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REPORT OF

THE CONTROLLER

AND AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF

JKUAT ENTERPRISES LIMITED FOR

14 MONTHS ENDED 30 JUNE 2006

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

ON

**THE FINANCIAL STATEMENTS OF
JKUAT ENTERPRISES LIMITED FOR
14 MONTHS ENDED 30 JUNE 2006**

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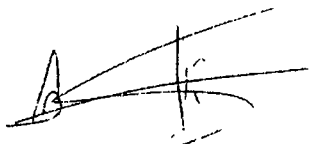
CHAIRMAN'S STATEMENT

As the Chairman of the University Council and also of the JKUAT Enterprises Limited, I am pleased to note that the council's vision of diversifying the university's income is now unfolding.

The mandate of the company is to commercially transfer technology and in the process supplement the University's income. JKUAT Enterprises Limited like other University companies worldwide will play the role of a marketing department for the technologies developed by the University that are commercially transferable. In order to make money a University enterprise company must focus on areas where the mother University has clear competitive advantages. In the case of Jomo Kenyatta University of Agriculture and Technology the areas of ICT and Agriculture based technologies are paramount.

During its first year of operation the company focused on identifying the specific technologies that it could successfully transfer to the market. The focus has now shifted to establishing the necessary structures in order to profitably implement the road map approved by the board.

It is our belief as a Board that once the Road Map is implemented, the company will fulfill its mandate.

A handwritten signature in black ink, appearing to read 'Adan Mohammed', is written over a horizontal line. The signature is stylized and somewhat cursive.

**ADAN MOHAMMED
CHAIRMAN.**

Corporate Governance:

The Board of Directors is responsible for the governance of the company and is accountable to the public accounts committee in ensuring that the company complies with the law and the highest standards of corporate governance and business ethics. The Board attaches great importance to the need to conduct business with integrity and in accordance with the generally accepted corporate practice.

The Board of Directors:

The Board is made up of a substantial majority of Independent, non-executive Directors, including the Chairman. The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

Board Meetings:

The Board meets quarterly for scheduled meetings and on other occasions to deal with any specific matter that requires attention in between the quarterly meetings.

Scheduled meetings review the quarterly performance against targets as well as monitoring of business and operational issues.

Composition of Board:

Twelve out of the thirteen members of the Board are non-executive, including the Chairman of the Board.

Majority of the directors are drawn from the main university or related fields. However, they are considered to be independent and free from any business, interest or other relationship that could interfere with the exercise of their independent judgement.

Board Committee:

In accordance with the requirements of public procurements act the company has a tender committee that meets regularly where need arises to deliberate and act on issues relating to procurements of goods and services as per the requirements.

Directors' Benefits and Loans:

In the last financial year of the Company, no Director has received or become entitled to receive any benefit other than amounts received under employment contracts for executive directors and benefits accruing from published academic works.

The aggregate of emoluments for Directors' services rendered in the financial year is disclosed in the detailed financial report.

**STATEMENT OF JKUAT ENTERPRISES LTD
DIRECTORS RESPONSIBILITIES FOR THE 14
MONTHS ENDED 30TH JUNE 2006**

The JKUAT Enterprises Board is required to prepare statements, which give a true and fair view of the state of affairs of the company at the end of the financial year and of its profit or loss for that year. The Board is required to ensure that the Company maintains proper accounting records, which disclose, with reasonable accuracy, the financial position of the Company. The Board is also responsible for safeguarding the assets of the Company.

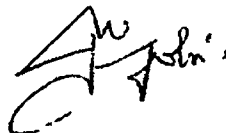
The Company's board accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, and in conformity with International Financial Reporting Standards. The Company's Board is of the opinion that financial statements give a true and fair view of the state of the financial affairs of the Company as at 30th June 2006 and of its loss for the year that ended. The Board further confirms the accuracy and completeness of the accounting records maintained by the Company, which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the system of internal financial control.

Nothing has come to the attention of the JKUAT Enterprises Board to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

This statement is approved by the Company's Board and is signed on its behalf by:



**DR. JOHN MURIITHI
MANAGING DIRECTOR**



**PROF. NICK G. WANJOHI, PhD, EBS.
DIRECTOR**

MANAGING DIRECTOR'S REPORT

JKUAT Enterprise limited is a wholly owned subsidiary of Jomo Kenyatta University of Agriculture & Technology.

The company was set up to commercialize the innovation by the University community with the dual objective of generating alternative income for the University and transferring technology to the wider Kenyan society.

JKUAT Enterprises Limited was set up in May 2005 and commenced trading in September of the same year.

During the fiscal year 2005/2006, the turnover was Ksh. 16.6 million and the net deficit was 15 million.

This was against a projected turnover of Ksh. 114.6 million and a net deficit of Ksh. 22.6 million.

The lower than expected turnover was mainly attributed to a lower level of capital injection i.e. Ksh. 8 million in 2005/2006 versus the anticipated capitation of Ksh. 35 million.

In one sense the phased in capitalization was a good thing as the company took some time to investigate and prioritize commercialization options.

Business plans for the most viable options have since been drawn up and the necessary production infrastructure will be completed during the first half of 2006/2007 to enable production to commence in the second half of the year.

As a result the company expects to break even in the second year of operation and become profitable in 2007/2008.

This is a normal trend for start up companies and management is confident that JKUAT Enterprises Limited will fulfill its income generation mandate once the appropriate production infrastructure is in place.

Thank you.



DR. JOHN MURIITHI
MANAGING DIRECTOR, JKUAT ENTERPRISES LTD.

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E-mail: cag@kenyaweb.com

REPUBLIC OF KENYA

P.O Box 50084 - 00100
NAIROBI.



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENT OF JKUAT ENTERPRISES LIMITED FOR 14 MONTHS ENDED 30TH JUNE 2006

I have audited the financial statement of JKUAT Enterprises Limited for the 14 months ended 30 June 2006 in accordance with the provisions of Section 14 of the Public 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 Directors and Controller and Auditor General

The directors are responsible for the preparation of financial statement which give a true and fair view of the state of affairs of the Company and 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 of obtaining reasonable assurance that the financial statement are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amount and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors as well as an evaluation of the overall presentation of the financial statements. I believe the audit provides a reasonable basis for the opinion.

Financial Position

During the 14 months period ended 30 June 2006, the Company incurred a deficit of Ksh. 15,056,387.70. In addition the Balance sheet reflects a negative working capital of Ksh. 8,725,194.35 an indication that the company is technically insolvent. Under the circumstances the financial statements have been prepared on a going concern basis which assumes continued financial support from the University, creditors and bankers.

Opinion

Except for the reservation set out in the preceding paragraph, in my opinion, proper books of account have been kept and the financial statement give a true and fair view of the state of affairs of the Company as at 30 June 2006 and of its loss and cash flows for the year ended in accordance with the International Financial Reporting Standards and comply with the Kenyan Companies Act.



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

Nairobi

24 January 2007

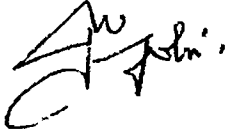
JKUAT ENTERPRISES LIMITED

Balance Sheet

AS AT JUNE 30, 2006

		<u>June 30, 2006</u>	
ASSETS	NOTES	KSHS	
NON CURRENT ASSETS			
PROPERTY PLANT & EQUIPMENT	9	1,668,806.60	
CURRENT ASSETS			
DEBTORS & DEBIT BALANCES	10	2,707,026.00	
STOCKS	11	864,520.30	
CASH & BANK BALANCES	12	<u>1,066,900.70</u>	
		<u>4,638,447.00</u>	
TOTAL ASSETS		<u>6,307,253.60</u>	
EQUITY			
ISSUED SHARE CAPITAL	13	102,040.00	
CAPITAL FUND		7,897,960.00	
REVENUE RESERVES		<u>(15,056,387.75)</u>	
		<u>(7,056,387.75)</u>	
CURRENT LIABILITIES			
TOTAL CURRENT LIABILITIES		<u>13,363,641.35</u>	
TOTAL EQUITY		<u>6,307,253.60</u>	

00
 15,056,387.75
 7,056,387.75



PROF. NICK G WANJOHI, PHD, B.S.
DIRECTOR

JKUAT ENTERPRISES LIMITED
INCOME STATEMENT
1ST MAY 2005 TO 30TH JUNE 2006

	NOTES	Kshs
INCOME	1	<u>16,679,531.95</u>
TOTAL INCOME		16,679,531.95
DIRECT COSTS	2	<u>12,176,634.80</u>
TOTAL DIRECT COSTS		<u>12,176,634.80</u>
GROSS PROFIT		4,502,897.15
OVERHEADS		
SALARIES AND STAFF BENEFIT	3	13,038,559.65
ADMINISTRATION EXPENSES	4	3,630,878.54
ADVER & SALES PROMOTION	5	1,537,408.00
TELEPHONE AND INTERNET	6	567,816.75
MAINTANANCE/UTILITY COSTS	7	334,230.85
PROFESSIONAL SERVICES	8	100,000.00
DEPRECIATION	9	<u>350,391.10</u>
TOTAL OVERHEADS		<u>19,559,284.89</u>
NET INCOME (LOSS)		<u>(15,056,387.74)</u>

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	<u>Share capital</u> Shs.	<u>Capital Funding</u> Shs.	<u>Revenue Reserve</u> Shs.	<u>TOTAL</u> Shs.
At 1 May 2005	-	-	-	-
Share capital	102,040.00			102,040.00
Capital funding		7,897,960.00		7,897,960.00
Net Loss for the year			(15,056,387.75)	(15,056,387.75)
	<u>102,040.00</u>	<u>7,897,960.00</u>	<u>(15,056,387.75)</u>	

**JKUAT ENTERPRISES LIMITED
CASH FLOW STATEMENT
FOR THE 14 MONTHS ENDED JUNE 2006**

NET INCOME FOR THE YEAR		(15,056,387.75)
ADJUSTED FOR:		
DEPRECIATION	349,948.00	
DEBTORS	(2,707,026.00)	
CREDITORS	13,363,641.35	
STOCKS	(864,520.30)	
		10,142,043.05
		(4,914,344.70)
INVESTING ACTIVITIES		
PURCHASE OF ASSETS	(2,018,754.60)	(2,018,754.60)
FINANCING ACTIVITIES		
CAPITAL INJECTION (CASH)		8,000,000.00
INCREASE IN CASH & CASH EQUIVALENT		1,066,900.70
CASH & CASH EQUIVALENTS AT 01/05/2005		-
CASH & CASH EQUIVALENTS AT 30/06/2006		1,066,900.70

JKUAT ENTERPRISES LTD
NOTES TO THE ACCOUNTS FOR THE
14 MONTHS ENDED 30TH JUNE 2006

1.1 BASIS OF ACCOUNTING

The accounts are prepared on historical cost convention to include valuation of certain Fixed Assets.

1.2 INCOME

Income was earned from training, consultancy and sale of products, all which were related to the University's activities.

1.3 FIXED ASSETS

- a) Fixtures and equipment are stated at cost or valuation less depreciation
- b) Equipment provided by the University has been stated at the value of similar equipment bought by the company and the university.
- c) Depreciation of fixtures and equipment are calculated on the straight line basis using the following annual rates:

Furniture and Fitting	10%
Computer and Electronic Equipment	33.3%
Office Equipment	10%

1.4 STOCKS

Stocks are stated at the lower of cost or net realizable value and are located at the enterprises main office and the Farm Main Building.

1.5 FINANCIAL YEAR

- a) The financial accounts have been prepared for 14 months to cover the last 2 months of the year 2004/2005.
- b) This is the first set of accounts for the company therefore no comparative figures have been provided for the last financial year.

1.6 SHARE CAPITAL

The authorised share capital is Ksh. 200,000 divided into 10,000 ordinary shares of Ksh 20.00 each.

JKUAT ENTERPRISES LIMITED
NOTES TO THE INCOME STATEMENT
1ST MAY 2005 TO 30TH JUNE 2006

Income

INCOME

1. ICT TRAINING & ACCOMONDATION	13,623,511.95
SOFTWARE DEVELOPMENT	200,000.00
COMPUTER SALE	390,000.00
LAPTOPS SALE	450,780.00
FOOD SCIENCE PRODUCT	9,980.00
CHEMISTRY P PRODUCT	8,910.00
ENGINEERIG PRODUCTS	518,000.00
MUSHROOM TRAINING	442,000.00
MUSHROOM PRODUCTION	63,850.00
PUBLISHING	862,500.00
BUSINESS PLAN DEVELOPMENT	<u>110,000.00</u>
	<u>16,679,531.95</u>

2. DIRECT COSTS

ICT TRAINING & ACCOMONDATION	10,566,842.90
SOFTWARE DEVELOPMENT	67,800.00
COMPUTER SALE	174,800.00
* SALE OF LAPTOPS	225,698.20
FOOD SCIENCE PRODUCT	9,240.00
CHEMISTRY PRODUCTS	32,265.00
ENGINEERING P PRODUCTS	452,602.00
BIOTECHNOLOGY PRODUCTS	8,072.00
MUSHROOM TRAINING	115,803.50
MUSHROOM PRODUCTION	231,961.20
PUBLISHING	254,510.00
BUSINESS PLAN DEVELOPMENT	<u>37,036.00</u>
	<u>12,176,630.80</u>

GROSS PROFIT

4,502,901.15

OVERHEADS

3. SALARIES AND STAFF BENEFIT

BASIC SALARIES	10,761,135.55
PASSAGE AND BAGGAGE ALLOWANCES	5,570.00
GRATUITY	1,165,069.80
DIRECTORS SITTING ALLOWANCES	30,900.00
CASUALS	43,587.50
PENSION FUND	523,878.80
STAFF RECRUITMENT	378,500.00
N.S.F CO. CONTRIBUTION	10,600.00
MEDICAL EXPENSES	75,716.00
STAFF WELFARE	<u>43,602.00</u>

13,038,559.65

JKUAT ENTERPRISES LIMITED
NOTES TO THE INCOME STATEMENT
1ST MAY 2005 TO 30TH JUNE 2006

4. ADMINISTRATION EXPENSES

TRAVEL AND SUBSISTENCE	894,414.45
OVERSEAS TRAVEL	481,449.00
MOTOR VEHICLE EXPENSES	956,349.00
SECURITY	66,335.40
STATIONERY ORDINARY	732,098.19
COMPUTER STATIONERY	56,350.00
PHOTOCOPYING	41,475.00
BOOKS REFERENCES	2,240.00
SUBSCRIPTION TO PROFESSIONAL ORG	193,140.00
BANK CHARGES	26,937.60
CLEARING	78,192.00
REGISTRATION	95,000.00
FREIGHT OUT (THIRD PARTY)	<u>7,586.00</u>
	<u>3,631,566.64</u>

5. ADVERT & SALES PROMOTION

ADVERTISING	812,097.00
FIELD PROMOTION	223,870.00
SEMINAR PROMOTION	376,841.00
PROMOTION MATERIALS	<u>124,600.00</u>
	<u>1,537,408.00</u>

6. TELEPHONE AND INTERNET

TELEPHONE	362,181.30
INTERNET SERVICES	1,043.00
MOBILE PHONES	<u>204,592.45</u>
	<u>567,816.75</u>

7. MAINTENANCE / UTILITY COSTS

ELECTRICITY AND WATER	137,405.95
CLEANING	3,981.00
REPAIR AND MAIN BUILDING	140,150.00
REPAIR AND MAIN COMP	<u>52,693.90</u>
	<u>334,230.85</u>

8. PROFESSIONAL SERVICES

AUDIT FEES	<u>100,000.00</u>
	<u>100,000.00</u>

FIXED ASSET MOVEMENT SCHEDULE AS AT 30TH JUNE 2006

<u>COST</u>	<u>Computer Equipments</u>	<u>Furnitures</u>	<u>Fixtures & Fittings</u>	<u>TOTAL</u>
Balance b/f				
Additions	420,347.00	935,128.00	663,280.00	2,018,755.00
Disposals				
Total cost	420,347.00	935,128.00	663,280.00	2,018,755.00
<u>DEPRECIATION</u>				
Balance b/f	33.33%	10%	10%	
Additions	163,468.28	109,098.27	77,382.67	349,949.21
Total Depreciation	163,468.28	109,098.27	77,382.67	349,949.21
N.B.V as at 30 June 06	256,878.72	826,029.73	585,897.33	1,668,805.79

JKUAT ENTERPRISES LIMITED
Balance Sheet As at J une 30, 2006

CURRENT ASSETS

10	RECEIVABLES	
	SUNDRY DEPOSITS	9,000.00
	TRADE RECEIVABLES	<u>2,698,025.90</u>
	TOTAL	<u>2,707,025.90</u>
11	STOCKS	
	LAPTOPS	35,522.80
	NETWORKING ITEMS	15,080.00
	MUSHROOM SPAWN	40,700.00
	BOOKS	
	Basics of Geometry	73,795.50
	Basics of Calculus	87,885.00
	Algebra & Maths	84,397.50
	Statistics & Probability	86,211.00
	Basics of graphs	98,068.50
	HONEY	9,360.00
	COMPUTER EQUIPMENTS	<u>3,33,500.00</u>
	TOTAL STOCKS	<u>8,64,520.30</u>
12	CASH & BANK BALANCES	
	KCB MOI AVENUE	1,051,238.70
	CASH IN HAND	<u>15,662.00</u>
	CASH & BANK BALANCES	<u>1,066,900.70</u>
13	Issued share capital constitutes 5102 shares of Kshs 20.00 each. The capital fund constitutes The difference of the actual cash injected by the university and the share capital.	
14	CURRENT LIABILITIES	
	ACCOUNTS PAYABLE	
	TRADE PAYABLES	5,591,578.04
	VAT ON DEBTORS	541,878.59
	JKUAT	<u>5,128,228.75</u>
	TRADE PAYABLES	<u>11,261,685.38</u>
	OTHER PAYABLE	
	ACCRUALS	594,790.00
	P.A.Y.E CONTROL	156,862.50
	N.S.S.F CONTROL	1,200.00
	SUNDRY DEDUCTION	62,833.65
	PROV FOR AUDIT FEE	100,000.00
	PROVISION FOR GRATUITY	1,165,069.80
	STAFF WELFARE	<u>21,200.00</u>
	TOTAL OTHER PAYABLE	<u>2,101,955.95</u>
	TOTAL CURRENT LIABILITIES	13,363,641.33

JKUAT ENTERPRISES LTD.

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