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REPORT

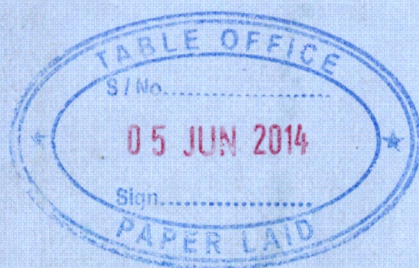
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KARATINA UNIVERSITY

FOR THE YEAR ENDED
30 JUNE 2013



Paper laid
By the Leader of
Majority on this
5/6/14





Inspiring Innovation and Leadership

KARATINA UNIVERSITY ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2013

Karatina University
P.O BOX 1957 - 10101,
KARATINA
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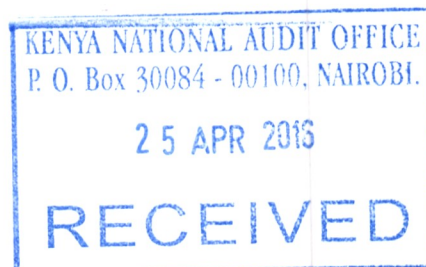




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Institutional Information

Establishment

Karatina University is a body corporate established through its Charter of 1st March 2013 and Universities Act No.42 of 2012.

Registered Office and Principal Place of Business

Karatina University
P.O BOX 1957 - 10101,
KARATINA

Bankers

1. Kenya Commercial Bank,
P. O. BOX, 192-10101
KARATINA
2. Co-operative Bank of Kenya
P.O .BOX, 931-10101
KARATINA
3. Equity Bank of Kenya
P.O. Box 855 – 10101
KARATINA

Independent Auditors

Auditor General
Kenya National Audit Office
P.O Box 30084 -00100
NAIROBI.

Members of the University Council

Title	Name	Qualification
Council Chairman	Prof. Charles O. Okidi	B.A. (Magna Cum Laude) Alaska Methodist University, M.A, M.A.L.D., Ph.D (The Fletcher School of Law and Diplomacy) –Tufts University
Vice Chancellor / Secretary	Prof. Mucai Muchiri	B.Sc (Hons) (Nairobi),Ph.D. (University of Leicester)
Member	Ms. Jane Mumbi Weru	Dip. in Law, B.A (Nairobi),M.Sc. (London School of Economics)
Member	Mr. Tejpal S. Bedi	B.Sc (Hons) (University of Wales), MBA (University of Leicester)
Member	Ms. Grace Jemutai Kemei	LLB (University of Nairobi), Master in Law (Nairobi)
Member	Mr. Musau Antony Kiilu	B.Com (University of Nairobi), MBA (Birmingham University)
Rep. MoHEST	Dr. Salome Gichura	Dip. Ed Planning (IIEP, Paris). B.Ed (UON), M.Ed (KU), Ph.D (UK)
Rep. Ministry of Finance	Mr. Samuel Macharia	CPA(K), Bcom (UoN), EMBA (JKUAT)

Functions and Responsibilities of Council

Karatina University Charter provides for the objects and functions of the Council under paragraph 22 as follows:-

- (1) Subject to this Charter, the Council shall be the governing body of the University through which the University as a body corporate shall act and—
 - (a) shall administer the property and funds of the University in a manner and for the purposes which shall promote the best interest of the University ; but the Council shall not charge or dispose of immovable property of the University except in accordance with procedures laid down by the Government of Kenya.
 - (b) shall receive, on behalf of the University , donations, endowments, gifts, grants or other moneys and make disbursements there from to the University or other bodies or persons.
 - (c) shall approve the appointment criteria and the terms and conditions of service of staff;
 - (d) shall provide for the welfare of the staff and students of the University .
 - (e) may enter into association with other universities, university s or other institutions of learning, whether within Kenya or otherwise, as the council may deem necessary and appropriate; and
 - (f) shall, after consultation with the Academic Board, make regulations governing the conduct and discipline of the students of the University .
- (2) All documents, other than those required by law to be under seal, made on behalf of the Council, and all decisions of the Council may be signified under the hand of the Chairman, the Principal or any other members of the Council generally or specifically authorized by the Council in that behalf.
- (3) The Council shall ensure that a proper management structure is in place and make sure that the structure functions to maintain corporate integrity, reputation and responsibility.
- (4) The Council shall monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University.
- (5) The Council shall constantly review the viability and financial sustainability of the University and shall do so once every year
- (6) The Council shall ensure that the University complies with all the relevant laws, regulations, governance practices accounting and auditing standards

Corporate Information

Mandate

The Mandate of the University, as provided by Karatina University Charter 2013, under paragraph 7 includes:

- a) Provide and advance university education and training to appropriately qualified graduates, leading to the conferment of degrees and award of diplomas and certificates and such other qualifications as the Council and Senate shall from time to time determine and in so doing contribute to national development and humanity;
- b) Assemble and provide resources for university level education, training and research, scholarship, and for the establishment of facilities, institutes, divisions, departments, centres and such other units as the University Council may deem necessary;
- c) Determine who may teach, what may be taught, to whom it may be taught and how it may be taught in the University;
- d) Establish colleges, schools, institutes, centres, departments and such other institutions as may be deemed necessary by the University Council;
- e) Conduct both applied and basic research geared towards local, national, regional and global development;
- f) Establish and maintain an Information Resource Centre including the collection of literature, films, information data bases and other materials relating to natural resources, agriculture, engineering, entrepreneurship, management, law, medicine, social and applied science theories and practices;
- g) Enter into collaborations, linkages, and consultancy network in promoting excellence meeting the dynamic needs and development of society;
- h) Provide balanced programmes and experiences including participation in natural and cultural conservation, commercial ventures and other activities to the benefit of the University, the community and stakeholders;
- i) Facilitate student mobility between programmes of study at different technical training institutions, polytechnics and universities;
- j) Foster the general welfare of all staff and students; and
- k) Carry out any other information as may be permitted and approved by the University Council to further the vision, mission and philosophy of the University.

Vision, Mission and Core Values

Vision

To be a University of global excellence, meeting the dynamic needs and development of society

Mission

To conserve, create and disseminate knowledge through, training, research, innovation and community outreach.

Core Values

The University is committed to:

- Equity
- Teamwork
- Meritocracy
- Academic Freedom
- Accountability
- Excellence
- Probity

Council Chairman's Report

I am pleased to present annual report and financial statements for the year ended 30th June 2013. This was a great year, being the first year in operation as a fully fledged University.

The Council of Karatina University was appointed in March 2013 and subsequently took up the challenge bestowed upon it of managing resources of the University.

During the financial year 2012/13, financial commitments were geared towards implementation of the key milestones in University's strategic plan. This included provision of teaching facilities, development of new curricula and recruitment of staff. The members of academic and administrative staff have grown tremendously since the inception of the institution. The University Council initiated the process of recruiting additional Senior Management sta., as well as academic staff and reasonable staff numbers are in place. This will enable the University to implement new programmes and offer quality services to its stakeholders.

In addition, several infrastructural developments have been completed such as; 256 bed capacity student hostels, tuition and office block in order to accommodate the increased student and staff population. The university has two ongoing projects under construction, that is, 750 bed capacity hostel and a modern resource centre.

The Council appreciates the significant growth of the University assets and capital base that has promoted a good learning and teaching environment for both students and staff. Council is also pleased with the efforts of University management to ensure prudent management of resources.

I thank the Government for its financial support so far. However, I would like to appeal for more funding for capital development. This will enable the institution build new infrastruc e that will support the growing student population.

I also wish to thank parents, guardians and students for their continued support and dedication, even as we together strive to achieve greater heights of excellence.


Prof. Charles O. Okidi, PhD

Chairman, Karatina University Council

Vice Chancellor's Report

We hereby present the Annual Report and Financial Statements of Karatina University for the year ended 30th June 2013 as required by the University Act 2012, Karatina University Charter and Public Audit Act 2003.

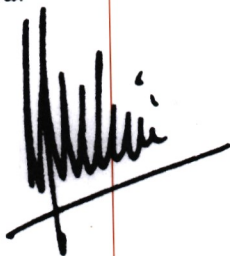
During the year under review, the University generated Kshs. 177M from students' fees which was used to finance purchase of equipment, recruit more academic members of staff and support operations of the institution. The Government contributed a total of Kshs. 250M to support capital development and Kshs. 370M for recurrent expenditure.

The University has continued with its core business of disseminating knowledge through, training, research, innovation and community outreach. The current student population is 3,167 and is expected to increase to 5,000 by the end of financial year 2013/2014 distributed in the various campuses namely; Karatina Town, River Bank, Itiati and Nanyuki campuses. Staff population stood at 279 at the close of financial year 2012/2013 and is expected to rise to 420 for both academic and administrative staff in the next financial year.

On behalf of Karatina University management and staff, I wish to take this opportunity to thank the government, our development partners and all the stakeholders for their continued support.

Finally, I would like to express my sincere gratitude to the University Council for providing policy and strategic guidelines; the entire University staff and students who worked conscientiously to ensure smooth and successful operations of the University.

Thank you.



Prof. Mucai Muchiri, PhD

Vice Chancellor

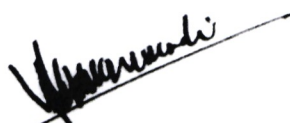
Statement of Council Members' Responsibilities

The Universities Act 2012 requires the Council to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the University as at the end of financial year and of the University's surplus or deficit for the year. The order also requires the Council Members to ensure that the University keeps proper accounting records that disclose with reasonable accuracy, the financial position of the University. They are also responsible for safeguarding the University's assets.

The Council accepts the responsibility for the Annual Report and Financial Statements, which have been prepared using appropriate accounting policies and supported by prudent judgments and estimates, in conformity with International Financial Reporting Standards and requirements of the order that established the University. The Council is of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30th June 2013 and the University's surplus. The Council further accepts the responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal controls.

With the current trend of events, the University Council is optimistic that the University will remain a going concern for at least the next twelve months from the date of this statement.

This statement was approved by Council on ---- August, 2013 and it is signed on their behalf by:



Prof. Charles O. Okidi, PhD

Chairman of Council



Prof. Mucai Muchiri, PhD

Vice Chancellor

REPUBLIC OF KENYA

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NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR- GENERAL ON KARATINA UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Karatina University set out on pages 11 to 23, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

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

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

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

Basis for Qualified Opinion

1. Property, Plant and Equipment

The Property, Plant and Equipment balance of Kshs.206,940,405 as at 30 June 2013, includes land on which the University is situated valued at Kshs.10,796,000 granted by Moi University. However, the title deed for this land is still in the name Moi University.

In addition, the balance of Kshs.206,940,405 includes equipment brought forward with a net book value of Kshs.164,852,024 as at 1 July 2011. The explanation obtained from the University management is that this opening balance relates to assets granted by Moi University when Karatina University was established. However, no signed handing over report or memorandum of understanding was availed for audit verification.

2. Trade and Other Receivables

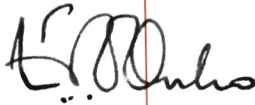
Included in the trade and other receivables balance of Kshs. 87,080,627 as at 30 June 2013, is an amount receivable from Moi University of Kshs. 19,116.170 in respect to students' fees balances erroneously sent to Moi University bank account over a period of time. This amount has been outstanding for long, some dating back to 2007/2008 but has not been recovered to date. In the circumstances, it has not been possible to confirm recoverability of this amount.

3. Granted Assets from University

Included in the accumulated capital fund balance of Kshs. 485,200,884 as at 30 June 2013, are assets amounting to Kshs. Kshs.86,322,861 granted by Moi University. However, no signed handing over report was availed for audit review. In the circumstances, it has not been possible to confirm whether the accumulated capital fund balance of Kshs.485,200,884 as at 30 June 2013, is fairly stated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Karatina University as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Karatina University College order, 2010, amended in 2011.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2014

KARATINA UNIVERSITY
STATEMENT OF FINANCIAL POSITION
AS AT 30TH JUNE 2013

	Notes	2013 kshs	2012 kshs
Assets			
Property, Plant & Equipment	2	206,940,405	195,073,240
Capital Work in Progress	3	543,717,975	232,690,571
Biological Assets	4	6,275,896	4,222,000
Total Non Current Assets		756,934,276	431,985,811
Current Assets			
Inventories	5	11,916,626	8,310,463
Trade & Other Receivables	6	87,080,627	76,715,620
Prepayments	7	3,095,565	8,922,874
Cash & Bank Balances	8	21,830,922	8,336,320
Total Current Assets		123,923,740	102,285,276
Total Assets		880,858,016	534,271,087
Capital Funds			
Accumulated Capital Fund	9	485,200,884	243,443,313
Revenue Reserve	10	48,137,904	19,052,577
Total Capital Fund		533,338,788	262,495,890
Non-Current Liabilities			
Deferred Income - Grant	11	146,363,416	155,607,720
Total Non-Current Liabilities		146,363,416	155,607,720
Current Liabilities			
Trade & Other Payables	12	200,459,813	115,567,478
Provision for Audit fees	13	696,000	600,000
Total Current Liabilities		201,155,813	116,167,478
Total Funds & Liabilities		880,858,016	534,271,087


 Prof. Charles O. Okidi, PhD


Chairman of Council


 Prof. Mucai Muchiri, PhD

Vice Chancellor

KARATINA UNIVERSITY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30TH JUNE 2013

	Notes	2013 Kshs	2012 Kshs
Tuition and Related Charges	14	177,893,310	120,147,862
Exchequer Grants	15	423,900,000	250,000,000
I.G.A and Other Incomes	16	20,593,340	14,493,416
Donations	17	1,333,880	-
Amortization of Granted Assets	11	9,244,304	9,244,304
Total Income		632,964,834	393,885,582
 EXPENDITURE			
Administration Expenses	18	152,383,291	96,610,774
Employment Expenses	19	304,484,684	150,270,844
Academic Expenses	20	98,035,677	70,323,517
Establishment Expenses	21	14,346,138	28,126,129
Board Expenses	22	9,816,035	9,016,630
Finance Expenses	23	553,432	445,382
Depreciation Of Assets	24	23,564,250	19,439,728
Audit Fees	13	696,000	600,000
Total Expenditure		603,879,507	374,833,004
 Surplus		 29,085,327	 19,052,577


 Prof. Charles O. Okidi, PhD

Chairman of Council


 Prof. Mucai Muchiri, PhD

Vice Chancellor

KARATINA UNIVERSITY
STATEMENT OF CASHFLOW
FOR THE YEAR ENDED 30TH JUNE 2013

	2013	2012
	KSHS	KSHS
Cash flow from Operating expenses		
Surplus	29,085,327	19,052,577
Adjustment For		
Depreciation & Amortization	23,564,250	19,439,728
Increase in Provision for Audit Fees	96,000	600,000
Amortization of Granted Assets	(9,244,304)	(9,244,304)
	43,501,273	29,848,001
Operating Activities		
Change in:-		
Inventories	(3,606,163)	(8,310,463)
Accounts Receivable	(10,365,007)	(76,715,620)
Prepayments	5,827,309	(8,922,874)
Accounts Payable	84,892,335	115,567,478
Cash From Operating Activities	76,748,473	21,618,521
Net Cash from Operating Activities	120,249,746	51,466,522
Investing Activities		
Property, Plant & Equipment	35,431,416	49,660,944
Capital Work-in-Progress	311,027,404	232,690,571
Biological Asset	2,053,896	4,222,000
Net cash from investing activities	348,512,716	286,573,515
Financing Activities		
Capital Reserve	241,757,571	243,443,313
Net cash flow from financing activities	241,757,571	243,443,313
Net increase/(Decrease) In Cash & Cash Equivalents	13,494,602	8,336,320
Cash & Cash Equivalent at Start of Year	8,336,320	0
Cash & Cash Equivalent at End of Year	21,830,922	8,336,320
Analysis of Cash & Cash Equivalents		
Cash & Bank Balances	21,830,922	8,336,320

Karatina University
Statement of Changes in Reserves
for the Year Ended 30 June 2013

	Capital Fund	Revenue Reserves	Total
	Kshs	Kshs	Kshs
Surplus/Deficit for the year	0	19,052,577	19,052,577
Capital Grants	157,120,452	0	157,120,452
Granted Assets from Moi University	86,322,861		86,322,861
Balance as at 30/06/12	243,443,313	19,052,577	262,495,890
Surplus/Deficit for the year	0	29,085,327	29,085,327
Capital Grants	239,703,675	0	239,703,675
Prior year Adjustment- tea bushes	2,053,896		2,053,896
Balance as at 30/06/13	485,200,884	48,137,904	533,338,788

NB/ The granted assets in the opening balance B/f refer to the value of donations transferred to Karatina University by Moi University as at 1st July 2011.

Prior year adjustment of Kshs. 2,053,896 relates to tea bushes that were understated in the last financial year by 13,166 bushes at a cost of Kshs. 156 each.

Notes to the Financial Statements for the year ending 30th June 2013

Note 1: Accounting Policies

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principles adopted are as follows:

a) Basis of preparation

The financial statements have been prepared under historical cost convention and the figures are presented in Kenya Shillings (Kshs.) as the functional currency.

b) Revenue and expenditure recognition

Income including student fees is recognized in the period in which it is earned, while expenditure is recognized in period in which it is incurred.

c) Government grants

Government grants are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis (IAS 20)

d) Property, Plant and Equipment

Property, plant and equipment are stated at cost less any recognized impairment loss. Costs include professional fee. University land is freehold property and not subjected to amortization. Depreciation on other property is charged so as to write off the value of the assets during their estimated useful life, using straight line method. Assets are subjected to a full year's depreciation except those acquired within the last three months of the year. The annual rates are:

Buildings	2.5%
Furniture, Plant and Equipment	12.5%
Motor Vehicles	25%
Computers and peripheral devices	30%

e) Inventories

Inventories are stated at lower of cost and net realizable value. Costs includes direct material and where applicable direct labour and those overheads that have been incurred to bring the inventories to their present location and condition. Costs of issues are calculated using 'First In



First Out' (FIFO) method. Net realizable value represents the estimated selling prices less all estimated costs of disposal (IAS 2)

f) Biological assets

Biological assets are measured on initial recognition at balance sheet date at its fair value less estimated point of sale costs as per IAS (41)

g) Receivables

Receivables are recognized when commitments are effected at their nominal value.

h) Cash and cash equivalents

Cash and cash equivalent are defined as Cash balances, Bank balances and short term investments (Fixed deposits). For the purposes of cash flow statement, cash and cash equivalent consist of cash and bank balances.

i) Retirement benefits obligations

After the then, University College inherited the former Moi University Central Kenya Campus, the staff opted to remain in the Moi University Pension Scheme. The scheme is funded by contributions based on the basic salary from both employees and employer at a rate of 7.5% and 15% respectively.

The University also contributes to the statutory National Social Security Fund (N.S.S.F.). This is a defined contribution scheme registered under N.S.S.F. Act. The University's obligations under this scheme are limited to specific contributions legislated from time to time and currently limited to a maximum of Kshs. 200.00 per employee per month, while the employer contributes Kshs. 200.00 per month. The University's obligation to staff retirement benefit schemes are charged to income statement in the year to which they relate.

KARATINA UNIVERSITY									
FIXED ASSET SCHEDULE									
Note (2)	LAND	BUILDINGS	COMPUTER & ACCESSORIES	COMPUTER SOFTWARE	MOTOR VEHICLES	EQUIP & FURNITURE	TOTAL		
COST	Kshs.	Kshs.	Kshs.	Kshs.	Kshs	Kshs	Kshs.		
BAL AS AT 1/7/2011	10,796,000	132,611,946	775,320	-	16,417,705	4,251,053	164,852,024		
ADDITIONS	-	-	11,013,400	-	16,483,687	22,163,857	49,660,944		
DISPOSALS									
BAL AS AT 30.06.2012	10,796,000	132,611,946	11,788,720	6,305,996	32,901,392	26,414,910	214,512,968		
ADDITIONS			11,378,630	6,305,996	115,000	17,631,790	35,431,416		
DISPOSALS									
BAL AS AT 30.06.2013	10,796,000	132,611,946	23,167,350	6,305,996	33,016,392	44,046,699	249,944,384		
DEPRECIATION							-		
ACCUM AMORTISATION	-	3,788,913	332,280		4,104,426	1,018,685	9,244,304		
ACCUM DEPRECIATION FOR THE YEAR			3,304,020		4,120,922	2,770,482	10,195,424		
ACCUM DEPREE 30/6/2012	-	3,788,913	3,636,300		8,225,348	3,789,167	19,439,728		
AMORTISATION FOR THE YEAR		3,788,913	332,280		4,104,426	1,018,685	9,244,304		
DEPRECIATION FOR THE YEAR			5,195,819		4,149,672	4,974,456	14,319,946		
ACCUM DEPREE 30/6/2013		3,788,913	5,528,099	-	8,254,098	5,993,141	23,564,250		
TOTAL ACCUM FOR YEARS		7,577,825	9,164,399	-	16,479,446	9,782,308	43,003,978		
Net Book Value 30/6/2013	10,796,000	125,034,120	14,002,951	6,305,996	16,536,946	34,264,391	206,940,405		
Net Book Value 30/6/2012	10,796,000	128,823,033	8,152,420		24,676,044	22,625,742	195,073,239		

Note: Opening balances consist of NBV of the assets granted from MOI University and whose amortization charge is based on the original cost. Amortization has been done to the granted assets as per IFRS/IAS 20 and depreciation charged on cost of the acquired assets during the financial year.

Notes to Financial Statements Cont.....

	2012		2013
	Kshs	Addition for the Year	Kshs
Note 3: Work-In-Progress			
Resource Center	106,461,962	162,612,703	269,074,665
Student Hostel 750 bed capacity	48,500,633	93,048,480	141,549,113
Tuition and Office Block	38,237,561	28,198,552	66,436,113
Student Hostel 216 bed capacity	39,490,415	27,167,668	66,658,084
	232,690,571	311,027,404	543,717,975

Note 4: Biological Assets

		2013
		Kshs.
Tea bushes	156sh per tea bush X 59,000 Bushes	9,204,000
Cows		160,000
	Total as at 2011	9,364,000
	Loss of Tea bushes (34000* 156)	(5,304,000)
		4,060,000
	Additional Cows	162,000
	Total as at 2012	4,222,000
	Tea bushes 13,166 X Kshs. 156	2,053,896
	Additional Calves	30,000
		2,083,896
	Disposal of Calves	(30,000)
	Total as at 2013	6,275,896

	2013	2012
	Kshs.	Kshs.
Note 5: Inventories		
Stores	5,381,591	2,928,519
Library Books	6,535,035	5,381,945
	11,916,626	8,310,463

	Kshs.	Kshs.
Note 6: Trade & Other Receivables		
KTDA Bonus Payment For year 2012/13 &		
Tea Farm sales for the month of June 2013	2,026,409	1,978,222
MoHEST - Capitation June	30,833,333	
Student Balances	29,478,413	40,419,303
Moi University	19,116,170	19,116,170
Imprest Debtors	5,626,302	15,201,925
	87,080,627	76,715,620

Note 7: Prepayments	Kshs.	Kshs.
Contractors		5,827,309
Deposits : Rent (River Bank)	1,010,730	1,010,730
Deposits : Rent (Town)	1,058,085	1,058,085
Deposits :Fuel	1,026,750	1,026,750
Total Prepayments	3,095,565	8,922,874

Note 8: Cash & Bank Balances	Kshs.	Kshs.
Co-operative Bank Of Kenya- Cash at bank	8,009,183	2,583,493
Kenya Commercial Bank - 1138274968	1,993,400	64,210
KCB - Cash at hand	69,815	-
Kenya Commercial Bank-1106185382	8,682,522	3,777,839
Equity Bank- Cash at Bank	3,003,212	1,822,596
Petty Cash	72,790	88,182
Total Cash & Bank Balances	21,830,922	8,336,320

Note 9: Accumulated Capital Fund

The opening balance of Accumulated Capital Fund comprise of Capital grants released by the Government for the financial year 2011/12 and granted Assets relating to current asset and liabilities with an exception of Biological assets which is non-current asset from the period the institutions existed under Moi University.

	2013	2012
	Kshs.	Kshs.
Opening Balance B/f	243,443,313	-
Capital Grants	239,703,675	157,120,452
Granted Assets from Moi Univ.	-	86,322,861
Prior year Adjustment- tea bushes	2,053,896	-
Balance C/d	485,200,884	243,443,313

Note: These Granted Assets relate to opening balances B/f from operations carried out at Moi University as indicated below:

Granted Assets from Moi Univ.

Cash & Bank balances	36,484,155
Biological Assets	9,364,000
Library Books	4,196,039
Tea Farm sales & bonuses for the month of June 2011	2,683,012
Student Balances	19,119,863
Moi University	19,116,170
	90,963,239
Trade Creditors	(4,640,378)
Total Granted Assets	86,322,861

Note 10: Revenue reserve

This is the accumulated surplus for the financial year

	2013	2012
	Kshs.	Kshs.
Surplus/Deficit B/F	19,052,577	-
Surplus/Deficit for the year	29,085,327	19,052,577
Prior Year Adjustments / Other	-	-
Surplus/ Deficit C/F	48,137,904	19,052,577

Note 11: Deferred Income - Grant

As per IFRS/IAS 20 there are two methods of accounting for the grant, Income method and Capital method. The institution has opted to use Income method because it gives full disclosure on the granted assets from Moi University. The granted assets have been recognized over the period necessary to match them with related costs, for which they are intended to compensate, on a systematic basis. The granted assets here relate to non-current assets appearing in the fixed assets movement schedule above.

	2013	2012
	Kshs.	Kshs.
Deferred Income	155,607,720	164,852,024
Amortization of Granted Assets	(9,244,304)	(9,244,304)
Deferred Income C/Forward	146,363,416	155,607,720

Note 12: Trade & Other Payables

	Kshs.	Kshs.
Trade Creditors	19,415,082	17,430,824
Part time Lecturers	38,334,485	33,719,714
Moi University- Funds	10,000,000	-
Contractors' Balance	85,379,384	42,535,410
Contractors' Retention Fees	47,330,861	21,881,530
	200,459,813	115,567,478

Note 13: Audit fees

This comprises of the fees expected to be paid to the Auditor General for the audit of the current period.

	Kshs.	Kshs.
Audit Fees Expense	696,000	600,000
	696,000	600,000

	2013	2012
	Kshs	Kshs
Note 14: Tuition and Related Charges		
Tuition & Accommodation JAB	60,404,310	34,175,550
Tuition & Accommodation SSP	116,983,200	85,424,050
Student Application Fees	505,800	548,262
	177,893,310	120,147,862

	Kshs	Kshs
Note 15: Government Grants		
July	30,833,333	20,833,333
August	30,833,333	20,833,333
September	30,833,333	20,833,333
October	30,833,333	20,833,333
November	30,833,333	20,833,333
December	53,900,000	-
December	30,833,333	20,833,333
January	30,833,333	20,833,333
February	30,833,333	20,833,333
March	30,833,333	20,833,333
April	30,833,333	20,833,333
May	30,833,333	20,833,333
June	30,833,333	20,833,333
	423,900,000	250,000,000

	Kshs	Kshs
Note 16: I.G.A and Other Incomes		
Kitchen Food Sales	10,365,747	8,328,997
Tea Farm	2,957,331	2,656,340
Farm & Milk Sales	244,445	309,334
Disposal of Biological Assets- (calves)	30,000	-
Laundry	34,895	17,850
Photocopier	106,135	48,987
Conference Facilities	3,090,977	8,500
Sale of Tender document	749,500	1,285,500
Hire of Facilities	237,161	-
Fines	65,713	10,075
Graduation	913,000	73,500
Research funds	1,798,436	1,754,333
	20,593,340	14,493,416

	2013	2,012
	Kshs	Kshs
Note 17: Donations		
University Events	591,580	-
Library Books	742,300	-
	1,333,880	-

EXPENDITURE	2013	2012
Note 18: Administration Expenses	Kshs	Kshs
Stationery	8,873,242	5,545,649
Motor vehicle expenses	7,519,338	3,736,260
Office expenses	2,426,126	4,124,080
Postage	930,271	57,300
Printing and Publishing	3,327,856	365,044
Computer expenses	590,799	3,591,210
ISO	2,753,791	-
Shows and Exhibitions	2,666,158	-
Charter	5,748,425	-
Legal expenses	27,700	-
Strategic Plan	2,223,140	-
Subscription & Professional Services	1,341,895	-
News papers and Journals	657,030	-
Cleaning materials	1,447,663	1,006,277
Telephone	1,570,587	1,947,740
Insurance	3,119,314	3,894,078
Open & Cultural Celebrations	596,250	-
Public celebrations and funerals	594,827	248,225
Training expenses	526,220	1,357,612
Security	2,644,021	1,580,173
Water & Sewer	9,717,414	3,986,902
Electricity	9,390,729	5,903,971
Rent & Rates	24,691,897	6,938,805
Staff Uniforms	397,630	500,189
Medical Expenses	6,669,036	4,382,995
Advertising	5,165,810	10,775,536
Internet Charges	10,428,734	4,979,067
Farm Expenses	958,824	998,366
Catering Expenses	20,451,850	11,646,626
Loss of Biological asset	-	5,304,000
Traveling & Accommodation	7,459,022	5,481,229
External Travel & Accommodation	1,915,623	3,227,068
Seminars & Conferences	5,552,073	5,032,371
	152,383,291	96,610,774
Note 19: Employment Expenses	Kshs	Kshs
Payroll expenses	289,331,998	142,756,654
Passage and Baggage	64,095	882,125
Gratuity	7,003,496	-
Casual Wages	8,085,095	6,632,065
	304,484,684	150,270,844

Note 20: Academic Expenses

	Kshs	Kshs
Students activities	1,909,610	4,437,906
External Examiners	3,573,882	1,435,824
Graduation	4,413,013	2,366,705
Industrial Attachments/ Teaching Practice	2,398,749	-
Games & Sports	1,479,865	-
Deans & Senate expenses	972,937	-
University Committees	5,463,022	-
Teaching materials	2,792,076	2,733,800
Field courses	1,952,230	2,744,272
Research Program	1,137,035	1,346,204
PSSP Disbursement	71,943,258	55,258,806
	98,035,677	70,323,517

Note 21: Establishment Expenses

	Kshs	Kshs
General Refurbishment	6,286,511	
Maintenance of buildings	6,093,960	24,398,688
Maintenance of Catering / Hostel equipment	570,491	2,512,568
Maintenance of plant & Equipment	380,502	1,214,873
Maintenance of playground	1,014,674	-
	14,346,138	28,126,129

Note 22: Boards Expenses

	Kshs	Kshs
Sitting Allowance	6,600,000	5,400,000
Travelling & Subsistence	1,584,369	1,679,630
Accommodation	1,513,666	1,937,000
Other expenses	118,000	-
	9,816,035	9,016,630

Note 23: Finance Expenses

	Kshs	Kshs
Bank Charges	553,432	445,382
	553,432	

Note 24: Prov. For Depreciation of Assets

	Kshs	Kshs
Depreciation Buildings	3,788,913	3,636,300
Depreciation Computer & Accessories	5,528,099	8,225,348
Depreciation Motor Vehicle	8,254,098	3,789,167
Depreciation Equipment & Furniture	5,993,141	19,439,728
	23,564,250	35,090,543

