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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
UNIVERSITY OF KABIANGA

FOR THE YEAR ENDED
30 JUNE 2014

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF KABIANGA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the University of Kabianga set out on pages 1 and 23, which comprise the statement of financial position as at 30 June 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with Section 15 (2) of the Public Audit Act, 2003 and submit the report in compliance with Article 229 (7) of the Constitution of Kenya. The Audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management as well as evaluating the overall presentation of the financial statements.

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

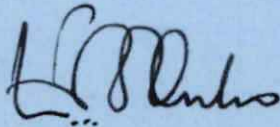
Basis for Qualified Opinion

Non-Current Assets

As reported in the previous financial year, the property, plant and equipment Net book value of Kshs.1,516,454,593 as at 30 June 2014 under note 15 to the financial statements includes Kshs.60 million being the value of 110 acres of land on which the University stands. According to the available information, the University is in the process of transferring the land to its name from the defunct Kipsigis County Council. However, until the process is completed, it is not possible to confirm the ownership status of the parcel of land.

Qualified Opinion

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of University of Kabianga as at 30 June 2014, and of its financial performance and its cash flow for the year then ended, in accordance with International Financial Reporting Standards and comply with the Universities Act, 2012.



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

Nairobi

20 November 2015



UNIVERSITY OF KABIANGA
P.O BOX 2030-20200 KERICHO, KENYA
TEL: 020-2172665

REGULATORY AND OTHER NON-COMMERCIAL ENTITIES
(UNIVERSITY OF KABIANGA)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2014

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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I. KEY UNIVERSITY INFORMATION AND MANAGEMENT

(a) BACKGROUND INFORMATION

i. INTRODUCTION

University of Kabianga was officially decreed by His Excellency the former President of the Republic of Kenya Hon. Mwai Kibaki at Kabianga High School grounds on the 10th of May, 2007 as a campus of Moi University.

The Kabianga Complex which included the Kabianga High School & Primary School and Kabianga Farmers Centre has a long history dating to 1925 and has been a centre of excellence in Farmer's Training, Teacher Education, Secondary, Primary Education and the 300 Acre Kipsigis County Council Tea Farm. Indeed the current Kericho Teachers' Training College was situated at the Kabianga Complex until 1963 when it was moved to the current location in Kericho Town.

The facility was officially handed over to Moi University by the Ministry of Agriculture on 8th November, 2007 and admitted its first group of 150 students on November 26, 2007. The Campus was elevated to a Constituent University of Moi University by a Gazette Notice dated the 29th of May, 2009. The University was subsequently elevated to fully fledged status through an award of Charter vide Universities Act, 2012.

The University of Kabianga is situated in what was formerly Kabianga Farmers Training Centre. The Training Centre facility was established in 1959 and managed by the Ministry of Agriculture to provide short courses, workshops/seminars, and exhibition and extension services to the farming community, in the South Rift Region of Kenya.

University of Kabianga, in fulfilling its mission of community outreach, Research and extension, takes over the mandate of its successor, Kabianga Farmers Training Centre of the Ministry of Agriculture.

The University stands on about 100 acres and is situated in the famous and lush tea-growing highlands of Kericho County in the Southern end of the Rift Valley Province of Kenya. It is about 21km from Kericho Town and 6km off the main Kericho - Kisii road on the junction called "Premier Dairies"

Since its inception, the University embarked on the expansion of physical facilities. These include library, modern hostels, laboratories, health unit, lecture theatres, water treatment plant, septic tank elevated water tank and Network Infrastructure. Plans are underway to put up more administrative offices to cater for the surging demand.

ii. VISION, MISSION AND CORE VALUES

VISION:

To be a leading University in scientific innovation for the betterment of humanity.

MISSION:

To create, preserve and transfer knowledge and technology through quality and entrepreneurial education, research, extension, and partnership with government, industry and non-state actors whilst ensuring a sustainable environment

CORE VALUES:

1. Promoting and defending intellectual and academic freedom, scholarship, innovation and relentless search for truth
2. Fostering teamwork, collaboration, creativity and innovation,
3. Effective communication, tolerance and a culture of peace.
4. Valuing excellence, quality and service, openness, consultation, efficiency and effectiveness.
5. Recognizing competence, meritocracy, exemplary leadership, equality, integrity and national patriotism.
6. Continually improving services in order to remain competitive and relevant

(b) PRINCIPAL ACTIVITIES OF THE UNIVERSITY

The mandate of University of Kabanga are as follows

- (i) To provide directly, or in collaboration with other institutions of higher learning, facilities for university education, the integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of the citizens of Kenya.
- (ii) To participate in the research, transmission and preservation and enhancement of knowledge and to stimulate the intellect participation of students in the economic, social, cultural, scientific and technological development of Kenya.
- (iii) To provide and advance university education and training to appropriately qualified candidates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and the Senate shall from time to time determine and in so doing, contribute to manpower needs;
- (iv) To conduct examinations for such academic awards as may be provided in the statutes pertaining to the University,

- (v) To examine and make proposals for new faculties, schools , institutes , departments, resource and research centres, degree courses and subjects of study,
- (vi) To play a leading role in the development and expansion of the opportunities for higher education and research;
- (vii) To contribute to industrial and technological developments through innovations and technology transfer.
- (viii) To develop as an institution of excellence in teaching, training, scholarship, entrepreneurship, innovation, research, and consultancy services.
- (ix) To participate in commercial ventures and other activities for the benefit of the institution, the community and stakeholders;
- (x) To contribute to agriculture, industrial and technological development of Kenya in collaboration with industrial and other institutions through the transfer of appropriate technology;
- (xi) To provide programmes, products and services in ways that reflect the principles of equity and social justice,
- (xii) To facilitate student mobility between different programmes at different training institutions , universities and industry; and
- (xiii) To foster the general welfare of all staff and students.









(c) KEY MANAGEMENT

University of Kabianga's day-to-day management is under the following key organs:

- i. University Council
- ii. University Management Board
- iii. University Senate
- iv. Academic Board
- v. Deans Committee

(d) FIDUCIARY MANAGEMENT

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibilities were:

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno B.Sc, M.Sc (UoN), Ph.D (California, Riverside), MBS
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Erick K. Koech B.Sc (UoN), M.Sc (Mc Gill) Ph.D (North Wales, UK), MBS
3.	Deputy Vice-Chancellor (Academic and Students Affairs)		Prof. Joseph B. Ojiambo B.Sc, M.A Alise, (Loughborough), Ph.D (Pittsburgh), A.L.A (UK)
4	Ag. Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Peter N. Njagi B.Sc (UoN), PhD (University of Queensland)
5	Ag. Finance Officer		Mr. Willy K. Koech BBM (Accounting, Moi University), CPA (K)
6	Ag. Registrar (Administration)		Mr. Peter Kimalel MBA (UoK), BA(Moi University), PG Dip HRM (Moi University)
7	Ag. Registrar (Academics & Students Affairs)		Ms Cecilia Sang M.Ed. (Egerton University)
8	Ag. Registrar (Planning, Research & Development)		Dr. Rev. Edwin Too Ph.D(Kabarak University), M.Ed (University of Manchester)

(e) FIDUCIARY OVERSIGHT ARRANGEMENTS

The Council Committees facilitate decision-making to assist the Council in the execution of its duties, powers and authority, however delegation of authority to the Committees does not in any way mitigate or dissipate the discharge by the Council of its duties and responsibilities. Council Committees have been established with formal written terms of reference and observe the same rules of conduct and procedures as the Council.

In the financial year 2013/2014 the following committees were in place;

EXECUTIVE COMMITTEE

- i. Dr. Florence Nyamu **Chairman**
- ii. P/S Ministry for the time being responsible for University education
- iii. P/S Ministry for the time being responsible for finance
- iv. Eng Charles Koske Member
- v. Prof. W. K. Kipngeno Vice Chairman- In attendance

ii) PLANNING, BUILDING AND DEVELOPMENT COMMITTEE

- i. Eng. Charles Koske **Chairman**
- ii. Ms. Millen Noni Member
- iii. Mr. Charles Obiero Rep. P/S MOE
- iv. Mr. Wesley Too Rep, P/S Treasury
- v. Prof. W. K. Kipng'eno Vice Chancellor
- vi. Mrs. Elizabeth Njoroge Rep. P/S MoPWs- In attendance
- vii. Prof. Eric Koech DVC (A&F)-In attendance
- viii. Prof. J.B. Ojiambo DVC (A&SA)-In attendance
- ix. Mr. Willy Koech Ag. Finance Officer-In attendance

iii) APPOINTMENTS, PROMOTIONS, TERMS AND CONDITIONS OF SERVICE COMMITTEE

- i. Dr. Florence Nyamu **Chairman**
- ii. Dr. Roba Sharamo Member
- iii. Eng. Charles Koske Member
- iv. Mr. Wesley Too Rep P/S Treasury
- v. Mr. Charles Obiero Rep.P/S T MOE
- vi. Prof. W K. Kipng'eno Vice Chancellor
- vii. Prof. Eric Koech DVC (A&F)
- viii. Prof. J.B. Ojiambo DVC (A&SA)
- ix. Mr. Simon Angote Rep. P/S MoPS-In attendance
- x. Mr. Willy Koech Ag.Finance Officer - In attendance
- xi. Dean of relevant school
- xii. Head of relevant Department

IV.) RESEARCH, TRAINING, STATUTES, SEALING AND HONORARY DEGREE

COMMITTEE

i	Dr. Roba Sharamo	Chairman
ii	Mr Charles Obiero	Rep P/S MOE
iii	Mr Gabriel Muthwale	Member
iv	Ms Millen Noni	Member
v.	Prof. W.K. Kipng'eno	Vice Chancellor
vi	Prof. Eric Koech	DVC (A&F)
vii	Prof. J.B Ojiambo	DVC (A&SA)

vi) AUDIT COMMITTEE

i.	Mr Gabriel Muthwale	Chairman
ii	Mr. Vincent Agala	Member
iii	Mr. Charles Obiero	Rep P/S MOE
iv	Mr. Wesley Too	Rep P/S Treasury
v	Mr. Willy Koech	Ag Finance Officer-In attendance
vi	Mr. Peter Sang	Secretary

vii) STAFF DISCIPLINARY COMMITTEE

i)	Mr. Vincent Agalla	Chairman
ii)	Mr Gabriel Muthwale	Member
iii)	Mr Charles Obiero	P/S MOE
iv)	Mr. Simon Angote	Rep PS MoPS
v)	Prof. W K. Kipnge'eno	Vice Chancellor
vi)	Prof Eric Koech	DVC (A&F)
vii)	Prof. J B. Ojiambo	DVC (A&SA)

viii) FINANCE, RESOURCE MOBILIZATION AND GENERAL PURPOSES

COMMITTEE

i	Dr. Florence Nyamu	Chairman
ii.	Mr Charles Obiero	Rep P/S MOE
iii.	Mr. Wesley Too	Rep P/S Treasury
iv	Eng. Charles Koske	Member
v.	Mr. Vincent Agalla	Member
vi	Prof W K. Kipng'eno	Vice Chancellor
vii	Prof Eric Koech	DVC (A&F)-In attendance
viii	Prof J. B Ojiambo	DVC (A&SA)-In attendance
ix	Mr Willy Koech	Ag Finance Officer-In attendance

ix) APPEALS BOARD

- | | | |
|------|-------------------|-------------------------------------|
| i. | Ms Millen Noni | Chairman |
| ii. | Mr Charles Obiero | Rep P/S MOHEST |
| iii. | Mr Wesley Too | Rep P/S Treasury |
| iv. | Dr Roba Sharamo | Member |
| v. | Mr. P. Kimalel | Ag. Registrar (A &F)- In attendance |

(f) REGISTERED OFFICE

University Of Kabianga
Off Kericho- Kisii Road
P O Box 2030 - 20200,
KERICHO.

(g) UNIVERSITY CONTACTS

Telephone: 020-2172665
E-mail. vc@kabianga.ac.ke
Website: www.kabianga.ac.ke

(h) BANKERS OF THE UNIVERSITY

- 1 Co-operative Bank, Kericho Branch.
- 2 Kenya Commercial Bank Kericho Branch.





(i) INDEPENDENT AUDITORS



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

(j) PRINCIPAL LEGAL ADVISER





The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



II. MEMBERS OF THE UNIVERSITY COUNCIL

<p>Dr. Florence Kiragu Nyamu, Chairman</p> <p>OGW Ed.D. Ed. M (Harvard), B. Ed. (Science) (UoN)</p>		<p>Dr. Florence Nyamu has served as an education specialist with the Forum for African Women Educationalists (FAWE) and as a consultant with the Center for African Family Studies (CAFS). Dr. Nyamu serves on the boards of a number of educational institutions and is the author of numerous papers on girls, education, development and human rights. She was appointed the Council Chairman of University of Kabianga on 20th March 2013.</p>
<p>Prof. Wilson K. Kipngeno, Vice-Chancellor</p> <p>B.Sc, M.Sc (UoN), Ph.D (California, Riverside), MBS</p>		<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University since May 2009.</p>
<p>Mr. Gabriel. M. Muthwale ,</p> <p>B.Sc (UoN), M Ed.(Dalhousie), OGW</p>		<p>Mr. Muthwale is a seasoned teacher. He started his career at Machakos School in Jan 1972 as a Maths and Physics teacher. Over the years, he has served in many academic institutions at different positions that include; Deputy Principal (Kenya Technical Teachers' College), Principal (Nairobi Technical Training Institute), Senior Principal (Kenya Polytechnic) among other others. His appointment as Council Member took effect from 20th March 2013.</p>
<p>Eng. Charles Koske, Member</p> <p>B.Sc (Eng) (UoN), M.Sc (Eng) (Cranfield, UK), DSM</p>		<p>Mr. Charles Koske is an Agricultural Engineer, a field he has a wealth of experience having practised since 1981. He has served in senior positions for various projects. Among the Major positions he held previously include Principal Engineer, Project Implementation for IDA and Managing Director, National Water Conservation and Pipeline Corporation. He currently serves as the Deputy General,</p>

	National Irrigation Board. He was appointed a council member on 20 th March, 2013.
<p>Ms Millen N. Noni, Member</p> <p>M.Sc (Glasgow), B. Sc. (Geology) UoN</p>	 <p>Ms Millen Ndemiso Noni is a Geo-Scientist who has expanded her skills in analysing and interpreting geological, geothermal and geophysical information. She has rich experience on mapping natural resources by remote sensing using GIS. Her previous work experience includes Teachers' Service Commission where she served for Thirteen years. She is currently working with National Museums of Kenya. Ms Millen N. Noni was appointed as Council member of University of Kabianga on 20th March 2013.</p>
<p>Dr. Roba D. Sharamo, Age; Member</p> <p>B Sc. (KU) M.A.(Brandeis University, Waltham, USA), Ph.D (George Mason University, USA)</p>	 <p>Dr. Roba is an analytical thinker, diplomat, researcher and manager with over fifteen years experience. His career interests include conflict management, policy advising, peace building and post-conflict development planning in fragile and weak political environments. He has worked and researched in Kenya, Uganda, Ethiopia and U.S on a variety of conflict management.</p>
<p>Mr. Vincent A. Chokaa, Age; Member B.A, LLB, LLM (UoN)</p>	 <p>Mr. Vincent Chokaa is an experienced lawyer having worked as a Senior Legal officer in the Ministry of Labour. He is currently an Advocate of the High Court of Kenya and Sub-ordinate Courts.</p>
<p>Mr. Charles Obiero, Rep. Principal Secretary, State, Department of Education</p>	 <p>Mr. Charles Obiero represents the Principal Secretary, State Department of Education. He is a Senior Assistant Director of Education in the Ministry of Education, Science and Technology.</p>
<p>Mr Wesley Too Rep. Principal Secretary, National Treasury</p>	 <p>Mr. Wesley Too represents the Principal Secretary, National Treasury.</p>

III. UNIVERSITY MANAGEMENT TEAM

S/N	Designation		Name
1.	Vice-Chancellor		Prof. Wilson K. Kipngeno B.Sc, M.Sc (UoN), Ph.D (California, Riverside), MBS
2.	Deputy Vice- Chancellor (Administration and Finance)		Prof. Erick K. Koech B.Sc.(UoN), M.Sc (Mc Gill) Ph.D (North Wales, UK), MBS
3.	Deputy Vice-Chancellor (Academic and Students Affairs)		Prof. Joseph B. Ojiambo B.Sc, M.A Alise, (Loughborough), Ph.D (Pittsburgh), A.L.A (UK)
4	Ag. Deputy Vice- Chancellor (Planning, Research and Development)		Prof. Peter N. Njagi B.Sc (UoN), PhD (University of Queensland)
5	Ag. Finance Officer		Mr. Willy K. Koech BBM (Accounting, Moi University), CPA (K)
6	Ag. Registrar (Administration)		Mr. Peter Kimalel MBA (UoK), BA(Moi University), PG Dip HRM (Moi University)
7	Ag. Registrar (Academics & Students Affairs)		Ms Cecilia Sang M.Ed. (Egerton University)
8	Ag. Registrar (Planning, Research & Development)		Dr. Rev. Edwin Too Ph.D(Kabarak University), M.Ed (University of Manchester)
9	Ag. ICT Director		Mr. Geoffrey K. Sowek BSc. Computer Science (Egerton University)

10	Legal Officer		Ms. Robai Ayuma LLB(Moi University), Dip. in Law (Kenya School of Law)
11	University Librarian		Ms P. Chebet M.Litlibisc (Bundelkhand University) India. B.Libisc, BA(Econ;Social, Litt) Kurukshetra (India)

IV. CHAIRMAN'S STATEMENT

It is with great pleasure that I present University of Kabianga's Annual Financial Report for the year ended 30th June 2014. The University made great strides this year not only in terms of increasing the number of academic programmes offered but also in enhancing access to higher education. The major milestone during the year was University's first graduation ceremony held in November 2013.

I acknowledge the University's commitment to producing outstanding graduates in each discipline. This has always ensured that whatever path they choose, to have the skills, knowledge, experience and confidence to be leaders in their professional lives, role models in their communities, to be good citizens wherever in the world their careers might take them.

The University Council is mandated to mobilize resources and utilize them effectively and efficiently to promote higher education. This mandate is enshrined in our reviewed Strategic Plan 2010-2017.

The Council is pleased with the efforts the University Management has continued to undertake to enhance the quality and relevance of degree programmes offered by the University.

It also gives me great pleasure to note that the University has continued to sustain ISO 9001:2008 Standards during the year under review as evidenced by the second surveillance audit conducted during the year. The continued certification signals the continual improvement and maintenance of quality service provision by the University through accountability, transparency and improved efficiency to be a world class University.

The University Council continues to appreciate the financial support from the Government in running the University and ensuring that our programmes run smoothly as planned.

Once again, I would like to appeal to the Government to consider increasing Exchequer funding for both Recurrent and Development budgets to enable the University achieve its core mandate in the provision of quality teaching and research.

Finally I thank all our partners, collaborating institutions and students for their continued support and dedication and urge that we strive to achieve greater heights of excellence in the coming years.

SIGNATURE: Florence K. Nyamu..... DATE: 24-8-2015
DR. FLORENCE K. NYAMU, OGW
CHAIRMAN – UNIVERSITY OF KABIANGA COUNCIL

V. VICE-CHANCELLOR'S STATEMENT

I am pleased to present the 2nd Annual Financial Report for University of Kabianga for the year ended 30th June 2014. The University is undergoing significant transformation that will build on its strengths and reputation as a world class learning environment.

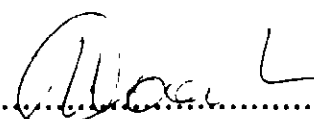
During the year under review, the University received an increased government grant to finance its recurrent budget from **KShs 443.1 million** in FY 2012/2013 to **KShs 498,496,331** in FY 2013/2014.

I am delighted to note that there was a remarkable improvement in internally generated funds from **276.5 million** in **FY2012/2013** to **KShs 411.7 million** in **FY2013/2014**. This represents a 49% growth and is attributed to the growth in student enrolment. This is an indication that the University has continued to cut a niche in the competitive market share. During the year 2013/2014 the number of students increased from 4300 to 5700

University of Kabianga continued to make substantial progress during the year in terms of development. The University completed Phase II of Hostel which can accommodate 400 students. In addition, ICT Infrastructure Network was completed within the year under review. All these projects were funded by the government through GOK Development grants.

I would like to thank the staff of the University for their determination and effort that resulted into the elevation of the University to fully fledged status and continued ISO 9001:2008 certification. This is a great achievement considering that the University is still young and growing.

Indeed I am grateful for the financial support the Government of Kenya has continued to offer to the University and support and guidance of Council during the year that ended 30th June 2014. Finally, I would like on behalf of the University to thank all stakeholders for their co-operation that saw us complete the year successfully.

SIGNATURE..........

PROF WILSON.K. KIPNGENO
VICE CHANCELLOR, UNIVERSITY OF KABIANGA

DATE:24-8-2015.....

VI. CORPORATE GOVERNANCE STATEMENT

The members of Council have committed themselves to the service of University of Kabianga and to uphold the tenets of good corporate governance by being innovative, transparent, accountable, persons of integrity, socially responsive, as well as promote excellence and exercise fairness in all their dealings.

The Council

The council consists of 9 members inclusive of the Vice-Chancellor as the secretary. The Council members consist of the following:

NO.	NAME	TITLE
1.	Dr. Florence Kiragu Nyamu	Chairman
2.	Mr. Gabriel. M. Muthwale	Member
3.	Eng. Charles Koske	Member
4.	Ms Millen N. Noni	Member
5.	Dr. Roba D. Sharamo	Member
6.	Mr. Vincent A. Chokaa,	Member
7.	Prof. Wilson K. Kipngeno,	Secretary
8.	Dr. Belio Kipsang	Ex-Officio
9.	Dr. Kamau Thugge	Ex-Officio

The biographies of the Council Members are published on page viii-ix. These Council Members possess a broad range of skills, qualifications and experiences required to direct the affairs of the University.

Council Responsibilities

The University Council is the governing body of the University through which the University shall:

- a) Administer the property and funds of the University
- b) Receive, on behalf of the University donations, endowments, gifts, grants or other moneys and disbursements there from to the University or other bodies or persons
- c) Approve the appointment criteria and terms and conditions of service of staff
- d) Provide for the welfare of staff and students
- e) Make after consultation with the Academic Board, regulations governing the conduct and discipline of students of the University

VII. CORPORATE SOCIAL RESPONSIBILITY

University will participate in corporate Social Responsibility initiatives in addition to providing forums such as open days , where communities learn about the University and its policies, activities and the opportunities it offers. UoK will also participate in community-led activities such as shows, and exhibitions, and forums such as development conferences.

University of Kabiranga has implemented MOEST policy decision of providing access to University Education in the devolved units by applying specific values and principles of governance namely; **participation of the people, inclusiveness and equity.**

In this regard, UoK participated in two County forums; a County investment forum in Kericho and a Community engagement meeting in Kapkatet.

VIII. REPORT OF THE COUNCIL

The Council submit their report together with the audited financial statements for the year ended June 30, 2014 which show the state of affairs for University of Kabianga.

Principal activities

The principal activities of the University are to offer higher education, research and extension services.

Results

The results of the University for the year ended June 30, 2014 are set out on page 1.

Directors

The members of the Council who served during the year are shown on page vi- vii.

Auditors

The Auditor General is responsible for the statutory audit of the University in accordance with the Section 68 of 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 Council



Prof. W.K Kipngeno
Vice-Chancellor

Date . 24-8-2015

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 68 (k) of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Council Members to prepare financial statements in respect of University of Kabianga, which give a true and fair view of the state of affairs of the University at the end of the financial year/period and the operating results of the University for that year/period. The Council Members are also required to ensure that the University keeps proper accounting records which disclose with reasonable accuracy the financial position of the University. The Council Members are also responsible for safeguarding the assets of the University

The Council Members are responsible for the preparation and presentation of the University's financial statements, which give a true and fair view of the state of affairs of the University for and as at the end of the financial year (period) ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the University; (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 University; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Council Members accept responsibility for the University's 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 Council Members are of the opinion that the University's financial statements give a true and fair view of the state of University's transactions during the financial year ended June 30, 2014, and of the University's financial position as at that date. The Council Members further confirm the completeness of the accounting records maintained for the University, which have been relied upon in the preparation of the University's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council Members to indicate that the University 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 University's financial statements were approved by the Council on 30-9- 2014 and signed on its behalf by:


Chairman of the Council


Vice-Chancellor

X.REPORT OF THE INDEPENDENT AUDITORS ON UNIVERSITY OF KABIANGA

We have audited the accompanying (consolidated) financial statements of University of Kabianga for the year ended June 30, 2014, which comprise: (i) a statement of financial performance; (ii) a statement of financial position; (iii) a statement of changes in net assets; (iv) a statement of cash flows and (v) a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The University's Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as at June 30, 2014, and its financial performance as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General

Date

XI. STATEMENT OF FINANCIAL PERFORMANCE

UNIVERSITY OF KABIANGA STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2014

	NOTE	2014 KShs	2013 KShs
Revenue from Non-Exchange Transactions			
Exchequer grants	3(a)	498,496,331	443,108,404
Other non-exchange transactions	3(b)	400,831	1,097,405
Revenue from Exchange Transactions			
Tuition fees	4	296,470,100	197,463,550
Rendering of Services	5	30,049,032	26,511,162
Finance Income- Interest on Deposits	6	11,152,571	10,701,678
Rental Income from Facilities and Equipment	7	226,600	196,000
Other Income	8	73,410,020	40,589,374
Total revenue from exchange transactions		411,709,154	276,559,169
Total Revenue		910,205,486	719,667,573
Expenses			
Administrative Expenses	9	862,356,441	601,816,081
Marketing Expenses	10	23,995,555	22,376,460
Finance Costs	11	41,220,132	51,724,056
Total Expenses		927,572,128	675,916,597
Surplus (Deficit) attributable to owners of the controlling entity.		(17,366,642)	43,750,976

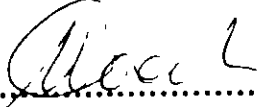
The notes set out from pages 5 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION

UNIVERSITY OF KABIANGA STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	NOTE	2014 KShs	2013 KShs
ASSETS			
Current Assets			
Cash and Cash Equivalents	12	73,796,420	201,533,490
Receivables from Exchange Transactions	13	55,905,606	106,918,173
Inventories	14	6,872,156	7,083,907
		136,574,182	315,535,570
Non-Current Assets			
Property, Plant and Equipment	15	1,516,454,593	1,041,072,753
Biological Assets	16	38,997,600	35,679,081
		1,555,452,193	1,076,751,834
Total Assets		1,692,009,495	1,392,287,404
LIABILITIES			
Current Liabilities			
Payables from Exchange Transactions	17	166,727,509	145,818,660
Non-Current Liabilities			
Co-operative Bank Loan (20yrs)	18	283,750,000	300,000,000
Total Liabilities		450,477,509	445,818,660
Net Assets		1,241,531,986	946,468,744
RESERVES			
Capital Reserves	19	751,802,542	600,680,778
Revaluation Reserve	20	383,929,383	222,604,382
Accumulated Surplus	21	105,816,941	123,183,584
		1,241,531,986	946,468,744

The Financial Statements set out on pages 1 to 4 were signed on behalf of the University Council by:


.....
Vice-Chancellor

Date 24-8-2015


.....
Chairman of the Council

Date 24-8-2015

XIII. STATEMENT OF CHANGES IN NET ASSETS

UNIVERSITY OF KABIANGA STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2014

	Capital Reserves	Revaluation Reserves	Totals
	KShs	KShs	
As at 1 July 2013	600,680,778	222,604,382	823,285,160
Development Grants	151,121,764		151,121,764
Surplus/(Deficit) for the Year	(17,366,642)		(17,366,642)
Accumulated Surplus	123,183,584		123,183,584
Biological Assets		3,318,519	3,318,519
Buildings		133,006,482	133,006,482
Land		25,000,000	25,000,000
As at 30th June 2014	857,619,484	383,929,383	1,241,548,867

XIV. STATEMENT OF CASH FLOWS

	<u>2014</u>	<u>2013</u>
OPERATING ACTIVITIES		
Surplus/ Deficit for the Year	(17,366,642)	43,750,976
Adjustments for non-cash items		
Depreciation	41,288,010	31,474,208
Net adjusted Surplus	23,921,368	75,225,184
Working Capital Changes		
Receivables from Exchange Transactions	51,012,566	(43,138,099)
Inventory and Store	211,751	(2,931,886)
Payables from Exchange Transactions	20,908,849	50,625,118
Net working capital Changes	72,133,166	4,555,133
Net cash provided by Operating Activities	96,054,534	79,780,317
INVESTING ACTIVITIES		
Biological Assets	(3,318,519)	(198,181)
Depreciation	(41,288,010)	(31,474,208)
Property Plant and Equipment	(475,381,840)	(285,246,342)
Revaluation Reserve	161,325,001	80,447,282
Net cash provided by Investing Activities	(358,663,368)	(236,471,449)
FINANCING ACTIVITIES		
Loan	(16,250,000)	-
Capital Reserves	151,121,764	236,038,722
Net cash provided by Financing Activities	134,871,764	236,038,722
Net Cash increase for the period	(151,658,438)	4,122,406
Cash at the beginning of the period	201,533,490	122,185,900
Cash at the end of the period	73,796,420	201,533,490

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

ITEM NO.		APPROVED ESTIMATES '2013/2014	ACTUAL JUN'14 '2013/2014	VARIANCE JUN'14 '2013/2014
001	INCOME			
	Exchequer Grants	482,628,500	498,496,331	15,867,831
	Appropriation in Aid (A-in-A)			
003	Tuition Fees	245,104,200	296,470,100	51,365,900
164	Student's Administrative Charges	35,584,650	47,949,976	12,365,326
401	Students Accommodation Fees	12,431,250	15,430,899	2,999,649
407	Students Field Trips/Courses/Attachment	5,817,600	16,444,748	10,627,148
409	Student Activities	5,366,700	5,548,000	181,300
412	UoK Student Organisation	1,934,820	1,984,100	49,280
410	UoK Enterprise	21,339,012	4,864,363	(16,474,649)
411	Students Kitchen Income	5,608,207	9,887,568	4,279,361
413	Other Incomes	2,807,733	13,129,400	10,321,667
	Sub-Total (A-in-A)	335,994,172	411,709,154	75,714,982
	Gross Income	818,622,672	910,205,485	91,582,813

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS contd..

ITEM NO.		APPROVED ESTIMATES '2013/2014	ACTUAL JUN'14 '2013/2014	VARIANCE JUN'14 '2013/2014
	EXPENDITURE			
	Operating Expenses			
000	Personnel Costs	526,575,196	607,307,563	(80,732,367)
131	Council Expenses	13,094,450	15,240,242	(2,145,792)
194	Recruitment/Training Expenses	660,510	1,638,375	(977,865)
430	Academic Board Committee meetings	650,376	576,629	73,747
	Bsc Nursing Training Files and Indexing Expenses		-	-
191	Cleaning materials	910,000	645,133	264,867
470	Conferences and seminars	1,635,930	-	1,635,930
140	Electricity, water and conservancy	6,245,064	9,774,855	(3,529,791)
115	External examiners expenses	1,854,604	1,822,840	31,764
112	External Travelling Expenses	2,585,651	356,346	2,229,305
493	Graduation Expenses	6,318,904	5,752,609	566,295
496	ISO related Expenses	2,200,000	323,346	1,876,654
	HIV Tower Programme		-	-
187	Insurance Expenses	7,076,749	6,555,928	520,821
122	Internet connectivity expenses	4,419,619	2,947,546	1,472,073
221	Inter-University Games	440,000	216,086	223,914
190	Legal & Other Expenses	400,926	458,581	(57,655)
173	Library books	9,094,140	8,983,948	110,192
440	Library Journals	2,007,800	947,020	1,060,780
260	Maint of Buildings	1,627,901	8,449,155	(6,821,254)
261	Maintenance of Catering and Hostels	1,062,751	1,305,568	(242,817)
250	Maintenance of plant and equipment	1,124,960	4,119,695	(2,994,735)
280	Maintenance of Play Grounds	590,160	240,505	349,655
270	Maintenance of Water supply & Sewerage	2,149,339	6,491,563	(4,342,224)
036	Medical Drugs	3,736,004	7,565,251	(3,829,247)
465	Meetings & Workshops	1,000,267	2,251,010	(1,250,743)
285	Minor works on water & sewerage	1,120,000	612,524	507,476
174	Office Expenses	5,748,000	5,224,706	523,294
130	Official entertainment	438,000	48,000	390,000
137	Open & Cultural Day Expenses	784,000	72,147	711,853
080	Passage and baggage	596,554	225,749	370,805
182	Payment of Rent & Rates	5,902,224	9,563,853	(3,661,629)
172	Purchase of uniforms	1,030,000	524,591	505,409
150	Teaching materials	3,550,000	8,089,005	(4,539,005)
121	Telephones	4,230,000	2,801,574	1,428,426
110	Travelling and accommodation	9,862,128	6,550,090	3,312,038
090	University medical scheme	6,104,331	10,564,924	(4,460,593)
197	University Research Programme	4,820,000	900,770	3,919,230

460	Valuation/Consultancy/Master Plan	3,560,000	8,827,505	(5,267,505)
435	Vehicle running expenses	4,820,200	6,070,900	(1,250,700)
492	Works Study programme	791,802	470,275	321,527
	Provision for bad & doubtful debts	-	2,873,099	(2,873,099)
	Depreciation	-	41,288,010	(41,288,010)
425	Academic Scholarships	1,500,000	900,000	600,000
138	Games and sports expenses	650,000	598,846	51,154
491	Kitchen Expenses	11,620,000	27,076,222	(15,456,222)
420	Students Union	1,038,000	874,245	163,755
412	Lab Chemicals	6,548,494	4,094,578	2,453,916
	Master plan	-	-	-
	Bad Debts w/o	-	8,781,788	(8,781,788)
120	Postal and telegram	804,325	926,674	(122,349)
408	Student Activities	3,121,700	3,932,615	(810,915)
	Teaching Practice, Attachment/Field Trips/Courses			
406	Expenses	5,817,600	8,399,150	(2,581,550)
490	Farm Expenses	5,959,300	2,037,423	3,921,877
490	Guest house expenses	3,959,300	1,395,782	2,563,518
490	Morgue Expenses	4,959,300	918,240	4,041,060
490	Bookshop Expenses	981,401	203,226	778,175
426	Academic Programmes Development	2,046,720	1,364,135	682,585
	University charter	-	-	-
179	Audit fees Expenses	650,000	696,000	(46,000)
485	Staff Development	1,500,000	1,480,000	20,000
171	Publishing and printing	2,690,333	1,836,161	854,172
495	Outreach and Extension	850,000	535,170	314,830
175	Advertising & Publicity	7,482,395	19,599,104	(12,116,709)
176	Show expenses	2,340,000	2,025,120	314,880
498	Finance Costs	59,400,000	41,220,132	18,179,868
	Total Operating Expenses	774,737,408	927,572,127	

XVI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

University of Kabianga financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) pronounced by the Public Sector Accounting Standards Board as a requirement of the Public Finance Management Act, 2012. The University adopted International Public Sector Accounting Standards (IPSAS) for the first time with effect from 30th June, 2014.

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand (Ksh000) The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from the Exchequer

The exchequer grants are measured at fair value and recognized in income when it is probable that the economic benefits or service potential related to the grant will flow to the University and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue

b) Budget information

The annual budget is prepared on the accrual basis. that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxes

Current income tax

The University is exempted from taxation under the first schedule of the income tax Act Cap 470.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Fixed Assets are stated at cost or valuation, less accumulated depreciation. Depreciation is calculated on the straight line basis, at annual rates estimated to write off of carrying values of the assets over their expected useful lives. Assets acquired during the year are depreciated from the date of acquisition.

The annual depreciation rates in use are:

Building	2%
Furniture, plant and equipment	12.5%
Motor Vehicles	25%
Computers	33.3%

Freehold land is not depreciated as it is deemed to have an infinite life

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

i) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

Financial assets and financial liabilities are recognised in the University's statement of financial position when the company becomes a party to the contractual provisions of the instrument

Financial Assets

Receivables

Trade receivables are carried at anticipated realised value. An estimate is made for bad and doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off when all reasonable steps taken to recover them have failed.

Impairment of financial assets

When a receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, the receivable is written off against the related provision for receivable impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are included in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Financial liabilities

Trade payables

Trade payables are current and are stated at their nominal value

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials, purchase cost using the weighted average cost method
- Finished goods and work in progress cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

l) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

m) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange

differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

University of Kabianga regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University or vice versa. Members of key management are regarded as related parties and comprise the University Council and Management.

r) 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 three months 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 the Central Bank of Kenya and 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 public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS 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.

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 consolidated 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.

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:

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

u) Subsequent events

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

	2014	2013
	KShs	KShs
3 a) Exchequer Grants		
July	-	32,692,367
August	123,712,367	32,692,367
September	35,600,000	32,692,367
October	37,476,997	32,692,367
November	35,964,517	83,492,367
December	35,964,517	32,692,367
January	35,964,517	32,692,367
February	-	32,692,367
March	71,929,034	32,692,367
April	7,818,189	32,692,367
May	44,021,727	32,692,367
June	70,044,467	32,692,367
	498,496,331	443,108,404

3(b)

Fines and Penalties	400,831	95,972
Donations from Sponsors	-	50,000
Research Grant	-	951,433
	400,831	1,097,405

4. Tuition Fees

Revenue from Tuition Fees	296,470,100	197,463,550
	296,470,100	197,463,550

5. Rendering of Services

Accommodation Services	15,430,899	11,639,551
Farm income	3,029,727	2,870,480
Catering Services	9,887,568	9,955,286
Guest House Services	1,700,838	2,045,845
	30,049,032	26,511,162

6. Finance Income

Interest on Fixed Deposits	11,152,571	10,701,678
Total Finance Income	11,152,571	10,701,678

7. Rental Income From Facilities

Rent from Students Centre Facility	226,600	196,000
Total Rental Income from Facilities	226,600	196,000

8. Other Incomes

Registration fees	308,600	292,100
EVH Administrative Fees	-	144,000
Students' ID charges	594,550.0	402,300
Examination fees	7,176,900	4,663,200
Insurance fees	522,000.0	242,000
Graduation Fees	1,641,700	928,500
Activity fees	5,548,000	3,144,000
Computer fees	5,613,100	419,200
Field trips/Teaching Practice	16,444,748	10,667,005
MBA Thesis	2,061,000	1,509,500
Book Shop Sales	133,798	-
Bsc Nursing Training Files and Indexing Package	576,000	770,400
Supervision	4,740,101	4,509,000
Medical fees	8,518,500	5,048,500
Amenity fees	5,571,000	3,295,000
Cobes	2,182,925	-
Research Fees	185,000	-
Log Books	147,000	-
Transport Fees	1,255,000	-
Utilities	22,000	-
Students Organization	1,984,100	1,326,600
Sale of tender documents	75,400	654,450
Photocopying receipts	690	4,218
Application fees	1,602,000	1,704,880
Rental income		
Seedlings	36,570	62,130
Misc. Income	142,962	118,391
Practical Subjects	1,000,000	600,000
Guest Lectures	33,000	36,000
Library Fees	5,293,375	48,000
Total Other Incomes	73,410,020	40,589,374

9. Administrative Expenses

Personnel Costs	607,307,563	401,233,598
Council Expenses	15,240,242	15,589,085
Recruitment/Training Expenses	1,638,375	557,100
Academic Board Committee meetings	576,629	233,875
Bsc Nursing Training Files and Indexing Expenses	-	828,445
Cleaning materials	645,133	589,096
Conferences and seminars	-	1,735,048
Electricity, water and conservancy	9,774,855	5,604,138
External examiners expenses	1,822,840	656,566
External Travelling Expenses	356,346	645,161

Graduation Expenses	5,752,609	3,635,776
ISO related Expenses	323,346	-
Morgue Expenses	918,240	-
HIV Tower Programme	-	409,740
Insurance Expenses	6,555,928	3,858,787
Internet connectivity expenses	2,947,546	1,664,263
Inter-University Games	216,086	516,912
Legal & Other Expenses	458,581	4,798,890
Library books	8,983,948	4,375,091
Library Journals	947,020	396,650
Maint of Buildings	8,449,155	4,793,193
Maintenance of Catering and Hostels	1,305,568	1,137,101
Maintenance of plant and equipment	4,119,695	1,822,092
Maintenance of Play Grounds	240,505	117,130
Maintenance of Water supply & Sewerage	6,491,563	1,689,720
Medical Drugs	7,565,251	1,523,310
Meetings & Workshops	2,251,010	2,098,393
Minor works on water & sewerage	612,524	103,520
Office Expenses	5,224,706	4,408,951
Official entertainment	48,000	141,505
Open & Cultural Day Expenses	72,147	408,840
Passage and baggage	225,749	733,553.00
Payment of Rent & Rates	9,563,853	7,482,066
Purchase of uniforms	524,591	257,040
Teaching materials	8,089,005	442,888
Telephones	2,801,574	2,519,070
Travelling and accommodation	6,550,090	5,896,596
University medical scheme	10,564,924	6,394,443
University Research Programme	900,770	756,323
Valuation/Consultancy	5,051,705	8,448,484
Vehicle running expenses	6,070,900	5,742,242
Works Study programme	470,275	360,021
Provision for bad & doubtful debts	2,873,099	3,065,014
Depreciation	41,288,010	31,474,208
Farm Expenses	2,037,423	986,531
Academic Scholarships	900,000	-
Games and sports expenses	598,846	449,640.00
Guest house expenses	1,395,782	1,638,239
Kitchen Expenses	27,076,222	17,734,308
Students Union	874,245	1,323,740.00
Lab Chemicals	4,094,578	6,571,569
Master plan	3,775,800	10,788,000
Bad Debts W/O	8,781,788	-
Postal and telegram	926,674	270,569
Student Activities	3,932,615	2,571,537.80
Student Field Trips/Courses Expenses	4,960,317	4,548,924.00
Bookshop Expenses	203,226	-
Academic Programmes Development	1,364,135	-

Teaching Practice & Attachment	3,438,833	5,744,834
University charter	-	8,034,267
Audit fees Expenses	696,000	600,000
Staff Development	1,480,000	1,410,000
Total Administrative Expenses	862,356,441	601,816,081

10. Marketing Expenses

Publishing and printing	1,836,161	2,704,935
Outreach and Extension	535,170	-
Advertising & Publicity	19,599,104	17,710,790
Show expenses	2,025,120	1,960,735
Total Marketing Expenses	23,995,555	22,376,460

11. Finance Costs

Interest on Loan	38,245,400	51,173,900
Bank Charges	2,974,732	550,156
Total Finance Costs	41,220,132	51,724,056

12. Cash and Cash Equivalents

Kenya Commercial Bank (PSSP)	9,928,917	1,713,928
Short-Term Deposits	54,151,362	187,832,703
Kenya Commercial Bank(GSSP)	1,686,253	5,298,420
Kenya Commercial Bank (Accom.)	1,594,839	396,822
Co-operative Bank of Kenya(PSSP)	1,832,760	970,445
Co-operative Bank of Kenya(GSSP)	825,055	565,467
Co-operative Bank of Kenya Operations A/C	2,763,844	1,618,962
Co-operative Bank of Kenya Capital Dev. A/C	997,578	3,039,640
Petty Cash	15,812	97,104
Total Cash and Cash Equivalents	73,796,420	201,533,490

13. Receivables from Exchange Transactions

Student fees debtors	57,461,978	61,263,229
Provision for doubtful Debts	(2,873,099)	(3,063,161)
Receivable Capitation Grants (GoK)	-	32,692,367
Farm Debtors	1,316,727	1,016,217
Other debtors (Moi University)	-	15,009,521
Total Receivables from Exch. Txns	55,905,606	106,918,173

14. Inventories

Consumables	6,872,156	7,083,907
	6,872,156	7,083,907

15. Property, Plant & Equipment

	Land	Buildings	W.I.P	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Total
COST/VALUATION	KShs	KShs.	KShs.	KShs	KShs.	KShs.	KShs	KShs.
As at 1st July,2013	85,000,000	636,348,398	303,474,823	26,108,169	16,947,823	11,907,251	33,406,751	1,113,193,215
Additions	-	-	291,254,483	5,561,675	6,672,997	13,509,173	10,190,832	327,189,159
Transfer to Buildings	-	-	-	-	-	-	-	-
Revaluation	25,000,000	133,006,482	-	-	-	-	-	158,006,482
Disposals	-	-	-	-	-	-	-	-
As at 30 June,2014	110,000,000	769,354,880	594,729,306	31,669,844	23,620,820	25,416,424	43,597,583	1,598,388,857
DEPRECIATION								
Bal as at 1 July,2013	-	14,489,098	-	4,279,489	5,527,681	2,671,275	13,678,711	40,646,254
Disposals	-	-	-	-	-	-	-	-
Charge for the year	-	15,387,098	-	3,958,730	7,865,733	3,177,053	10,899,396	41,288,010
Bal as at 30 June,2014	-	29,876,196	-	8,238,219	13,393,414	5,848,328	24,578,107	81,934,264
NET BOOK VALUE								
As at 30 June,2014	110,000,000	739,478,684	594,729,306	23,431,624	10,227,406	19,568,096	19,019,476	1,516,454,593
As at 30 June,2013	85,000,000	609,132,332	303,474,823	18,565,159	5,776,517	7,747,570	11,376,352	1,041,072,753

16. Biological Assets

Tea	3,465,000	3,150,000
Livestock	2,571,470	2,337,700
Cyprus Trees	3,507,900	3,189,000
Pine Trees	4,030,180	3,663,800
Eucalyptus Trees	25,020,361	22,972,500
Gravelia Trees	330,990	300,900
Macademia Nut Trees	30,265	27,514
Bananas	41,434	37,668
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	38,997,600	35,679,081

17. Payables from Exchange Transactions

Moi University	-	6,227,733
Recurrent Creditors	35,979,452	25,913,947
Capital Creditors	78,939,553	18,330,290
KUC Pension Scheme	-	14,515,897
Retention- WIP	-	34,466,891
Students' Holding Accounts	5,462,240	4,965,200
Provision for audit fees	696,000	600,000
Provision for Valuation	3,500,000	-
Provision for Part time lecturers	13,207,233	18,209,970
Prepaid fees	28,943,032	22,588,733
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	166,727,509	145,818,660

18. Non-Current Liabilities

Co-operative Loan (20yr)	283,750,000	300,000,000
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19. Capital Reserves

Capital Reserves are government grants provided for capital projects

	751,802,542	600,680,778
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20. Revaluation Reserves

Revaluation reserve accounts for gains/ loss arising due to valuation of University's assets

	383,929,383	222,604,382
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21. Accumulated Surplus

	105,800,061	123,183,584
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22. Related Party Disclosures

The following transactions were carried out with related parties

	2014	2013
(i) Key management compensation		
Salaries	28,116,836	21,891,939
(ii) Council remuneration		
Allowances paid to Council members	15,240,242 00	15,589,085
(iii) Grants from related parties		
.Grant from GOK		

23. Cash generated from operations

Surplus (Deficit) for the Year	2014 (17,383,522)	2013 43,750,976
Adjustments to reconcile Deficit		
to net cash provided by operations.		
Inventories	228,631	(2,931,886)
Receivables from Exchange Transactions	51,012,566	(43,138,099)
Payables from Exchange Transactions	24,227,368	50,625,118
Cash provided by operating Activities	58,085,043	48,306,109

24. Risk management policies

The University's principal financial assets are, trade receivables and cash and short term deposits which arise directly from its operations. The University has financial liabilities comprising trade and other payables.

The University has exposure to the following risks.

- i) Market risks
- ii) Liquidity risk
- iii) Credit risks

The Council has overall responsibility for the establishment and oversight of the University's risk management framework

The University's risk management policies will be established to identify and analyze the risks faced by the University, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems will be reviewed regularly to reflect changes in economic conditions and the University's activities.

Market risk management

Interest rate risk

The University has interest bearing borrowings and is financed by cash generated from its operations. The University will always strive to increase its market share to match the interest of the day.

Liquidity risk

Liquidity risk is the risk that the University will not be able to meet its financial obligations as they fall due. The University's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the University's reputation. Typically the University ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters and political violence. All capital investments are funded by the Government.

Credit risk

Credit risk is the risk of financial loss to the University if a customer or counter party to a financial instrument fails to meet its contractual obligations, and arises principally from the organization's receivables from customers. The University receives fees from students which minimizes the credit risk exposure. The University has a student's fees payment policy which defines how and when fees are supposed to be paid hence minimizes credit risk

Classification of credit risk bearing assets

The table below represents University's maximum exposure to credit risk as at 30 June 2014 and 2013.

ASSETS	2014	2013
Current Assets		
Cash and Cash Equivalents	73,796,420	201,533,490
Receivables from Exchange Transactions	55,905,606	106,918,173
	<u>129,702,026</u>	<u>308,451,663</u>

All the University's receivables are fully performing and are expected to be received.

Bank balance includes cash in hand and deposits held with banks.

25. Provisions

Provisions are recognized when the University has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate is made of the amount of the obligation.