aspects such as gender ratio, racial and ethnic ratio and inclusion of persons with disability.

Relevant stakeholders are engaged in the hiring process including the line managers that form the recruitment panel, the prospective employees/candidates are engaged through a survey to provide feedback on their experience and their suggestions on how to improve our hiring process. The hiring policies are revised once in three years.

Training programs are rolled out continuously to improve the workforce skills and to align them to the constant changes in the business environment. A comprehensive appraisal system has been put in place to monitor the staff performance.

UNES has a competitive reward system that promotes equality. The reward system is revised every four years in compliance with the guidelines of SRC. The organisation relies on the OSHA Act of 2007 in handling policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

UNES has made the following efforts in ensuring best practices in the market:

a) Responsible competition practice.

UNES ensures responsible competition practices and subscribes to anti-corruption and anti-bribery, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

The organization has maintained and continuously updates its list of registered suppliers. In the process of registration, the organization keenly assesses the supplier capacity in the various categories to ensure that they are able to deliver on their requirements. The interactions with suppliers are majorly automated to ensure they are able to respond to our requests through an online ERP system unless for complex tenders.

In addition, the organization endeavours to adhere to the service charter in ensuring payments are made within stipulated time. The suppliers in the disadvantaged group (Youth, Women and Persons Living with Disability) invoices are prioritised where possible.

There is also a mechanism to handle any complaint the suppliers have including where applicable involving the existing complaints handling committee to ensure complaints are adequately addressed within the timelines provided in the service charter.

With regards to contract implementation, there are always contracts implementation teams particularly for complex projects to ensure that both parties comply to the terms in the contracts. For the one-off supplies, there is continuous monitoring to ensure compliance as well.

Finally, the organization engages suppliers in annual sensitization forum to ensure they understand our requirements. Where there are complex tenders, pre-bid conferences are held also to ensure better understanding of the bid requirements which will ensure contract implementation is seamless.

c) Responsible marketing and advertisement

UNES is the commercial arm of the University of Nairobi charged with responsibility for promoting, coordinating income-generating activities for the University and inculcating the entrepreneurial culture within the University at the local and international markets.

It has a Marketing and Communications Plan informed by Strategic Plan and Quality Management System to Market and Communicate Brand both at the Local and International markets. It is guided by Industry Oriented Smart Marketing and communications Objectives with clear action matrices monitored Weekly, Monthly and quarterly. The objectives are as follows:

- i) To increase Revenue
- ii) To improve UNES Online and Digital Presence
- iii) To build and position UNES Brand and Brand Image
- iv) To establish grow and maintain the Customer Perception & Customer Satisfaction Index
- v) To enhance Customer Relationship
- vi) To establish, understand and deliver Customer Needs and requirements through customer complaints handling mechanism

The Marketing and Communication Activities have taken cognisance of ever-changing business environment propelled by technological adoption, new normal and competition and these entails:

- i) Branding and Brand Promotion
- ii) Online Activations and Promotions (Google AdSense and social media)
- iii) Digital Essentials and Promotions (Twitter, Facebook, Linked-In, Instagram, YouTube)
- iv) Webpage publications and Linkages
- v) Outdoor Marketing Campaigns and Exhibitions
- vi) Publications on Local Dailies both online and print
- vii) Publicity and CSR

UNES Marketing and Communications Activities are guided by policies such as Marketing Policy, Communications Policy, Quality Management System Manual and UoN Branding Policy. The Marketing and Communications Plan Implementation also follows Annual Procurement and Annual Budgeting to assist in measuring marketing effort as well as guiding the future projections and value addition.

Finally, the marketing and communications activities are strongly guided by the strong governance structure in observance of Mwongozo Code, Leadership and Integrity in all level of engagement.

d) Product stewardship

UNES business falls within the retail and service industry. Consumer protection is thus a high priority for business sustainability. The organization does not deal or undertake false or misleading representations, unconscionable conduct as well as supply of unsafe, defective and unsuitable goods. The organization has policy guidelines to manage defective products as well as managing customer complaints (to safeguard consumer rights and interests). UNES celebrated its 25 Years Silver Jubilee on May 23, 2021 and over the 25 years, UNES has grown to become a one stop shop and a leading provider of products and services such as;

- i) Consultancy and Trainings,
- ii) Hospitality Services,
- iii) Bookstores and Learning Materials and Resources,
- iv) Medical Service such as; Eye Care, Dental Care, Diagnostic Imaging & Radiation Solution, Animal and Crop Production,
- v) Bindery Service
- vi) Funeral Services open to the general public.

UNES draws its client base from MDAs, Public and Private Institutions & NGOs. It also supports community-based initiatives through a defined CSR System to support community and special group within the region.

UNES has a robust Customer Focus and Customer Complaint Handling Framework with the current rating of 91%. It measures its customer satisfaction Index through Data Analytics to guide in customer focused decisions and support the Marketing and Communications Initiative. It has a service charter which is process-based and monitored quarterly to improve customer relationship and lifetime value.

It allocates resources and support Benchmarking, Market Surveys and Research and Development to be able to incorporate changes inevitable demands and changes in the markets.

Corporate Social Responsibility / Community Engagements

The Company did not engage in any CSR activities during the FY 2022/2023.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 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, 2023 are set out on pages 1 -29.

Dividends

The Directors do not recommend the payment of dividend for the year.

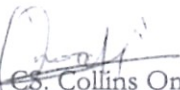
Directors

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

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.

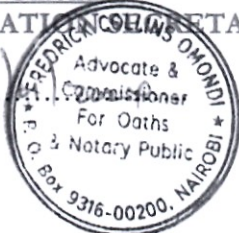
By Order of the Board



CS. Collins Omondi

CORPORATE SECRETARY

Date: .05.



12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, the Companies Act, 2015 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 30 June 2023. 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 30 June 2023 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 August 31, 2023 and signed on its behalf by:



Eng. Kariuki Muchemi
DIRECTOR



Mr. Seith Abeka
DIRECTOR

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of University of Nairobi Enterprises and Services Limited set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts 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 35 of the Public Audit Act, 2015. 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.

In my opinion, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Enterprises and Services Limited as at 30 June, 2023, 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, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the University of Nairobi Enterprises and Services Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Prior Year Unresolved Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness in Use of Public Resources. However, the Management had not resolved the issues or given any explanation for failure to implement the recommendations.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Failure to Maintain a List of Prequalified Suppliers

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.665,467,291 in respect of costs of sales as disclosed in Note 6 to the financial statements. Included in this amount is an expenditure of Kshs.424,200,642 relating to Health IT project. Audit examination of sampled payment vouchers and local purchase orders amounting to Kshs.11,666,850 revealed that the procurement department did not maintain a list of prequalified suppliers for the procurement of conference facilities. Further, the same quotation was used on different dates to source for the facility hence lack of rotation. This is contrary to Section 105 of the Public Procurement and Asset Disposal Act, 2015 which provides that a procuring entity may use a request for quotations from the register of suppliers for a procurement if (a) the estimated value of the goods, works or non-consultancy services being procured is less than or equal to the prescribed maximum value for using requests for quotations as prescribed in Regulations; (b) the procurement is for goods, works or non-consultancy services that are readily available in the market.

In the circumstances, Management was in breach of the law.

2. Irregularities in the Printing and Management of Accountable Documents

UNES procured accountable documents which included receipt books, invoices and LPOs. However, the documents lacked security features and the maintenance of the Counter Receipt Book (CRB) Register could not be confirmed. Further, there was no written confirmation certificate from the printing firm that all printed receipts or accountable documents were delivered. In addition, the accountable documents were not kept under lock and key. This is contrary to Regulation 118 of the Public Finance management Regulations (National Government), 2015 which provides that (1) Accountable documents whether manual or electronic shall be under strict control at all times and (2) the Accounting officer shall keep his or her stock of accountable documents whether manual under lock and key, issuing them in accordance with the daily needs of the service, and keeping an accurate up-to-date record of their use by means of continuity control sheets.

In the circumstances, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weaknesses in Governance and Appointment of Board of Directors

Review of Board minutes revealed that three (3) independent Board members appointed by the University of Nairobi Council had served for more than six (6) years since the date of first appointment. This is in contravention of Mwongozo Code of Governance, 2015; Governance Parameter 1.5.1 which states that the tenure of a Board Member shall not exceed a cumulative term of 6 years or two terms of 3 years each provided that upon first implementation of this Code, the appointing authority may extend the term of not more than a third of the members of the Board in order to achieve continuity. Further, The Board set up three Committees namely; Governance Risk and Audit Committee, Finance and General Purposes Committee and Strategy & Business Development Committee. In addition, the Management did not provide the gazette notices, appointment letters and acceptance letters for all the Board members who served during the year.

In the circumstances, the effectiveness and composition of the Board in governance of the Company could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for matters reported in the Basis for Qualified Opinion, 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, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and,

- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of noncompliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2024

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

**14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023**

| | Note | 2022/2023 Kshs | 2021/2022 Kshs |
|--|------|--------------------|--------------------|
| Revenues | | | |
| Allocation from Income Generating Units | 1 | 12,931,478 | 11,234,480 |
| UNES University Bookstores | 2 | 45,985,691 | 68,493,963 |
| Arziki Restaurants and Chiromo Conference Centre | 3 | 52,755,943 | 33,383,639 |
| Consultancy | 4 | 673,366,238 | 761,920,138 |
| Other income | 5 | 21,045,088 | 3,684,816 |
| | | 806,084,438 | 878,717,036 |
| Cost of sales | | | |
| | 6 | 665,467,291 | 748,558,451 |
| | | 140,617,147 | 130,158,585 |
| Gross profit | | | |
| Other Income | | | |
| Finance income | 10 | 215,188 | 2,221,302 |
| Total revenues | | 140,832,335 | 132,379,887 |
| Operating expenses | | | |
| Administration costs | 7 | 147,020,311 | 140,623,208 |
| Finance costs | 8 | 235,267 | 231,665 |
| Total operating expenses | | 147,255,578 | 140,854,873 |
| Profit/(loss) before taxation | | (6,423,243) | (8,474,986) |
| Income tax expense/(credit) | | - | - |
| Profit/(loss) after taxation | | (6,423,243) | (8,474,986) |
| Earnings per share – basic and diluted | | (1,285) | (1,695) |

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

| | Note | 2022/2023 Kshs | 2021/2022 Kshs |
|--------------------------------------|------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | 31,026,803 | 12,964,604 |
| Intangible assets | 14 | 5,865,517 | 145,000 |
| Total Non-Current Assets | | 36,892,320 | 13,109,604 |
| Current Assets | | | |
| Inventories | 15 | 41,728,549 | 42,681,614 |
| Trade and other receivables | 16 | 273,874,972 | 409,592,536 |
| Bank and cash balances | 17 | 22,005,074 | 71,277,650 |
| Total Current Assets | | 337,608,595 | 523,551,800 |
| TOTAL ASSETS | | <u>374,500,915</u> | <u>536,661,405</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Ordinary share capital | 18 | 100,000 | 100,000 |
| Accumulated loss | 19 | (87,015,809) | (80,592,566) |
| Capital Reserve | 20 | 12,321,458 | 12,321,458 |
| Capital and Reserves | | (74,594,351) | (68,171,108) |
| Non-Current Liabilities | | | |
| Long term liability | 21 | 270,563,034 | 268,027,471 |
| Total Non-Current Liabilities | | 270,563,034 | 268,027,471 |
| Current Liabilities | | | |
| Trade and other payables | 22 | 151,730,934 | 312,568,006 |
| Staff gratuity obligations | 23 | 26,801,299 | 24,237,039 |
| Total Current Liabilities | | 178,532,233 | 336,805,045 |
| TOTAL EQUITY AND LIABILITIES | | <u>374,500,915</u> | <u>536,661,405</u> |

The financial statements were approved by the Board on August 31, 2023 and signed on its behalf by:



Head of Finance
 Mr. Absalom Agai
 ICPAKM/No.12513



Managing Director
 Mr. Seith Abeka



Chairman of the Board
 Eng. Kariuki Muchemi

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

| | Ordinary Share Capital | Capital Reserve | Retained Profit (Loss) | Total |
|------------------------------------|---------------------------|--------------------|---------------------------|---------------------|
| Balance as at 1st July 2022 | 100,000 | 12,321,458 | (80,592,566) | (68,171,108) |
| Profit (Loss) for the period | - | - | (6,423,243) | (6,423,243) |
| Transfer to capital reserves | - | - | - | - |
| Balance as at 30 June 2023 | 100,000 | 12,321,458 | (87,015,809) | (74,594,351) |
| Balance as at 1st July 2021 | 100,000 | 12,321,458 | (72,117,580) | (59,696,122) |
| Profit (Loss) for the period | - | - | (8,474,986) | (8,474,986) |
| Transfer to capital reserves | - | - | - | - |
| Balance as at 30 June 2022 | 100,000 | 12,321,458 | (80,592,566) | (68,171,108) |

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17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

| | Note | 2022/2023 Kshs | 2021/2022 Kshs |
|--|-------|---------------------|--------------------|
| OPERATING ACTIVITIES | | | |
| Cash (used in) / generated from operations | 26(a) | (18,089,855) | 472,571 |
| Net cash generated from/ (used in) operating activities | | (18,089,855) | 472,571 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 13 | (36,960,431) | (5,583,445) |
| Purchase of intangible assets | 13 | (7,331,897) | - |
| Proceeds from disposal of property, plant and equipment | 14 | 12,964,605 | - |
| Proceeds from disposal of intangible assets | 14 | 145,000 | - |
| Net cash generated from/ (used in) investing activities | | (31,182,723) | (5,583,445) |
| FINANCING ACTIVITIES | | | |
| Dividend paid | 25 | - | - |
| Long term liability paid | 21 | - | - |
| Net cash (used in) financing activities | | - | - |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | | (49,272,578) | (5,110,874) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 71,277,650 | 76,388,527 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 17 | 22,005,074 | 71,277,650 |

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2023

| | | Original Budget | Adjustments | Final Budget | Actual on Comparable Basis | Performance Difference | % Variance |
|--------------------------------------|------|--------------------|---------------------|--------------------|----------------------------|------------------------|--------------|
| | | FY 2022/2023 | FY 2022/2023 | FY 2022/2023 | FY 2022/2023 | FY 2022/2023 | FY 2022/2023 |
| | Note | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | | | | | | |
| Gross Sales Income | i | 965,888,668 | 2,386,866 | 968,275,534 | 806,084,438 | (162,191,096) | -17% |
| Cost of Sales | ii | 754,427,600 | 32,825,778 | 787,253,378 | 665,467,291 | 121,786,087 | 15% |
| Gross Profit | | 211,461,068 | (30,438,912) | 181,022,156 | 140,617,147 | (40,405,009) | |
| Finance Income | iii | 1,450,000 | 2,970,000 | 4,420,000 | 215,188 | (4,204,812) | -95% |
| Administrative Expenses | | | | | | | |
| Personnel Emoluments | iv | 146,962,579 | (29,928,718) | 117,033,861 | 94,808,727 | 22,225,134 | 19% |
| Operating Expenses | | 42,671,52 | 3,120,079 | 45,791,591 | 42,919,901 | 2,871,690 | 6% |
| Board Expenses | v | 5,869,000 | 41,000 | 5,910,000 | 1,891,675 | 4,018,325 | 68% |
| Finance Costs | vi | 350,255 | - | 350,255 | 235,267 | 114,988 | 33% |
| Depreciation | vii | 5,958,587 | - | 5,958,587 | 7,400,008 | (1,441,421) | -24% |
| Total Administrative Expenses | | 201,811,933 | (26,767,639) | 175,044,294 | 147,255,578 | 27,788,716 | |
| Surplus (Loss) for the Period | | 11,099,136 | (701,273) | 10,397,863 | (6,423,243) | (16,821,106) | |
| Capital budget | | | | | | | |
| Furniture and Fittings | viii | 14,685,000 | - | 14,685,000 | 193,190 | 14,491,810 | 99% |
| Equipment | ix | 35,420,000 | - | 35,420,000 | 3,385,000 | 32,035,000 | 90% |
| Computers/Laptops | | 2,175,000 | - | 2,175,000 | 2,191,834 | (16,834) | -1% |
| Software | x | 2,500,000 | - | 2,500,000 | - | 2,500,000 | 100% |
| Total Capital Budget | | 54,780,000 | - | 54,780,000 | 5,770,024 | 49,009,976 | |

Explanatory Note on original and the final budget

- The company relies on internally generated funds from its business units, which had been projected at **KSh965 Million** for the FY 2022/2023. The actual revenue generated was below what was projected at **KSh806 Million** due to low business volumes during the period.
- The FY 2022/2023 budget had estimated total revenue of **KSh.965M** and a net profit of **KSh11M**. After considering the half year performance to the period ended 31st December 2022 and the changes in the business environment, Management revised the budget downwards to reflect the possible outcomes by 30th June 2023 in the FY 2022/2023.
- The effects of the electioneering period and the overall economic downturn impacted negatively on revenue generation. The reduced government spending during the period and the changes in the working modalities also slowed down business operations.
- In the FY 2022/2023, the budgeted revenue was revised upwards from the initial budget of **KSh965M** to **KSh968M**. Profitability was forecasted to decline from the estimated **KSh11M** to **KSh10M**.

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- e) The cost of sales was revised upwards from the original budget of **KSh754M** to **KSh7687** as a result of the expected increase in the cost doing business occasioned by the increase in fuel prices.
- f) The total administrative expenses were reduced from the initial estimate of **KSh201M** to **KSh175M**. Management instituted stringent austerity measures to make additional savings and improve cash flows and the overall performance of the Company.

Budget notes explaining the differences between actual and budgeted amounts (10% over / under)

- i. The actual gross revenue generated was short of the budgeted amount by 17% as a result of low business volumes realized during the period occasioned by the electioneering period.
- ii. There was a 15% saving under cost of sales from what was budgeted as a result of the low business volumes during the period.
- iii. Finance income was short of the budgeted amount by 95% as a result of low bank account balances during the period.
- iv. Under personnel emoluments, there was a 19% cost saving from what was budgeted. This was as a result of putting on hold some planned recruitments during the financial year owing to the challenging business environment.
- v. Under Board expenses, there was a 68% cost saving since most of the Board meetings were held online leading to reduction in Board related expenses.
- vi. Under finance costs, there was a 33% cost saving on what was budgeted as a result of the adoption of online as opposed to cheques leading to reduced bank charges on the accounts operated.
- vii. The depreciation charge was higher than what was budgeted as result of revaluation of assets which was done during the FY 2022/2023.
- viii. Most of the furniture and fittings that had been planned for the FY 2022/2023 were for the restaurant which was adversely affected as a result of the introduction of online learning by the University of Nairobi leading to reduced number of students and other support staff within the campus. The purchases were therefore deferred resulting in to a positive variance of 99%.
- ix. The equipment that were budgeted for in the FY 2022/2023 were mainly for the IGUs and were expected to be financed through partnerships which did not materialize during the year hence the purchases were deferred leading to a positive variance of 90%.
- x. The purchase of the software which was meant to help the Restaurant in revenue collection was also deferred due to the poor performance as earlier stated in note viii above leading to a positive variance of 100%.

**19. NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023**

A: General Information

UNES Limited is incorporated under and derives its authority and accountability from the Companies Act Cap 486. The entity is wholly owned by the University of Nairobi and is domiciled in Kenya. The entity is also recognized as a Commercial State Corporation due to the provisions of the State Corporations Act, which stipulate that an entity wholly owned by a State Corporation is also a State Corporation.

The entity's principal activity is undertaking Financial Management, Consultancy and other entrepreneurial activities which include Hospitality, Bookstores, and Managing Income Generating Units (IGUs) on behalf of the University of Nairobi. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

B: Statement of compliance and basis of preparation of the financial statements

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.

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.

C: Application of new and revised International Financial Reporting Standards (IFRSs)

- i. **New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.**

| Title | Description | Effective Date |
|---|--|--|
| IFRS 17 Insurance Contracts (issued in May 2017) | The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. <i>The Company does not issue insurance contracts. /</i> | Effective for annual periods beginning on or after 1 st January 2023. |

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| Title | Description | Effective Date |
|---|---|--|
| | <p><i>The company is an insurance company. The adoption of IFRS 17 has had the following effects:</i></p> <p>Xxx</p> <p>Xxx</p> <p><i>(amend as appropriate)</i></p> | |
| IAS 8- Accounting Policies, Errors, and Estimates | <p>The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.</p> <p><i>(entity to state the effect of amendments on their financial statements for the year ended.)</i></p> | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. |
| Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021) | <p>The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.</p> <p><i>(entity to state whether this has brought about changes to the accounting policies disclosed)</i></p> | The amendments are effective for annual periods beginning on or after January 1, 2023. |
| Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021) | <p>The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.</p> | The amendments are effective for annual periods beginning on or after January 1, 2023. |

Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

| Title | Description | Effective Date |
|--|---|--|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2022/2023.

D: Summary of Significant Accounting Policies

The principal 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) Specialized Based Production Units | 15% |
| (ii) General Production Units | 15% |
| (iii) 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:

NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 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% |

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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. The transactions in foreign currency have been translated at the CBK closing rate as follows: 1 USD = Ksh 140.52 and 1 EUR = Ksh 152.98

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2023.

xvi) Corporation tax

UNES is exempted from paying corporation tax.

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:

b) Credit Risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents and deposits with banks, as well as trade and other receivables and available for sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by directors

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking into account of the value of any collateral obtained is made up as follows

| | Total Amount Kshs | Fully Performing Kshs | Past due Kshs | Impaired Kshs |
|---|------------------------------|----------------------------------|--------------------------|--------------------------|
| At 30 June 2023 | | | | |
| Receivable from non-exchange transactions | 273,524,043 | 273,524,043 | 236,198,386 | - |
| Bank Balances | 22,005,074 | 22,005,074 | - | - |
| Total | 295,529,117 | 295,529,117 | 236,198,386 | - |
| At 30 June 2022 | | | | |
| Receivable from non-exchange transactions | 399,621,379 | 399,621,379 | 168,912,135 | - |
| Bank Balances | 71,277,650 | 71,277,650 | - | - |
| Total | 470,899,029 | 470,899,029 | 168,912,135 | - |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with this receivable is minimal.

The board of directors sets the company's credit policies and objectives and lays down parameter within which the various aspects of credit risk management are operated

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.

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.

iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

E: Significant Judgements and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRSes requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 25.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

F: Explanatory Notes to the Financial Statements

| | 2022/2023 | 2021/2022 |
|---|--------------------|--------------------|
| | KShs | KShs |
| 1. ALLOCATON FROM INCOME GENERATING UNITS | | |
| Dept. of Diagnostic Imaging & Radiation Medicine | 405,645 | 539,960 |
| Chiromo Funeral Parlour | 4,183,899 | 4,228,384 |
| Dental Plaza | 3,765,717 | 3,616,647 |
| UON Library IGA | 2,115,068 | 1,417,077 |
| Eye Centre | 1,152,707 | 704,007 |
| Dental School | 1,308,442 | 728,405 |
| | 12,931,478 | 11,234,480 |
| 2. REVENUE FROM UNES UNIVERSITY BOOKSTORE | | |
| Nairobi | 36,219,392 | 56,702,831 |
| Mombasa | 3,790,618 | 6,489,158 |
| Kisumu | 5,902,560 | 5,226,161 |
| Other income | 73,121 | 75,813 |
| | 45,985,691 | 68,493,963 |
| 3. REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE | | |
| Restaurant services | 16,510,031 | 6,944,445 |
| Outside catering services | 33,443,737 | 25,716,611 |
| Internal supplies | 2,434,452 | 691,808 |
| Other Income | 367,723 | 30,775 |
| | 52,755,943 | 33,383,639 |
| 4. REVENUE FROM CONSULTANCY | | |
| Consultancies | 643,035,119 | 728,939,071 |
| Training (Short courses) | 29,500,880 | 30,258,958 |
| Other income | 830,239 | 2,722,109 |
| | 673,366,238 | 761,920,138 |
| 5. OTHER INCOME | | |
| Miscellaneous income | 1,578,185 | 888,423 |
| Reduction in staff leave provision | - | 2,796,393 |
| Reduction in general provisions | 19,466,903 | - |
| | 21,045,088 | 3,684,816 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 COST OF SALES

| | 2022/2023 | 2021/2022 |
|--|--------------------|--------------------|
| Nairobi Bookstore | 26,035,341 | 39,902,556 |
| Kisumu Bookstore | 3,971,767 | 3,418,695 |
| Mombasa Bookstore | 2,427,120 | 4,783,516 |
| Arziki Restaurants and Conference Centre | 34,617,090 | 19,239,214 |
| Consultancy Direct Project Costs | 598,415,973 | 681,214,470 |
| | 665,467,291 | 748,558,451 |

7 ADMINISTRATION

Staff Costs (note 9)

| | 2022/2023 | 2021/2022 |
|--|-------------------|-------------------|
| UNES Head office | 61,680,336 | 62,552,963 |
| UNES University Bookstore-Nairobi | 9,189,251 | 8,935,308 |
| UNES University Bookstore-Kisumu | 1,114,647 | 662,339 |
| UNES University Bookstore-Mombasa | 945,664 | 1,588,864 |
| Chiromo Conference Center & Arziki Restaurants | 10,737,064 | 11,615,913 |
| UNES Consultancy unit | 11,141,765 | 10,056,784 |
| | 94,808,727 | 95,412,171 |

Staff Bonus provision

| | | |
|--|-------------------|-------------------|
| | 94,808,727 | 95,412,171 |
|--|-------------------|-------------------|

Directors Emoluments

| | | |
|---------------------------------|------------------|------------------|
| Directors Sitting Allowances | 1,860,000 | 1,820,000 |
| Directors Travelling Allowances | 31,675 | 244,159 |
| Chairman's Honorarium | - | 585,714 |
| | 1,891,675 | 2,649,873 |

Office and other Costs

(i) UNES Head office expenses

| | | |
|--------------------------------------|-----------|-----------|
| Staff Training & Development | 579,348 | 548,113 |
| Medical Expenses | 3,620,545 | 3,639,435 |
| Out-Sourced Services / Casual Labour | 4,579,135 | 2,311,958 |
| Staff Travelling and Accommodation | 295,526 | 69,055 |
| Transport operating expenses | 1,493,285 | 1,592,401 |
| Seminars and Workshops | 72,200 | - |
| New Business Development | 34,740 | 400,000 |
| Telecommunication | 446,367 | 232,949 |
| Recruitment of staff | 356,550 | - |
| Office expenses | 2,602,676 | 1,416,908 |
| Electricity & water | 561,272 | 1,457,210 |
| Printing Expenses | 526,550 | 13,700 |
| Uniforms and Clothing | 4,697 | 8,900 |
| Office Stationery | 520,163 | 544,049 |
| Consumables | 1,521,879 | 710,168 |
| Marketing & Advertisements | 381,264 | 1,096,001 |

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| | | |
|---|-------------------|-------------------|
| Maintenance of equipment | 437,709 | 429,602 |
| Maintenance of vehicles | 501,961 | 568,365 |
| Maintenance of Buildings & Grounds | 42,300 | 72,001 |
| Legal & Statutory Expenses | 1,785 | 45,618 |
| Security Expenses | 719,820 | 1,089,119 |
| Subscriptions | 186,294 | 174,360 |
| ICT Services | 410,695 | 1,264,864 |
| Audit Fees | 750,000 | 750,000 |
| Refurbishment & renovations | 10,000 | - |
| Corporate Social Responsibility | 125,000 | 145,000 |
| Performance contracting | 28,000 | 40,000 |
| ISO-QMS Expenses | 1,564,964 | 969,745 |
| Motor Insurance | 507,575 | 514,825 |
| Strategic Plan | 1,499,672 | - |
| UNES / UON NICRA | 1,215,000 | - |
| | 25,596,972 | 20,104,346 |
| (ii) UNES University Bookstore-Nairobi | | |
| Casuals/Outsourced services | 278,942 | 56,806 |
| Office expenses | 503,784 | 630,886 |
| Staff training & development | 6,050 | 6,550 |
| Medical expenses | 1,028,534 | 1,426,484 |
| Bank Charges | 194,800 | 330,454 |
| Consumables | 99,670 | 476,359 |
| Maintenance of Buildings & Grounds | 113,038 | 2,095 |
| Maintenance of equipment | 74,750 | - |
| Marketing expenses | 149,758 | 654,608 |
| ICT Services | - | 22,300 |
| Statutory & legal expenses | 50,200 | 50,000 |
| Gain / loss currency exchange | - | 11,918 |
| Subscriptions | 11,200 | - |
| Transport operating expenses | 205,375 | 119,796 |
| Telecommunication | 75,590 | 73,622 |
| | 2,791,691 | 3,861,878 |
| (iii) UNES University Bookstore-Kisumu | | |
| Casual labour | 11,200 | - |
| Staff training & Devt | 1,050 | 600 |
| Staff medical expenses | 224,653 | 157,326 |
| Transport operating expenses | 57,375 | 35,354 |
| Consumables | 1,352 | 23,853 |
| Marketing expenses | 133,200 | - |
| ICT Services | 40,000 | - |
| Telecommunication | 8,239 | 4,500 |
| Office expenses | 8,622 | - |
| Maintenance of equipment | - | 40,000 |
| Maintenance of Buildings & Grounds | - | 75,558 |
| Statutory & legal expenses | 47,050 | 47,050 |
| | 532,741 | 384,241 |
| (iv) UNES University Bookstore-Mombasa | | |

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| | | |
|---|------------------|------------------|
| Staff training & development | 900 | 1,300 |
| Casual labour / Outsourced services | 136,911 | 1,244 |
| Stationery & Printing | - | 121,429 |
| Accommodation & subsistence | 97,720 | 171,005 |
| Staff medical expenses | 227,081 | 183,153 |
| Transport operating expenses | 56,800 | 41,360 |
| Office expenses | 86,432 | 283,400 |
| Consumables | 15,327 | - |
| Marketing expenses | 116,335 | 60,310 |
| Maintenance of building | 5,100 | 37,179 |
| Maintenance of Equipment | 72,552 | - |
| Bank charges | - | 1,350 |
| Telecommunication | 15,700 | 8,100 |
| ICT services | - | 3,000 |
| Statutory & legal expenses | 18,430 | 18,250 |
| | 849,288 | 931,080 |
| (v) Chiromo Conference Center & Arziki Restaurants | | |
| Staff training | 11,200 | 10,450 |
| Out sourced services / Casual Labour | 1,094,820 | 403,645 |
| Staff Medical expenses | 2,323,801 | 2,390,742 |
| Office Expenses | 409,686 | 177,241 |
| Transport operating expenses | 296,701 | 147,229 |
| Telecommunication | 51,633 | 2,953 |
| Purchase of cutlery / crockery | - | 21,600 |
| Stationery/Printing | 190,670 | 175,486 |
| Electricity/Water | 473,296 | 504,376 |
| Staff Uniforms | 36,950 | 106,700 |
| Catering Levy | 838,473 | 484,669 |
| Laundry expenses | 3,810 | 45,608 |
| Maintenance of Equipment | 410,350 | 130,316 |
| Maintenance of building | 1,146 | 3,852 |
| Maintenance of vehicle | 184,138 | 111,392 |
| Marketing | 250,000 | - |
| Legal & statutory expenses | 313,900 | 283,217 |
| Bank charges | 149,472 | 133,026 |
| | 7,040,046 | 5,132,502 |
| (vi) UNES Consultancy unit | | |
| Stationery & Printing | 106,792 | 229,570 |
| Staff Medical expenses | 1,425,029 | 906,203 |
| Outsourced Services / Casual Labour | 323,654 | - |
| Transport operating expenses | 664,242 | 314,737 |
| Accommodation & subsistence | 7,192 | 196,400 |
| Subscriptions | 44,431 | 24,999 |
| Staff training & development | 6,300 | 6,400 |
| Electricity/Water | 146,531 | 170,024 |
| Office expenses | 227,160 | 178,775 |
| Staff Uniforms | 18,010 | - |
| Maintenance of building | 203,934 | 45,147 |

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| | | |
|---|--------------------|--------------------|
| Maintenance of vehicle | 16,600 | 66,932 |
| Maintenance of Equipment | 119,854 | 63,643 |
| New business development | 419,068 | 695,761 |
| Consumables | 388,235 | 1,454,857 |
| Telecommunication expenses | 59,722 | 79,465 |
| ICT services | 18,975 | 6,300 |
| Security Expenses | 980,244 | 1,038,792 |
| Legal & Statutory Expenses | - | 90,000 |
| Marketing | 18,000 | 3,000 |
| Insurance expenses | 407,186 | - |
| Bank charges | 508,004 | 413,424 |
| | 6,109,163 | 5,984,429 |
| Depreciation of property, plant and equipment | 5,933,629 | 6,058,288 |
| Amortization of Intangible Assets | 1,466,379 | 104,400 |
| | 7,400,008 | 6,162,688 |
| Total administration costs | 147,020,311 | 140,623,208 |

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

| | | |
|----------------------------|-----------|-----------|
| Management level employees | 9 | 9 |
| Middle level employees | 12 | 19 |
| Lower-level employees | 59 | 49 |
| | 80 | 77 |

8 FINANCE COSTS

| | | |
|---------------|----------------|----------------|
| Finance Costs | 235,267 | 231,665 |
| | 235,267 | 231,665 |

9 OPERATING PROFIT (LOSS)

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

| | | |
|---|--------------------|--------------------|
| Staff costs (note 7a) | 94,808,727 | 95,412,171 |
| Depreciation of property, plant and equipment | 5,933,629 | 6,058,288 |
| Amortization of intangible assets | 1,466,379 | 104,400 |
| Directors' emoluments - fees | 1,891,675 | 2,649,873 |
| Auditors' remuneration - current year fees | 870,000 | 870,000 |
| | 104,970,410 | 105,094,732 |

10 FINANCE INCOME

| | | |
|---|----------------|------------------|
| Interest income on short-term bank deposits | 215,188 | 2,221,302 |
| | 215,188 | 2,221,302 |

11 EARNINGS PER SHARE

The earnings per share is calculated by dividing the average number of issued ordinary shares which are 5,000. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

12 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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

| Cost | Furn & Equipt Kshs | Computers Kshs | Motor Vehicles Kshs | 2022/2023 Kshs |
|-----------------------|-----------------------|-------------------|------------------------|-------------------|
| 1st July 2022 | 49,422,880 | 25,445,098 | 32,318,166 | 107,186,144 |
| Additions | 17,922,500 | 2,503,448 | 16,534,483 | 36,960,431 |
| Disposals | (49,422,880) | (25,445,098) | (32,318,166) | (107,186,144) |
| 30th June 2023 | 17,922,500 | 2,503,448 | 16,534,483 | 36,960,431 |
| Depreciation | | | | |
| 1st July 2022 | 39,634,716 | 22,898,984 | 31,687,839 | 94,221,539 |
| Charge for the year | 1,792,249 | 834,483 | 3,306,897 | 5,933,629 |
| Disposal Depn | (39,634,716) | (22,898,984) | (31,687,839) | (94,221,539) |
| 30th June 2023 | 1,792,249 | 834,483 | 3,306,897 | 5,933,629 |
| Net Book Value | | | | |
| 30th June 2023 | 16,130,251 | 1,668,966 | 13,227,586 | 31,026,803 |

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

| Cost | Furn & Equipt Kshs | Computers Kshs | Motor Vehicles Kshs | 2021/2022 Kshs |
|-----------------------|-----------------------|-------------------|------------------------|--------------------|
| 1st July 2021 | 47,124,513 | 22,160,020 | 32,318,166 | 101,602,699 |
| Additions | 2,298,367 | 3,285,078 | - | 5,583,445 |
| Disposals | - | - | - | - |
| 30th June 2022 | 49,422,880 | 25,445,098 | 32,318,166 | 107,186,144 |
| Depreciation | | | | |
| 1st July 2021 | 37,008,317 | 21,412,103 | 29,742,831 | 88,163,251 |
| Charge for the year | 2,626,399 | 1,486,881 | 1,945,008 | 6,058,288 |
| Disposal Depreciation | - | - | - | - |
| 30th June 2022 | 39,634,716 | 22,898,984 | 31,687,839 | 94,221,539 |
| Net Book Value | | | | |
| 30th June 2022 | 9,788,164 | 2,546,113 | 630,327 | 12,964,604 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

| Cost | 2022/2023 | 2021/2022 |
|--|------------------|------------------|
| | Kshs | Kshs |
| 1st July 2022 | 8,509,080 | 8,509,080 |
| Additions | 7,331,897 | - |
| Disposals | (8,509,080) | - |
| 30th June 2023 | 7,331,897 | 8,509,080 |
| Amortisation | | |
| 1st July 2022 | 8,364,080 | 8,259,680 |
| Charge for the year | 1,466,379 | 104,400 |
| Disposal Amortisation | (8,364,080) | - |
| 30th June 2023 | 1,466,379 | 8,364,080 |
| Net Book Value | | |
| 30th June 2023 | 5,865,517 | 145,000 |
| | | |
| Total Depreciation & Amortization Expense | 7,400,008 | 6,162,688 |

The intangible asset relates to computer software

15 INVENTORIES

| | 2022/2023 | 2021/2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| UNES Bookstores | 37,990,676 | 39,521,699 |
| Chiromo Funeral Parlour | 243,825 | 373,209 |
| Arziki Restaurants & Conference Centre | 455,771 | 228,394 |
| Consultancy | 455,344 | 367,348 |
| UNES Head Office | 720,442 | 846,299 |
| Radiology | 78,627 | 118,002 |
| Eye Centre | 783,221 | 870,120 |
| Dental Plaza | 1,000,643 | 356,543 |
| | 41,728,549 | 42,681,614 |

All inventories are valued at historical cost.

16 TRADE AND OTHER RECEIVABLES

| | | |
|--|--------------------|--------------------|
| Trade receivables | 273,524,043 | 399,621,379 |
| Bank Guarantees | 129,862 | 424,800 |
| Staff receivables | 1,077,612 | 5,960,306 |
| Other receivables | - | 1,396,707 |
| Suppliers' deposits and advances | 8,557,455 | 11,603,344 |
| Less Provision for bad debts | (9,414,000) | (9,414,000) |
| Net trade and other receivables | 273,874,972 | 409,592,536 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 BANK AND CASH BALANCES

Cash at bank

IGU Accounts

| | | |
|-------------------------------------|------------------|------------------|
| Transition Account NBK | 87 | - |
| Chiromo Funeral Parlour SCB Account | 1,962,707 | 1,778,994 |
| Faculty of Medicine BBK Account | 207,620 | 3,034,936 |
| CAVS Clinical Studies BBK Account | 122,199 | 119,518 |
| | 2,292,613 | 4,933,448 |

UNES Accounts

| | | |
|-----------------------------------|-------------------|-------------------|
| UNES Corporate Account | 3,667,084 | 3,396,711 |
| UNES Consultancy Account | 1,556,449 | 11,673,417 |
| UNES USAID Project BBK Account | 6,728,650 | 31,402,681 |
| UNES Arziki Restaurant BBK | 2,593,361 | 1,792,474 |
| UNES University bookstore account | 1,685,075 | 12,041,190 |
| UNES US-Dollar Account BBK | 346,976 | 2,544,640 |
| UNES Euro Account BBK | 969,436 | 1,245,620 |
| | 17,547,031 | 64,096,733 |

| | | |
|---------------------------------------|-------------------|-------------------|
| Total cash at bank | 19,839,644 | 69,030,181 |
| Cash in hand | 2,165,430 | 2,247,469 |
| Total Cash at bank and in hand | 22,005,074 | 71,277,650 |

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

18 ORDINARY SHARE CAPITAL

Authorised:

| | | |
|---|------------|------------|
| 500,000 ordinary shares of Kshs.20 par value each | 10,000,000 | 10,000,000 |
|---|------------|------------|

Issued and fully paid:

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

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

19 ACCUMULATED LOSS

The retained loss represents the loss that has accumulated over the years.

| | 2022/2023 | 2021/2022 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Balance at beginning of the year | (80,592,566) | (72,117,579) |
| Add: Total comprehensive income for the year | (6,567,290) | (8,474,986) |
| | (87,159,856) | (80,592,565) |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 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 | 12,321,458 | 12,321,458 |
| Provision for expenses for Dental Plaza improvements | - | - |
| Balance at end of the year | 12,321,458 | 12,321,458 |

21 LONG TERM LIABILITY

| | | |
|---|--------------------|--------------------|
| Balance at beginning of the year | 21,419,324 | 21,419,324 |
| Less: | | |
| Amount paid | - | - |
| Balance at end of the year | 21,419,324 | 21,419,324 |
| Amount held for the University of Nairobi | 249,143,710 | 246,608,147 |
| | 270,563,034 | 268,027,471 |

22 TRADE AND OTHER PAYABLES

| | 2022/2023 | 2021/2022 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Trade payables | 19,824,874 | 55,697,463 |
| Provision for direct service providers | 4,734,091 | 8,031,689 |
| Remittance for consultancies | 116,043,273 | 190,838,781 |
| Provision for audit fees | 3,480,000 | 2,610,000 |
| Provision for expenses | - | 3,967,210 |
| Provision for rent | - | 9,612,480 |
| Provision for directors' expenses | - | 4,933,333 |
| Provision for output VAT | 3,265,071 | 30,760,511 |
| Provision for PAYE | 4,377,025 | 6,110,039 |
| National Industrial Training Institute (NITA) | 6,600 | 6,500 |
| | 151,730,934 | 312,568,006 |

23 STAFF GRATUITY AND OBLIGATIONS

| | 2022/2023 | 2021/2022 |
|----------------|-------------------|-------------------|
| | Kshs | Kshs |
| Staff gratuity | 26,801,299 | 24,237,039 |
| | 26,801,299 | 24,237,039 |

The staff gratuity is accrued for the year at the entitlement rate which is currently 31% of Basic Pay.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 PROVISIONS FOR LEAVE PAY

| | | |
|--|---|-------------|
| Additional (reduction) in provision at end of year | - | (2,796,393) |
| Balance at end of the year | - | - |

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

25 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 | - | - |
| Less: Dividend paid | - | - |
| Balance at end of the year | - | - |

26 NOTES TO THE STATEMENT OF CASH FLOWS

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

| | 2022/2023 | 2021/2022 |
|--|---------------------|--------------------|
| | Kshs | Kshs |
| Operating profit | (6,423,243) | (8,474,986) |
| Depreciation | 7,400,008 | 6,162,688 |
| Operating profit/(loss) before working capital changes | 976,765 | (2,312,298) |
| Decrease/ (Increase) in inventories | 953,065 | 16,550,826 |
| Decrease / (Increase) in trade and other receivables | 135,717,564 | (118,564,876) |
| (Decrease) / Increase in trade and other payables | (160,837,072) | 102,111,688 |
| (Decrease) / Increase in provision for staff gratuity | 2,564,260 | (8,200,899) |
| (Decrease) / Increase in provision for staff leave pay | - | (2,796,393) |
| (Decrease) / Increase in amount held for the University of Nairobi | 2,535,563 | 13,684,523 |
| | (19,066,620) | 2,784,869 |
| Cash (used in) / generated from operations | (18,089,855) | 472,571 |

(b) Analysis of dividend paid

| | | |
|-----------------------------------|---|---|
| Balance at beginning of the year | - | - |
| Dividends paid | - | - |
| Balance at end of the year | - | - |

(c) Analysis of changes in long term liability

| | | |
|---------------------------------------|-------------------|-------------------|
| Balance at beginning of the year | 21,419,324 | 21,419,324 |
| Reversal/(Repayments) during the year | - | - |
| Balance at end of the year | 21,419,324 | 21,419,324 |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Analysis of cash and cash equivalents

| | | |
|-----------------------------------|-------------------|-------------------|
| Cash at bank (See note 17) | 19,839,644 | 69,030,181 |
| Cash in hand | 2,165,430 | 2,247,469 |
| Balance at end of the year | 22,005,074 | 71,277,650 |

27 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, Arziki Restaurant and Conference Centre and the Income Generating Units (IGUs) which offer services to UoN students and staff. 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:

| | 2022/2023 | 2021/2022 |
|---|------------|-------------|
| | Ksh | Ksh |
| Due from UON | | |
| Owings to Bookstore, Arziki Restaurant & IGUs | 85,019,133 | 102,617,487 |
| Due to UON | | |
| Long-term liability- Bookstore amount on takeover by UNES | 21,419,324 | 21,419,324 |
| Dividends payable | - | - |

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.

| | | |
|--------------------------------|------------|------------|
| Directors' emoluments | 1,891,675 | 5,170,714 |
| Compensation to the CEO | 7,395,828 | - |
| Compensation to Key Management | 18,967,848 | 14,147,586 |

28 CONTINGENT LIABILITIES

During the financial year the only contingent liability was bank guarantee.

| | | |
|-----------------|----------------|----------------|
| Bank Guarantees | 129,862 | 424,800 |
| | 129,862 | 424,800 |

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20. APPENDICES

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR THE FY 2021/2022 AUDIT REPORT

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|---|-----------------------------------|--|
| Basis for Qualification | | | | |
| 1. | Inaccuracies in the financial statements | The amount held for the University of Nairobi amounting to Ksh246,608,147 as reflected in the financial statements for UNES is the correct figure. We have since advised the University of Nairobi to revise their financial statements to reflect the correct figure | Resolved | N/A |
| 2. | Trade and other receivables | <p>The trade receivables for Consultancy, NHIF, East African Portland Cement, other receivables and Bookstore unit which have been outstanding for over two years mainly relate to debts owed by Government Ministries, Departments and Agencies. UNES has been preparing debtors statements for the outstanding debts and sending to the various customers. We have also been issuing reminders and demand letters for overdue debts for settlement by the various customers. It will be noted that as a state corporation we are limited from taking any legal action against other state corporations and government agencies. The recoverability of the trade and other receivables is however not in question since none of our customers has disputed their balances.</p> <p>The increase in trade and other receivables was a result of reduced collection of credit sales during the period. Most of our customers which are mainly government institutions complained of low funding due to the electioneering period in the year 2022. Management has however put in place measures to ensure all the debts are settled within the shortest time possible.</p> | Resolved | N/A |
| 3. | Trade and other payables | <p>The increase in trade and other payables amounting to Ksh104,798,920 as reflected in note 26 (a) to the financial statements is made up of increase in trade and other payables of Ksh102,111,688 from Ksh210,456,318 to Ksh312,568,006 the reduction in staff gratuity obligations by (Ksh8,200,899) from Ksh32,437,938 to Ksh24,237,039 the reduction in provision for leave pay by (Ksh2,796,393) from Ksh2,796,393 to nil and the increase in amount held for the University of Nairobi by Ksh13,684,523 from Ksh254,342,948 to Ksh268,027,471. We have since revised the note 26 (a) to the financial statements to reflect all the components of the changes.</p> <p>The trade and other payables figure of Ksh312,568,006 is made up of trade payables and other payables which are mainly provisions for expenses and which constitute about 82% of the total figure as per note 22 of the financial statements. The trade payables balance as at 30th June 2022 was only Ksh55,697,463 constituting about 18% of the total figure of the trade and other payables. The major cause of the increase in trade and other payables was remittance for consultancies which relate to amounts due for projects which have been invoiced but are still awaiting payment by the client. The trade payables amount actually reduced from Ksh61,384,784 in the FY2020/2021 to Ksh55,697,463 in the FY 2021/2022 indicating the company's commitment to settle its short-term obligations as and when they fall due.</p> <p>The provision for directors' emoluments relates to directors' retainer fees payable to each director at the end of each financial year at the rate of Ksh100,000. The payment of directors' retainer fees was approved by the</p> | Resolved | N/A |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|-----------------------------------|--|
| | | <p>UNES Board during the AGM of 2005 and 2017. We have been making provisions based on the above approval but no actual payment has been made to the directors. The provisions will be reversed in the current financial year upon Board approval.</p> <p>The provision for insurance expenses relate to insurance services paid on behalf of UNES by the University of Nairobi. Over the years, the University has been incorporating UNES in its insurance policies after which UNES was supposed to reimburse for the expenses upon issuance of a fee note. The amounts will be balanced off with the the balances UON owes to UNES.</p> <p>The provision for staff payments relate to payments due to the University for staff members who had been seconded to UNES but were being paid by the University. The amounts will be balanced off with the the balances UON owes to UNES</p> <p>The provision for direct service providers amounting to Ksh8,031,689 relate to amounts due for direct service providers at the Income Generating Units (IGUs) which are being managed by UNES. The direct service providers who are mainly doctors are entitled to between 20% and 40% of the revenue generated by the IGUs and this forms the basis of the provision at the end of the financial year in cases where they have not claimed all their allocations. The figure of Ksh993,880 which had been erroneously presented as an opening balance relate to the provision which was made for the Bindery IGU.</p> <p>The trade and other payables balance of Ksh312,568,006 is made of trade payables of Ksh55,697,463 and provisions for various expenses amounting to Ksh256,870,573 as per note 22 of the financial statements. As a result, the creditors ledger can only support the trade payables figure of Ksh55,697,463. The other provisions are supported by various schedules depending on the nature of the provision.</p> <p>The amount held for the University of Nairobi amounting to Ksh246,608,147 as reflected in the financial statements for UNES is the correct figure. We have since advised the University of Nairobi to revise their financial statements to reflect the correct figure.</p> | | |
| 4. | Fully depreciated property plant and equipment | UNES did a revaluation of all its assets in the current FY 2022/2023 and the same will be reflected in the financial statements as at 30 th June 2023 | Resolved | N/A |
| Other matter | | | | |
| 1. | Budgetary control and performance | <p>The variance between budgeted gross profit of Ksh191,721,701 and the actual gross profit of Ksh130,158,585 as well as the variance between the approved expenditure budget of Ksh239,710,458 and the actual expenditure of Ksh144,217,016 is attributed to the fact that UNES Limited generates its own revenue and does not get any funding from the exchequer. UNES did not meet its revenue target for the FY2021/2022 which also resulted in a negative variance for its expenditures especially on the direct costs since there is a direct relationship between revenue and direct costs. This however does not necessarily mean that the company did not meet its objectives. The company has also put in place mechanisms to ensure that going forward; the budgets will be realistic to what it can achieve to avoid such negative variances.</p> <p>The over expenditure in the capital budget for computers and laptops was</p> | Resolved | N/A |

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

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|--|--|--|-----------------------------------|--|-----------|-----------|-----------|-----------|-----------|-----------|--|---|------|---|---|---|---|---|----------|-----|
| | | <p>necessitated by the effects of post Covid-19 which brought about the need for most staff to work remotely. Management has however taken note of your recommendations and will be seeking prior approval from the relevant authorities to support any budget reallocations. The increased need for laptops during the FY 2021/2022 was also occasioned by the fact that most of the desk top computers that the staff were using had reached the end of the working life leading to a negative variance of 168%.</p> <p>There was no variance between the original and budget amounts for computers in the statement of comparison of budget and the approved company budget for the FY 2021/2022. The figure is Ksh1,225,000 in both the statement of comparison of budget and the approved budget for the FY 2021/2022 and not Ksh505,000 in the approved budget as indicated in your observation. The approved capital budget for the FY 2021/2022 is hereby attached for your review.</p> | | | | | | | | | | | | | | | | | | |
| 2. | Prior year unresolved issues | UNES Management is committed to resolving all the issues raised during an audit exercise for purposes of continual improvement as well as strengthening its internal control processes for better service delivery. All the issues that were raised during the audit for the FY 2020/2021 have all been addressed as per Appendix I in the revised financial statements. | Resolved | N/A | | | | | | | | | | | | | | | | |
| Basis for conclusion | | | | | | | | | | | | | | | | | | | | |
| 1. | Irregular Procurement of Staff Medical Cover | <p>a) Evaluation Committee membership The accounting officer appointed five (5) tender evaluation committee members as provided by the Public Procurement and Assets Disposal Act, 2015. The Secretary and Secretariat to an Evaluation Committee are not considered as members of the committee. The Committee appointed for this process comprised of the following members: -</p> <ol style="list-style-type: none"> 1. Absalom Agai 2. Edah Maiywa 3. Samuel Ochieng 4. Sarah Mugo & 5. Japheth Omari <p>Monica Ojwang was the Secretary to the committee and for purposes of capacity building of other team members from the supply chain management function; one more member (Catherine Ngina) was involved for purposes of learning. Thus, the membership was five and not seven as indicated in your observations.</p> <p>b) Financial Evaluation Financial evaluation was carried out that included provision of audited financial statements for three (3) years 2018 to 2020. All the bidding entities except one bidder No. 1 (UAP insurance) scored maximum score.</p> <p>Financial Evaluation (Extract)</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Requirement</th> <th>Max. Score</th> <th>Bid der 1</th> <th>Bid der 3</th> <th>Bid der 5</th> <th>Bid der 6</th> <th>Bid der 7</th> <th>Bid der 8</th> </tr> </thead> <tbody> <tr> <td>Submit a copy of certified and each audited financial statement for the last three (3) years: 2018, 2019, & 2020</td> <td>5</td> <td>2.69</td> <td>5</td> <td>5</td> <td>5</td> <td>5</td> <td>5</td> </tr> </tbody> </table> <p>Bidder No. 8 (Resolution Insurance)</p> | Requirement | Max. Score | Bid der 1 | Bid der 3 | Bid der 5 | Bid der 6 | Bid der 7 | Bid der 8 | Submit a copy of certified and each audited financial statement for the last three (3) years: 2018, 2019, & 2020 | 5 | 2.69 | 5 | 5 | 5 | 5 | 5 | Resolved | N/A |
| Requirement | Max. Score | Bid der 1 | Bid der 3 | Bid der 5 | Bid der 6 | Bid der 7 | Bid der 8 | | | | | | | | | | | | | |
| Submit a copy of certified and each audited financial statement for the last three (3) years: 2018, 2019, & 2020 | 5 | 2.69 | 5 | 5 | 5 | 5 | 5 | | | | | | | | | | | | | |

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2023

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|--|--|---|-----------------------------------|--|--------|----|----------------------|----------|----|----------------------|--------|----|------------|--------|----|-------------|--------|----|----------------|--------|----|----------------|--------|----|---------------|--------|----|----------------|--------|----|----------------|--------|-----|-------------|--------------------------|-----------|------------|------------------------------------|-----------------------|-------------------|---------------|-------------------|---|---------------|------------------------|----------------|--|--|------------------------|-------------------|-------------------|--|----------|-----|
| | | <p>c) Performance guarantee No. MD2116700016</p> <p>Pursuant to the provision of 141 (5) of the Public Procurement and Assets Disposal Regulations, 2020 - "A procuring entity shall seek legal advice or clearance from the Attorney-General or such person designated in writing by the Attorney- General before terminating a contract under the Act or these Regulations".</p> <p>The UNES management upon receipt of the notice of placement of Resolution Insurance under Statutory Management and in compliance to the requirement of the said Regulations; clearance was sought from the Office of the Attorney-General before demonstrating to the Bank default of Contract. This included engagement of the Policy Holders Compensation Fund as was directed by the Attorney General in the due process of termination. This process unfortunately extended beyond the Performance Guarantee validity period.</p> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Appointment of the Board members and Committees of the Board | <p>UNES board is composed of 9 members. The Managing Director/CEO is not a board member but an Ex- Officio. CEO does not vote since he/she is not a board member of UNES. The third gender rule is beyond UNES Control at the moment, because the board membership is recommended by UoN Council. This will be observed upon expiry of term of the current board members.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>No.</th> <th>Name of Board Member</th> <th>Status</th> </tr> </thead> <tbody> <tr><td>1.</td><td>Eng. Kariuki Muchemi</td><td>Chairman</td></tr> <tr><td>2.</td><td>Prof. Kinandu Muragu</td><td>Member</td></tr> <tr><td>3.</td><td>Hirji Shah</td><td>Member</td></tr> <tr><td>4.</td><td>Yusuf Omari</td><td>Member</td></tr> <tr><td>5.</td><td>Samwel Nthenge</td><td>Member</td></tr> <tr><td>6.</td><td>Miriam Musyoki</td><td>Member</td></tr> <tr><td>7.</td><td>Flora Mtuweta</td><td>Member</td></tr> <tr><td>8.</td><td>Prof. S. Kiama</td><td>Member</td></tr> <tr><td>9.</td><td>Hassan Mohamud</td><td>Member</td></tr> <tr><td>10.</td><td>Seith Abeka</td><td>CEO & Ex- Officio Member</td></tr> </tbody> </table> <p style="text-align: center;">Board Committee Membership</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Committee</th> <th>Membership</th> </tr> </thead> <tbody> <tr> <td rowspan="4">Governance, Risk & Audit Committee</td> <td>1. Yusufu Omari-Chair</td> </tr> <tr> <td>2. Miriam Musyoki</td> </tr> <tr> <td>3. Hirji Shah</td> </tr> <tr> <td>4. Samuel Nthenge</td> </tr> <tr> <td rowspan="4">Strategy & Business Development Committee</td> <td>1. Hirji Shah</td> </tr> <tr> <td>2. Prof Kinandu Muragu</td> </tr> <tr> <td>3. Yusuf Omari</td> </tr> <tr> <td>4. Prof Stephen G Kiama Represented by Brian Ouma</td> </tr> <tr> <td rowspan="4">Finance and General Purposes Committee</td> <td>1. Prof Kinandu Muragu</td> </tr> <tr> <td>2. Miriam Musyoki</td> </tr> <tr> <td>3. Samuel Nthenge</td> </tr> <tr> <td>4. Prof Stephen G Kiama Represented by Brian Ouma</td> </tr> </tbody> </table> | No. | Name of Board Member | Status | 1. | Eng. Kariuki Muchemi | Chairman | 2. | Prof. Kinandu Muragu | Member | 3. | Hirji Shah | Member | 4. | Yusuf Omari | Member | 5. | Samwel Nthenge | Member | 6. | Miriam Musyoki | Member | 7. | Flora Mtuweta | Member | 8. | Prof. S. Kiama | Member | 9. | Hassan Mohamud | Member | 10. | Seith Abeka | CEO & Ex- Officio Member | Committee | Membership | Governance, Risk & Audit Committee | 1. Yusufu Omari-Chair | 2. Miriam Musyoki | 3. Hirji Shah | 4. Samuel Nthenge | Strategy & Business Development Committee | 1. Hirji Shah | 2. Prof Kinandu Muragu | 3. Yusuf Omari | 4. Prof Stephen G Kiama Represented by Brian Ouma | Finance and General Purposes Committee | 1. Prof Kinandu Muragu | 2. Miriam Musyoki | 3. Samuel Nthenge | 4. Prof Stephen G Kiama Represented by Brian Ouma | Resolved | N/A |
| No. | Name of Board Member | Status | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 1. | Eng. Kariuki Muchemi | Chairman | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 2. | Prof. Kinandu Muragu | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. | Hirji Shah | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. | Yusuf Omari | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 5. | Samwel Nthenge | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 6. | Miriam Musyoki | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 7. | Flora Mtuweta | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 8. | Prof. S. Kiama | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 9. | Hassan Mohamud | Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| 10. | Seith Abeka | CEO & Ex- Officio Member | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Committee | Membership | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Governance, Risk & Audit Committee | 1. Yusufu Omari-Chair | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Miriam Musyoki | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Hirji Shah | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4. Samuel Nthenge | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Strategy & Business Development Committee | 1. Hirji Shah | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Prof Kinandu Muragu | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Yusuf Omari | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4. Prof Stephen G Kiama Represented by Brian Ouma | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Finance and General Purposes Committee | 1. Prof Kinandu Muragu | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 2. Miriam Musyoki | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 3. Samuel Nthenge | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | 4. Prof Stephen G Kiama Represented by Brian Ouma | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

*University of Nairobi Enterprises & Services Limited
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|--|-----------------------------------|---|-----------------------------------|--|
| | | Note: Managing Director is intendance in all the committees | | |
| 3. | Irregular Salary Advance | <p>Covid-19 pandemic had a devastating socio-economic impact on many families in Kenya, especially those that were directly affected. UNES staff was equally affected and the company was compassionate to assist those in dire need. An exception was extended only to the low-income category in financial distress like payment of children's school fees, medical emergencies and other urgent personal emergencies like funeral expenses. The salary advance was guaranteed by the cumulated Gratuity which cushioned the Company from any risk in case of default.</p> <p>As at 30th June 2022, the salary advance balances were less than the basic salary, therefore in case of any default, the amount would be recoverable from the salary and gratuity. There was no major risk but it's a compliance issue with regard to human resource policy. Management has encouraged staff to join UNESWA, a welfare association to help in case of such emergencies for compliance with policy.</p> <p>It is also important to note that all the salary advances were fully recovered from the staff members</p> | Resolved | N/A |

APPENDIX II: PROJECTS

Projects implemented by the State Corporation/ SAGA Funded by development partners

| Project title | Project Number | Donor | Period/ duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) |
|--|-----------------------|-------|------------------|------------------|---|
| 1.Sustaining use of District Health Information System II in Kenya Program | AID-615-A-16-00013 | USAID | 3 years | USD 4,099,346 | YES |
| 2. Sustaining use of District Health Information System II in Kenya Program Phase II | AID-615-A-16-00013-05 | USAID | 2 years | USD 4,999,900 | YES |
| 3. Sustaining use of District Health Information System II in Kenya Program Phase II | AID-615-A-16-00013-05 | USAID | 2 years | USD 14,659,260 | YES |

APPENDIX III: STATUS OF PROJECTS COMPLETION

(Summarise the status of project completion at the end of each quarter, i.e., total costs incurred, stage which the project is etc.)