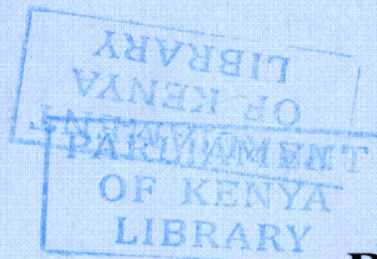


REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MULTIMEDIA UNIVERSITY OF KENYA**

**FOR THE YEAR ENDED
30 JUNE 2013**



MULTIMEDIA UNIVERSITY OF KENYA

KENYA NATIONAL AUDIT OFFICE
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MULTIMEDIA UNIVERSITY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2013



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MULTIMEDIA UNIVERSITY OF KENYA

UNIVERSITY COUNCIL

NEW UNIVERSITY COUNCIL; GAZETTED ON 8TH AUGUST 2013.

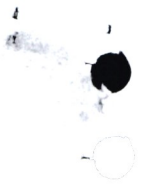
	NAME	POSITION	PLACE OF WORK
1	DR. HERBERT MISIGO AMATSIMBI	CHAIRMAN	LECTURER -UON
2	FRANSISCA BOEN	V.CHAIR	KURA
3	PROF. PETER MWITA	MEMEBER	JKUAT
4	DR. RUTH KAGIA	MEMEBR	WORLD BANK
5	DR. DEKHA SHEIK	MEMEBR	LECTURER- KU.
6	ENG. ARTHUR OGWAYO	MEMBER	CONSULTANT

THE UNIVERSITY COUNCIL-GAZETTED As at 30th June 2013

	NAME	POSITION	APPOINTED	RETIRED
1	ENG JANUARIUS MUTAI	CHAIRMAN	31/10/2012	31/07/2013
2	AMB JOSIAH GREEN	VICE CHAIRMAN	11/07/2010	31/07/2013
4	MR PAUL KUKUBO	MEMBER	28/11/2012	31/07/2013
5	ROSEMARY GITONGA	MEMBER	09/02/2012	31/07/2013

THE UNIVERSITY COUNCIL AS AT 30 JUNE 2012.

	NAME	POSITION	APPOINTED	RETIRED
1	HON. MUTAHI KAGWE	CHAIRMAN	01/07/2010	SEPT.2012
2	RICHARD BELL	MEMBER	9/2/2012	21/02/2013
3	ROSEMARY GITONGA	MEMBER	9/2/2012	31/07/2013
4	AMB.GREEN JOSIAH	MEMBER	11/07/2010	31/07/2013.





COUNCIL COMMITTEES

The following are council Committees

	Committee	Chairperson	Members
1	Executive Council Committee	Eng.Jan Mutai	1.Amb. Green Josiah - Member 2.Vice Chancellor, JKUAT 3.Director General CCK/Rep. CCK 4.Representative, Permanent Secretary, National Treasury 5.Vice chancellor MMU/Secretary
2	Finance Resource mobilization Committee	Eng.Jan Mutai Ag Chairperson	1.Amb. Green Josiah - Member 2.Vice Chancellor, JKUAT 3.Director General CCK/Rep. CCK 4.Director General, State Corporations/Representative 5. Vice chancellor MMU 6.Deputy Vice chancellor 7.Finance Officer/Secretary
3	Audit Committee	Eng Rosemary Gitonga	1.Mr. Paul Kukubo – Member 2.PS, MOHEST/Representative 3.PS, MOF/Representative 4.Director General, State Corporations/Representative 5. Ag.Vice chancellor MMU 6.Ag.Deputy Vice chancellor 7.Registrar/AA 8.Chief Internal Auditor/Secretary
4	Planning ,Establishment & Development& ICT steering Committee	Mr Paul Kukubo	1.Eng. Rosemary Gitonga – Member 2.Representative, PS, MOHEST 3.Director General CCK/Rep. CCK 4.PS, MOIC/Representative 5.Ag.Vice Chancellor 6. Ag. Deputy Vice Chancellor 7.Student Union Representative 8.Registrar/AA 9.Registrar RPE 10.Registrar Admin./Secretary



MULTIMEDIA UNIVERSITY OF KENYA

5	External Relations and Linkages Committee	Amb.Green Josiah	<ol style="list-style-type: none"> 1.PS, MOIC/Representative 2.PS, MOF/Representative 3.Ag Vice Chancellor 4.Ag Deputy Vice Chancellor 5.Registrar/AA 6.Registrar RPE – Secretary
6	Human Resource, Staff Welfare & Disciplinary Committee	Amb.Josiah Green	<ol style="list-style-type: none"> 1.Eng. Rosemary Gitonga – Member 2.Vice Chancellor, JKUAT 3.PS, MOIC/Representative 4.Director General, State Corporations/Representative 5.Ag Vice Chancellor 6.AgDeputy Vice Chancellors 7.Registrar Administration/Secretary 8. Additional members for disciplinary cases.
7	Student Welfare Committee	Mrs mercy Wanjau	<ol style="list-style-type: none"> 1.Mr. Paul Kukubo – Member 2.Ag Vice Chancellor 3 Ag.Deputy Vice chancellor 4.Dr. Livingstone Ngoo – Registrar/AA 5.Registrar Administration 6.Dean of Students - Secretary 7.Two Student Union Leaders (preferably of either gender)
8	Staff Appointment, Appraisal& Promotion Committee	For Professors, Associate Professors and Non-Academic Staff in Grades 14 and 15	<ol style="list-style-type: none"> 1.Chairman of Council 2. Amb. Green Josiah – Member 3.Council Treasurer - Member 4.Vice Chancellor, JKUAT 5.PS,Ministryofeducation/Representative 6.PS,National treasury/Representative 7.Director General, State Corporation/Representative 8.Ag vice chancellor 9.Ag.Deputy Vice chancellor 10. Additional members based on a candidate.
9	Staff Appointment, Appraisal& Promotion Committee	For Senior Lecturers, Lecturers, Assistant Lecturers and Non Academic Staff in Grades 1-13	<ol style="list-style-type: none"> 1.Ag Vice Chancellor/Chair 2.Ag Deputy Vice Chancellor 3. Additional members based on candidate.



OFFICERS OF THE UNIVERSITY

The University management team comprises of the Vice Chancellor, Deputy Vice Chancellors, Deans of faculties and Directors and Finance Officer.

Prof. Walter O. Oyawa	- Ag Vice Chancellor (From 1 st March 2013 to 17 th Jan 2014)
Prof. Amb. Festus Kaberia	- Vice Chancellor (Appointed on 17 th Jan 2014).
Prof. Rosebella Maranga	- Deputy Vice Chancellor; Administration, Finance & Planning. (Appointed on 17 th Jan 2014)
Prof. Paul Mbatia	- Deputy Vice Chancellor; Academic affairs, Research and Innovations. (Appointed on 17 th Jan 2014)
Prof. Douglas Shitanda	- Ag Deputy Vice Chancellor Academic Affairs, Research Production & Extension
Prof. Charles Njoroge	- Ag Deputy Vice Chancellor Finance and Administration
Dr. Livingstone Ngoo	- Registrar Academic Affairs
Dr. Irene Wattanga	- Registrar Administration
Prof. Abel Mayaka	- Dean Faculty of Engineering
Mrs. Dorcas Kerre	- Dean of Faculty of Business
Prof. Murej O. Mac'ocheing	- Dean of Mass Communication
Mr. John Walubengo	- Dean of Faculty of Information Technology
Mr. Michael Mbugua	- Finance Officer



REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Mbagathi Campus

Magadi Road
P.O.Box 15653 - 00503
Nairobi, Kenya

Website: **www.mmu.ac.ke**

E-mail: **vc@mmu.ac.ke**

Tel: (020) 891201 Fax: (020) 891949 or 892276

CDMA: 0202071391/2/3, 0202071342/3

GSM: 0724-257083, 0735-900008

AUDITORS

Auditor General

Kenya National Audit Office

P.O Box 30084-00100
Nairobi, Kenya

BANKERS

Kenya Commercial Bank Limited

Ongata Rongai Branch
P.O Box 267
Ongata Rongai

Stanbic Bank Limited

Kenyatta Avenue Branch
P.O Box 30550 - 00100 GPO
Nairobi, Kenya.

LEGAL ADVISORS

1. J. Thongori & co Advocates
P.O Box 53457-00200
Nairobi.
2. Miller & Company Advocates
P.O Box 45707-00100
Nairobi
3. Achach & Company Advocates
P.O Box 4958-00200
Nairobi
4. Muoki & Company Advocates
P.O Box 41729-00100
Nairobi



CHAIRMAN'S REPORT

Introduction

It is a great pleasure to report on behalf of the council on performance of the University and financial Statements for the year ended 30th June 2013.

I am pleased to report that we were elevated to the status of a fully fledged university via the Multimedia University charter, 2103 on 4th March 2013. Together with this it also gives me great pleasure to also report of opening of the Multimedia University town Campus in the year under review. Previously, Multimedia University of Kenya was a technical and vocational training institution wholly owned by Communication Commission of Kenya (CCK) until 28th November 2008 when the College was elevated to a University College through legal notice no 155 as a constituent College of Jomo Kenyatta University of Agriculture and Technology.

The University continues to review its programmes in line with market demand. This has led to introduction of market oriented courses. The University aims at expansion while maintaining quality in line with our vision to be a world class center of excellence in training, research and innovation in cutting edge technologies.

The University offer skills development programmes, professional and academic programmes at certificate, diploma and degree levels. The main focus of the training offered by the University is as stated in the mission statement which emphasis the development of ICT and other related disciplines.

Financial performance

In the 2012/2013 financial year, the total college revenue was up by 34.36% with the tuition income registering a growth of 46.87%. This growth can be attributed to reclassification of income and increase in the number of students. However this was more than offset by increases in Staff cost by 52 % (driven by increase in number of staff to 357 compared to 311 as at June 30th 2012 and the salary increment given during the current financial year.) and the increase in operation cost by 31 %. The administration cost decreased by 25%.

On the overall, the University recorded a financial Deficit of KShs. 230.2 Million, compared to a deficit of Ksh.162 million during the previous financial year driven mainly by the above.

Finally, the University wants to thank the Kenya Government and other organizations for continued support to the university. We also thank the university staff for their dedication and commitment.

A handwritten signature in blue ink, appearing to read 'Herbert Misigo', is written over the printed name.

Dr. Herbert Misigo Amatsimbi.

CHAIRMAN OF THE UNIVERSITY COUNCIL



REPORT OF THE UNIVERSITY COUNCIL

The University Council presents their Report together with the Financial Statements for the year ended 30 June 2013, which shows the University affairs. The University was established under legal notice No.155 of 2008 which made it a constituent College of Jomo Kenyatta University of Agriculture and Technology (JKUAT). On 4th March 2013 Multimedia University became a fully Pledged university under the Multimedia University Charter, 2013

Principal activities

The University offers training opportunities with the aim of meeting the training needs of the Information and Communication Technology (ICT) sector. The University offers Diplomas and Degrees academic programs in conjunction with the Jomo Kenyatta University of Agriculture and Technology (JKUAT). The University also runs academic and professional programmes in collaboration with NCC (UK), ABMA (UK), CIPS (UK) and KNEC (KENYA).

Results

Deficit for the year was Kshs 230,186,025 as compared to a deficit of Kshs. 162,487,676 in 2011/2012.

Financing

The University received government grant of Kshs.349, 500,000 to cater for recurrent expenditure and Kshs.61, 620,455 to cater for development expenditure. In total the University received Kshs.411, 120,455 from the government.

Council Members

The University Council membership is as stipulated in the legal notice no 155 of 28th Nov 2008 par 11(1), Gazette Notice no.10354 of 25th September 2009 and no.10363 of 2nd October 2009.

Auditors

The Auditor General continues in office.

VICE CHANCELLOR
MULTIMEDIA UNIVERSITY OF KENYA
P.O. Box 15653 - 00503, NAIROBI - KENYA.

By Order of the Council
Vice Chancellor/ MMU

Nairobi





UNIVERSITY INFORMATION
VISION AND MISSION STATEMENT
AND OUR CORE VALUES

OUR VISION

To be a world class center of excellence in training, research and innovation in cutting edge technologies.

OUR MISSION

To provide quality training in Engineering, Media, Information Science and Technology and Business to meet the aspirations of a dynamic Society, while inculcating strong research, outreach, extension and innovation culture within an efficient team of academic, Technical and Administrative staff

OUR CORE VALUES

- 1. Integrity**
- 2. Transparency**
- 3. Fairness**
- 4. Teamwork**
- 5. Professionalism**
- 6. Service Excellence**
- 7. Customer Focus**
- 8. Academic freedom**
- 9. Innovation**
- 10. Courtesy**





BACKGROUND

Multimedia University is a fully pledged University of Kenya. It was previously registered as a constituent College of Jomo Kenyatta University of Agriculture and Technology formed under legal notice no 155 of 28TH Nov 2008 and before being a constituent college it was registered as The Kenya College of Communications Technology (KCCT) as a limited company under the Company's Act (CAP 486) on 23rd November 2000 .KCCT was the successor to the Central Training School (CTS), which was founded in 1948 to provide advanced telecommunications, postal and management training to the employees of the then East African Posts and Telecommunications Corporation.

After the collapse of the East African Community (EAC) in 1977, CTS was taken over by the Kenya Post and Telecommunication Corporation (KPTC). In an effort to match the changing global environment of the telecommunications industry, the Kenyan government introduced partial liberalization of telecommunications services in 1990. CTS was then transformed into an autonomous college - the Kenya College of Communications Technology (KCCT) and incorporated under the Companies Act (cap 486) as a wholly owned subsidiary of the then Kenya Posts and Telecommunications Corporation (KPTC).

On the 28th Nov 2008, the College was elevated to University status Vide legal notice no.155 and became a constituent college of Jomo Kenyatta University College of Agriculture and Technology and on 4th March, 2013 it become a fully pledged University.





CORPORATE GOVERNANCE STATEMENT

Corporate governance is the process by which corporate bodies are directed and controlled with the objective of increasing stake/shareholders value and satisfying them. This is achieved by establishing a system of clearly defined authorities and responsibilities, which result in a system of internal controls that is regularly tested to ensure effectiveness.

At Multimedia University of Kenya, the Council places a high degree of importance on maintaining a sound control environment and applying the highest standards of business integrity and professionalism in all areas of the University's activities. The Council has adopted the Code of Best Practice for Corporate Governance issued by the Centre of Corporate Governance (Kenya) as its benchmark in developing its corporate governance principles.

The Council is responsible for the governance of the College and conducts the business and operations of the College with integrity and in accordance with generally accepted corporate practices, in a manner based on transparency, accountability and responsibility.

COMPOSITION OF THE COUNCIL

The council comprises of a Chairman, and nine other members who possess broad range of expertise from diverse professional background. They are drawn from various ministries and business sectors. The remuneration is based on guidelines on terms and conditions of service for State Corporation's circular of 23rd Nov 2008.

COUNCIL COMMITTEES

The council established Finance committee, Human resource committee, Audit Committee, student welfare committee, External Affairs committee, Planning and Technology committee and Appeals committee.



FINANCIAL HIGHLIGHTS

In the 2012/2013 financial year, the total college revenue was up by 34.36% with the tuition income registering a growth of 46.87%. This growth can be attributed to reclassification of income and increase in the number of students. However this was more than offset by increases in Staff cost by 52 % (driven by increase in number of staff to 357 compared to 311 as at June 30th 2012 and the salary increment given during the current financial year.) and the increase in operation cost by 31 %. The administration cost decreased by 25%.

The University is in the process of developing new programmes and new marketing strategies which is aimed at rejuvenating the University performance. With the support of the Council, management and staff the University is expected to make major decisions which will further trigger better performance.

On the overall, the University recorded a financial Deficit of KShs. 230 Million, compared to a deficit of Ksh.162 million during the previous financial year.



STATEMENT OF THE UNIVERSITY COUNCIL RESPONSIBILITY

The University Council is responsible for the preparation of financial statements for each financial year, which gives a true and fair view of the state of affairs of the university as at the end of the financial year and of its operating results for the year. The Council is required to ensure that the university keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University. They are also responsible for safeguarding the assets of the University and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances

The Council accepts responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the Kenyan Companies Act. The Council is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the University and of its operating results as at 30th June 2013. The Council further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.

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

Approved by the University Council and signed on its behalf by:

NATSIGO

Chairman of the Council

.....*18/07/*.....2014

VICE CHANCELLOR
MULTIMEDIA UNIVERSITY OF KENYA
P. O. Box 15653 - 00503, NAIROBI - KENYA.
MAGADI ROAD
TEL: +254 20 2012071391
W. Kaberia

Vice Chancellor/CEO

.....*18/07/*.....2014



REPORT OF THE INDEPENDENT AUDITORS

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

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON MULTIMEDIA UNIVERSITY OF KENYA FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Multimedia University of Kenya set out on pages 16 to 30, which comprise the statement of financial position as at 30 June 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Council's Responsibility for the Financial Statements

The University Council is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as the Council determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Council is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risk of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair

presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

Trade and Other Receivables

Trade and other receivables balance of Kshs.211,728,484 as at 30 June 2013 includes balances totalling to Kshs.31,197,617 being outstanding receivables due from former employees which have been outstanding for a long period of time.

In the circumstances, it is not possible to confirm the collectability of some of the University's debts as at 30 June 2013.

Qualified Opinion

In my opinion, except for the effect of matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects the financial position of the University as at 30 June 2013 and of its financial performance and its cash flows for the year ended in accordance with International Financial Reporting Standards and comply with the Universities Act, 2012.

Emphasis of Matter

Financial Performance

During the year under review, the University recorded a deficit of Kshs.230,186,025 (2012 deficit- Kshs.162,487,676) resulting in depletion of revenue reserve from Kshs.461,955,473 as at 30 June 2012 to Kshs.231,769,448 as at 30 June 2013. Further, the current liabilities of Kshs.354,272,291 exceeded the current assets of Kshs.224,372,194 as at 30 June 2013 resulting in a negative working capital of Kshs.129,900,097. The University is therefore technically insolvent. However, the

financial statements have been prepared on a going concern basis on the assumption of continued support from the Government. My opinion is not qualified in respect of this matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

10 July, 2014



MULTIMEDIA UNIVERSITY OF KENYA

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

		2012/2013	2011/2012
		Kshs	
ASSETS	Notes		
NON CURRENT ASSETS			
Property, Plant and Equipment	8	<u>1,669,494,306</u>	<u>1,611,552,121</u>
CURRENT ASSETS			
Inventories	10	12,346,719	6,890,513
Trade and other receivables	11	211,728,484	225,293,368
Cash in Hand Balance	12	<u>296,991</u>	<u>44,178,834</u>
Total Current Assets		<u>224,372,195</u>	<u>276,362,715</u>
Total Assets		<u>1,893,866,500</u>	<u>1,887,914,836</u>
ACCUMULATED FUND			
Capital Fund	13	1,269,222,498	1,269,222,498
Reserves		231,769,448	461,955,473
Grant	14(a)	1,799,999	1,859,999
CCK Grant	14(b)	36,802,264	40,589,194
Total Accumulated fund		<u>1,539,594,209</u>	<u>1,773,627,165</u>
CURRENT LIABILITIES			
Trade and other Payables	15	335,108,750	103,415,377
Pension Liability	16	16,096,106	10,870,780
Bank Overdraft	12	<u>3,067,435</u>	<u>1,515</u>
Total Current Liabilities		<u>354,272,291</u>	<u>114,287,672</u>
Total Capital and Liabilities		<u>1,893,866,500</u>	<u>1,887,914,836</u>

Dr. Herbert Amatsimbi Misigo
The Council Chairman

Amb. Prof. Festus Kaberia
Vice Chancellor

MULTIMEDIA UNIVERSITY OF KENYA
P. O. Box 15653 - 00503, NAIROBI - KENYA.
MAGADI ROAD
TEL: +254 20 2012071391



**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

	Notes	2012-2013 Kshs	2011-2012 Kshs
Total Revenue	3	<u>818,672,837</u>	<u>609,299,576</u>
EXPENDITURE			
Material Costs	4	90,986,106	100,253,261
Staff Costs	5	619,820,227	406,773,654
Operation Cost	6	89,558,370	68,115,075
Council Expenses	17	11,476,349	13,761,757
Audit Fees	18	750,000	750,000
Administration Costs	7	70,443,014	94,158,346
Total operating expenses		<u>883,034,066</u>	<u>683,812,094</u>
Deficit before non operating expenses		<u>(64,361,229)</u>	<u>(74,512,517)</u>
Depreciation	8	89,167,774	86,816,186
Bad debts provision		75,945,525	503,790
Net Finance costs	9	711,497	655,183
Total Non-Operating Expenditure		<u>165,824,796</u>	<u>87,975,159</u>
Total expenses		<u>1,048,858,862</u>	<u>771,787,253</u>
Net Surplus/(Deficit)		<u>(230,186,025)</u>	<u>(162,487,676)</u>





**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 2013**

	CAPITAL FUND	REVENUE RESERVE	KOREA GRANT	GRANTS	CCK GRANT	TOTAL
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Balance as at 30 Jun 2012 Restated	1,269,222,498	624,435,600	4,767,708	1,919,999	45,116,766	1,945,462,571
Net Surplus for the year	-	(162,487,676)		-	-	(162,487,676)
CCK grant amortization			(286,062)		(9,009,216)	(9,295,278)
Grants				(60,000)		(60,000)
As At 30 JUN 2013	1,269,222,498	461,955,473	4,481,646	1,859,999	36,107,549	1,773,627,164
Balance as at 1 Jul 2012	1,269,222,498	461,955,473	4,481,646	1,859,999	36,107,549	1,773,627,164
Net Deficit for the year	-	(230,186,025)		-	-	(71,582,601)
Prior Year Adjustment		-				47,358,396
Amortization			(286,062)		(3,500,868)	(3,786,930)
Grants	-			(60,000)		(60,000)
As At 30 JUN 2013	1,269,222,498	231,769,448	4,195,584	1,799,999	32,606,681	1,539,594,209

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 30 JUNE 2013**

		2012/2013	2011/2012
	Notes	Kshs	Kshs
Surplus (Deficit) for the Year		<u>(230,186,025)</u>	<u>(162,487,676)</u>
Adjustments for :			
Depreciation	8	89,167,774	86,816,186
Amortization	14(a)	(60,000)	(60,000)
Losses		-	104,000
Grant Income	14(b)	(3,786,930)	(9,295,278)
Prior year adjustment		-	7500
		<u>85,320,844</u>	<u>77,572,458</u>
(Deficit)/Surplus before working capital changes in;		<u>(144,865,181)</u>	<u>(84,915,218)</u>
(Increase)/Decrease in Receivables	11	13,564,883	(15,245,867)
Increase/(Decrease) in Payables	15	231,693,373	43,456,540
(Increase)/Decrease in Inventory	10	(5,456,205)	203,314
Bank overdraft		-	(6,036)
Increase/(Decrease) in Pension Liability	16	5,225,326	(40,915,077)
Net Cash Generated/Absorbed from/by Operating Activities		<u>100,162,196</u>	<u>(97,422,344)</u>
Cash used in Investing Activities			
Purchase of fixed Assets	8	(163,109,960)	(58,433,687)
Loss on Property and Equipment		16,000,000	-
Total Cash used in Investing Activities		<u>(147,109,960)</u>	<u>(58,433,687)</u>
Net Increase (Decrease) in cash & cash Equivalents		<u>(46,947,764)</u>	<u>(155,856,032)</u>
Prior period adjustment		(1,515)	
Cash and cash equivalents at start of the year		<u>44,178,834</u>	<u>200,034,866</u>
Cash and cash equivalents at end of the year		<u>(2,770,444)</u>	<u>44,178,834</u>
Comprising of :			
Cash on Hand	12	296,991	177,357
Bank Balance (Stanbic)	12	-	-
Bank Balance (KCB Main)	12	(1,780,837)	38,322,158
Bank Balance KCB Fixed Account	12	-	-
Bank Balance(KCB MADARAKA)	12	<u>(1,286,598)</u>	<u>5,679,319</u>
Total Cash and Cash Equivalents		<u>(2,770,444)</u>	<u>44,178,834</u>



NOTES TO THE FINANCIAL STATEMENT

FOR THE YEAR ENDED 30 JUNE 2013

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of Preparation

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities, at the date of the financial statements and the reporting amounts of revenues and expenses during the reporting period.

b) Basis of Accounting

The accounts have been prepared on accrual basis of accounting.

c) Revenue recognition

Revenue represents the invoiced value of services net of value added tax and is recognized when the service has been rendered to customers.

d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

e) Capital work in progress

Capital work in progress represents construction costs incurred on the development of certain facilities whose construction is incomplete at the year-end.

f) Provision for doubtful debts

The University reviews its debtor's portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amount that is irrecoverable especially due from students. Currently the college provide for bad debts as general provision of 2%.



Notes to the financial statements (Continued)

g) Property and equipment

Property and equipment are stated at cost or valuation less accumulated depreciation.

a) Depreciation

Freehold land is not depreciated.

Depreciation on other property and equipment is calculated on a straight-line basis using the following annual rates:

- Buildings 2%
- Plant & Machinery 6%
- Furniture & Fittings 12.5%
- Computers & Printers 30%
- Motor Vehicles 12.5%
- Library books 20%

Financial instruments

Financial assets and financial liabilities are recognized in the balance sheet when the University becomes a party to the contractual provisions of the instrument.

h) Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate provisions for estimated irrecoverable amounts.

i) Trade payables

Trade payables are stated at their nominal value.





Notes to the financial statements (Continued)

j) Impairment

At each balance sheet date, the University reviews the carrying amounts of its financial assets, tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

k) Leasehold land

Payments to acquire leasehold interests in land are treated as prepaid operating lease rentals and mortgaged over the term of the related lease.

m) Cash and Cash Equivalent

For the purpose of the statement of cash and cash equivalents include short term liquid investment which are readily convertible to known amounts of cash and which are within three months to maturity when acquired.

2. GOING CONCERN

The university recorded a deficit of Kshs. 230,186,025 during the year, this was mainly attributed to unmatched capitation to payroll costs. However, the future business forecasts indicates that the University's future prospects are brighter owing to the initiation of training collaboration with various universities, expansion of existing programmes, launching of several newly developed courses and the utilization of the existing facilities.

The University is focused on its main training business towards the Information Communication Technology sector (ICT), which is currently growing very fast. To become a market leader in University education, ICT training, research and consultancy services in response to the needs of a dynamic society.

On the strength of the above factors, the financial statements have been prepared on the going concern basis.





Notes to the financial statements (Continued)

3. REVENUE ANALYSIS

	2012/2013	2011/2012
	Kshs	Kshs
Tuition:	243,489,351	165,790,927
Catering:	56,528,152	65,476,907
Accommodation:	87,722,734	58,588,036
Other incomes	14,518,504	66,441,250
Printery Income	1,506,711	
Total Government grant	411,120,455	238,642,237
Grant Income-others	3,786,930	9,295,278
Interest Income	-	5,064,941
Total	818,672,837	609,299,576

4. MATERIAL COSTS

	2012/2013	2011/2012
	Kshs	Kshs
General Stores	19,158,613	35,010,978
Messing Costs	63,114,907	59,675,591
Cleaning materials	5,831,365	2,823,782
Medical Stores	2,881,221	2,742,910
Total	90,986,106	100,253,261

5. STAFF COSTS

	2012/2013	2011/2012
	Kshs	Kshs
Salaries and allowances	264,406,712	204,056,997
Gratuity	22,028,312	1,008,125
Casual wages(adm)	34,643,712	33,893,146
Resource fees	45,297,753	38,598,249
Leave allowance	7,985,000	4,633,000
House allowance	139,300,555	86,461,777
Pension Costs	32,457,597	28,862,977
Medical expenses	10,628,471	6,191,410
Staff development	1,861,455	2,963,972
Honoraria	13,000	104,001
Car Allowance	61,197,660	-
PERSONNEL COSTS	619,820,227	406,773,654



Notes to the financial statements (Continued)

6. OPERATION COSTS

	2012/2013	2011/2012
	Kshs	Kshs
Electricity, water	28,095,659	27,041,486
Fuel	2,701,810	1,041,674
Vehicle running expenses	8,303,836	5,183,558
Postal & Telephone	1,034,580	1,144,667
Internet services	5,000,797	2,861,969
Student Union Expenses	3,369,805	
Sports	4,729,648	
Travelling Local		5,654,108
Travelling External		4,915,624
Cleaning Services	5,390,904	4,590,182
Student Activities	1,436,827	-
Non Deductable VAT	8,235,652	-
Hire of Student Laboratory	2,087,831	-
Hotel beddings and Linen	2,016,483	-
Hotel cutlery and Crockery	537,078	-
Main Kitchen Cutlery&Crockery	1,115,810	-
Student Work study	465,050	-
Graduation Expenses	4,882,291	-
Motor Vehicle repairs	3,531,848	2,315,720
Furniture & Equipment operation cost	6,622,461	13,366,087
Total	89,558,370	68,115,074





7. ADMINISTRATION COSTS

	2012/2013	2011/2012
	Kshs	Kshs
Travelling Local	6,238,443	
Travelling External	3,043,119	
Student Union Expenses		3,238,900
Sports		5,098,752
Incidental expenses	6,541,598	6,132,071
Office expenses	2,829,607	2,143,227
Research Costs	342,000	
External Honoraria	496,000	
Legal Costs	9,266,955	
Rental Expenses	862,069	
Burnt Building	16,000,000	
Collaboration fee	-	4,685,939
Library expenses	514,311	574,052
Marketing & Public Relations	10,212,393	11,324,915
Insurance	2,768,036	1,082,896
Losses	-	104,696
Professional Consultancy	1,625,000	18,233,098
Security charges	9,703,483	8,048,846
Tax expense	-	19,492,199
Interest & penalties	-	13,998,755
Total	70,443,014	94,158,346



Notes to the financial statements (Continued)

8. SCHEDULE OF PROPERTY PLANT AND EQUIPMENT

DESCRIPTION	LAND	BUILDINGS	PLANT AND MACHINERY	FURNITURE & EQUIPMENT	MOTOR VEHICLES	COMPUTERS & PRINTERS	LIBRARY BOOKS	WORK IN PROGRESS	TOTAL
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS
Cost Balance As at 30.06.2012	280,000,000	1,226,110,205	229,541,101	256,200,253	35,344,166	117,884,622	9,834,698	36,586,035	2,191,501,080
Adjustment								27,828,708	27,828,708
Additions at Cost			120,000	7,463,869	-	9,963,866	1,812,995	115,920,522	135,281,252
Burnt Building		(20,000,000)				-			(20,000,000)
As at 30.06.2013	280,000,000	1,206,110,205	229,661,101	263,664,122	35,344,166	127,848,488	11,647,693	180,335,265	2,334,611,040
Accumulated Depreciation as at 30.06.2012	-	171,882,203	145,493,859	147,197,155	11,765,172	97,944,165	5,666,406	-	579,948,960
Charge for the Period before Adjustment		24,122,204	13,779,666	32,958,015	4,418,021	11,500,329	2,329,539		89,107,773
Grant Amortisation		60,000							60,000
Depreciation for period after Adjustment		24,182,204	13,779,666	32,958,015	4,418,021	11,500,329	2,329,539	-	89,167,773
Less Accumulated Depreciation on Burnt Building		(4,000,000)							(4,000,000)
Accum. Depreciation	-	192,064,407	159,273,525	180,155,170	16,183,193	109,444,494	7,995,945	-	665,116,733
NBV @ 30-JUN-2013	280,000,000	1,014,045,798	70,387,576	83,508,952	19,160,973	18,403,994	3,651,748	180,335,265	1,669,494,306
NBV @ 30-JUN-2012	280,000,000	1,054,228,002	84,047,242	109,003,098	23,578,994	19,940,457	4,168,292	36,586,035	1,611,552,121



MULTIMEDIA UNIVERSITY OF KENYA

Notes to the financial statements (Continued)

9. FINANCE COST

	2012/2013	2011/2012
Bank Charges	711,497	655,183
TOTAL	711,497	655,183

10. INVENTORIES

	2012/2013 Kshs.	2011/2012 Kshs.
Main Stores	6,928,321	3,128,055
Catering	1,639,748	1,547,186
Medical Stores	862,391	711,083
Cleaning materials	2,916,258	1,504,228
TOTAL	12,346,718	6,890,512

11. TRADE DEBTORS AND OTHER RECEIVABLES

	2012/2013 Kshs	2011/2012 Kshs
Trade debtors (gross)	234,204,543	202,972,190
Staff loans	36,910,656	36,972,780
VAT Recoverable	1,100,269	270,595
Imprest	4,421,259	2,504,450
Less provision for Bad debt	(95,475,212.62)	19,529,688
Total	181,161,514	223,190,327
Add		
Prepayment	4,650,304	2,103,041
Accrued Government grant	25,916,666.85	
Net Debts	211,728,485	225,293,368

12. CASH AND BANK BALANCES

	2012/2013 Kshs	2011/2012 Kshs
Comprising of:		
Cash in Hand	296,991	177,357
Bank overdraft		
Bank Balance (KCB)	(1,780,837)	38,322,158
Bank Balance (KCB MADARAKA)	(1,286,598)	5,679,319
Totals	(3,067,435)	44,178,834

Notes to the financial statements (Continued)

13. SHARE CAPITAL	2012/2013	2012/2011
	Kshs	Kshs
Capital fund	1, 269,222,498	1, 269,222,498

14. GRANTS

- a) Grant comprises Senior Hostel construction worth Kshs.3, 000,000. This is amortized at the rates of 2% annually.

	2012/2013	2011/2012
	Kshs	Kshs
Balance b/d	1,859,999	1,919,999
Amortization of grant	(60,000)	(60,000)
Total	<u>1,799,999</u>	<u>1,859,999</u>

- b) The University received a grant of Kshs 100 million from CCK during the 2007/2008 financial year to cater for development expenditure and in the financial year 2011/2012 the University also received grant of equipment worth Kshs.4, 767,708 from Korea.

As per the IFRS/IAS 20 there are basically two methods of accounting for the grant, income method and capital method. The University has applied the Income approach because it gives full disclosure of the grant received by CCK and Korea.

Deferred Income Grant

	2012/2013	2011/2012
	Kshs	Kshs
Balance b/d	40,589,195	45,116,766
Grant received from Korea during the year	-	4,767,708
Amortization of grant	(3,786,930)	(9,295,275)
Total	<u>36,802,265</u>	<u>40,589,195</u>

During the year the University received Government grant of Kshs. 349,500,000 for recurrent expenditure and Ksh 61,620,454 for development expenditure as per the annual budget allocation of 2012/2013. The total received was Ksh 411,120,455.



Notes to the financial statements (Continued)

15. PAYABLES AND ACCRUALS

	2012/2013	2011/2012
	Kshs	Kshs
Trade creditors	125,889,732	53,662,767
Salary for June	26,948,747	
Statutory Creditors	18,156,288	12,670,857
Student advance fees	25,015,673	11,403,316
Teleposta staff quarter rent	22,343,897	22,343,897
Engineering Complex	80,128,867	-
Accrued Leave Allowance	2,022,000	-
Accrued Council expenses	2,140,000	-
Caution Money	4,586,565	-
Accrued Gratuity	20,757,691	-
Resource pay	7,119,290	3,334,540
Total	335,108,750	103,415,377

16. PENSION LIABILITY **Ksh 16,096,106**

The University has established a retirement benefit scheme. The amount outstanding as at 30th June 2013 was Kshs. 16,096,106. Included in the pension outstanding is contingent payable to national security fund amounting to Kshs. 2,731,188. This amount arose due to penalties for not deducting and remitting the funds to the national social security fund.

17. COUNCIL EXPENSES

	2012/2013	2011/2012
	Kshs	Kshs
Council Allowances	11,476,349	13,761,757



Notes to the financial statements (Continued)

18. AUDIT FEES

Kenya Auditor general continue in office

	2012/2013	2011/2012
	Kshs	Kshs
Audit fees	750,000	750,000

Notes to the financial statements (Continued)

19. RELATED PARTY TRANSACTIONS

The following are the material related party transactions for the year:

	2012/2013	2011/2012
	Kshs.	Kshs.
Loans to Members' of Staff.	36,910,657	36,972,980

The above transactions were carried out in the ordinary course of business at Arms length.

20. INCORPORATION

The Multimedia University of Kenya became a fully pledged under the Multimedia University Charter on 4th March 2013.

21. CAMPUS

The University operates two campuses - Mbagathi Campus and Town Campus

22. CURRENCY

The financial statements are expressed in Kenya Shillings (KShs.)

23. EMPLOYEE

The staff establishment at the end of the period under review was 357 compared to 311 last year.

