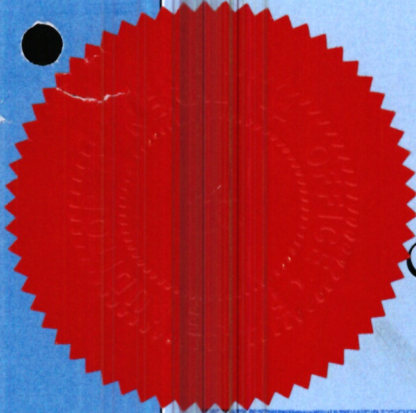



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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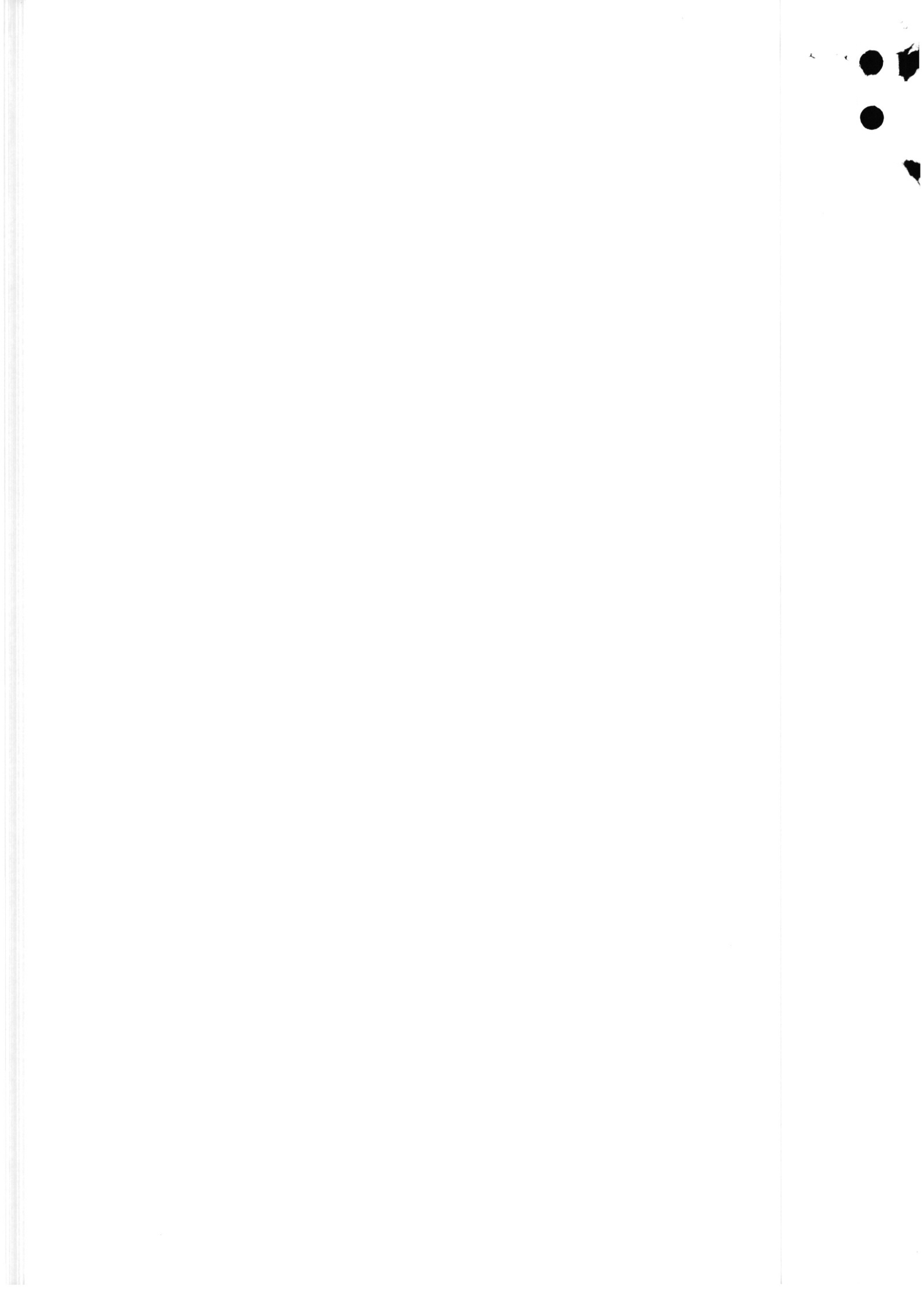
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI PRESS**

**FOR THE YEAR
ENDED 30 JUNE 2018**





UNIVERSITY OF NAIROBI PRESS

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

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

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UNIVERSITY OF NAIROBI PRESS

I. INSTITUTIONAL DETAILS

The Directors have the pleasure to submit the Annual Report and Accounts for the year ended 30 June, 2018.

INCORPORATION

University of Nairobi Press is a company incorporated in Kenya under the Companies Act. It is limited by guarantee and does not have any share capital.

PRINCIPAL ACTIVITIES

The principal activity of the University of Nairobi Press is publishing scholarly books.

RESULTS FOR THE YEAR

During the year, The University of Nairobi Press reported a net deficit of Ksh 401,727 from its operations.

BANKER

Barclays Bank of Kenya Limited,
Market Branch,
P.O. Box 30120-00100,
Nairobi

AUDITOR

The Office of Auditor General
P. O. Box 30084-00100, GPO
Nairobi, Kenya

REGISTERED OFFICE

University of Nairobi Press
P. O. Box 30197-00100 GPO
Nairobi, Kenya
Telephone: 318262 Ext. 28581
Fax: 245566 E-mail: nup@uonbi.ac.ke.

II. DIRECTORS

NO	NAME	DESIGNATION
1.	Mrs. Pascalia Chepkorir Chuma Koske	Chairperson
2.	Prof. Peter M. F. Mbithi	Member
3.	Prof. Lucy W. Irungu	Member
4.	Prof. Henry W. Mutoro	Member
5.	Prof. Isaac Meroka Mbeche	Member
6.	Mr. John K. arap Kenduiwo	Member
7.	Ms. Pamellah Asule	Member



MRS. PASCALIA CHEPKORIR CHUMA KOSKE

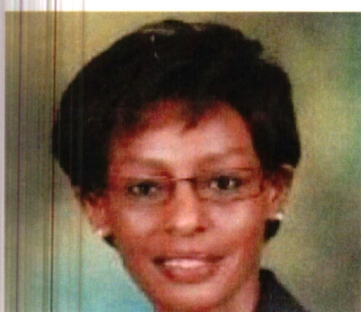
Mrs. Pascalia Chepkorir Chuma Koske is a member of the University of Nairobi Council. She is Senior Deputy Director at the Teachers Service Commission. She holds a Master's Degree in Management and Policy Studies from the University Of Bristol, UK, and a Bachelor of Education degree from the University of Nairobi.

. UNIVERSITY OF NAIROBI PRESS



PROF. PETER MULWA FELIX MBITHI

Prof. Peter Mulwa Felix Mbithi, born in 1956, is the Vice-Chancellor and Professor of Veterinary Surgery, University of Nairobi. He has previously served as the Chairman of Department of Clinical Studies and also Principal, College of Agriculture and Veterinary Sciences. He was also the Deputy Vice-Chancellor, Administration and Finance, prior to his appointment as the Vice-Chancellor in January 2015. Prof. Mbithi has supervised a number of M.Sc. and Ph.D. students in addition to publishing extensively in peer-reviewed journals. He is a member of several professional organizations. Prof. Mbithi's research interests include clinical veterinary medicine and orthopaedic surgery and wounding and traumatology with special interest in lameness, joint surgery, and arthritides.



PROF. LUCY W. IRUNGU

Prof. Lucy W. Irungu, born in 1957, is the Deputy Vice-Chancellor, Research, Production and Extension (DVC- RPE), University of Nairobi, and Professor of Entomology at the School of Biological Sciences. She joined the Department of Zoology as a lecturer in 1988. Prof. Irungu previously served as the chairperson of the Department of Zoology from 1999-2004 later becoming Principal, College of Biological and Physical Sciences

UNIVERSITY OF NAIROBI PRESS

(CBPS) until 2011 when she was appointed to the current position of Deputy Vice-Chancellor (RPE). She has conducted research in the area of vector biology and control, with special reference to malaria vectors and other vectors and parasites of neglected diseases. Prof. Irungu has supervised M.Sc. and Ph.D. students in addition to publishing extensively in peer-reviewed journals. She is a fellow of the Royal Society of Tropical Medicine and Hygiene and a member of several other professional organizations.



PROF. H.W. MUTORO

Prof. Henry W. Mutoro, born in 1950, is the Deputy Vice-Chancellor, Academic Affairs (DVC-AA), of the University of Nairobi. He is also an Associate Professor in Archaeology. He previously served as Principal, College of Education and External Studies for nine years. Prof. Mutoro also served as Deputy Principal, College of Humanities and Social Sciences (1997-2004), Dean, Faculty of Arts (1996- 1997), and Chairman, Department of History (1991-1996). He is a widely published scholar whose work can be found in peer reviewed journals and books. Prof. Mutoro has also made presentations in numerous public lectures, conferences, and seminars.

UNIVERSITY OF NAIROBI PRESS



PROF. ISAAC MEROKA MBECHE

Prof. Isaac Meroka Mbeche, born in 1952, is the Deputy Vice-Chancellor, Student Affairs (DVC- SA) and Acting Deputy Vice-Chancellor, Administration and Finance at the University of Nairobi. Prof. Mbeche, who is a Professor in Management Sciences, joined the University of Nairobi in 1986 as tutorial fellow in the Department of Management Science, Faculty of Commerce. He has also worked as a Teaching Assistant, at the Department of Management Science, School of Management, Lancaster University, UK. In 2002, Prof. Mbeche was the Principal, College of Humanities and Social Sciences (UoN), until February 2011 when he was appointed as Deputy Vice-Chancellor, Student Affairs.



MR. JOHN K. ARAP KENDUIWO

Mr. John Kenduiwo, born in 1956, is the acting Managing Director of University of Nairobi Enterprise Services (UNES) where he is serving on secondment from the School of Business. He is a senior lecturer in the Department of Management Science, having previously served as Chairman, Department of Management Science and Dean, School of Business. Mr. Kenduiwo has extensive experience in teaching, research, and consultancy in the areas of strategic/operations management and performance measurement systems. He also serves as a non-executive director on the boards of a number of private and public sector entities. He is a member of the Kenya Institute of Management (KIM) and the Operations Research Society of Eastern Africa (ORSEA).

UNIVERSITY OF NAIROBI PRESS



MS PAMELLAH ADAMBA ASULE

Ms Pamellah A. Asule, born in 1968, is the Ag. Managing Editor of the University of Nairobi Press. She has served as Science Editor at UoN Press since 2004. She previously worked as Editorial Assistant at Longhorn Publishers. Ms Asule holds a Master of Arts degree in Communication Studies from the University of Nairobi and a Master of Environmental Studies degree from Kenyatta University. She obtained her Bachelor of Science Degree (Botany and Zoology) from Kenyatta University. She has edited numerous science books for readers of all levels and spends a substantial amount of time providing guidance on manuscript development.

III. MANAGEMENT TEAM

NO.	NAME	DESIGNATION
1	Ms. Pamellah Asule	Ag. Managing Editor
2	Mr. Charles Sikulu	Humanities Editor
3	Ms. Njeri Muhoro	Social Sciences Editor
4	Mrs. Damaris M. Kavoi	Senior Accountant
5	Mr. David Gitanga	Accountant

IV. REPORT OF THE CHIEF EXECUTIVE

I am pleased to present the Annual Report and Financial Statements of the University of Nairobi Press for the year ended June 30, 2018.

During the year under review, the University of Nairobi Press recorded a deficit of Ksh. 401,727 compared with a surplus of Ksh 149,081 realized in 2016/2017. The decline in financial performance was due mainly to the unfavorable political climate that prevailed in the country during the better part of the year leading to uncertainty and low business activity.

In spite of the turbulence experienced in our external environment, we made some progress by undertaking an exercise of internal reflection. Driven by the desire to exploit the enormous potential of the Press in the promotion of research and scholarship as two of the key objectives of the University, we examined suitable actions required to achieve a more revitalized entity. The Ogengo Committee on the University of Nairobi Press identified effective governance and financial sustainability as priority issues. During the period under review, we began to engage with various stakeholders and identified the best way of moving forward with these issues.

The scholarly community is experiencing a wave of expanding demand for scholarly publishing services, and products, occasioned by the push for faculty members and postgraduate students to publish as a matter of course in career advancement and academic progress. The Press is expected to prepare adequately to serve this need, which promises expanded business opportunities. We shall seek ways of translating this need into earnings in order to sustain the operations of the company. I also foresee an increase in the level of research collaboration from the expected elevated visibility of University research.

UNIVERSITY OF NAIROBI PRESS

I would like to express my special thanks to the University of Nairobi Press staff who worked tirelessly to ensure smooth operations of the company as we look forward to improved performance in future.

A handwritten signature in black ink, appearing to read 'P. Mbithi', with a long horizontal line above it.

**PROF. PETER. M. F. MBITHI,
B.V.M.,M.Sc.(Nbi),M.V.Sc.(Saskatchewan),Ph.D.(Nbi)**

Vice-Chancellor

UNIVERSITY OF NAIROBI PRESS

VI. STATEMENT OF CORPORATE GOVERNANCE

Corporate governance is the process by which organizations are directed, controlled and held to account. The University of Nairobi Press management is responsible for the overall governance of the Press, which also includes being accountable to the stakeholders in ensuring that the company complies with the law and best practices in addition to observing business ethics. The University of Nairobi Press management is committed to the need to conduct the business and operations of the company with integrity and in accordance with generally accepted standards while also ensuring adherence to the internationally developed principles of good corporate governance.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University of Nairobi Press is committed to giving back to the society in the course of carrying out business. During the year, the Press carried out the following activity as part of Corporate Social Responsibility (CSR):

- **Depositing newly published books** with various national as part of our outreach activities. Copies of books printed during the year were given to the Kenya National Library, The National Archives, and the University of Nairobi Library.

UNIVERSITY OF NAIROBI PRESS

VIII. BOARD REPORT

The business of the University of Nairobi Press, whose financial results are being reported here, was based on the company's Strategic Plan 2013-2018. In 2017/2018, as in previous years, the Press signed a performance contract with the University, which ensured a structured way of implementation of the company strategic plan, compliance with the procedures and quality standards of the University of Nairobi, and the promotion of national values. The Press also began discussions, at various levels, to implement the key recommendations by the committee on revamping the company. The issues of governance and sustainability were given priority.

During the period under review, the Press published four new books under collaborative arrangements. Collaborations are becoming an important source of support for the operations of the Press. The Press will continue to exploit the opportunities offered by the increasing local demand for scholarly publishing services with the aim of providing well-targeted products to address customer needs. We shall also increase the availability of these products through enhanced digital publishing and online distribution as a cost-effective way of doing business.

I believe that this financial report will offer the basis for improvement as the company reflects on proposed future actions.



PAMELLAH A. ASULE

Ag. Managing Editor,

UNIVERSITY OF NAIROBI PRESS

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The University of Nairobi Press Board is required to prepare statements, which give a true and fair view of the state of affairs of the company as at the end of the financial year including its surplus or deficit for that year. The Board is required to ensure that the company maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the entity. The Board is also responsible for safeguarding the assets of the company.

The Board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates consistent with previous years and in conformity with International Financial Reporting Standards. The Board is of the opinion that the financial statements presented offer a true and fair view of the state of the financial affairs of the University of Nairobi Press as at 30 June 2018. The Board further confirms the accuracy and completeness of the accounting records maintained by the company, which have been relied upon in the preparation of the financial statements, as well as the adequacy of the system of internal financial control.

This statement is not approved by the Board, but is signed on its behalf by:

PAMELLAH A. ASULE

AG. MANAGING EDITOR

DIRECTOR

PROF. PETER M.F MBITHI, PhD, EBS

VICE-CHANCELLOR

DIRECTOR

REPUBLIC OF KENYA

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



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI PRESS FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi Press set out on pages 16 to 30, which comprise the statement of financial position as at 30 June 2018 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Press as at 30 June 2018, 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 of the Laws of Kenya.

Basis for Qualified Opinion

1. Trade and Other Receivables

As disclosed in note 12 to the financial statements the trade and other receivables balance of Kshs.768,695 includes net trade receivables totaling to Kshs.768,695 arrived at after management made a provision of Kshs.595,234 being 50% of outstanding debts over six (6) years and 10% for debts below six (6) years amounting to Kshs.580,131 and Kshs.15,103 respectively. Previous year (2016-2017), management had provided for debts of six years and above at 100% and those below six years at 10%. However, this provision appears to be inadequate considering the slow pace in recovery of the outstanding debts. Further, supporting individual debtors' ledger balances for debts above 6 years were not availed for audit review.

Consequently, it has not been possible to confirm the accuracy and full recoverability of the trade receivables balance of Kshs.768,695 as at 30 June 2018.

Report of the Auditor-General on the Financial Statements of University of Nairobi Press for the year ended 30 June 2018

2. Unsupported Grants from University of Nairobi

As disclosed in note 2 to the financial statements, grants from University of Nairobi balance of Kshs.20,042,162 includes rent and utilities from University of Nairobi amounting to Kshs.3,470,400 relating to office space occupied by the Press. Although the Press management has indicated that the occupied space was valued by University of Nairobi Estate department, no evidence was availed for audit review that the valuation report has been approved and adopted by the University Council.

In the circumstances, it has not been possible to confirm the validity and completeness on rent and utilities amounting Kshs.3,470,400 for the year ended 30 June 2018.

3. Obsolete Inventories

As disclosed in note 11 to the financial statements, inventory balance of Kshs.19,257,244 includes secondary school text books amounting to Kshs.3,520,169 which are obsolete due to change in curriculum. Further, the books were held at cost whereas its probable that the realizable value could be lower hence not complying with provisions of IAS 2 which requires inventories to be measured at the lower of cost and net realizable value.

In the circumstances, it has not been possible to ascertain that the inventories balance of Kshs.19,257,244 is fairly stated as at 30 June 2018.

4. Financial Performance

The Company's financial performance continued to deteriorate during the year under review and it incurred a loss of Kshs.401,727 compared to a profit of Kshs.149,081 in the previous year. The management has attributed the loss to the increase in cost of sales from Kshs.811,943 to Kshs.1,365,103. However management has indicated that the Company has put strategies in place for the year 2018/2019 to improve the financial position.

In the circumstances, should the strategies fail to reverse the trend the Company may experience financial challenges.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of University of Nairobi Press in accordance with ISSAI 30 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 qualified 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

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 matter described in the Basis for Qualified Opinion and Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections. I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Conclusion

Annual General Meeting and Annual Returns

As previously reported, the University of Nairobi Press is incorporated under the Companies Act which requires Annual General Meetings to be conducted every year. However, the Board of Directors did not hold any meeting during the year under review. Further, the company did not file annual returns with the Register of Companies and therefore contravened Section 705 (1) of the Companies Act, 2015 which requires every Company to submit to the Registrar successive annual returns each of which is made up to a date not later than the date that is from time to time the Company's return date. Although the management has indicated that the University management has established a committee to look at the activities of the company and recommend the way forward, it is not clear when the committee will avail its recommendations. The Company therefore is in breached 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 SYSTEMS

Conclusion

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

Basis for Conclusion

Budget and Budget Control Process

During the year under review, it was noted that the Press did not have control over the budget process since the budget was prepared by the University of Nairobi and the Press was allocated as a line item. In the circumstances, it was not possible to do a budgetary analysis as the budget availed was one line budget without a detailed breakdown. No detailed approved budget was provided for verification and analytical reviews. In the circumstances, it was not possible to evaluate how the budget was executed on each component in these financial statements.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 I report based on the 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 Those Charged with Governance

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 control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 applicable basis of accounting unless the management either intends to liquidate the Company's or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the entity 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 control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control would not necessarily disclose all matters in the internal control 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.

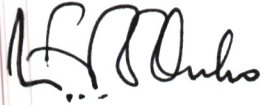
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

24 December 2018

UNIVERSITY OF NAIROBI PRESS

X. STATEMENT OF COMPREHENSIVE INCOME FOR YEAR ENDED 30TH JUNE 2018

	NOTES	2017/2018 <u>KSHS</u>	2016/2017 <u>KSHS</u>
INCOME			
Trading Profit	1	(720,512)	18,939
UoN Grants	2	20,042,162	19,242,631
Other grants	3	415,122	718,219
Income from Other Sources			
Over provision write back	4	333,319	46,850
Sub total-other sources		333,319	46,850
TOTAL INCOME		20,070,091	20,026,638
OPERATING AND ADMINISTRATIVE EXPENSES:			
UoN Grants	2	20,042,162	19,242,631
Operating Expenses	5	922,868	758,235
Depreciation	6	154,742	196,153
Donated books during the year	7	5,095	58,428
TOTAL OPERATING EXPENSES		21,124,868	20,255,448
OPERATING PROFIT FOR THE YEAR		(1,054,776)	(228,810)
Income from Short Term Deposits	8	201,528	171,393
Income from Sweeping Account	9	451,521	206,497
PROFIT/ (LOSS) FOR THE YEAR		(401,727)	149,081

UNIVERSITY OF NAIROBI PRESS

XI. STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2018

ASSETS	NOTE	2017/2018	2016/2017
Non-Current Assets		<u>KSHS</u>	<u>KSHS</u>
Property, Plant and Equipment	10	884,111	1,038,853
Current Assets			
Inventories	11	19,257,244	20,394,847
Trade and Other Receivables	12	768,695	690,851
Short Term Deposit	13	3,739,883	3,501,373
Cash and Cash Equivalents	14	7,526,031	7,083,907
Current Assets		31,291,854	31,670,978
TOTAL ASSETS		32,175,965	32,709,831
FUNDS AND LIABILITIES			
Capital Fund	15	3,809,495	3,809,495
Accumulated Profit(Loss)	16	23,548,120	23,949,848
		27,357,615	27,759,343
Non-Current Liabilities			
Current Liabilities			
Trade and Other Payables	17	4,818,350	4,950,488
TOTAL FUNDS AND LIABILITIES		32,175,965	32,709,831

UNIVERSITY OF NAIROBI PRESS

XII. STATEMENT OF CASH FLOW FOR YEAR ENDED 30 JUNE 2018

	NOTE	2017/2018 KSHS	2016/2017 KSHS
Cash Flow from Operating Activities			
Net Profit (Loss) for the Year		(401,727)	149,081
Adjustments for:			
Depreciation	10	154,742	196,153
Provision for Audit Fees (2017/2018)	17	92,800	92,800
Before working Capital Changes		(154,185)	438,034
			-
(Increase)/Decrease in Inventories	11	1,137,603	(272,657)
(Increase)/Decrease in Trade and other receivables	12	(77,844)	435,462
Increase/ (Decrease) in Trade and other payables	17	(224,938)	(17,915)
Net Cash Flow from Operating Activities		680,635	(473,076)
Cash Flow from Investing Activities			
Purchase of Equipment	4	-	(192,200)
Net Cash Flow from Investing Activities		-	(192,200)
Net Increase/ (Decrease) in Cash and			
Cash Equivalent		680,635	(665,276)
Movement in Cash and Cash Equivalent			
Cash and Cash Equivalent at Beginning of Year		10,585,280	11,250,556
Short Term Deposit	13	3,739,883	3,501,373
Cash and Cash Equivalents	14	7,526,032	7,083,907
Cash and Cash Equivalent at End of Year		11,265,915	10,585,280

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XIII. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

2017/2018	Accumulated profit (Loss) <u>KSHS</u>	Capital Fund <u>KSHS</u>	Total <u>KSHS</u>
Balance As at 01.07.2017 - NOTE 15&16	23,949,848	3,809,495	27,759,343
Surplus/ (Deficit)	(401,727)	-	(401,727)
Balance As at 30th June 2018	23,548,120	3,809,495	27,357,615

2016/2017	Accumulated Profit <u>KSHS</u>	Capital Fund <u>KSHS</u>	Total <u>KSHS</u>
Balance As at 01.07.2016	23,800,767	3,809,495	28,666,263
Adjustment: Profit for the year	149,081	-	149,081
Surplus/(Deficit)			-
Balance As at 30th June 2017	23,949,848	3,809,495	28,815,344

XIV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Statement of compliance and basis of preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Company.

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

B. Application of new and revised International Financial Reporting Standards (IFRSs). *Relevant new standards and amendments to published standards effective for the year ended 30 June 2018.*

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

- i) ***Amendments to IFRS 14 - Regulatory Deferral Accounts***
IFRS 14 deals with entities with activities whose prices are regulated by the government such as petroleum products. The amendment to IFRS 14 had no effect on UoN Press financial statements because UoN Press pricing activities are not regulated by the government, in addition the amendment only applies to first time adopters of IFRS
- ii) ***IAS 16 and IAS 38 Clarification on accepted methods of depreciation and amortization***
IAS 16 deals with the accounting for property, plant and equipment and IAS 38 with intangible assets. The two provide guidelines on the recognition, subsequent measurements and depreciation/amortization of these assets. The amendments to IAS 16 & 38 did not affect the UoN Press current Financial Statements since the amendments are effective for accounting periods beginning on or after 1st January, 2016.
- iii) ***Amendments to IAS 41 Agriculture: Bearer plants***
IAS 41 gives guidelines on the accounting treatment of biological assets such as bearer plants.
The amendment to IAS 41 did not affect UoN Press current Financial Statements because the effective for accounting periods beginning on or after 1st January, 2016 and also UoN Press does not have any biological assets in the statement of financial position.

iv) *IFRS 10, IFRS 12 and IAS 28: Investment entities applying the consolidation exception*

IFRS 10 guides on the preparation and presentation of consolidated financial statements. IFRS 12 guides on the disclosure of interests in other entities (subsidiaries, joint ventures, associates e.t.c), while IAS 28 narrows down on the detailed accounting for associates and joint ventures.

The amendment to the above standards which dealt with application for consolidation exception, did not affect UoN Press Financial Statement since UoN Press does not have a controlling interest in other entities. In addition, the effective date for the amendment was for accounting periods beginning on or after 1st January 2016.

v) *Annual improvement 2012-2014 (IFRS 5, IFRS 7, IAS 19, IAS 34)*

IFRS 5 deals with noncurrent assets held for sale and discontinued operations, IAS 32 accounting for financial instruments (Financial assets & liabilities) and IAS 34 gives guidelines on preparation of interim Financial Statements. The amendments to these standards are effective for accounting periods beginning on or after 1st January, 2016 and hence did not affect the financial statements of the company.

Early adoption of standards

The company did not early-adopt any new or amended standards in 2016.

C Significant Accounting Policies

1.1 The Accounts are prepared under the historical cost convention.

1.1a Accounts comply with the requirements of the IFRS

1.2 Property, plant and equipment are stated at cost.

Depreciation on fixed assets is provided for at annual rates estimated to write off the assets over the expected useful life.

The annual rate are:

Furniture and Equipment 10% on reducing balance method

Computers and accessories 30% on reducing balance method.

1.3 Stocks are valued at the lower of cost and net realisable value.

Note: The stocks in this case are books produced by the UoN – Press. It will be noted that usually the valuation is at cost since the net realizable value cannot be accurately determined.

1.4 The accounting figures are rounded to the nearest whole number.

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D Taxation

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

E Currency

In the Financial year 2006/2007, the format of presentation of the statements in the accounts was changed to include all possible expenses incurred directly or indirectly, paid or not paid by the UoN Press, as long as they are for financial year, have been charged against the income generated by the UoN Press for the purpose of showing the financial position.

The Staff emoluments and rent has been accrued to reflect the true position of the company

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

(iii) **Provision for Audit Fees** - Kshs. 92,800 was provided as audit fees for current year ended 30th June 2018.

The audit fees for year ended 30th June 2017 was paid during the year.

(iv) **Advances for publication**- These are funds received by UoN-Press from sponsors for publication of particular titles. During the year, a total of Kshs.0 was spent for publication of such titles.

Out of a total of 7 sponsored titles, 0 were published during the year.

Kshs 3,831,826 has been accrued for publication of the 7 titles.

(v) **Staff Emoluments**

These include salaries, allowances and other benefits paid directly to members of staff by University of Nairobi on our behalf.

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XV. NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018

1 Trading Profit

Trading account	2017/2018	2016/2017
	<u>KSHS</u>	<u>KSHS</u>
Gross Sales for the year	880,096	1,094,067
Less: Discount allowed	(235,505)	(263,185)
Net sales	644,591	830,882
Less: Cost of Sales	(1,365,103)	(811,943)
Trading Profit (Loss) for the year	(720,512)	18,939
<u>Cost of Sales</u>		
Op. Stock as at 1.7.2017	20,140,847	19,833,190
Add:		
Production cost	227,500	1,084,600
W.I.P- (Opening)	254,000	289,000
	20,622,347	21,206,790
Less:		
Closing W.I.P-(Ending)	(254,000)	(254,000)
Cl. Stock as at 30.6.2018	(19,003,244)	(20,140,847)
Cost of Sales for the year	1,365,103	811,943

2 Grant from UON

Salary and Other Benefits from UoN - (Paid to UoN Press Staff)		
Total Gross Salary (Including Leave Allowance)	15,030,937	15,961,687
Pension Contribution (20% of basic)	1,540,825	1,665,744
Total Salary and Other Benefits	16,571,762	17,627,431
Rent and Utilities from UoN-	3,470,400	1,615,200
UoN - Estates Department did the valuation of space occupied by Press offices.		

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The estimated rates are monthly rent of Kshs.289,200.

Total grant from UoN (v + vi)	20,042,162	19,242,631
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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018 *Continued...*

3	Other Grants Analysis	2017/2018	2016/2017
	<u>PARTICULARS</u>	<u>KSHS</u>	<u>KSHS</u>
	U.o.N grant - Fuel related costs	219,300	149,055
	U.o.N grant - Petty Cash Grant	195,822	195,014
	U.o.N grant - Promotional expense by U.o.N	0	374,150
	TOTAL	415,122	718,219
4	Trade Debtors (Gross)	1,311,299	1,570,794
	Provision for bad & doubtful debts	(595,234)	(928,553)
	Trade receivables (Net)	716,065	642,241
	Change for the year	333,319	545,596
5	Other Operating Expenses		
	i. Royalties	117,654	207,431
	ii. Stationery and Office Expenses	349,057	426,255
	iii. Mileage and Travelling Expenses	68,250	8,016
	iv. Annual Subscription Fees (KPA)	55,000	1,192
	v. Promotion & Marketing	156,970	10,000
	vi. Audit Fees (provision)	92,800	92,800
	vii. Bank Charges	18,187	12,541
	viii. Training and Workshop	64,950	-
		922,868	758,235
6	Depreciation		

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Depreciation-Furniture	78,457	87,174
-Computers	76,285	108,979
30th June 2017	154,742	196,153

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018 *Continued...*

	2017/2018 KSHS	2016/2017 KSHS
7 Books Donated	5,095	58,428
These were books issued to authors and various heads of departments for reference or promotion free of charge		
8 Investment income(T/Bill) as at 30th June 2018		
Description		
July - Sep 2017	67,799	41,455
Oct - Dec 2017	38,784	59,172
Jan - Mar 2018	67,829	40,483
April - June 2018	27,115	30,283
	201,528	171,393
9 Income from Sweeping Account	451,521	511,339

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018

Continued...

Property, Plant & Equipment	Furniture & Equipment	Computers & Accessories	Total
2017/2018			
Cost or Valuation	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
1st July 2017	4,629,654	1,838,643	6,468,297
Additions	-	-	-
30th June 2018	<u>4,629,654</u>	<u>1,838,643</u>	<u>6,468,297</u>
Depreciation			
1st July 2017	3,845,084	1,584,360	5,429,444
Charge for the Year	78,457	76,285	154,742
30th June 2018	<u>3,923,541</u>	<u>1,660,645</u>	<u>5,584,186</u>
Net Book Value			
At 30th June 2018	706,113	177,998	884,111
At 30th June 2017	784,570	254,283	1,038,853
2016/2017			
Cost or Valuation	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
1st July 2016	4,629,654	1,646,443	6,276,097
Additions	-	192,200	192,200
30th June 2017	<u>4,629,654</u>	<u>1,838,643</u>	<u>6,468,297</u>
Depreciation			
1st July 2016	3,757,910	1,475,381	5,233,291
Charge for the Year	87,174	108,979	196,153
30th June 2016	<u>3,845,084</u>	<u>1,584,360</u>	<u>5,429,444</u>
Net Book Value			
At 30th June 2017	784,570	254,283	1,038,853
At 30th June 2016	871,744	171,062	1,042,806

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018

Continued...

	2017/2018	2016/2017
	<u>KSHS</u>	<u>KSHS</u>
11 Inventories		
Scholarly Books	15,483,075	16,735,883
Secondary School Text Books	3,520,169	3,404,964
Work - in - Progress	254,000	254,000
	<u>19,257,244</u>	<u>20,394,847</u>

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

12 Trade and Other Receivables

Trade Receivables – UON Press provided 50% for debts that are 6 years old and above , while 10% is provided for debts that are below 6 years and below.

The change was informed by a debtor circularization exercise done at year end and some previously perceived doubtful debt were proved to be realizable from the public Universities owed.

the provision for Bad and doubtful Debts as follows:

Trade Receivables (Net)	716,065	642,241	
Advance Royalties	52,630	48,610	
Total	<u>768,695</u>	<u>690,851</u>	
Trade Debtors (Gross)	1,311,299	1,570,794	Change for the year
Provision for bad & doubtful debts	(595,234)	(928,553)	333,319.00
Trade receivables (Net)	<u>716,065</u>	<u>642,241</u>	

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018

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Continued...

Period of Debt		Rate	Provision for bad Debts
Above 6 years	1,160,261	50%	580,131
Below 6 years	<u>151,038</u>	10%	<u>15,103</u>
Total	<u><u>1,311,299</u></u>		<u><u>595,234</u></u>

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

13 Short Term Deposits

Short-term deposits refer to Kshs. 2,000,000 placed on call Deposit with Barclays Bank of Kenya Queensway branch w.e.f 1st November 2004. The interest earned is re-invested in the same account.

Short term deposit re-invested	3,600,000	3,100,000
Interest re-invested for the year	<u>139,883</u>	<u>401,373</u>
	<u><u>3,739,883</u></u>	<u><u>3,501,373</u></u>

14 Cash and Cash Equivalents

Cash at Bank (BBK - Queensway Hse. A/C No. 8245353)	7,526,031	7,083,907
Cash at Hand		
Total	<u><u>7,526,031</u></u>	<u><u>7,083,907</u></u>

15 Capital Fund

This is the initial contribution by the University of Nairobi for the set up of the University of Nairobi Press. The amount has remained the same over the years. -Ksh. 3,809,495

Capital Fund	<u>3,809,495</u>	<u>3,809,495</u>
	<u><u>3,809,495</u></u>	<u><u>3,809,495</u></u>

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE, 2018 *Continued...*

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16 Accumulated Profit (Loss)		
	2017/2018	2016/2017
Accumulated Profit (Loss) Brought Forward- 01.07.2017	23,949,848	23,800,767
Net accumulated profit (Loss)- 01.07.2018	23,949,848	23,800,767
Profit (Loss) for the year	(401,727)	149,081
Accumulated profit/(Loss)	23,548,120	23,949,848
17 Trade and Other Payables		
Trade Creditors	18,530	133,719
Royalties	758,992	740,816
Provision for Audit Fees	92,800	92,800
Advances for Publication	3,948,028	3,983,153
Total	4,818,350	4,950,488

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XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue/Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe