

REPUBLIC OF KENYA



Paper laid
By Hon Aden Duale
LOM on Wednesday
1st April 2015
(R)

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REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
COOPERATIVE UNIVERSITY
COLLEGE
FOR THE YEAR ENDED
30 JUNE 2014



THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2014

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

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

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THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XII. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Cooperative University College of Kenya was established under legal notice No. 161 of 4th November 2011 as a constituent university college under Jomo Kenyatta University of Agriculture and Technology Act (cap 210E). It replaced the Co-operative College of Kenya which was established through the Cooperative College of Kenya Act Cap 490A of 1996. Since inception in 1952 to date, the college has been a leading institution for co-operative education, training and research at both national and international level.

(b) Principal Activities.

The principal activity/mission of the Cooperative University College of Kenya is to provide quality education, training, research, consultancy, information and related services with emphasis to the co-operative sector through relevant programmes and competent personnel.

(c) Key Management.

The Co-operative University College of Kenya's day-to-day management is under the principal and supported by the University College Management Board.

(d) Fiduciary Management.

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

Prof. Eng. Douglas Shitanda	-	Principal
Prof. Esther N Gicheru HSC	-	Director (ICDRE)
Mr. David Otiende	-	Ag. Registrar (Academic affairs)
Mr. Kenneth Waruingi	-	Ag. Registrar (Finance, Planning and Administration)
Mr. Chris Kathoka	-	Principal Human Resource Manager
Mr. Maxwell Nyaga	-	Ag. Finance officer
Mr. Stanley Miringu	-	Ag. Dean of students
Prof. Julius Bitok	-	Dean, Faculty of commerce
Prof. Enoch Gongera	-	Dean, Faculty of cooperatives
Mrs. Monica Nderitu	-	Director, Nairobi Campus
Ms. Edna Musyoki	-	Director, Meru Campus
Mr. Owen Mbogo	-	Coordinator, Mombasa Campus

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

(e) Entity Headquarters

The Co-operative University College of Kenya

L. R. NO. 23134/1, Karen

23134/2, Karen

Ushirika Road

P O Box 24814 00502

KAREN NAIROBI

(f) Entity Contacts

P. O. Box 24814 – 00502

KAREN

Tel. 8891401/3/4

Wireless: 0202430127

0202679456

Mobile. 0724311606

Fax: 8891410

E-mail: principal@cuck.ac.ke

Website: www.cuck.ac.ke

(g) Entity Bankers

1. Standard Chartered Bank

Karen Branch

P.O. Box 24601 00502

KAREN NAIROBI

2. Co-operative Bank

Karen Branch

P O Box 60800 00200

NAIROBI

h) Independent Auditors

Auditor General

Kenya National Audit Office

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XIII. THE UNIVERSITY COLLEGE COUNCIL

1. Dr. Gladys Mwiti PhD	Chairperson
2. Eng. Runji Ngware	Member
3. Mr. Macloud Malonza	Member
4. Ms. Florence M. Gichohi	Member
5. Ms. Salome Mbeyu Mwendar	Member
6. Mr. George Ototo	Member
7. Mrs. Nancy N. Wachira	Rep. - Ministry of Education Science and Technology
8. Mrs. Mary Wanyonyi	Rep. – The National Treasury
9. Mr. Patrick Musyimi	Co-opted Member - Ministry of Industrialisation
10. Prof. (Eng.) Douglas Shitanda	Principal/ Secretary

XIV. THE UNIVERSITY MANAGEMENT BOARD

Prof. (Eng.) Douglas Shitanda	-	Principal
Mr. David Otiende	-	Ag. Registrar (Academic affairs)
Mr. Kenneth Waruingi	-	Ag. Registrar (Finance, Planning and Administration)
Mr. Chris Kathoka	-	Principal Human Resource Manager
Mr. Maxwel Nyaga	-	Ag. Finance officer
Mr. Stanley Miringu	-	Ag. Dean of students
Prof. Julius Bitok	-	Dean, Faculty of Commerce
Prof. Enock Gongera	-	Dean, Faculty of Co-operatives
Mrs. Monica Nderitu	-	Director, Nairobi Campus
Ms. Edna Musyoki	-	Director, Meru Campus
Mr. Owen Mbogo	-	Coordinator Mombasa Campus

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XV. CHAIRPERSON'S STATEMENT

Introduction

The 2013/2014 ushered in a second year of operating as a University College under the Ministry of Education Science and Technology. At the beginning of the year, we paused to reflect on our achievements and indeed our short- Comings in all areas. Since its inception on 4th November 2011, the University College has been on a growth trend with the main focus of attainment of a fully fledged university status. The Council's focus has been to provide a firm foundation to achieve this goal. Towards this end, the Governing Council sought to continue its guidance of management on the necessary transition requirements as provided by the Commission for university Education (CUE) and the Ministry of Education Science and Technology. Throughout the year, the council supported the management's thrust to raise important issues and stimulate debates necessary to advance development in each area in order to achieve the desired targets.

Financial performance

In the year under review, the University reported a gross income of Kshs 479,245,796.00 Compared to Kshs 368,747,511.00 for the 2012/2013. This represents an increase of 30% from the previous year. The Council is satisfied that management and staff have taken the necessary steps throughout the year to deploy the University's resources in order to extract the maximum benefit possible within the prevailing environment. While the current level of Government funding constrains the ability to achieve set targets as desired, the Governing Council is confident that the management team will position the institution to be a leading centre in education nationally and abroad.

Achievements and Challenges

During the 2013/2014 financial year, the University College recruited leading academic scholars in preparation for attainment of fully fledged University status. In the same period, a substantive principal was recruited to guide through the required transition. Further, the institution was inspected by the Commission for University Education in May 2014 in readiness for a University Charter.

Due to delay in release of development funds, the University College has not completed the construction of lecture theatres. This is a major flagship project which if completed will facilitate admission of more than two thousand (2000) students. Further, our library facility remains inadequate to cater for the increasing number of students. The council has already given direction on the way forward towards attainment of an ultra modern Library.

Appreciation

On behalf of the Council, I wish to thank all the stakeholders for the confidence placed on the Council during the entire period and look forward to serving even better. In a special way, I thank the Ministry of Education Science and Technology, Swedish Cooperative Centre, and all other organizations that have stood with us during the entire financial year. Your continued support is highly appreciated. Further, I thank the University management, staff and students for dedication and commitment towards the growth of the university.

Gladys Mwiti, PhD

Dr. Gladys K. Mwiti, PhD

CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL

XVI. REPORT OF THE UNIVERSITY COLLEGE PRINCIPAL

It is my great pleasure to present the annual report and accounts for the Cooperative University College of Kenya (CUCK) for the year ended 30th June 2014. It has been a year of tremendous achievement.

The financial statements show a modest net available operating surplus of Kshs 1,783,739 in comparison to a deficit of Kshs 7,324,273.00 in the previous 2012/2013 financial year. This achievement reflects results of greater financial transparency, efforts to control expenditure across the University, and some growth in student numbers. By achieving an underlying surplus sooner than expected, the University is in a strong position to invest in teaching and research so that we continue to attract and retain the best students, researchers and staff.

While this result reflects the University's financial position in accordance with the international Public Sector Accounting standards (IPSAS) as required by the Government of Kenya, it does not represent a surplus that can be spent freely. It underlines our own commitment to achieve an institution of the highest academic standards in research and teaching, matched with a hands-on desire to make a difference within the limited resources.

The University College continues to feel financial pressure as a result of the continuing decline in Government support. In the year under review, only Kshs 260,362,501.00 was received from the Government of Kenya as grants. Out of this Kshs 48,100,000.00 was to meet Collective Bargaining agreement for staff, leaving the university with a recurrent grant of Kshs 212,262,501.00 which was far below our budget submissions. Further, out of the approved development expenditure of Kshs 124,000,000 only Kshs 74 Million was received. A total amount of Kshs 85,378,180.49 was not disbursed to the university despite issuance of certificates of completion. This has greatly affected the targeted completion of the lecture theatres.

On its part the university generated Kshs 212,107,192.00 which also fell short of the anticipated appropriations in aid (A.I.A). This is attributed to the fact that the additional student fee is highly subsidized by the Government.

The College is on a growth trend in terms of student population. In the next financial year, the University College is expecting 900 students in September 2014 through the Kenya Universities and Colleges Central Placement Service (KUCCPS). In view of this, the university college has an urgent need to expand its physical facilities in terms of Library, Lecture theatres, expansion of the sewerage system, development of master plan to mention but a few. In addition, the University needs to recruit senior academic staff to handle both undergraduate and postgraduate programmes, which have been developed.

Finally, I take this opportunity to thank the Government of Kenya, our collaborators, and other institutions that have rendered their support during the entire financial year. Further, I would like to appreciate the support accorded to me by staff and students in ensuring smooth running of the university college. Last but not least, I acknowledge Prof. Esther N Gicheru who steered the University College during the year under review.



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XVII. CORPORATE GOVERNANCE STATEMENT

During the year under review, the council comprised of six members all appointed by the Minister in the Ministry of Higher Education Science and Technology. All other members are ex-official members. The Council is responsible in ensuring that the University council complies with the law and best practices in corporate governance.

Functions of the Council

The functions and powers of the Council are as stipulated in Legal Order No.161 of November 2011 as indicated below

- To administer the property and funds of the University College in a manner and for the purpose which promotes the interest of the University College.
- To receive, and on behalf of the University college, donations, endowment, gifts, grants or other moneys and make disbursement there from to the University College or other bodies or persons.
- To approve appointment criteria and the terms and conditions of service of staff.
- To provide for the welfare of the staff of the University College.
- To enter into association with other Universities, University Colleges or other institutions of learning.
- To make regulations governing the conduct and discipline of the students of the University.
- To ensure that a proper management structure is in place and that the structure function to maintain corporate integrity, reputation and responsibility.
- To monitor and evaluate the implementation of strategies, policies, and management criteria and plans of the University College.
- To constantly review the viability and financial sustainability if the University College
- To ensure that the University College complies with all the relevant laws, regulations, governance practice accounting and auditing standards.

Committees of The Council

During the 2013/2014 financial year, the following were the council committees in place

- i) Executive Committee
- ii) Finance, Planning and Development Committee
- iii) Human Resource Management Committee
- iv) Audit Committee
- v) Sealing Committee

The council appoints a chairman of each committee. The University College Council Chairman is not a member of other committees apart from the executive Committee.



Dr. Gladys K. Mwiti, PhD
CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)

III. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The University College Council acknowledges its role in the welfare of the community by participating in matters that promote the wellbeing of the society. During the year under review, the University College participated in shirika day celebrations and planting of more than ten thousand trees in order to keep the environment green. The University College also participated in the Mater Hospital Heart run.

Gladys Mwiti, PhD

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

VIII. STATEMENT OF UNIVERSITY COLLEGE COUNCIL'S RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, require the Council to prepare financial statements which give a true and fair view of the state of affairs of the University College at the end of the financial year and the operating results for that year. The Council is also required to ensure that the University College keeps proper accounting records which disclose with reasonable accuracy the financial position of the institution. The Council is also responsible for safeguarding the assets of the Co-operative University College of Kenya.

The Council is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the University College as at the end of the financial year ended on June 30, 2014. 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 institution; (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 Co-operative University College of Kenya; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Council accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standard (IPSAS), and in the manner required by the PFM Act, the State Corporations Act and Public Sector Accounting Standard Board. The Council is of the opinion that the Co-operative University College of Kenya's financial statements give a true and fair view of the state of the institution's transactions during the financial year ended June 30, 2014, and the financial position as at that date. The Council further confirms the completeness of the accounting records maintained for the University College, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Council to indicate that the Co-operative University College of Kenya 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 Co-operative University College of Kenya's financial statements were approved by the Council on 25th September 2014 and signed on its behalf by:

Gladys Mwiti, PhD

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)

REPUBLIC OF KENYA

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

P.O. Box 30084-00100
NAIROBI



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON COOPERATIVE UNIVERSITY COLLEGE OF KENYA FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Co-operative University College of Kenya as set out on pages 10 to 31, which comprise the statement of financial position as at 30 June 2014, statement of financial performance, statement of changes in net assets, statement of cash flows, statement of comparative 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 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 Public Sector Accounting 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 statement, 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 circumstance, but not for the purpose of

expressing an opinion on the effectiveness of the University College'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 of Qualified Opinion

1. Receivables from Exchange Transactions

As disclosed in note 14 to the financial statements, the receivables from exchange transactions balance of Kshs.53,287,361 includes a balance of Kshs.2,484,080 described as advanced rent which includes an amount of Kshs.1,620,000 paid to a property owner for lease of building space in Meru. Although the advance payment was made, the University did not occupy the building as it was declared unsuitable for the intended purpose. The recoverability of this amount is doubtful as there was no lease agreement signed between the two parties. In addition, the receivables from exchange transactions balance includes loss on exchange of Kshs.309,744 for which the basis for inclusion as a receivables from exchange transactions was not provided for audit review.

In the circumstances, the accuracy and full recoverability of receivables from exchange transactions balance of Kshs.53,287,361 as at 30 June 2014 could not be confirmed.

2. Board Expenses

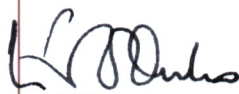
Included in the Board expenses figure of Kshs.7,684,743 under note 9 to the financial statements is Kshs.5,336,000 in respect of sitting allowance. The sitting allowance of Kshs.5,336,000 also includes sitting and other allowances totalling to Kshs.236,000 paid to a member of staff of the Inspector-General (Corporations) contrary to circular ref; OP/CAB.9/1A dated 8 November 2013, which discontinued payment of such allowances to the Inspector-General (Corporations) and members of his staff. It is not clear and management has not explained the circumstances under which the amount was paid to a non-Board member. In the circumstances, the propriety of expenditure of Kshs.236,000 for the year ended 30 June 2014 could not be confirmed and the College was in breach of the Law.

3. Going Concern

During the year under review, the University College recorded a surplus of Kshs.1,783,739 (2013-deficit Kshs.7,324,273) resulting in a decrease in accumulated deficit from negative Kshs.88,331,838 as at 30 June 2013 to negative Kshs.86,548,099 as at 30 June 2014. Further, the current liabilities of Kshs.148,852,279 as at 30 June 2014 exceeded the current assets of Kshs.83,038,703 resulting in a negative working capital of Kshs.65,813,576. However, the financial statements have been prepared on a going concern basis on the assumption of continued financial support from the Government and creditors.

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 the University College as at 30 June 2014, its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Universities Act, 2012 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

6 March 2015

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

X. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 Kshs	Restated 2012-2013 Kshs
Revenue from non-exchange transactions			
Unconditional Grants	3	260,362,501	191,250,000
Conditional Grants	3	6,776,103	17,370,410
		267,138,604	208,620,410
Revenue from exchange transactions			
Tuition fees	4	156,247,136	94,992,997
Income from Co-operative Retreat & Conference Centre	5	39,693,456	46,438,647
Rental Revenue from Facilities	6	4,829,656	6,711,075
Other income	7	11,336,944	11,984,382
		212,107,192	160,127,101
Total revenue		479,245,796	368,747,511
Expenses			
Employee Cost	8	230,016,609	153,175,869
Board Expenses	9	7,684,743	7,672,254
Depreciation and amortization expense	10	6,575,024	17,018,105
Repairs and Maintenance	11	26,018,060	10,800,684
General Expenses	12	195,175,463	187,114,872
Provision for Audit Fee	20	290,000	290,000
		465,759,899	376,071,784
Total expenses		465,759,899	376,071,784
Other Gains/(Losses)			
Revaluation Loss	18	11,702,157	-
		1,783,739	(7,324,273)
Surplus for the period		1,783,739	(7,324,273)

The notes set out on pages 15 to 31 form an integral part of the Financial Statements

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA

(A CONSTITUENT COLLEGE OF JKUAT)

XI. STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2013-2014 Kshs	Restated 2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	13	13,299,125	7,506,303
Receivables from exchange transactions	14	53,287,361	42,073,017
Receivables from non-exchange transactions	15	12,756,536	-
Inventories	16	3,695,681	2,587,143
		<u>83,038,703</u>	<u>52,166,463</u>
Non-current assets			
Property, plant and equipment	18	2,391,273,174	489,154,839
Investments	17	2,825,530	2,825,530
Work In Progress	19	184,718,067	61,285,708
		<u>2,578,816,771</u>	<u>553,266,077</u>
Total assets		<u><u>2,661,855,474</u></u>	<u><u>605,432,540</u></u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	20	56,338,011	24,461,539
Trade and other payables from non-exchange transactions	21	92,514,268	51,135,910
Total liabilities		<u>148,852,279</u>	<u>75,597,449</u>
Capital fund		692,698,765	618,166,928
Reserves		1,906,852,529	-
Accumulated Deficit		<u>(86,548,099)</u>	<u>(88,331,838)</u>
Total net assets and liabilities		<u><u>2,661,855,474</u></u>	<u><u>605,432,539</u></u>

The Financial Statements set out on pages 10 to 11 were signed on behalf of the University College Council by:

Gladys Mwiti, PhD

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

XII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Accumulated Deficit Kshs '000	Reserve Fund Kshs '000	Revaluation Reserve Kshs	Total Kshs '000
Balance as at 30 JUNE 2012	(81,007,565)	617,901,139	-	536,893,574
Additions in the year	-	265,789	-	265,789
Surplus/(deficit) for the period	(7,324,273)	-	-	(7,324,273)
Balance as at 30 JUNE 2013	(88,331,838)	618,166,928	-	529,835,090
Surplus for the period	1,783,739	-	-	1,783,739
Additions in the year	-	74,531,837	1,906,852,529	1,981,384,366
Balance as at 30 JUNE 2014	(86,548,099)	692,698,765	1,906,852,529	2,513,003,195

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

XIII. STATEMENT OF CASHFLOWS
For the year ended 30 June 2014

		2013-2014	2012-2013
		<u>KSHS</u>	<u>KSHS</u>
Surplus for the period		1,783,739	(7,324,273)
Adjustment for:			
Loss on Revaluation	18	11,702,157	-
Depreciation	18	6,575,024	17,018,105
		20,060,921	9,693,832
<u>Change in working capital</u>			
(Increase)/decrease in inventories	16	(1,108,537)	(531,197)
(Increase)/decrease in receivables	14	(23,970,880)	(1,527,746)
Increase/(decrease) in payables	20	31,876,472	5,884,989
Increase/(decrease) in Development payables	21	41,378,358	51,135,910
Net cash generated from operating activities		48,175,413	54,961,956
<u>Cash flow from investing activities</u>			
Machinery		(3,336,230)	(15,077,978)
Motor Vehicles		(7,200,000)	-
Computers		(4,056,240)	-
Furniture		(6,337,920)	-
Office Equipment		(2,880,000)	-
Telecommunication Equipment		(758,200)	-
Kitchen Equipment & Cutlery		(1,848,000)	-
Work in progress Lecture Theatre		(110,558,758)	(51,135,910)
Net cash used in investing activities		(136,975,347)	(66,213,888)
<u>Cash flow from financing activities</u>			
Capital fund		74,531,837	265,789
Net change in cash and cash equivalent		5,792,824	(1,292,311)
Opening cash and cash equivalent		7,506,301	8,798,612
Closing cash and cash equivalent		13,299,125	7,506,301

THE CO-OPERATIVE UNIVERSITY COLLEGE OF KENYA
(A CONSTITUENT COLLEGE OF JKUAT)

XIV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the year ended 30 June 2014

Revenue	Original budget 2013-2014 Kshs	Adjustments 2013-2014 Kshs	Final budget 2013-2014 Kshs	Actual on comparable basis 2013-2014 Kshs	Performance difference 2013-2014 Kshs	Remarks
Unconditional Grants	240,862,500	-	240,862,500	260,362,501	(19,500,001)	This is due to Collective Bargain Agreement funds disbursed by the Government.
Conditional Grants	-	-	-	6,776,103	(6,776,103)	These are special grants which had not been anticipated.
Tuition fees	201,293,200	-	201,293,200	156,247,136	45,046,064	Planned enrolment targets were not achieved.
Income from Co-operative Retreat & Conference Centre	47,000,000	-	47,000,000	39,693,456	7,306,544	This was occasioned by a drop in the number of clients.
Rental Revenue from Facilities	10,000,000	-	10,000,000	4,829,656	5,170,344	Conversion of Rental houses to Student Hostels
Other income	13,000,000	-	13,000,000	11,336,944	1,663,056	
Total income	512,155,700	-	512,155,700	479,245,796	32,909,904	
Expenses						
Employee Cost	215,000,000	-	215,000,000	230,016,609	(15,016,609)	An increase in salaries due to the new negotiated CBA salary increase effected in the financial year.
Board Expenses	7,000,000	-	7,000,000	7,684,743	(684,743)	
Repairs and Maintenance	16,000,000	9,000,000	25,000,000	26,018,060	(1,018,060)	
General Expenses	267,850,000	(9,000,000)	258,850,000	201,750,488	57,761,944	Tight control of expenditure in the financial year.
Provision for Audit Fee	-	-	-	290,000	(290,000)	
Total expenditure	505,850,000	-	505,850,000	465,759,900	40,752,531	The overall expenditure was within the budgeted amounts.
Revaluation Loss	-	-	-	11,702,157	(11,702,157)	
Surplus for the period	6,305,700	-	6,305,700	1,783,739	3,859,530	

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XV. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Co-operative University College of Kenya's financial statements have been prepared in accordance with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the accepted functional and reporting currency and all values are rounded to the nearest shilling. The accounting policies have been consistently applied to all the years presented.

First time adoption of International Public Sector Accounting Standards

The Co-operative University College of Kenya has adopted the International Public Sector Accounting Standard for the first time in 2014.

Basis of Preparation

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Unconditional Grants

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property), if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Co-operative University College of Kenya and can be measured reliably.

Conditional Grants

Conditional grants are treated as a liability and credited to the income and expenditure statement when the activities for which they were provided for have been undertaken.

ii) Revenue from exchange transactions

Tuition Fees

Revenue from tuition fees is recognized at the beginning of the semester when the student has met all the admission and registration requirements for that particular semester. Tuition fees are accounted for on accrual basis over the period of instruction to which they relate. Fees paid in advance are carried forward as liabilities at the end of each reporting period.

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Rendering of services

The Co-operative University College of Kenya recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to number of days to the service has been rendered as a percentage of the total period of service.

Rental income

Rental income arising from provision of housing is recognized as the income is earned in accordance with the terms of the tenancy agreement.

b) Budget information

The annual budget is prepared on the cash basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Co-operative University College of Kenya.

c) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

d) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Co-operative University College of Kenya recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Depreciation is calculated on a reducing balance method for all other categories of assets except for land which is not depreciated. The applied depreciation rates are as shown below:

- | | |
|------------|------|
| • Land | Nil |
| • Building | 2.5% |

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- Plant and Machinery 10%
- Furniture and Fitting 12.5%
- Motor Vehicles 25%
- Office Equipment 12.5%
- Computer and Accessories 30%
- Telecommunication Equipment 20%
- Kitchen Equipment and Cutlery 10%
- Tools 10%

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Co-operative University College of Kenya.

f) Provisions

Provisions are recognized when the Co-operative University College of Kenya has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Co-operative University College of Kenya does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

g) Nature and purpose of reserves

The Co-operative University College of Kenya creates and maintains reserves in terms of specific requirements.

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Capital Fund

This fund is composed of development grants that are used in capital projects by the Co-operative University College of Kenya. The Co-operative University College of Kenya recognizes any expenditure incurred of a capital nature and those funds are transferred to the capital fund upon incurring such expenditure.

Accumulated Funds

These are the funds that are retained by the Co-operative University College of Kenya. These funds are cumulative and are increased by the surplus or decreased by the deficit in a particular accounting period.

Revaluation Reserve

Beginning in 2014, the revaluation surplus reserves include the results of a revaluation (from historic cost to fair value) of the assets owned by the institution. The fair value has been determined by and independent valuation.

h) Changes in accounting policies and estimates

The Co-operative University College of Kenya recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year

j) Comparative figures

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

k) Significant judgments and sources of estimation uncertainty

The preparation of the Co-operative University College of Kenya's financial statements in conformity with IPSAS 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. Estimates include, but are not limited to: accrued charges and the degree of impairment of fixed assets. Changes in estimates are reflected in the period in which they become known.

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l) 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, 2014.

m) Financial Instruments

i. Financial assets

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Co-operative University College of Kenya determines the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost.

ii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Co-operative University College of Kenya determines the classification of its financial liabilities at initial recognition.

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

n) Related parties

The Co-operative University College of Kenya regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the University College, or vice versa. These related parties include: The Government of Kenya and Members of key management comprising the University College Council and the University Management Board.

o) Segment Reporting

The Co-operative University College of Kenya does not have any reporting segments. All the operations of the Co-operative University College of Kenya are managed from the registered office of the Co-operative University College of Kenya.

p) Principal Activities

The principal activity of the Co-operative University College continues to be the provision of co-operative education for various categories of the co-operative movement and the government officers,

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to serve as a centre of academic excellence in the co-operative movement in Kenya, together with other mandates as stipulated in legal notice No. 161 of 4th November 2011 under Jomo Kenyatta University of Agriculture and Technology ACT (cap 210E).

3. Grants

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Unconditional grants		
Government of Kenya	212,262,501	191,250,000
CBA Grant	53,100,000	-
Refund of CBA Funds	(5,000,000)	-
	260,362,501	191,250,000
Conditional grants		
Development funds expensed	-	11,734,211
Swedish Co-operative Centre	4,553,718	4,400,000
Frich Project	1,970,520	1,236,199
Other organizational grants	251,865	-
	6,776,103	17,370,410
Total government grants	267,138,604	208,620,410

4. Tuition Fees

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Main Campus	100,336,395	64,415,448
Nairobi Town Campus	48,197,882	28,285,322
Meru Campus	8,498,220	3,642,517
Mombasa Campus	949,500	970,000
Students Fees Refund	(1,734,861)	(2,320,290)
Total revenue from Tuition fees	156,247,136	94,992,997

5. Co-operative Retreat & Conference Centre

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Sales from CR&CC	39,929,856	48,439,862
Refunds for Overbooking	(236,400)	(2,001,215)
Total from CR&CC	39,693,456	46,438,647

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6. Rental revenue from facilities	2013-2014	Restated 2012-2013
	Kshs	Kshs
Rent Income	4,829,656	6,711,075
Total rentals	4,829,656	6,711,075

7. Other income	2013-2014	Restated 2012-2013
	Kshs	Kshs
Catering	6,002,310	6,355,826
Dispensary	403,264	422,751
Dividends	-	322,500
Bookshop	-	88,208
Water and Electricity	335,763	266,161
Decrease in Provision for Bad debts	2,497,142	2,195,348
Miscellaneous Income	2,098,465	2,333,588
Total other income	11,336,944	11,984,382

8. Employee costs	2013-2014	Restated 2012-2013
	Kshs	Kshs
Basic Salaries	97,764,082	133,327,019
Casual workers	3,766,706	2,412,685
Part time teaching	4,971,395	2,786,620
Gratuity	908,971	-
Pension	13,393,563	10,457,229
House to Office allowance	22,826,780	-
Other personnel allowances	17,485,300	1,659,000
Group life insurance	-	-
Leave allowance	1,910,531	2,533,316
New recruits, passage & Baggage	213,738	-
House allowances	66,775,543	-
Employee costs	230,016,609	153,175,869

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9. Board Expenses	2013-2014	Restated 2012-2013
	Kshs	Kshs
Sitting Allowance	5,336,000	5,121,000
Travelling Allowance	816,002	558,998
Night outs	510,000	884,515
Chairperson's Honoraria	1,022,741	1,107,741
Total Board Expenses	7,684,743	7,672,254

10. Depreciation and amortization expense	2013-2014	Restated 2012-2013
	Kshs	Kshs
Property, plant and equipment	6,575,024	17,018,105
Total depreciation and amortization	6,575,024	17,018,105

11. Repairs and maintenance	2013-2014	Restated 2012-2013
	Kshs	Kshs
Motor Vehicle repairs	1,252,376	1,112,658
Maintenance of Sewerage and water	614,332	1,271,490
Maintenance of Buildings and station	21,174,417	5,112,841
Maintenance of roads/grounds	224,130	-
Maintenance of computers/printer	506,051	1,363,580
Maintenance of plant & equipment	2,246,755	1,940,115
Total repairs and maintenance	26,018,060	10,800,684

12. The following are included in general expenses:	2013-2014	Restated 2012-2013
	Kshs	Kshs
Central Services		
Electricity expenses	7,442,395	5,930,534
Water expenses	532,920	810,500
Vehicle licenses & insurance	895,753	963,652
Vehicle fuel and oil	4,000,248	3,962,716
Publishing & Printing	858,160	548,614
Advertising and Publicity	16,489,109	5,433,321
Telephone expenses	671,489	2,848,273

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Postal & Courier services	188,611	181,620
Purchase of uniforms	344,000	18,800
Conferences/workshops and seminars	2,800,670	2,622,193
Purchase of Drugs	1,882,498	637,868
Medical scheme	2,800,222	7,254,937
Student group personal accident	138,110	-
Staff group personal accident	1,658,803	-
Contracted professional services	4,890,119	3,287,342
Catering cost	29,260,849	28,079,796
Cleaning materials	1,567,261	1,345,142
Set up of ICT infrastructure	106,800	-
External travelling	855,020	1,305,205
Gas and fuel	3,857,483	6,070,608
Training expenses/Staff training	935,750	1,440,290
Subscription to professional bodies	291,128	-
Utensils & crockery	445,044	16,285
Performance Contract	446,000	-
Booked meals for staff	1,048,760	-
Newspapers	569,465	-
Internet services	2,634,856	302,189
Stationery & stores	1,788,243	1,502,575
ISO certification & maintenance	477,661	603,381
Staff welfare	2,403,130	258,250
Fumigation services	103,700	-
Corporate social responsibility	344,420	-
Generator expenses	845,200	1,182,077
Purchase of production materials	2,083,836	1,831,021
Rent & rates	-	4,255,010
Students Welfare		
Inter university games	1,433,100	5,558,283
Students work-study programme	29,996	-
Sports equipments	75,540	111,020
Academic Costs		
Study tours	2,081,710	-
Library books/e-library/journals	773,750	812,785
Research, production & extension	725,688	4,258,345
Curriculum Development	1,490,900	-
Alumni association	414,800	-
Examination expenses	1,164,400	1,296,875
Graduation expenses	4,207,891	2,659,954

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Administrative Costs

Bank charges/interest	943,842	750,466
Travelling and accommodation	8,231,328	9,019,584
Official Entertainment	-	334,823
Legal Fees	-	2,090,000
Renovation	-	6,035,576
Firefighting equipments	523,406	-
Street Lighting	-	-
Sports facilities	1,225,000	-
Extension of Dining Hall	-	-
General insurance	148,917	-
Revaluation of Assets	1,150,110	-
Mombasa Rent	-	-
CR&CC	27,948,352	36,636,793
a) Campuses Expenses	41,154,001	28,092,440
Leadership for change	4,851,734	5,529,530
Frich project	943,286	1,236,199
Total general expenses	195,175,463	187,114,872

a) The Campus expenses relate to the general expenses of the three campuses.

a) Campus Expenses	2013-2014	Restated 2012-2013
	Kshs	Kshs
Nairobi Campus General Expenses	29,078,678	22,970,515
Meru Campus General Expenses	11,198,308	4,394,984
Mombasa Campus General Expenses	877,015	726,941
	41,154,001	28,092,440

13. Cash and cash equivalents	2013-2014	Restated 2012-2013
	Kshs	Kshs
Standard Chartered bank	718,992	2,098,264
Co-operative bank Current A/c	7,414	264,049
Co-operative bank Fees deposit A/c	2,778,246	685,597
Co-operative bank Collateral A/c	4,507,360	3,107,360
Co-operative bank Leadership for change project A/c	4,742,371	803,487
Co-operative bank Yatta project A/c	386,829	386,829
Cash-on-hand	157,914	160,717
Total cash and cash equivalents	13,299,125	7,506,303

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14. Receivables from exchange transactions	2013-2014	Restated 2012-2013
Current receivables	Kshs	Kshs
(a) Student debtors	30,705,485	20,073,507
Seminar debtors	13,293,406	19,295,005
Imprest outstanding	868,940	1,120,425
Dispensary bills outstanding	-	48,897
Salary advances outstanding	1,249,946	1,312,823
Deposits with suppliers	2,653,200	1,290,200
Advance rent (Meru Campus /Kairanya Investments)	2,484,080	-
Rent & water bills outstanding	1,295,500	1,500,800
Unreconciled Receipts and Payments	808,303	-
(b) VAT refund by Treasury	171,959	171,959
(c) Loss on exchange	309,744	309,744
(d) Less: Provision for Bad Debts	(553,202)	(3,050,344)
Total receivables	53,287,361	42,073,017

- a) Fees outstanding are balances for students of main campus, town campus, Meru campus and Mombasa campus.
- b) VAT refund by treasury is a result of VAT charged to USAID project which is exempted from VAT.
- c) Loss on exchange arose from fluctuation of exchange rates when USAID project ended.
- d) Movement in provisions relate to Cooperative Retreat & Conference centre Debtors.

d) Movement in provisions for Bad Debts	2013-2014	Restated 2012-2013
	Kshs	Kshs
Balance at the beginning of the year	3,050,344	5,245,692
Provision for the year	-	-
Received in the year	(2,497,142)	(2,195,348)
Balance as at 30 June 2014	553,202	3,050,344

15. Receivables from non-exchange transactions		
Current receivables	2013-2014	Restated 2012-2013
	Kshs	Kshs
GOK Recurrent Grants June 2014	12,756,536	-
Total current receivables	12,756,536	-

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16. Inventories

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Dry & perishable foods	1,726,561	710,975
Production materials	262,598	182,255
General stationery	179,982	165,167
Cleaning materials	597,700	648,177
Electrical & hardware	121,091	284,130
Drugs	700,049	596,439
Water chemicals	107,700	-
Total inventories	3,695,681	2,587,143

17. Investments

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Agri. And Co-operative Training and Consultancy Services	2,825,530	2,825,530
Total investments	2,825,530	2,825,530

The investment in Agri. And Co-operative Training and Consultancy Services (ATC) which was a department of the Co-operative College of Kenya and registered by certificate No. 142828 as a company was as at 30th June 2007 worth Kshs. 2,825,530, which was capital injected by donor partners through the College, and in these financial statements has been treated as balance carried down.

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18. Property, plant and equipment

2014

	<u>LAND</u>	<u>BUILDING</u>	<u>PLANT & EQUIPMENT</u>	<u>FURNITURE & FITTING</u>	<u>ACCESSORIES</u>	<u>MOTOR VEHICLES</u>	<u>TOOLS</u>	<u>OFFICE EQUIPMENT</u>	<u>TEL. EQUIPMENT</u>	<u>KITCHEN</u>	<u>TOTAL</u>
		2.5%	10.0%	12.5%	30%	25%	10%	12.50%	20%	10%	
VALUATION AS AT 01/04/2014	1,766,664,000	578,915,000	565,000	17,291,700	3,777,000	15,200,000	13,299,964	2,880,000	758,200	1,848,000	2,401,198,864
ADDITIONS IN THE PERIOD	-	-	-	-	-	-	-	-	-	-	-
TRANSFERS											
AS AT 30/6/2014	<u>1,766,664,000</u>	<u>578,915,000</u>	<u>565,000</u>	<u>17,291,700</u>	<u>3,777,000</u>	<u>15,200,000</u>	<u>13,299,964</u>	<u>2,880,000</u>	<u>758,200</u>	<u>1,848,000</u>	<u>2,401,198,864</u>
DEPRECIATION											
AS AT 30/6/2013	-	-	-	-	-	-	3,350,665	-	-	-	3,350,665
CHARGE FOR THE PERIOD		3,618,219	14,125	540,366	283,275	950,000	994,930	90,000	37,910	46,200	6,575,024
AS AT 30/6/2014	=	<u>3,618,219</u>	<u>14,125</u>	<u>540,366</u>	<u>283,275</u>	<u>950,000</u>	<u>4,345,595</u>	<u>90,000</u>	<u>37,910</u>	<u>46,200</u>	<u>9,925,689</u>
Net Book Value AS AT 30- 6-2014	<u>1,766,664,000</u>	<u>575,296,781</u>	<u>550,875</u>	<u>16,751,334</u>	<u>3,493,725</u>	<u>14,250,000</u>	<u>8,954,369</u>	<u>2,790,000</u>	<u>720,290</u>	<u>1,801,800</u>	<u>2,391,273,175</u>
Net Book Value AS AT 30- 6-2013	99,898,991	352,125,476	9,438,840	11,427,642	4,055,152	4,733,558	7,475,180	-	-	-	489,154,839
Net Book Value Before Revaluation	<u>99,898,991</u>	<u>345,523,123</u>	<u>9,757,828</u>	<u>16,100,041</u>	<u>6,286,329</u>	<u>9,696,016</u>	-	-	-	-	<u>487,262,328</u>
Revaluation Reserve	<u>1,666,765,009</u>	<u>233,391,877</u>	-	<u>1,191,659</u>	-	<u>5,503,984</u>	-	-	-	-	<u>1,906,852,529</u>
Revaluation Loss	=	=	=	=	<u>(2,509,329)</u>	-	-	-	-	-	<u>(11,702,157)</u>

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Property, plant and equipment
2013

	<u>LAND</u>	<u>BUILDING</u>	<u>PLANT & MACHINERY</u>	<u>FURNITURE & EQUIPMENTS</u>	<u>COMPUTER & ACCESSORIES</u>	<u>MOTOR VEHICLES</u>	<u>TOOLS</u>	<u>TOTAL</u>
		2.5%	10.0%	12.5%	30%	25%	10%	
VALUATION AS AT 30/6/2012	115,000,000	415,280,327	21,809,332	21,528,145	10,069,718	19,437,584	6,690,465	609,815,571
ADDITIONS IN THE PERIOD	-	24,758,205	1,060,560	2,451,490	3,648,672	-	4,135,380	36,054,307
TRANSFERS	-	-	-	-	-	-	-	-
AS AT 30/6/2013	<u>115,000,000</u>	<u>440,038,531</u>	<u>22,869,892</u>	<u>23,979,635</u>	<u>13,718,390</u>	<u>19,437,584</u>	<u>10,825,845</u>	<u>645,869,877</u>
DEPRECIATION								
AS AT 30/6/2012	13,939,393	78,884,197	12,382,292	10,919,473	7,925,316	13,126,174	2,520,089	139,696,933
CHARGE FOR THE PERIOD	1,161,616	9,028,858	1,048,760	1,632,520	1,737,922	1,577,853	830,576	17,018,105
AS AT 30/6/2013	<u>15,101,009</u>	<u>87,913,055</u>	<u>13,431,052</u>	<u>12,551,993</u>	<u>9,663,238</u>	<u>14,704,026</u>	<u>3,350,665</u>	<u>156,715,038</u>
Net Book Value AS AT 30- 6-2013	<u>99,898,991</u>	<u>352,125,476</u>	<u>9,438,840</u>	<u>11,427,642</u>	<u>4,055,152</u>	<u>4,733,558</u>	<u>7,475,180</u>	<u>489,154,839</u>
Net Book Value AS AT 30- 6-2012	<u>101,060,607</u>	<u>336,396,130</u>	<u>9,427,040</u>	<u>10,608,672</u>	<u>2,144,402</u>	<u>6,311,411</u>	<u>4,170,376</u>	<u>501,244,764</u>

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Revaluation of Property Plant and Equipment

On April 1st 2014, the University College's Property, Plant and Equipment were revalued (from historic cost to fair value). This has resulted in a revaluation surplus in some classes of Property, Plant and Equipment, leading to a revaluation surplus reserve. Other classes of Property, Plant and Equipment have had a revaluation loss which has been reflected in the statement of financial performance. The fair value has been determined by an independent valuation by Kenval Realtors (EA) Limited. The basis of revaluation was the Open Market Value.

19. Work In Progress	BAL B/F	ADDITIONS	TRANSFERS	TOTAL
a) MIS	10,149,798	-	-	10,149,798
b) Set up of ICT Infrastructure	-	12,873,601	-	12,873,601
Buildings	-	-	-	-
Water Tank	10,696,158	-	-	10,696,158
Lecture Theatre	40,439,752	110,558,758	-	150,998,510
Balance carried down	61,285,708	123,432,359	-	184,718,067

- a) The MIS of Ksh. 10,149,798 is for acquisition of integrated management information system (MIS) software and licenses which has not been depreciated as the project is not complete.
- b) The Set up of ICT Infrastructure is for the laying of fibre cable backbone and structured network system. The project has not been depreciated as the project is not complete.

20. Trade and other payables from exchange transactions

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Trade payables	53,085,087	24,171,539
Unidentified Bankings	2,962,924	-
Audit Fees	290,000	290,000
Total trade and other payables	56,338,011	24,461,539

21. Trade and other payables from non-exchange transactions

	2013-2014	Restated 2012-2013
	Kshs	Kshs
Construction of Lecture Theatres 2	3,628,905	3,628,905
Construction of Lecture Theatres 3	85,940,949	39,755,261
Construction of Water Tank	2,944,414	7,751,744
Total development payables	92,514,268	51,135,910

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Payables from Non-exchange transactions relate to capital project which has been contracted, approved, certificate issued, but not yet settled.

22. Financial Risk Management Disclosure.

The institution is exposed to certain liquidity and credit risks. The institution does not have significant exposure to liquidity risk as it has substantial unrestricted cash resources which are replenished from the results of its operations.

The institutions accounts receivable are almost exclusively from its operations with its students and therefore risks related to credit are considered minor. A provision has been made against asset value of accounts receivables relating to Cooperative Retreat and Conference Centre to reflect receivables for which payment is not anticipated in the short-term.

23. Disclosure: Ksh. 45,124,339.

The contractor to the Management Information System project which has been under arbitration was awarded Ksh. 45,124,339 as damages by the arbitrator. The University College management appealed to the High Court of Kenya and the decision of the High Court was in favour to the college. The contractor has indicated that he intends to go to the Court of Appeal.

24. Employees.

The University College has 190 permanent and pensionable employees. The University College transferred its unfunded pensionable from the Government of Kenya and now has its own defined contribution scheme.

25. Reporting Currency.

The University College's principal activities are carried out in the Republic of Kenya and the accounts are reported in Kenya Shillings.

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VI. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Financial Performance. A deficit of Ksh. 7,324,273 was recorded in the 2012-2013 financial year.	The University was on a recovery path.	PRINCIPAL	Resolved. The University registered a surplus of Ksh. 1,783,789	Already resolved.
Negative working capital of Ksh. 23,430,987.	This was as a result of delayed Government Grant.	PRINCIPAL	Not resolved.	2014-2015 Financial year.

Gladys Mwiti, PhD

Dr. Gladys K. Mwiti, PhD
CHAIRPERSON OF THE COOPERATIVE UNIVERSITY COLLEGE COUNCIL



Prof. Eng. Douglas Shitanda
PRINCIPAL (COOPERATIVE UNIVERSITY COLLEGE)