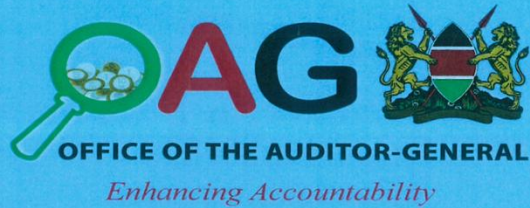


REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

**UNIVERSITY OF NAIROBI ENTERPRISES
AND SERVICES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2021**



UNIVERSITY OF NAIROBI ENTERPRISES AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

**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

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

Principal Activities

The principal activities of UNES are:

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

Incorporation

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

Registered Office and Corporate Headquarters

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

Corporate Contacts

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

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

DIRECTORS

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

| | Name | Designation | |
|----|----------------------------|--------------------|-------------------------|
| 1 | Eng. Kariuki Muchemi | Chairman | Appointed on 22-05-2019 |
| 2 | Prof. Kinandu Muragu | Member | Appointed on 12-06-2008 |
| 3 | Mr. Hirji Shah O.G. W | Member | Appointed on 12-09-2013 |
| 4 | Mr. Yusuf Omari | Member | Appointed on 15-09-2009 |
| 5 | Mr. Samuel Mugambi Mutwiri | Member | Appointed on 18-07-2018 |
| 6 | Mr. Abdi Mohamud Hassan | Member | Appointed on 16-09-2018 |
| 7 | Ms Miriam Musyoki | Member | Appointed on 26-11-2018 |
| 8 | Ms Flora Maghanga Mtuweta | Member | Appointed on 16-09-2018 |
| 9 | Prof. Stephen Gitahi Kiama | Member | Appointed on 09/04/2020 |
| 10 | Mr. Seith Abeka | Managing Director | Appointed on 25-10-2019 |

CORPORATION SECRETARY

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

CORPORATE BANKERS

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

INDEPENDENT AUDITORS

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


THE BOARD OF DIRECTORS

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



University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

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|  <p>3. Mr. Abdi Mohamud Hassan MA, LLB, B.Sc, Advocate of the High Court of Kenya</p> | <p>He has also served as the Managing Partner, Hassan Mutembei & Company Advocates and Wamalwa, Abdi & Company Advocates.</p> |
|  <p>4. Prof. Kinandu Muragu, B.Com, MBA, (Nairobi), PhD(Glasgow,UK)</p> | <p>Born in 1957. Professor Kinandu Muragu joined Kenya School of Monetary Studies on May 02, 2008. He is a Fellow of the Institute of Certified Accountants of Kenya (FCPA).</p> <p>Before joining the School, Prof. Muragu worked under the sponsorship of the World Bank as the Projects Coordinator for the 19 Donor-funded Education Sector Development Programme in the Kingdom of Lesotho. He was responsible for creation of the e-governance system for the education sector that enabled him participate in the implementation of the e-schools project in Lesotho and thereafter follow progress of the initiative across the continent.</p> <p>He has consulted for a variety of international organizations such as the World Bank, World Food Programme and UNICEF. He has also held the position of Dean of Finance and Administration and Chief Finance Officer at the United States International University-Africa where he was also Associate Professor of Finance. Prof. Muragu has also carried out consulting assignments in Kenya, Uganda, Tanzania, Malawi, Zimbabwe and Swaziland as a Senior Consultant for the Eastern and Southern African Management Institute (ESAMI), one of Africa's top management institutes. Before joining ESAMI, he had lectured at the University of Nairobi for 10 years rising to be a senior lecturer in the Department of Accounting and Finance. Prof. Muragu had his basic accountancy training at Delloite and Touche and later at PricewaterhouseCoopers and Nyaga Associates.</p> |
|  | <p>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> |



University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

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| <p>5. Mr. Yusuf Omari, MBA, B. Econ., ICPA(K), IIA.</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>6. Prof. Stephen G Kiama B.V.M, MSC, PhD, MKNAS</p>  | <p>Born in 1964 Prof. Stephen Kiama Gitahi is the 8th Vice-Chancellor, University of Nairobi and UNES Board Member. He holds an earned doctorate degree in Structural Biology from University of Bern in Switzerland. He is an accomplished scholar with proven track record in formulating and managing academic programs and on research and publication. He has over 16 years’ experience in management and leadership positions at the University of Nairobi.</p> <p>Prof. Kiama was employed by the University of Nairobi upon graduation in 1990 as an assistant Lecturer in the Department of Veterinary Anatomy. Since then, he has risen through the ranks to positions of Lecturer (1995), Senior Lecturer (2002), Associate Professor (2012) and Professor (2016). Prof. Kiama is currently serving as Vice Chancellor of the University of Nairobi with effect from Jan 6 2020 to Jan 5 2025. Previously he served as the Deputy Vice Chancellor in charge of Human Resource and Administration at University of Nairobi, the Acting Deputy Vice Chancellor In-charge of Finance, Planning and Development, Principal College of Agriculture and Veterinary Sciences from 2016 to 2019, Director of Wangari Maathai Institute for Peace and Environmental Studies from 2010 to 2016, Chairman of the Department of Veterinary Anatomy and Physiology from 2005—2010, Acting dean of the Faculty of Veterinary Medicine in 2014 and Associate Dean of the Faculty of Veterinary Medicine from 2003-2010.</p> |



University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

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|--|--|
|  <p>7. Ms Flora Maghanga Mtuweta, BA (Econ), MBA (Strategic Mgt), CPA (K)</p> | <p>Born in 1967, Ms. Flora M. Maghanga-Mtuweta is a seasoned, accomplished Finance and Administration professional with over 25years experience; having held various senior management positions in private and public sector.</p> <p>She has an MBA in Strategic Management from the University of Nairobi and A Bachelors in Economics and Business from Kenyatta University. She is a Certified Public Accountant of Kenya and a member of The Institute of Certified Public Accountant of Kenya. She has vast experience in financial management, Micro Finance and Fundraising having worked as a pioneer County Executive Committee Member in the devolved system of government and Involved in the start-up of two Micro Finance Institutions one of which is a bank now.</p> <p>She is a Board Member of The Centre for Public Finance and Tax, Association of Women Accountants of Kenya and a Council Member of The University of Nairobi.</p> |
|  <p>8. Mr. Samuel Mugambi Mutwiri, B. Com, MBA, Dip (Finance)</p> | <p>Born in 1965, Mr. Samuel Mugambi holds a Bachelor of Commerce from the University of Nairobi, a Masters of Business Administration from Esami / Maustritch University and a Diploma in Finance from Kenya School of Accountancy.</p> <p>He has worked in the Ministry of health, Ministry of Planning and National Development, Central Kenya Dry Areas Project as a Project Administrative and Liaison Officer. He has also worked a Chief Finance Officer at State House, Ministry of Education, State Department for University Education & Research.</p> <p>He is a Board Member of Kigarine Day Secondary School and University Fund Board.</p> |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| | |
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|  <p>9. Ms Miriam Musyoki, BA (Econ), MBA (Economics)</p> | <p>Born in 1982 Ms Miriam Musyoki holds a Degree in BA, Economics and Master's Degree in Economics (Public Finance)</p> <p>She has worked in the National Treasury for 11 years as an Economist and currently as a Budget Officer.</p> |
|  <p>10. Mr. Seith Abeka, B.Econ & Math., MA (Gender & Development Studies).</p> | <p>Born in 1978, Mr. Seith Abeka is the Ag, Managing Director. He has wealth of experience in Organization Development and Project Management.</p> <p>He has served as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country.</p> <p>He has extensive experience in HIV and AIDS programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p> |

MANAGEMENT TEAM

| | |
|--|--|
|  <p>1. Mr. Seith Abeka, B.Econ & Math., MA (Gender & Development Studies). Managing Director</p> | <p>Born in 1978, Mr. Seith Abeka is the Ag, Managing Director. He has wealth of experience in Organization Development and Project Management.</p> <p>He has served as Local Consultant at the Transfer of Functions Office (TOFO) in Kenya for Brot für die Welt - Germany where he supported many community developments projects across the country.</p> <p>He has extensive experience in HIV and AIDS programming and wealth of knowledge in Gender Mainstreaming. He has attended many local and international seminars and workshops on capacity development.</p> |
|  <p>2. CS. Collins F. Omondi Corporation Secretary</p> | <p>CS. Collins F. Omondi is an expert in international trade and investments law, governance, human resources, and industrial relations practices.</p> <p>He has worked extensively on matters of disabilities and was instrumental in the review and amendments of the Persons with Disabilities Act 2003 in 2016.</p> <p>He holds a Master's in Law from the University of Nairobi (2018); an undergraduate law degree from Makerere University (2003); a Postgraduate Diploma in Legal Practice from the Kenya School of Law (2006), and a Certificate of Secretarial Practice and Governance Auditor (2012).</p> |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| | |
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|  <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>Chief Manager, Commercial Operations 4. Mr. Simplicious Ochieng, B.Com. (Accounting), MBA. (Finance), CPA (K).</p> | <p>Has a long career experience spanning 23 years in private and public commercial sectors. He has previously served as Head, Business Advisory Services (UNES) and Accounts & Administrations Manager at Comp-rite Kenya Limited. A member of Institute of Certified Public Accountants of Kenya.</p> |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

CHAIRMAN'S STATEMENT


It is with great pleasure that I wish to present to you the UNES' Annual Report and Financial Statements for the Year ended 30th June, 2021. The FY 2020/2021 was the most trying moment for UNES in terms of the business performance occasioned by the poor overall global economic performance occasioned by the COVID-19 Pandemic.

A number of businesses and intuitions closed as a result of COVID-19 Pandemic. Majority were our major clients. This unfortunate situation has impacted negatively on UNES Business Performance. The minimal performance is largely attributed to the general condition of the County's and World's Economy.

The Covid-19 protocols and containment measures affected the business operations, especially the travel restrictions and curfews. UNES is a solution-oriented business enterprise wholly owned by the University of Nairobi. UNES products and services include: Consultancy Services, Bookstores, Hospitality, Dental Services, Eye Care, Radiology and Bindery Services. Majority of UNES clients are government Ministries, Departments and Agencies.

UNES is a key player in Kenya's economic growth. The government prioritized Big Four Initiatives which include: infrastructure development, Universal Health Coverage Services, Food Security and Agriculture, affordable Housing program that UNES is actively engaged in through its products and services. UNES strategic business units have embraced online and digital initiatives in supporting business operations. The company is using Business Central ERP system for efficient and effective service delivery. I am confident that UNES will fulfil its mandate in supporting the University of Nairobi as the Consultancy and Commercial arm.

In conclusion, I take this opportunity to thank UNES Board, Staff, Management, the shareholder, the University of Nairobi, Suppliers and Customers for their continued support to the Company all times. I am confident that UNES shall remain a going concern into the foreseeable future. May God Bless UNES and the University of Nairobi.



Prof. Kinandu Muragu
CHAIRMAN, UNES BOARD

Date: 27/06/2022

REPORT OF THE CHIEF EXECUTIVE OFFICER

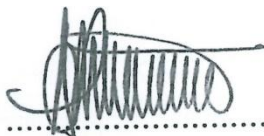
During the Financial Year 2020/21 which ended on 30th June 2021, UNES registered significant growth in Revenue. The company has aligned its Performance Contracting (PC) and Quality Management System (QMS) with the 2018-2023 Strategic plans.

The Corporate Annual Work-plan for the FY 2020/2021 was cascaded to all the various functions within the Company. In the wake of the Global Covid-19 pandemic, UNES management developed a business continuity plan that has helped the Company to survive during the reporting period.

UNES management and staff focused on four priority areas of Revenue, Customer Focus, Growth and Operational Excellence (RCGO). All staff are expected to contribute to the RCGO. The company is offering products and services in the areas of: - Consultancy & Partnerships Services, Bookstores & Learning Resources, Arziki Hospitality, Restaurant & Conference Services and UNES/UoN Income Generating Units of Dental Plaza, Eye Centre, DIRM, CFP and Bindery Services. The Consultancy & Partnerships Services is UNES flagship project.

The company made minimal profit during the year due to the global Covid-19 pandemic that has affected UNES clients who are predominantly government ministries, departments and agencies (MDAs). UNES reviewed its 2018 – 2023 Strategic Plan taking cognisance of the changing business environment and adoption of new normal business approach. The Company further embraced new technological approaches to reach out to its clients through digital essentials, e-Commerce, beefing networking and strengthening customer relationship management (CRM).

On behalf of UNES Board and Management, I wish to express my appreciation for the resilience during the FY 2020/21 which greatly suffered from the effects of Covid-19 pandemic. We are confident that UNES shall remain a going concern into the future. We sincerely thank the shareholder, the University of Nairobi for support to UNES Limited.



.....
Mr. Seith Abeka
MANAGING DIRECTOR

Date... 27/06/2022

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

**STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR
FY 2020/2021**

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

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

UNES develops its annual work plans based on the above four pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The UNES achieved its performance targets set for the FY 2020/2021 period for its four strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/ Issues | Objective | Key Performance Indicators (KPI) | Activities | Level of achievement |
|--------------------------------|--|--|--|----------------------|
| Enhancing Shareholder value | To enhance and sustain business growth | Revenues (KSh 'M) | Identifying and pursuing viable projects under the National Government's priority areas: Big 4 Agenda, Vision 2030 | 46.06 |
| | | Revenues (KSh 'M) | Harnessing business opportunities from Development Partners, MDAs & County governments. | 88.83 |
| | | Revenues (KSh 'M) | Identify and pursue viable projects from Donor funded Projects, and the East African Community market | 15.052 |
| | | Revenues (KSh 'M) | Develop, market & implement marketable Training Programmes | 10.941 |
| | | Revenue (KSh 'M) | Enhance partnerships and collaborations to improve the Arziki sales | 2.9 |
| | | Revenue (KSh 'M) | Introduce low budget menus to attract students; regular price review for Arziki products to attract the UoN community | 2.45 |
| | | % implementation level | Enhance collaborations with CAVS for farm inputs | Completed |
| | | Revenue (KSh 'M) | Enhance Marketing and visibility of the existing conference facility to other NGOs, Corporates and other Private Institutions & Groups | 0.933 |
| | | % implementation level: Revamped online Shop | Revamp the Bookstores Online Shop to attract and retain Customers. | 50 |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators (KPI) | Activities | Level of achievement |
|---|---|---|--|----------------------|
| | | Revenues (KSh 'M) | Enhance the revenue generation from: Universities, TVETs, MTCs, and GoK MDAs, through strategic books displays, visitations and tender applications. | 32.5 |
| | | Number of new Partnerships/collaborations established | Partner with strategic Institutions, Government Hospitals and Insurance Companies for Dental, Ophthalmology and Radiology services referrals Outcome: 5; Dental Plaza signed three (3) partnerships for Dental referrals with Resolution Health, Kenya School of Government, Madison Insurance and Kenya Commercial Bank. Eye Centre signed partnership agreements with Kenya School of Government & Resolution Health. | Completed |
| | | Number of new partnership agreements signed | Establish partnerships with Hospitals for body collection services at CFP Outcome: 3; CFP signed Partnerships with Belleview Hospital, Care Hospital and AAR Healthcare Limited. | Completed |
| | | UNES Income (KSh 'M) | Fully implement IGUs business model to maximize on available business opportunities | 10.67 |
| Pillar/theme/issue 2: Enhancing customer service experience | To continuously improve customer experience | % level of implementation | Enhance Online visibility through Digital Marketing Essential for: Consultancy, Bookstore, Hospitality | 100 |
| | | Approved infrastructure | Improve Public Complaints management and access to information infrastructure Outcome: We have established public complaints management and access to information infrastructure at UNES; All public complained were registered and resolution status monitored and filed with CAJ; All request for access to information received were | Completed |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators (KPI) | Activities | Level of achievement |
|---|---|---|---|----------------------|
| | | | processed and communicated to the requesting individual or institution as per the guideline; Monitoring and evaluation reports were filed with the CAJ. | |
| | | Quarterly awareness creation activities undertaken | Train Staff on Complaints Handling Framework and Access to Information Outcome Customer Service and Experience Management training was undertaken between 17 th - 19 th March, 2021. | Completed |
| Pillar/theme/issue 3: Enhancing Operational Excellence | To optimize organizational effectiveness and efficiency | % implementation level | Deployment of online Helpdesk that has capabilities of supporting Knowledge Management | 100 |
| | | ecommerce platform designs developed | Provide ecommerce platforms design with customer centric to deliver services to the demanding online masses | 1 |
| | | % implementation level of Automated Recruitment Process | Leverage on Technology to streamline recruitment and selection process | 100 |
| Pillar/theme/issue 4: Promote and enhance innovation and learning | To enhance staff performance and creativity | Number of Wellness Activities | Maximize implementation of programs that deal with employees' wellness and Health Problems | 1 |
| | | % Level of implementation of: Gender & Mainstreaming activities; HIV/Aids Control Activities; COVID-19 safety measures/ADA Control measures | | 80 |

CORPORATE GOVERNANCE STATEMENT

Concept of Corporate Governance

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

Board of Directors

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

The conduct of the Board is guided by the Board Charter, which is regularly reviewed to be in tandem with the dynamic environment in which the company operates. The conduct of Board members is guided by the provisions of the Public Ethics and Code of Conduct, as well as guidelines from SCAC.

The performance of the Board as a whole and that of individual members is assessed through an annual Board evaluation conducted by the SCAC. The remuneration of the Board members is guided by SCAC and the Salaries & Remuneration Commission (established in the Constitution of Kenya 2010). The remuneration details are stipulated in note 8 of the “Notes to the financial statements”.

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

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

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

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| No | NAME | DATE OF MEETINGS | | | | | | ATTENDANCE | |
|----|----------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------|------------|
| | | 1 st 29.07.20 | 2 nd 30.09.20 | 3 rd 04.12.20 | 4 th 26.01.21 | 5 th 26.02.21 | 6 th 25.06.21 | No. Present | No. Absent |
| 1. | Eng. Kariuki Muchemi | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 2. | Prof. K. Muragu | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 3. | Mr. Hirji Shah | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 4. | Mr. Samuel Mugambi | √ | √ | √ | X | √ | √ | 5 | 1 |
| 5. | Ms. Miriam Musyoki | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 6. | Mr. Yusuf Omari | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 7. | Mr. Abdi Hassan | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 8. | Ms. Flora Mtuweta | √ | √ | √ | √ | √ | √ | 6 | Nil |
| 9. | Prof. Stephen Kiama | X | √ | √ | √ | X | √ | 4 | 2 |

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

Responsibilities of the Board

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

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

The Board has set up the following Committees:

1. Governance Risk and Audit Committee:

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

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

responsibility of Enterprise Risk Management. Members of the Board Audit Committee who served during the year were:

- i) Mr. Yusuf Omari (Chairman)
- ii) Mr. Samuel Mugambi
- iii) Mr. Abdi Hassan
- iv) Mr. Hirji Shah
- v) Ms Miriam Musyoki

2. Finance and General Purposes Committee:

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

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

3. Strategy and Investment Committee:

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

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

Shareholding

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

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

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

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

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

i) Sustainability strategy and profile –

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

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

ii) Environmental performance

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

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

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

iii) Employee welfare

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

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

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

iv) Market place practices-

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

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

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

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

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

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

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

c) Responsible marketing and advertisement

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

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

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

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

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

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

d) Product stewardship

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

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

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

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

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

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

MANAGEMENT DISCUSSIONS AND ANALYSIS

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

i) Consultancy Unit

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

The company is focused on upscaling the Consultancy business and compete among the top leading firms within Kenya and in the East African region. In the financial year 2020/2021, the unit generated an annual revenue of **Kshs.764,594,067**. This represents 86% increase from the FY 2019/2020 when the annual revenue was **Kshs.411,482,744**.

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

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

ii) Hospitality

The performance of the Hospitality Unit for the financial year 2020/2021 is negative due to the effects of covid-19 pandemic. The government issued regulations on meetings and restaurant services which limited the performance of the hospitality unit. Online meetings were encouraged in order to contain the spread of Covid 19 Pandemic. The University of Nairobi which is our primary client was closed during the period. This led to low number of walk-in customers. The specific issues which affected the unit's performance include;

1. UON who is the units anchor tenant and client were closed. Staff and students sent home
2. Arziki restaurant operated in a reduced capacity as per the ministry of Health guidelines
3. The reduced numbers allowed by the government for conference affected the events business. Meetings were allowed up to a third of the capacity of the meeting room.
4. Most organizations encouraged staff to work from home and meetings done online.
5. The cost of compliance to restaurant Covid-19 regulations as provided for MOH are expensive and unsustainable.

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

Based on these exogenous factors, the unit has developed turn-around strategies to address the negative effects of covid-19 to be implemented in the financial year 2021/2022. They include;

1. Purchase inputs from as much as possible from college of Agriculture and Veterinary services to cut costs.
2. Marketing and sales through the available online platforms such as Facebook, twitter and Instagram
3. Development of strategic partnerships with online service providers such as uber and glovo to sell and deliver food
4. Comply with MOH guidelines and open our restaurants for takeaway and sit in customers
5. Deploy some of the Arziki staff to other units where they can add value
6. Source and provide catering for gatherings and numbers as prescribed by the government
7. Promote and sell UNES grounds for weddings and corporate events.
8. Venture into new product lines such as confectionary products, coffee sales, and precooked/blanched indigenous products
9. Work with the university so that we can open outlets at KNH, Kabete and Kikuyu campus

iii) Bookstore

UNES University Bookstore is one of the Strategic Business Units of the University of Nairobi Enterprises and Services (UNES) Limited. The University of Nairobi established the Bookstore in 1972 to support the teaching, research and learning mandate of the University; by making available textbooks, stationery and other relevant learning materials to the students and lectures. The Bookstore has undergone tremendous expansion occasioned by the growing demand from the higher education and TVET sectors in Kenya.

Over the years, the Bookstore has expanded its product portfolio aimed exceeding its customers' needs. The Bookstore operates from three branches strategically located in Nairobi, Kisumu and Mombasa.

The Bookstore endeavours to avail the products at competitive prices to its customers: The University of Nairobi, Other Universities, TVETs, Medical Training Colleges and GoK MDAs. The Bookstore, therefore serves the general public. The emergence of Covid-19 Pandemic in 2019 negatively affected the Bookstore but equally presented an opportunity to supply computers and phones to enable the Customers to adapt the new normal of working online and from home in most cases.

Bookstore Strategic Objective

In tandem with the 2018-2023 UNES Strategic Plan anchored on the strategic direction that leverages on competencies gained to drive business growth and delivering the value expected by the

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stakeholders, the Bookstore has aligned its strategies to deliver the same. The Performance Contract and Quality Management System obligations are integral Key components that guide the Bookstore operation to achieve its mandate. *They Include:*

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

Factors that Negatively Affected the Financial Performance in the FY 2020/21

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

Mitigation Measures to Improve the Financial Performance

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

iv) Income Generating Units

Dental Plaza: Dental Plaza was able to generate Kshs26,160,260 against a target of Kshs23,125,200 in FY 2020/2021. This was achieved as a result of increased marketing and partnerships with several corporate clients and insurance companies.

Eye Centre: Eye Centre recorded improved performance in the FY 2020/2021. The unit generated Kshs2,111,873 against a target of Kshs1,522,200. Having a full time Ophthalmic Officer has reduced inconsistency of doctors. The unit hired a customer advisor to deal with customer issues & improve efficiency at the unit. One of the major challenges experienced at the unit was lack of visibility which we are working on to create awareness on the services we are offering.

Diagnostic Imaging & Radiation Medicine: The performance at DIRM has been on a downward trend because the IGU is not able to meet its customers' needs due to its outdated equipment. The unit was in the process of purchasing a Digital Fluoroscopy Machine but the prices have been prohibitive. The unit is looking at leasing option as a way of resolving the equipment issues. Once this is done, we hope to see improved performance at the unit going forward.

Bindery: The performance of the IGU has declined tremendously since the Covid-19 pandemic struck. This can be attributed to the introduction of online by the university as a result of the restrictions imposed by the Ministry of Health. The IGU has however been awarded printing work for all students' projects/thesis/dissertations going forward. The unit is in the process of purchasing a printer/photocopier for the project in question. This will enhance performance in the IGU.

CFP: The IGU was able to generate Kshs32,784,410 against a target of Kshs28,648,897 for the FY 2020/2021. This was a great improvement which was achieved as a result of signing of several partnerships with various hospitals for body collection and preservation.

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.

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

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.

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on pages 1 -28.

Dividends

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

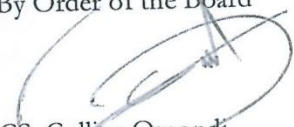
Directors

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

Auditors

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

By Order of the Board


CS. Collins Omondi

CORPORATION SECRETARY

Date: 27/06/2022

FREDERICK COLLINS OMONDI
CPS (K)
MEMBER No: 2794
P. O. Box 34992 - 00100, NAIROBI

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, the Companies Act, 2015 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that year. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy the financial position of the company. The Directors are also responsible for safeguarding the assets of the company.

The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year ended on 30 June 2021. 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 2021 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

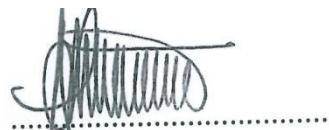
Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The company's financial statements were approved by the Board on September 1, 2021 and signed on its behalf by:



Prof. Kinandu Muragu
DIRECTOR



Mr. Seith Abeka
DIRECTOR

**REPORT OF THE INDEPENDENT AUDITORS ON UNIVERSITY OF NAIROBI
ENTERPRISES & SERVICES LIMITED**

REPUBLIC OF KENYA

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NAIROBI

**REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF NAIROBI
ENTERPRISES AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE, 2021**

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of University of Nairobi Enterprises and Services Limited set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2021, the statement of comprehensive income, statement

Report of the Auditor-General on University of Nairobi Enterprises and Services Limited for the year ended 30 June, 2021

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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Nairobi Enterprises and Services Limited as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Unsupported Adjustments

The University of Nairobi Enterprises and Services Limited submitted financial statements for audit on 30 September, 2021 and submitted revised financial statements on 20 July, 2022. However, review of the amended financial statements submitted for audit revealed that various balances were amended but were not supported by journal vouchers to explain the adjustments.

Management has not explained the adjustments or provided journal vouchers supporting the changes from the initial reported financial statements balances to the adjusted balances as indicated below:

| Component | Financial Statements Submitted on 30 September, 2021 (Kshs.) | Revised Financial Statements Submitted on 20 July, 2022 (Kshs.) | Unsupported Adjustments (Kshs.) |
|--|---|--|--|
| Allocation from Income Generating Units | 10,670,849 | 10,390,915 | 279,934 |
| University Bookstores | 58,388,428 | 61,063,793 | (2,675,365) |
| Arziki Restaurant and Chiromo Conference | 11,021,739 | 11,805,480 | (783,741) |
| Consultancy | 764,594,067 | 765,191,426 | (597,359) |
| Other Income | 3,907,318 | 4,299,950 | (392,632) |
| Direct Costs | 716,919,204 | 696,995,077 | 19,924,127 |
| Administration Costs | 126,991,711 | 139,965,477 | (13,242,084) |
| Property, Plant and Equipment | 15,355,338 | 13,439,447 | 1,915,891 |
| Intangible Assets | 205,900 | 249,400 | (43,500) |
| Inventories | 59,573,946 | 59,232,440 | 341,506 |
| Trade and Other Receivables | 290,247,141 | 291,027,660 | (780,519) |
| Bank and Cash Balances | 98,230,834 | 76,388,527 | 21,842,307 |
| Accumulated Loss | (83,645,553) | (72,117,580) | 11,527,973 |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| Component | Financial Statements Submitted on 30 September, 2021 (Kshs.) | Revised Financial Statements Submitted on 20 July, 2022 (Kshs.) | Unsupported Adjustments (Kshs.) |
|----------------------------|---|--|--|
| Trade and Other Payables | 479,388,668 | 210,456,318 | 268,932,350 |
| Long-term Liability | 21,419,324 | 254,342,947 | (232,923,623) |
| Staff Gratuity Obligations | 31,232,868 | 32,437,938 | (1,205,070) |
| Total | 2,604,501,782 | 2,555,169,215 | 72,120,195 |

In absence of sufficient verifiable supporting documents and records, the accuracy of the financial statements could not be confirmed.

2.0 Variance Between Financial Statements and Trial Balance

The financial statements includes items whose balances differs with the supporting trial balance. Management has not provided any reconciliation to support the resultant differences between the two sets of records contrary to Section 68 of the Public Finance Management Act, 2012 which requires the Accounting Officer to maintain financial and accounting records that comply with the Act. Details of the differences are as indicated below.

| Component | Financial Statements (Kshs.) | Trial Balance (Kshs.) | Variance (Kshs.) |
|--|-------------------------------------|------------------------------|-------------------------|
| Inventories | 59,232,440 | 138,444,033 | 79,211,594 |
| Trade and Other Receivables | 291,027,660 | 369,470,553 | 78,442,893 |
| Cash and Bank | 76,388,527 | 76,744,606 | 356,079 |
| Property, Plant and Equipment | 13,439,447 | 4,270,519 | 9,168,928 |
| Provision for Direct Service Providers | 9,013,281 | 7,878,771 | 1,134,509 |
| Remittance for Consultancies | 100,453,696 | 116,776,573 | 16,322,877 |
| Provision for Output VAT | 3,149,344 | 54,477,633 | 51,328,289 |
| Provision for PAYE | 5,953,766 | 8,613,224 | 2,659,458 |
| Students Deposits | 9,544,770 | 9,137,643 | 407,127 |
| Finance Income | 0 | 757,823.40 | 757,823 |
| Arziki Restaurants | 11,805,480 | 12,918,933 | (1,113,453) |
| Book Store | 61,063,793 | 61,218,947 | (155,154) |
| Revenue from Consultancy | 765,191,426 | 762,434,819 | 2,756,606 |
| Dental Plaza | 3,924,039 | 24,612,460 | (20,688,421) |
| Diagnostic | 432,000 | 2,880,001 | (2,448,001) |
| Eye Centre | 506,080 | 1,795,272 | (1,289,192) |
| UON Library | 968,419 | 6,449,882 | (5,481,463) |
| Chiromo Parlour | 4,560,377 | 30,402,510 | (25,842,133) |
| Other Income | 4,299,950 | 1,185,806 | 3,114,143 |
| Total | 1,420,954,495 | 1,690,470,008 | 188,642,509 |

Report of the Auditor-General on University of Nairobi Enterprises and Services Limited for the year ended 30 June, 2021

In the circumstances, the accuracy and recoverability of trade and other receivables balance of Kshs.291,027,660 could not be confirmed.

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts for the year ended 30 June, 2021 reflects an expenditure budget of Kshs.219,692,894 against actual expenditure of Kshs.157,185,026 resulting in net under-expenditure of Kshs.62,507,868. The under-expenditure may have affected the planned activities and impacted negatively on service delivery.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance 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.

Basis for Conclusion

Lack of Two-Way Match Between Purchase Orders and Payment Vouchers

Review of financial records revealed that the Company had not fully automated the two-way match between the purchase orders and the payment vouchers. The payment vouchers were all manually supported outside the system which was prone to errors.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal 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 going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

Report of the Auditor-General on University of Nairobi Enterprises and Services Limited for the year ended 30 June, 2021

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

13 October, 2022

Report of the Auditor-General on University of Nairobi Enterprises and Services Limited for the year ended 30 June, 2021

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**


| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|--|------|---------------------------|---------------------------|
| REVENUES | | | |
| Allocation from Income Generating Units | 1 | 10,390,915 | 9,283,130 |
| UNES University Bookstores | 2 | 61,063,793 | 69,208,241 |
| Arziki Restaurants and Chiromo Conference Centre | 3 | 11,805,480 | 32,454,984 |
| Consultancy | 4 | 765,191,426 | 411,482,744 |
| Other Income | 5 | 4,299,950 | <u>1,736,999</u> |
| TOTAL REVENUES | | <u>852,751,564</u> | <u>524,166,098</u> |
| OPERATING EXPENSES | | | |
| Direct Costs | 6 | 696,995,077 | 373,213,780 |
| Administration Costs | 7 | 139,965,477 | 146,270,172 |
| Finance Costs | 8 | 268,227 | 369,798 |
| Depreciation of property, plant and equipment | 13 | 3,413,169 | 4,706,995 |
| Amortisation of Intangible Assets | 14 | <u>62,350</u> | <u>105,850</u> |
| TOTAL OPERATING EXPENSES | | <u>840,704,300</u> | <u>524,666,595</u> |
| OPERATING PROFIT | 9 | 12,047,264 | (500,497) |
| OTHER COMPREHENSIVE INCOME | | | |
| Finance Income | 10 | - | 628,007 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 12,047,264 | 127,510 |
| Earnings Per Share – basic | 11 | 2,409 | 26 |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|--------------------------------------|------|---------------------------|---------------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 13 | 13,439,447 | 12,830,056 |
| Intangible assets | 14 | 249,400 | 311,750 |
| Total Non-Current Assets | | 13,688,847 | 13,141,806 |
| Current Assets | | | |
| Inventories | 15 | 59,232,440 | 62,855,555 |
| Trade and other receivables | 16 | 291,027,660 | 276,072,456 |
| Bank and cash balances | 17 | 76,388,527 | 74,669,115 |
| Total Current Assets | | <u>426,648,627</u> | <u>413,597,126</u> |
| TOTAL ASSETS | | <u>440,337,475</u> | <u>426,738,932</u> |
| EQUITY AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Ordinary share capital | 18 | 100,000 | 100,000 |
| Accumulated loss | 19 | (72,117,580) | (84,164,838) |
| Capital Reserve | 20 | 12,321,458 | 12,321,458 |
| Capital and Reserves | | (59,696,122) | (71,743,380) |
| Non-Current Liabilities | | | |
| Long term liability | 21 | 254,342,947 | 21,419,324 |
| Total Non-Current Liabilities | | 254,342,947 | 21,419,324 |
| Current Liabilities | | | |
| Trade and other payables | 22 | 210,456,318 | 443,822,683 |
| Staff gratuity obligations | 23 | 32,437,938 | 30,534,837 |
| Provision for leave pay | 24 | 2,796,393 | 2,705,472 |
| Total Current Liabilities | | <u>245,690,649</u> | <u>477,062,993</u> |
| TOTAL EQUITY AND LIABILITIES | | <u>440,337,475</u> | <u>426,738,932</u> |

The financial statements were approved by the Board on September 1, 2021 and signed on its behalf by:



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



Managing Director
Mr. Seith Abeka



Chairman of the Board
Prof. Kinandu Muragu

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

| | Ordinary Share Capital | Capital Reserve | Retained Profit (Loss) | Total |
|------------------------------------|-----------------------------------|----------------------------|-----------------------------------|---------------------|
| Balance as at 1st July 2020 | 100,000 | 12,321,458 | (84,164,844) | (71,743,386) |
| Profit (Loss) for the period | - | - | 12,047,264 | 12,047,264 |
| Transfer to capital reserves | - | - | - | - |
| Balance as at 30 June 2021 | 100,000 | 12,321,458 | (72,117,580) | (59,696,122) |
| Balance as at 1st July 2019 | 100,000 | 12,321,458 | (84,292,349) | (71,870,891) |
| Profit (Loss) for the period | - | - | 127,510 | 127,510 |
| Transfer to capital reserves | - | - | - | - |
| Balance as at 30 June 2020 | 100,000 | 12,321,458 | (84,164,838) | (71,743,380) |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|--|-------|--------------------|---------------------|
| OPERATING ACTIVITIES | | | |
| Cash (used in) / generated from operations | 26(a) | 5,741,971 | 71,359,251 |
| Finance income (Interest received) | 10 | - | 628,007 |
| Net cash generated from/ (used in) operating activities | | 5,741,971 | 71,987,258 |
| INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment | 13 | (4,022,560) | (2,537,337) |
| Proceeds from disposal of intangible assets | 14 | - | - |
| Transfer to capital reserves | 20 | - | - |
| Net cash generated from/ (used in) investing activities | | (4,022,560) | (2,537,337) |
| FINANCING ACTIVITIES | | | |
| Dividend paid | 25 | - | (13,348,752) |
| Long term liability paid | 21 | - | (2,053,116) |
| Net cash (used in) financing activities | | - | (15,401,868) |
| (DECREASE) IN CASH AND CASH EQUIVALENTS | | 1,719,411 | 54,048,053 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 74,669,118 | 20,621,065 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 17 | 76,388,527 | 74,669,118 |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

| | | Original Budget 2020/2021 | Adjustments | Final Budget 2020/2021 | Actual on Comparable Basis | Performance Difference | % Variance |
|--------------------------------------|------|------------------------------|---------------------|---------------------------|----------------------------|------------------------|-----------------|
| | | FY 2020/2021 | FY 2020/2021 | FY 2020/2021 | FY 2020/2021 | FY 2020/2021 | FY 2020/2021 |
| | Note | KShs | KShs | KShs | KShs | KShs | |
| Revenue | | 966,524,052 | (119,410,661) | 847,113,391 | 852,751,564 | 5,638,173 | 0.7% |
| Gross Sales Income | | 966,524,052 | (119,410,661) | 847,113,391 | 852,751,564 | 5,638,173 | 0.7% |
| Cost of Sales | | 734,182,833 | (58,454,255) | 675,728,578 | 696,995,077 | (21,266,499) | -3.1% |
| Gross Profit | | 232,341,220 | (60,956,407) | 171,384,813 | 155,756,487 | (15,628,326) | |
| Administrative Expenses | | | | | | | |
| Personnel Emoluments | 1 | 150,647,809 | (27,788,366) | 122,859,443 | 96,479,581 | 26,379,862 | 21.5% |
| Operating Expenses | 2 | 47,478,761 | (15,718,585) | 31,760,176 | 38,583,410 | (6,823,234) | -21.5% |
| Board Expenses | | 6,068,151 | (429,851) | 5,638,300 | 5,170,714 | 467,586 | 8.3% |
| Depreciation | | 4,999,975 | (0) | 4,999,975 | 12,928,761 | (7,928,786) | -158.6% |
| Total Administrative Expenses | | 209,194,697 | (43,936,803) | 165,257,894 | 153,162,466 | 12,095,428 | |
| Surplus (Loss) for the Period | | 23,146,523 | (17,019,604) | 6,126,919 | 2,594,021 | (3,532,898) | |
| Capital budget | | | | | | | |
| Furniture and Fittings | 3 | 22,385,000 | - | 22,385,000 | 3,424,215 | 18,960,785 | 84.7% |
| Computers/Laptops | 4 | 1,550,000 | - | 1,550,000 | 598,345 | 951,655 | 61.4% |
| ERP | 5 | 30,500,000 | - | 30,500,000 | - | 30,500,000 | 100.0% |
| Total Capital Budget | | 54,435,000 | | 54,435,000 | 4,022,560 | 50,412,440 | |

Explanatory Note on original and the final budget

- The company relies on internally generated funds from its business units, which had been projected **KSh847 Million** for the F/Y 2020/2021. The actual revenue was above what was projected at **KSh852 Million** due to improved business performance during the period.
- The FY 2020/2021 Budget had estimated a total revenue of **KSh.966,524,052** and a net profit of **KSh23,146,523**. After considering the half year performance to the period ended 31st December 2020 and the changes in the business environment, Management revised the Budget downwards to reflect the possible outcomes by 30th June 2021 in the FY 2020/2021.
- The effects of the Covid 19 Pandemic and the overall economic downturn impacted negatively on revenue generation. The introduced Ministry of Health Regulations and changes in the working modalities also slowed down business operations.
- In the FY 2020/2021, the budgeted revenue was revised downwards by 12% from the initial budget of **KSh966,524,052 to KSh847,113,391**. Profitability was also forecasted to decline from the estimated **KSh23,146,523 to KSh6,126,919**.

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

- e) The cost of sales was revised downwards from the original budget of **KSh734,182,833 to KSh675,728,578** representing an 8% reduction as a result of the expected reduced business activity in the last half of the financial year
- f) The total administrative expenses were also reduced by 21% from the initial estimate of **KSh 209,194,697 to KSh165,257,894**. Management instituted stringent austerity measures to make additional savings and improve cash flows.

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

1. Under personnel emoluments, there was a 21.5% cost saving from what was budgeted. This was as a result of putting on hold some planned recruitments during the financial year owing to the challenging business environment occasioned by the Covid-19 pandemic.
2. Under operating expenses, there was a budget overrun of 21.5% as a result of additional unplanned expenses that were brought about by the Covid-19 pandemic such as purchase of face masks, sanitizers, thermometers, mandatory vaccination of all restaurant staff among others.
3. Most of the furniture and fittings that had been planned for the FY 2020/2021 were for the restaurant which was adversely affected as a result of new government restrictions on restaurant operations. The purchases were therefore deferred resulting in to a positive variance of 84.7%.
4. Computers and laptops also had a positive variance of 61.4%. This was a result of the deferred staff recruitments during the financial year. The additional laptops were meant for the newly recruited staff members which did not take place.
5. The new ERP was to be funded by USAID under the Health IT project being managed by UNES. The funding was deferred to the FY 2021/2022 resulting in a 100% positive variance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

A: General Information

UNES Limited is incorporated under and derives its authority and accountability from the Companies Act Cap 486. The entity is wholly owned by the University of Nairobi and is domiciled in Kenya. The entity is also recognized as a Commercial State Corporation due to the provisions of the State Corporations Act, which stipulate that an entity wholly owned by a State Corporation is also a State Corporation.

The entity's principal activity is undertaking Financial Management, Consultancy and other entrepreneurial activities which include Hospitality, Bookstores, and Managing Income Generating Units (IGUs) on behalf of the University of Nairobi. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

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

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

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

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

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

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

| Title | Description | Effective Date |
|---|--|--|
| IAS 39- Financial Instruments: Recognition and Measurement | IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 4- | IFRS 4 "Insurance Contracts" applies, with limited | The amendments are effective |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| Title | Description | Effective Date |
|--|--|--|
| Insurance Contracts (Superseded) | exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts. | for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 7- Financial Instrument Disclosures | IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |
| IFRS 16- Leases | IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. | The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted. |

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

| Title | Description | Effective Date |
|--|--|---|
| IAS 1 — Presentation of Financial Statements | IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows. | The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted. |
| IAS 12 — Income Taxes | IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test. | Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted. |
| IAS 16 — Property, Plant | IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and | The amendments are effective for annual periods beginning on or |

University of Nairobi Enterprise Services Limited
Annual Report and Financial Statements for the year ended 30 June 2021

| Title | Description | Effective Date |
|---|--|--|
| and Equipment | equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life. | after January 1, 2022. Early application is permitted. |
| IAS 37 — Provisions, Contingent Liabilities and Contingent Assets | IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable). | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IAS 41 — Agriculture | IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires biological assets to be measured at fair value less costs to sell. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 1 — First-time Adoption of International Financial Reporting Standards | IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general-purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted. |
| IFRS 3 — Business Combinations | IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g., an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date. | The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier. |
| IFRS 17 — Insurance Contracts | IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows. | The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after January 1, 2023.] |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

iii) Early adoption of standards

The company did not early-adopt any new or amended standards in 2020/2021.

D: Summary of Significant Accounting Policies

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

i) Revenue recognition

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

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

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

| Project Categories | UNES Allocation |
|---|------------------------|
| (i) Specialized Based Production Units | 15% |
| (ii) General Production Units | 15% |
| (iii) Workshops, Seminars & Short Courses | 2.00% |

ii) Property, plant and equipment

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

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

iii) Depreciation and impairment of property, plant and equipment

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

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 102.30 and 1 EUR = Ksh 116.30

xiv) Comparative figures

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

xv) **Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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 2021 | | | | |
| Receivable from non-exchange transactions | 285,507,131 | 285,507,131 | 185,142,259 | - |
| Bank Balances | 76,388,527 | 76,388,527 | - | - |
| Total | 361,895,658 | 361,895,658 | 185,142,259 | - |
| At 30 June 2020 | | | | |
| Receivable from non-exchange transactions | 273,039,491 | 273,039,491 | 201,452,210 | - |
| Bank Balances | 74,669,115 | 74,669,115 | - | - |
| Total | 347,708,606 | 347,708,606 | 201,452,210 | - |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

c) Market Risk

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

i) Foreign Exchange Risk

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

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

ii) Price Risk

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

iii) Interest Rate Risk

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

iv) Critical Accounting Estimates and Judgements

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

a) Impairment of non-financial assets

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

b) Contingent liabilities and assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Going concern issues

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

E: Significant Judgements and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

F: Explanatory Notes to the Financial Statements

| | 2020/2021 | 2019/2020 |
|---|--------------------|--------------------|
| | KShs | KShs |
| 1. ALLOCATON FROM INCOME GENERATING UNITS | | |
| Dept. of Diagnostic Imaging & Radiation Medicine | 432,000 | 541,402 |
| Chiromo Funeral Parlour | 4,560,377 | 3,929,055 |
| Dental Plaza | 3,924,039 | 3,126,065 |
| UON Library IGA | 968,419 | 1,549,680 |
| Eye Centre | 506,080 | 136,928 |
| | 10,390,915 | 9,283,130 |
| 2. REVENUE FROM UNES UNIVERSITY BOOKSTORE | | |
| Nairobi | 54,210,642 | 67,268,739 |
| Mombasa | 3,564,899 | 3,507,318 |
| Kisumu | 3,218,020 | 1,367,057 |
| Other income | 70,232 | - |
| | 61,063,793 | 72,143,114 |
| Less: VAT paid | | 2,934,873 |
| | 61,063,793 | 69,208,241 |
| 3. REVENUE FROM ARZIKI RESTAURANTS AND CHIROMO CONFERENCE CENTRE | | |
| Restaurant services | 5,450,680 | 23,267,326 |
| Conference services | 737,000 | 1,049,430 |
| Outside catering services | 5,760,949 | 10,796,679 |
| Other Income | 23,423 | 49,820 |
| | 11,972,052 | 35,163,255 |
| VAT and Catering levy paid | 166,572 | 2,708,271 |
| | 11,805,480 | 32,454,984 |
| 4. REVENUE FROM CONSULTANCY | | |
| Consultancies | 728,652,691 | 411,166,759 |
| Training (Short courses) | 33,592,128 | 189,655 |
| Other income | 2,946,607 | 126,330 |
| | 765,191,426 | 411,482,744 |
| 5. OTHER INCOME | | |
| Miscellaneous income | 4,054,527 | 306,036 |
| Reduction in staff leave provision | - | 1,328,321 |
| Bank interest | 245,423 | - |
| Commission on mpesa | - | 102,642 |
| | 4,299,950 | 1,736,999 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 DIRECT COSTS

| i) Cost of sales | 2020/2021 | 2019/2020 |
|--|--------------------|--------------------|
| Nairobi Bookstore | 38,449,705 | 50,959,699 |
| Kisumu Bookstore | 178,611 | 1,003,363 |
| Mombasa Bookstore | 838,342 | 2,996,565 |
| Arziki Restaurants and Conference Centre | 7,122,639 | 17,803,565 |
| Consultancy Direct Project Costs | 650,405,780 | 300,450,588 |
| | 696,995,077 | 373,213,780 |

7 ADMINISTRATION

| (a) Staff Costs (note 7d) | 2020/2021 | 2019/2020 |
|--|-------------------|--------------------|
| UNES Head office | 52,471,332 | 60,747,516 |
| UNES University Bookstore-Nairobi | 10,199,633 | 10,401,613 |
| UNES University Bookstore-Kisumu | 662,339 | 662,340 |
| UNES University Bookstore-Mombasa | 1,472,050 | 1,456,500 |
| Chiromo Conference Center & Arziki Restaurants | 17,647,721 | 19,658,945 |
| UNES Consultancy unit | 14,026,506 | 11,674,983 |
| | 96,479,581 | 104,601,897 |
| (b) Directors Emoluments | | |
| Directors Sitting Allowances | 3,500,000 | 2,000,000 |
| Directors Retainer Fees | 900,000 | 1,766,666 |
| Directors Travelling Allowances | 50,714 | 1,087,453 |
| Chairman's Honorarium | 720,000 | 1,066,667 |
| | 5,170,714 | 5,920,786 |
| (c) Office and other Costs | | |
| (i) UNES Head office expenses | | |
| Staff Training & Development | 876,433 | 306,350 |
| Medical Expenses | 3,559,874 | 3,848,511 |
| New Business Development | 294,815 | 383,060 |
| Out-Sourced Services | 2,352,556 | 2,062,295 |
| Staff Travelling and Accommodation | 221,524 | 12,000 |
| Transport operating expenses | 1,730,165 | 1,156,933 |
| Seminars and Workshops | 117,551 | - |
| Telecommunication | 250,144 | 585,163 |
| Electricity & water | 228,142 | 122,057 |
| Printing Expenses | 35,500 | 99,350 |
| Uniforms and Clothing | 11,844 | - |
| Office Stationery | 871,141 | 1,443,191 |
| General expenses & Other consumables | 4,231,401 | 3,220,737 |
| Marketing & Advertisement | 1,551,089 | 633,958 |
| Bank Charges | 268,227 | 369,798 |
| Maintenance of equipment | 501,534 | 135,472 |

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| | | |
|------------------------------------|-------------------|-------------------|
| Maintenance of vehicles | 712,695 | 474,540 |
| Maintenance of Buildings & Grounds | 5,280 | 349,474 |
| Legal & Statutory Expenses | 296,977 | 91,050 |
| Security Expenses | 1,142,171 | 433,712 |
| Subscriptions | 127,300 | 134,500 |
| ICT Services | 251,119 | 82,250 |
| Audit Fees | 870,000 | 870,000 |
| Refurbishment & renovations | 6,320 | |
| Performance contracting | 57,550 | 321,290 |
| ISO-QMS Expenses | 476,196 | 1,223,887 |
| Motor Insurance | 270,589 | - |
| | 21,318,137 | 18,359,578 |

(ii) UNES University Bookstore-Nairobi

| | | |
|------------------------------|------------------|------------------|
| Casuals/Outsourced services | 91,140 | 129,038 |
| Staff training & development | 7,300 | 7,400 |
| Medical expenses | 1,111,180 | 1,102,593 |
| Bank Charges | 243,138 | 248,825 |
| General office expenses | 770,267 | 512,170 |
| Maintenance and repairs | 55,000 | 263,621 |
| Motor insurance | 37,000 | - |
| Maintenance of vehicles | 40,710 | - |
| Marketing expenses | 164,828 | 242,994 |
| Statutory & legal expenses | - | 50,000 |
| Security services | - | 210,453 |
| Subscriptions | - | 37,500 |
| Travelling expenses | 309,820 | 204,845 |
| Withholding VAT | 8,277 | 37,331 |
| Telecommunication | 40,400 | 97,443 |
| | 2,879,060 | 3,144,213 |

(iii) UNES University Bookstore-Kisumu

| | | |
|---------------------------------|----------------|----------------|
| Casual labour | - | 116,631 |
| Staff training & Development | 600 | 600 |
| Staff medical expenses | 171,054 | 165,896 |
| Transport & Travelling Expenses | 3,656 | 22,721 |
| General office expenses | 3,906 | 3,346 |
| Telecommunication | 1,800 | 8,687 |
| Statutory & legal expenses | - | 51,596 |
| W/Holding Tax | 48 | 13 |
| | 181,064 | 369,490 |

(iv) UNES University Bookstore-Mombasa

| | | |
|---------------------------------|---------|---------|
| Staff training & development | 1,200 | 1,200 |
| Casual labour | - | 83,750 |
| Staff medical expenses | 165,720 | 160,560 |
| Transport & Travelling Expenses | 13,850 | 117,485 |
| General office expenses | 143,816 | 170,484 |

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| | | |
|---|---------------------------|---------------------------|
| Marketing expenses | 22,850 | 17,075 |
| Security Expenses | - | 56,214 |
| Repairs and maintenance | - | 35,940 |
| Bank charges | 100 | 32,544 |
| Telecommunication | 9,000 | 15,388 |
| Withholding VAT | 350 | 4,112 |
| Statutory & legal expenses | - | 28,250 |
| | 356,886 | 723,002 |
| (v) Chiromo Conference Center & Arziki Restaurants | | |
| Staff training | 12,750 | 15,950 |
| Out sourced services | 28,500 | 464,598 |
| Staff Medical expenses | 3,031,718 | 2,938,104 |
| Office Expenses | 370,193 | 619,957 |
| Transport Expenses | 194,273 | 98,707 |
| Telecommunication | 15,059 | 80,091 |
| Purchase of small kitchen equipment | - | (1,790) |
| Stationery/Printing | 15,710 | 153,363 |
| Electricity/Water | 394,330 | 1,012,127 |
| Staff Uniforms | - | 52,861 |
| Laundry expenses | 39,310 | 84,207 |
| Maintenance of Equipment | 112,799 | 240,585 |
| Security Expenses | 73,694 | 217,393 |
| Maintenance of building & vehicle | 25,863 | 343,560 |
| Physical space | 600,000 | 600,000 |
| Legal & statutory expenses | 307,500 | 426,330 |
| Bank charges | 70,534 | 106,351 |
| | 5,292,233 | 7,452,394 |
| (vi) UNES Consultancy unit | | |
| Stationery & Printing | 734,098 | 793,416 |
| Staff Medical expenses | 1,839,658 | 999,957 |
| Outsourced Services | 181,953 | 374,214 |
| Travelling & Subsistence | 566,721 | 281,062 |
| Office expenses | 2,461,422 | 1,377,211 |
| Telecommunication expenses | 31,700 | 99,799 |
| Security Expenses | 1,271,493 | 1,297,936 |
| Legal & statutory expenses | 100,000 | 92,000 |
| Marketing | 485,167 | 11,200 |
| Insurance expenses | 484,295 | 452,429 |
| Bank charges | 399,523 | 289,386 |
| | 8,556,030 | 6,068,610 |
| Total administration costs | <u>139,965,477</u> | <u>146,639,970</u> |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 (d) STAFF COSTS

| | 2020/2021 | 2019/2020 |
|--|-------------------|--------------------|
| | KShs | KShs |
| Salaries and allowances employees | 93,330,031 | 102,246,247 |
| Compulsory national health insurance schemes | 1,960,750 | 1,787,250 |
| Compulsory national social security schemes | 1,188,800 | 568,400 |
| | 96,479,581 | 104,601,897 |

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

| | | |
|----------------------------|-----------|-----------|
| Management level employees | 6 | 5 |
| Middle level employees | 18 | 13 |
| Lower-level employees | 60 | 67 |
| | 84 | 85 |

8 FINANCE COSTS

| | | |
|---------------|-----------------------|-----------------------|
| Finance Costs | <u>268,227</u> | <u>369,798</u> |
| | <u>268,227</u> | <u>369,798</u> |

9 OPERATING PROFIT

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

| | | |
|---|--------------------|--------------------|
| Staff costs (note 7a) | 96,479,581 | 104,601,897 |
| Depreciation of property, plant and equipment | 12,928,761 | 4,706,995 |
| Amortization of intangible assets | - | 105,850 |
| Directors' emoluments - fees | 5,170,714 | 5,920,786 |
| Auditors' remuneration - current year fees | 870,000 | 870,000 |
| | 115,449,056 | 116,205,528 |

10 FINANCE INCOME

| | | |
|---|---|----------------|
| Interest income on short-term bank deposits | - | 628,007 |
| | - | 628,007 |

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

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

13 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 INTANGIBLE ASSETS

| Cost | 2020/2021 | 2019/2020 |
|-----------------------|------------------|------------------|
| | Kshs | Kshs |
| 1st July 2020 | 8,509,080 | 8,509,080 |
| Additions | - | - |
| 30th June 2021 | 8,509,080 | 8,509,080 |
| Amortization | | |
| 1st July 2020 | 8,197,330 | 8,091,480 |
| Charge for the year | 62,350 | 105,850 |
| 30th June 2021 | 8,259,680 | 8,197,330 |
| Net Book Value | | |
| 30th June 2021 | 249,400 | 311,750 |

The intangible asset relates to computer software

15 INVENTORIES

| | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| UNES Bookstores | 55,287,729 | 58,840,610 |
| Chiromo Funeral Parlour | 171,330 | 472,106 |
| Arziki Restaurants & Conference Centre | 295,562 | 716,610 |
| Consultancy | 411,109 | - |
| UNES Head Office | 738,866 | 1,037,910 |
| Radiology | 137,159 | 81,085 |
| Eye Centre | 1,494,536 | 1,324,080 |
| Dental Plaza | 696,149 | 383,154 |
| | 59,232,440 | 62,855,555 |

All inventories are valued at historical cost.

16 TRADE AND OTHER RECEIVABLES

| | | |
|--|--------------------|--------------------|
| Trade receivables | 285,507,131 | 273,039,491 |
| Bank Guarantees | 500,000 | 961,104 |
| Staff receivables | 2,027,173 | 3,261,880 |
| Other receivables | 1,283,929 | 1,512,661 |
| Suppliers' deposits and advances | 11,123,427 | 6,711,320 |
| Less Provision for bad debts | (9,414,000) | (9,414,000) |
| Net trade and other receivables | 291,027,660 | 276,072,456 |

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 BANK AND CASH BALANCES

Cash at bank

IGU Accounts

| | | |
|-------------------------------------|------------------|------------------|
| Transition Account NBK | 884,222 | 260,200 |
| Chiromo Funeral Parlour SCB Account | 1,436,400 | 703,198 |
| Faculty of Medicine BBK Account | 2,027,923 | 3,301,699 |
| CAVS Clinical Studies BBK Account | 120,374 | 122,902 |
| | 4,468,919 | 4,387,999 |

UNES Accounts

| | | |
|-----------------------------------|-------------------|-------------------|
| UNES Corporate Account | 3,617,617 | 1,828,735 |
| UNES Consultancy Account | 18,586,409 | 50,620,113 |
| UNES USAID Project BBK Account | 32,966,167 | 7,238,428 |
| UNES Arziki Restaurant BBK | 508,910 | 1,071,558 |
| UNES University bookstore account | 4,052,743 | 5,805,967 |
| UNES US-Dollar Account BBK | 5,025,447 | 309,286 |
| UNES Euro Account BBK | 4,831,639 | 1,775,262 |
| | 69,588,932 | 68,649,349 |

| | | |
|---------------------------------------|-------------------|-------------------|
| Total cash at bank | 74,057,851 | 73,037,348 |
| Cash in hand | 2,330,676 | 1,631,767 |
| Total Cash at bank and in hand | 76,388,527 | 74,669,115 |

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

18 ORDINARY SHARE CAPITAL

| | | |
|---|------------|------------|
| Authorised: | | |
| 500,000 ordinary shares of Kshs.20 par value each | 10,000,000 | 10,000,000 |
| | | |
| Issued and fully paid: | | |
| 5,000 ordinary shares of Kshs.20 par value each | 100,000 | 100,000 |

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

19 ACCUMULATED LOSS

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

| | 2020/2021 | 2019/2020 |
|--|---------------------|---------------------|
| | Kshs | Kshs |
| Balance at beginning of the year | (84,164,844) | (84,292,349) |
| Add: Total comprehensive income for the year | 12,047,264 | 127,510 |
| | (72,117,580) | (84,164,839) |

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 CAPITAL RESERVE

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

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

21 LONG TERM LIABILITY

| | | |
|---|--------------------|-------------------|
| Balance at beginning of the year | 21,419,324 | 23,472,440 |
| Less: | | |
| Amount paid | - | (2,053,116) |
| Balance at end of the year | 21,419,324 | 21,419,324 |
| Amount held for the University of Nairobi | 232,923,624 | - |
| | 254,342,948 | 21,419,324 |

22 TRADE AND OTHER PAYABLES

| | 2020/2021 | 2019/2020 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Trade payables | 61,384,784 | 33,345,772 |
| Provision for direct service providers | 9,013,281 | 993,880 |
| Remittance for consultancies | 100,453,696 | 117,000,492 |
| Provision for audit fees | 1,740,000 | 1,740,000 |
| Provision for expenses | 3,967,210 | 7,457,939 |
| Provision for rent | 9,612,480 | 9,012,480 |
| Provision for directors' expenses | 4,933,333 | 4,033,333 |
| Provision for output VAT | 3,149,344 | 17,989,245 |
| Provision for PAYE | 5,953,766 | 5,507,369 |
| Amount held for the University of Nairobi | - | 235,191,736 |
| Student deposits- Bookstore | 9,544,770 | 9,544,770 |
| Prepayments | 703,654 | 2,005,667 |
| | 210,456,318 | 443,822,683 |

23 STAFF GRATUITY AND OBLIGATIONS

| | 2020/2021 | 2019/2020 |
|----------------|-------------------|-------------------|
| | Kshs | Kshs |
| Staff gratuity | 32,437,938 | 30,534,837 |
| | 32,437,938 | 30,534,837 |

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 PROVISIONS FOR LEAVE PAY

| | | |
|--|------------------|------------------|
| Additional (reduction) in provision at end of year | 90,921 | (2,231,754) |
| Balance at end of the year | 2,796,393 | 2,705,472 |

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

25 DIVIDENDS PAYABLE

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

| | | |
|----------------------------|---|------------|
| Balance brought forward | - | 13,348,752 |
| Less: Dividend paid | - | 13,348,752 |
| Balance at end of the year | - | - |

26 NOTES TO THE STATEMENT OF CASH FLOWS

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

| | 2020/2021 | 2019/2020 |
|---|--------------------|-------------------|
| | Kshs | Kshs |
| Operating profit | 12,047,264 | (500,497) |
| Depreciation | 3,475,519 | 4,812,845 |
| Loss on disposal of property, plant and equipment | | |
| Operating profit/(loss) before working capital changes | 15,522,782 | 4,312,348 |
| Decrease/ (Increase) in inventories | 3,623,115 | (11,066,310) |
| (Decrease) / Increase in trade and other receivables | (14,955,204) | 112,037,123 |
| (Decrease) / Increase in trade and other payables | 1,551,277 | (33,923,910) |
| | (9,780,811) | 67,046,903 |
| Cash (used in) / generated from operations | 5,741,971 | 71,359,251 |

(b) Analysis of dividend paid

| | | |
|-----------------------------------|----------|--------------|
| Balance at beginning of the year | - | 13,348,752 |
| Dividends paid | - | (13,348,752) |
| Balance at end of the year | - | - |

(c) Analysis of changes in long term liability

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(d) Analysis of cash and cash equivalents

| | | |
|-----------------------------------|-------------------|-------------------|
| Cash at bank (See note 17) | 74,057,851 | 73,037,348 |
| Cash in hand | 2,330,676 | 1,631,767 |
| Balance at end of the year | 76,388,527 | 74,669,115 |

27 RELATED PARTY TRANSACTIONS

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

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

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

| | 2020/2021 | 2019/2020 |
|---|------------------|------------------|
| | Ksh | Ksh |
| Due from UON | | |
| Owings to Bookstore and Arziki | 92,331,081 | 109,415,013 |
| Due to UON | | |
| Long-term liability- Bookstore amount on takeover by UNES | 21,419,324 | 21,419,324 |
| Dividends payable | - | - |

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.

| | | |
|--------------------------------|------------|------------|
| Directors' emoluments | 5,170,714 | 5,920,786 |
| Compensation to the CEO | - | 4,075,138 |
| Compensation to Key Management | 14,147,586 | 18,496,470 |

28 CONTINGENT LIABILITIES

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

| | | |
|-----------------|----------------|----------------|
| Bank Guarantees | 500,000 | 961,104 |
| | 500,000 | 961,104 |

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR ECOMMENDATIONS

1. Trade and Other Receivables

1.1. Long Outstanding Trade Receivables

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

2. Financial Performance

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

APPENDIX II: PROJECTS

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

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

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APPENDIX III: STATUS OF PROJECTS COMPLETION

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

| | Project | Total project Cost | Total expended to date | Completion % to date | Budget | Actual for the year | Sources |
|---|---|---------------------------|-------------------------------|-----------------------------|-----------------|----------------------------|----------------|
| 1 | Sustaining use of District Health Information System II in Kenya Program | KES 409,934,580 | KES 384,454,252 | 100% | KES 409,934,580 | KES 59,643,226 | USAID |
| 2 | Sustaining use of District Health Information System II in Kenya Program Phase II | KES 499,990,000 | KES 538,549,995 | 100% | KES 499,990,000 | KES 205,188,686 | USAID |