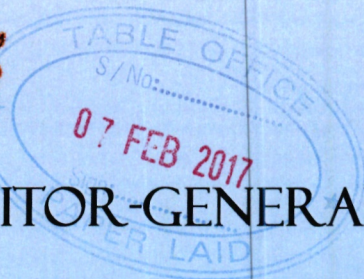
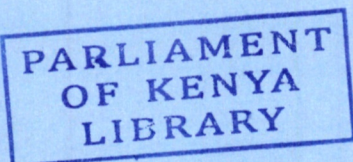


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

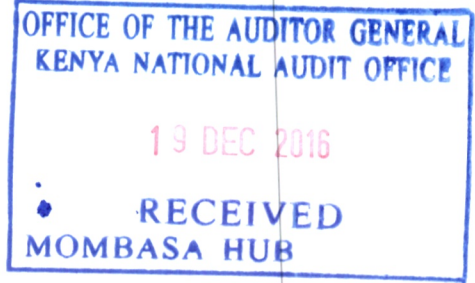
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
PWANI UNIVERSITY**

**FOR THE YEAR ENDED
30 JUNE 2016**





PWANI UNIVERSITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR

THE FINANCIAL YEAR ENDED

JUNE 30, 2016

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

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**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016**

KEY UNIVERSITY INFORMATION AND MANAGEMENT

Background information

Pwani University was established by charter on 30th January 2013. The Cabinet Secretary for Education science and Technology is responsible for the general policy and strategic direction of the university.

Key Management

The University's day to day management is under the following key organs:

- Vice Chancellor
- Deputy Vice Chancellor (Administration, Finance and Planning)
- Deputy Vice Chancellor (Academic and Student Affairs)
- Deputy Vice Chancellor (Research and Extension).

**REGISTERED OFFICE &
PRINCIPAL PLACE OF
BUSINESS**

P.O. Box 195 - 80108
Kilifi, Kenya

UNIVERSITY BANKERS

Equity Bank Ltd.

P.O.Box 381 - 80108
Kilifi, Kenya

Barclays Bank of Kenya

P.O.Box 423 - 80108
Kilifi, Kenya

Kenya Commercial Bank

P.O.Box 528 - 80108
Kilifi, Kenya

Cooperative Bank

P.O.Box 96 - 80108
Kilifi, Kenya

Housing Finance Bank

P.O.Box 84839 - 80100
Mombasa, Kenya

THE UNIVERSITY COUNCIL



Prof. Francis K. Sang
Council Chairman

Date of Birth: 1943
Key Qualification: Professor
Experience: 45 years Teaching & Administration
Ethnicity: Keiyo



Anne Marie Nyamu
Council Member

Date of Birth : 1960
Key Qualification: Msc Hydrology
Experience: 31 years Communication Consultant
Ethnicity: Kikuyu



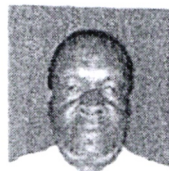
Eunice Muthoni
Council Member

Date of Birth: 1953
Key Qualification: Msc. Entrepreneurship
Experience: 16 years Teaching administrator
Ethnicity: Mbeere



Fenny Mwakisha MBS
PS Representative
MOEST

Date of Birth: 1957
Key Qualification: Representative PS MOEST (Until 26th May 2016)
Experience: 26years Education administration
Ethnicity: Taita



Simon Larama
Council Memeber

Date of Birth: 1957
Key Qualification: Representative M.A.Meds.
Experience: 31 years Medicine
Ethnicity: Samburu

THE UNIVERSITY COUNCIL (CONTINUED)



Delilah K. Ngala
Council Member

Date of Birth: 1960
Key Qualification: MBA..
Experience: 29 years Banking
Ethnicity: Giriama



Gitonga M'aciuru
Council Member

Date of Birth: 1971
Key Qualification: Advocate MBA
Experience: 20 years Advocate
Ethnicity: Meru



Shem Nyakutu
Council Member

Date of Birth: 1967
Key Qualification:
Representative CS The
Treasury (Unitill 14th October
2015)
Experience: 24 years Treasury
Ethnicity: Luo



Esther Karema
Council Member

Date of Birth: 1968
Key Qualification: Representative
PS MOEST (from May2016)
Experience: 26 years Education
Administration
Ethnicity: Meru



Date of Birth: 1957
Key Qualification: Representative CS The Treasury
(From October 2015)
Experience: 31 years Procurement and Supply Chain
Management
Ethnicity: Luo

THE MANAGEMENT TEAM



Prof. Mohamed S. Rajab PhD EBS
Vice Chancellor



Prof. Mwakio M. Tole PhD
Deputy Vice Chancellor
Finance and Administration



Prof. Muniru K. Tsanuo PhD Deputy
Deputy Vice Chancellor
Research and Extension



Prof. James H.P. Kahindi PhD.
Deputy Vice Chancellor
Academic & Student Affairs

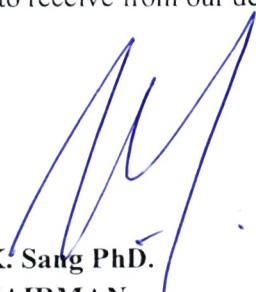
CHAIRMAN'S STATEMENT

It is with great pleasure that I present these financial statements for the third time since the award of university charter. I am pleased to report that we continue to deliver on our key mandate of provision of quality education, training, and research.

Our success in achieving our strategic goals during the year enabled us manage the challenges of constrained accommodation and teaching facilities by pursuing modes of teaching and learning focusing on both traditional and new ICT based approaches. We continue to strive to support innovative teaching, learning and research activities.

During the year, the university initiated and completed construction of twelve lecture rooms to cater for the increased student enrollment. The library and learning centre was also put into use.

Finally I wish to acknowledge with gratitude the Government of Kenya for its goodwill and invaluable support to the University as it strives to implement its goals and objectives. I also wish to appreciate the vital support that we have continued to receive from our development partners, students, staff and sponsors.



Prof. Francis K. Sang PhD.
COUNCIL CHAIRMAN

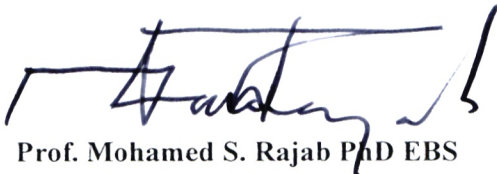
REPORT OF THE VICE CHANCELLOR

The year 2015/2016 was one of remarkable improvements in performance in terms of students enrolment, improved staff profiles and development of new infrastructure. During the year under review the university operated on government recurrent grant of ksh.515, 860,619-, supplemented by income from other activities and a government funded development grant of Ksh.107, 313,253-.

The university planned for and embarked on infrastructure development in order to facilitate increased access to university education. This included construction of additional lecture halls and improvement of other facilities to cater for increasing student enrolment and implementation of new programs.

I take this opportunity to convey my appreciation and gratitude to the university council, management, and all members of staff for their commitment and their timeless and splendid efforts that have led to the achievement of university goals and objectives.

Finally, I would like to thank the government and donor agencies, suppliers and service providers for the trust, guidance and continued co-operation.



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date: 8TH DECEMBER 2016

CORPORATE GOVERNANCE STATEMENT

Pwani University strictly adheres to Corporate governance rules, practices and processes, this involves balancing the interest of stakeholders who include government of Kenya, staff, students, suppliers, financiers and the community, it also provides the framework for achieving our objectives and covers every area of management from strategic plans, action plans and internal control to performance measurement.

The University Council

IN EXERCISE of the powers conferred by section 36(a) of the Universities Act, 2012 the Minister for Higher Education, Science and Technology appointed the following persons to be members of Pwani University Council for a period of four (4) years with effect from the 4th February, 2013.

Francis K. Arap Sang (Prof.)	-	Chairperson
Delilah Kadzo Ngala	-	Member
Simon Kamunde Larama (Dr.)	-	Member
Anne Marie Nyamu	-	Member

Also the following two members have been appointed effective from 31st July 2013 for a period of four (4) years.

Joseph M'Limbine Gitonga and Eunice Muthoni Munyi

Section 36(b), (c), and € of the Universities Act, 2012 provides that the following members shall be members of council of public universities:

- The Principal Secretary in the State department for the time being responsible for the university education
- The Principal Secretary in the State department for the time being responsible for Finance
- The Vice Chancellor shall be an ex-officio member of the Council

Sub committees of Council

In line with recommendations of the Mwongozo Code of governance for state corporations the university has aligned its committees of council as follows:

1. Finance and Establishment Committee
2. Appeals Committee
3. Academic and research committee
4. Audit and risk committee

Internal Control and Risk Management

The council has responsibility for maintaining a sound system of internal control that supports the achievement of policies, aims and objectives, while safeguarding the public funds and assets.

CORPORATE GOVERNANCE STATEMENT CONTIUED

A risk register has been in place all year. The register is designed to identify the principal risks in the achievement of the University goals and objectives. Risk management and control processes have been in place throughout the period and risk review is embedded within the management culture and applied to risks on the register.

There were no issues arising during 2015/2016 in respect of corporate governance and council is committed to fully embracing the principles of good corporate governance as outlined in the Mwongozo Code of conduct.

Prof. Francis K. Sang PhD.
COUNCIL CHAIRMAN



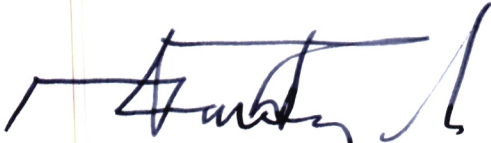
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CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Pwani University observes corporate social responsibility by undertaking social investments in its areas of operation and other parts of the region with a view to bringing about positive changes and strengthening its relationship with various stakeholders particularly the neighboring communities.

The university as part of its corporate social responsibility trained neighboring small scale farmers on modern agricultural practices through the ongoing NUFFIC project. Also during the year under review the university trained women groups in Kilifi and Kwale Counties in modern baking techniques and detergent making training for youth groups.

The university community is offering a vibrant market for both goods and services to Kilifi investors especially those offering accommodation facilities as most students are encouraged to stay off campus.



Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

Date..... 8TH DECEMBER 2016

REPORT OF THE COUNCIL

The council submit their report together with the audited financial statements for the year ended June 2016 which show the state of affairs of Pwani university.

Principal activities

The principal activities of the university as provided for in the Pwani University charter 2013, include:

- a) To provide directly or in collaboration with the other institutions higher learning, facilities for university education and research including technological, scientific and professional education.
- b) Conduct research and create knowledge
- c) To determine who may teach and what may be taught and how it may be taught in the university.
- d) Conduct examinations.
- e) Grant degrees, diplomas, certificates and other awards.
- f) Participate in commercial ventures and activities that promote the objectives of the university
- g) Provide opportunities for development and further training for staff of the institution and promote community service.
- h) Play an effective role in social development and expansion of opportunities in line with the university's aims and objectives.

Results

The result of the university for the year ended June 30, 2016 are set out in pages 1 to 4.

Dividends

Pwani university being a wholly owned government not for profit organization shall not pay dividend to the government of Kenya.

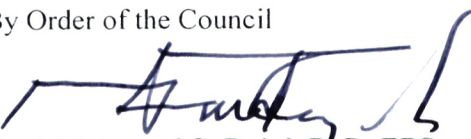
Council

The members of the university council who served during the year are shown on page IV in accordance with the regulation of the Pwani university statues 2013.

Auditors

The Auditor General is responsible for the statutory audit of th university in accordance with the section 68(2) of the Public Finance Management (PFM) Act, 2012.

By Order of the Council



Prof. Mohamed S. Rajab PhD. EBS
VICE CHANCELLOR

Date..... 8TH DECEMBER 2016

STATEMENT OF COUNCIL MEMBERS RESPONSIBILITY FOR THE YEAR ENDED 30TH JUNE 2016

Section 68(2) of the Public Finance Management Act, 2012 and section 14(3) of the State Corporations Act, require Pwani University council to prepare statements which give a true and fair view of the state of affairs of the university as at the end of the financial year, and of our surplus or deficit for the year. The university council is required to ensure that the university maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the university. The council is also responsible for safeguarding the assets of the university.

The council accepts responsibility for the preparation and presentation of the university's financial statements, which give a true view of the state of the university for and as at end of the financial year ended June 2016. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the university, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatement, whether due to error or fraud, (iv) safeguarding the assets of the university, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The council accepts responsibility for the university's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards, and in the manner required by the PFM Act and the State Corporation Act. The Council members are of the opinion that the university's financial statements give true and fair view of the state of university's transactions during the financial year ended June 30, 2016, and of the university's financial position as at that date. The council further confirms the completeness of the accounting records maintained for the university, which have been relied upon in the preparation of the university's financial statements as well as the adequacy of the system of internal financial control.

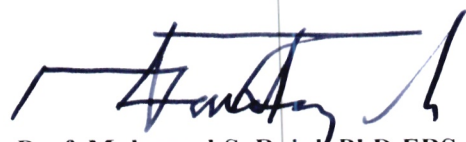
Nothing has come to the attention of the Council that the university will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The University's financial statements were approved by the Council on 21ST SEPT. 2016 and signed on its behalf by

Prof. Francis K. Sang PhD
CHAIRMAN OF COUNCIL




Prof. Mohamed S. Rajab PhD EBS
VICE CHANCELLOR

**REPORT OF THE AUDITOR GENERAL ON PWANI UNIVERSITY FOR
THE YEAR ENDED 30 JUNE 2016**

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON PWANI UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Pwani University set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Report of the Auditor-General on the Financial Statements of Pwani University for the year ended 30 June 2016

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

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

Basis for Qualified Opinion

1. Unsupported Expenses

Included in the statement of financial performance for the year ended 30 June 2016 are unsupported expenses of Kshs.3,323,447 as detailed below;

Details	Amount (Kshs)	Anomaly
Operating Expenses:		
Security Services	397,375	Information availed for audit review indicates that the University paid this amount vide Payment Voucher No. 22132 for security services. However, there was no evidence that the supplier was pre-qualified in line with the public procurement regulations and procedures. Further, quotations and Local Service Order in support of the services were not availed for audit review.
Graduation gowns and other items	1,992,300	Information availed for audit review indicates that the University paid Kshs.1,992,300 vide Payment Voucher Nos.19439 & 19440, which included Kshs.800,000 paid for the gowns before delivery. Further, quotations for the gowns, a list of Kenyatta University pre-qualified suppliers purportedly used and items indicated as unissued in stores ledger were not availed for audit review.
UPS (2 Units)	573,772	Review of the cash book revealed that this amount was paid vide Payment Voucher No. 21929, and the same which was not availed for audit verification
Council Expenses – Training costs	360,000	Payment Voucher No.19590 availed for audit review indicates that the amount was paid for training of Council Members. However, neither a pro-forma invoice nor Local Service Order was availed in support of the expenditure.

Accommodation and Subsistence Allowances	313,500	Records availed for audit review indicated that some officers were paid accommodation and subsistence allowances amounting to Kshs.1,815,000 instead of Kshs.1,501,500 as approved by the Office of the President Circular Ref. OP/SCAC.999/21.2 VOL.1 (164) dated 28 April 2015, resulting in irregular expenditure of Kshs.313,500.
Total	3,636,947	

As a result, the propriety of expenditure totaling Kshs.3,636,947 for the year ended 30 June 2016 could not be confirmed.

2.0 Receivables from Exchange Transactions

2.1 Ageing Analysis

The statement of financial position as at 30 June 2016 reflects receivables from exchange transactions balance of Kshs.148,524,000 of which the ageing analysis was not availed for audit review.

2.2 Student Debtors

Note 24 to the financial statements reflects net student debtors of Kshs.102,586,000 which increased by Kshs.72,600,000 or 242% from Kshs.29,986,000 in the previous year and whose cause has not been explained given that the management has introduced access cards to exam rooms and other services offered by the University.

2.3 Imprests Debtors

Included in note 24 to the financial statements are imprests debtors of Kshs.11,579,000, out of which Kshs.6,453,745 is over three months old. Further, included in this latter balance is Kshs.2,354,200 or 36.5% held by one officer.

2.4 Omitted Debtors

Excluded from receivables from exchange transactions balance of Kshs.148,524,000 shown in the statement of financial position as at 30 June 2016 is Kshs.274,715 receivable from three employees who resigned from the service of the University without giving notice, contrary to the Collective Bargain Agreement between Pwani University and Universities Academic Staff Union-UASU-Clause 8 (a) which provides that after completion of the probationary period, employment shall be terminable by either party giving notice or payment in lieu of notice.

Consequently, the validity, completeness and accuracy of receivables from exchange transactions balance of Kshs.148,524,000 as at 30 June 2016 could not be confirmed.

3. Inventories

As reported in the previous year, excluded from the inventories balance of Kshs.5,078,000 shown in the statement of financial position as at 30 June 2016 are inventories valued at Kshs.1,196,313.77 stolen by an employee of the University who has since been dismissed. Available records indicate that the matter is before the court of law for determination. Further, records availed for audit review indicate that despite unsettled court case, the supplier was subsequently paid a total of Kshs.1,487,000 using copies of invoices of which the originals were still in the custody of the Criminal Investigation Department.

In the circumstances, the propriety of Kshs.1,487,000 paid to the supplier and the accuracy of the inventories balance of Kshs.5,078,000 as at 30 June 2016 could not be confirmed.

4.0 Property, Plant and Equipment

The statement of financial position as at 30 June 2016 reflects tangible plant, property and equipment balance of Kshs.1,438,151,000 as detailed in note 32 to the financial statements of which the following observations were made:

4.1 Land

As similarly reported in 2014/2015, the property, plant and equipment figure of Kshs.1,438,151,000 as at 30 June 2016 includes un-surveyed parcel of land measuring 239 hectares carried in the books at a cost of Kshs.47,000,000 that has been encroached upon by squatters. Available information indicates that some of the squatters went to court to challenge eviction and that the University is yet to take possession of the property. Further, the value of three parcels of land measuring at least 22.3 acres situated in Kilifi Town has not been included in these financial statements. In addition, the land has been encroached upon by individuals, jua kali artisans and a benevolent fund.

4.2. Work-in-Progress

Included in the tangible property, plant and equipment figure of Kshs.1,438,151,000 as at 30 June 2016 is work-in-progress balance of Kshs.560,018,000, out of which Kshs.276,077,955.55 relates to a new library whose contract sum is Kshs.349,781,429.63. Although the library is already in use, the contractor has not fixed some reported electrical and mechanical faults and certificate of occupation not availed for audit review.

4.3 Motor Vehicles

Included in the property, plant and equipment figure of Kshs.1,438,151,000 as at 30 June 2016 is motor vehicles balance of Kshs.27,149,000, out of which Kshs.6,788,123 relates to a new Toyota Fortuner vehicle Registration Number KCE 866D and whose log book was not availed for audit verification.

Consequently, the accuracy, completeness and value for money for tangible property, plant and equipment balance of Kshs.1,438,151,000 as at 30 June 2016 could not be confirmed.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Pwani University as at 30 June 2016, and of its financial performance and it's cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Universities Act, 2012.

Other Matter

1. Employees Serving On Contract

Information availed for audit review indicated that the University has two non-teaching staff who are above sixty (60) years but serving on contract terms, contrary to the Pensions Act, 2009 of the Laws of Kenya which provides for a mandatory retirement age of sixty (60) years. Therefore, the University is in breach of the law.

2. Budgetary Controls and Performance

The following observations were made in respect of the University's budgetary controls and performance for the year ended 30 June 2016:

2.1 Revenue Budget

During the year under review, the University had a revenue budget of Kshs.994,905,000 against actual collections/receipts of Kshs.1,027,632,000 or 103.3%, resulting in net over collection of Kshs.32,727,000 or 3.3% as detailed below:

Items	Revenue Budget (Kshs.)	Actual revenue (Kshs.)	Under Collection (Kshs.)	Over Collection (Kshs.)	%
Government Grants and Subsidies	523,394,000	515,861,000	7,533,000	-	14.4
Revenue from Rendering of Services	378,335,000	383,214,000	-	4,879,000	1.3
Other Incomes	93,176,000	128,557,000	-	35,381,000	38.0
Total	994,905,000	1,027,632,000	7,533,000	40,260,000	3.3

From the above analysis, it is evident that the University realized over collections in revenue from rendering of services and other incomes. The under collection of

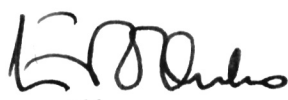
government grants and subsidies may have a negative impact on the operating activities of the University and service delivery to students.

2.2 Recurrent Expenditure Budget

During the year under review, the University had a total recurrent expenditure budget of Kshs.972,705,000 against actual expenditure of Kshs.901,148,000 or 92.6%, resulting to net under expenditure of Kshs.71,557,000 (under expenditure of Kshs.83,135,000 and over expenditure of Kshs.11,578,000 on use of goods and services) as detailed below:

Items	Expenditure Budget (Kshs.)	Actual Expenditure (Kshs.)	Under Expenditure (Kshs.)	Over Expenditure (Kshs.)	%
Compensation of Employees	646,816,000	658,394,000	-	11,578,000	1.8
Use of Goods and Services	325,889,000	242,754,000	83,135,000	-	25.5
Total	972,705,000	901,148,000	83,135,000	11,578,000	7.4

However, the approval of the University Council of the excess expenditure of Kshs.11,578,000 was not availed for audit verification. The under expenditure of Kshs.83,135,000 is as a result of possible over budgeting which may have a negative impact on implementation of planned activities and service delivery to the University stake holders.



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

Nairobi

11 January 2017

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016 Kshs. '000	2015 Kshs. '000
REVENUE			
Revenue from non-exchange transactions			
Public contributions and donations		0	0
Transfers from other government -gifts and services in kind	3-A	515,861	513,561
Sub Total		515,861	513,561
Revenue from exchange transactions			
Rendering of services	4	383,214	298,283
Rental revenue from facilities and equipment	5-A	12,166	4,874
Deferred Grant Income*	5-B	14,939	14,110
Other Income	6	101,452	69,107
Sub Total		511,771	386,374
Total Revenue		1,027,632	899,935
EXPENSES			
Employee costs	7	658,395	621,494
Depreciation and amortization expense	8	55,061	50,492
Repairs and maintenance	9	16,122	11,698
Research expenses	10	6,051	5,883
Operating expenses*	11	56,021	52,080
Administration expenses	12	2,137	1,882
Teaching expenses	13	18,378	17,351
Catering expenses	14	31,405	30,072
Library expenses	15	1,931	2,980
Health centre expenses	16	4,164	3,739
Student expenses	17	10,812	10,263
Farm expenses	18	1,398	1,071
Council expenses	19	6,924	4,736
Audit fees	20	406	406
Bank Charges	21	621	681
General expenses	22	31,322	29,972
Total Expenses		901,148	844,800
Surplus / (Deficit) for the period		126,484	55,135

The notes set out on pages 10 to 21 form an integral part of the Financial Statements

*2015 comparative figures have been restated as explained in note 5-B and 11

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	2016 Kshs.'000	2015 Kshs.'000 Restated
ASSETS			
Current Assets			
Cash and cash equivalent	23	59,858	17,198
Receivable from exchange transactions	24	148,524	59,183
Inventories	26	5,078	5,199
Receivable from non-exchange transactions	25	-	40,366
Sub Total		213,460	121,946
Non-current assets			
Property, plant and equipment - Tangible	32	1,438,151	1,394,924
Property, plant and equipment - Intangible	33	7,661	8,443
Biological assets	27	9,127	5,372
Sub Total		1,454,939	1,408,739
Total Assets		1,668,399	1,530,685
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	28	123,265	174,300 **
Refundable deposits from customers	29	10,475	12,166
Provisions	30	406	350
Current portion of borrowings	31	-	32,229
Total Current Liabilities		134,146	219,045
Non-current Liabilities			
Deferred Income	31-B	1,305,640	1,213,266 **
Sub Total		1,305,640	1,213,266
Reserves			
Accumulated surplus		196,915	66,675 **
Revaluation reserve		31,698	31,698
Total Reserves		228,613	98,373
Total Reserves and Liabilities		1,668,399	1,530,685

**2015 comparative figures have been restated as explained in note 5-B and 11

The Financial Statements set out on pages 1 to 5 were signed on behalf of the University Council by:

Prof. F.K Sang PhD.

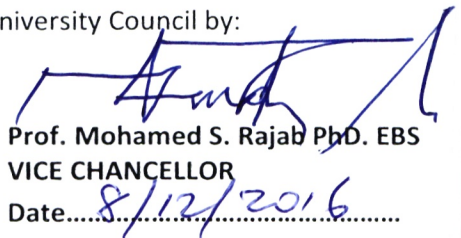
CHAIRMAN OF COUNCIL

Date.....8/12/2016.....



Prof. Mohamed S. Rajab PhD. EBS
VICE CHANCELLOR

Date.....8/12/2016.....



STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Surplus	Revaluation Reserve	Total
	Restated Kshs.'000	Kshs.'000	Restated Kshs.'000
Balance as at 30 June 2014	11,540	31,276	31,276
Additions in the year		422	422
Surplus for the period*	55,135		55,135
Balance as at 30 June 2015 **	66,675	31,698	98,373 **
Deficit / Surplus for the period	126,484		126,484
Change in biological assets	3,756		3,756
Balance as at 30 June 2016	196,915	31,698	228,613

**2015 comparative figures have been restated as explained in note 5-B and 11

STATEMENT OF CASHFLOWS

For the year ended 30 June 2016

	Note	2016 Kshs.'000	2015 Kshs.'000
Net cashflows used in operating activities	35	64,816	46,631
Cashflows from investing activities			
Purchase of property, plant, equipment and intangible assets	32	(98,967)	(131,814)
Net cashflows used in investing activities		(98,967)	(131,814)
Cashflows from financing activities			
Development grants		107,313	117,360
Repayment of borrowings		(30,502)	(32,283)
Net cashflows used in financing activities		76,811	85,077
Net increase/ (decrease) in cash and cash equivalents		42,660	(106)
Cash and cash equivalents at 1 July 2015		17,198	17,304
Cash and cash equivalents at 30 June 2016		59,858	17,198

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference
	2016 Kshs.'000	2016 Kshs.'000	2016 Kshs.'000	2016 Kshs.'000	2016 Kshs.'000
Revenue					
Government grants and subsidies	552,167	(28,773)	523,394	515,861	(7,533)
Rendering of services	374,203	4,132	378,335	383,214	4,879
Rental Revenue from facilities	6,000	0	6,000	12,166	6,166
Deferred Grant Income	0	0	0	14,939	14,939
Other incomes	79,533	7,643	87,176	101,452	14,276
Total income	1,011,903	(16,998)	994,905	1,027,632	32,727
Expenses					
Compensation of employees	698,967	(52,151)	646,816	658,394	(11,578)
Goods and services	313,331	12,558	325,889	242,754	83,135
Total expenditure	1,012,298	39,593	972,705	901,148	71,557
Surplus for the period	(395)	(22,595)	22,200	126,484	104,284

Government Grants

- The university had initially budgeted for a supplementary budget of 29 million. However the Ministry of Education did not allocate any funds during the year.
- The actual grant received from the Ministry was less by 7.5 million

Compensation of Employees

The university deferred recruitment of additional staff due to cut of funding by the parent ministry.

Goods and services

High renovation and maintenance cost due to increased operations.

1. Accounting Policies

a) Statement of compliance

The financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standard Board (PSASB).

b) Basis of preparation

The financial statements have been prepared on the basis of historical cost convention as modified by the revaluation of certain non-current assets.

The financial statements are prepared on accrual basis and the cash flow statement is prepared using the direct method. The financial statements are presented in Kenya shillings and all values are rounded to the nearest thousand (‘000).

Summary of significant accounting policies

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the university and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable excluding discounts, rebates and sales taxes or duty. The following specific recognition criteria must be met before revenue is recognized:

i) Revenue from non -exchange transactions

Transfer from other national government entities are measured at fair value and recognized on obtaining control of the asset (only amounts received or receivable in relation to the current financial year).

Capital grant is recognised as deferred income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. [IAS 20.12]

ii) Revenue from exchange transactions

a) Rendering of services

Revenue from rendering of services recognized at the stage when the outcome of the transaction can be estimated reliably. Student fees are recognized when the student register for the semester

b) Sale of goods

Revenue from the sale of goods is recognized when it is probable that the economic benefits or service potential associated with the transaction will flow to the university

c) Interest income

Interest income is accrued using the effective yield method

d) Rental income

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

iii) Budget information

The annual budget is prepared on accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the university.

iv) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses or professional valuation. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at fair value.

Depreciation of property, plant and equipment is expensed to statement of financial performance in the following manner:

Furniture and equipment	-	12.5% on straight line basis
Buildings	-	2% on straight line basis
Motor vehicles	-	25% on straight line basis
Computers	-	33.3% on straight line basis

v) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets carried at cost less any accumulated amortization and accumulated impairment losses.

vi) Financial instruments**Initial recognition and measurement**

Financial assets and liabilities are recognized when the university becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through surplus or deficit) are added to or deducted from fair value of the assets as liabilities, as appropriate on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

i) Financial assets

Financial assets are classified at fair value through surplus or deficit at initial recognition.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and receivables

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment.

Impairment of financial assets

The university assesses at each reporting date whether there is objective evidence that a financial asset is impaired.

ii) Financial liabilities

Financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable costs.

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

vii) Inventories

Inventory is measured at cost upon initial recognition.

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

Inventory like library books are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the university.

viii) Research grants

Research funds received from external donors for research purposes, are treated as payables.

ix) Provisions

Provisions are recognized when the university has a present obligation (legal or constructive) as a result of past event. Bad and doubtful debts are provided for after carrying out impairment review to determine the recoverability of the receivable and any associated allowance.

x) Changes in accounting policies and estimates

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)**xi) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of that transaction. Trade creditors or debtors denominated in foreign currency are reported at statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

xii) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired. Further borrowing costs are charged to the statement of financial performance.

xiii) Related parties

A related party is a person or institution with the ability to exert control individually or jointly, or to exercise significant influence over the University, vice versa. The Government of Kenya, members of key management, are regarded as related parties.

xiv) Cash and cash equivalents

Cash and cash equivalents comprises of cash on hand cash at bank and short-term deposits on call with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/ or institutions which were not surrendered or accounted for at the end of the financial year.

xv) Comparative figures

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

xvi) Significant judgment and sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and other 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 the future periods.

ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016
NOTES TO THE FINANCIAL STATEMENTS

NOTE	2016 Kshs.'000	2015 Kshs.'000
3 Transfers from the national government		
3A Unconditional grants		
Operational grant (monthly 43,616 x 10) + (39,849 x 2)	515,861	513,561
3B Conditional grants		
Other Capital grants -Development (Apr Ksh. 71,130 and Jun ksh.36,000)	-	117,360
Total government grants and subsidies	515,861	630,921
4 Rendering of services		
Tuition fees JAB	58,165	38,802
Tuition fees SSP	236,114	203,244
Activity fees	5,534	4,244
Examination fees	25,587	17,391
Library fees	7,186	4,348
Registraion fees	6,764	4,142
Identity card fees	1,234	770
Medical fees	11,442	8,784
Pusa student association	3,429	2,378
Material development	5,029	5,805
Alumni student income	54	51
Teaching practice	7,320	3,360
Field attachment fees	6,117	619
Facilities and material	2,405	1,455
Thesis development	319	151
Thesis examination	320	151
Computer/ Internet fees	19	487
Transport	650	361
KUCCPS Placement fees	2,630	1,740
Nursing students Placement fees	2,298	-
Swimming and Diving	315	-
Studio courses	283	-
Total	383,214	298,283
5-A Rental revenue from facilities and equipment		
Straightline operating lease receipts	12,166	4,874
Total rentals	12,166	4,874
5-B Deferred Grant Income		
Change of Accounting policy to report Deferred income at 2% of cost of assets acquired through GOK capital grants	14,939	14,110
6 Other income		
Student income	43,651	26,968
Farm income	6,074	7,904
Guesthouse income	36,081	28,543
Balance c/d	85,806	63,415

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE	2016 Ksh.'000	2015 Ksh.'000
6 Balance b/d	85,806	63,415
General income	15,646	5,692
Total other income	101,452	69,107
7 Employee costs		
Employee related costs-salaries and wages	421,212	386,073
Employee related costs-contributions to pension & medical aid	71,397	79,559
Travel, accommodation, subsistence and other allowances	6,429	4,197
Housing benefits and allowances	159,357	151,627
Overtime payments		39
Total employee costs	658,395	621,495
8 Depreciation and amortization expense		
Property, plant and equipment	53,120	48,341
Amortization	1,941	2,150
Total depreciation and amortization	55,061	50,491
9 Repairs and maintenance		
Property	6,638	6,156
Equipment	4,274	1,844
Vehicles	3,846	2,115
Other	1,364	1,583
Total repairs and maintenance	16,122	11,698
10 Research expenses		
Research expenses	4,031	4,895
Botanical garden	463	225
Biotechnology	40	754
Biogas farm outreach	1,517	9
Total research expenses	6,051	5,883
11 Operating expenses		
Stationery expenses	5,274	4,688
protective clothing	540	304
Publishing and printing	1,156	1,409
Cleaning material	673	913
Balance c/d	7,643	7,314

NOTE	2016 Ksh.'000	2015 Ksh.'000
11 Balance b/d	7,643	7,314
Office expenses	2,119	1,937
Office consumables	15	148
Telephone	990	901
Courier and postage	1,589	628
Electricity	10,330	10,742
Sanitary services	567	267
Water and sewerage	7,162	8,675
Security	9,491	7,788
Subscriptions	1,006	1,430
Admission expenses	434	-
Conferences, seminars and workshops	1,667	1,267
External travel expenses	-	-
Graduation expenses	6,768	4,990
** Fueling of motor vehicles (2015 restated to correct error of omission)	5,801	4,965
Senate affairs	-	-
Tender notices	175	475
Drinking water	-	-
Corporate social expenses	264	136
Cleaning services	-	417
Total Operating expenses	56,021	52,080
12 Administration expenses		
Show and exhibitions	1,202	1,089
Purchase of beds, beddings and linen		58
ISO certification	935	735
Total administration expenses	2,137	1,882
13 Teaching expenses		
Teaching materials	1,155	3,253
Field course expenses	4110	2,007
Laboratory materials	912	402
Examination expenses	2,404	545
External examiners	804	1,610
Teaching practice expenses	6,809	4,315
Field attachment expenses	2,184	4,321
Inspection fees	-	898
Total teaching expenses	18,378	17,351

NOTES TO THE FINANCIAL STATEMENTS (Continued)
NOTES

	2016 Ksh.'000	2015 Ksh.'000
14 Catering expenses		
Gas and fuel - main kitchen	1,330	1,192
Gas and fuel - guest house	442	377
Foodstuff - main kitchen	19,172	19,315
Foodstuff - guest house	6,672	5,389
Cutlery and crockery - main kitchen	559	192
Cutlery and crockery - guest house	300	150
Beds, beddings, linen - guest house	-	885
Consumables kitchen	414	79
Consumables guest house	896	864
Red buffalo expenses	1,280	1,577
External accommodation - guest house	340	52
Total catering expenses	31,405	30,072
15 Library expenses		
Newspapers and magazines	497	160
Library books and journals	1,052	780
Library subscriptions	382	2,040
Total Library expenses	1,931	2,980
16 Health centre expenses		
Drugs		
Other medical expenditures	3,939	3,635
Total Health expenses	225	104
17 Student expenses	4,164	3,739
Sports games and tournaments	2,895	2,010
Student welfare	1,214	1,823
Student activities	700	388
Amenities	22	2,667
Pusa expenses	2,521	1,629
Student medical expenses	10	15
Bursary awards	1,082	1,016
Aids control unit	529	335
Students placement	888	380
Students Identification	951	
Total student expenses	10,812	10,263

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES

18 Farm expenses

- Farm maintenance
- Purchase of animal feeds
- Fungicides, insecticides and sprays
- Purchase of agri inputs
- Vet services and supplies
- Total farm expenses**

	2016	2015
	Ksh.'000	Ksh.'000
	587	227
	572	298
	7	23
	62	361
	170	162
	1,398	1,071

19 Council expenses

- Sitting allowances
- Per diem
- Taxi allowances
- Lunches
- Medical refund
- Air tickets
- Council honoraria
- Senate expenses
- Training for state corporation
- Total expenses**

	1,668	1,960
	2,996	1,424
	345	157
	243	58
	0	3
	946	879
	40	-
	326	255
	360	
	6,924	4,736
	406	406
	406	406

20 Audit fees

- Total Audit fees**

	621	681
	621	681

21 Bank charges

22 General expenses

- Insurance expenses
- Inter University
- Legal services
- Consultancy fees
- Advertising and publicity
- Networking and software
- Internet connection
- Staff honoraria
- Bursary expenses
- Departmental meeting
- Funeral Expenses
- Staff development
- Fines and penalties
- Staff fees subsidy
- Miscellaneous expenses
- Balance c/d**

	5,293	8,779
	84	-
	1,800	883
	120	-
	2,621	3,543
	-	2
	9,382	5,714
	1,827	920
	173	534
	3,770	2,202
	530	
	1,196	565
	30	428
	972	1,815
	491	1,716
	28,289	27,101

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTES	2016 Ksh.'000	2015 Ksh.'000
22 Balance b/d	28,289	27,101
Office furnishing	217	155
Clearing and forwarding	222	480
Ethics review	88	135
Academic board meetings	226	89
Academic regalia	1,675	2,011
Foreign Exchange Loss	35	
Provision for bad debts	570	-
Total general expenses	31,322	29,971
23 Bank and cash equivalents		
Cash in Bank	59,510	16,582
Cash on hand and in transit	177	445
Short term deposits	171	171
Total cash and cash equivalents	59,858	17,198
24 Receivable from exchange transactions		
Student debtors	104,734	31,564
Provisions	(2,148)	(1,578)
Net Student Debtors	102,586	29,986
Imprest debtors	11,579	4,710
Exchange students	3,474	3,942
Refundable Deposits	27,254	19,642
Advance payments	1,390	902
External debtors	2,241	
Total current receivables	148,524	59,182
25 Receivables from non exchange transaction		
Grants Ministry of Education June grant	-	40,366
Total receivables from non current exchange transactions	-	40,366
26 Inventories		
Finance stores - stationery	3,007	2,717
Maintenance stores general	424	383
Main kitchen stores	385	359
Health unit stores	746	873
Electrical stores	60	350
Cleaning material store	396	405
Farm inputs and feeds	60	111
Total Inventories	5,078	5,198

NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 Biological assets

Biological assets are measured at fair value less cost to sell. Plants are stated at fair value on the escalated average cost, using inflation rate of 10%, of each year of remaining expected life. Livestock was characterized as mature or immature. Market comparison technique was applied in determining the fair value. Market price of livestock of similar age, weight, breed and genetic make-up was used.

	2016	2015
	Ksh.'000	Ksh.'000
Carrying amount at start of the year		
Immature livestock	446	327
Mature livestock	3,219	3,723
Total livestock	3,665	4,050
Immature orchards	32	47
Mature orchards	1,674	852
Total orchards	1,706	899
Loss arising from changes in fair value attributable to changes in Livestock	(41)	(385)
Gain arising from changes in fair value attributable to price changes of livestock	1,437	-
Gain arising from changes in fair value attributable to physical changes of orchards	2,361	807
Net fair value (loss)/ gain	3,757	1,192
Carrying amount at end of June 2016		
Immature livestock	588	446
Mature livestock	4,472	3,219
Total livestock	5,060	3,665
Immature orchards	10	32
Mature orchards	4,057	1,674
Total orchards	4,067	1706
Totals	9,127	5,371

Immature Orchard crops relates mainly to Casuarina trees. This crop takes approximately 4 years before harvesting can begin and it has a productive life of approximately 20 years.

Significant assumptions made in determining the fair value of biological assets are:

- Mango and coconut plants will have an average productive life of 30 years.
- Future production and sales estimates are based on budgets approved by the university council and which are reviewed and amended on a regular basis to reflect changes in operational and market conditions.
- The expected market price of mangoes and coconuts will remain constant based on the average price realized over a number of years.
- Current market prices are used to determine the fair value of short-term crop.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2016	2015
	Ksh.'000	Ksh.'000
28 Trade and other payables from exchange transactions		
Trade creditors (2015 restated to correct error)	21,699	89,954
Student fees	38,075	-
Value added tax	1,724	2,952
Other control accounts	1,668	-
Payroll control	23,675	53,868
Other liabilities	36,424	27,526
Total payables	123,265	174,300
29 Refundable deposit from customers		
Caution money fees	10,475	12,166
Total Deposit	10,475	12,166
30 Current provisions		
Audit fees	406	350
Provision for Bad debts	-	-
Total current provisions	406	350
31 Borrowings		
Current portion of borrowings	0	32,229
Total current borrowing	0	32,229
31B Capital Grants		
Opening Balance	1,213,266	1,110,016
Additions during the year	107,313	117,360
Sub Total	1,320,579	1,227,376
Transfer to income Statement	(14,939)	(14,110)
Balance as at 30 June	1,305,640	1,213,266

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Note. 32 Property, plant and equipment

	LAND	WORK IN PROGRESS	BUILDINGS	MOTOR VEHICLES	GENERAL EQUIPMENT	FURNITURE & FITTINGS	COMPUTERS	TOTALS
Depreciation Rates			2%	25%	12.50%	12.50%	33%	
	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000	Ksh.'000
Cost/ Valuation								
Balance as at 1 July 2014	116,045	383,512	745,863	85,067	105,726	33,883	48,991	1,519,087
Additions		114,253			3,281	3,615	7,190	128,339
Adjustments					(54)		(2,141)	(2,195)
Balance as at 30 June 2015	116,045	497,765	745,863	85,067	108,953	37,498	54,040	1,645,231
Additions		62,253		11,663	6,894	11,143	5,854	97,807
Adjustments			(1,727)					(1,727)
Balance as at 30 June 2016	116,045	560,018	744,136	96,730	115,847	48,641	59,894	1,741,311
Depreciation / Impairment								
At July 2014			52,542	48,507	49,982	14,902	36,062	201,995
Depreciation for the year			14,897	8,051	13,548	4,172	7,673	48,341
At June 2015	-	-	67,439	56,558	63,530	19,074	43,735	250,336
Adjustments				(296)				(296)
Charge for the year			14,939	13,319	11,832	5,291	7,739	53,120
As at 30 June 2016	-	-	82,378	69,581	75,362	24,365	51,474	303,160
NET BOOK VALUE June 2015	116,045	497,765	678,424	28,509	45,423	18,424	10,305	1,394,895
NET BOOK VALUE June 2016	116,045	560,018	661,758	27,149	40,485	24,276	8,420	1,438,151

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE

33 Intangible Assets	SOFTWARE	
Depreciation Rates	33%	
	Ksh.'000	
Cost/ Valuation		
Balance as at 1 July 2014		11,889
Additions		3,475
Adjustments		
Balance as at 30 June 2015		15,364
Additions		1,160
Adjustments		
Balance as at 30 June 2016		16,524
Impairment		
At July 2014		4,771
impairment for the year		2,151
At June 2015		6,922
Charge for the year		1,941
As at 30 June 2016		8,863
NET BOOK VALUE June 2015		8,442
NET BOOK VALUE June 2016		7,661
34 Borrowings	2016	2015
	Ksh.'000	Ksh.'000
Balance at the beginning of the year	32,229	64,512
Repayment of domestic borrowings	(30,502)	(32,283)
Adjustment on Assets	(1,727)	
Balance at the end of the year	-	32,229
Less: Amount due within one year (current portion)	-	32,229
35 Cash generated from operations		
Surplus (deficit) from the year	126,484	55,135
Adjusted for Depreciation	55,061	50,492
Increase in debtors provisions	626	-
Adjustment for deferred income	(14,939)	(14,110)
Gain in sale of biological assets	(836)	
Working capital adjustments:		
Decrease / (increase) in inventories	121	(790)
Decrease / (increase) in receivables from exchange transactions	(89,341)	(728)
Decrease / (increase) in receivables from non-exchange transactions	40,366	(7,704)
Increase / (decrease) in payables	(52,726)	(35,985)
Net cash generated from (used in) operations	64,816	46,310

**2015 comparative figures have been restated as explained in note 5-B and 11

Financial Instruments

36. Capital risk management

The university manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the university consist of debt, which include the borrowings disclosed in note 31, cash and cash equivalents, issued share capital and retained earnings.

The gearing ratio at the period end was as follows:

	2016	2015
	Ksh.'000	Ksh.'000
Bank borrowings	-	32,282
Cash and cash equivalents	(59,858)	(17,198)
Net borrowings	-	15,084
Equity*	** 228,613	98,373
Net debt to equity ratio	0%	0.15%

** 2015 figures restated to reflect the reporting of deferred grant income

37. Interest rate risk management

The university is exposed to interest risk as the entity borrows funds at floating interest rates. The risk is managed by the university through close monitoring control. The sensitivity analysis for floating rate liabilities is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year.

38. Credit risk management

Credit risk refers to the risk that customers will default on their contractual obligation resulting in financial loss to the university.

The university's credit risk is primarily attributable to its receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the management based on the university's policy of providing for debts that are over one year. The credit risk on liquid funds with financial institutions is low, because the counter parties are banks with high credit risk ratings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

39. Liquidity risk management

The university manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows. The university can also borrow from commercial banks in the short term further reducing its liquidity risk

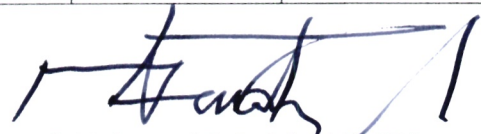
40. PROGRESS ON FOLLOW UP OF AUDIT RECOMMENDATIONS

The following is the summary of issues by the external auditors, and management comments that were provide to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit report	Issue observations from auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status(Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
1	Unable to confirm carrying value due to encroachment by squatters on university land	The university has received a favorable judgment but awaits the disposal of an appeal	Prof. Mohamed Rajab (Vice Chancellor)	Resolution in progress	Next Twelve months
2.	Variance between the MOEST recurrent grants figures and University records	All grants received from MOEST are supported by Bank Statements indicating amounts received and the date.	DVC (administration, finance and planning)	Resolved	N/A

Prof. Francis. K. Sang PhD.
CHAIRMAN OF COUNCIL

Date: 15/12/16


 Prof. Mohamed S. Rajab PhD. EBS
VICE CHANCELLOR

Date: 8TH DECEMBER 2016

