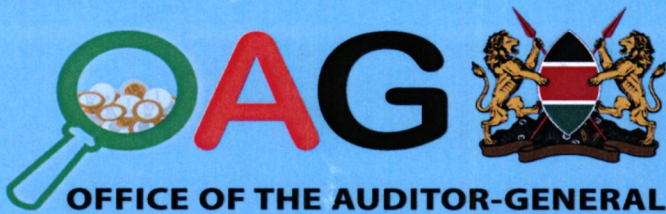


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT OF KENYA LIBRARY		NATIONAL ASSEMBLY	
DATE: 26 JUL 2023		DAY: WED	
TABLED BY:	Hon Kimani Ichungwala, MP The leader, majority party		
CLERK-AT-THE-TABLE:	Miriam Mudo		

THE AUDITOR-GENERAL

ON

**UNIVERSITY OF NAIROBI ENTERPRISES
AND SERVICES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**





UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2022

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

CONTENTS

PAGE

1. KEY ENTITY INFORMATION	i
2. THE BOARD OF DIRECTORS	iii
2. MANAGEMENT TEAM.....	viii
5. CHAIRMAN'S STATEMENT	x
6. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xi
7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022.....	xii
8. CORPORATE GOVERNANCE STATEMENT	xviii
9. MANAGEMENT DISCUSSIONS AND ANALYSIS	xxi
10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xxvi
11. REPORT OF THE DIRECTORS.....	xxx
12. STATEMENT OF DIRECTORS' RESPONSIBILITIES	xxxii
13. REPORT OF THE INDEPENDENT AUDITORS ON UNIVERSITY OF NAIROBI ENTERPRISES & SERVICES LIMITED	xxxii
14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	1
15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.....	2
16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022	3
17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022	4
18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022	5
19. NOTES TO THE FINANCIAL STATEMENTS.....	7
A: General Information	7
B: Statement of compliance and basis of preparation of the financial statements	7
C: Application of new and revised International Financial Reporting Standards (IFRSs)	7
D: Summary of Significant Accounting Policies	11
E: Significant Judgements and Sources of Estimation Uncertainty	16
F: Explanatory Notes to the Financial Statements	17
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR THE FY 2020/2021 AUDIT REPORT	28
APPENDIX II: PROJECTS	28
APPENDIX III: STATUS OF PROJECTS COMPLETION	29

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

1. KEY ENTITY INFORMATION

Background information

The University of Nairobi Enterprises & Services Limited (UNES) is a Limited Company registered under the Companies Act (Chapter 486, Laws of Kenya) on 5 May 1996. UNES is listed as a Commercial State Corporation, under the State Corporations Act CAP 446. UNES is wholly owned by the University of Nairobi as the sole shareholder, thus the resources available to UNES are primarily those of the University. UNES has a governance structure headed by Board of Directors, Managing Director, Management Team and Staff in the execution of its mandate. The board is responsible for the general policy and strategic direction of the company.

Principal Activities

The principal activities of UNES are:

- a) Provision of Consultancy Services & Short Professional Courses
- b) 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. 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 Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

DIRECTORS

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

	Name	Designation	Remarks
1	Eng. Kariuki Muchemi	Chairman	Exited on 09-02-2022
2	Prof. Kinandu Muragu	Member	Appointed on 12-06-2008
3	Mr. Hirji Shah EBS, OGW	Member	Appointed on 12-09-2013
4	Mr. Yusuf Omari	Member	Appointed on 15-09-2009
5	Mr. Abdi Mohamud Hassan, OGW	Member	Exited on 06-09-2021
6	Ms Miriam Musyoki	Member	Appointed on 26-11-2018
7	Ms Flora Maghanga Mtuweta	Member	Exited on 06-09-2021
8	Prof. Stephen Gitahi Kiama	VC & Member	Appointed on 09-04-2020
9	Samuel Nthenge	Member	Appointed on 20-08-2021
10	Mr. Seith Abeka	Managing Director	Appointed on 19-7-2021

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.

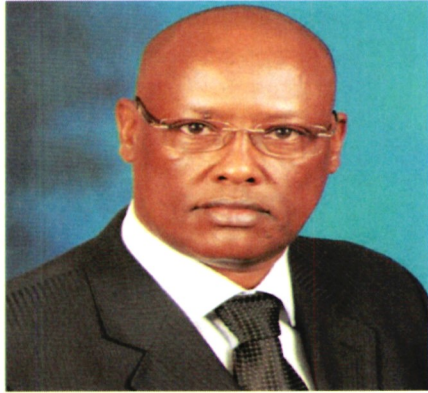
PRINCIPAL LEGAL ADVISORS

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

2. THE BOARD OF DIRECTORS

 <p>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. 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>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 Organizations for over 55 years in several countries. He has been Chairman &/or Director of several Companies in Kenya, Uganda, Tanzania, Mauritius, Ethiopia, Zambia and South Africa etc.</p>

*University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022*



Mr. Abdi Mohamud Hassan
MA, LLB, B.Sc, Advocate of the High Court of Kenya

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.

He has also served as the Managing Partner, Hassan Mutembei & Company Advocates and Wamalwa, Abdi & Company Advocates.




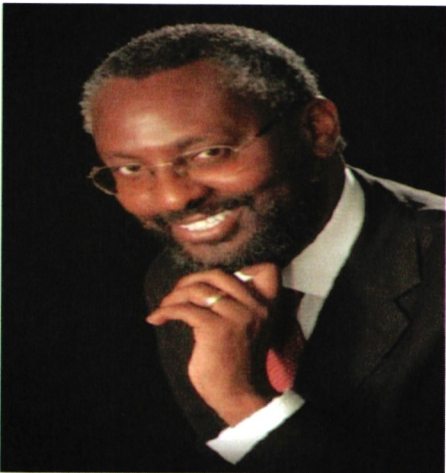
Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)

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).

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.

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




*University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022*

	<p>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>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).</p> <p>He worked as the Head of Internal Audit East and West Africa cluster (2004-2008) & then as Head of Compliance (2008-2009) before his appointment as the Chief Financial Officer in 2009. He is a qualified Certified Public Accountant (CPA) as well as a Certified Internal Auditor.</p> <p>He holds an MBA from Strathmore Business School and a Bachelor's degree in Economics from University of Nairobi. He is a Member of the Institute of Chartered Public Accountants of Kenya (ICPAK).</p> <p>Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK, Barclays Pension Fund and Barclays Financial Services Limited</p>
 <p>Prof. Stephen G Kiama B.V.M, MSC, PhD, MKNAS</p>	<p>Born in 1964 Prof. Stephen Kiama Gitahi is the 8th Vice-Chancellor, University of Nairobi and UNES Board Member.</p> <p>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.</p> <p>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).</p> <p>Prof. Kiama is currently serving as Vice</p>

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022



	<p>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.</p>
 <p>Ms Flora Maghanga Mtuweta, BA (Econ), MBA (Strategic Mgt), CPA (K)</p>	<p>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.</p> <p>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.</p> <p>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 start-up of two Micro Finance Institutions one of which is a bank now.</p> <p>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>

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022



 <p>Mr. Samuel Nthenge</p>	<p>Mr. Samuel Nthenge holds a Master of Arts (M.A) degree in Economics, University of Nairobi, which he completed in September, 2005. He also holds a Bachelor of Philosophy (BPhil) degree in Economics, University of Nairobi, Completed in September, 1991.</p> <p>He has over thirty years extensive experience in economic analysis, policy formulation and analysis, strategic planning and performance management, data collection, compilation and analysis, project planning, monitoring and evaluation and report writing in public sector.</p> <p>Mr. Nthenge has Great experience working with external partners (World bank, USAID and UNESCO) and ability to function well within multidisciplinary team. He has a Proven track record of success implementing other projects to influence economic policy decision-making related to domestic and globally relevant environment and development issues. He has considerable knowledge and understanding in health system, challenges and issues in Kenya.</p>
 <p>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).</p> <p>She has worked in the National Treasury for 11 years as an Economist and currently as a Budget Officer.</p>
 <p>1. Mr. Seith Abeka, B.Econ & Math., MA (Gender & 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>

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

2. MANAGEMENT TEAM

 <p>1. Mr. Seith Abeka, B.Econ & Math., MA (Gender & Development Studies). Managing Director</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 Corporation Secretary</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>He is a member of Institute of Certified Public Secretaries (ICS) No. 2794</p>

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

 <p>3. Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K), CPS. Chief Manager, Commercial Operations</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>Chief Manager, Finance & Administration 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 & Administrations Manager at Comp-rite Kenya Limited. A member of Institute of Certified Public Accountants of Kenya.</p>

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

5. CHAIRMAN'S STATEMENT

On behalf of UNES Board, I am delighted to present to you the UNES' Annual Report and Financial Statements for the year ended 30th June, 2022. UNES is a solution-oriented business enterprise wholly owned by the University of Nairobi. UNES stands for University of Nairobi Enterprises and Services limited.


The vision, mission, core values and mandates of UNES are drawn from the University. Therefore, UNES plays a very critical role to the University mandate by harnessing the resources such as human resource, financial resource, infrastructure of land and buildings amongst others.

UNES was established as the Consultancy and Commercial arm of the University of Nairobi. As a Special Purpose Vehicle (SPV), UNES facilitates academia-industry engagements for income generation, by adding value to knowledge, which is resident within the University community. In the reporting period, UNES engaged with local, national, international, private and public sector players in provision of its products and services. Notable engagement during the FY2021/22 is with USAID through a Cooperative Agreement in supporting the Ministry of Health in digitizing health systems through the HealthIT project.

The UNES Products and Services include, *inter alia*:- UNES Consultancy & Short professional Course Services; UNES/UoN Bookstores and Learning Material; UNES Arziki Hospitality, Conference & Events Management Services; UNES/UoN Dental Services, UNES/UoN Eye Care Services; UNES/UoN Digital Imaging and Radiology Medicine (DIRM) Services; UNES/UoN Chiromo Funeral Parlour (CFP) and UNES/UoN Bindery Services.

The FY 2021/2022 was the most trying moment for UNES in terms of the business performance occasioned by the 2022 General Elections, high cost of business operations, poor overall global economic performance, the war between Russia and Ukraine, and prolonged global COVID-19 Pandemic. Majority of UNES clients are government Ministries, Departments and Agencies. A number of businesses and institutions closed as a result of COVID-19 Pandemic. Majority of these institutions were our major clients. This unfortunate situation has impacted negatively on UNES Business Performance. The Covid-19 protocols and containment measures affected the business operations.

I am confident that UNES will fulfil its mandate in supporting the University of Nairobi as the Consultancy and Commercial arm drawing from the past experience that informs the future. In conclusion, I take this opportunity to thank UoN as the shareholder of UNES, UNES Board members, Management and staff for remaining steadfast in pursuit of UNES mandate. We also thank our Customers, University of Nairobi faculty, Suppliers and development partners for trusting UNES for products and service delivery. UNES shall remain a going concern into the foreseeable future. May God Bless UNES and the University of Nairobi.


.....
for Prof. Kinandu Muragu
CHAIRMAN, UNES BOARD
Date: 14/04/2023

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

Financial Year 2021/2022 which ended on 30th June 2022 was a difficult year for UNES. The year registered low business volumes and high operational costs occasioned by the global Covid-19 pandemic, global economic crisis, war between Russia and Ukraine, high cost of doing business and the 2022 General Elections. Amidst these challenges, UNES was able to generate Ksh878M in revenue compared to Ksh852M generated in the FY 2020/2021. Finance income earned during the year was Ksh2.2M. Total operating expenses for the year was Ksh892M thus leaving the company at a loss position of Ksh11.1M. The company has aligned its Performance Contracting (PC) and Quality Management System (QMS) with Strategic plan and business continuity plans that have seen the company survive even though many institutions closed down and retrenched staff due to global Covid-19. It is worth noting that, UNES managed to keep its entire staff. The company is currently implementing the post Covid-19 recovery strategy to restore operations to normalcy.

During the reporting period, UNES management and staff focused on four priority areas of- Revenue, Customer Focus, Growth and Operational Excellence (RCGO). All staff contributed to the RCGO agenda aligned to the company's products and services in the areas of: - UNES Consultancy & Short professional Course Services; UNES/UoN Bookstores and Learning Material; UNES Arziki Hospitality, Conference & Events Management Services; UNES/UoN Dental Services, UNES/UoN Eye Care Services; UNES/UoN Digital Imaging and Radiology Medicine (DIRM) Services; UNES/UoN Chiromo Funeral Parlour (CFP) and UNES/UoN Bindery Services.

UNES Consultancy & Partnerships Services is the flagship project, contributing to 85% of total revenue to the company. Consultancy business was adversely affected during the reporting period hence the loss position realized by June 30th 2022. However, with the general elections behind us, we are optimistic that the current economic crisis will be restored under the new administration and opportunities created for growth of enterprises. UNES debt portfolio stands at KShs. 399M by 30th June 2022, we are hopeful that these debts will be settled soon to improve cash-flows and working capital for the company to support business operations. The debts are risk free because, 85% are owed by government agencies e.g. County governments, Government Ministries, Departments and Agencies.

The shareholder, University of Nairobi has invested heavily into UNES. UNES is expected to benefit from the ongoing reforms at the University of Nairobi. The company is in the process of developing a new strategic plan 2023-2028 to define the future direction of UNES for greater value to the University. The Company has leveraged and embraced new technological approaches to reach out to its clients through digital platforms like;- e-Commerce, strengthening customer relationship management (CRM) and utilization of Enterprise Resource Planning system (ERP) the Microsoft 365 Business Central.

On behalf of UNES Management, I wish to express our appreciation to the resilience during the FY 2021/2022 which greatly suffered from the effects of Covid-19 pandemic. We are confident that UNES shall remain a going concern into the future. We sincerely thank our Customers and the shareholder, the University of Nairobi for support to UNES Limited.


.....
Mr. Seith Abeka
MANAGING DIRECTOR

Date.....
14-4-2023

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives. UNES has four strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2018/2019- FY 2022/2023. These strategic pillars/ themes/ issues are as follows: -

- Pillar /theme/issue 1: Enhancing shareholder value
- Pillar/theme/issue 2: Enhancing customer service experience
- Pillar/theme/issue 3: Enhancing Operational Excellence
- Pillar/theme/issue 4: Promote and enhance innovation and learning

UNES develops its annual work plans based on the above four pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The UNES achieved its performance targets set for the FY 2021/2022 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Pillar /theme/issue 1: Enhancing shareholder value	To enhance and sustain business growth	Revenues (KSh 'M)	Identifying and pursuing viable projects under the National Government's priority areas: Big 4 Agenda, Vision 2030	181.3
		Revenues (KSh 'M)	Harnessing business opportunities from Development Partners, MDAs & County governments.	67.61
		Revenues (KSh 'M)	Identify and pursue viable	7.075

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University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
			projects from Donor funded Projects, and the East African Community market	
		Revenues (KSh 'M)	Develop, market & implement marketable Training Programmes	19.49
		Revenue (KSh 'M)	Enhance partnerships and collaborations to improve the Arziki sales	1.33
		Revenue (KSh 'M)	Introduce low budget menus to attract students; regular price review for Arziki products to attract the UoN community	4.53
		% Implementation level	Enhance collaborations with CAVS for farm inputs	100
		Revenue (KSh 'M)	Enhance Marketing and	2.01

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
			visibility of the existing conference facility to other NGOs, Corporates and other Private Institutions & Groups	
		% implementation level: Revamped online Shop	Revamp the Bookstores Online Shop to attract and retain Customers.	85
		Revenues (KSh 'M)	Enhance the revenue generation from: Universities, TVETs, MTCs, and GoK MDAs, through strategic books displays, visitations and tender applications.	54.95
		Number of new Partnerships/collaborations established	Partner with strategic Institutions, Government Hospitals and Insurance Companies for Dental, Ophthalmology	Three (3) partnerships were signed between Dental Plaza, Kenya Alliance, Heritage Insurance & CIC Insurance.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
			and Radiology services referrals	
		Number of new partnership agreements signed	Establish partnerships with Hospitals for body collection services at CFP	Three (3) partnerships were signed with Poplar, Arawelo and Care Hospitals for body collections.
		UNES Income (KSh 'M)	Fully implement IGUs business model to maximize on available business opportunities	10.23
Pillar/theme/issue 2: Enhancing customer service experience	To continuously improve customer experience	% level of implementation	Enhance Online visibility through Digital Marketing Essential for: Consultancy, Bookstore, Hospitality	100
		Approved infrastructure	Improve Public Complaints management and access to information infrastructure	A Complaints Management and Access to Information infrastructure was developed, approved and submitted to CAJ in Q1. Its implementation is underway.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		Quarterly awareness creation activities undertaken	Train Staff on Complaints Handling Framework and Access to Information	Training of staff on UNES complaints handling framework was undertaken in March 2022.
Pillar/theme/issue 3: Enhancing Operational Excellence	To optimize organizational effectiveness and efficiency	e-commerce platform designs developed	Provide e-commerce platforms design with customer centric to deliver services to the demanding online masses	An e-commerce platform was developed for the Bookstores, and the UNES website was enhanced to issue electronic proforma invoice for short courses; Example the Basic Life Support professional course.
		% implementation level of Automated Recruitment Process	Leverage on Technology to streamline recruitment and selection process	The process of recruitment is fully automated from the application to the interview phase.
Pillar/theme/issue 4: Promote and enhance innovation and learning	To enhance staff performance and creativity	Number of Wellness Activities	Maximize implementation of programs that deal with employees' wellness and Health Problems	2
		% Level of implementation of: Gender & Mainstreaming activities; HIV/Aids Control Activities; COVID-19 safety measures/ADA		Staff wellness events held in September 2021 and March 2022. Gender: 93%; DMC: 46.75%; HIV/AIDS: 94.08%; ADA: 66%.

*University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022*

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
		Control measures		

The implementation of the above FY 2021/2022 performance targets was largely through the Corporate Performance Contract and the cascaded departmental performance contracts.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

8. 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 Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

No	NAME	DATE OF MEETINGS				ATTENDANCE	
		1 st 01.09.21	2 nd 09.12.21	3 rd 30.03.22	4 th 30-06-22	No. Present	No. Absent
1.	Eng. Kariuki Muchemi	√	√	X	X	2	NA
2.	Prof. K. Muragu	√	√	√	√	4	Nil
3.	Mr. Hirji Shah	√	√	√	√	4	Nil
4.	Ms. Miriam Musyoki	√	√	√	√	4	Nil
5.	Mr. Yusuf Omari	√	√	√	√	4	Nil
6.	Mr. Abdi Hassan	√	X	X	X	1	NA
7.	Ms. Flora Mtuweta	√	X	X	X	1	NA
8.	Prof. Stephen Kiama	X	√	√	X	2	2
9.	Mr. Samuel Nthenge	√	√	√	√	4	Nil

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. Governance 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 Nthenge

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

- iii) Mr. Hirji Shah
- iv) 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) Ms Miriam Musyoki
- iii) Mr. Brian Ouma Representing VC
- iv) Mr. Samwel Nthenge

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) Mr. Brian Ouma Representing VC
- iii) Yusuf Omari
- iv) Prof. Kinandu Muragu

The appointment and removal of directors is done annually during the Annual General Meeting of the Company. New members are normally taken through an induction process by UNES Management in order to familiarize themselves with the Company and what is expected of them. Training of the directors is done on a need basis. To ensure business continuity and succession planning, retiring of Board members is normally staggered over a period of three years.

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.

9. MANAGEMENT DISCUSSIONS AND ANALYSIS

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

i) Consultancy Unit

The Consultancy of UNES Ltd is the flagship business of the company and should generate substantial income given the multi-disciplinary experts within the University and the strong brand name of the University. The Unit has not delivered fully as envisaged in the 2018 – 2023 Strategic Plan due to the turbulent business environment, unfavorable economic conditions and the global Covid-19 pandemic.

In the FY 2021/2022, the Unit generated Ksh759,199,029 in revenue and recorded a surplus of Kshs64,665,454 compared to Kshs92,203,110 realized in FY 2020/2021. The Unit commits to enhance revenue and grow profitability through increased business networks, customer excellence, customer satisfaction and client diversification.

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 operations at Arziki have increased for the period under review compared to the previous year, following the relaxation of most of the COVID 19 restrictions in the hospitality industry and in general. The cost of inputs for Arziki have significantly gone up with the rising prices in the market. This is being mitigated by widening the pool of suppliers and direct purchases from the markets using petty cash.

The strategies being applied in the unit to improve the performance further include:

a) Incorporate Technology

We are in the process of procuring a Restaurant Management System (RMS) that will improve our efficiency. With incorporation of POS (Point of Sale) under the RMS it will enable quick billing which will not only increase table turnover but will reduce waiting time for customers.

Will collaborate with more third party delivery service providers like Jumia and Glovo to interact with a wider range of customers

b) Expand Our Services

Having secured spaces in our university libraries, we are in the process of opening coffee shops in major libraries starting with JKL which will lead to an increase in revenues.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

c) Intensive Marketing of half portions meals

Our half portion meals are competitively priced and by intensively marketing it will attract more clients including students which has a higher profit margin compared to full portions. For example, 1/2 portion chicken is Ksh.260.00 and a full portion is Ksh. 380.00 meaning two half portions that make one full portion are going for Ksh. 520.00 which is Ksh. 140.00 more.

iii) Bookstore

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, research and learning 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 and TVET sectors in Kenya.

Over the years, the Bookstore has expanded its product portfolio aimed exceeding its customers' needs. The Bookstore 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. The Bookstore, therefore serves the general public. The emergence of Covid-19 Pandemic in 2019 negatively affected the Bookstore but equally presented an opportunity to supply computers and phones to enable the Customers to adapt the new normal of working online and from home in most cases.

Bookstore 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 Bookstore has aligned its strategies to deliver the same. The Performance Contract and Quality Management System obligations are integral Key components that guide the Bookstore 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

Factors that Negatively Affected the Financial Performance in the FY 2021/22

1. The Covid-19 Pandemic disrupted the global supply chain occasioning the closure by a majority of the Publishers, Distributors, Customer and other Key Stakeholders
2. Decline in the number of orders from the Government funded entities
3. Decline in the number of orders from the major customer; University of Nairobi
4. Failure to service some customers' orders because of the debts owed to suppliers and delayed delivery of ordered items from some suppliers
5. High competition from private bookstores

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Mitigation Measures to Improve the Financial Performance

The Bookstore 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.

iv) Income Generating Units

Dental Plaza: Revenue reduced from Kshs26,160,260 in FY 2020/2021 to Kshs23,999,300 in FY 2021/2022. The unit performance was affected by a staff strike at the beginning of the FY 2021/2022. To turn around Dental Plaza, several strategies have been applied for instance: training of doctors/dental assistants and doing aggressive marketing.

Dental School: The unit was incorporated under UNES in November 2021. Its performance was negatively affected by breakdown of equipment, whose repair has been a challenge. We are in the process of sourcing for anesthetic machine to resume operations.

Eye Centre: The Eye Centre has increased its revenue from Kshs2,123,773 in FY 2020/2021 to Kshs4,693,380 in FY 2021/2022. The performance of the unit is expected to improve with the takeover of the eyeglasses business from the current subcontracted service provider.

Diagnostic Imaging & Radiation Medicine: The unit has been able to increase its revenue from Kshs2,880,001 attained in FY 2020/2021 to Kshs3,588,730 in FY 2021/2022. The major challenges affecting the IGU is the issue of equipment. The unit has been planning to buy a Digital Fluoroscopy Machine and 2 Ultra sound machines but it has not been able to achieve that due to financial constraints. However, one ultrasound machine has been acquired in the last quarter of the financial year.

Library: Revenue has increased by 47% in FY 2021/2022 compared to FY 2020/2021 from Ksh6,437,974 to Ksh9,447,179, whereas the surplus has increased from KSh2,554,098 to KSh5,294,036. To increase revenue further, marketing for the printing services, which have been relocated for ease of accessibility, is underway. The acquisition of the new multifunctional printer cum photocopier has improved the operations at the unit. The blocking machine is to be replaced in the next financial year to improve the operations further, since the current one is a manual one and difficult to operate for the staff.

Chiromo Funeral Parlour: Revenue has increased from Kshs30,402,510 in FY 2020/2021 to Kshs32,672,025 in the FY 2021/2022. The surplus, however, improved from a loss of KSh162,463 to a profit of KSh4,357,306. Plans are underway to introduce Diploma in Mortuary Science to increase revenue at the IGU. The course will be offered by the Human Anatomy Department under UNES.

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.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

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.

Operational and Financial Performance of the Company for the last five years

The company has had mixed results for the last five years owing to the various external factors that have been affecting the Kenyan economy such as Covid-19 pandemic, high inflation rates, the war in Russia and Ukraine, the electioneering period among others as well as internal factors such closure

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

of the University of Nairobi for longer periods, the adoption of online learning by the University of Nairobi leading reduced number of students and staff within the campus among others. All these factors combined have had a negative impact on the company's operational performance. The table below summarises the company's financial performance for the last five years.

	FY 2017/2018	FY 2018/2019	FY 2019/2020	FY 2020/2021	FY 2021/2022
Revenue	434,868,664	462,378,645	524,166,098	852,751,564	878,754,036
Finance Income	4,610,322	613,339	628,007	-	2,221,302
Operating Expenses	(502,547,128)	(531,701,020)	(524,666,595)	(840,704,300)	(892,150,241)
Surplus (Loss)	(63,068,142)	(68,709,036)	127,510	12,047,264	(11,174,903)

Compliance with Statutory Requirements

The company has complied with all its regulatory and statutory requirements and obligations. The only outstanding statutory payments as at 30th June 2022 are for the month of June 2022 which are payable by the following month.

Review of the Sector and Future Developments

The company operates in diverse sectors i.e Hospitality, Consultancy, Bookstore and Medical Services Consultancy. Each of the sectors have their own challenges and the company is doing its best to manage and cope with all the challenges in order to maximise on its returns.

Each sector also has its own future developments for example in Hospitality, the future will be more of home deliveries and meals prepared on site as opposed to walk in customers. In the Bookstore, the future will be more of e-books and online shopping as opposed to physical books and walk in customers.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

UNES was established by the University of Nairobi as the Consultancy and Commercial arm of the University mandated to infuse entrepreneurial culture and spirit into the University's operations. The company is expected to provide financial resources that advances the realization of the University's mandate of Teaching, Learning and Research.

UNES business focus include: - Financial Management, Consultancy Services and other commercial activities which include Hospitality, Bookstores, and Managing Income Generating Units (IGUs) on behalf of the University.

In addition, it was tasked as an agent of the teaching departments of the University in collecting fees from the self-sponsored programmes. However, this function was taken back to the University in 2015 which allowed UNES to refocus on the other key mandates outside the academic revenue.

i) Sustainability strategy and profile –

UNES sustainability strategy includes the disclosure and communication of environmental, social, and governance goals. We do this to improve corporate reputation, building consumer confidence, and improve on of risk management.

The Management is keen on corporate social responsibility programs and Health and Safety and Environmental aspects. The Management also takes great concern on sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure

ii) Environmental performance

UNES recognizes that it has a responsibility to the environment beyond legal regulatory requirements. It is committed to reducing its environmental impact and continually improving its environmental performance as an integral part of its business strategy and operating methods, with regular review points. UNES will encourage customers, suppliers and other stakeholders to the same.

UNES has an environmental policy that guides the organisation in its environmental performance. UNES has successfully implemented environmentally friendly strategies. UNES is ISO certified and environmental sustainability is a fundamental aspect of the ISO Standard. The management adequately manages biodiversity, waste management and has taken good efforts to reduce environmental impact of the organisation's products.

Notable strides have been made through the following measures: diversified sources of energy i.e., use of both renewable and non-renewable sources of energies; promoting efficiency in gas/electricity consumption levels; promoting efficiency in water consumption; restrictive measures on fleet management to ensure road mileage travelled by organization's fleet; reuse of stationary; promotion of recyclable products in product range.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

iii) Employee welfare

UNES has a robust Human Resource Management Policy and Procedures manuals that guides the hiring process. The hiring process takes into account diversity and inclusion aspects such as gender ratio, racial and ethnic ratio and inclusion of persons with disability. Relevant stakeholders are engaged in the hiring process including the line managers that form the recruitment panel, the prospective employees/candidates are engaged through a survey to provide feedback on their experience and their suggestions on how to improve our hiring process. The hiring policies are revised once in three years.

Training programs are rolled out continuously to improve the workforce skills and to align them to the constant changes in the business environment. A comprehensive appraisal system has been put in place to monitor the staff performance.

UNES has a competitive reward system that promotes equality. The reward system is revised every four years in compliance with the guidelines of SRC. The organisation relies on the OSHA Act of 2007 in handling policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

UNES has made the following efforts in ensuring best practices in the market:

a) Responsible competition practice.

UNES ensures responsible competition practices and subscribes to anti-corruption and anti-bribery, responsible political involvement, fair competition and respect for competitors.

b) Responsible Supply chain and supplier relations

The organization has maintained and continuously updates its list of registered suppliers. In the process of registration, the organization keenly assesses the supplier capacity in the various categories to ensure that they are able to deliver on their requirements. The interactions with suppliers are majorly automated to ensure they are able to respond to our requests through an online ERP system unless for complex tenders.

In addition, the organization endeavours to adhere to the service charter in ensuring payments are made within stipulated time. The suppliers in the disadvantaged group (Youth, Women and Persons Living with Disability) invoices are prioritised where possible.

There is also a mechanism to handle any complaint the suppliers have including where applicable involving the existing complaints handling committee to ensure complaints are adequately addressed within the timelines provided in the service charter.

With regards to contract implementation, there are always contracts implementation teams particularly for complex projects to ensure that both parties comply to the terms in the contracts. For the one-off supplies, there is continuous monitoring to ensure compliance as well.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Finally, the organization engages suppliers in annual sensitization forum to ensure they understand our requirements. Where there are complex tenders, pre-bid conferences are held also to ensure better understanding of the bid requirements which will ensure contract implementation is seamless.

c) Responsible marketing and advertisement

UNES is the commercial arm of the University of Nairobi charged with responsibility for promoting, coordinating income-generating activities for the University and inculcating the entrepreneurial culture within the University at the local and international markets.

It has a Marketing and Communications Plan informed by Strategic Plan and Quality Management System to Market and Communicate Brand both at the Local and International markets. It is guided by Industry Oriented Smart Marketing and communications Objectives with clear action matrices monitored Weekly, Monthly and quarterly. The objectives are as follows:

- i) To increase Revenue
- ii) To improve UNES Online and Digital Presence
- iii) To build and position UNES Brand and Brand Image
- iv) To establish grow and maintain the Customer Perception & Customer Satisfaction Index
- v) To enhance Customer Relationship
- vi) To establish, understand and deliver Customer Needs and requirements through customer complaints handling mechanism

The Marketing and Communication Activities have taken cognisance of ever-changing business environment propelled by technological adoption, new normal and competition and these entails:

- i) Branding and Brand Promotion
- ii) Online Activations and Promotions (Google AdSense and social media)
- iii) Digital Essentials and Promotions (Twitter, Facebook, Linked-In, Instagram, YouTube)
- iv) Webpage publications and Linkages
- v) Outdoor Marketing Campaigns and Exhibitions
- vi) Publications on Local Dailies both online and print
- vii) Publicity and CSR

UNES Marketing and Communications Activities are guided by policies such as Marketing Policy, Communications Policy, Quality Management System Manual and UoN Branding Policy. The Marketing and Communications Plan Implementation also follows Annual Procurement and Annual Budgeting to assist in measuring marketing effort as well as guiding the future projections and value addition. Finally, the marketing and communications activities are strongly guided by the strong governance structure in observance of Mwongozo Code, Leadership and Integrity in all level of engagement.

d) Product stewardship

UNES business falls within the retail and service industry. Consumer protection is thus a high priority for business sustainability. The organization does not deal or undertake false or misleading representations, unconscionable conduct as well as supply of unsafe, defective and unsuitable goods.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

The organization has policy guidelines to manage defective products as well as managing customer complaints (to safeguard consumer rights and interests). UNES celebrated its 25 Years Silver Jubilee on May 23, 2021 and over the 25 years, UNES has grown to become a one stop shop and a leading provider of products and services such as;

- i) Consultancy and Trainings,
- ii) Hospitality Services,
- iii) Bookstores and Learning Materials and Resources,
- iv) Medical Service such as; Eye Care, Dental Care, Diagnostic Imaging & Radiation Solution, Animal and Crop Production,
- v) Bindery Service
- vi) Funeral Services open to the general public.

UNES draws its client base from MDAs, Public and Private Institutions & NGOs. It also supports community-based initiatives through a defined CSR System to support community and special group within the region.

UNES has a robust Customer Focus and Customer Complaint Handling Framework with the current rating of 91%. It measures its customer satisfaction Index through Data Analytics to guide in customer focused decisions and support the Marketing and Communications Initiative. It has a service charter which is process-based and monitored quarterly to improve customer relationship and lifetime value.

It allocates resources and support Benchmarking, Market Surveys and Research and Development to be able to incorporate changes inevitable demands and changes in the markets.

Corporate Social Responsibility / Community Engagements

The Company did not engage in any CSR activities during the FY 2021/2022.

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, the Companies Act, 2015 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.

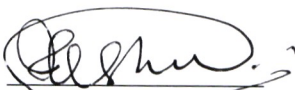
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on 30 June 2022. This responsibility includes: (i) maintaining adequate financial 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 2022 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

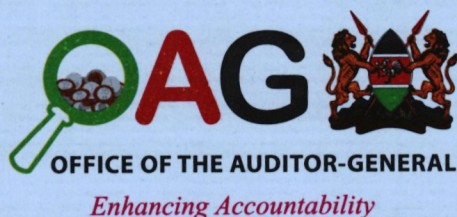
The company's financial statements were approved by the Board on September 29, 2022 and signed on its behalf by:


Prof. Kinandu Muragu
DIRECTOR


Mr. Seith Abeka
DIRECTOR

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

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 29, which comprise of the statement of financial position as at 30 June, 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and

Report of the Auditor-General on University of Nairobi Enterprises and Services Limited for the year ended 30 June, 2022

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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Enterprises and Services Limited as at 30 June, 2022, 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

1. Inaccuracies in the Financial Statements

The statement of financial position and Note 21 to the financial statements reflects long term liabilities balance of Kshs.246,608,147 which relates to amounts held for the University of Nairobi. However, the University of Nairobi financial statements as at 30 June, 2022 reflects a balance of Kshs.247,630,000 resulting to unexplained negative variance of Kshs.1,0121,853.

In addition, review of financial statements for the University of Nairobi revealed trade and other payables balance of Kshs.336,805,000 to UNES which has not been reconciled to the amount of trade and other receivables balance of Kshs.409,592,536 reflected in the statement of financial position resulting to unexplained variance of Kshs.72,787,536.

Further, University of Nairobi financial statements reflects receivables from exchange transactions – UNES receivables amount of Kshs.409,593,000 which do not have a corresponding entry in the UNES financial statements.

In the circumstances, the accuracy and completeness of the long-term liability balance of Kshs.246,608,147 could not be confirmed.

2. Trade and Other Receivables

The statement of financial position and as disclosed in Note 16 to the financial statements reflects trade and other receivables balance of Kshs.409,592,536 as at 30 June, 2022. Examination of records provided revealed that the balance of Kshs.409,592,536 includes amounts of Kshs.168,912,135, Kshs.27,964,131, Kshs.2,207,900, Kshs.1,396,707 and Kshs.55,037,365 due from external customers (Consultancy), National Hospital Insurance Fund (NHIF), East African Portland Cement, other receivables and UNES bookstores respectively all totalling Kshs.255,518,238, which have been outstanding for over two (2) years. No provision for bad debt has been included in the financial statements in respect of these old debts.

Further, receivables balance of Kshs.409,592,536 as at 30 June, 2022 increased by Kshs.118,564,876 from Kshs.291,027,660 in 2020/2021 which is equivalent to an increase of 41%. Management has not put in place adequate measures to enhance collection of the receivables.

In the circumstances, the accuracy and recoverability of the trade and other receivables balance of Kshs.409,592,536 could not be ascertained.

3. Trade and Other Payables

The statement of financial position and Note 22 to the financial statements reflects trade and other payables balance of Kshs.312,568,006. However, examination of supporting records provided revealed that the trade and other payables increased by Kshs.102,111,688, from Kshs.210,456,318 in the year ended 30 June, 2021 to Kshs.312,568,006 in the year ended 30 June, 2022 an increase equivalent to 49%. The above increase differs with the amount of Kshs.104,798,920 reflected at Note 26(a) resulting to unexplained variance of Kshs.2,687,232. Therefore, the continued increase of trade and other payables may cast doubt on the ability of the Company to meet its short-term obligations.

In addition, it was noted that provision for directors' emoluments of Kshs.4,933,333 includes an amount of Kshs.1,200,000 dating back to 2015/2016, Kshs.866,666 in 2018/2019 and Kshs.900,000 in 2019/2020. Similarly, provision for expenses of Kshs.3,967,210 includes insurance amounting to Kshs.2,886,830 dating back to the year 2012 and staff payments for staff who were seconded from University of Nairobi in 2019/2020, while provisions for direct service providers amounting to Kshs.8,031,689 which includes an unsupported balance brought forward amount of Kshs.993,880 which was not analyzed.

Further, Management did not provide the creditors ledger and creditors invoices in support of the trade and other payables balance of Kshs.312,568,006.

In the circumstances, the existence and accuracy of payables balance of Kshs.312,568,006 could not be ascertained.

4. Fully Depreciated Property, Plant and Equipment

Review of the records provided for audit indicated that the Company did not review the residual values and useful lives of property, plant and equipment amounting to Kshs.107,186,144 as at reporting date in accordance with paragraph 51 of IAS 16. As a result, property, plant and equipment with a gross carrying amount of Kshs.80,579,508 had a zero-net carrying amount while still in use. Although the Management has indicated that it carried out a revaluation in the current year based on the evidence provided dated 19 August, 2022. No explanation was provided for failure to approve the draft valuation report for inclusion in the financial statements for the year ended 30 June, 2022.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.12,964,604 as at 30 June, 2022 could not be confirmed.

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis totalling to Kshs.955,923,933 and Kshs.878,717,036 respectively, resulting to an underfunding of Kshs.77,206,897 or 8% of the budget. Similarly, the Company spent Kshs.894,996,769 against an approved budget of Kshs.1,003,912,690 resulting to an under expenditure of Kshs.108,915,921 or 11% of the budget. The underfunding and under performance affected the planned activities and may have impacted negatively on service delivery.

Further, the statement reflects computers/laptops expenditure budget of Kshs.1,225,000 against actual amount of Kshs.3,285,078 resulting to over-expenditure of Kshs.2,060,078 or 168% of the budgeted amount. However, budget re-allocation approvals in support of the expenditure were not provided for review. The original and final budgets amount of Kshs.1,225,000 were also at variance with the approved budget amount of Kshs.505,000 reflected in the 2021/2022 Company budget.

2. Prior Year Unresolved Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board template.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

1. Irregular Procurement of Staff Medical Cover

The Company advertised tender No. UNES/HQ/018/2020-2021 for provision of staff medical insurance cover on 4 May, 2021. The tenders were opened on 18 May, 2021 and the Accounting Officer appointed seven (7) Tender Evaluation Committee Members instead of a maximum of five (5) as provided for by the Public Procurement and Asset

Disposal Act, 2015. The financial evaluation was carried out under several criteria which included provision of audited financial statements for three (3) years, from 2018 to 2020. The winning bidder was non-responsive based on non-submission of the financial statements.

The Committee recommended that the tender be awarded to the highest scoring evaluated bidder with a score of 95% at a bid of Kshs.9,102,448. However, the bidder had not submitted the financial statements for year 2020 and the audit report on the 2019 financial statements reflected a material uncertainty of going concern. The company was placed under statutory management on 5 April, 2022 as reflected in the Policy Holder's Compensation Fund (PCF) circular of 13 June, 2022. Based on material uncertainty of the going concern on the audit report, the Evaluation Committee should have considered the second highest evaluated bidder with a score of 84% and a bid price of Kshs.10,126,906, who had provided audited financial statements for three years as required.

Further, the insurance company had a performance guarantee No. MD2116700016 for Kshs.910,244 with a local bank which was valid until 15 June, 2022. The bank through a letter to UNES of 23 June, 2022 reminded UNES of the bank's undertaking to pay upon a written demand declaring the insurance company to be under default under the contract. However, Management of UNES did not make the written demand for compensation, resulting in loss of Kshs.910,244.

In the circumstances, Management was in breach of the law.

2. Appointment of Board Members and Committees of the Board

Meeting minutes of the full Board Meetings and those of its committees revealed that the Board had 10 Members including the Managing Director who is an ex-officio member and included two (2) ladies and eight (8) men members against seven males. This is contrary to the requirements of the one-third gender rule. Further, some Board Members had served for over six years contrary to the ceiling of six years provided for under paragraph 1.5 of Mwongozo Code.

Further, the Governance, Risk and Audit Committee had four (4) members, Strategy and Business Development Committee had five (5) members while the Finance and General Purposes Committee had six (6) members contrary to the limit of one-third of the maximum of nine (9 No) Board members.

UNES Board and its Committees were not properly constituted as provided for under Mwongozo code and resolutions passed by such a Board may be legally challenged.

In the circumstances, Management was in breach of the law.

3. Irregular Salary Advance

Human resource records revealed that some employees were issued with advance salaries which were higher than their basic pay. Further, advance salary was approved and issued to an employee who had been in employment for less than one year as outlined below:

Name	Basic Pay (Kshs.)	Advance Amount (Kshs.)	Balance 30 June, 2022 (Kshs.)	Date Given	Date Employed	Reason
Sylvia Nyangena	16,547	60,000	15,000	Sept 2021	8 April, 2016	School Fees
Edwin Wambongo	21,054	30,000	10,000	Oct 2021	March, 2019	Urgent Matter
Rose Munoka	21,054	20,000	8,331	Nov 2021	August, 2021	School Fees
Nicholas Muriithi	36,503	60,000	35,000	Jan 2022	May, 2011	Spouse Fees
James Wachira	38,705	60,000	35,000	Jan 2022	February, 2015	Parent Emergency
Loice Kerubo Onyari	20,265	60,000	5,000	Jul 2021	March, 2013	School Fees
Eugene N. Lusasi	18,595	30,000	2,500	Jul 2021	March, 2009	Emergency

In the circumstances, the regularity of the payments could not be confirmed.

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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, 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 Board of Directors

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 controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls would not necessarily disclose all matters in the internal controls 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 controls may not prevent or detect misstatements and instances of noncompliance. 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 Company's 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

27 June, 2023

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

**14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021/2022 Kshs	2020/2021 Kshs
REVENUES			
Allocation from Income Generating Units	1	11,234,480	10,390,915
UNES University Bookstores	2	68,493,963	61,063,793
Arziki Restaurants and Chiromo Conference Centre	3	33,383,639	11,805,480
Consultancy	4	761,920,138	765,191,426
Other Income	5	3,684,816	4,299,950
TOTAL REVENUES		878,717,036	852,751,564
OPERATING EXPENSES			
Direct Costs	6	748,558,451	696,995,077
Administration Costs	7	134,460,520	139,965,477
Finance Costs	8	231,665	268,227
Depreciation of property, plant and equipment	13	6,058,288	3,413,169
Amortisation of Intangible Assets	14	104,400	62,350
TOTAL OPERATING EXPENSES		889,413,324	840,704,300
OPERATING PROFIT / (LOSS)	9	(10,696,288)	12,047,264
OTHER COMPREHENSIVE INCOME			
Finance Income	10	2,221,302	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(8,474,986)	12,047,264
Earnings Per Share – basic	11	(1,695)	2,409

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	Note	2021/2022 Kshs	2020/2021 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13	12,964,604	13,439,447
Intangible assets	14	145,000	249,400
Total Non-Current Assets		13,109,604	13,688,847
Current Assets			
Inventories	15	42,681,614	59,232,440
Trade and other receivables	16	409,592,536	291,027,660
Bank and cash balances	17	71,277,650	76,388,527
Total Current Assets		523,551,800	426,648,627
TOTAL ASSETS		<u>536,661,405</u>	<u>440,337,475</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	18	100,000	100,000
Accumulated loss	19	(80,592,566)	(72,117,580)
Capital Reserve	20	12,321,458	12,321,458
Capital and Reserves		(68,171,108)	(59,696,122)
Non-Current Liabilities			
Long term liability	21	268,027,471	254,342,947
Total Non-Current Liabilities		268,027,471	254,342,947
Current Liabilities			
Trade and other payables	22	312,568,006	210,456,318
Staff gratuity obligations	23	24,237,039	32,437,938
Provision for leave pay	24	-	2,796,393
Total Current Liabilities		336,805,045	245,690,649
TOTAL EQUITY AND LIABILITIES		<u>536,661,405</u>	<u>440,337,475</u>

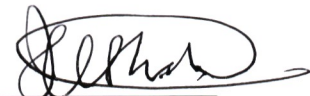
The financial statements were approved by the Board on September 29, 2022 and signed on its behalf by:



Head of Finance
 Mr. Simplicious Ochieng
 ICPAKM/No.5101



Managing Director
 Mr. Seith Abeka



Chairman of the Board
 Prof. Kinandu Muragu

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary Share Capital	Capital Reserve	Retained Profit (Loss)	Total
Balance as at 1st July 2021	100,000	12,321,458	(72,117,580)	(59,696,122)
Profit (Loss) for the period	-	-	(8,474,986)	(8,474,986)
Transfer to capital reserves	-	-	-	-
Balance as at 30 June 2022	100,000	12,321,458	(80,592,566)	(68,171,108)
Balance as at 1st July 2020	100,000	12,321,458	(84,164,844)	(71,743,386)
Profit (Loss) for the period	-	-	12,047,264	12,047,264
Transfer to capital reserves	-	-	-	-
Balance as at 30 June 2021	100,000	12,321,458	(72,117,580)	(59,696,122)

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022 Kshs	2020/2021 Kshs
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	26(a)	472,571	5,741,971
Net cash generated from/ (used in) operating activities		472,571	5,741,971
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(5,583,445)	(4,022,560)
Proceeds from disposal of intangible assets	14	-	-
Transfer to capital reserves	20	-	-
Net cash generated from/ (used in) investing activities		(5,583,445)	(4,022,560)
FINANCING ACTIVITIES			
Dividend paid	25	-	-
Long term liability paid	21	-	-
Net cash (used in) financing activities		-	-
(DECREASE) IN CASH AND CASH EQUIVALENTS		(5,110,874)	1,719,411
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		76,388,527	74,669,118
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	71,277,650	76,388,527

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022

		Original Budget 2021/2022	Adjustments	Final Budget 2021/2022	Actual on Comparable Basis	Performance Difference	% Variance
		FY 2021/2022	FY 2021/2022	FY 2021/2022	FY 2021/2022	FY 2021/2022	FY 2021/2022
	Note	KShs	KShs	KShs	KShs	KShs	
Revenue							
Gross Sales Income		973,508,289	(17,584,356)	955,923,933	878,717,036	(77,206,897)	-8%
Cost of Sales		765,848,045	(1,645,813)	764,202,232	748,558,451	15,643,781	2%
Gross Profit		207,660,244	(15,938,543)	191,721,701	130,158,585	(61,563,116)	
Finance Income		-	-	-	2,221,302	2,221,302	100%
Administrative Expenses							
Personnel Emoluments	i	146,555,335	(5,474,377)	141,080,958	95,412,171	45,668,787	32%
Operating Expenses	ii	34,841,544	(2,117,233)	32,724,311	36,398,476	(3,674,165)	-11%
Board Expenses	iii	5,875,215	-	5,875,215	2,649,873	3,225,342	55%
Finance Costs		-	-	-	231,665	(231,665)	-100%
Depreciation		5,249,974	-	5,249,974	6,162,688	(912,715)	-17%
Total Administrative Expenses		192,522,068	(7,591,610)	184,930,458	140,854,873	44,075,584	
Surplus (Loss) for the Period		15,138,176	(8,346,933)	6,791,243	(8,474,986)	(15,266,230)	
Capital budget							
Furniture and Fittings	iv	15,285,000	-	15,285,000	2,298,367	12,986,633	85%
Equipment	v	35,770,000	-	35,770,000	-	35,770,000	100%
Computers/Laptops	vi	1,225,000	-	1,225,000	3,285,078	(2,060,078)	-168%
Software	vii	2,500,000	-	2,500,000	-	2,500,000	100%
Total Capital Budget		54,780,000	-	54,780,000	5,583,445	49,196,555	

Explanatory Note on original and the final budget

- The company relies on internally generated funds from its business units, which had been projected at **KSh973 Million** for the F/Y 2021/2022. The actual revenue generated was below what was projected at **KSh878 Million** due to low business volumes during the period.
- The FY 2021/2022 Budget had estimated a total revenue of **KSh.973,508,289** and a net profit of **KSh15,138,176**. After considering the half year performance to the period ended 31st December 2021 and the changes in the business environment, Management revised the Budget downwards to reflect the possible outcomes by 30th June 2022 in the FY 2021/2022.
- The effects of the electioneering period and the overall economic downturn impacted negatively on revenue generation. The reduced government spending during the period and the changes in the working modalities also slowed down business operations.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

- d) In the FY 2021/2022, the budgeted revenue was revised downwards by 2% from the initial budget of **KSh973,508,289** to **KSh955,923,933**. Profitability was also forecasted to decline from the estimated **KSh15,138,176** to **KSh6,791,243**.
- e) The cost of sales was revised downwards from the original budget of **KSh765,848,045** to **KSh764,202,232** representing an 0.2% reduction as a result of the expected reduced business activity in the last half of the financial year
- f) The total administrative expenses were also reduced by 3.9% from the initial estimate of **KSh192,522,068** to **KSh184,930,458**. Management instituted stringent austerity measures to make additional savings and improve cash flows.

Budget notes explaining the differences between actual and budgeted amounts (10% over / under)

- i. Under personnel emoluments, there was a 32% cost saving from what was budgeted. This was as a result of putting on hold some planned recruitments during the financial year owing to the challenging business environment.
- ii. Under Board expenses, there was a 55% cost saving since most of the Board meetings were held online leading to reduction in Board related expenses.
- iii. Most of the furniture and fittings that had been planned for the FY 2021/2022 were for the restaurant which was adversely affected as a result of the introduction of online learning by the University of Nairobi leading to reduced number of students and other support staff within the campus. The purchases were therefore deferred resulting in to a positive variance of 85%.
- iv. The equipment that were budgeted for in the FY 2021/2022 were mainly for the IGUs and were expected to be financed through partnerships which did not materialize during the year hence the purchases were deferred leading to a positive variance of 100%.
- v. There was increased need for laptops during the FY 2021/2022 since most of the desk top computers that the staff were using had reached the end of the working life leading to a negative variance of 168%
- vi. The purchase of the software which was meant to help the Restaurant in revenue collection was also deferred due to the poor performance as earlier stated in note 4 above leading to a positive variance of 100%.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

19. NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2022

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. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to	The amendments clarify that for the purpose of	The amendments are

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Title	Description	Effective Date
IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Application of New and Revised International Financial Reporting Standards (IFRS)

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.**

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2021/2022.

D: Summary of Significant Accounting Policies

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

i) Revenue recognition

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

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

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

Project Categories	UNES Allocation
(i) 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:

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Years	Rate
Motor vehicles, including motor cycles	5 years	20%
Computers and related equipment	3 years	33 ¹ / ₃ %
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 104.10 and 1 EUR = Ksh 122.70

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.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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, 2022.

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

	Total Amount Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivable from non-exchange transactions	399,621,379	399,621,379	168,912,135	-
Bank Balances	71,277,650	71,277,650	-	-
Total	470,899,029	470,899,029	168,912,135	-
At 30 June 2021				
Receivable from non-exchange transactions	285,507,131	285,507,131	185,142,259	-
Bank Balances	76,388,527	76,388,527	-	-
Total	361,895,658	361,895,658	185,142,259	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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.

iv) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

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.

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

F: Explanatory Notes to the Financial Statements

	2021/2022	2020/2021
	KShs	KShs
1. ALLOCATON FROM INCOME GENERATING UNITS		
Dept. of Diagnostic Imaging & Radiation Medicine	539,960	432,000
Chiromo Funeral Parlour	4,228,384	4,560,377
Dental Plaza	3,616,647	3,924,039
UON Library IGA	1,417,077	968,419
Eye Centre	704,007	506,080
Dental School	728,405	-
	11,234,480	10,390,915
2. REVENUE FROM UNES UNIVERSITY BOOKSTORE		
Nairobi	56,702,831	54,210,642
Mombasa	6,489,158	3,564,899
Kisumu	5,226,161	3,218,020
Other income	75,813	70,232
	68,493,963	61,063,793
3. REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE		
Restaurant services	6,944,445	5,450,680
Conference services	-	737,000
Outside catering services	25,716,611	5,760,949
Internal supplies	691,808	-
Other Income	30,775	23,423
	33,383,639	11,972,052
VAT paid	-	166,572
	33,383,639	11,805,480
4. REVENUE FROM CONSULTANCY		
Consultancies	728,939,071	728,652,691
Training (Short courses)	30,258,958	33,592,128
Other income	2,722,109	2,946,607
	761,920,138	765,191,426
5. OTHER INCOME		
Miscellaneous income	888,423	4,054,527
Reduction in staff leave provision	2,796,393	-
Bank interest	-	245,423
	3,684,816	4,299,950

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 DIRECT COSTS

i) Cost of sales	2021/2022	2020/2021
Nairobi Bookstore	39,902,556	38,449,705
Kisumu Bookstore	3,418,695	178,611
Mombasa Bookstore	4,783,516	838,342
Arziki Restaurants and Conference Centre	19,239,214	7,122,639
Consultancy Direct Project Costs	681,214,470	650,405,780
	748,558,451	696,995,077

7 ADMINISTRATION

(a) Staff Costs	2021/2022	2020/2021
UNES Head office	62,552,963	52,471,332
UNES University Bookstore-Nairobi	8,935,308	10,199,633
UNES University Bookstore-Kisumu	662,339	662,339
UNES University Bookstore-Mombasa	1,588,864	1,472,050
Chiromo Conference Center & Arziki Restaurants	11,615,913	17,647,721
UNES Consultancy unit	10,056,784	14,026,506
	95,412,171	96,479,581
(b) Directors Emoluments		
Directors Sitting Allowances	1,820,000	3,500,000
Directors Retainer Fees	-	900,000
Directors Travelling Allowances	244,159	50,714
Chairman's Honorarium	585,714	720,000
	2,649,873	5,170,714
(c) Office and other Costs		
(i) UNES Head office expenses		
Staff Training & Development	548,113	876,433
Medical Expenses	3,639,435	3,559,874
New Business Development	400,000	294,815
Out-Sourced Services / Casual Labour	2,311,958	2,352,556
Staff Travelling and Accommodation	69,055	221,524
Transport operating expenses	1,592,401	1,730,165
Seminars and Workshops	-	117,551
Telecommunication	232,949	250,144
Office expenses	1,416,908	-
Electricity & water	1,457,210	228,142
Printing Expenses	13,700	35,500
Uniforms and Clothing	8,900	11,844
Office Stationery	544,049	871,141
Consumables	710,168	4,231,401
Marketing & Advertisement	1,096,001	1,551,089
Maintenance of equipment	429,602	501,534

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Maintenance of vehicles	568,365	712,695
Maintenance of Buildings & Grounds	72,001	5,280
Legal & Statutory Expenses	45,618	296,977
Security Expenses	1,089,119	1,142,171
Subscriptions	174,360	127,300
ICT Services	1,264,864	251,119
Audit Fees	750,000	870,000
Refurbishment & renovations	-	6,320
Corporate Social Responsibility	145,000	-
Performance contracting	40,000	57,550
ISO-QMS Expenses	969,745	476,196
Motor Insurance	514,825	270,589
	20,104,346	21,318,137
(ii) UNES University Bookstore-Nairobi		
Casuals/Outsourced services	56,806	91,140
Office expenses	630,886	-
Staff training & development	6,550	7,300
Medical expenses	1,426,484	1,111,180
Bank Charges	330,454	243,138
Consumables	476,359	770,267
Maintenance of Buildings & Grounds	2,095	55,000
Motor insurance	-	37,000
Maintenance of vehicles	-	40,710
Marketing expenses	654,608	164,828
ICT Services	22,300	-
Statutory & legal expenses	50,000	-
Gain / loss currency exchange	11,918	-
Transport operating expenses	119,796	309,820
Withholding VAT	-	8,277
Telecommunication	73,622	40,400
	3,861,878	2,879,060
(iii) UNES University Bookstore-Kisumu		
Staff training & Development	600	600
Staff medical expenses	157,326	171,054
Transport operating expenses	35,354	3,656
Office expenses	23,853	3,906
Telecommunication	4,500	1,800
Maintenance of equipment	40,000	-
Maintenance of Buildings & Grounds	75,558	-
Statutory & legal expenses	47,050	-
W/Holding Tax	-	48
	384,241	181,064
(iv) UNES University Bookstore-Mombasa		
Staff training & development	1,300	1,200
Casual labour	1,244	-

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Stationery & Printing	121,429	-
Accommodation & subsistence	171,005	-
Staff medical expenses	183,153	165,720
Transport operating expenses	41,360	13,850
Office expenses	283,400	143,816
Marketing expenses	60,310	22,850
Maintenance of building	37,179	-
Bank charges	1,350	100
Telecommunication	8,100	9,000
ICT services	3,000	-
Withholding VAT	-	350
Statutory & legal expenses	18,250	-
	931,080	356,886
(v) Chiromo Conference Center & Arziki Restaurants		
Staff training	10,450	12,750
Out sourced services / Casual Labour	403,645	28,500
Staff Medical expenses	2,390,742	3,031,718
Office Expenses	177,241	370,193
Transport operating expenses	147,229	194,273
Telecommunication	2,953	15,059
Purchase of cutlery / crockery	21,600	-
Stationery/Printing	175,486	15,710
Electricity/Water	504,376	394,330
Staff Uniforms	106,700	-
Catering Levy	484,669	-
Laundry expenses	45,608	39,310
Maintenance of Equipment	130,316	112,799
Security Expenses	-	73,694
Maintenance of building	3,852	25,863
Maintenance of vehicle	111,392	-
Physical space	-	600,000
Legal & statutory expenses	283,217	307,500
Bank charges	133,026	70,534
	5,132,502	5,292,233
(vi) UNES Consultancy unit		
Stationery & Printing	229,570	734,098
Staff Medical expenses	906,203	1,839,658
Outsourced Services / Casual Labour	-	181,953
Transport operating expenses	314,737	566,721
Accommodation & subsistence	196,400	-
Subscriptions	24,999	-
Staff training & development	6,400	-
Electricity/Water	170,024	-
Office expenses	178,775	2,461,422
Maintenance of building	45,147	-

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

Maintenance of vehicle	66,932	-
Maintenance of Equipment	63,643	-
New business development	695,761	-
Consumables	1,454,857	-
Telecommunication expenses	79,465	31,700
ICT services	6,300	-
Security Expenses	1,038,792	1,271,493
Legal & statutory expenses	90,000	100,000
Marketing	3,000	485,167
Insurance expenses	-	484,295
Bank charges	413,424	399,523
	5,984,429	8,556,030
Total administration costs	<u>134,460,520</u>	<u>139,965,477</u>

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

Management level employees	9	6
Middle level employees	19	18
Lower-level employees	49	60
	77	84

8 FINANCE COSTS

Finance Costs	231,665	268,227
	231,665	268,227

9 OPERATING PROFIT (LOSS)

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

Staff costs (note 7a)	95,412,171	96,479,581
Depreciation of property, plant and equipment	6,058,288	3,413,170
Amortization of intangible assets	104,400	62,350
Directors' emoluments - fees	2,649,873	5,170,714
Auditors' remuneration - current year fees	870,000	870,000
	105,094,732	105,995,815

10 FINANCE INCOME

Interest income on short-term bank deposits	2,221,302	-
	2,221,302	-

11 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.

12 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).

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

Cost	Furn & Equipt	Computers	Motor Vehicles	2021/2022
	Kshs	Kshs	Kshs	Kshs
1st July 2021	47,124,513	22,160,020	32,318,166	101,602,699
Additions	2,298,367	3,285,078	-	5,583,445
Disposals	-	-	-	-
30th June 2022	49,422,880	25,445,098	32,318,166	107,186,144
Depreciation				
1st July 2021	37,008,317	21,412,103	29,742,831	88,163,251
Charge for the year	2,626,399	1,486,881	1,945,008	6,058,288
Disposal Depn	-	-	-	-
30th June 2022	39,634,716	22,898,984	31,687,839	94,221,539
Net Book Value				
30th June 2022	9,788,164	2,546,113	630,327	12,964,604

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

2020/2021	Office equipment, furniture & fittings	Computers & related equipment	Motor vehicles, including, motor cycles	Total 2020/2021
Cost	Kshs	Kshs	Kshs	Kshs
1st July 2020	43,700,298	21,561,675	32,318,165	97,580,138
Additions	3,424,215	598,345	-	4,022,560
30th June 2021	47,124,513	22,160,020	32,318,165	101,602,698
Depreciation				
1st July 2020	35,413,491	20,881,427	28,455,163	84,750,081
Charge for the year	1,594,826	530,676	1,287,667	3,413,170
30th June	37,008,317	21,412,103	29,742,830	88,163,251
Net Book Value				
30th June 2021	10,116,196	747,917	2,575,335	13,439,447

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

Cost	2021/2022	2020/2021
	Kshs	Kshs
1st July 2021	8,509,080	8,509,080
Additions	-	-
30th June 2022	8,509,080	8,509,080
Amortisation		
1st July 2021	8,259,680	8,197,330
Charge for the year	104,400	62,350
30th June 2022	8,364,080	8,259,680
Net Book Value		
30th June 2022	145,000	249,400

The intangible asset relates to computer software

15 INVENTORIES

	2021/2022	2020/2021
	Kshs	Kshs
UNES Bookstores	39,521,699	55,287,729
Chiromo Funeral Parlour	373,209	171,330
Arziki Restaurants & Conference Centre	228,394	295,562
Consultancy	367,348	411,109
UNES Head Office	846,299	738,866
Radiology	118,002	137,159
Eye Centre	870,120	1,494,536
Dental Plaza	356,543	696,149
	42,681,614	59,232,440

All inventories are valued at historical cost.

16 TRADE AND OTHER RECEIVABLES

Trade receivables	399,621,379	285,507,131
Bank Guarantees	424,800	500,000
Staff receivables	5,960,306	2,027,173
Other receivables	1,396,707	1,283,929
Suppliers' deposits and advances	11,603,344	11,123,427
Less Provision for bad debts	(9,414,000)	(9,414,000)
Net trade and other receivables	409,592,536	291,027,660

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 BANK AND CASH BALANCES

Cash at bank

IGU Accounts

Transition Account NBK	-	884,222
Chiromo Funeral Parlour SCB Account	1,778,994	1,436,400
Faculty of Medicine BBK Account	3,034,936	2,027,923
CAVS Clinical Studies BBK Account	119,518	120,374
	4,933,448	4,468,919

UNES Accounts

UNES Corporate Account	3,396,711	3,617,617
UNES Consultancy Account	11,673,417	18,586,409
UNES USAID Project BBK Account	31,402,681	32,966,167
UNES Arziki Restaurant BBK	1,792,474	508,910
UNES University bookstore account	12,041,190	4,052,743
UNES US-Dollar Account BBK	2,544,640	5,025,447
UNES Euro Account BBK	1,245,620	4,831,639
	64,096,733	69,588,932

Total cash at bank	69,030,181	74,057,851
Cash in hand	2,247,469	2,330,676
Total Cash at bank and in hand	71,277,650	76,388,527

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
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Issued and fully paid:

5,000 ordinary shares of Kshs.20 par value each	100,000	100,000
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The University of Nairobi holds 4,998 shares while 2 shares are held by nominees of the University.

19 ACCUMULATED LOSS

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

	2021/2022	2020/2021
	Kshs	Kshs
Balance at beginning of the year	(72,117,579)	(84,164,844)
Add: Total comprehensive income for the year	(8,474,986)	12,047,264
	(80,592,565)	(72,117,580)

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	12,321,458
Provision for expenses for Dental Plaza improvements	-	-
Balance at end of the year	12,321,458	12,321,458

21 LONG TERM LIABILITY

Balance at beginning of the year	21,419,324	21,419,324
Less:		
Amount paid	-	-
Balance at end of the year	21,419,324	21,419,324
Amount held for the University of Nairobi	246,608,147	232,923,624
	268,027,471	254,342,948

22 TRADE AND OTHER PAYABLES

	2021/2022	2020/2021
	Kshs	Kshs
Trade payables	55,697,463	61,384,784
Provision for direct service providers	8,031,689	9,013,281
Remittance for consultancies	190,838,781	100,453,696
Provision for audit fees	2,610,000	1,740,000
Provision for expenses	3,967,210	3,967,210
Provision for rent	9,612,480	9,612,480
Provision for directors' expenses	4,933,333	4,933,333
Provision for output VAT	30,760,511	3,149,344
Provision for PAYE	6,110,039	5,953,766
Student deposits- Bookstore	-	9,544,770
Prepayments	-	703,654
National Industrial Training Institute (NITA)	6,500	-
	312,568,006	210,456,318

23 STAFF GRATUITY AND OBLIGATIONS

	2021/2022	2020/2021
	Kshs	Kshs
Staff gratuity	24,237,039	32,437,938
	24,237,039	32,437,938

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

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 PROVISIONS FOR LEAVE PAY

Additional (reduction) in provision at end of year	(2,796,393)	90,921
Balance at end of the year	-	2,796,393

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	-	-
Less: Dividend paid	-	-
Balance at end of the year	-	-

26 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2021/2022	2020/2021
	Kshs	Kshs
Operating profit	(8,474,986)	12,047,264
Depreciation	6,162,688	3,475,519
Operating profit/(loss) before working capital changes	(2,312,298)	15,522,782
Decrease/ (Increase) in inventories	16,550,826	3,623,115
Decrease / (Increase) in trade and other receivables	(118,564,876)	(14,955,204)
(Decrease) / Increase in trade and other payables	102,111,688	1,551,277
(Decrease) / Increase in provision for staff gratuity	(8,200,899)	-
(Decrease) / Increase in provision for staff leave pay	(2,796,393)	-
(Decrease) / Increase in amount held for the University of Nairobi	13,684,523	-
	2,784,869	(9,780,811)
Cash (used in) / generated from operations	472,571	5,741,971

(b) Analysis of dividend paid

Balance at beginning of the year	-	-
Dividends paid	-	-
Balance at end of the year	-	-

(c) Analysis of changes in long term liability

Balance at beginning of the year	21,419,324	21,419,324
Reversal/(Repayments) during the year	-	-
Balance at end of the year	21,419,324	21,419,324

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS FOR THE FY 2020/2021 AUDIT REPORT

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.0	Unsupported adjustments	The final figures in the financial statements for the FY 2020/2021 can be confirmed by the detailed transaction ledgers	Resolved	N/A
2.0	Variance between financial statements and trial balance	This was as a result of the migration to a new system which was done in the middle of the FY 2020/2021. The issues were resolved and did not recur in the FY 2021/2022	Resolved	N/A

APPENDIX II: PROJECTS

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

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)
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
3. Sustaining use of District Health Information System II in Kenya Program Phase II	AID-615-A-16-00013-05	USAID	2 years	USD 14,659,260	YES

University of Nairobi Enterprises & Services Limited
Annual Report and Financial Statements for the year ended 30 June 2022

APPENDIX III: STATUS OF PROJECTS COMPLETION

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual for the year	Sources
1	Sustaining use of District Health Information System II in Kenya Program	KES 409,934,580	KES 409,934,580	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 538,549,995	100%	KES 499,990,000	KES 205,188,686	USAID
3	Sustaining Use of District Health Information System II in Kenya - (Health IT) Program	USD 1,465,926,000	KES 405,678,504	50%	KES 1,465,926,000	KES 498,130,124	USAID