

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

PARLIAMENT
OF KENYA
LIBRARY

REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI ENTERPRISES AND
SERVICES (UNES) LIMITED

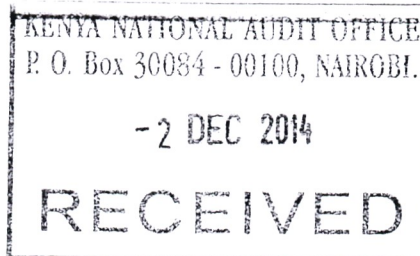
FOR THE YEAR ENDED
30 JUNE 2014



UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED JUNE 30, 2014



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



*Reports and Financial Statements
For the year ended June 30, 2014*

CONTENTS	PAGE
Key Entity Information	3
Board of Directors	5
Management Team	11
Chairman's Statement	14
Report of the Chief Executive Officer	15
Corporate Governance Statement	16
Corporate Social Responsibility Statement	18
Report of the Directors	19
Statement of Directors' Responsibilities	20
Report of the Independent Auditor/Auditor General	21
Statement of Comprehensive Income	22
Statement of Financial Position	23
Statement of Changes in Equity	24
Statement of Cash Flows	25
<u>Notes to the Financial Statements</u>	
Statement of Compliance and basis of preparation	26
Application of New and Revised IFRS	26
Summary of Significant Accounting Policies	31
Explanatory Notes to the Financial Statements	35



UNES LIMITED

***Reports and Financial Statements
For the year ended June 30, 2014***

KEY ENTITY INFORMATION

Background information

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

Principal Activities

The principal activities of UNES are:

- a) Provision of financial management services for income-generating activities within the University including, but not limited to, privately sponsored student programmes, and income generating units.
- b) Managing the Consultancy unit that harnesses both the human and the physical resources of the University.
- c) Operating the UNES University Bookstore chain in the country focusing on serving tertiary institutions and the general public.
- d) Operating a Hospitality unit that primarily serves the University community and communities in its immediate surroundings.

Incorporation

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

Registered Office and Corporate Headquarters

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

Corporate Contacts

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

**Reports and Financial Statements
For the year ended June 30, 2014****Directors**

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

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

Corporate Secretary

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

Corporate Bankers



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

**Reports and Financial Statements
For the year ended June 30, 2014**





Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100



THE BOARD OF DIRECTORS

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



*Reports and Financial Statements
For the year ended June 30, 2014*

 <p>3. Mr. Hirji Shah, OGW</p>	<p>Born in 1936. Mr. Hirji Shah has vast experience in the private sector where he has been actively involved in several manufacturing industries, businesses and charitable organizations for the last 50 years, in Kenya and abroad. He is a director in several companies, including Mabati Rolling Mills Limited, Comcraft Kenya Limited, Kaluworks Limited, Booth Extrusions Limited, Booth Fire Fighting Limited, Bahari Forwarders Limited, Bahari Insurance Brokers Limited, Kifaru Investments Limited, Juhudi Investments Limited and Juhudi Distributors Limited.</p> <p>He has also been chairman, trustee and board member of many organizations, federations and organizations in Kenya, Tanzania, Uganda, Ethiopia, South Africa and Mauritius.</p>
 <p>4. Ms. Fenny Mwakisha, MBS, M.Ed.</p>	<p>Born in 1957. Ms. Fenny W. S. Mwakisha is the Ag. Director of Higher Education in the ministry of education, science and technology. She previously worked as an education attaché, curriculum developer and high school teacher.</p>
 <p>5. Mr. Samuel Kiiru, M.A., B.A.</p>	<p>Born in 1969. He has worked for the National Treasury for over 15 years where he is currently a Principal Economist. He has experience in Policy reviews, Fiscal analysis, Macro level planning, Program and performance budgeting, Policy guidelines on Annual Budgets and Supplementary Budgets, Project appraisal, Monitoring and evaluation, and Program performance reviews. He is also a trainer on Programme and Performance Budgeting,</p>
 <p>6. Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p>	<p>Born in 1957. Professor Kinandu Muragu joined Central Bank of Kenya as Executive Director, Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p> <p>Before joining the School, Prof. Muragu worked under the sponsorship of the World Bank as the Projects Coordinator for the 19 Donor-funded Education Sector Development Programme in the Kingdom of Lesotho. He was responsible for creation of the e-governance system for the education sector that enabled him participate in the implementation of the e-schools project in Lesotho and thereafter follow progress of the initiative across the continent.</p>

*Reports and Financial Statements
For the year ended June 30, 2014*

	<p>He has consulted for a variety of international organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance. Prof. Muragu has also carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI), one of Africa's top management institutes. Before joining ESAMI, he had lectured at the University of Nairobi for 10 years rising to be a senior lecturer in the Department of Accounting and Finance. Prof. Muragu had his basic accountancy training at Delloite and Touche and later at Pricewaterhouse and Nyaga Associates.</p>
 <p>7. Mr. Yusuf Omari, MBA., B.Econ., ICPA(K), IIA.</p>	<p>Born in 1974. Mr. Yusuf Omari is the Chief Finance Officer of Barclays Bank of Kenya. He joined Barclays Bank of Kenya in 2004 from the Audit Firm, KPMG (1998-2004). He worked as the Head of Internal Audit East and West Africa cluster (2004-2008) & then as Head of Compliance (2008-2009) before his appointment as the Chief Financial Officer in 2009. He is a qualified Certified Public Accountant (CPA) as well as a Certified Internal Auditor.</p> <p>He holds an MBA from Strathmore Business School and a Bachelor's degree in Economics from University of Nairobi. He is a Member of the Institute of Chartered Public Accountants of Kenya (ICPAK) & Institute of Internal Auditors (IIA).</p> <p>Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK and IIA</p>
 <p>8. Prof. G.A.O. Magoha, EBS, MBS, MBBS (Lagos), FRCS, FWACS, FICS, FABI, FIBA, FCS, (ECSA), MSIC, FMSC (Urol.), MKNAS, FAAS.</p>	<p>Born in 1952. Prof. George A. O. Magoha is the Vice Chancellor, University of Nairobi (UoN), since 2005 and a Professor of Surgery and a Consultant Urologist, College of Health Sciences, UoN. He joined the University of Nairobi as a Lecturer in Urological Surgery in 1988 and rose through the ranks to become a full professor of Surgery in 2000. He has served in various administrative positions at the University rising from Chairman of the Academic Department of Surgery in 1999, Dean of the School of medicine, Principal of the College of Health Sciences, Deputy Vice Chancellor in charge of Administration and Finance to Vice Chancellor in January 2005.</p> <p>He is the current President of the Association of Medical</p>

*Reports and Financial Statements
For the year ended June 30, 2014*

	<p>Council of Africa (AMCOA). He is also the Chairman of the Kenya Medical Practitioners and Dentists Board (KMPDB). He served as Chairman of Kenya Association of Urological Surgeons (KAUS) from 1997 to 2013) and is the immediate former President of Kenya Association of African Universities (AAU) where he served from 2011 to 2013.</p> <p>He has been a member of the Kenya Medical Practitioners and Dentists Board since 1999, a member of the AAU executive board from 2005. Professor Magoha has also been a commissioner in the Commission for Higher Education (CHE), currently, the Commission for University Education (CUE) from 2005 to 2013.</p>
 <p>9. Prof. P.M.F. Mbithi, EBS, IOM, B.V.M., M.Sc.(Nairobi), (Nairobi), M.V.Sc. (Saskatchewan), Ph.D.(Nairobi).</p>	<p>Born in 1956. Prof. Peter Mulwa Felix Mbithi is the Deputy Vice-Chancellor, Administration and Finance and Professor of Veterinary Surgery, University Of Nairobi. He was Chairman, Department of Clinical Studies and in 2003 he served as the Principal, College of Agriculture and Veterinary Sciences until he was appointed as Deputy Vice-Chancellor, Administration and Finance, a position he has held to date.</p> <p>He has supervised MSc and PhD students, published extensively in peer-reviewed journals, and is a member of several professional organizations. His research interests are Clinical veterinary medicine and orthopedic surgery, wounding and traumatology with special interest in lameness, joint surgery and arthritides.</p>
 <p>10. Prof. H.W. Mutoro, B.Ed., M.A., (Nairobi), C.Phil., Ph.D., (UCLA).</p>	<p>Born in 1950. Prof. Henry W. Mutoro is currently the Deputy Vice-Chancellor, Academic Affairs (DVC – AA) of the University of Nairobi, and as such, he is the head of the academic division and chairs several committees, namely the Deans Committee, Senate Appeals Committee, Lectureship and Senior Lectureships appointments Committees. He is the immediate former Principal, College of Education and External Studies, a position he held for nine years. Prof. Mutoro is an Associate Professor in Archeology.</p> <p>He served as Deputy Principal, College of Humanities and Social Sciences (1997-2004), Dean, Faculty of Arts (1996-1997) and Chairman, Department of History (1991- 1996). Prof. Mutoro is a widely published scholar with articles in peer reviewed journals, chapters in books, books and has made presentations in numerous public lectures, conferences and seminars.</p>

*Reports and Financial Statements
For the year ended June 30, 2014*



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

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



12. Prof. L. Irungu, B.Sc.,(Nairobi),
MSc., Ph.D., (Liverpool).

Born in 1957. Prof. Lucy W. Irungu is the Deputy Vice-Chancellor, Research, Production and Extension (UoN) and a Professor of Entomology in the School of Biological Sciences. In 1988, she joined the Department of Zoology (UoN) as a lecturer and rose through the ranks to Professor.

Prof. Irungu has also served as the chairman of the Department of Zoology from 1999-2004. She was then appointed as the Principal College of Biological and Physical Sciences (CBPS), a position she held up to February 2011 when she was appointed as Deputy Vice-Chancellor, Research, Production and Extension. She has conducted research in the area of vector biology and control, with special reference to malaria vectors and other vectors and parasites of Neglected Diseases. In addition, she has supervised MSc students and PhD students. She has published extensively in peer-reviewed journals and is a fellow of the Royal Society of Tropical Medicine and Hygiene and a member of several other professional organizations.






13. Prof. E. Njeru, B.A, M.A
(Nairobi), Ph.D., (California).


Born in 1957. Prof. Njeru is currently the Principal, College of Humanities and Social Sciences (CHSS) at the University of Nairobi and a Professor of Sociology & Anthropology in the Department of Sociology. He has many years of lecturing and research experience. He is also a Medical Anthropologist and Fellow in Social Medicine – Health and behaviour (Harvard Medical School, Boston).

Professor Njeru is widely experienced in both consultancy and research in areas with strong components on: participatory needs assessment and poverty analysis and sustainable community based reduction strategies design and implementation; gender mainstreaming; governance and





Reports and Financial Statements
For the year ended June 30, 2014

	<p>organizational approaches to project selection, prioritization & design, implementation, evaluation & monitoring, participatory stakeholder collaboration, governance mainstreaming in development, HIV/AIDS & its implications for livelihoods. He worked as a Senior Research Fellow and Social Sector Program Coordinator (Education and Health) at IPAR (Institute of Policy Analysis & Research and was then (2001-2005) involved in educational policy analysis and research.</p>
<p>14.  Prof. C.O.A Omwandho, BSc., MSc., PhD.</p>	<p>Born in 1961. Prof. Charles O.A. Omwandho served as Dean School of Medicine (Oct 2010- Oct 2014), and Associate Dean, Pre-clinical Department; School of Medicine, Pharmacy, Dental and Nursing, University of Nairobi (March 2009- Oct 2010). He holds a Bachelor of Science degree in Biochemistry and Zoology from University of Nairobi (1986), Master of Science in Biochemistry from UoN (1992) and a PhD in Reproductive Immunology from Newcastle University, Australia (Feb 1998). He joined UoN as a lecturer in May 1998, and is currently an Associate Professor, Department of Biochemistry.</p>
<p>15.  Dr. S.N. Nzuve, PhD, DBA, Zurich, Switzerland; PGD (Mgt), Grenoble 2, France; MSc (Mgt) Frostburg; BSc(Bus.Admin) Castleton</p>	<p>Born in 1949, Dr. Stephen Nzuve is the immediate former Dean, School of Business having served from 2009 to 2014. He has also been an Associate Dean, School of Business from 2004 to 2009 and Chairman, Department of Business Administration from 1991 to 1994. Other positions held include Patron of School of Business Welfare Association. He has vast experience in teaching and research and has published several books, teaching manuals and journal articles. He has also attended many Seminars, Conferences and Workshops and supervised many postgraduate students.</p>
<p>16.  Prof. Julius A. Ogeng'o, B.Sc.Anat., MBchB., Ph.D., MD.</p>	<p>Born in 1961. Prof. Julius A. Ogeng'o, who is the managing director UNES, is a Medical Doctor and holds PhD and MD in Human Anatomy. Prior to joining UNES, he was the Chairman of the Academic Department of Human Anatomy, School of Medicine, University of Nairobi, and supervisor of the Chiromo Funeral Parlour Income Generating Unit. He has worked at the University of Nairobi for over 25 years, and has extensive experience in management of academic programmes and Income Generating Activities. He has attended several management trainings and is a Certified Quality Management Systems Auditor</p>






**Reports and Financial Statements
For the year ended June 30, 2014**

	<p>Born in 1955. Mr. T. O. Mweseli is currently a Senior Lecturer at the School of Law, University of Nairobi and company secretary of UNES. He is a member of the Law Society of Kenya, a Notary Public and a Certified Public Secretary CPS (K).</p>
<p>17. Mr. T.O.A.Mweseli, LL.B.(Nairobi), LL.M.(Harvard),CPS(K).</p>	<p>Mr. Mweseli has over 30 years of experience in Law, both as a lecturer and an advocate of the High Court. He has served as Ag. Dean, School of Law and chaired several committees in the school of Law (UoN). He has also published several Law books and booklets and written numerous published & unpublished papers. He has also attended many seminars and workshops.</p>




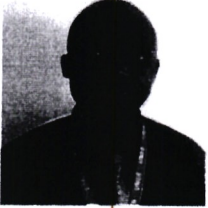

MANAGEMENT TEAM

	<p>Managing Director</p>
<p>1. Prof. Julius A. Ogeng'o, B.Sc.Anat., MBchB., Ph.D., MD.</p>	
	<p>Deputy Managing Director</p>
<p>2. Mr. John Kenduiwo, B.Sc., MBA.</p>	
	<p>Company Secretary</p>
<p>3. Mr. T.O.A.Mweseli, LLB, LLM.</p>	
	<p>Ag. Finance Manager</p>
<p>4. Mr. Alfred W. Mukuria</p>	

*Reports and Financial Statements
For the year ended June 30, 2014*

 <p>5. Mr. George Ogari, B.Com. (Accounting), MBA. (Strategic Management).</p>	<p>Deputy Finance Manager, Academic Revenue</p>
 <p>6. Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K).</p>	<p>Ag. Deputy Finance Manager, Operations</p>
 <p>7. Ms. Mary Musyoki, B.Com.(HR), MBA.(HR), Higher diploma in HRM(KNEC), Diploma in personnel management(CPM).</p>	<p>Head Human Resources and Administration Services</p>
 <p>8. Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K).</p>	<p>Head Business Advisory Services</p>
 <p>9. Ms. Hannah Ndungu, B.Com. (Finance), M.Sc. (Finance), CPA (K), CISA, CIA.</p>	<p>Head Internal Audit</p>

*Reports and Financial Statements
For the year ended June 30, 2014*

 <p>10. Mr. George Komu, B.Sc (Electrical), MCT.</p>	<p>Senior ICT Officer</p>
 <p>11. Ms. Belinda Muriuki, B.Sc. (Hotel and Restaurant Management), MBA. (Strategic Management).</p>	<p>Ag. Head Hospitality</p>
 <p>12. Mr. Robert Nyaronge, B.Ed., MBA.</p>	<p>Ag. Head Bookstores</p>
 <p>13. Mr. Seith Abeka, B.Econ & Math., MA(Gender & Development Studies).</p>	<p>Senior Projects Officer</p>
 <p>14. Mr. Francis Osundwa, B.A. (Econ.), CIPS (UK).</p>	<p>Procurement Officer</p>



UNES LIMITED

***Reports and Financial Statements
For the year ended June 30, 2014***

CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you UNES' Annual Report and Financial Statements for the year ended 30th June, 2014. During the year under review, UNES gross revenue grew by 34.4% from KSh 542.5 million recorded previously to KSh 729.2 million. The net surplus increased by 5 % from KSh 76.1 Million in 2012/2013 to KSh 80.1 Million after depreciation. Overallly the economic activity in 2013/2014 showed improvement despite the myriad of challenges that included a turbulent global economy, delayed rains and a weakened Kenyan shilling during the year. These factors had an effect on UNES operations more so the erratic weather conditions that led to high food stuff prices and increase in fuel costs that had a negative impact on the hospitality business units. The depreciation of the Kenya shilling and foreign exchange fluctuations adversely affected the Bookstores operations. The education sector was also significantly affected by the high interest rates.

As UNES expands and grows, so do its responsibilities to our stakeholders. We fully recognize the scale and scope of these responsibilities both within and beyond our business. As a corporate citizen we also recognize that we have responsibilities to the society and community in which we operate and do our business. In 2013/2014 as part of our continued corporate social responsibility activities, UNES donated Books to Kaheti Girls Secondary School.

In the year 2014/2015 Kenya's economic growth is expected at 4.7% in 2014 and 5% in 2015. The year 2014/2015 is expected to be an extremely challenging year given the uncertain economic environment as the government continues to implement the devolved system of government and the likely impact on the economy. As a Board, we shall exercise a high degree of conservatism in our approach to business, but we do recognize that under these circumstances any new opportunities that arise will be considered and judiciously evaluated.

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

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

**Dr. Idle Omar Farah
Chairman**

Date: 1st December 2014



UNES LIMITED

**Reports and Financial Statements
For the year ended June 30, 2014**

REPORT OF THE CHIEF EXECUTIVE OFFICER

The core mandate of UNES is financial management of revenue from self sponsored programmes, the promotion of existing and facilitation for mounting of new University of Nairobi (UON) academic programmes. For the fiscal year ending June 30, 2014, academic revenue collected from privately sponsored students increased by 3.3% from KShs. 6.0 Billion to KShs. 6.2 Billion. Fees collections increased moderately in a number of schools, some remained more or less at the same level as previous year, with a few showing slight decline.

UNES revenue comes from four main business areas: Financial Management of University of Nairobi Module II/III academic programmes, Income Generating Units (IGUs), Bookstores, Consultancy and Hospitality. The bulk of the revenue derives from financial management of tuition fees from privately sponsored students. Revenues derived from financial management rose by 5% from Kshs. 250.8 Million to Kshs. 264.0 Million.

Revenue from the business units namely; Bookstores, Hospitality and Consultancy, increased by 61% from Kshs. 284.6 Million to Kshs. 457.9 Million. The Kisumu Bookstore performance improved tremendously from a loss of Ksh 4.5 Million in 2012/2013 and registered a profit of Kshs 0.1 Million. This followed the relocation of the unit to a more strategic location in Kisumu CBD. Management will continue to implement strategies aimed at improving the profitability further. The Mombasa Bookstore outlet which is in its second year of operation had an increased market share and improved performance from a loss of Kshs. 1.6 Million to a profit of Kshs. 0.2 Million. The overall profitability of the company increased by 3.1% from Kshs. 76.1 Million recorded in 2012/2013 to Kshs 78.4 Million in 2013/2014. The overall performance of the company grew moderately by 5% during the period under review.

I wish to express my sincere gratitude to the dedicated staff and management who worked tirelessly to achieve and exceed their annual targets. My deep appreciation also goes to all the Board members who continue to provide vision and leadership to the company. It is this that has kept us on the right track and continued to drive us to greater levels of success.

**Prof. Julius A. Ogeng'o
Managing Director**

Date: NOV 26, 2014



*Reports and Financial Statements
For the year ended June 30, 2014*

CORPORATE GOVERNANCE STATEMENT

Concept of Corporate Governance

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

Board of Directors

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

Responsibilities of the Board

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

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

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



UNES LIMITED

***Reports and Financial Statements
For the year ended June 30, 2014***

Internal Controls and Risk Management

The Company has prescribed an elaborate set of procedures and financial controls to ensure accurate reporting of financial information and protection of its assets. An Internal Audit department coordinates the activities of the Internal Control mechanisms and reports directly to the Audit Committee. The Company is in the process of implementing the framework for Enterprise Risk Management.

Shareholding

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



*Reports and Financial Statements
For the year ended June 30, 2014*

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

UNES takes cognizance that its long term sustainability and success is dependent upon the community and environment in which it operates. In this regard, UNES set aside resources that were used in the implementation of various activities. The company enforced its commitment to the community by initiating and enhancing several projects: Environment Conservation and Book Donations.

Environment Conservation

a) Cleanup of Chiromo River

In intensifying our efforts in the preservation of the environment, UNES in collaboration with the College of Biological and Physical Sciences, UON and Chiromo Funeral Parlour did a cleanup of the Chiromo River on the section between the junction of Riverside Drive and Chiromo Road to the end of the Examination Block. The cleanup exercise helped to remove litter and debris from the riverbank and the stream. Speakers at the event emphasized on the importance of undertaking this activity regularly to ensure sustainability of the environment around the river. The cleanup assisted in improving the Nairobi County Waterways, as well as the water enjoyed by others downstream.

b) Tree Planting

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

Further, UNES partnered with the UON Stallions Patrol of Kili Rover crew, Scouts Club to plant 100 tree seedlings at the UNES Gardens by the Masongawai River. An additional, 100 tree seedlings had been planted by the Staff and Management, to mark UNES' Environmental Day earlier during the Year at the same venue. UNES is a committed Partner in the promotion of Forest cover in Kenya for a greener environment.

Book Donations

UNES is committed to promoting a reading culture in the under-privileged girls Schools in Kenya. This is done through visits to underprivileged schools, making books donation to the school and giving motivational talks to the students. UNES staff, teachers and students from the respective schools jointly plant trees to symbolize a life-long bond with the school. As a way of giving back to the society in a long term manner, providing reading materials to the disadvantaged girl-child goes a long way to ensuring a brighter future for them. These books are donated to the School Libraries and include the required set-books and revision books. During the year, Books were donated to Kaheti Girls Secondary School, Nyeri County. Kaheti Girls Secondary is a girls only day & boarding school with a student enrolment of 148 and a student-teacher ratio of 9:3. Previous Schools that have benefited from the book donations are: St Benedict Aror Girls Secondary School, Elgeyo Marakwet County; Giaki Secondary School, Meru County; St. Joseph's Girls Secondary School, Homabay County; Butula Girls Secondary School, Busia County.



UNES LIMITED

*Reports and Financial Statements
For the year ended June 30, 2014*

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 are set out on pages 22 -25.

Dividends

Subject to the approval of the shareholders, the Directors recommend the payment of a first and final dividend for the year of Ksh.10,000 per ordinary share, amounting to Kshs.50 million.

Directors

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

Auditors

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

By Order of the Board

T.O.A.Mweseli
Corporate Secretary
Nairobi

Date:..... 26.11.14



*Reports and Financial Statements
For the year ended June 30, 2014*

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

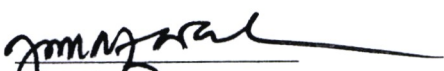
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the UNES financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2014, 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.

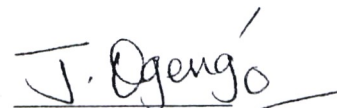
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on NOVEMBER 11th 2014 and signed on its behalf by:


Director


Director


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



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES (UNES) LIMITED FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of University of Nairobi Enterprises and Services Limited set out on pages 22 to 48, which comprise the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003. 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 misstatements.

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

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

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

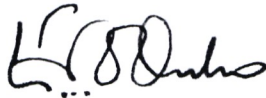
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 30 June 2014, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, Cap.486 of the Laws of Kenya.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account.



Edward R.O.Ouko, CBS
AUDITOR-GENERAL

Nairobi

19 December 2014



*Reports and Financial Statements
For the year ended June 30, 2014*

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2013/2014 Kshs'000'	2012/2013 Kshs'000'
REVENUES			
Allocation from Academic Programmes	1	263,969	250,780
Allocation from Income Generating Units	2	6,296	6,604
UNES University Bookstores	3	170,298	134,906
Arziki Restaurants and Chiromo Conference Centre	4	54,942	39,649
Consultancy	5	232,639	110,017
Other Income	6	1,052	570
TOTAL REVENUES		729,196	542,526
OPERATING EXPENSES			
Direct Costs	7	376,960	225,940
Administration Costs	8	270,801	240,903
Depreciation of property, plant and equipment	14-15	8,115	7,097
Amortisation of Intangible Assets	16	233	285
TOTAL OPERATING EXPENSES		656,109	474,225
OPERATING PROFIT	10	73,087	68,301
Finance Income	11	7,064	7,821
PROFIT BEFORE TAXATION		80,151	76,122
INCOME TAX EXPENSE/(CREDIT)		-	-
PROFIT AFTER TAXATION		80,151	76,122
Earnings per share – basic	12	16.0	15.2

**UNES LIMITED****Reports and Financial Statements
For the year ended June 30, 2014****STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2014**

	Note	2013/2014 Kshs'000'	2012/2013 Kshs'000' Re-stated
ASSETS			
Non-Current Assets			
Property, plant and equipment	14-15	32,055	21,798
Intangible assets	16	388	621
Total Non-Current Assets		32,443	22,419
Current Assets			
Inventories	17	97,910	105,360
Trade and other receivables	18	1,007,344	630,534
Short-term Investments	19	136,500	121,500
Bank and cash balances	20	118,620	362,209
Total Current Assets		1,360,374	1,219,603
TOTAL ASSETS		1,392,817	1,242,022
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	21	100	100
Retained earnings	22	128,953	122,323
Capital Reserve	23	12,479	26,600
Capital and Reserves		141,532	149,023
Non-Current Liabilities			
Long term liability	24	22,500	33,167
Total Non-Current Liabilities		22,500	33,167
Current Liabilities			
Trade and other payables	25	889,408	664,191
Staff gratuity obligations	26	46,440	33,461
Provision for leave pay	27	2,562	-
Dividends payable	28	69	20,669
Bank Overdraft	29	290,306	341,511
Total Current Liabilities		1,228,785	1,059,832
TOTAL EQUITY AND LIABILITIES		1,392,817	1,242,022

The financial statements were approved by the Board on NOV 11, 2014 and signed on its behalf by;


Chairman


Director


Director



*Reports and Financial Statements
For the year ended June 30, 2014*

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30TH JUNE 2014**

	Ordinary share capital	Capital reserve	Retained earnings	Total
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
At July 1, 2012	100	34,724	131,870	166,694
Expenses from capital reserves	-	(8,124)	-	(8,124)
Total comprehensive income	-	-	76,122	76,122
Final Dividends for 2011/12 paid	-	-	(85,669)	(85,669)
At June 30, 2013	100	26,600	122,323	149,023
At July 1, 2013	100	26,600	122,323	149,023
Expenses from capital reserves	-	(14,121)	-	(14,121)
Total comprehensive income	-	-	80,151	80,151
Final Dividends for 2012/2013 paid	-	-	(73,521)	(73,521)
At June 30, 2014	100	12,479	128,953	141,532



*Reports and Financial Statements
For the year ended June 30, 2014*

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE 2014**

	Note	2013/2014 Kshs'000'	2012/2013 Kshs'000'
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	30(a)	(47,167)	95,983
Finance income (Interest received)	11	7,064	7,821
Dividends paid	30(b)	(94,121)	(88,317)
Net cash generated from/ (used in) operating activities		(134,224)	15,487
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	15	(18,371)	(10,552)
Proceeds from disposal of property, plant and equipment	15	-	(28)
Capital renovations	23	(14,121)	(8,124)
Net cash generated from/(used in) investing activities		(32,492)	(18,704)
FINANCING ACTIVITIES			
Provision for write off (Bad debts/Dead stock)			(14,650)
Repayment of long term liability	24	(10,667)	
Net cash (used in) financing activities		(10,667)	(14,650)
(DECREASE) IN CASH AND CASH EQUIVALENTS		(177,383)	(17,867)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		142,198	160,065
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	30(d)	(35,185)	142,198

*Reports and Financial Statements
For the year ended June 30, 2014*

NOTES TO THE FINANCIAL STATEMENTS

A. Statement of compliance and basis of preparation

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

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

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

B. Application of new and revised International Financial Reporting Standards (IFRSs).
Relevant new standards and amendments to published standards effective for the year ended 30 June 2014.

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

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

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

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

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

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

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



***Reports and Financial Statements
For the year ended June 30, 2014***

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

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

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

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

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

(As part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012) The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when; a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

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

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

IAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version



Reports and Financial Statements
For the year ended June 30, 2014

of IAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of IAS 19 are replaced with a 'net interest' amount under IAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

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

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

vi) IFRS 9 Financial Instruments

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

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

Key requirements of IFRS 9:

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



***Reports and Financial Statements
For the year ended June 30, 2014***

of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

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

The five steps in the model are as follows:

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

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

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

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

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

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

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



*Reports and Financial Statements
For the year ended June 30, 2014*

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

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

x) *Annual Improvements 2010-2012 Cycle*

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

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.
- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

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

Early adoption of standards



**Reports and Financial Statements
For the year ended June 30, 2014**

The company did not early-adopt any new or amended standards in 2014.

C. Summary of Significant Accounting Policies

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

i) Revenue recognition

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

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

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

Project Categories	UNES Allocation
(i) Module II/III Programmes	5.00%
(ii) Pure Consultancies	3.00%
(iii) Specialized Based Production Units	7.25%
(iv) General production units	7.25%
(v) 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



Reports and Financial Statements
For the year ended June 30, 2014

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 in use are:

Motor vehicles, including motor cycles	5 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	10 years

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



***Reports and Financial Statements
For the year ended June 30, 2014***

used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

ix) Cash and cash equivalents

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

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.



**Reports and Financial Statements
For the year ended June 30, 2014**

xiv) Comparative figures

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

xv) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2014.

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.

i) 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.

ii) Credit Risk

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

iii) Foreign currency 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.



Reports and Financial Statements
For the year ended June 30, 2014

D. Explanatory notes to the financial statements

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
1 ALLOCATION FROM ACADEMIC PROGRAMMES		
School of Business	69,893	69,148
School of Law	18,125	16,189
Faculty of Arts	23,006	22,067
School of Economics	8,774	7,757
Institute of Anthropology, Gender & African studies	944	1,103
Population studies & Research Institute	495	329
Institute of Diplomacy & International studies	6,554	5,487
School of Journalism & Mass Communication	7,198	8,475
School of Medicine	39,137	37,173
School of Nursing	4,844	2,786
School of Pharmacy	4,784	4,564
School of Dental Sciences	2,106	1,703
Institute of Tropical & Infectious Diseases	375	476
School of Arts & Design	918	872
School of Built Environment	8,252	8,304
School of Engineering	11,761	10,920
School of Education	9,547	10,261
School of Continuing & Distance Studies	29,583	26,849
School of Physical Sciences	2,580	3,491
School of Mathematics	2,993	2,749
School of Biological Sciences	1,309	1,335
School of Computing and Informatics	4,471	3,980
CEBIB	208	43
Faculty of Veterinary Medicine	1,609	1,675
Faculty of Agriculture	2,736	2,611
CASELAP	628	433
Wangari Maathai Institute	146	-
ICCA	993	-
	<u>263,969</u>	<u>250,780</u>
2 ALLOCATION FROM INCOME GENERATING UNITS		
Veterinary Farm	572	647
Clinical studies	481	491
Dept. of Diagnostic Imaging & Radiation Medicine	1,464	1,658
Dept. of Haematology & Blood Transfusion	83	89
Chiromo Funeral Parlour	2,593	2,381
Department of Immunology	10	98
Clinical Chemistry	286	320
Dental Plaza	654	688
UON Library IGA	145	225
Surgery	8	7
	<u>6,296</u>	<u>6,604</u>



*Reports and Financial Statements
For the year ended June 30, 2014*

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
3 REVENUE FROM UNES UNIVERSITY BOOKSTORE		
Nairobi	137,498	113,864
Mombasa	15,487	7,333
Kisumu	24,229	13,709
	<u>177,214</u>	<u>134,906</u>
Less: VAT paid	6,916	-
	<u>170,298</u>	<u>134,906</u>
4 REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE		
Restaurant services	37,745	15,296
Conference services	9,201	1,556
Outside catering services	14,839	28,910
Other Income	180	95
	<u>61,965</u>	<u>45,857</u>
VAT and Catering levy paid	7,023	6,208
	<u>54,942</u>	<u>39,649</u>
5 REVENUE FROM CONSULTANCY		
Consultancies	232,288	101,564
Training (Short courses)	351	8,453
	<u>232,639</u>	<u>110,017</u>
6 OTHER INCOME		
Payroll services	771	476
Sale of tender documents/Misc	281	94
	<u>1,052</u>	<u>570</u>
7 DIRECT COSTS		
i) Cost of sales		
Nairobi Bookstore	106,143	84,801
Kisumu Bookstore	16,382	10,888
Mombasa Bookstore	10,297	5,666
Arziki Restaurants and conference centre	27,964	24,625
ii) Consultancy direct project costs	216,174	99,960
	<u>376,960</u>	<u>225,940</u>



Reports and Financial Statements
For the year ended June 30, 2014

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
8 ADMINISTRATION COSTS		
Staff Costs (note 9)		
UNES Head office	124,957	118,425
UNES University Bookstore-Nairobi	16,285	12,772
UNES University Bookstore-Kisumu	3,409	2,711
UNES University Bookstore-Mombasa	2,651	1,648
Chiromo Conference Center & Arziki Restaurants	17,260	10,521
UNES Consultancy unit	<u>4,417</u>	<u>3,822</u>
	168,979	149,899
Staff Bonus provision	<u>15,355</u>	<u>12,468</u>
	184,334	162,367
Directors Emoluments		
Directors Sitting Allowances	3,580	3,740
Directors Retainer Fees	1,500	1,500
Directors presents & awards	300	150
Chairman's Honorarium	960	960
Directors Bonus provision	<u>6,000</u>	<u>9,200</u>
	12,340	15,550
Office and other Costs		
(i) UNES Head office expenses		
Staff Training & Development	1,967	2,970
Medical Expenses	6,085	3,679
New Business Development	37	0
Out-Sourced Services	5,921	8,398
Staff Travelling and Accommodation	1,397	1,886
Transport operating expenses	1,043	826
Seminars and Workshops	2,734	648
Telecommunication	1,118	1,105
Electricity & water	1,041	773
Printing Expenses	1,196	739
Uniforms and Clothing	226	77
Office Stationery	3,919	2,656
General expenses & Other consumables	5,243	4,238
Marketing & Advertisements	3,093	2,081
Physical space	2,544	2,544
Bank Charges	821	932
Maintenance of equipment	685	472
Maintenance of vehicles	519	355
Maintenance of Buildings & Grounds	137	36
Insurance Charges	959	1,055
Legal & Statutory Expenses	88	51
Security Expenses	2,184	1,993



Reports and Financial Statements
For the year ended June 30, 2014

	97	236
	2013/2014	2012/2013
	Kshs'000'	Kshs'000'
Subscriptions		
ICT Services	1,273	12
Audit Fees	870	990
Entertainment	1,571	409
Corporate Social Responsibility	495	367
Procurement Costs	178	33
Performance contracting	1,050	502
ISO-QMS Expenses	2,561	3,859
Anti-Corruption Activities	180	0
Loss on disposal	<u>0</u>	<u>28</u>
	51,232	43,950
(ii) UNES University Bookstore-Nairobi		
Casuals/Outsourced services	923	830
Staff training & development	9	18
Medical expenses	442	1,155
Bank Charges	569	605
Physical space	2,820	2,820
General office expenses	2,658	2,435
Maintenance and repairs	411	283
Marketing expenses	716	410
Statutory & legal expenses	30	47
Travelling expenses	845	323
Withholding VAT	51	249
Telecommunication	<u>365</u>	<u>293</u>
	9,839	9,468
(iii) UNES University Bookstore-Kisumu		
Casual labour	52	51
Staff training & Devt	36	0
Staff medical expenses	94	178
Transport & Travelling Expenses	734	783
Rent Expenses	2,053	1,757
General office expenses	394	566
Marketing expenses	315	196
ICT Services	116	0
Telecommunication	124	167
Electricity	53	65
Statutory & legal expenses	39	22
W/Holding Tax	4	0
Security	<u>139</u>	<u>139</u>
	4,153	3,924
(iv) UNES University Bookstore-Mombasa		



Reports and Financial Statements
For the year ended June 30, 2014

	2013/2014	2012/2013
	Kshs'000'	Kshs'000'
Casual labour	230	77
Staff medical expenses	48	0
Transport & Travelling Expenses	107	9
Rent Expenses	819	819
General office expenses	610	446
Marketing expenses	176	18
Repairs and maintenance	58	0
Telecommunication	89	76
Withholding VAT	11	0
Statutory & legal expenses	<u>34</u>	<u>24</u>
	2,212	1,469
(v) Chiromo Conference Center & Arziki Restaurants		
Staff training	14	17
Out sourced services	654	620
Staff Medical expenses	610	847
Office Expenses	443	157
Transport Expenses	301	279
Telecommunication	94	74
Purchase of small kitchen equipments	0	32
Stationery/Printing	283	204
Staff Uniforms	41	158
Laundry expenses	20	7
Maintenance of Equipment	252	182
Maintenance of building	19	9
Marketing	0	4
Physical space	600	275
Legal & statutory expenses	343	30
Spoilt foodstuff	17	0
Bank charges	<u>163</u>	<u>107</u>
	3,854	3,002
(vi) UNES Consultancy unit		
Stationery & Printing	661	505
Outsourced services	246	0
Travelling & Subsistence	0	17
Office expenses	47	191
Telecommunication expenses	789	356
Security Expenses	644	0
Legal & Statutory Expenses	90	0
Marketing	157	0
Bank charges	<u>203</u>	<u>104</u>
	2,837	1,173
Total administration costs	270,801	240,903



Reports and Financial Statements
For the year ended June 30, 2014

9 STAFF COSTS

	2013/2014	2012/2013
	Kshs'000'	Kshs'000'
Salaries and allowances employees	138,781	123,513
Compulsory national health insurance schemes	539	590
Compulsory national social security schemes	624	518
Leave pay and gratuity provisions	29,035	25,278
	<u>168,979</u>	<u>149,899</u>

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

Management level employees	7	7
Middle level employees	17	18
Lower level employees	124	118
	<u>148</u>	<u>143</u>

10 OPERATING PROFIT

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

Staff costs (note 9)	168,979	149,899
Depreciation of property, plant and equipment	8,115	7,166
Amortisation of intangible assets	233	285
Directors' emoluments - fees	12,340	15,550
Auditors' remuneration - current year fees	870	990
Loss on disposal of property, plant and equipment	-	28
Prepaid Rent	-	815

11 FINANCE INCOME

Interest income on government securities	6,926	7,451
Interest income on short-term bank deposits	138	370
	<u>7,064</u>	<u>7,821</u>

12 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit of Kshs 80 Million (FY 2012/2013: Kshs.76 Million) by the average number of ordinary shares in issue during the year of 5,000 (FY 2012/2013: 5,000). There were not dilutive or potentially dilutive ordinary share as at the reporting date.

13 DIVIDEND PER SHARE

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

Reports and Financial Statements
For the year ended June 30, 2014

14 **PROPERTY, PLANT AND EQUIPMENT**

2013/2014	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total 2013/2014
	Kshs'000'	Kshs'000'	Kshs'000'	Kshs'000'
COST OR VALUATION				
At July 1, 2013	18,932	14,702	31,162	64,796
Additions	3,130	2,972	12,269	18,371
Transfers	-	-	-	-
Disposals	-	-	-	-
At June 30, 2014	22,062	17,674	43,431	83,167
DEPRECIATION				
At July 1, 2013	13,427	12,695	16,875	42,997
Charge for the year	2,234	2,187	3,694	8,115
Impairment loss	-	-	-	-
Eliminated on disposal	-	-	-	-
At June 30, 2014	15,661	14,882	20,569	51,112
NET BOOK VALUE				
At June 30, 2014	6,401	2,792	22,862	32,055



Reports and Financial Statements
For the year ended June 30, 2014
15 PROPERTY, PLANT AND EQUIPMENT (Continued)

2012/2013	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total
	Kshs '000'	Kshs '000'	Kshs '000'	Kshs '000'
COST OR VALUATION				
At July 1, 2012	14,818	12,268	27,443	54,529
Additions	4,114	2,433	3,857	10,404
Transfers	-	-	-	-
Disposals	-	-	(138)	(138)
At June 30, 2013	18,932	14,701	31,162	64,795
DEPRECIATION				
At July 1, 2012	10,765	10,856	14,279	35,900
Charge for the year	2,662	1,838	2,666	7,166
Eliminated on disposal	-	-	(69)	(69)
At June 30, 2013	13,427	12,694	16,876	42,997
NET BOOK VALUE				
At June 30, 2013	5,505	2,007	14,286	21,798



*Reports and Financial Statements
For the year ended June 30, 2014*

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
16 INTANGIBLE ASSETS		
COST		
At July 1	8,273	7,987
Additions	-	286
At June 30	<u>8,273</u>	<u>8,273</u>
AMORTISATION		
At July 1	7,652	7,367
Charge for the year	233	285
At June 30	<u>7,885</u>	<u>7,652</u>
NET BOOK VALUE		
At June 30	<u>388</u>	<u>621</u>
The intangible asset relate to computer software		
17 INVENTORIES		Re-stated
UNES Bookstores (See note 24)	101,875	109,420
Less: Provision for dead stock	<u>(10,272)</u>	<u>(10,272)</u>
	<u>91,603</u>	<u>99,148</u>
Chiromo Funeral Parlour	400	716
Arziki Restaurants & Conference Centre	728	846
UNES Head Office	895	791
Clinical Studies	1,891	1,309
Vet Farm	629	857
Haematology	175	288
Radiology	488	431
Immunology	682	297
Dental Plaza	88	97
Clinical Chemistry	331	580
	<u>97,910</u>	<u>105,360</u>
All inventories are valued at historical cost.		
18 TRADE AND OTHER RECEIVABLES		Re-stated
Trade receivables	115,008	124,189
Less: Provision for bad debts (See note 24)	<u>(4,378)</u>	<u>(4,378)</u>
	<u>110,630</u>	<u>119,811</u>
Bank Guarantees	9,386	4,280
Amount held for the University of Nairobi	872,635	490,787
Staff receivables	3,641	2,982
Other receivables	1,145	1,050
Suppliers deposits and advances	9,907	10,809
Prepaid rent	-	815



*Reports and Financial Statements
For the year ended June 30, 2014*

	2013/2014 Kshs'000'	2012/2013 Kshs'000' Re-stated
Net trade and other receivables	1,007,344	630,534
Provision for bad and doubtful receivables		
19 SHORT TERM DEPOSITS		
91 Days Treasury bills	136,500	121,500
	136,500	121,500
The effective interest rate on the short term deposits as at June 30, 2014 was 9.6% (Stated interest rate was 9.3%).		
20 BANK AND CASH BALANCES		
Cash at bank		
UON Accounts		
UNES DSP Account	-	190,558
UNES Caution Deposits Account	906	9,021
	906	199,579
IGU Accounts		
Transition Account NBK	23,326	3,415
CAVS Vet Farm BBK Account	9,471	1,806
Chiromo Funeral Parlour SCB Account	2,408	25,677
Faculty of Medicine BBK Account	782	22,748
CAVS Clinical Studies BBK Account	5,309	15,399
	41,296	69,045
UNES Accounts		
UNES Corporate Account	-	26
UNES Consultancy Account	693	41,929
UNES Arziki Restaurant BBK	5,725	4,830
UNES US-Dollar Account BBK	61,896	45,157
UNES Euro Account BBK	6,730	-
	75,044	91,942
Total cash at bank	117,246	360,566
Cash in hand	1,374	1,643
	118,620	362,209
Total Cash at bank and in hand		

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

21 ORDINARY SHARE CAPITAL

Authorised:

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



Reports and Financial Statements
For the year ended June 30, 2014

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
	<u> </u>	<u> </u>
Issued and fully paid:		
5,000 ordinary shares of Kshs.20 par value each	100	100
	<u> </u>	<u> </u>
The University of Nairobi holds 4,998 shares while 2 shares are held by nominees of the University.		
22 RETAINED EARNINGS		
The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilised to finance the company's business activities.		
23 CAPITAL RESERVE		
The capital reserve includes funds set aside for improvement of certain items of property, plant and equipment netted off with the capital expenditures.		
Balance at beginning of the year	26,600	34,724
Less:		
Capital renovations during the year		
Arziki restaurant & conference centre	(5,562)	(1,989)
Head office	(6,684)	(4,272)
Mombasa bookstore	(140)	(1,863)
Kisumu bookstore	(118)	-
Nairobi bookstore	(205)	-
Consultancy unit	(1,412)	-
	<u>(14,121)</u>	<u>(8,124)</u>
Balance at end of the year	12,479	26,600
	<u> </u>	<u> </u>
24 LONG TERM LIABILITY		
Bookstore amount due to UON		
Balance at beginning of the year	33,167	47,817
Less:		
Provision for write off (Bad debts/Dead stock)		(14,650)
Amount paid	(10,667)	
Balance at end of the year	22,500	33,167
	<u> </u>	<u> </u>
The provision for write off consists of Ksh 4,378,000 bad debts and Ksh 10,272,000 dead stock which formed part of the long term liability when UNES acquired the Bookstore as a going concern. This has been reflected under inventories and trade and other receivables and the comparatives accordingly adjusted (previously the whole amount of Ksh 14,650,000 had be shown under trade and other payables)		
25 TRADE AND OTHER PAYABLES		Re-stated
Trade payables	38,915	35,024
Provision for direct service providers	626,082	485,403
Returned salaries and refunds	35,746	40,678
Remittance for consultancies	80,318	42,269
Provision for audit fees	870	870



*Reports and Financial Statements
For the year ended June 30, 2014*

	2013/2014 Kshs'000'	2012/2013 Kshs'000' Re-stated
Provision for expenses	4,860	1,032
Provision for rent	2,012	818
Provision for directors' expenses	3,000	1,500
Provision for output VAT	2,333	445
Provision for PAYE	46,209	33,620
Student deposits- Bookstore	-	2,128
IGU creditors	1,850	1,439
Deposits – SA Veterinary Students	488	488
Prepayments	21,562	-
Provision for staff and directors' bonuses	25,163	18,477
	<u>889,408</u>	<u>664,191</u>
26 STAFF GRATUITY AND OBLIGATIONS		
Staff gratuity	46,440	33,461
	<u>46,440</u>	<u>33,461</u>
The staff gratuity is accrued for the year at the entitlement rate which is currently 31% of Basic Pay.		
27 PROVISION FOR LEAVE PAY		
Additional provision at end of year	2,562	-
Balance at end of the year	<u>2,562</u>	<u>-</u>
Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.		
28 DIVIDENDS PAYABLE		
The balance of dividends payable relates to unpaid dividends as at the end of the year. The balances are analysed in annual amount below.		
Balance brought forward	20,669	23,317
Dividends declared	73,521	85,669
	<u>94,190</u>	<u>108,986</u>
Less: Dividend paid	94,121	88,317
Balance at end of the year	<u>69</u>	<u>20,669</u>
29 BANK OVERDRAFT		
UNES/UON collection account	208,226	327,521
UNES/UON application fees account	24,544	13,446



Reports and Financial Statements
For the year ended June 30, 2014

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
UNES Euro account	-	7
UNES DSP Account	43,144	-
UNES University bookstore account	9,981	537
UNES Corporate account	4,411	-
Balance at end of the year	290,306	341,511

Note: The bank accounts in note 28 above have positive bank balances and the negative amounts are the cashbook balances.

30 NOTES TO THE STATEMENT OF CASH FLOWS

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

		Re-stated
Operating profit	73,087	68,301
Depreciation	8,348	7,382
loss on disposal of property, plant and equipment	-	28
Operating profit/(loss) before working capital changes	81,435	75,711
Decrease/ (Increase) in inventories	7,450	(10,934)
(Increase) in trade and other receivables	(376,810)	(243,628)
Increase in trade and other payables	225,217	266,019
Increase in provision for staff gratuity	12,979	8,815
Increase in provision for staff leave pay	2,562	-
Cash (used in) / generated from operations	(47,167)	95,983

(b) Analysis of dividend paid

Balance at beginning of the year	20,669	23,317
2012/2013 and 2011/2012 dividends declared	73,521	85,669
Balance at end of the year	(69)	(20,669)
Dividend paid	94,121	88,317

(c) Analysis of changes in long term liability

Balance at beginning of the year	33,167	47,817
Repayments during the year	(10,667)	-
Provision for bad debts	-	(14,650)
Balance at end of the year	22,500	33,167

(d) Analysis of cash and cash equivalents

Short term deposits	136,500	121,500
Cash at bank (See note 20)	117,246	360,566



*Reports and Financial Statements
For the year ended June 30, 2014*

	2013/2014 Kshs'000'	2012/2013 Kshs'000'
Cash in hand	1,374	1,643
Bank Overdraft (See note 29)	(290,306)	(341,511)
Balance at end of the year	<u><u>(35,186)</u></u>	<u><u>142,198</u></u>