

REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

PARLIAMENT  
OF KENYA  
LIBRARY

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 29 JUN 2021

DAY

Tuesday

**OF**  
**THE AUDITOR-GENERAL**

TABLED  
BY:

LOW

CLERK AT  
THE TABLE:

Getrude Chebet

**ON**

**UNIVERSITY OF NAIROBI ENTERPRISES  
AND SERVICES LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2020**





---

**UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2020**

---

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

## CONTENTS

## PAGE

KEY ENTITY INFORMATION .....	i
THE BOARD OF DIRECTORS.....	iii
MANAGEMENT TEAM.....	vii
CHAIRMAN'S STATEMENT .....	ix
REPORT OF THE CHIEF EXECUTIVE OFFICER .....	x
CORPORATE GOVERNANCE STATEMENT.....	xi
MANAGEMENT DISCUSSIONS AND ANALYSIS .....	xiv
REPORT OF THE DIRECTORS .....	xix
STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	xx
REPORT OF THE INDEPENDENT AUDITORS.....	xxi
STATEMENT OF COMPREHENSIVE INCOME.....	1
STATEMENT OF FINANCIAL POSITION .....	2
STATEMENT OF CHANGES IN EQUITY .....	3
STATEMENT OF CASH FLOWS.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
<b>A: General Information</b> .....	6
<b>B: Statement of compliance and basis of preparation of the financial statements</b> .....	6
<b>C: Application of new and revised International Financial Reporting Standards (IFRSs)</b> .....	6
<b>D: Summary of Significant Accounting Policies</b> .....	9
<b>E: Significant Judgements and Sources of Estimation Uncertainty</b> .....	14
<b>F: Explanatory Notes to the Financial Statements</b> .....	15
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR ECOMMENDATIONS.....	27
APPENDIX II: PROJECTS .....	27
APPENDIX III: STATUS OF PROJECTS COMPLETION .....	28

## **KEY ENTITY INFORMATION**

### **Background information**

University of Nairobi Enterprise Services (UNES) Limited was registered as a private company limited by shares under the Companies Act (Chapter 486, Laws of Kenya) on 5 May 1996. The company is also listed as a Commercial State Corporation, under the State Corporations Act CAP 446. It is wholly owned by the University of Nairobi and thus the resources available to UNES are primarily those of the University. It is headed by a Board of Directors, which is responsible for the general policy and strategic direction of the company.

### **Principal Activities**

The principal activities of UNES are:

- a) Provision of financial management services for income-generating activities within the University including, but not limited to, Chiromo Funeral Parlour, Diagnostic Imaging and Radiation Medicine, Dental Plaza, Jomo Kenyatta Memorial Library (JKML) Bindery Services, Clinical Studies and Veterinary (Vet) Farm.
- b) Managing the Consultancy unit that harnesses both the human and the physical resources of the University.
- c) Provision of Bookstore Services focusing on serving Universities, Tertiary Institutions and the General Public.
- d) Hospitality business that primarily serves the University Community and communities in its immediate surroundings.

### **Incorporation**

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

### **Registered Office and Corporate Headquarters**

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

### **Corporate Contacts**

Telephone: (254) 20 4913910 0722 205498/0733 333549  
E-mail : unes@uonbi.ac.ke  
Website: www.unes.co.ke

*University of Nairobi Enterprise Services Limited*  
*Annual Report and Financial Statements for the year ended 30 June 2020*

**DIRECTORS**

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

	<b>Name</b>	<b>Designation</b>	
1	Eng. Kariuki Muchemi	Chairman	Appointed on 22-05-2019
2	Prof. Kinandu Muragu	Member	Appointed on 12-06-2008
3	Mr. Hirji Shah O.G. W	Member	Appointed on 12-09-2013
4	Mr. Yusuf Omari	Member	Appointed on 15-09-2009
5	Mr. Samuel Mugambi Mutwiri	Member	Appointed on 18-07-2018
6	Mr. Abdi Mohamud Hassan	Member	Appointed on 16-09-2018
7	Ms Miriam Musyoki	Member	Appointed on 26-11-2018
8	Ms Flora Maghanga Mtuweta	Member	Appointed on 16-09-2018
9	Prof. Stephen Gitahi Kiama	Member	Appointed on 09/04/2020
10	Mr. Seith Abeka	Ag. Managing Director	Appointed on 01-10-2019

**CORPORATION SECRETARY**

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

**CORPORATE BANKERS**



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

**INDEPENDENT AUDITORS**

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

**THE BOARD OF DIRECTORS**

 <p>1. Eng. Kariuki Muchemi, BSc. Civil Engineering, MSc, LLB,</p>	<p>Born in 1954, Eng. Kariuki Muchemi is a practising Civil Engineer with over thirty (30) years' experience in both public and private sector.</p> <p>He holds a BSc. Degree in Civil Engineering from the University of Nairobi, MSc Degree from the University of Birmingham UK, LLB from Mt. Kenya University and Post Graduate Diploma from the Kenya School of Law.</p> <p>He is a registered Consulting Engineer, a Corporate Member of the Institution of Engineers of Kenya and also an Advocate of the High Court of Kenya. He is also a member of the Institute of Directors, Kenya.</p> <p>He has served as a Board member of the Geothermal Development Company, as a Trustee of the Water Services Trust Fund and a member of the Kenyatta University Council</p>
 <p>2. Mr. Hirji Shah, EBS OGW</p>	<p>Born in 1936 Mr. Hirji is Currently the Director, of several Companies including Comcraft Kenya Limited; Juhudi Investments Limited; Juhudi Distributors Limited; Karura Terrace Management Limited; Centre for Corporate Governance, Terra Maalum Limited, Tanzania and Uganda Aluminum Limited, Uganda. He was recently appointed to the Kenya National Qualifications Authority (KNQA) as a Council Member. Until recently, he was a Director, National Industrial Training Authority (NITA).</p> <p>He is a Past Chairman of Federation of Kenya Employers (FKE) and East Africa Business Council (EABC). He is currently a Trustee; the Chandaria Foundation, Gandhi Smarak Nidhi Fund and Desai Memorial Foundation.</p> <p>Mr. Hirji has also been actively involved in several manufacturing enterprises, businesses and charitable Organisations for over 55 years in several countries. He has been Chairman &amp;/or Director of several Companies in Kenya, Uganda, Tanzania, Mauritius, Ethiopia, Zambia and South Africa etc.</p>
 <p>3. Mr. Abdi Mohamud Hassan MA, LLB, B.Sc, Advocate of the High Court of Kenya</p>	<p>Born in 1969, Mr. Abdi is a Legal practitioner and transformational leader experienced in top level management of state corporations. He has served as a Council Member for LSK, Member of Presidential Power of Mercy Advisory Committee, Commissioner, Media Complaints Commission, Board Member, Numerical Machining Complex, Tourism Fund.</p> <p>He has also served as the Managing Partner, Hassan Mutembei &amp; Company Advocates and Wamalwa, Abdi &amp; Company Advocates.</p>

 <p>4. Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p>	<p>Born in 1957. Professor Kinandu Muragu joined Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p> <p>Before joining the School, Prof. Muragu worked under the sponsorship of the World Bank as the Projects Coordinator for the 19 Donor-funded Education Sector Development Programme in the Kingdom of Lesotho. He was responsible for creation of the e-governance system for the education sector that enabled him participate in the implementation of the e-schools project in Lesotho and thereafter follow progress of the initiative across the continent.</p> <p>He has consulted for a variety of international organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance. Prof. Muragu has also carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI), one of Africa's top management institutes. Before joining ESAMI, he had lectured at the University of Nairobi for 10 years rising to be a senior lecturer in the Department of Accounting and Finance. Prof. Muragu had his basic accountancy training at Delloite and Touche and later at PricewaterhouseCoopers and Nyaga Associates.</p>
 <p>5. 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) &amp; 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).</p> <p>Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK, Barclays Pension Fund and Barclays Financial Services Limited</p>



6. Prof. Stephen G Kiama  
 B.V.M, MSC, PhD, MKNAS

Born in 1964 Prof. Stephen Kiama Gitahi is the 8th Vice-Chancellor, University of Nairobi and UNES Board Member. He holds an earned doctorate degree in Structural Biology from University of Bern in Switzerland. He is an accomplished scholar with proven track record in formulating and managing academic programs and on research and publication. He has over 16 years' experience in management and leadership positions at the University of Nairobi.

Prof. Kiama was employed by the University of Nairobi upon graduation in 1990 as an assistant Lecturer in the Department of Veterinary Anatomy. Since then he has risen through the ranks to positions of Lecturer (1995), Senior Lecturer (2002), Associate Professor (2012) and Professor (2016). Prof. Kiama is currently serving as Vice Chancellor of the University of Nairobi with effect from Jan 6 2020 to Jan 5 2025. Previously he served as the Deputy Vice Chancellor in charge of Human Resource and Administration at University of Nairobi, the Acting Deputy Vice Chancellor In-charge of Finance, Planning and Development, Principal College of Agriculture and Veterinary Sciences from 2016 to 2019, Director of Wangari Maathai Institute for Peace and Environmental Studies from 2010 to 2016, Chairman of the Department of Veterinary Anatomy and Physiology from 2005—2010, Acting dean of the Faculty of Veterinary Medicine in 2014 and Associate Dean of the Faculty of Veterinary Medicine from 2003-2010.






7. Ms Flora Maghanga  
 Mtuweta, BA (Econ), MBA  
 (Strategic Mgt), CPA (K)

Born in 1967, Ms. Flora M. Maghanga-Mtuweta is a seasoned, accomplished Finance and Administration professional with over 25years experience; having held various senior management positions in private and public sector.

She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya. She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the startup of two Micro Finance Institutions one of which is a bank now.

She is a Board Member of The Centre for Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.

 <p>8. Mr. Samuel Mugambi Mutwiri, B. Com, MBA, Dip (Finance)</p>	<p>Born in 1965, Mr. Samuel Mugambi holds a Bachelor of Commerce from the University of Nairobi, a Masters of Business Administration from Esami / Mastritch University and a Diploma in Finance from Kenya School of Accountancy.</p> <p>He has worked in the Ministry of health, Ministry of Planning and National Development, Central Kenya Dry Areas Project as a Project Administrative and Liaison Officer. He has also worked a Chief Finance Officer at State House, Ministry of Education, State Department for University Education &amp; Research.</p> <p>He is a Board Member of Kigarine Day Secondary School and University Fund Board.</p>
 <p>9. Ms Miriam Musyoki, BA (Econ), MBA (Economics)</p>	<p>Born in 1982 Ms Miriam Musyoki holds a Degree in BA, Economics and Master's Degree in Economics (Public Finance) She has worked in the National Treasury for 11 years as an Economist and currently as a Budget Officer.</p>
 <p>10. Mr. Seith Abeka, B.Econ &amp; Math., MA (Gender &amp; Development Studies).</p>	<p>Born in 1978, Mr. Seith Abeka is the Ag, Managing Director. He has wealth of experience in Organization Development and Project Management.</p> <p>He has served as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country.</p> <p>He has extensive experience in HIV and AIDS programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p>

**MANAGEMENT TEAM**

 <p>1. Mr. Seith Abeka, B.Econ &amp; Math., MA (Gender &amp; Development Studies). <b>Ag. Managing Director</b></p>	<p>Born in 1978, Mr. Seith Abeka is the Ag, Managing Director. He has wealth of experience in Organization Development and Project Management.</p> <p>He has served as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country.</p> <p>He has extensive experience in HIV and AIDS programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p>
 <p>2. CS. Collins F. Omondi <b>Corporation Secretary</b></p>	<p>CS. Collins F. Omondi is an expert in international trade and investments law, governance, human resources, and industrial relations practices.</p> <p>He has worked extensively on matters of disabilities and was instrumental in the review and amendments of the Persons with Disabilities Act 2003 in 2016.</p> <p>He holds a Master's in Law from the University of Nairobi (2018); an undergraduate law degree from Makerere University (2003); a Postgraduate Diploma in Legal Practice from the Kenya School of Law (2006), and a Certificate of Secretarial Practice and Governance Auditor (2012).</p>
 <p>3. Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K), CPS. <b>Chief Manager, Finance and Administration</b></p>	<p>Has work experience in Finance, Accounting and general Administration acquired at various levels of management over a period of fifteen years. A member of Institute of Certified Public Accountants of Kenya.</p>

 <p><b>Chief Manager, Commercial Operations</b> 4. Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K).</p>	<p>Has a long career experience spanning 23 years in private and public commercial sectors. He has previously served as Head, Business Advisory Services (UNES) and Accounts &amp; Administrations Manager at Comp-rite Kenya Limited. A member of Institute of Certified Public Accountants of Kenya.</p>
 <p>5. Mr Evans Nyandumo, BBA, MBA, CPA (K). <b>Ag. Chief Manager, Risk and Internal Audit</b></p>	<p>Has 18 Years' experience in accounting &amp; Internal Auditing with valuable experience. He joined UNES LTD in November 2018 as Ag. Chief Manager, Risk &amp; Internal Audit from University of Nairobi where he worked as Senior Internal Auditor College of Architecture &amp; Engineering.</p>

**CHAIRMAN'S STATEMENT**

It gives me great pleasure to present to you UNES' Annual Report and Financial Statements for the Year Ended 30th June, 2020. The FY 2019/2020 had some challenging experiences in terms of the overall Economic Performance caused by the COVID-19 Pandemic which has impacted negatively on UNES Business Performance. The underperformance was largely attributed to the general condition of the Economy impeded by COVID-19; Austerity Measures introduced by the National Government as well as Freezing of any New Projects and Businesses which have had net negative effects on the overall performance of UNES especially the Strategic Business Units that entail; UNES Consultancy, Bookstores, Hospitality Divisions and Medical Services whose main revenue line depends on projects, businesses and referrals from Ministries, Government Departments and Parastatals.

Given Kenya's robust growth prospects and resilience, the ongoing pro-business reforms and investments in infrastructure, improved business confidence and recovery as well as strong private consumption are likely to provide opportunities to spur growth of UNES Businesses. UNES Strategic Business Units will leverage on the National Big Four Agendas to achieve the desired good performance and growth in the coming year.

In conclusion, on my own behalf and that of the entire UNES Board, I would like to take this opportunity to thank our shareholders, the University of Nairobi, our Suppliers and Customers. First and foremost, to the University of Nairobi for their strong support and commitment in providing support to the Board over the years. To our Suppliers and Customers for standing with us both in good times and bad times. Lastly, much appreciation goes to the UNES Management and Staff who have worked tirelessly and remains true to the goals and objectives of the company in this time of COVID-19 Pandemic I believe we will emerge stronger than ever to see UNES through in the coming FY 2020/2021.



.....

Eng. Kariuki Muchemi  
**CHAIRMAN, UNES BOARD**

Date: .....

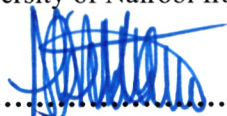
**REPORT OF THE CHIEF EXECUTIVE OFFICER**

UNES developed and implemented the FY 2018/2023 Strategic Plan. The UNES STP was cascaded from the University's STP and this is purposely to ensure cohesiveness to the University Strategies and provide maximum support and build synergies with the University. The FY 2019/2020 Implementation Plan was to address changes in the business environment and identify initiatives to achieve the expected performance. The Implementation Plan was leveraging on the key internal resources namely Human Capital, Physical Infrastructure and Facilities, and Information Communication Technology (ICT) as the key enablers.

Consultancy which is the main business of the company suffered heavily due to the prevailing macroeconomic condition during the FY 2019/2020 most of which is attributed to the COVID-19 Pandemic. This was alongside coupled with freezing of new projects directly which in turn affected the business volume of Consultancy business since most customers for Consultancy are Ministries and Government Departments and Parastatals. To be precise, the key customers for the Bookstores are Public Universities, Technical Institutions and KMTTC's. In 2019/2020 FY, National Budgetary Allocations to these institutions was heavily reduced thus reducing their budget lines on book purchases. The Hospitality Sector is a very competitive industry in this country. Kenya occupies a strategic location on the continent and is attractive to numerous well-established multinational companies. UNES Conference business line which was previously the main income earner for the Hospitality Unit is now on decline trend due to the COVID-19 Pandemic and reduced spending by MDA's. New ultra-modern facilities have mushroomed around the Central Business District (CBD) offering very competitive prices. The opening up of the University of Nairobi Towers also diverted some clients from UNES Arziki Conference Centre.

In developing the new 2018 – 2023 Strategic Plan, management has taken cognisance of the changing business environment and adoption of new normal business approach, shifting customer demands and innovation as the competitive edge in business. Overreliance on the University as the main customer has affected the growth of business due to the diminishing capitation from National Treasury. The Strategic Plan focuses on generating substantial income to sustain the company as well as mitigate the budgetary gaps of the University. This level of performance is expected to be achieved through increased efficiency in production and operations, up-scaled performance of existing business portfolio, and diversification into new business enterprises, adoption of online/digital marketing and communications and expansion of business networks.

I wish to express my sincere thanks to the staff and management who have been instrumental in the day to day running of the company and through their concerted effort and resilience, the company was able to turn around its profitability following the refocusing of its business Continuity Plans and initiatives amidst the COVID-19 Pandemic. In the same stride, a bounty of gratitude goes to the UNES Board and the University of Nairobi fraternity who have provided leadership, oversight and control over the company.



.....  
Mr. Seith Abeka  
**Ag, MANAGING DIRECTOR**

Date..... 10/12/2021 .....

## **CORPORATE GOVERNANCE STATEMENT**

### **Concept of Corporate Governance**

The Directors are committed to the principles of good corporate governance and recognize the need to conduct business in accordance with generally accepted best practice. In addition to the Board committees, which have been set up to assist the Board in carrying out its mandate, the company has also put in place internal controls and good management processes that seek to ensure preservation and growth of shareholder value. The company is also subject to an annual Governance Audit guided by the State Corporations Advisory Committee (SCAC).

### **Board of Directors**

The UNES Board of Directors is broadly constituted of Representatives from Government, Private Sector and the University of Nairobi. In fulfilling its responsibilities, UNES Board of Directors meets at least four times in a year. The Board members are appointed by the University of Nairobi Council, except for the representatives from Government, who are appointed by their respective Ministries. The Company Secretary advises the Board on all Corporate Governance matters, Statutory Requirements and also attends all the Board Meetings.

The conduct of the Board is guided by the Board Charter, which is regularly reviewed to be in tandem with the dynamic environment in which the company operates. The conduct of Board members is guided by the provisions of the Public Ethics and Code of Conduct, as well as guidelines from SCAC. The performance of the Board as a whole and that of individual members is assessed through an annual Board evaluation conducted by the SCAC.

The remuneration of the Board members is guided by SCAC and the Salaries & Remuneration Commission (established in the Constitution of Kenya 2010). The remuneration details are stipulated in note 8 of the “Notes to the financial statements”.

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

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

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

*University of Nairobi Enterprise Services Limited*  
*Annual Report and Financial Statements for the year ended 30 June 2020*

No	NAME	DATE OF MEETINGS						ATTENDANCE	
		No. Date	1 <sup>st</sup> 04.09.19	2 <sup>nd</sup> 28.10.19	3 <sup>rd</sup> 29.11.19	4 <sup>th</sup> 09.04.20	5 <sup>th</sup> 27.05.20	6 <sup>th</sup> 29.06.20	No. Present
1.	Eng. Kariuki Muchemi	√	√	√	√	√	√	6	Nil
2.	Prof. K. Muragu	√	√	√	√	√	√	6	Nil
3.	Prof. I.M. Mbeche	X	√	√	N/A	N/A	N/A	2	1
4.	Mr. Hirji Shah	√	√	X	X	√	X	3	3
5.	Mr. Samuel Mugambi	√	√	X	X	√	X	3	3
6.	Ms. Miriam Musyoki	√	√	X	X	√	√	4	2
7.	Mr. Yusuf Omari	√	√	√	X	X	X	3	3
8.	Mr. Abdi Hassan	√	√	√	√	√	√	6	Nil
9.	Ms. Flora Mtuweta	√	√	√	√	√	√	6	Nil
10.	Prof. Stephen Kiama	N/A	N/A	N/A	√	X	X	1	2

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

### **Responsibilities of the Board**

The Board is responsible for setting the strategic direction of the Company through the establishment of strategic objectives, key policies and approval of budgets. It monitors the implementation of such strategies and policies through a structured approach of reporting by management. The Board and its committees hold quarterly meetings to deliberate, review and monitor the activities of the company.

The conduct of the Board members is consistent with their duties and responsibilities to the company and they must always act within the limitations imposed by the Board. As a standing agenda item, all Board members must declare conflict of interest and record in the established register at the commencement of any meeting. Any Board member with a conflict of interest is allowed to abstain from the deliberations of the subject matter for which the conflict of interest is declared.

The Board has set up the following Committees:

#### **1. Risk and Audit Committee:**

The Board has established the Risk and Audit Committee that shall meet at least four times in a year under the Terms of Reference set by the Board. It consists of Four Directors and is chaired by a Non-Executive Director. The committee is charged with the responsibility of verifying the company's financial information, regulatory compliance, compliance with accounting standards, and liaison with both internal and external auditors, and ensuring that the internal controls systems are sound and effectively administered. The audit committee has also been charged with the responsibility of Enterprise Risk Management. Members of the Board Audit Committee who served during the year were:

- i) Mr. Yusuf Omari (Chairman)
- ii) Mr. Samuel Mugambi
- iii) Prof. Isaac Mbeche – Exited
- iv) Mr. Abdi Hassan
- v) Mr. Hirji Shah
- vi) Ms Miriam Musyoki

## **2. Finance and General Purposes Committee:**

The Finance and General Purposes committee of the Board monitors the financial performance of the Company and meets at least four times every financial year. It also reviews budget, staff, legal and procurement matters of the company. Members of the Finance and General Purposes Committee who served during the year were:

- i) Prof. Kinandu Muragu (Chairman)
- ii) Prof. Stephen Kiama
- iii) Ms. Flora Mtuweta
- iv) Mr. Abdi Hassan
- v) Ms Miriam Musyoki

## **3. Strategy and Investment Committee:**

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

- i) Mr. Hirji Shah (Chairman)
- ii) Prof. Stephen Kiama
- iii) Mr. Samuel Mugambi
- iv) Yusuf Omari
- v) Ms. Flora Mtuweta
- vi) Prof. Kinandu Muragu

## **Shareholding**

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

## MANAGEMENT DISCUSSIONS AND ANALYSIS

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

#### i) Consultancy Unit

The Consultancy Unit is one of UNES strategic Business Units (SBUs). The unit coordinates Consultancy & Partnerships in the provision of Consultancy Services, Contract Research and Short Professional Training to Government Ministries, Departments & Agencies; NGOs, Development Partners, Corporate world *inter alia*. Courses. The unit draws its Consultants from the University of Nairobi Community and its Alumni.

UNES is focused on expanding Consultancy Services to be one of the leading firms in the country. During the reporting period 2019/2020, the unit generated an annual revenue of KShs. 411,482,744. This represents 25.9% increase from the 2018/2019 FY when the annual revenue was Kshs.326,828,138.

The Key Initiatives implemented and are still ongoing by UNES consultancy unit include:

1. Identifying and pursuing viable projects under Government's big four agenda (Health, Food Security, Manufacturing & Housing).
2. Harnessing business opportunities from International Development Partners and MDAs
3. Engage Vision 2030 Directorate for the flagship projects and Ministry Department Agencies (MDAs) for Consultancy Projects defined in the Kenya Economic Stimulus Programs.
4. Engage County Governments for Consultancies in Infrastructural Development, Health, Planning and Social Development Projects.
5. Establish Local and International consortiums to strengthen the thematic teams to tap International Consultancy Opportunities.
6. Engage MDAs Training Managers for opportunities to develop and implement Specialized Training Solutions.

#### ii) Hospitality

The performance of the Hospitality Unit for the financial year 2019/2020 is negative due to the effects of covid-19 pandemic. The unit's revenues had grown steadily from July 2019 to December 2019 due to the large catering and conference orders successfully sourced and received from local and international organisations. Arziki has benefited greatly from the strategic partnership developed with UON TOWERS through exploitation of UON competitive advantage of facilities, infrastructure and external corporate partnerships. Low revenues were realised in the last 6 months (January -June 2020) of the financial year due to the negative effects Covid-19 pandemic. The pandemic has affected industries with the Hospitality sector in general being the worst affected globally and locally. Arziki restaurant being in the sector was not spared as well.

The specific issues which affected the unit's performance include;

- 1) Already booked catering and conference orders worth over 11 million were cancelled in February 2020 due to the covid-19 pandemic
- 2) UON who is the units anchor tenant and client were closed. Staff and students sent home
- 3) Arziki restaurant was forced to close based on Gok directive for eateries
- 4) The cost of compliance to restaurant Covid-19 regulations as provided for MOH are expensive and unsustainable.

**University of Nairobi Enterprise Services Limited**  
**Annual Report and Financial Statements for the year ended 30 June 2020**

- 5) Customers are shying away from ordering for food from restaurants during the Covid-19 pandemic
- 6) External customers purchasing power has reduced as majority have prioritised their purchasing requirements due to the high cost of living brought about by the pandemic
- 7) Agricultural produce has become expensive due to the streamlined supply chains affected by the Covid-19 pandemic
- 8) High debt portfolio mainly owed by OWN has crippled the unit's operations

Based on these exogenous factors, the unit has developed turn-around strategies to address the negative effects of covid-19 to be implemented in the financial year 2020/2021. They include;

- 1) Marketing and sales through the available online platforms such as Facebook, twitter and Instagram
- 2) Development of strategic partnerships with online service providers such as uber and glovo to sell and deliver food
- 3) Comply with MOH guidelines and open our restaurants for takeaway and sit in customers
- 4) Minimise operational and overhead costs by reopening one restaurant until the covi-19 status improves.
- 5) Deploy some of the Arziki staff to other units where they can add value
- 6) Source and provide catering for gatherings and numbers as prescribed by the government
- 7) Promote and sell UNES grounds for weddings and corporate events.
- 8) Venture into new product lines such as confectionary products and precooked/blanched indigenous products
- 9) Venture into new business lines that build synergies with existing business lines to supplement hospitality income. i.e. sale of hand sanitisers, detergents among others.

### **iii) Bookstore**

#### **1. Background**

UNES University Bookstore is one of the Strategic Business Units of the University of Nairobi Enterprises and Services (UNES) Limited. The University of Nairobi established the Bookstore in 1972 to support the teaching and research mandate of the University; by making available textbooks, stationery and other relevant learning materials to the students and lectures. The Bookstore has undergone tremendous expansion occasioned by the growing demand from the higher education sector in Kenya. Over the years, the Bookstore has expanded its product portfolio aimed at satisfying its customers. The Bookstores operates from three branches strategically located in Nairobi, Kisumu and Mombasa. The Bookstore endeavours to avail the products at competitive prices to its Customers: The University of Nairobi, Other Universities, TVETs, Medical Training Colleges and GoK MDAs.

#### **2. Bookstores Strategic Objective**

In tandem with the 2018-2023 UNES Strategic Plan anchored on the strategic direction that leverages on competencies gained to drive business growth and delivering the value expected by the stakeholders, the Bookstores has aligned its strategies to deliver the same. The Performance Contract and Quality Management System obligations are integral Key components that guide the Bookstores operation to achieve its mandate. *They Include:*

- Growing Business Turnover and Profitability
- Enhance Business Partnerships
- Embrace Technology and Make it a Way of Doing Business
- Enhance Customer Experience and Brand Image

**3.1 Factors that Negatively Affected the Financial Performance in the FY 2019/20**

1. The Covid-19 Pandemic disrupted the global supply chain and occasioned the closure of a majority of the Publishers, Distributors, Customer and other Key Stakeholders. Customer Orders worth KSh. 20M could not be serviced owing to the Pandemic related challenges.
2. Decline in the number of orders from the Government funded entities. GoK is a Key Account whose reduced orders to the Bookstores contribute to very low sales.
3. Decline in the number of orders from the major Customer; the University of Nairobi.
4. Delay and failure to service Customers' orders. This was attributed to factors beyond our Control, such as new Import Regulations requiring books to be inspected at the port of origin. It took the stakeholder very long to reach an agreement.
5. Competition from private bookstores. Due to less bureaucracy, they are able to promptly satisfy Customer requirements. This is attributed majorly to the fact that they are not subjected to the Public Procurement requirement as far acquisition is concerned.
6. Insufficient Working Capital affected the business operations. Delayed supplier payments were attributed to Working Capital Deficiency. This caused delays as well as failed supplies.

**3.2 Mitigation Measures to Improve the Financial Performance**

1. The Bookstores is embracing information technology in delivery of products and services; both in up-stream and down-stream activities. Expansion of online visibility is underway by revamping the online shop and Partnership MoUs with established online shops such as Jumia.
2. Market Diversification to Private institutions and NGOs to avert overreliance on the GoK funded institutions. To start with, Private Hospitals and Universities have already been mapped for engagement.
3. Diversification to the County Governments is underway. This target to establish and satisfy the needs of the various MDAs within the Country Government. The library needs shall be top priority. Counties though funded by the National Government, they exercise a high degree of semi autonomy, therefore a potential Key Account.
4. Profile the UoN Students and Staff needs and meet the demands. Laptops and Smart Phone are availed to Customers all the time. Special requests are concurrently serviced.
5. Building sustainable Partnerships with Domestic Publishers for business continuity when international Publishers and Distributors encounter supply chain challenges. This will equally support the Government initiative of Buy Kenya Build Kenya. Communication has been enhanced to get early warnings about such impending business disruptions. These will Enhance Customer Experience through proactive and expeditious engagements with Customers.
6. Proactive collection of Customer feedback and promptly addressing the Customer needs. Through Market Segmentation, the Customers are able to engage the specific Account Manager for their inquiries or complaints. This enhances Customer Experience. Product Diversification is being sustainably implemented especially as a result respond to Covid-19 motivated upsurge in demand for Laptops, Smart Phones, Internet MiFi, Lightweight All -In-One Printers etc. This is will plug the deficit attributed to low sale of books.
7. Debt Collection shall continue to be enhanced. This will enhance the Working capital to settle the Pending Bills. As a result, sustainable supplies will be achieved thereby Enhancing Customer Experience and Revenue.

**iv) Income Generating Units –**

Dental Plaza-The IGU closed in April due to Covid-19 and resumed operations in May. Initially, the patient flow was low since most patients were afraid to visit the hospital due to the pandemic. We have however seen an increase in terms of revenue as months go by. Apart from facing stiff competition, most of the doctors do not have valid practising licences & indemnity covers which has affected partnership with most insurance companies.

***University of Nairobi Enterprise Services Limited***  
***Annual Report and Financial Statements for the year ended 30 June 2020***

Eye Centre-Eye Centre has been closed since March 2020 since we heavily rely on the post graduate students who have since closed. We recently held interviews for Ophthalmic Officers so that we can be able to resume operations.

Diagnostic Imaging & Radiation Medicine (DIRM)-The IGU closed in March 2020 and resumed services in July 2020. DIRM's performance has been affected greatly because they use outdated machines. Currently, the Xray machine is on its death bed and the unit has requested for a Digital Xray machine to be purchased at a cost of 3.2M. When this is done, we are optimistic that performance will improve significantly.

Bindery-The IGU has improved in performance but still faces challenges because the machines in use keep on breaking down. We intend to venture into printing business in the course of the year when students resume to boost revenue for the unit.

CFP-The performance of the IGU has improved. This can be attributed to the fact that the IGU has been handling Covid-19 patients' bodies.

**b) Internal controls and risk management**

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

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

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

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

**i) Operational Risks**

This is the risk that results from operational failure which includes System Failures, Violation of Policy, Laws and Regulations.

UNES Manages Operational Risks by integrating Risk Management Practices into Processes, Systems and Culture. Mitigation Strategies are implemented through Business Plans, Budgets and Policies such as the Credit Policy, Pricing Policy, Human Resources Policy Manual, and Procurement Policy among others in the Strategic Business Units and Operational Department.

The Risk and Internal Audit Department undertakes Assurance Audits to ensure implementation of the Policies, Laws and Regulations.

**ii) Internal Controls**

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

The company has implemented ISO 9001:2015 which lays a great emphasis and requirement on the determination of risks and opportunities, addressing them appropriately in order to ensure continued conformity of products and services offered. In this regard risks and opportunities have been identified for all the processes in the organization as well as mitigations and exploitation strategies respectively. The Quality Management System promotes Risk Based Approach (RBA) in planning, implementing and monitoring the effectiveness of the Quality Management System. Management has identified risks in the current operating environment, developed mitigation strategies to address their impact and likelihood.

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 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, 2020 are set out on pages 1 -28.

### **Dividends**

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

### **Directors**

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

### **Auditors**

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

By Order of the Board

FREDERICK COLLINS OMONDI  
CPS (K)  
MEMBER No: 2794  
CS. Collins Omondi  
CORPORATION SECRETARY

Date: .....

## **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.

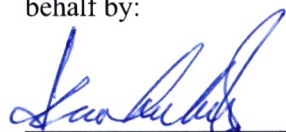
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the UNES financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended 30 June 2020 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 September 8, 2020 and signed on its behalf by:



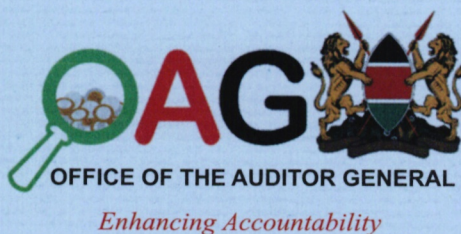
Eng. Kariuki Muchemi  
**DIRECTOR**



Mr. Seith Abeka  
**DIRECTOR**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE, 2020**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of University of Nairobi Enterprises and Services Limited set out on pages 1 to 28, which comprise the statement of the financial position as at 30 June, 2020, statement of comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the University of Nairobi Enterprises and Services Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **Undisclosed Material Uncertainty on Going Concern**

The statement of financial position as at 30 June, 2020 reflects current liabilities amounting to Kshs.477,062,993 while current assets amounted to Kshs.413,597,126 resulting to negative working capital of Kshs.63,465,867 compared to a negative working capital of Kshs.63,815,767 in the previous financial year. The Company is therefore technically insolvent and may not meet its obligations when they fall due. Its continued existence as a going concern is dependent upon financial support from its creditors and the University of Nairobi.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts for the year ended 30 June, 2020 reflects final budgeted and actual revenue on comparable basis amounting to Kshs.831,487,453 against an actual amount earned of Kshs.524,166,097 resulting to a shortfall of Kshs.307,321,356. Similarly, the Company had an expenditure budget of Kshs.222,122,663 against actual expenditure of Kshs.153,990,152 resulting in net under-expenditure of Kshs.68,132,511. The Management has attributed the revenue under-collection to the challenging business environment brought about by the Covid-19 pandemic. The under-funding and under-expenditure may have affected the planned activities and may have impacted negatively on service delivery.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

#### Overdue Trade and Other Receivables

As disclosed in Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.276,072,456 under trade and other receivables. The balance includes amounts of Kshs.73,360,253, Kshs.21,407,912, Kshs.2,207,900 and Kshs.1,512,661 due from external Customers (Consultancy), National Hospital Insurance Fund (NHIF), East African Portland Cement and Other Receivables respectively, which have been outstanding for over one (1) year. Management has not indicated measures put in place to ensure collection of due receivables.

In the circumstances, it has not been possible to confirm the recoverability of trade and other receivables balance of Kshs.276,072,456 as at 30 June, 2020.

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, except for matters reported in the Basis for Qualified Opinion, I report based on the audit, that: -

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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


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

uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**22 June, 2021**

*University of Nairobi Enterprise Services Limited*  
*Annual Report and Financial Statements for the year ended 30 June 2020*

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020 Kshs	2018/2019 Kshs
<b>REVENUES</b>			
Allocation from Income Generating Units	1	9,283,130	10,406,299
UNES University Bookstores	2	69,208,241	77,048,441
Arziki Restaurants and Chiromo Conference Centre	3	32,454,984	47,588,798
Consultancy	4	411,482,744	326,828,138
Other Income	5	<u>1,736,999</u>	<u>506,969</u>
		<b><u>524,166,098</u></b>	<b><u>462,378,645</u></b>
<b>TOTAL REVENUES</b>			
<b>OPERATING EXPENSES</b>			
Direct Costs	6	373,213,780	370,221,385
Administration Costs	7	146,639,970	155,939,496
Depreciation of property, plant and equipment	12	4,706,995	5,435,739
Amortisation of Intangible Assets	14	<u>105,850</u>	<u>104,400</u>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>524,666,595</u></b>	<b><u>531,701,020</u></b>
<b>OPERATING LOSS</b>	8	<b>(500,497)</b>	<b>(69,322,375)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Finance Income	9	628,007	613,339
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>127,510</b>	<b>(68,709,036)</b>
<b>Earnings per share – basic</b>	10	<b>26</b>	<b>(13,742)</b>

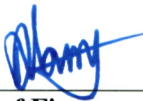
*University of Nairobi Enterprise Services Limited*  
*Annual Report and Financial Statements for the year ended 30 June 2020*

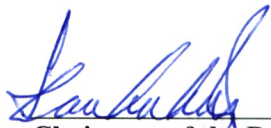
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	Note	2019/2020	2018/2019
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	12,830,056	14,999,716
Intangible assets	14	311,750	417,600
<b>Total Non-Current Assets</b>		<b>13,141,806</b>	<b>15,417,316</b>
<b>Current Assets</b>			
Inventories	15	62,855,555	51,789,246
Trade and other receivables	16	276,072,456	388,109,580
Bank and cash balances	17	74,669,115	20,621,064
<b>Total Current Assets</b>		<b><u>413,597,126</u></b>	<b><u>460,519,890</u></b>
<b>TOTAL ASSETS</b>		<b><u>426,738,932</u></b>	<b><u>475,937,206</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	18	100,000	100,000
Accumulated loss	19	(84,164,838)	(84,292,349)
Capital Reserve	20	12,321,458	12,321,458
<b>Capital and Reserves</b>		<b>(71,743,380)</b>	<b>(71,870,891)</b>
<b>Non-Current Liabilities</b>			
Long term liability	21	21,419,324	23,472,440
<b>Total Non-Current Liabilities</b>		<b>21,419,324</b>	<b>23,472,440</b>
<b>Current Liabilities</b>			
Trade and other payables	22	443,822,683	472,189,043
Staff gratuity obligations	23	30,534,837	33,860,636
Provision for leave pay	24	2,705,472	4,937,226
Dividends payable	25	-	13,348,752
<b>Total Current Liabilities</b>		<b><u>477,062,993</u></b>	<b><u>524,335,657</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>426,738,932</u></b>	<b><u>475,937,206</u></b>

The financial statements were approved by the Board on September 8, 2020 and signed on its behalf by:

  
 \_\_\_\_\_  
 Ag. Managing Director  
 Mr. Seith Abeka

  
 \_\_\_\_\_  
 Head of Finance  
 Ms. Jennifer Mburu  
 ICPAKM/No.5269

  
 \_\_\_\_\_  
 Chairman of the Board  
 Eng. Kariuki Muchemi

**STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2020**

	<b>Ordinary Share Capital</b>	<b>Capital Reserve</b>	<b>Retained Profit (Loss)</b>	<b>Total</b>
<b>Balance as at 1st July 2018</b>	100,000	9,221,458	(15,583,313)	(6,261,855)
Loss for the period	-	-	(68,709,036)	(68,709,036)
Transfer to capital reserves	-	3,100,000	-	3,100,000
<b>Balance as at 30 June 2019</b>	<b>100,000</b>	<b>12,321,458</b>	<b>(84,292,349)</b>	<b>(71,870,891)</b>
<b>Balance as at 1st July 2019</b>	100,000	12,321,458	(84,292,349)	(71,870,891)
Profit (Loss) for the period	-	-	127,510	127,510
Transfer to capital reserves	-	-	-	-
<b>Balance as at 30 June 2020</b>	<b>100,000</b>	<b>12,321,458</b>	<b>(84,164,838)</b>	<b>(71,743,380)</b>

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 30 JUNE 2020**

	Note	2019/2020 Kshs	2018/2019 Kshs
<b>OPERATING ACTIVITIES</b>			
Cash (used in) / generated from operations	26(a)	71,359,251	(58,331,311)
Finance income (Interest received)	9	628,007	613,339
<b>Net cash generated from/ (used in) operating activities</b>		<b>71,987,258</b>	<b>(57,717,972)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(2,537,337)	(779,879)
Proceeds from disposal of intangible assets	14	-	(522,000)
Transfer to capital reserves	21	-	3,100,000
<b>Net cash generated from/ (used in) investing activities</b>		<b>(2,537,337)</b>	<b>1,798,121</b>
<b>FINANCING ACTIVITIES</b>			
Dividend paid	25	(13,348,752)	(2,000,000)
Long term liability paid	21	(2,053,116)	-
<b>Net cash (used in) financing activities</b>		<b>(15,401,868)</b>	<b>(2,000,000)</b>
<b>(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>54,048,053</b>	<b>(57,919,851)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>20,621,065</b>	<b>78,540,915</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	17	<b>74,669,115</b>	<b>20,621,065</b>

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE PERIOD ENDED 30 JUNE 2020**

	<b>Original Budget</b>	<b>Adjustments</b>	<b>Revised Budget 2019/2020</b>	<b>Actual on Comparable Basis</b>	<b>Variance</b>
	<b>FY 2019/2020</b>	<b>FY 2019/2020</b>	<b>FY 2019/2020</b>	<b>FY 2019/2020</b>	<b>FY 2019/2020</b>
<b>Revenue</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Gross Sales Income	1,378,542,261	(547,054,808)	831,487,453	524,166,097	(307,321,356)
Cost of Sales	1,094,352,300	(458,228,270)	636,124,030	373,213,781	262,910,249
<b>Gross Profit</b>	<b>284,189,961</b>	<b>(88,826,538)</b>	<b>195,363,423</b>	<b>150,952,316</b>	<b>(44,411,107)</b>
<b>Administrative Expenses</b>					
Personnel Emoluments	154,490,593	(28,156,241)	126,334,352	104,601,897	21,732,455
Operating Expenses	44,014,751	12,068,652	56,083,403	36,117,287	19,966,116
Board Expenses	4,538,800	1,446,106	5,984,906	5,920,786	64,120
Depreciation	8,459,151	(3,196,019)	5,263,132	4,812,845	450,287
<b>Total Administrative Expenses</b>	<b>211,503,295</b>	<b>(17,837,502)</b>	<b>193,665,793</b>	<b>151,452,815</b>	<b>42,212,978</b>
Finance Income	-	-	-	628,007	-
<b>Net Surplus for the Period</b>	<b>72,686,666</b>	<b>(70,989,035)</b>	<b>1,697,630</b>	<b>127,507</b>	<b>(1,570,123)</b>

**Capital Budget**

Conference Tents, Furniture and Fittings	5,000,000	1,885,115	3,114,885
Motor Vehicles	7,500,000	-	7,500,000
Computers/Laptops	2,200,000	652,222	1,547,778
Management Information Systems/ERP	13,756,870	-	13,756,870
<b>Total Capital Budget</b>	<b>28,456,870</b>	<b>2,537,337</b>	<b>25,919,533</b>

The company relies on internally generated funds from its business units, which had been projected KSh 1.3 billion and later revised to KSh 831.4 million for the F/Y 2019/2020. The actual revenue was below what was projected at KSh 524.2 million due to the challenging business environment brought about by the Covid-19 pandemic.

The cost of sales and operating expenses were controlled and maintained within the budgeted levels, in tandem with the business volumes which were lower than projected. The capital expenditure was also maintained at low levels but without affecting the operations of the company.

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020**

### **A: General Information**

UNES Limited is incorporated under and derives its authority and accountability from the Companies Act Cap 486. The entity is wholly owned by the University of Nairobi and is domiciled in Kenya. The entity is also recognized as a Commercial State Corporation due to the provisions of the State Corporations Act, which stipulate that an entity wholly owned by a State Corporation is also a State Corporation. The entity's principal activity is undertaking Financial Management, Consultancy and other entrepreneurial activities which include Hospitality, Bookstores, and Managing Income Generating Units (IGUs) on behalf of the University of Nairobi. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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

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

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

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

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

#### **i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

##### ***IFRS 16: Leases***

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh426,738,932, lease liabilities of KSh498,482,317 have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

##### ***IFRIC 23: Uncertainty Over income tax treatments***

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

**University of Nairobi Enterprise Services Limited**  
**Annual Report and Financial Statements for the year ended 30 June 2020**

- The effect of changes in facts and circumstances  
***Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

***Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

***Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.***

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

***Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

***Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

***Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017***

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

***Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)***

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

***Amendments to IAS 1 and IAS 8 Definition of material***

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of ‘obscuring’ material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from ‘could influence’ to ‘could reasonably be expected to influence’. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term ‘material’ to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

***IFRS 17 Insurance Contracts (Issued 18 May 2017)***

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

***Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)***

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2020.

## D: 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;

<b>Project Categories</b>	<b>UNES Allocation</b>
(i) Specialized Based Production Units	15%
(ii) General production units	15%
(iii) Workshops, Seminars & Short Courses	2.00%

### ii) Property, plant and equipment

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

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

### iii) Depreciation and impairment of property, plant and equipment

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

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

iv) **Intangible assets**

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

v) **Amortisation and impairment of intangible assets**

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

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

vi) **Inventories**

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

vii) **Trade and other receivables**

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

viii) **Taxation**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ix) Cash and cash equivalents**

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

**x) Trade and other payables**

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

**xi) Retirement benefit obligations**

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

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

**xii) Provision for staff leave pay**

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

**xiii) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the company operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The transactions in foreign currency have been translated at the CBK closing rate as follows: 1 USD = Ksh 102.30 and 1 EUR = Ksh 116.30

**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, 2020.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

xvi) **Corporation tax**

UNES is exempted from paying corporation tax.

xvii) **Financial risk management**

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

a) **Liquidity Risk**

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

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

b) **Credit Risk**

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

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

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

	<b>Total Amount Kshs</b>	<b>Fully Performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 June 2020</b>				
Receivable from non-exchange transactions	273,039,491	273,039,491	201,452,210	-
Bank Balances	74,669,115	74,669,115	-	-
<b>Total</b>	<b>347,708,606</b>	<b>347,708,606</b>	<b>201,452,210</b>	<b>-</b>
<b>At 30 June 2019</b>				
Receivable from non-exchange transactions	383,936,972	383,936,972	231,598,208	-
Bank Balances	20,621,064	20,621,064	-	-
<b>Total</b>	<b>404,558,036</b>	<b>404,558,036</b>	<b>231,598,208</b>	<b>-</b>

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

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **c) Market Risk**

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

#### **i) Foreign Exchange Risk**

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

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

#### **ii) Price Risk**

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

#### **iii) Interest Rate Risk**

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

### **xviii) Critical Accounting Estimates and Judgements**

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

#### **a) Impairment of non-financial assets**

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

#### **b) Contingent liabilities and assets**

A contingent liability is a potential obligation that may be incurred depending on the outcome of a future event. It is a situation where the outcome of an existing situation is uncertain, and this uncertainty will be resolved by a future event. A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated.

A contingent asset is a potential asset associated with a contingent gain. Unlike contingent liabilities and contingent losses, contingent assets and contingent gains are not recorded in accounts, even when they are probable and the amount can be estimated.

#### **c) Going concern issues**

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

## **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

### **E: Significant Judgements and Sources of Estimation Uncertainty**

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

#### **a) Estimates and assumptions**

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

#### **b) Useful lives and residual values**

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

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

#### **c) Provisions**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**F: Explanatory Notes to the Financial Statements**

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
<b>1. ALLOCATON FROM INCOME GENERATING UNITS</b>		
Dept. of Diagnostic Imaging & Radiation Medicine	541,402	1,041,228
Chiromo Funeral Parlour	3,929,055	4,050,791
Dental Plaza	3,126,065	3,547,310
UON Library IGA	1,549,680	1,719,757
Eye Centre	136,928	47,213
	<b>9,283,130</b>	<b>10,406,299</b>
<b>2. REVENUE FROM UNES UNIVERSITY BOOKSTORE</b>		
Nairobi	67,268,739	74,331,779
Mombasa	3,507,318	5,076,633
Kisumu	1,367,057	-
	<b>72,143,114</b>	<b>79,408,412</b>
Less: VAT paid	2,934,873	2,359,971
	<b>69,208,241</b>	<b>77,048,441</b>
<b>3. REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE</b>		
Restaurant services	23,267,326	31,168,631
Conference services	1,049,430	4,307,384
Outside catering services	10,796,679	16,112,054
Other Income	49,820	50,494
	<b>35,163,255</b>	<b>51,638,563</b>
VAT and Catering levy paid	2,708,271	4,049,765
	<b>32,454,984</b>	<b>47,588,798</b>
<b>4. REVENUE FROM CONSULTANCY</b>		
Consultancies	411,166,759	326,095,749
Training (Short courses)	189,655	575,290
Other income	126,330	157,099
	<b>411,482,744</b>	<b>326,828,138</b>
<b>5. OTHER INCOME</b>		
Miscellaneous income	306,036	506,969
Reduction in staff leave provision	1,328,321	-
Commission on mpesa	102,642	-
	<b>1,736,999</b>	<b>506,969</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**6 DIRECT COSTS**

i) Cost of sales		
Nairobi Bookstore	50,959,699	56,648,586
Kisumu Bookstore	1,003,363	-
Mombasa Bookstore	2,996,565	4,000,565
Arziki Restaurants and Conference Centre	17,803,565	23,607,951
Consultancy Direct Project Costs	300,450,588	285,964,283
	<b>373,213,780</b>	<b>370,221,385</b>

**7 ADMINISTRATION**

**(a) Staff Costs (note 7d)**

UNES Head office	60,747,516	72,765,323
UNES University Bookstore-Nairobi	10,401,613	10,015,436
UNES University Bookstore-Kisumu	662,340	-
UNES University Bookstore-Mombasa	1,456,500	1,955,515
Chiromo Conference Center & Arziki Restaurants	19,658,945	19,756,663
UNES Consultancy unit	11,674,983	10,500,623
	<b>104,601,897</b>	<b>114,993,560</b>

**(b) Directors Emoluments**

Directors Sitting Allowances	2,000,000	2,520,000
Directors Retainer Fees	1,766,666	-
Directors Travelling Allowances	1,087,453	893,535
Chairman's Honorarium	1,066,667	198,710
	<b>5,920,786</b>	<b>3,612,245</b>

**(c) Office and other Costs**

**(i) UNES Head office expenses**

Staff Training & Development	306,350	320,790
Medical Expenses	3,848,511	4,532,248
New Business Development	383,060	32,000
Out-Sourced Services	2,062,295	2,838,744
Staff Travelling and Accommodation	12,000	11,500
Transport operating expenses	1,156,933	950,169
Seminars and Workshops	-	126,800
Telecommunication	585,163	461,222
Electricity & water	122,057	141,750
Printing Expenses	99,350	932,997
Uniforms and Clothing	-	72,992
Office Stationery	1,443,191	576,425
General expenses & Other consumables	3,220,737	2,593,752
Marketing & Advertisement	633,958	724,376
Bank Charges	369,798	496,219
Maintenance of equipment	135,472	668,889

**University of Nairobi Enterprise Services Limited**  
**Annual Report and Financial Statements for the year ended 30 June 2020**

Maintenance of vehicles	474,540	630,225
Maintenance of Buildings & Grounds	-	191,603
Legal & Statutory Expenses	91,050	-
Security Expenses	433,712	833,111
Subscriptions	134,500	187,870
ICT Services	82,250	126,823
Audit Fees	870,000	870,000
Corporate Social Responsibility	349,474	-
Performance contracting	321,290	250,905
ISO-QMS Expenses	1,223,887	658,349
	<b>18,359,578</b>	<b>19,229,759</b>
<b>(ii) UNES University Bookstore-Nairobi</b>		
Casuals/Outsourced services	129,038	659,816
Staff training & development	7,400	8,800
Medical expenses	1,102,593	1,434,228
Bank Charges	248,825	288,525
General office expenses	512,170	1,024,261
Maintenance and repairs	263,621	168,598
Marketing expenses	242,994	211,471
Statutory & legal expenses	50,000	74,334
Security services	210,453	-
Subscriptions	37,500	-
Travelling expenses	204,845	154,921
Withholding VAT	37,331	49,444
Telecommunication	97,443	160,097
	<b>3,144,213</b>	<b>4,234,495</b>
<b>(iii) UNES University Bookstore-Kisumu</b>		
Casual labour	116,631	-
Staff training & Development	600	-
Staff medical expenses	165,896	-
Transport & Travelling Expenses	22,721	-
General office expenses	3,346	-
Telecommunication	8,687	-
Statutory & legal expenses	51,596	-
W/Holding Tax	13	-
	<b>369,490</b>	<b>-</b>
<b>(iv) UNES University Bookstore-Mombasa</b>		
Staff training & development	1,200	1,300
Casual labour	83,750	208,655
Staff medical expenses	160,560	160,782
Transport & Travelling Expenses	117,485	57,107
General office expenses	170,484	218,571
Marketing expenses	17,075	33,094
Security Expenses	56,214	-
Repairs and maintenance	35,940	120,429

**University of Nairobi Enterprise Services Limited**  
**Annual Report and Financial Statements for the year ended 30 June 2020**

Bank charges	32,544	14,975
Telecommunication	15,388	20,000
Withholding VAT	4,112	6,976
Statutory & legal expenses	28,250	18,550
	<b>723,002</b>	<b>861,189</b>
<b>(v) Chiromo Conference Center &amp; Arziki Restaurants</b>		
Staff training	15,950	15,450
Out sourced services	464,598	304,540
Staff Medical expenses	2,938,104	3,005,790
Office Expenses	619,957	935,418
Transport Expenses	98,707	181,219
Telecommunication	80,091	56,463
Purchase of small kitchen equipment	(1,790)	157,588
Stationery/Printing	153,363	58,030
Electricity/Water	1,012,127	821,350
Staff Uniforms	52,861	5,800
Laundry expenses	84,207	320,836
Maintenance of Equipment	240,585	190,447
Security Expenses	217,393	-
Maintenance of building & vehicle	343,560	160,338
Physical space	600,000	600,000
Legal & statutory expenses	426,330	129,000
Bank charges	106,351	76,473
	<b>7,452,394</b>	<b>7,018,742</b>
<b>(vi) UNES Consultancy unit</b>		
Stationery & Printing	793,416	321,047
Staff Medical expenses	999,957	1,050,085
Outsourced Services	374,214	155,724
Travelling & Subsistence	281,062	325,621
Office expenses	1,377,211	1,888,049
Telecommunication expenses	99,799	122,400
Security Expenses	1,297,936	1,071,052
Legal & statutory expenses	92,000	-
Marketing	11,200	282,160
Insurance expenses	452,429	452,427
Bank charges	289,386	320,941
	<b>6,068,610</b>	<b>5,989,506</b>
<b>Total administration costs</b>	<b><u>146,639,970</u></b>	<b><u>155,939,496</u></b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**7 (d) STAFF COSTS**

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Salaries and allowances employees	102,246,247	113,053,960
Compulsory national health insurance schemes	1,787,250	1,676,200
Compulsory national social security schemes	568,400	263,400
	<b>104,601,897</b>	<b>114,993,560</b>

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

Management level employees	5	5
Middle level employees	13	13
Lower level employees	67	67
	<b>85</b>	<b>85</b>

**8 OPERATING LOSS**

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

Staff costs (note 7a)	104,601,897	114,993,560
Depreciation of property, plant and equipment	4,706,995	5,435,739
Amortization of intangible assets	105,850	104,400
Directors' emoluments - fees	5,920,786	3,612,245
Auditors' remuneration - current year fees	870,000	870,000
	<b>116,205,528</b>	<b>125,015,944</b>

**9 FINANCE INCOME**

Interest income on government securities	-	132,459
Interest income on short-term bank deposits	628,007	480,880
	<b>628,007</b>	<b>613,339</b>

**10 EARNINGS PER SHARE**

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

**11 DIVIDEND PER SHARE**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12 PROPERTY, PLANT AND EQUIPMENT**

<b>2019/2020</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Computers &amp; related equipment</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Total 2019/2020</b>
<b>Cost or Valuation</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
1st July 2019	41,815,183	20,909,453	32,318,165	95,042,801
Additions	1,885,115	652,222	-	2,537,337
Disposals	-	-	-	-
<b>30th June 2020</b>	<b>43,700,298</b>	<b>21,561,675</b>	<b>32,318,165</b>	<b>97,580,138</b>
<b>Depreciation</b>				
1st July 2019	32,995,229	20,564,716	26,483,141	80,043,086
Charge for the year	2,418,262	316,711	1,972,022	4,706,995
<b>30th June 2020</b>	<b>35,413,491</b>	<b>20,881,427</b>	<b>28,455,163</b>	<b>84,750,081</b>
<b>Net Book Value</b>				
<b>30th June 2020</b>	<b>8,286,807</b>	<b>680,247</b>	<b>3,863,002</b>	<b>12,830,056</b>

**13 PROPERTY, PLANT AND EQUIPMENT (Continued)**

<b>2018/2019</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Computers &amp; related equipment</b>	<b>Motor vehicles, including, motor cycles</b>	<b>Total 2018/2019</b>
<b>COST OR VALUATION</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
1st July 2018	41,035,304	20,909,453	32,318,165	94,262,922
Additions	779,879	-	-	779,879
<b>30th June 2019</b>	<b>41,815,183</b>	<b>20,909,453</b>	<b>32,318,165</b>	<b>95,042,801</b>
<b>Depreciation</b>				
1st July 2018	30,667,907	20,181,619	23,757,820	74,607,346
Charge for the year	2,327,322	383,097	2,725,321	5,435,739
<b>30th June 2019</b>	<b>32,995,229</b>	<b>20,564,716</b>	<b>26,483,141</b>	<b>80,043,085</b>
<b>Net Book Value</b>				
<b>30th June 2019</b>	<b>8,819,954</b>	<b>344,738</b>	<b>5,835,024</b>	<b>14,999,716</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**14 INTANGIBLE ASSETS**

<b>Cost</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
1st July 2019	8,509,080	7,987,080
Additions	-	522,000
<b>30th June 2020</b>	<b>8,509,080</b>	<b>8,509,080</b>
<b>Amortisation</b>		
1st July 2019	8,091,480	7,987,080
Charge for the year	105,850	104,400
<b>30th June 2020</b>	<b>8,197,330</b>	<b>8,091,480</b>
<b>Net Book Value</b>		
<b>30th June 2020</b>	<b>311,750</b>	<b>417,600</b>

The intangible asset relates to computer software

**15 INVENTORIES**

UNES Bookstores	58,840,610	46,026,841
Chiromo Funeral Parlour	472,106	459,901
Arziki Restaurants & Conference Centre	716,610	916,844
UNES Head Office	1,037,910	1,329,156
Clinical Studies	-	1,426,545
Haematology	-	72,669
Radiology	81,085	75,880
Eye Centre	1,324,080	1,328,848
Dental Plaza	383,154	96,557
Clinical Chemistry	-	56,005
	<b>62,855,555</b>	<b>51,789,246</b>

All inventories are valued at historical cost.

**16 TRADE AND OTHER RECEIVABLES**

Trade receivables	273,039,491	383,936,972
Bank Guarantees	961,104	4,468,249
Staff receivables	3,261,880	3,335,076
Other receivables	1,512,661	1,107,985
Suppliers deposits and advances	6,711,320	4,675,298
Less Provision for bad debts	(9,414,000)	(9,414,000)
<b>Net trade and other receivables</b>	<b>276,072,456</b>	<b>388,109,580</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**17 BANK AND CASH BALANCES**

**Cash at bank**

**IGU Accounts**

Transition Account NBK	260,200	205,400
Chiromo Funeral Parlour SCB Account	703,198	418,373
Faculty of Medicine BBK Account	3,301,699	3,868,867
CAVS Clinical Studies BBK Account	122,902	127,510
	<b>4,387,999</b>	<b>4,620,150</b>

**UNES Accounts**

UNES Corporate Account	1,828,735	95,120
UNES Consultancy Account	50,620,113	6,839,843
UNES USAID Project BBK Account	7,238,428	360,331
UNES Arziki Restaurant BBK	1,071,558	5,245,107
UNES University bookstore account	5,805,967	1,319,504
UNES US-Dollar Account BBK	309,286	9,790
UNES Euro Account BBK	1,775,262	305,980
	<b>68,649,349</b>	<b>14,175,675</b>

<b>Total cash at bank</b>	<b>73,037,348</b>	<b>18,795,825</b>
Cash in hand	1,631,767	1,825,239
<b>Total Cash at bank and in hand</b>	<b>74,669,115</b>	<b>20,621,064</b>

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

**18 ORDINARY SHARE CAPITAL**

**Authorised:**

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

**Issued and fully paid:**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19 ACCUMULATED LOSS**

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

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Balance at beginning of the year	(84,292,349)	(15,583,314)
Add: Total comprehensive income for the year	127,510	(68,709,035)
	<b>(84,164,839)</b>	<b>(84,292,349)</b>

**20 CAPITAL RESERVE**

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

Balance at beginning of the year	12,321,458	9,221,458
Provision for expenses for Dental Plaza improvements	-	3,100,000
<b>Balance at end of the year</b>	<b>12,321,458</b>	<b>12,321,458</b>

**21 LONG TERM LIABILITY**

Balance at beginning of the year	23,472,440	23,472,440
Less:		
Amount paid	(2,053,116)	
<b>Balance at end of the year</b>	<b>21,419,324</b>	<b>23,472,440</b>

**22 TRADE AND OTHER PAYABLES**

Trade payables	33,345,772	56,044,381
Provision for direct service providers	993,880	3,562,598
Remittance for consultancies	117,000,492	90,235,965
Provision for audit fees	1,740,000	870,000
Provision for expenses	7,457,939	4,583,493
Provision for rent	9,012,480	8,412,480
Provision for directors' expenses	4,033,333	1,200,000
Provision for output VAT	17,989,245	60,815,605
Provision for PAYE	5,507,369	4,369,768
Amount held for the University of Nairobi	235,191,736	230,991,909
Student deposits- Bookstore	9,544,770	9,544,770
IGU creditors	-	1,453,176
Alumni	-	104,898
Prepayments	2,005,667	-
	<b>443,822,683</b>	<b>472,189,043</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**23 STAFF GRATUITY AND OBLIGATIONS**

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Staff gratuity	30,534,837	33,860,636
	<b>30,534,837</b>	<b>33,860,636</b>

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

**24 PROVISION FOR LEAVE PAY**

Additional (reduction) in provision at end of year	(2,231,754)	1,465,281
Balance at end of the year	<b>2,705,472</b>	<b>4,937,226</b>

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

**25 DIVIDENDS PAYABLE**

The balance of dividends payable relates to unpaid dividends as at the end of the year. The balances are analysed in annual amount below.

Balance brought forward	13,348,752	15,348,752
Less: Dividend paid	13,348,752	2,000,000
Balance at end of the year	-	<b>13,348,752</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**26 NOTES TO THE STATEMENT OF CASH FLOWS**

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

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Operating loss	(500,497)	(69,322,375)
Depreciation	4,812,845	5,540,139
Loss on disposal of property, plant and equipment		
<b>Operating profit/(loss) before working capital changes</b>	<b>4,312,348</b>	<b>(63,782,236)</b>
Decrease/ (Increase) in inventories	(11,066,310)	2,206,257
(Decrease) / Increase in trade and other receivables	112,037,123	(32,180,738)
(Decrease) / Increase in trade and other payables	(33,923,910)	35,425,407
	<b>67,046,903</b>	<b>5,450,925</b>
<b>Cash (used in) / generated from operations</b>	<b>71,359,251</b>	<b>(58,331,311)</b>

**(b) Analysis of dividend paid**

Balance at beginning of the year	13,348,752	15,348,752
Dividends paid	(13,348,752)	(2,000,000)
<b>Balance at end of the year</b>	<b>-</b>	<b>13,348,752</b>

**(c) Analysis of changes in long term liability**

Balance at beginning of the year	23,472,440	23,472,440
Reversal/(Repayments) during the year	(2,053,116)	-
<b>Balance at end of the year</b>	<b>21,419,324</b>	<b>23,472,440</b>

**(d) Analysis of cash and cash equivalents**

Cash at bank (See note 17)	73,037,348	18,795,825
Cash in hand	1,631,767	1,825,239
<b>Balance at end of the year</b>	<b>74,669,115</b>	<b>20,621,064</b>

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**27 RELATED PARTY TRANSACTIONS**

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

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

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

	<b>2019/2020</b>	<b>2018/2019</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>Due from UON</b>		
Owings to Bookstore and Arziki	109,415,013	115,838,652
<b>Due to UON</b>		
Long-term liability- Bookstore amount on takeover by UNES	21,419,324	23,472,440
Dividends payable	-	13,348,752
Directors emoluments	5,920,786	3,612,245
Compensation to the CEO	4,075,138	7,343,031
Compensation to Key Management	18,496,470	16,626,804

The key management personnel of the company enjoy only short-term benefits based on the contractual agreements. The company does not have share-based payments, post-employment and other long-term benefits.

**28 CONTINGENT LIABILITIES**

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

Bank Guarantees	961,104	4,468,249
	<b>961,104</b>	<b>4,468,249</b>

**APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

**1. Trade and Other Receivables**

**1.1. Long Outstanding Trade Receivables**

UNES continues to take necessary measures to ensure that all the outstanding debts are fully recovered. An RRI team was formed to speed up the process of follow up of the outstanding debts which targeted the top ten customers with the highest amount of debt. This resulted in a considerable amount of the outstanding debts being collected. For UON debts, a committee chaired by the DVC – HR & Administration was established to ensure UON departments pay their debts owed to UNES.

**2. Financial Performance**

UNES continues to put in place strategies that will ensure that the company’s financial performance improves. The new Strategic Plan covering the period 2018-2023 has new strategies which will ensure the adverse financial performance is reversed.

**APPENDIX II: PROJECTS**

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

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

**APPENDIX III: STATUS OF PROJECTS COMPLETION**

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

	<b>Project</b>	<b>Total project Cost</b>	<b>Total expended to date</b>	<b>Completion % to date</b>	<b>Budget</b>	<b>Actual for the year</b>	<b>Sources</b>
1	Sustaining use of District Health Information System II in Kenya Program	KES 409,934,580	KES 384,454,252	100%	KES 409,934,580	KES 59,643,226	USAID
2	Sustaining use of District Health Information System II in Kenya Program Phase II	KES 499,990,000	KES 205,188,686	40%	KES 499,990,000	KES 205,188,686	USAID