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REPUBLIC OF KENYA



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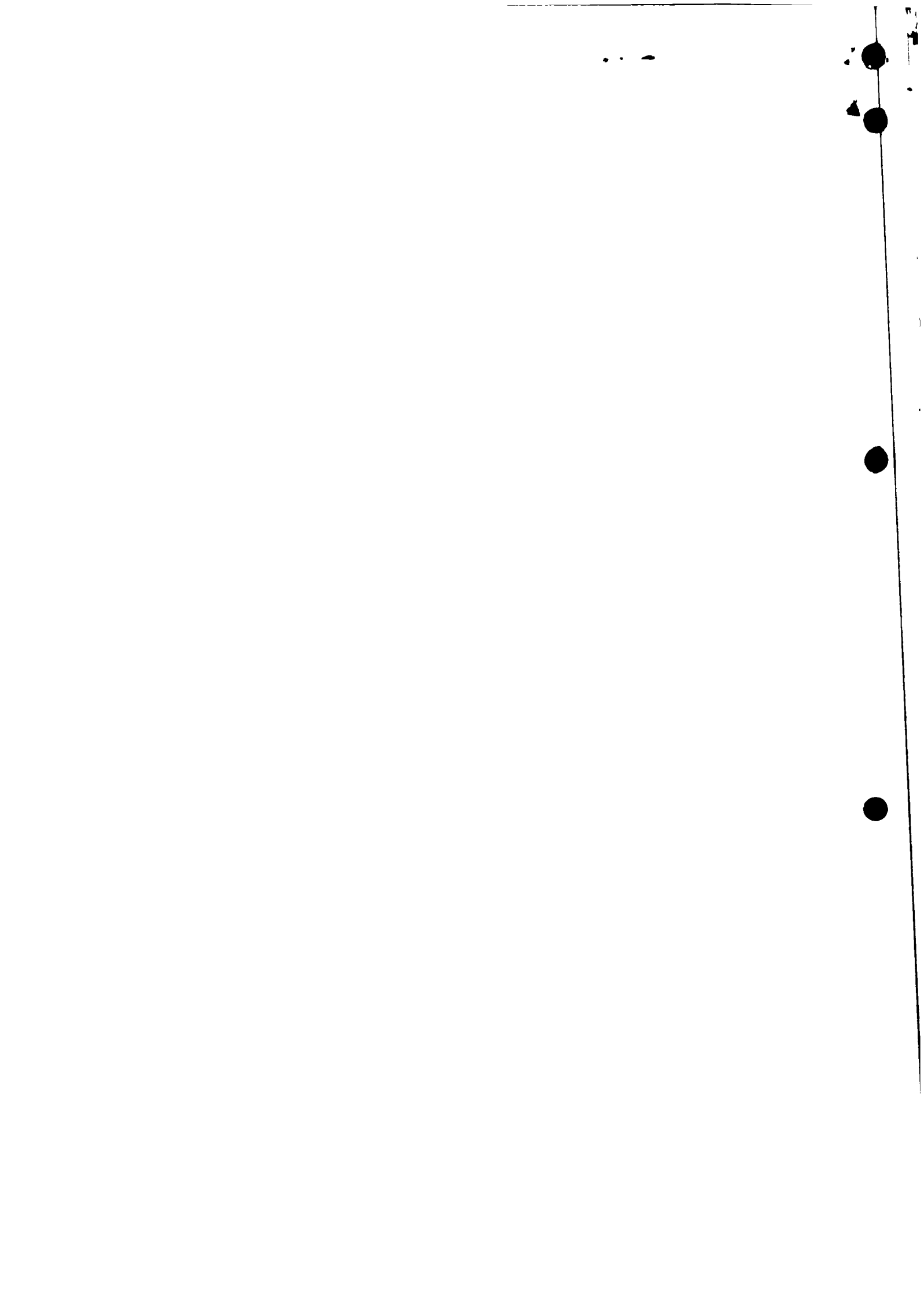
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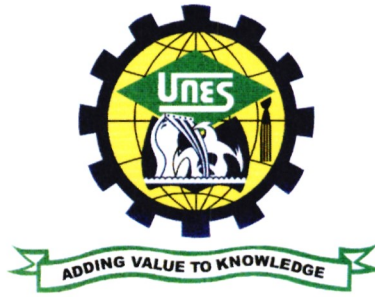
THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
UNIVERSITY OF NAIROBI ENTERPRISES AND
SERVICES LIMITED**

**FOR THE YEAR ENDED
30 JUNE 2018**





UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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

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KEY ENTITY INFORMATION

Background information

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

Principal Activities

The principal activities of UNES are:

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

Incorporation

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

Registered Office and Corporate Headquarters

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

Corporate Contacts

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

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DIRECTORS

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

	Name	Designation	Representative
1	Prof. Kinandu Muragu	Member	
2	Mr. Hirji Shah O.G.W	Member	
3	Mr. Yusuf Omari	Member	
4	Principal Secretary, Ministry of Education	Member	Mr. Bernard Mulatya
5	Principal Secretary, National Treasury	Member	Mr. Samuel Kiiru
6	Prof. Peter M.F. Mbithi	Member	
7	Prof. Isaac M. Mbeche	Member	
8	Prof. Lucy Irungu	Member	
9	Prof. Enos Njeru	Member	
10	Prof. Henry Mutoro	Member	
11	Mr. John Kenduiwo	Managing Director	

CORPORATION SECRETARY

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

CORPORATE BANKERS

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

INDEPENDENT AUDITORS

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

THE BOARD OF DIRECTORS

	<p>Born in 1936. Mr. Hirji Shah has vast experience in the private sector where he has been actively involved in several manufacturing industries, businesses and charitable organizations for the last 50 years, in Kenya and abroad. He is a director in several companies, including Mabati Rolling Mills Limited, Comcraft Kenya Limited, Kaluworks Limited, Booth Extrusions Limited, Booth Fire Fighting Limited, Bahari Forwarders Limited, Bahari Insurance Brokers Limited, Kifaru Investments Limited, Juhudi Investments Limited and Juhudi Distributors Limited.</p>
<p>1. Mr. Hirji Shah, OGW</p>	<p>He has also been chairman, trustee and board member of many organizations, federations and organizations in Kenya, Tanzania, Uganda, Ethiopia, South Africa and Mauritius.</p>
	<p>Born in 1969. He has worked for the National Treasury for over 15 years where he is currently a Deputy Chief Economist and Head of Budget Policy. He has experience in Policy reviews, Fiscal analysis, Macro level planning, Program and performance budgeting, Policy guidelines on Budgets, Project appraisal, Monitoring and evaluation, and Program performance reviews. He is also a trainer on Programme and Performance Budgeting,</p>
<p>2. Mr. Samuel Kiiru, M.A.(CARLETON), B.A(Nairobi).</p>	<p>Born in 1957. Professor Kinandu Muragu joined Central Bank of Kenya as Executive Director, Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p>
	<p>Before joining the School, Prof. Muragu worked under the sponsorship of the World Bank as the Projects Coordinator for the 19 Donor-funded Education Sector Development Programme in the Kingdom of Lesotho. He was responsible for creation of the e-governance system for the education sector that enabled him participate in the implementation of the e-schools project in Lesotho and thereafter follow progress of the initiative across the continent.</p>
<p>3. Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p>	<p>He has consulted for a variety of international organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance. Prof. Muragu has also carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI), one of Africa's top management institutes. Before joining</p>

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	<p>ESAMI, he had lectured at the University of Nairobi for 10 years rising to be a senior lecturer in the Department of Accounting and Finance. Prof. Muragu had his basic accountancy training at Delloite and Touche and later at PricewaterhouseCoopers and Nyaga Associates.</p>
<p>4.  Mr. Yusuf Omari, MBA, B.Econ., ICPA(K), IIA.</p>	<p>Born in 1974. Mr. Yusuf Omari is the Chief Finance Officer of Barclays Bank of Kenya. He joined Barclays Bank of Kenya in 2004 from the Audit Firm, KPMG (1998-2004). He worked as the Head of Internal Audit East and West Africa cluster (2004-2008) & then as Head of Compliance (2008-2009) before his appointment as the Chief Financial Officer in 2009. He is a qualified Certified Public Accountant (CPA) as well as a Certified Internal Auditor.</p> <p>He holds an MBA from Strathmore Business School and a Bachelor's degree in Economics from University of Nairobi. He is a Member of the Institute of Chartered Public Accountants of Kenya (ICPAK).</p> <p>Yusuf is a Board Member of Barclays Bank of Kenya, ICPAK, Barclays Pension Fund and Barclays Financial Services Limited</p>
<p>5.  Prof. P.M.F. Mbithi, EBS, IOM, B.V.M., M.Sc.(Nairobi), (Nairobi), M.V.Sc. (Saskatchewan), Ph.D.(Nairobi).</p>	<p>Born in 1956. Prof. Peter Mulwa Felix Mbithi is the Vice-Chancellor and Professor of Veterinary Surgery, University of Nairobi. He was Chairman, Department of Clinical Studies and in 2003 he served as the Principal, College of Agriculture and Veterinary Sciences until he was appointed as Deputy Vice-Chancellor, Administration and Finance, a position he has held to date.</p> <p>He has supervised MSc and PhD students, published extensively in peer-reviewed journals, and is a member of several professional organizations. His research interests are Clinical veterinary medicine and orthopaedic surgery, wounding and traumatology with special interest in lameness, joint surgery and athritides.</p>
<p>6.  Prof. H.W. Mutoro, B.Ed., M.A., (Nairobi), C,Phil., Ph.D., (UCLA).</p>	<p>Born in 1950. Prof. Henry W. Mutoro is currently the Deputy Vice-Chancellor, Academic Affairs (DVC – AA) of the University of Nairobi, and as such, he is the head of the academic division and chairs several committees, namely the Deans Committee, Senate Appeals Committee, Lectureship and Senior Lectureships appointments Committees. He is the immediate former Principal, College of Education and External Studies, a position he held for nine years. Prof. Mutoro is an Associate Professor in Archeology.</p> <p>He served as Deputy Principal, College of Humanities and Social Sciences (1997-2004), Dean, Faculty of Arts (1996-</p>

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	<p>1997) and Chairman, Department of History (1991- 1996). Prof. Mutoro is a widely published scholar with articles in peer reviewed journals, chapters in books, books and has made presentations in numerous public lectures, conferences and seminars.</p>
<p>7.  Prof. I.M. Mbeche, B.Ed., M.A., (Nairobi), Ph.D., (Lancaster).</p>	<p>Born in 1952. He is the Deputy Vice-Chancellor, Student Affairs at the University of Nairobi (UoN) and a Professor in Management Sciences. Prof. Mbeche taught at the Nairobi School and the Kenya Science Teachers' College. In 1986, Prof. Mbeche joined the University as tutorial fellow in the Department of Management Science, Faculty of Commerce after which he was promoted to a lecturer, senior lecturer and associate professor thereafter. Between 1992 and 1993 he also worked as a Teaching Assistant, Department of Management Science, School of Management, Lancaster University, UK. In 2002, Prof. Mbeche was appointed the Principal, College of Humanities and Social Sciences (UoN), a position he held up to February 2011 when he was appointed as Deputy Vice-Chancellor, Student Affairs.</p>
<p>8.  Prof. L. Irungu, B.Sc.,(Nairobi), MSc., Ph.D., (Liverpool).</p>	<p>Born in 1957. Prof. Lucy W. Irungu is the Deputy Vice-Chancellor, Research, Production and Extension (UoN) and a Professor of Entomology in the School of Biological Sciences. In 1988, she joined the Department of Zoology (UoN) as a lecturer and rose through the ranks to Professor.</p> <p>Prof. Irungu has also served as the chairman of the Department of Zoology from 1999-2004. She was then appointed as the Principal College of Biological and Physical Sciences (CBPS), a position she held up to February 2011 when she was appointed as Deputy Vice-Chancellor, Research, Production and Extension. She has conducted research in the area of vector biology and control, with special reference to malaria vectors and other vectors and parasites of Neglected Diseases. In addition, she has supervised MSc students and PhD students. She has published extensively in peer-reviewed journals and is a fellow of the Royal Society of Tropical Medicine and Hygiene and a member of several other professional organizations.</p>
<p>9.  Prof. E. Njeru, B.A, M.A (Nairobi), Ph.D., (California).</p>	<p>Born in 1957. Prof. Njeru is currently the Principal, College of Humanities and Social Sciences (CHSS) at the University of Nairobi and a Professor of Sociology & Anthropology in the Department of Sociology. He has many years of lecturing and research experience. He is also a Medical Anthropologist and Fellow in Social Medicine – Health and behaviour (Harvard Medical School, Boston).</p> <p>Professor Njeru is widely experienced in both consultancy and research in areas with strong components on: participatory needs assessment and poverty analysis and sustainable</p>

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	<p>community based reduction strategies design and implementation; gender mainstreaming; governance and organizational approaches to project selection, prioritization & design, implementation, evaluation & monitoring, participatory stakeholder collaboration, governance mainstreaming in development, HIV/AIDS & its implications for livelihoods. He worked as a Senior Research Fellow and Social Sector Program Coordinator (Education and Health) at IPAR (Institute of Policy Analysis & Research and was then (2001-2005) involved in educational policy analysis and research.</p>
<p>10. Mr. John Kenduiwo, B.Sc., MBA.</p> 	<p>Born in 1956, Mr. John Kenduiwo is the Managing Director of UNES and on secondment from the School of Business where he is a Senior Lecturer in the Department of Management Science. He joined UNES as the Deputy MD in 2009. He previously served as the Chairman of the Department of Management Science and subsequently the Dean of the School of Business.</p> <p>He has extensive experience in Teaching, Research and Consultancy in the areas of Strategic/Operations Management and Performance Measurements Systems. He also serves as a non-executive Director in a number of both Private and Public Sector Boards; Transnational Bank, Kenya Literature Board, Kenya Red Cross Society, and University of Nairobi Alumni Association. Previously served as a Commissioner in the Privatization Commission (2008-2010, 2012-2015) where he chaired various standing committees and transaction-related privatization portfolios.</p> <p>He holds membership to various Professional Associations; Full Member of the Kenya Institute of Management (KIM), the Operations Research Society of Eastern Africa (ORSEA), and the Institute of Directors of Kenya (IOD).</p>

*University of Nairobi Enterprise Services Limited
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MANAGEMENT TEAM

	<p>1. Mr. John Kenduiwo, B.Sc., MBA. Managing Director</p>	<p>Has extensive experience in Teaching, Research and Consultancy in the areas of Strategic/Operations Management and Performance Measurements Systems. He holds membership to various Professional Associations; Full Member of the Kenya Institute of Management (KIM), the Operations Research Society of Eastern Africa (ORSEA), and the Institute of Directors of Kenya (IOD).</p>
	<p>2. Mr. Tim O.A. Mweseli, LLB, LLM. Corporation Secretary</p>	<p>Currently is the Acting Chief Legal Officer of the University of Nairobi. Has Served as General Supervisor of Dissertations in the School of Law. Member of Undergraduate and Postgraduate Studies Committee. Has also Served as Acting Dean, Faculty of Law.</p>
	<p>3. Ms. Jennifer Mburu, B.Com. (Finance), MBA. (Finance), CPA (K), CPS. Chief Manager, Finance and Administration</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>4. Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K). Chief Manager, Commercial Operations</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>

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 <p>5. Mrs. Grace Kimotho, B.Com. (Finance), MSc (Finance), CPA (K). Chief Manager, Risk and Internal Audit</p>	<p>Has 15 Years practice of Internal Auditing with valuable experience in conducting Enterprise Wide Risk Based Audits. She is an Internal Quality Auditor and certified as an Integrity Assurance Officer. A member of Institute of Certified Public Accountants of Kenya and Institute of Internal Auditors.</p>
 <p>6. Mr. Seith Abeka, B.Econ & Math., MA (Gender & Development Studies). Chief Manager, Consultancy & Partnerships</p>	<p>Has wealth of experience in Organization Development and Project Management. He has served as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt. He also has extensive experience in HIV and AIDS programming and in Gender Mainstreaming.</p>

CHAIRMAN'S STATEMENT

It gives me great pleasure to present to you UNES' Annual Report and Financial Statements for the year ended 30th June, 2018. FY 2017/2018 had some of the most challenging experiences in terms of business disruptions impacting negatively on UNES business performance. The underperformance was largely attributed to the general condition of the economy; lost business opportunities during the prolonged electioneering period, Industrial Actions, and Relocation disturbances. Business analysis for the last three years (the period without the Academic Revenue components), UNES' Performance was best in FY 2016/2017 when revenue was KSh729.2M and Profits at KSh 20.3M. However, this dropped in FY 2017/2018 to KSh 434.8M and a loss of KSh 63.0M respectively.

From a macro environment perspective, the slowdown in the performance of the economy was attributable to uncertainty associated with a prolonged electioneering period coupled with adverse effects of weather conditions. Kenya's economy dropped from a growth of 5.9 per cent in 2016 compared to 4.9 per cent in 2017.-The expected political stability and favourable macroeconomic environment are likely to be conducive for acceleration in growth in 2018 and beyond. Given Kenya's robust growth prospects, the ongoing pro-business reforms and investments in infrastructure, improved business confidence, and strong private consumption are likely to provide opportunities to spur growth of UNES Businesses. UNES Consultancy will leverage on the National Big Four Agendas to achieve the desired good performance and growth in the coming year.

In conclusion, on my own behalf and that of the entire Board, I would like to take this opportunity to thank our principal shareholder, the University of Nairobi, for its strong support and commitment in providing support to the Board over the years. Lastly, much appreciation goes to the management and staff of the company who have worked tirelessly and remains true to the goals and objectives of the company.


.....

Chairman

Date: 11th December 2018

REPORT OF THE CHIEF EXECUTIVE OFFICER

UNES developed and implemented the FY 2017/2018 Short Term Implementation Plan (STIP) based on the re-casted strategic issues of the 2014 – 2018 Strategic Plan. The UNES STIP was cascaded from the University's STIP and this is purposely to ensure cohesiveness to the University Strategies and provide maximum support and build synergies with the University. The FY 2017/2018 STIP was to address changes in the business environment and identify initiatives to achieve the expected performance. STIP was leveraging on the key internal resources namely human capital, physical infrastructure and facilities, and Information Communication Technology (ICT) as the key enablers.

Consultancy which is the main business of the company suffered heavily due to the prevailing macroeconomic condition during the first half of FY 2017/2018. Being an electioneering year, there was business anxiety and low level of investments which directly affected the volume of Consultancy business. The key customers for the Bookstores are Public Universities and Technical Institutions. In 2017/2018 FY, National Budgetary Allocations to these institutions was heavily reduced thus reducing their budgets on book purchases. The Hospitality Sector is a very competitive industry in this country. Kenya occupies a strategic location on the continent and is attractive to numerous well established multinational companies. UNES Conference business line which was previously the main income earner for the Hospitality Unit is now on decline trend. New ultra-modern facilities have mushroomed around the Central Business District (CBD) offering very competitive prices. The opening up of the University of Nairobi Towers also diverted some clients from UNES Arziki Conference Centre. FY 2017/2018 had long periods of Industrial unrests; specifically the Doctors strike in 2017 adversely affected the Health services IGUs. The perception that the when the University is closed, then no services can be accessible from the IGUs impacted negatively on their performance. The IGUs operate autonomously as Strategic Business Units and remain open even when the University is closed.

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

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



.....
Mr. John K. Kenduiwo
Managing Director

Date: 11th December, 2018

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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.

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

No	NAME	DATE OF MEETINGS						ATTENDANCE	
		No. Date	1 st 21.09.17	2 nd 19.12.17	3 rd 28.3.18	4 th 12.4.18	5 th 26.4.18	6 th 27.06.18	No. Present
1.	Prof. K. Muragu		√	√	√	√	√	6	Nil
2.	Prof. P.M.F. Mbithi		√	√	X	√	√	5	1
3.	Prof. I.M. Mbeche		X	X	X	√	√	2	4
4.	Prof. L.W. Irungu		√	√	X	X	X	2	4
5.	Prof. H. Mutoro		√	√	√	√	X	5	1

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6.	Prof. E. Njeru	√	√	√	√	√	√	6	Nil
7.	Mr. Hirji Shah	√	√	√	√	√	√	6	Nil
8.	Bernard Mulatya	X	X	√	√	√	X	3	3
9.	Mr. S. Kiiru	√	X	√	√	√	X	4	2
10.	Mr. Yusuf Omari	√	X	√	√	X	X	3	3
11.	Mr. John Kenduiwo	√	√	√	√	√	√	6	Nil
12.	Ben Kihia	-	-	-	-	-	√	1	Nil

All members who were not present for any meeting as indicated above gave apologies and/or a representative.

Responsibilities of the Board

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

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

The Board has set up the following Committees:

1. Risk and Audit Committee:

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

- i) Mr. Yusuf Omari (Chairman)
- ii) Prof. Henry Mutoro
- iii) Mr. Bernard Mulatya
- iv) Mr. Samuel Kiiru
- v) Mrs. Grace Kimotho

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

No	NAME	DATE OF MEETINGS					ATTENDANCE	
							No. Present	No. Absent
	No. Date	1 st 15.7.17	2 nd 6.9.17	3 rd 8.12.17	4 th 23.3.18	5 th 19.4.18		
1.	Mr. Yusuf Omari	√	√	x	√	x	3	2
2.	Prof. Henry Mutoro	x	√	√	√	√	4	1
3.	Mr. Bernard Mulatya	√	√	√	√	√	5	Nil
4.	Mr. Samuel Kiiru	√	x	√	√	√	4	1
5.	Mrs. Grace Kimito	√	√	√	√	√	5	Nil

All members who were not present for any meeting as indicated above, gave apologies and/or sent a representative.

2. Finance and General Purposes Committee:

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

- i) Prof. Kinandu Muragu (Chairman)
- ii) Prof. Peter Mbithi
- iii) Prof. Isaac Mbeche
- iv) Mr. Bernard Mulatya
- v) Mr. Samuel Kiiru
- vi) Mr. John Kenduiwo

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

No	NAME	DATE OF MEETINGS							STATUS	
									No. Present	No. Absent
	No. Date	1 st 1.8.17	2 nd 7.9.17	3 rd 19.10.17	4 th 14.12.17	5 th 22.1.18	6 th 19.3.18	7 th 19.4.18		
1.	Prof. K. Muragu	√	√	√	√	√	√	√	7	Nil
2.	Prof. P.M.F. Mbithi	√	√	√	x	√	√	x	5	2
3.	Prof. I.M. Mbeche	√	√	x	x	√	√	√	5	2
4.	Bernard Mulatya	√	√	√	√	√	√	√	7	Nil
5.	Mr. S. Kiiru	x	√	√	√	√	√	√	6	1
6.	John Kenduiwo	√	√	√	√	√	√	√	7	Nil

All members who were not present for any meeting as indicated above, gave apologies and/or sent a representative.

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3. Strategy and Investment Committee:

The Board has established a Strategy and Investments Committee to monitor the company's medium and long-term strategic direction, business development, and risks and opportunities relating to strategy.

Members of the Investment Committee who served during the year were:

- i) Mr. Hirji Shah (Chairman)
- ii) Prof. P. M. F. Mbithi
- iii) Prof. I. Mbeche
- iv) Prof. Lucy Irungu
- v) Prof. Enos Njeru
- vi) Mr. Bernard Mulatya
- vii) Mr. Samuel Kiiru
- viii) John Kenduiwo

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

No	NAME	DATE OF MEETINGS				STATUS	
						No. Present	No. Absent
	No. Date	1 st 12.9.17	2 nd 13.12.17	3 rd 22.1.18	4 th 26.3.18		
1.	Mr. Hirji Shah	√	√	x	√	3	1
2.	Prof. P.M.F Mbithi	x	x	√	x	1	3
3.	Prof. Isaac Mbeche	x	x	√	X	1	3
4.	Prof. Lucy Irungu	√	√	√	X	3	1
5.	Prof. Enos H. N. Njeru	√	√	√	√	4	Nil
6.	Mr. Bernard Mulatya	x	√	√	√	3	1
7.	Mr. Samuel Kiiru	x	x	√	√	2	2
8.	Mr. John Kenduiwo	√	√	√	√	4	Nil

All members who were not present for any meeting as indicated above, gave apologies and/or sent a representative.

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. Of these, 4998 are in the name of University of Nairobi, while the Vice Chancellor and Deputy Vice Chancellor (Administration and Finance) hold one share each as nominee shareholders of the University.

MANAGEMENT DISCUSSIONS AND ANALYSIS

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

i) Consultancy Unit

The Consultancy Unit is one of UNES strategic Business Units (SBUs). The unit coordinates Service Consultancy projects, Contracted Research and Short Professional Courses. The unit draws its Consultants from the University of Nairobi Community.

UNES is focused on expanding Consultancy Services to be one of the leading firms in the country. During the reporting period 2017/2018 the unit registered annual revenue of KSh 308.0M compared to KSh 482.3M in 2016/2017, representing 36% decline.

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

1. Engage Vision 2030 Directorate for the flagship projects and Ministry Department Agencies (MDAs) for Consultancy Projects defined in the Kenya Economic Stimulus Programs.
2. Engage County Governments for Consultancies in Infrastructural Development, Health, Planning and Social Development Projects.
3. Research Consultancy Projects from International Development Partners and MDAs.
4. Establish Local and International consortiums to strengthen the thematic teams to tap International Consultancy Opportunities.
5. Develop and mount market-driven Short Course Training Programmes.
6. Engage MDAs Training Managers for opportunities to develop and implement Specialized Training Solutions.
7. Commercialize UON Research Innovations.

ii) Hospitality

There was a general decline in performance of the Hospitality Unit. The University Community being the main customer directly affects the restaurant and conference business. In Q4, the university units continued to minimize expenditure on all non-essential services that include restaurant services. The operationalization of the University of Nairobi Towers diverted all the UNES Conference clients to the tower hence reduced conference business for UNES. The stringent security measures are a major challenge to external restaurant customers.

iii) Income Generating Units –

Overall, Income Generating Units experienced low business levels during the period. However, the management has put in place strategies to restructure and revamp the business in the income generating units.

Vet Farm: Milk production reduced during the first quarter due to the prolonged dry season hence reduced fodder for animal feed. In September, 2017, there was an outbreak of foot & mouth disease at Vet Farm lasting three weeks. The outbreak meant stopping the sale of milk from the affected herd as a way of controlling the spread of the disease. It also led to a drop in productivity from the affected animals.

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Resumption of normalcy in production was from January and in February 2018, and the unit management was transferred to the College of Agriculture and Veterinary Services to support the teaching programmes.

Clinical Studies: The unit experienced constraints in acquiring the necessary equipment/infrastructure required for competitiveness and customer attractiveness.

Chiromo Funeral Parlour: Stiff competition from upcoming establishments and slow growth of the unit contributed to performance decline.

Dental Plaza: There was improved performance in the unit. The unit has three clinics which are fully utilized during peak periods and hence has potential for growth.

Diagnostic Imaging and Radiation Medicine: The unit's declining performance trend is largely attributed to stiff competition from the upcoming establishments around Kenyatta National Hospital and Upper hill area.

b) Internal controls and risk management

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

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

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

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

i) Operational Risks

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

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

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

ii) Internal Controls

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

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

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

As part of corporate social responsibility, UNES is committed to Environment Protection and Conservation, abiding to the rule of law and compliance with the Environmental Management and Coordination Act. In this stride UNES took part in the University of Nairobi Annual Tree Planting exercise in the strive to take care of the environment, neighbouring community and other stakeholders through Environment Sustainability Initiatives. The event saw over 10,000 Tree Seedlings Planted between 3rd and 6th April 2018. The climax was on April 6, 2018 when 6,500 trees were planted at Wangari Maathai Institute at the College of Agriculture and Veterinary Sciences.

The occasion was graced by the Chief Guest, Prof. Japheth Ntiba, the then Principal Secretary for State Department of University Education and Research, Ministry of Education, who officially opened the exercise and commended the University on its commitment to plant 10,000 trees. He observed that Trees are a great necessity in absorbing carbon monoxide from the environment that is destructive to the ozone layer by providing a purification mechanism; he also called on many Kenyans to plant trees so that the country can achieve the forest cover of 10% and above. Prof. Ntiba praised the government for waging war against tree logging and plastic bags menace. Prof. Ntiba also observed that in future, paper shall be produced from seaweeds as the forest cover is under siege. He challenged Kenyans to look up to countries like South Korea, which has 80% forest cover.

Among the guests were Dr. Vijoo Ratansi, Chancellor UoN and Prof. Peter M. F. Mbithi, Vice Chancellor UoN who both paid tribute to the late Wangari Maathai and hailed her for the exemplary role that she displayed over the years in conserving the environment. Dr. Rattansi observed that the unprecedented drought and climate change effects experienced in Kenya recently are due to environmental degradation. Prof. Peter Mbithi challenged staff and students to promote environmental sustainability. Prof. Kiama Principal Colleger of Agriculture and Veterinary Sciences at UoN and other Unit Heads were also present. The stakeholders and Partners who supported the initiative included the Wangari Maathai Green Belt Movement, Kenya Forest Services, ILRI, University of Nairobi Alumni Association, Lions Club of Nairobi, Kenya Defence Forces and the surrounding schools.

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Prof. Ntiba, Principal Secretary for Higher Education Ministry of Education, Dr. Vijoo Ratansi, Chancellor UoN, Prof. M. F. Mbithi, Vice Chancellor UoN and other dignitaries addressing the participants during the tree planting



*University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018*



Prof. Ntiba, Prof. Mbeche, Prof. Peter F. Mbithi, Dr. Vijoo Ratansi, Prof. Kiama, and other guest participating in the Tree Planting exercise.



UNES Staff participates in the Tree Planting Exercise

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the company's affairs.

Principal activities

The principal activities of the entity continue to be Financial Management, Consultancy, Hospitality and Bookstore services.

Results

The results of the company for the year ended June 30, 2018 are set out on pages 1 -35.

Dividends

The Directors do not recommend the payment of dividend for the year as a result of the drop in profit for the year.

Directors

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

Auditors

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

By Order of the Board



Tim O.A.Mweseli
Corporation Secretary
Nairobi

Date...

11th December 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

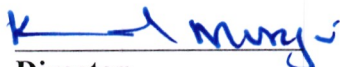
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on 30 June 2018. This responsibility includes: (i) maintaining adequate financial 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 2018 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 30 August, 2018 and signed on its behalf by:



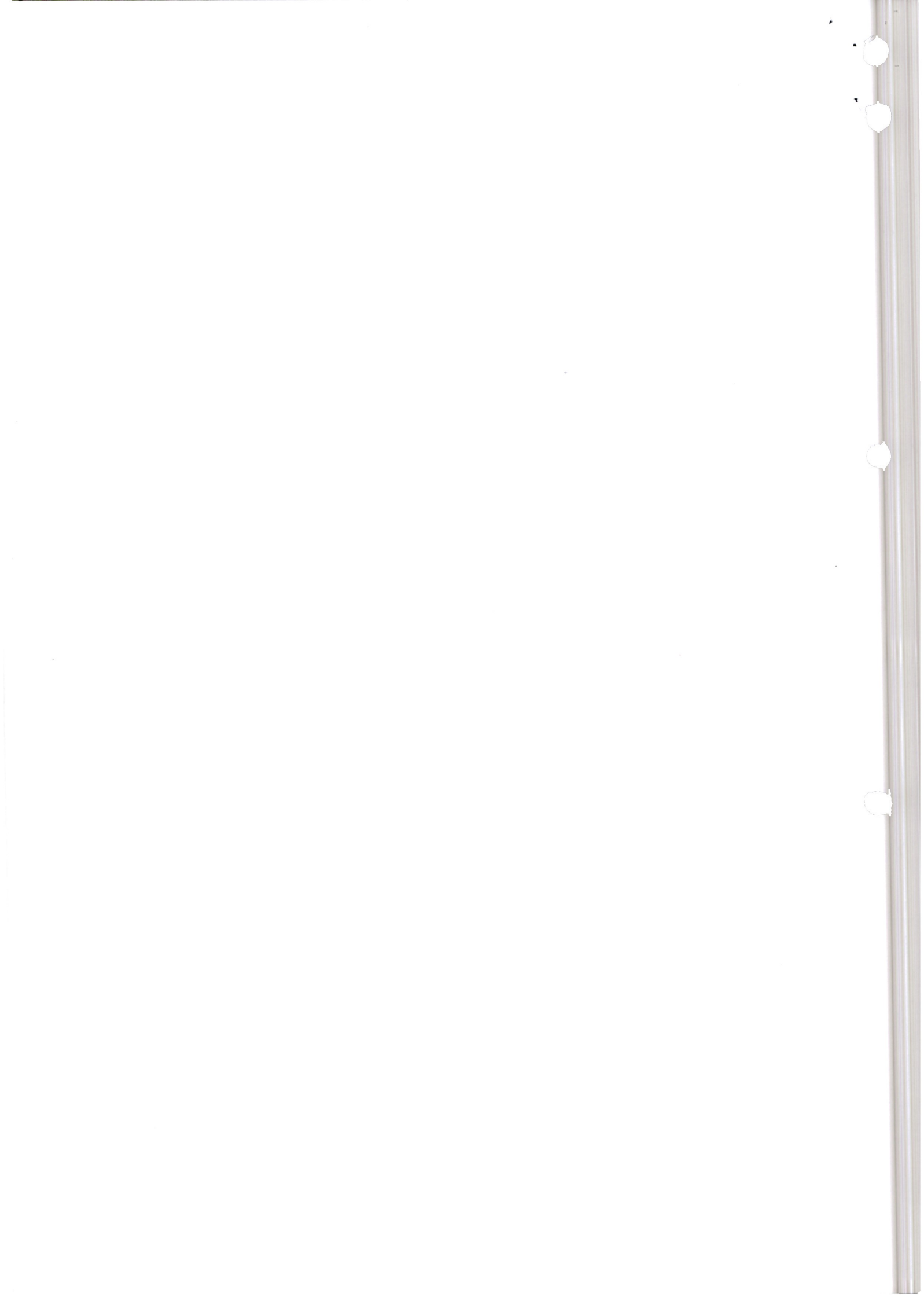
Director



Director



Director



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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE 2018

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 36, the statement of financial position as at 30 June 2018, and statement of comprehensive income, statement of changes in equity, 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.

In my opinion, except for the effects 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 2018, 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 of the Laws of Kenya.

Basis for Qualified Opinion

1. Trade and Other Receivables

1.1 Long Outstanding Trade Receivables

As disclosed in note 17 of the financial statements, trade and other receivables balance of Kshs.355,928,842 include trade receivables totaling to Kshs.353,836,806 out of which Kshs.191,722,628 relating to consultancy had been outstanding for over one year. During the year under review, consultancy income went down by 36% from Kshs.482,259,083 (2016-2017) to Kshs.308,034,859 for the year ended 30 June 2018. This was attributed by long electioneering period in August to October 2017, lectures' and students' strikes which led to the closure of the Company for a long period of time.

Further, included in trade receivables are debtors under Dental Hospital of Kshs.24,560,750. This amount includes Kshs.21,324,650 due from National Hospital

Report of the Auditor-General on the Financial Statements of University of Nairobi Enterprises and Services Limited for the year ended 30 June 2018

Insurance Fund (NHIF) and Kshs.2,826,700 due from East Africa Portland Cement representing 98% of the trade receivables from the Dental Hospital. Further analysis revealed that Kshs.17,980,650 and Kshs.21,324,650 from NHIF and East Africa Portland Cement respectively had been outstanding for over two (2) years.

As at the time of our audit in November 2018, trade receivable amounting to Kshs.82,172,052 had been recovered from debtors resulting to an outstanding balance of Kshs.271,664,754. No provision for bad and doubtful debts has been made in the financial statements in respect of these long overdue balances.

In the circumstances, the accuracy and full recoverability of trade receivables balance of Kshs.271,664,754 as at 30 June 2018 could not be confirmed.

1.2 Other Receivables

As disclosed in note 17 to the financial statements, trade and other receivables balance of Kshs.348,800,554 include other receivables balance of Kshs.2,802,173. However, scrutiny of records availed for audit revealed that the receivables were not properly reconciled during the year as they included entries dating back to May 2007. In the circumstances, it is not possible to confirm that the fair values and recoverability of other receivables balance of Kshs.2,802,173 as at 30 June 2018.

1.3 Suppliers' Deposits and Advances

As disclosed in note 17 to the financial statements, trade and other receivables balance of Kshs.348,800,554 include suppliers' deposits and cash advances totaling to Kshs.3,022,646. The supplier deposits relates to deposits made to suppliers against contracts entered into for medium to long term supplies to UNES business units for various goods. The advances on the other hand relate to amounts issued to consultants under the consultancy unit to carry out field work activities for the various consultancy projects. Scrutiny of the documents availed for audit, revealed that Kshs.1,354,865 of the cash advances had been outstanding for over one year.

Further, these cash advances had not been surrendered as at the time of the audit in November 2018 and the same were yet to be accounted fully or recovered from the payroll.

2. Overdrawn Cashbook Balance

Included in note 28 to the financial statement is an amount of Kshs.4,386,824 as bank accounts with overdrawn balance compared to prior year (2016-2017) of Kshs.4,420,530. Examination of the cash books for the four bank accounts revealed that this was an overdrawn cash book balance. This was as a result of capturing expenses in the cash book as if they were already paid yet the cheques had been held by UNES and not yet released to the suppliers since there was no available cash in the bank account. Consequently the bank balance in the cash book was overdrawn by Kshs.4,386,824 while trade payables were understated by the same amount. If all the unrepresented cheques would have been cleared for payment, the bank balances could have been overdrawn significantly.

In the circumstances, the overdrawn cashbook position did not reflect the true position of the balance of Kshs.4,386,824 as the payments had not actually been made as the same was being held by the Company.

3. Financial Performance

The Company's financial performance has deteriorated in the year under review and it incurred a loss of Kshs.63,068,142 compared to a profit of Kshs.20,277,246 in the previous year. The management has attributed the loss on the decrease in revenue during the year which was caused by challenging business environment. However, the management has indicated that the Company has put strategies in place for the year 2018/2019 to improve the financial position.

In the circumstances, should the strategies fail to reverse the trend, the Company may experience financial difficulties.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of University of Nairobi Enterprises and Services Limited in accordance with ISSAI 30 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. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, except for matters described in the Basis for Qualified Opinion section, 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.

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, except for the matter described in the Basis for Qualified Opinion section of my report, 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 I report based on the audit, that:

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Company's or to cease operations, or have no realistic alternative but to do so.

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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

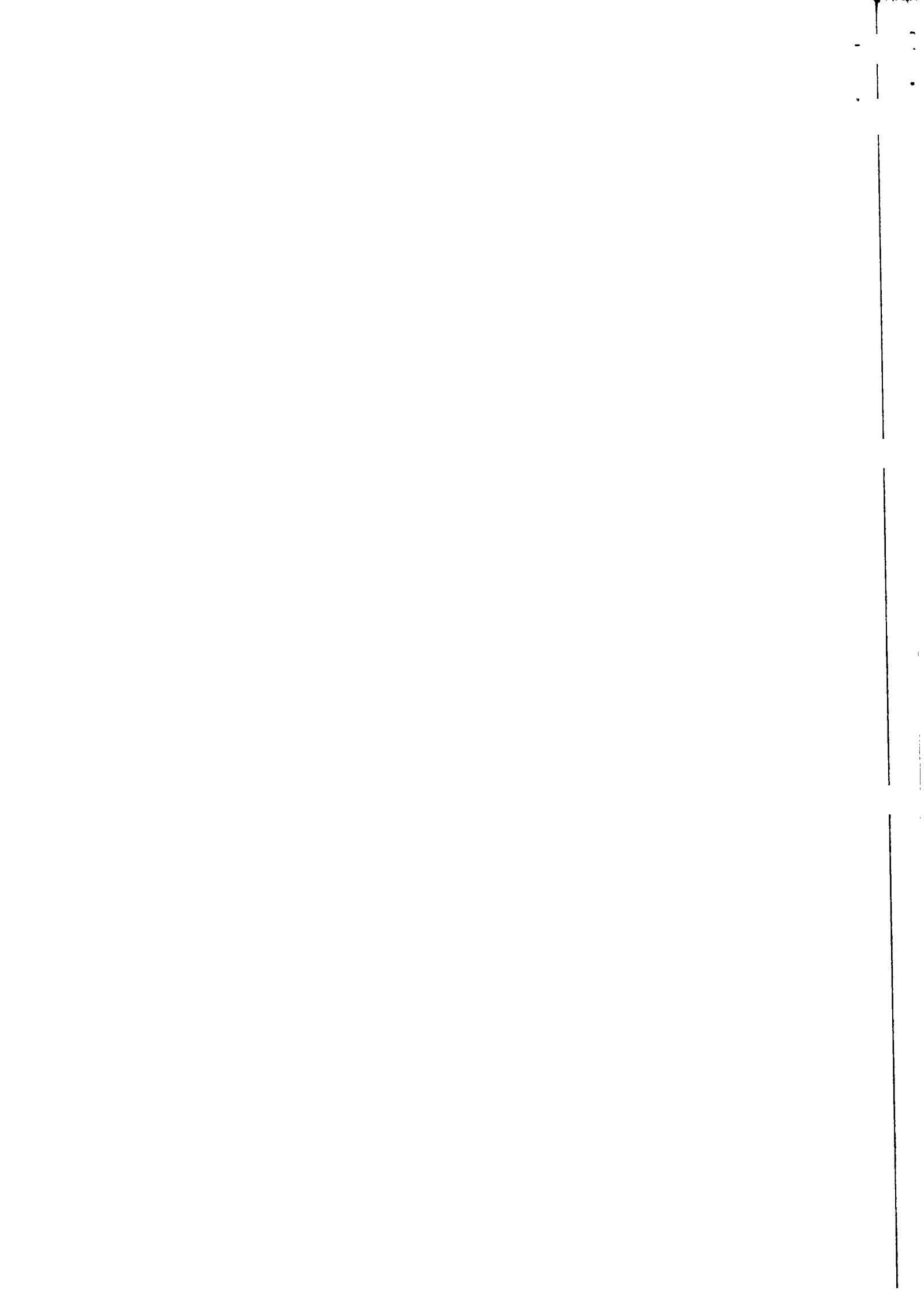
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



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

Nairobi

27 December 2018



University of Nairobi Enterprise Services Limited
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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017/2018 Kshs	2016/2017 Kshs
REVENUES			
Allocation from Income Generating Units	1	13,087,682	6,539,930
UNES University Bookstores	2	72,107,256	123,452,893
Arziki Restaurants and Chiromo Conference Centre	3	41,060,930	44,242,532
Consultancy	4	308,034,859	482,259,083
Other Income	5	577,937	7,503,566
TOTAL REVENUES		434,868,664	663,998,004
OPERATING EXPENSES			
Direct Costs	6	342,928,296	484,087,816
Administration Costs	7	153,034,568	159,518,650
Depreciation of property, plant and equipment	13	6,584,264	6,121,755
TOTAL OPERATING EXPENSES		502,547,128	649,728,221
OPERATING LOSS	9	(67,678,464)	14,269,783
Finance Income	10	4,610,322	6,007,463
LOSS BEFORE TAXATION		(63,068,142)	20,277,246
INCOME TAX EXPENSE/ (CREDIT)		0	0
LOSS AFTER TAXATION		(63,068,142)	20,277,246
Earnings per share – basic	11	(12,614)	4,055

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2017/2018 Kshs	2016/2017 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	13-14	19,655,577	14,976,270
Intangible assets	15	0	0
Total Non-Current Assets		19,655,577	14,976,270
Current Assets			
Inventories	16	53,995,502	60,500,632
Trade and other receivables	17	355,928,842	384,791,142
Short-term Investments	18	75,000,000	101,500,000
Bank and cash balances	19	7,927,738	49,920,862
Total Current Assets		492,852,082	596,712,636
TOTAL ASSETS		512,507,659	611,688,906
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary share capital	20	100,000	100,000
Capital Reserve	22	9,221,458	10,905,736
Retained earnings	21	(15,583,313)	47,484,829
Capital and Reserves		(6,261,855)	58,490,565
Non-Current Liabilities			
Long term liability	23	23,472,440	23,472,440
Total Non-Current Liabilities		23,472,440	23,472,440
Current Liabilities			
Trade and other payables	24	437,189,007	474,158,665
Staff gratuity obligations	25	34,900,546	32,326,009
Provision for leave pay	26	3,471,945	3,471,945
Dividends payable	27	15,348,752	15,348,752
Bank accounts with overdrawn cashbook	28	4,386,824	4,420,530
Total Current Liabilities		495,297,074	529,725,901
TOTAL EQUITY AND LIABILITIES		512,507,659	611,688,906

The financial statements were approved by the Board on 30th August, 2018 and signed on its behalf by:


Chairman


Director


Director

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Ordinary share capital	Capital reserve	Retained earnings	Total
	Kshs	Kshs	Kshs	Kshs
At July 1, 2016	100,000	11,107,636	27,207,583	38,415,219
Expenses from capital reserves	0	(201,900)	0	(201,900)
Total comprehensive income	0	0	20,277,246	20,277,246
At June 30, 2017	100,000	10,905,736	47,484,829	58,490,565
At July 1, 2017	100,000	10,905,736	47,484,829	58,490,565
Expenses from capital reserves	0	(1,684,278)	0	(1,684,278)
Total comprehensive income	0	0	(63,068,142)	(63,068,142)
At June 30, 2018	100,000	9,221,458	(15,583,313)	(6,261,855)

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017/2018 Kshs	2016/2017 Kshs
OPERATING ACTIVITIES			
Cash (used in) / generated from operations	29 (a)	(60,121,891)	(11,956,158)
Finance income (Interest received)	10	4,610,322	6,007,463
Dividends paid	29 (b)	-	(6,000,000)
Net cash generated from/ (used in) operating activities		(55,511,569)	(11,948,695)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13-14	(11,263,572)	(1,088,157)
Capital renovations	22	(1,684,278)	(201,900)
Net cash generated from/(used in) investing activities		(12,947,850)	(1,290,057)
FINANCING ACTIVITIES			
Net cash (used in) financing activities		0	0
(DECREASE) IN CASH AND CASH EQUIVALENTS		(68,459,419)	(13,238,752)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		147,000,332	160,239,084
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	29(d)	78,540,915	147,000,332

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**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2018**

	Original Budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	FY 2017/2018	FY 2017/2018	FY 2017/2018	FY 2017/2018	FY 2017/2018
	KShs	KShs	KShs	KShs	KShs
Revenue					
Gross Sales Income	1,332,628,070	(404,589,119)	928,038,951	434,868,664	(493,170,287)
Cost of Sales	1,002,957,445	(338,279,262)	664,678,183	342,928,296	321,749,887
Gross Profit	329,670,625	(66,309,857)	263,360,768	91,940,368	(171,420,400)
Other Incomes & Grants – Recurrent	0	0	0	4,610,322	4,610,322
Total Recurrent Revenue	329,670,625	(66,309,857)	263,360,768	96,550,690	(166,810,078)
Operating Expenses					
Personnel Emoluments	164,960,309	(22,547,637)	142,412,672	112,687,601	29,725,071
Board Expenses	6,964,000	(1,240,000)	5,724,000	2,654,000	3,070,000
Administrative / Operating Expenses	90,830,376	(22,116,447)	68,713,929	37,692,967	31,020,962
Depreciation	9,665,821	(2,293,889)	7,371,932	6,584,264	787,668
Total Operating Expenses	272,420,506	(48,197,973)	224,222,533	159,618,832	64,603,701
Net Surplus for the Period	57,250,119	(18,111,884)	39,138,235	(63,068,142)	(102,206,377)

Capital Budget

Purchase of Conference Tents, Furniture & Fittings	4,000,000	0	4,000,000	0	4,000,000
Purchase of Computers / Laptops	2,000,000	0	2,000,000	369,400	1,630,600
Servers	750,000	0	750,000	0	750,000
Purchase of Equipment (Generator)	350,000	0	350,000	0	350,000
Total Capital Budget	7,100,000	0	7,100,000	369,400	6,730,600

The company relies on internally generated funds from its business units, which had been projected KSh 1.3 billion and later revised to KSh 928.0 million for the F/Y 2017/2018. The actual revenue was below what was projected at KSh 434.7 million due to the challenging business environment. Some of the factors that led to the negative variance include the long electioneering period in 2017, lecturers and student unrests which led to the closure of the company for long periods of time.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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)

Amendment/Interpretation to a standard	Effective date	Impact: No impact on the organization
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing <u>IAS 39</u> <i>Financial Instruments: Recognition and Measurement</i>.</p> <p>The standard contains requirements in the following areas:</p> <ul style="list-style-type: none"> • Classification and measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of

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Amendment/Interpretation to a standard	Effective date	Impact: No impact on the organization
		<p>an entity's own credit risk.</p> <ul style="list-style-type: none"> • Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised • Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures • Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39
<p>IFRS 15: Revenue from Contracts with Customers <i>(Issued 28 May 2014)</i></p>	<p>Applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018</p>	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"> • Identify the contract with the customer • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. <p>Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.</p>
<p><u>IFRIC 22</u>: Foreign Currency Transactions and Advance Consideration <i>(Issued 8 December 2016)</i></p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2018</p>	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. <p>The Interpretations Committee came to the</p>

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Amendment/Interpretation to a standard	Effective date	Impact: No impact on the organization
		<p>following conclusion:</p> <ul style="list-style-type: none"> • The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. • If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.
<p><i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</i> (Issued 19 January 2016)</p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends IAS 12 <i>Income Taxes</i> to clarify the following aspects:</p> <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.
<p><i>Disclosure Initiative (Amendments to IAS 7)</i> (Issued 29 January 2016)</p>	<p>Effective for annual periods beginning on or after 1 January 2017</p>	<p>Amends IAS 7 <i>Statement of Cash Flows</i> to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p>
<p><i>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</i> (Issued 12 April 2016)</p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends IFRS 15 <i>Revenue from Contracts with Customers</i> to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.</p>
<p><i>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</i> (Issued 20 June 2016)</p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>Amends IFRS 2 <i>Share-based Payment</i> to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for</p>

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Amendment/Interpretation to a standard	Effective date	Impact: No impact on the organization
		modifications of share-based payment transactions from cash-settled to equity-settled.
<p><i>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4) (Issued 12 September 2016)</i></p>	<p>Overlay approach to be applied when IFRS 9 is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date</p>	<p>Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none"> • an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach; • an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach. <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p>
<p><i>Transfers of Investment Property (Amendments to IAS 40) (Issued 8 December 2016)</i></p>	<p>Effective for annual periods beginning on or after 1 January 2018</p>	<p>The amendments to IAS 40 Investment Property:</p> <ul style="list-style-type: none"> • Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. • The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.
<p><i>Annual Improvements to IFRS Standards 2014–2016 Cycle (Issued 8 December 2016)</i></p>	<p>The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose • IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>

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Amendment/Interpretation to a standard	Effective date	Impact: No impact on the organization
	or after 1 January 2017	<ul style="list-style-type: none"> • IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.

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<p><i>Prepayment Features with Negative Compensation (Amendments to IFRS 9) (Issued 12 October 2017)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
<p><i>Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28) (Issued 12 October 2017)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.</p>
<p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle (Issued 12 December 2017)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business. • IAS 12 - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits. • IAS 23 - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalisation rate on general borrowings.
<p><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Issued 7 February 2018)</i></p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> are:</p> <ul style="list-style-type: none"> • If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on

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Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
		the requirements regarding the asset ceiling.
<i>Amendments to References to the Conceptual</i>	Annual periods beginning on or	Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued

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Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
<i>Framework in IFRS Standards</i> (Issued 29 March 2018)	after 1 January 2020	<i>Amendments to References to the Conceptual Framework in IFRS Standards</i> . The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-

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Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
		32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i> . Some pronouncements are only updated to indicate which

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Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
		version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new

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Amendment/Interpretation to a standard	Effective date	Impact: No impact to the organization
<i>IFRS 16: Leases</i> (Issued 13 January 2016)	Applicable to annual reporting periods beginning on or after 1 January 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 <i>Insurance Contracts</i> as of 1 January 2021.
<i>IFRIC 23: Uncertainty over Income Tax Treatments</i> (Issued 7 June 2017)	Applicable to annual reporting periods beginning on or after 1 January 2019	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers: <ul style="list-style-type: none"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • The effect of changes in facts and circumstances.
<i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.
<i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)	Annual periods beginning on or after 1 January 2019	Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.
		definitions developed in the revised <i>Conceptual Framework</i> .

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Early adoption of standards

The company did not early-adopt any new or amended standards in 2018.

D: Summary of Significant Accounting Policies

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

i) Revenue recognition

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

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

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

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:

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 101.95 and 1 EUR = Ksh 115.56.

xiv) Comparative figures

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

xv) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

xvi) **Corporation tax**

UNES is exempted from paying corporation tax.

xvii) **Financial risk management**

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

a) **Liquidity Risk**

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

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

b) **Credit Risk**

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

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

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

	Total Amount Kshs	Fully Performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivable from non-exchange transactions	353,836,806	353,836,806	53,283,589	-
Bank Balances	7,927,738	7,927,738	-	-
Total	361,764,544	361,764,544	53,283,589	-
At 30 June 2017				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	385,075,526	385,075,526	77,015,105	-
Bank balances	47,973,244	47,973,244	-	-
Total	433,048,770	433,048,770	77,015,105	-

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Market Risk

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

i) Foreign Exchange Risk

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

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

ii) Price Risk

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

iii) Interest Rate Risk

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

xviii) Critical Accounting Estimates and Judgements

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

a) Impairment of non-financial assets

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

b) Contingent liabilities and assets

A contingent liability is a potential obligation that may be incurred depending on the outcome of a future event. It is a situation where the outcome of an existing situation is uncertain, and this uncertainty will be resolved by a future event. A contingent liability is recorded in the books of accounts only if the contingency is probable and the amount of the liability can be estimated. A contingent asset is a potential asset associated with a contingent gain. Unlike contingent liabilities and contingent losses, contingent assets and contingent gains are not recorded in accounts, even when they are probable and the amount can be estimated.

c) Going concern issues

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

E: Significant Judgements and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

d) 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.

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

F: Explanatory Notes to the Financial Statements

1 ALLOCATION FROM INCOME GENERATING UNITS

	2017/2018	2016/2017
	Kshs	Kshs
Veterinary Farm	401,738	534,387
Clinical studies	950,699	458,805
Dept. of Diagnostic Imaging & Radiation Medicine	1,022,594	689,302
Dept. of Haematology & Blood Transfusion	23,010	32,357
Chiromo Funeral Parlour	6,013,063	2,645,481
Clinical Chemistry	1,410	10,455
Dental Plaza	3,283,543	1,430,733
UON Library IGA	1,380,675	782,260
Surgery	10,950	5,075
Unitid		5,075
	<u>13,087,682</u>	<u>6,539,930</u>

2 REVENUE FROM UNES UNIVERSITY BOOKSTORE

Nairobi	64,555,957	103,402,089
Mombasa	6,966,188	13,702,897
Kisumu	4,955,139	7,715,165
Other Income	19,400	-
	<u>76,496,684</u>	<u>124,820,151</u>
Less: VAT paid	4,389,428	1,367,258
	<u>72,107,256</u>	<u>123,452,893</u>

3 REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE

Restaurant services	35,167,433	36,840,646
Conference services	2,955,180	3,186,220
Outside catering services	8,228,288	11,423,559
Other Income	393,096	54,716
	<u>46,743,997</u>	<u>51,505,141</u>
VAT and Catering levy paid	5,683,067	7,262,609
	<u>41,060,930</u>	<u>44,242,532</u>

4 REVENUE FROM CONSULTANCY

Consultancies	296,609,032	456,764,016
Training (Short courses)	6,288,190	25,495,067
Other income	5,137,637	-
	<u>308,034,859</u>	<u>482,259,083</u>

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 OTHER INCOME COSTS	2017/2018	2016/2017
	Kshs	Kshs
Sale of tender documents/Misc	473,914	13,324,804
Unrealized foreign exchange gain	<u>104,023</u>	
	<u>577,937</u>	<u>13,324,804</u>
6 DIRECT COSTS		
i) Cost of sales		
Nairobi Bookstore	46,222,871	80,666,831
Kisumu Bookstore	3,411,860	5,387,712
Mombasa Bookstore	4,101,297	6,896,612
Arziki Restaurants and conference centre	25,173,350	19,659,438
ii) Consultancy direct project costs	<u>264,018,918</u>	<u>371,477,223</u>
	<u>342,928,296</u>	<u>484,087,816</u>
7 ADMINISTRATION		
Staff Costs (note 9)		
UNES Head office	71,543,088	66,314,916
UNES University Bookstore-Nairobi	11,083,268	11,588,132
UNES University Bookstore-Kisumu	1,722,950	2,689,987
UNES University Bookstore-Mombasa	2,342,854	2,413,712
Chiromo Conference Center & Arziki Restaurants	16,901,379	16,983,028
UNES Consultancy unit	<u>9,094,062</u>	<u>9,792,118</u>
	112,687,601	109,781,893
Directors Emoluments		
Directors Sitting Allowances	2,654,000	3,260,000
Directors Retainer Fees	-	401,500
Chairman's Honorarium	-	<u>720,000</u>
	2,654,000	4,381,500
Office and other Costs		
(i) UNES Head office expenses		
Staff Training & Development	496,380	492,870
Medical Expenses	5,561,566	4,727,243
New Business Development	100,920	33,240
Out-Sourced Services	3,987,046	3,180,763
Staff Travelling and Accommodation	153,041	302,673
Transport operating expenses	1,105,978	1,175,359
Seminars and Workshops	188,640	376,770
Telecommunication	582,677	504,957

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017/2018	2016/2017
	Kshs	Kshs
Electricity & water	117,578	-
Printing Expenses	139,344	603,760
Uniforms and Clothing	89,292	12,480
Office Stationery	1,865,346	1,935,897
General expenses & Other consumables	2,088,528	2,106,872
Marketing & Advertisements	365,960	2,633,968
Physical space	-	1,410,000
Bank Charges	796,190	442,339
Maintenance of equipment	193,180	184,511
Maintenance of vehicles	608,069	1,131,500
Maintenance of Buildings & Grounds	77,345	18,220
Legal & Statutory Expenses	-	42,245
Security Expenses	579,986	-
Subscriptions	220,196	130,980
ICT Services	93,859	348,774
Audit Fees	870,000	870,000
Entertainment	-	240,013
Corporate Social Responsibility	44,344	-
Performance contracting	436,717	297,494
ISO-QMS Expenses	326,441	2,637,885
	21,088,623	25,840,813
(ii) UNES University Bookstore-Nairobi		
Casuals/Outsourced services	738,794	371,984
Staff training & development	11,050	8,300
Medical expenses	1,564,858	664,288
Bank Charges	242,804	304,993
Physical space	-	1,410,000
General office expenses	644,743	686,345
Maintenance and repairs	139,160	452,464
Marketing expenses	119,413	86,760
Statutory & legal expenses	42,000	12,000
Travelling expenses	57,440	109,220
Withholding VAT	13,590	52,853
Telecommunication	<u>145,399</u>	<u>91,600</u>
	3,719,251	4,250,807

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) UNES University Bookstore-Kisumu

	2017/2018	2016/2017
	Kshs	Kshs
Out sourced services	10,000	474,802
Staff training & development	1,900	1,000
Staff medical expenses	198,270	49,942
Transport & Travelling Expenses	353,251	191,570
Rent Expenses	-	2,008,896
General office expenses	139,220	326,421
Marketing expenses	104,677	202,110
Telecommunication	48,860	28,400
Electricity	0	2,320
Repair and maintenance	66,653	87,453
Statutory & legal expenses	34,334	38,776
W/Holding Tax	263	2,143
Security	-	45,240
	957,428	3,459,075

(iv) UNES University Bookstore-Mombasa

Staff training & development	2,250	1,500
Casual labour	524,955	176,668
Staff medical expenses	292,905	27,000
Transport & Travelling Expenses	37,775	35,200
Rent Expenses	-	818,496
General office expenses	355,907	398,642
Marketing expenses	76,750	83,588
Repairs and maintenance	282,907	340,841
Telecommunication	30,250	35,122
Withholding VAT	1,720	7,381
Statutory & legal expenses	<u>18,250</u>	<u>81,200</u>
	1,623,668	2,005,638

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017/2018	2016/2017
	Kshs	Kshs
(v) Chiromo Conference Center & Arziki Restaurants		
Out sourced services	413,205	811,640
Staff Medical expenses	2,684,079	1,480,198
Office Expenses	364,646	642,248
Transport Expenses	156,851	141,248
Telecommunication	64,266	45,550
Purchase of small kitchen equipments	64,280	29,102
Stationery/Printing	25,924	7,060
Electricity / Water	330,147	323,256
Maintenance of Equipment	478,924	218,797
Staff training	24,550	13,900
Staff uniform	126,079	27,244
Laundry expenses	57,330	18,000
Maintenance of building	9,048	61,198
Maintenance of vehicle	74,115	66,605
Physical space	600,000	600,000
Legal & statutory expenses	392,076	456,864
Bank charges	<u>75,544</u>	<u>130,323</u>
	5,941,064	5,103,214
(vi) UNES Consultancy unit		
Stationery & Printing	845,114	576,821
Staff Medical expenses	488,174	155,230
Outsourced services	111,660	175,806
Travelling & Subsistence	196,012	217,115
Office expenses	358,339	885,176
Telecommunication expenses	126,744	83,787
Security Expenses	1,244,442	907,242
Legal & Statutory Expenses	-	92,000
Marketing	321,900	303,862
Insurance expenses	452,427	452,427
Bank charges	<u>218,120</u>	<u>830,244</u>
	<u>4,362,932</u>	<u>4,679,710</u>
Total administration costs	153,034,568	159,502,650
	=====	=====

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 STAFF COSTS

	2017/2018	2016/2017
	KShs	KShs
Salaries and allowances employees	151,402,968	88,609,236
Compulsory national health insurance schemes	1,394,000	1,443,200
Compulsory national social security schemes	237,600	488,800
Leave pay and gratuity provisions	-	19,240,657
	<u>153,034,568</u>	<u>109,781,893</u>

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

Management level employees	5	5
Middle level employees	13	13
Lower level employees	82	82
	<u>100</u>	<u>100</u>

9 OPERATING PROFIT

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

Staff costs (note 8)	153,034,568	109,781,893
Depreciation of property, plant and equipment	6,584,264	6,121,755
Amortisation of intangible assets	-	-
Directors' emoluments - fees	2,654,000	4,341,500
Auditors' remuneration - current year fees	870,000	870,000

10 FINANCE INCOME

Interest income on government securities	3,900,179	5,982,949
Interest income on short-term bank deposits	710,143	24,514
	<u>4,610,322</u>	<u>6,007,463</u>

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).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 PROPERTY, PLANT AND EQUIPMENT

2017/2018	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total 2017/2018
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs
At July 1, 2017	22,593,000	20,199,690	40,206,536	82,999,351
Additions	9,725,040	709,763	828,768	11,263,572
At June 30, 2018	32,318,040	20,909,453	41,035,304	94,262,923
DEPRECIATION				
At July 1, 2017	21,032,500	18,984,554	28,006,027	68,023,081
Charge for the year	2,725,320	1,197,065	2,661,880	6,584,264
At June 30, 2018	23,757,820	20,181,619	30,667,907	74,607,345
NET BOOK VALUE				
At June 30, 2018	8,560,220	727,834	10,367,397	19,655,577

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

2016/2017	Motor vehicles, including, motor cycles	Computers & related equipment	Office equipment, furniture & fittings	Total 2016/2017
COST OR VALUATION	Kshs	Kshs	Kshs	Kshs
At July 1, 2016	22,593,125	19,645,748	39,672,321	81,911,194
Additions	0	553,942	534,215	1,088,157
At June 30, 2017	22,593,125	20,199,690	40,206,536	82,999,351
DEPRECIATION				
At July 1, 2016	19,456,387	17,698,816	24,746,123	61,901,326
Charge for the year	1,576,113	1,285,738	3,259,904	6,121,755
At June 30, 2017	21,032,500	18,984,554	28,006,027	68,023,081
NET BOOK VALUE At June 30, 2017	1,560,625	1,215,136	12,200,509	14,976,270

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2017/2018	2016/2017
	Kshs	Kshs
15 INTANGIBLE ASSETS		
COST		
At July 1	7,987,080	7,987,080
At June 30	<u>7,987,080</u>	<u>7,987,080</u>
AMORTISATION		
At July 1	7,987,080	7,987,080
At June 30	<u>7,987,080</u>	<u>7,987,080</u>
NET BOOK VALUE		
At June 30	<u>-</u>	<u>-</u>
The intangible asset relates to computer software		
16 INVENTORIES		
UNES Bookstores	49,947,837	55,569,438
Chiromo Funeral Parlour	502,430	413,150
Arziki Restaurants & Conference Centre	878,727	667,626
UNES Head Office	870,036	737,612
Clinical Studies	1,426,545	2,080,219
Vet Farm	-	406,038
Haematology	72,669	71,996
Radiology	91,505	196,645
Immunology	-	22,959
Dental Plaza	149,748	142,089
Clinical Chemistry	56,005	192,860
	<u>53,995,502</u>	<u>60,500,632</u>
All inventories are valued at historical cost.		
17 TRADE AND OTHER RECEIVABLES		
Trade receivables	353,836,806	3 61,833,490
Bank Guarantees	3,385,000	7,159,390
Staff receivables	2,296,217	2,503,882
Other receivables	2,802,173	2,211,065
Suppliers deposits and advances	3,022,646	11,083,315
Provision for bad debts	(9,414,000)	0
Net trade and other receivables	<u>355,928,842</u>	<u>384,791,142</u>

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

18 SHORT TERM DEPOSITS	2017/2018	2016/2017
	Kshs	Kshs
91 Days Treasury bills	75,000,000	101,500,000
	<u>75,000,000</u>	<u>101,500,000</u>

19 BANK AND CASH BALANCES

Cash in hand	1,835,635	1,761,392
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Bank accounts with positive cashbook balances

IGU Accounts

UNES Account NBK	540,100	614,580
CAVS Clinical Studies BBK Account	1,097,158	2,618,049
Faculty of Medicine BBK Account	1,100,118	2,882,724

	<u>2,737,376</u>	<u>6,115,353</u>
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UNES Accounts

UNES Consultancy-BBK	2,253,985	22,955,053
UNES Arziki Restaurant BBK	30,797	2,725,956
UNES US-Dollar Account BBK	130,054	1,139,787
UNES Euro Account BBK	206,960	3,259,852
UNES Corporate-BBK	-	11,963,469
UNES USAID Project BBK Account	732,932	-

	<u>7,927,738</u>	<u>42,044,117</u>
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Total Cash at bank and in hand

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

20 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.

21 RETAINED EARNINGS

	2017/2018	2016/2017
	Kshs	Kshs

The retained earnings represent amounts available for distribution to the company's shareholders. Undistributed retained earnings are utilised to finance the company's business activities.

Balance at beginning of the year	47,484,828	27,207,583
Less: Total comprehensive Loss for the year	(63,068,142)	20,277,246
	<u>(15,583,314)</u>	<u>47,484,828</u>

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 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	10,905,736	11,107,636
Less: Capital renovations during the year	(1,684,278)	(201,900)
Balance at the end of the year	<u>9,221,458</u>	<u>10,905,736</u>

23 LONG TERM LIABILITY

Balance at beginning of the year	23,472,440	23,472,440
Balance at end of the year	<u>23,472,440</u>	<u>23,472,440</u>

24 TRADE AND OTHER PAYABLES

Trade payables	64,268,020	24,879,674
Remittance for consultancies	75,015,380	151,373,730
Provision for audit fees	870,000	870,000
Provision for expenses	3,710,669	3,710,669
Provision for rent	8,112,480	7,662,480
Provision for directors' expenses	1,200,000	1,200,000
Provision for output VAT	48,482,160	57,150,885
Amount held for the University of Nairobi	224,532,352	216,313,281
Student deposits	9,544,770	9,544,770
IGU creditors	1,453,176	1,453,176
	<u>437,189,007</u>	<u>474,158,665</u>

2017/2018	2016/2017
Kshs	Kshs

25 STAFF GRATUITY AND OBLIGATIONS

Staff gratuity	34,900,546	32,326,009
	<u>34,900,546</u>	<u>32,326,009</u>

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

University of Nairobi Enterprise Services Limited
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 PROVISION FOR LEAVE PAY

Additional provision at end of year	-	860,661
Balance at end of the year	<u>3,471,945</u>	<u>3,471,945</u>

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

27 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	15,348,752	21,348,752
Dividends declared	-	-
	<u>15,348,752</u>	<u>21,348,752</u>
Less: Dividend paid	-	(6,000,000)
Balance at end of the year	<u>15,348,752</u>	<u>15,348,752</u>

28 BANK ACCOUNTS WITH OVERDRAWN CASHBOOK

UNES Corporate Account	829,369	-
UNES USAID Project BBK Account	-	111,312
Chiromo Funeral Parlour SCB Account	581,972	801,613
UNES University Bookstore BBK Account	2,975,483	3,507,604
Balance at end of the year	<u>4,386,824</u>	<u>4,420,530</u>

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

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

29 NOTES TO THE STATEMENT OF CASH FLOWS

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

	2017/2018	2016/2017
	Ksh	Ksh
Operating profit	(67,678,464)	14,269,783
Depreciation	6,584,264	6,121,755
Operating profit/ (loss) before working capital changes	(61,094,200)	20,391,538
Decrease/ (Increase) in inventories	6,505,130	14,181,364
Decrease/ (Increase) in trade and other receivables	28,862,300	(152,167,824)
(Decrease)/ Increase in trade and other payables	(34,395,121)	98,691,084
(Decrease)/Increase in provision for staff gratuity		6,087,018
(Decrease)/Increase in provision for staff leave pay		860,661
Cash (used in) / generated from operations	972,309	(11,956,158)

(b) Analysis of dividend paid

Balance at beginning of the year	15,348,752	21,348,752
Balance at end of the year	15,348,752	15,348,752
Dividend paid	-	6,000,000

(c) Analysis of changes in long term liability

Balance at beginning of the year	23,472,440	23,472,440
Balance at end of the year	23,472,440	23,472,440

(d) Analysis of cash and cash equivalents

Short term deposits	75,000,000	101,500,000
Cash at bank (See note 19)	6,092,103	48,159,470
Cash in hand	1,835,635	1,761,392
Bank Overdraft (See note 28)	(4,386,824)	(4,420,530)
Balance at end of the year	78,540,915	147,000,332

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 RELATED PARTY TRANSACTIONS

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

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

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

	2017/2018	2016/2017
	Ksh	Ksh
<u>Due from UON</u>		
Owings to Bookstore and Arziki	113,270,763	101,479,469
<u>Due to UON</u>		
Long-term liability- Bookstore amount on takeover by UNES	23,472,440	23,472,440
Dividends payable	15,348,752	15,348,752

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

	2017/2018	2016/2017
Directors emoluments	2,734,000	4,381,500
Compensation to the CEO	7,352,804	7,747,825
Compensation to Key Management	18,248,100	12,673,460

31 CONTINGENT LIABILITIES

During the financial year the company did not have any contingent liabilities.

	2017/2018	2016/2017
Bank Guarantees	3,385,000	7159,390
Legal claims against the entity	-	-
	3,385,000	7,159,390

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

There were no issues raised by the external auditor during the audit for the last financial year.

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)
I.Sustaining use of District Health Information System II in Kenya Program	AID-615-A-16-00013	USAID	3 years	USD 4,099,346	YES

APPENDIX III: STATUS OF PROJECTS COMPLETION

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

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual per quarter	Sources
1	Sustaining use of District Health Information System II in Kenya Program	KES 409,934,580	KES 199,789,053	47%	KES 289,240,396	YR1 Q1 KES 12,593,732.43 YR1 Q2 KES 16,117,015.51 YR1 Q3 KES 22,478,259.25 YR1 Q4 KES 57,758,937.32 YR2 Q1 KES 33,157,727.54 YR 2Q2 KES 32,683,381	USAID