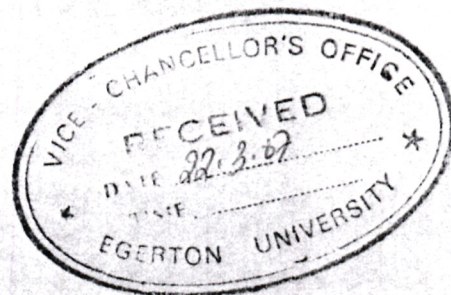




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LIBRARY



**KENYA NATIONAL AUDIT OFFICE**

**REPORT  
OF  
THE CONTROLLER  
AND AUDITOR-GENERAL**

*DVC (A&F)*

*tna  
J. Mutua*

*26/3/2007*

**ON**

**THE FINANCIAL STATEMENTS OF  
EGERTON UNIVERSITY FOR THE  
YEAR ENDED 30 JUNE 2006**

KENYA NATIONAL ASSEMBLY  
Accession: 10012939

Call No: 657-3 EUN





**EGERTON**



**UNIVERSITY**



**ANNUAL REPORT**  
**AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30<sup>TH</sup> JUNE 2006**

## **C O N T E N T S**

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## **Establishment**

**Egerton University is a body Corporate established through an Act of Parliament number 11 of 1987 and domiciled in Kenya**

## **REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS**

Egerton University  
P.O. Box 536  
EGERTON  
KENYA

### **BANKERS**

Kenya Commercial Bank Ltd.  
Kenyatta Avenue Branch  
P. O. Box 18  
NAKURU

Co-operative Bank of Kenya Ltd.  
P.O. Box 2982  
NAKURU

Barclays Bank of Kenya Ltd.  
P.O. Box 66  
NAKURU

National Bank of Kenya Ltd.  
P.O. Box 1013  
NAKURU

### **LAWYERS/ADVOCATES**

Ms Seth & Wathigo Advocates  
Vickers Building  
P.O. Box 611  
NAKURU

### **INDEPENDENT AUDITORS**

Controller & Auditor General  
Kenya National Audit Office  
Anniversary Towers  
P.O. Box 30084-00100  
NAIROBI  
KENYA.

## Council Members

### Chancellor

Amb. Bethuel Abdu Kiplagat  
*B.Sc. (London), D.Litt. (Honoris Causa) (Egerton)*

Eng. Abdullahi M. H. Sharawe  
Dr. Ephantus M. Mugiri  
Mr. Sammy Ndungu  
Mr. Tom Owuor  
Canon Rosemary M. Mbogo (Rev.)  
Dr (Ms) Khadija Sood Shikely  
Ms Nancy Barasa  
Eng. Daniel Mosoti Osoro  
Mr. Joshua Terer  
Rt. Rev. Col. Alfred K. arap Rotich  
Prof. Abdullah Naji Said  
Mrs A. K. Sila  
Ms M. I. Aoko  
Mr J.C.B. Kamau  
Ms Njoki Kahiga  
Mr. Christopher Chirchir  
Ms Alice Muchugi  
Prof. J. K. Tuitoek  
Prof. L. M. Mumera  
Prof. E.M. Wathuta  
Prof. S.A. Abdulrazak  
Prof. A.M. Sindabi  
Prof. J. M. Mathooko  
Prof. L. W. Nakhone  
Dr. R.A.O. Odhiambo  
Prof. S. M. Ngari  
Mr. Geoffrey Njeru  
Mr. M.N. Wafula

### Chairman

### Vice-Chairman

### Honorary Treasurer

Member  
Member  
Member  
Member  
Member  
Member  
Member  
Member  
Ministry of Education  
Ministry of Finance  
Ministry of Agriculture & Rural Development  
Directorate of Personnel Management  
Alumni Representative  
Alumni Representative  
Vice-Chancellor  
Deputy Vice-Chancellor (A&F)  
Deputy Vice-Chancellor (AA)  
Deputy Vice-Chancellor (R&E)  
Principal Laikipia Campus College  
Principal Kisii Campus College  
Senate Representative  
Senate Representative  
Senate Representative  
Chairman, students Union Njoro Campus  
Chairman, Students Union Laikipia Campus  
College

## **Senior Management Staff**

### **Vice-Chancellor**

Prof. J. K. Tuitoek,  
*B.SC. (Agric) (Nairobi), M.SC. (Manitoba), Ph.D. (Guelph)*

### **Deputy Vice-Chancellor (Academic Affairs)**

Prof. E. M. Wathuta,  
*B.V.M. (Nairobi), Ph.D. (Cambridge)*

### **Deputy Vice-Chancellor (Administration and Finance)**

Prof. L. M. Mumera  
*Dip.(Egerton), B.Sc. (Mass.) M.Sc.(Penn.State), Ph.D.(Illinois)*

### **Deputy Vice-Chancellor (Research and Extension)**

Prof. S. A. Abdulrazak,  
*Dip. (Egerton) Pg. Dip. M.Sc. Ph.D. (Aberdeen)*

### **Principal (Laikipia Campus College)**

Prof. A.M. Sindabi  
*B.SC. M.A. (Ed), Ed.D. (Virginia Tech.)*

### **Principal (Kisii Campus College)**

Prof. J.M. Mathooko,  
*B.ED. (Kenyatta) M.Sc. (UoN), Ph.D. (Vienna).*

### **Registrar (Academic Affairs)**

Prof. N. J. Kathuri,  
*Dip. Agric. (Egerton) Dip. Agric. (E.A.) B.Sc. Agric. Educ. (W.V.U.), M.A. Educ.(Reading), Ph.D. (Illinois)*

### **Registrar (Administration)**

Dr. T.K. Serrem,  
*B.Ed (Nairobi), M.Ed. (Manchester), Ph.D. (Bristol)*

### **Finance Officer**

J.M. Nguri,  
*C.P.A. (K), MBA (Egerton).*

## **Vision and Mission**

### **Vision**

The University envisions to be:

**A world class University for the advancement of humanity**

### **Mission**

The University strives:

**To generate and disseminate significant knowledge and offer exemplary education to contribute to and innovatively influence national and global development.**

### **Core Values**

The University activities and decisions will be guided by the following core values:

- **Passion for excellence and devotion to duty**
- **Integrity, transparency, and accountability**
- **Social fairness**

### **Principal Activities**

The principle activities of Egerton University are Teaching, Training, Research and outreach services



## **A Historical Perspective**

Egerton University has the oldest history among all institutions of higher learning in Kenya. It was founded in 1939 by Lord Egerton of Tatton, a British subject who settled in Kenya in the early 1920s. He donated 1,000 acres of land he had bought for his personal use to the Government of Kenya. Egerton Farm School, as it came to be known, admitted its first three students in 1939 and a further 45 students were admitted in the following year for certificate courses.

In 1950, the Farm School was upgraded to an Agricultural College, and the curriculum grew accordingly. Two years later, a one-year certificate course and a two-year diploma course were being offered. The College also launched short courses to farmers and farm managers.

The Egerton Agricultural College Ordinance was enacted in 1955. Among other things, it provided for the establishment of a Board of Governors.

In 1958, Lord Egerton passed away. In his will, he had bequeathed an additional 3,000 acres of his Ngongogeri Farm to the College.

Shortly before Independence, in 1961, the College opened its doors to all races in Kenya, as well as to students from other countries in Africa. The first foreign students came from Tanzania, Uganda, Zambia Malawi and Nigeria. The courses

offered at the time were agricultural engineering, animal husbandry, dairy technology, forestry and management.

In 1979, the Government of Kenya and the United States Agency for International Development (USAID) funded a major expansion of the institution. In 1986, Egerton Agricultural College was gazetted as a constituent college of the University of Nairobi. The following year, 1987, was momentous: it marked the establishment of Egerton University through an Act of Parliament. The new autonomous, fully fledged institution retained the name of its founder as a sign of recognition of his benevolence, and continued to have as its motto the words inscribed in the Egerton family coat of arms – Sic Donec (Thus Until).

## **Location**

Egerton University has six campuses: Njoro, Laikipia, Kisii, Nakuru Town, Kenyatta and Eastern (Chuka). Njoro Campus is located in Nakuru District – 30 kilometres southwest of Nakuru town and 200 kilometers northwest of Nairobi.

The Laikipia Campus is located about 50 km from Nakuru on the Nakuru Nyahururu road. The Kisii Campus is 200 Km from Nakuru and three kilometers from Kisii Town on the Kisii – Kilgoris road. Kenyatta Campus is 5 km from Njoro Campus while Chuka Campus is three kilometers from Chuka Town along the Chuka – Meru road.

## **Faculties and Programmes**

Egerton University has nine (9) Faculties; Agriculture, Arts and Social Sciences; Education and Human Resources, Science, Engineering and Technology, Education (Arts) (Laikipia), Environment and Resources Development, Commerce and Health Sciences.

The African Council for Distance Education (ACDE) secretariat is currently being hosted by Egerton University.

The University offers various courses in Commerce, Mass Communication, Computer Science, Agriculture, Engineering, Education, Environmental Science and Technology, Health Sciences, Social Sciences, Military Sciences, Certificate and Bridging in Mathematics, Chemistry and English.

### **Students**

Egerton has an enrolment of approximately 13,500 students in its Campuses at Ph.D, Masters, Undergraduate and Diploma levels. Out of these, 9,500 students are in the regular programmes while 4000 students are in the self sponsored programmes.

### **Staff**

Egerton has a total of 2185 staff members. Out of these 1447 are males while 738 are females. Teaching staff are 549; males 426 and females 123. Non-teaching staff are 1636; males 1045 and females 591.

## **Chairman's Statement**

I am pleased to present to the Public Investment Committee (P.I.C.) of Parliament the Annual Report and Financial Statements of Egerton University for the year ended 30<sup>th</sup> June 2006.

The University has continued to expand its various activities. During the year a new University Council was appointed by the Chancellor. The former Vice Chancellor's contract expired and a new Vice Chancellor was competitively appointed. The university Council entered into the second year of Performance Contracting with the Government on 30<sup>th</sup> June 2006 for the Financial Year 2006/2007. The vice Chancellor will sign the Performance Contract with the Council and subsequently all the staff in the University.

The Performance Contract which is based on the University Strategic Plan is expected to improve on the service delivery.

## **Financial Review**

The University continues to rely heavily on the Government financial support in form of capitation. This is so mainly because over seventy percent of our students are Government supported and their direct fees are still low as compared to the differentiated unit cost for the various programmes. The Government funding has continued to remain at the same level in spite of the increased costs and inflation. The University is expected to generate more resources internally to supplement the Government funding. Efforts are being made to improve on the internally generated resources. In this effort the University has expanded the Self

Sponsored Programmes capacity at Nakuru Town Campus, Eastern Campus and in School based.

The year showed a major improvement in settlement of long outstanding debts. With the financial assistance of the Government in enhanced Budget Provisions of Kshs. 157 million the University was able to settle fully the balance of the unremitted Pay As You Earn deductions of Kshs. 134 million to Kenya Revenue Authority and Pensions Contributions. The capital debts for the mutually terminated projects were fully settled.

In expansion of Teaching Facilities the Government provided Kshs. 90 million for the completion of Phase I of Faculty of Education building which is at an advanced stage of construction; the Dairy office block and Faculty of Health Sciences, Library and Lecture rooms at the newly acquired facility in Nakuru next to the Provincial General Hospital. These facilities will provide the much needed Lecturer rooms, laboratories and office space.

## **Corporate Governance and Ethics**

The Council is responsible for the governance of the University and is accountable to the citizen of this country for ensuring that the University complies with the Law and maintain the highest standards of corporate governance, academic standards and ethics.

The council attach great importance to the need to conduct the activities and operations of the University with Integrity, Social fairness and transparency.

### **The Role and Composition of the Council**

The Council is the main governing body of the University. The Council is responsible for the long term growth and management of the University. The Chancellor appoints members of the Council from professionals in the public and private sectors. Members comprise the chairman, the Vice-chairman, Honorary Treasurer, appointed members from Private and Government Ministries, the Vice-Chancellor, the Deputy Vice-Chancellors, Principals of Campuses, Senate and student representatives.

### **Council Meetings**

The full council meets quarterly for scheduled meetings and other occasions to deal with any specific matter that require attention in between the scheduled meetings. The council members are given appropriate and timely information so that they can maintain full and effective control over the University Strategic, Financial and Academic matters.

The Council maintains the direction and guidance on broad policy matters. It is further the responsibility of the Council to establish and maintain the University's overall internal controls in Academic, Financial and Operational issues. All the Council members except the Vice-Chancellor, Deputy Vice Chancellors and Principals are non executive and are on a three year term appointments subject to re-appointment.

### **Council Committees**

The Council carries out certain of its duties by delegation to Council Committees from time to time. These committees meet regularly and make recommendation to the Council on issues delegated to them.

The committees operate under Terms Of Reference approved by the Council and their duties extend to all the University operations. Currently there are nine council Committees. These are Financial and General Purposes Committee, Audit Governance and Risk Management Committee, Human Resources Management Committee, Tender Committee, Building, Planning and Development Committee, University Farms Committee, Grievances Handling and Appeals Committee, Sealing and Honorary Committee and Appointments Committee

### **Appreciation**

I wish to express my sincere appreciation to previous and current Council members, the university Management, staff and students for a peaceful and successful year. Finally our appreciation goes to the Government for the continued support to the University, the parents and sponsors for their unlimited support. Thank you all and God bless you.

Eng. Abdullahi M. H. Sharawe

**CHAIRMAN**

## The Senate

The Senate comprises the Vice-chancellor as chairman, the Deputy Vice-chancellors, Principals of campuses, Registrars, Finance Officer, Deans, Directors, Chairmen of Academic Departments, Full Professors Faculty representatives, the Librarian, the Chief Medical Officer, the Dean of Students and Student representatives.

The Senate has powers to:

- a) satisfy itself regarding the content and academic standard of any course of study in respect of any degree, diploma, certificate or other award of the University, and to report its findings thereon to the Council;
- b) propose regulations to be made by the Council regarding the eligibility of persons for admission to a course of study;
- c) propose regulations to be made by the Council regarding the standard of proficiency to be gained in each examination for a degree, diploma, certificate or other award of the University;
- d) decide which persons have attained the prescribed standard or proficiency and otherwise fit to be granted a degree, diploma, certificate or other award of the University;
- e) initiate proposals relating to the conduct of the University generally and to discuss any matter relating to the University and to make representations thereon to the Council;
- f) make regulations governing such other matters as are within its powers in accordance with the University Act or the statutes.
- g) Notwithstanding any other provision of the University Act the Council shall not initiate any action in respect of the matters mentioned in paragraph (a),(b) or (c) except upon receipt of a report of proposal



there under and the Council shall not reject any such report or amend any regulations as proposed without further reference to the Senate.

### **The University Management Board**

The University Management Board is composed of the Senior University Management with the Vice-chancellor as its chairman. The members of this Board are, the Vice-Chancellor, Deputy Vice Chancellors, Principals of Campuses, Registrars and Finance Officer.

The Board considers staff and other University matters, prepares and submits documents to Council and Council Committees. The Board has delegated authority from the Council to run the affairs of University. The Board meets at least once in every month.

## Statement of Council Members Responsibilities

The Egerton University Act requires the Council members 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 the financial year and of the University's surplus, or deficit for the year. It 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 members accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of the University Act. The Council members are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the University as at 30<sup>th</sup> June 2006 and the University's surplus. The Council members further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial controls.

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

This statement is approved by Council Members and it is signed on their behalf by:



Eng. Abdullahi M.H. Sharawe  
**CHAIRMAN OF THE COUNCIL**



Prof. J. K. Tuitoek, Ph.D.  
**VICE-CHANCELLOR**



## **KENYA NATIONAL AUDIT OFFICE**

### **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF EGERTON UNIVERSITY FOR THE YEAR ENDED 30 JUNE 2006**

I have audited the financial statements of Egerton University for the year ended 30 June 2006 in accordance with the provisions of 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. The financial statements are in agreement with the books of account.

#### **Respective Responsibilities of the Council Members and the Controller and Auditor General**

The Council is responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the University and of its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

#### **Basis of opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the Council, as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for my opinion.

#### **1. Outstanding Imprests**

The receivables balance of Kshs.297,902,000 as at 30 June 2006 includes outstanding imprests of Kshs.57,235,558 at the main campus for which recoveries amounting to Kshs.39,681,747 had been made as at 31 December 2006, leaving a balance of Kshs.17,553,811. Further, at the Research and Extension Centre which had outstanding imprests of Kshs.27,046,865 as at 31 June 2006, recoveries amounting to Kshs.11,351,302 had been made as at 31 December 2006, leaving a balance of Kshs.15,695,563. Although the University has indicated that the huge outstanding imprests are mainly due to research and development activities that take several years to complete, it has not been

explained why the imprests could not be issued in phases in line with the work in progress. In the circumstances it was not possible to confirm that the amount advanced as imprests would be fully recovered at the end of the research and development activities.

## **2. Payroll Loss – Kshs.2,014,657**

During the year ended 30 June 2006 the University lost Kshs.2,014,657 through manipulation of the payroll program and other fraudulent methods by the employees of the University. This amount has been expensed in the financial statements under personnel emoluments. Although the University has indicated that the loss has been reported to the Police for investigation and prosecution, and that the personnel department will now carry out quarterly audits of the payroll and the internal audit will check the payroll before salaries are paid, it is not clear when and how the loss will be recovered.

## **3. Property, Plant and Equipment**

The property, plant and equipment balance of Kshs2,679,326,000 as at 30 June 2006 includes the value of land at Ngongogeri and Tatton farms valued at Kshs.2,740,000 and Kshs.311,000 respectively, both of which are grossly under valued considering the prevailing market rates in those areas. Under the circumstances, it was not possible to confirm that the carrying values of property, plant and equipment reflected in these financial statements are fairly stated.

## **4. Investment of Surplus Funds**

During the year under review the University invested its surplus funds totalling Kshs.194,108,000 in two financial institutions contrary to Treasury Circular No.10 of 15 July 1992, which requires State Corporations to invest surplus funds in Treasury bills and bonds. The University was in breach of the financial regulations.

### **Opinion**

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of state of affairs of the University as at 30 June 2006 and of its surplus and cash flows for the year then ended and comply with the Egerton University Act, Cap 214 of the Laws of Kenya.

  
**P.N. KOMORA**  
**CONTROLLER AND AUDITOR GENERAL**

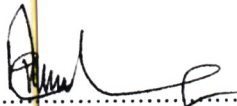
Nairobi

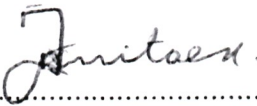
06 March 2007

**EGERTON UNIVERSITY**  
**BALANCE SHEET AS AT 30th JUNE 2006**

	Notes	2006 KSH'000	2005 KSH'000
<b>NON CURRENT ASSETS</b>			
Fixed Assets	3	2,679,326	119,851
			564,688
			1,657,622
			27,376
			19,869
			11,796
			104,802
Investments	4	2,679,326 6,452	2,506,004 2,968
		2,685,778	2,508,972
<b>CURRENT ASSETS</b>			
Inventories	5	111,280	82,501
Receivables	6	297,902	170,738
Cash and cash Equivalents	7	418,351	404,866
		827,533	658,105
<b>CURRENT LIABILITIES</b>			
Payables	8	336,539	425,515
Bank Overdraft	9	33,723	27,353
		370,262	452,868
NET CURRENT ASSETS/LIABILITIES		457,271	205,237
<b>NET ASSETS</b>		3,143,049	2,714,209
<b>FINANCED BY</b>			
Owners Funds		3,138,291	2,711,863
NON CURRENT LIABILITIES			
Provisions	10	4,758	2,346
		3,143,049	2,714,209

The Financial Statements on pages 16 to 35 are approved on behalf of the Council and signed by:

.....  
  
 Engineer Abdullahi M. H. Sharawe  
 CHAIRMAN OF THE COUNCIL  
 Date: \_\_\_\_\_

.....  
  
 Prof. J.K. Tuitoek, Ph.D.  
 VICE-CHANCELLOR  
 Date: \_\_\_\_\_

## Income and Expenditure

<b>Income</b>	<b>Note</b>	<b>2006 Kshs(000)</b>	<b>2005 Kshs(000)</b>
Capitation	13	1,633,896	1,476,537
Tuition and related charges	12	631,073	398,354
other services rendered	14	82,772	19,945
income from campuses and IGU	15	111,153	64,335
sundry income	16	19	30
other grants and donations	17	12,176	-
		<b>2,471,089</b>	<b>1,959,201</b>
 <b>Expenditure</b>			
Adminstrative and Central services	18	1,793,007	1,527,639
Academic departments expenses	19	127,842	92,487
Academic services	20	50,958	52,194
Maintenance general	21	85,911	69,519
Education Services General	22	76,576	57,102
Staff and Student Facilities Expense	23	4,378	5,239
Miscellaneous	24	531	2,133
		<b>2,139,203</b>	<b>1,806,313</b>
 <b>Surplus/Deficit</b>		 <b>331,886</b>	 <b>152,888</b>

## 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies adopted are as follows: -

**a) Basis of Preparation**

The financial statements have been prepared under the historical cost convention.

**b) Revenue and Expenditure recognition**

Income including tuition fee is recognized in the period in which it is earned, while expenditure is recognized when it is incurred.

**c) (i) Governments Grants (Capitation)**

The government grants is recognized as an income in the Income Statement, which include the Monthly Capitation as per IAS 20, i.e. Income Approach treatment while other Capital grants are shown in the balance sheet in the Owners Funds.

**(ii) Governments Grants (Capital development)**

The Capital grants are recognized and credited to the Owners Fund as per IAS 20 Paragraph 13 and 14 as per Capital Approach System.

**d) Translation of foreign currencies**

Transactions in currencies other than the Kenyan Shilling are recorded at the rates of exchange prevailing on 30<sup>th</sup> June 2006.

**e) Property, Plant and Equipment**

Property, Plant and Equipment are stated at cost less any recognized impairment loss.

Cost includes professional fee.

Land is not depreciated as it is deemed to have an infinite life. Depreciation on the other property is charged so as to write off the assets during their estimated

useful life, using the straight-line method. Assets acquired during first six months of the year attract full depreciation while those acquired in the last six months of the year are not depreciated. The annual rates used are: -

Buildings	-	2.5%
Machinery & Equipment	-	20%
Furniture & Fittings	-	12.5%
Dairy Equipment/Plant & Machinery/Tractors	-	10%
Motor Vehicles	-	25%
Library Books	-	20%

**f) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost 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 price less all estimated costs of disposal (IAS 2)

**g) Biological assets**

Biological assets are measured on initial recognition at each balance sheet date at its fair value less estimated point of sale costs as per IAS 43(12).

**h) Receivables**

Receivables are recognized when the commitments are effected. A provision of 1% of total receivables has been provided to take care of the receivables, which may not be recovered in full.

**J (i) Cash and Cash Equivalentents**

For the purposes of the cash flow statement, cash and cash equivalent include short term liquid investments which are readily convertible into known amounts of cash and which are within three months to maturity when acquired, less



advances (overdrafts) from the banks repayable within three months from the dates of the advances.

**(ii) Investments**

Investments are reflected in Balance Sheet at fair Market values as per IAS 40.

**K) Retirement benefit obligations**

The University operates a defined contribution scheme for its employees. The assets of this scheme are held in a separate trustee administered fund. The scheme is funded by contributions based on the Basic Salary from both employees and employer at a rate of 2.5% and 27.5% respectively. Benefits are paid to retiring employees in accordance with the scheme rules.

The University also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the NSSF Act.

The University's obligations under this scheme are limited to specific contributions legislated from time to time and are currently limited to a maximum of 200/= per employee per month.

The University's obligations to staff retirement benefit schemes are charged to the income statements in the year to which they relate.

**L) Related Parties Transaction**

Ministry of Education is the University's parent ministry. We get our Government grants through this Ministry. We have had financial support for Capital development and continued to receive research grants from USAID to our Tegemeo Institute for Agricultural Research Development Analysis

**2. NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDING**

**30<sup>TH</sup> JUNE 2006**

NOTE 2.1: INTEREST INCOME – The University's main source of interest income is

from short term fixed deposits.

NOTE 2.2: PERSONAL EMOLUMENTS

		KSH.'000
Salaries and Wages	-	692,905
N.S.S.F.	-	2,843
Pension Contribution	-	140,010
House Allowance	-	642,241
Commuting Allowance	-	40,956
Gratuities	-	26,955
Leave Traveling	-	6,195
Duty Allowance	-	15,170
Acting Allowance	-	353
Responsibility	-	154
Entertainment allowance	-	4,998
Hardship Allowance	-	7,299
Medical Allowance	-	3,0546

**1,610,625**

The average number of employees for the year was 2,220.

NOTE 2.4: AUDIT FEES – The University financial statements are audited by the Controller and auditor general who currently charges Kshs.750,000/= per year.

NOTE : 3

**MOVEMENT OF PROPERTY, PLANT AND EQUIPMENT**

PARTICULARS	Land KSH'000	Buildings KSH'000	WIP KSH'000	Plant & Equipment KSH'000	Motor Vehicle KSH'000	Furniture and Fittings KSH'000	OTHERS KSH'000	TOTAL KSH'000
Cost/ value on 1.07.05	119,896	927,799	1,657,622	502,931	125,015	85,786		3,419,049
Additions	0	7,060	68,966	52,842	11,157	6,014		146,039
Disposals	0	0	0	0	0	0		0
cost/ value on 30.06.06	119,896	934,859	1,726,588	555,773	136,172	91,800		3,565,088
Accumulated depreciation	0	205,331	0	432,676	104,776	72,299		815,082
Depreciation charge for the year	0	23,346	0	34,108	9,724	3,502		70,680
Net Book Value 30.06.06	119,896	706,182	1,726,588	88,989	21,672	15,999		2,679,326
Net Book Value 01.07.05	119,851	564,688	1,657,622	27,376	19,869	11,796	104,802	2,506,004

i) Egerton University main Campus Buildings are on the Tatton farm Land.

ii) Land for Tatton and Ngongongi is in the process of revaluation.

iii) The NBV for 01.07.2005 figure for Others has been rearranged in the year 2005/2006 and classified into Property.

Plant and Equipment as per IAS 16

NOTE : 4

**INVESTMENTS**

PARTICULARS	30.6.2006 KSH,000'	30.6.2005 KSH,000'
Kenya Airways- Ordinary Shares- 52468	6,034	2,550
Kenya Co-op Creameries shares - 1040	235	235
Kenya Farmers Association shares - 8982	179	179
Pyrethrum Board of Kenya-Ordinary Shares- 75	3	3
Mercat Limited Ordinary Shares - 254	1	1
TOTAL	6,452	2,968

## NOTE : 5

**INVENTORIES**

PARTICULARS	30-06 2006 KSH'000	30-06-2005 KSH'000
Faculty of Agriculture	2,319	2,830
Faculty of Health Sciences	54	6
ARC	950	1,410
Bookshop	5,883	5,687
Faculty of Arts & social Sciences	140	125
Faculty of Education	706	437
Faculty of Engineering	427	335
Faculty of Environmental Studies	63	97
Kisii Campus	1,620	757
Laikipia Campus	9,378	7,533
Ngongogeri Farm	36,207	11,990
Medical	4,188	0
TDU	14,579	11,130
Faculty of Science	9,062	7,486
Administrative Department	25,337	30,112
Research Departments	-	2,060
Chemeron	317	464
Nakuru Town Campus	50	42
Eastern Campus -Chuka	124	0
Tegemeo Institute Nairobi	20	0
Kenyatta Campus	492	0
TOTAL	111,280	82,501

## NOTE : 6

**ACCOUNTS RECEIVABLES, PREPAYMENTS AND DEPOSITS**

PARTICULARS	BALANCE 1.7.2005 KSH'000	RECEIPTS DURING THE YEAR KSH'000	ADDITIONS DURING THE YEAR KSH'000	BALANCE AS AT 30.6.2006 KSH'000
Outsiders	263	0	0	263
ECCOSACS	195	0	0	195
Staff Imprests	45,114	89,021	101,142	57,235
Staff Advances	581	1,468	1,060	173
Deposits	304	0	20	324
Suspense Account	723	0	0	723
Sponsors Account/student fees ba	22,481	325,827	415,501	112,155
Deposits E.A. Oxygen Cylinders	56	0	0	56
Rent	221	13,920	13,728	29
Laikipia Debtors	7,505	86,293	94,907	16,119
Kisii Campus	8,302	30,864	33,407	10,845
University Bookshop	383	691	2,807	2,499
A.R.C. External	12,298	38,091	39,351	17,792
Halls	12,571	10,059	0	2,512
Knitting & Tailoring	104	0	0	104
Medical(Wards)	140	66	8	82
R & E	30,090	32,999	32,887	29,978
Tatton Farm	259	0	0	259
Ngongogeri Farm	1,894	116	109	1,887
Computer Science	31	0	0	31
Medical (Pharmacy)	172	0	37	209
Dairy	3,438	904	965	3,499
Catering	2	17	265	250
Transport	184	0	0	184
Nakuru Town Campus	23,427	97,636	101,425	27,216
IGU staff imprest	0	34,989	48,272	13,283
TOTAL	170,738	762,961	885,891	297,902

NOTE : 7

**CASH AND CASH EQUIVALENTS**

PARTICULARS	BALANCE AS	BALANCE AS
	AT 30.06.2006 KSH'000	AT 30.06.2005 KSH'000
Fixed Deposit Accounts	194,108	183,724
TOTAL	194,108	183,724

**CASH AT BANK AND ON HAND****CASH AT BANK**

PARTICULARS	BALANCE AS	BALANCE AS
	AT 30.6.2006 KSH'000	AT 30.6.2005 KSH'000
Main Campus	129,682	117,235
Laikipia College Campus	2,194	3,318
Kisii College Campus	3,898	4,724
IGU's	25,692	46,975
Research & Extension	52,013	45,907
ARC	7,340	4
TOTAL	220,819	218,163

**CASH ON HAND**

PARTICULARS	BALANCE AS	BALANCE AS
	AT 30.6.2006 KSH'000	AT 30.6.2005 KSH'000
Main Campus	1,188	1,517
Laikipia College Campus	590	123
Kisii College Campus	56	120
IGU's	1,094	1,014
Research & Extension	7	18
ARC	489	187
TOTAL	3,424	2,979

NOTE : 8

**ACCOUNTS PAYABLES**

PARTICULARS	BALANCE AS	ADDITIONS DURING THE YEAR KSH'000	PAYMENT DURING THE YEAR KSH'000	BALANCE AS
	AT 01.07.05 KSH'000			AT 30.6.2006 KSH'000
Nakuru Town Campus	0	3,171	533	2,638
General Creditors Main	257,127	214,932	391,908	80,151
Unpaid claims	0	2,921	0	2,921
Salaries	0	132,534	0	132,534
Ngongogeri Farm Egerton A/C	16,681	4,241	3,320	17,602
Contractors Certificates	125,898	0	66,837	59,061
Trade creditors-Kisii	1,868	3,544	4,120	1,292
General creditors-Halls	2,909	17,186	16,010	4,085
Creditors & Accruals-Laikipia	8,105	26,030	27,339	6,796
General creditors-Bookshop	163	203	112	254
General Creditors-A R C	573	23,104	20,435	3,242
Dairy-Milk	1,076	1,105	1,558	623
Medical	5,038	11,316	9,920	6,434
T.D.U	2,687	3,122	3,040	2,769
Research & Extension Division	46	46	46	46
Computer Science & AVU	253	387	328	312
Animal Health	209	467	417	259
Caution money	1,884	5,818	1,397	6,305
Knitting & Tailoring	1	1,187	1,188	0
Overhead	6	1,897	1,395	508
Catering	2,875	13,642	11,150	5,367
AVU	0	4,783	3,103	1,680
Transport	0	4,764	3,104	1,660
TOTAL	427,399	476,400	567,260	336,539

## NOTE : 9

**OVERDRAFT**

PARTICULARS	BALANCE AS	BALANCE AS
	AT 30.6.2006	AT 30.6.2005
	KSH'000	KSH'000
Main Campus	33,518	26,097
IGU's	205	0
ARC		140
R/E		1,116
<b>TOTAL</b>	<b>33,723</b>	<b>27,353</b>
	=====	=====

NOTE: The Overdraft is a Cash Book balance and not Bank Overdraft

**CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006**

	Notes	2006	2005
		Shs '000'	Shs '000'
<b>Operating Activities</b>			
Surplus for the year		331,886	152,288
<b>Adjusted for:</b>			
Depreciation	(i)	70,680	56,995
Provisions		4,758	2,346
Interest expenses		0	0
		<b>407,324</b>	<b>211,629</b>
<b>Changes in working capital:</b>			
(Increase) / Decrease in Receivables		-127,164	49,564
(Increase) / Decrease in Inventories		-28,779	648
Increase / (Decrease) in Payables		-88,976	-89,695
		<b>-244,919</b>	<b>-39,483</b>
<b>Cash generated from operations</b>		<b>162,405</b>	<b>172,146</b>
Interest paid		0	0
Income taxes paid (SSP Dues)		-9,251	-94,580
<b>Net cash from operations</b>		<b>-9,251</b>	<b>-94,580</b>
<b>Investing Activities</b>			
Work in progress	(ii)	-68,966	0
Acquisition / disposal of Property, Plant & Equipment	(ii)	-77,073	-57,248
<b>Net cash from investing activities</b>		<b>-146,039</b>	<b>-57,248</b>
<b>Financing Activities</b>			
Long-term Borrowings		0	0
<b>Net cash from financing activities</b>		<b>0</b>	<b>0</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>7,115</b>	<b>20,318</b>
<b>Cash and cash equivalent at start of the year</b>		<b>377,513</b>	<b>357,195</b>
<b>Cash and cash equivalent at end of the year</b>		<b>384,628</b>	<b>377,513</b>

NOTE : 10

**SCHEDULE OF PROVISIONS ACCOUNTS**

	BALANCE AS AT 30.6.2005 KSH'000	WRITE OFF/PAYMENTS DURING THE YEAR KSH'000	ADDITIONS DURING THE YEAR KSH'000	BALANCE AS AT 30.6.2006 KSH'000
Audit Fees	3,700	2,950	750	1,500
Bad & Doubtful Debts	10,373	0	2,979	13,352
Text Books	6,622	0	1,029	7,651
	-----	-----	-----	-----
<b>TOTAL</b>	<b>20,695</b>	<b>2,950</b>	<b>4,758</b>	<b>22,503</b>
	=====	=====	=====	=====

NOTE : 11

**CAPITAL GRANTS & DONATIONS**

	BALANCE 30.06.2006 KSH.000	BALANCE 30.06.2005 KSH.000
Ministry of Education	88,712	130,136
	=====	=====

**Work In Progress: 30th June 06**

	Work In Progress 30/06/2005 KSH'000'	Additions 2005/2006 KSH'000'	Completions In 2005/2006 KSH'000'	Work In Progress 30/06/2006 KSH'000'
New Administration Block	20,096	0	0	20,096
Science Complex	558,205	24,998	0	583,203
Students Facilities	117,785	0	0	117,785
CMRT & ARC	0	8,029	0	8,029
Tenant Purchase	12,745	0	0	12,745
Agronomy/Horticulture Complex	177,377	0	0	177,377
Utafiti Hostels	79,457	0	0	79,457
F.E.H.R Complex	317,476	35,939	0	353,415
Senior Staff Housing	22,498	0	0	22,498
FASS	1,826	0	0	1,826
Dinning/Kitchen	63,859	0	0	63,859
Laikipia Water Supply	2,550	0	0	2,550
Staff Housing -Laikipia	23,853	0	0	23,853
Students Housing - Laikipia	164,420	0	0	164,420
Lecture Theatres Laikipia	43,701	0	0	43,701
Laikipia Campus	10,989	0	0	10,989
Kisii Campus	3,640	0	0	3,640
Water & Sewerage	32,795	0	0	32,795
Laikipia Hostel Extension	4,350	0	0	4,350
<b>Total</b>	<b>1,657,622</b>	<b>68,966</b>	<b>0</b>	<b>1,726,588</b>

**Cash Flow Notes**

**Note (i)**

**Depreciation Charge For The Year**

	Amount Ksh'000'
Main	51,609
Laikipia Campus	11,524
Kisii Campus	7,547
<b>Total</b>	<b>70,680</b>



**Note (ii)**

**Work In Progress Increase During The Year**

	Amount Ksh'000'
Science Complex	24,998
F.E.H.R Complex	35,939
CMRT & ARC	8,029
<b>Total</b>	<b>68,966</b>

**Note (iii)**

**Acquisition of Property ,Plant & Equipment**

	Amount Ksh'000'
Main	62,172
Laikipia Campus	14,901
<b>Total</b>	<b>77,073</b>

**Statement of changes in Owners' Funds**

For the year ended 30th June 2006

	Capital Fund	Revenue	Total
Year Ended 30th June 2006	Ksh.'000'	Reserves	Ksh.'000'
Balance at start of the year	2,714,209		2,714,209
Funds received during the year	88,712		88,712
Revaluation of Investments		3,484	3,484
Provisions		4,758	4,758
Funds used during the year			-
Surplus for the Year		331,886	331,886
Balance at end of the year	2,802,921	340,128	3,143,049

**Statement of changes in Owners' Funds**

For the year ended 30th June 2006

	Capital Fund	Revenue	Total
Year Ended 30th June 2005	Ksh.'000'	Reserves	Ksh.'000'
Balance at start of the year	2,403,450		2,403,450
Funds received during the year	130,136		130,136
Assets undercast	23,427		23,427
Revaluation of Investments		1,962	1,962
Provisions		2,346	2,346
Funds used during the year			-
Surplus for the Year		152,888	152,888
Balance at end of the year	2,557,013	157,196	2,714,209



<b>Note 14</b>	<b>2006</b>	<b>2005</b>
<b>Sundry Income</b>	<b>Kshs(000)</b>	<b>Kshs(000)</b>
sale of fodder crop	10	-
sale of maize	-	28
hire of conference facility	3	2
hire of furniture	6	-
<b>Sub-totals</b>	<b>19</b>	<b>30</b>
<b>Note 15</b>		
<b>Other services rendered</b>	<b>2006</b>	<b>2005</b>
	<b>Kshs(000)</b>	<b>Kshs(000)</b>
Tender forms	1,148	607
sale of water	10	5
insurance	1,172	1,905
telephone charges	35	-
insurance claims	14,777	-
commissions on	1,816	-
sundry debtors	41,504	-
house rent	12,986	12,762
interest -staff advances	35	94
interest on investments	9,289	4,572
<b>Sub-totals</b>	<b>82,772</b>	<b>19,945</b>
<b>Note 16</b>		
<b>Income from Campuses &amp; Holdings</b>	<b>Kshs(000)</b>	<b>Kshs(000)</b>
	<b>2006</b>	<b>2005</b>
Surplus/(Deficit) from EUSACS	(4,915)	1,273
Surplus/(Deficit) - Laikipia Campus	14,058	546
Profit/(Loss) from ARC	14,378	(4,900)
Surplus/(Deficit) from R & E.	12,810	12,377
Profit/(Loss) from TDU	(1,757)	(2,345)
Profit/(Loss) from Bookshop	52	102
Surplus/(Deficit) Kisii Campus	(706)	2,474
Profit/(Loss) from Ngongogeri	(9,459)	(7,252)
Profit/(Loss) from Natural Resources	11	112
Profit/(Loss) from Computer Science	(348)	(275)

Profit/(Loss) - Knitting and Tailoring	1,730	1,273
Profit/(Loss) from Transport	96	542
Profit/(Loss) from Animal Health	340	545
Profit/(Loss) from Medical	11,225	(903)
Profit/(Loss) from Overhead A/C	2,979	1,634
Profit/(Loss) from Dairy Milk Unit	743	(487)
Profit/(Loss) from AVU	470	1,822
Profit/(Loss) from Nakuru Town Campus	69,446	57,797
<b>Sub-totals</b>	<b>111,153</b>	<b>64,335</b>
	<b>2006</b>	<b>2005</b>
<b>Note 17</b>	<b>Kshs(000)</b>	<b>Kshs(000)</b>
<b>Other Grants &amp; Donations</b>		
Donations	11,088	-
donor project income	1,088	-
Sub-totals	<b>12,176</b>	-
<b>EXPENDITURE</b>		
<b>Note 18</b>		
	<b>2006</b>	<b>2005</b>
<b>Adminstrative and Central Services</b>	<b>Kshs(000)</b>	<b>Kshs(000)</b>
Provision fo Audit Fees	750	126
Personal Emoluments	692,905	635,161
N.S.S.F	2,843	2,667
Medical Allowance	30,546	30,280
Pension Contribution	140,010	135,760
Gratuities	26,955	7,791
House Allowance	642,241	496,611
Leave Travelling	6,195	6,300
Duty Allowance	15,170	8,224
Honorarium	1,825	-
Acting Allowance	353	491
Responsibility Allowance	154	1,205
Topping up Allowance	-	76
Commuting Allowance	40,956	44,380
Entertainment Allowance	4,998	7,065
Casual Labour	7,822	7,857
Hardship Allowance	7,299	5,034
Travelling & Subsistence	16,495	16,339
Vehicle Licences	116	384
Vehicle Insurances	1,779	409
Postage & Telephone	8,574	19,213
Passage & Baggage	1,400	713
Computer Maintenance	175	-





<b>Note 23</b>	<b>2006</b>	<b>2005</b>
	<b>Kshs(000)</b>	<b>Kshs(000)</b>
Staff and Student facilities expense		
Sports expenses	825	2,210
Swimming Pool Expenses	294	-
Sports(Inter University)	805	-
Staff Choir	147	146
Public Celebrations & Funerals	893	1,242
Staff Children Fund	1,414	1,459
Purchase of Linen	-	182
<b>Sub-totals</b>	<b>4,378</b>	<b>5,239</b>
<b>Note 24</b>	<b>2006</b>	<b>2005</b>
<b>Miscellaneous</b>	<b>Kshs(000)</b>	<b>Kshs(000)</b>
Information design Expenses	1	-
Miscellaneous	-	302
Shows Expenses	530	1,831
<b>Sub-totals</b>	<b>531</b>	<b>2,133</b>