

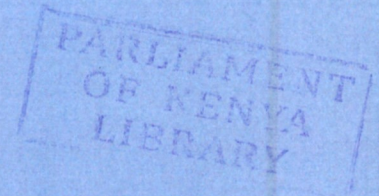


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 26 MAR 2018	DAY: TUESDAY
TABLED BY: MAJORITY LEADER	<b>REPORT</b>  <b>OF</b>
CLERK-AT THE-TABLE: 	



**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
JOMO KENYATTA UNIVERSITY OF  
AGRICULTURE AND TECHNOLOGY  
ENTERPRISES LIMITED**

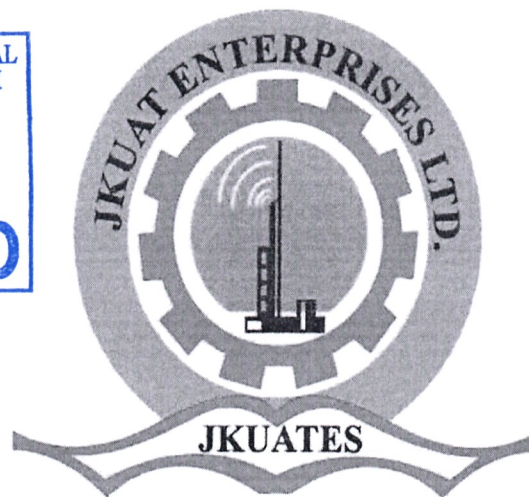
**FOR THE YEAR ENDED  
30 JUNE 2018**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
**REGISTRY**

22 FEB 2019

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***Taking the University to the People***

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**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY ENTERPRISES  
LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2018**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the International  
Financial Reporting Standards (IFRS)**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**TABLE OF CONTENTS**

KEY ENTITY INFORMATION .....	ii
THE BOARD OF DIRECTORS.....	iv
MANAGEMENT TEAM .....	v
CHAIRMAN'S STATEMENT.....	vi
REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2018 .....	viii
CORPORATE GOVERNANCE STATEMENT.....	xiv
MANAGEMENT DISCUSSION AND ANALYSIS.....	xvi
REPORT OF THE DIRECTORS .....	xxi
STATEMENT OF DIRECTORS RESPONSIBILITIES .....	xxii
REPORT OF THE AUDITOR-GENERAL .....	xxiv
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018 .....	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018.....	2
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018 .....	3
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018.....	4
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018 .....	5
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	8
NOTES TO FINANCIAL STATEMENTS .....	10
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	20

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**KEY ENTITY INFORMATION**

**Background information**

JKUAT Enterprises Ltd was established under the Companies Act (Cap. 486) on eighth October two thousand and two. At Cabinet level, the entity is represented by the Cabinet Secretary for Education who is responsible for the general policy and strategic direction of the entity.

**Principle Activities**

The principle activities of the company are to offer ICT training, consultancy services and production and sale of Tissue Culture and horticulture seedlings.

**Directors**

The directors who served the entity during the year were as follows:

The directors who served the entity during the year were as follows:

1. Prof. Paul Kanyari Director, Chairman JKUAT Council-Appointed on 9<sup>th</sup> November 2016
2. Prof. Mabel Imbuga Director, Vice Chancellor
3. Dr. W.N. Karugu Managing Director, JKUAT Enterprises Ltd.
4. Prof. E.M. Kahangi Director, Deputy Vice Chancellor (RPE)
5. Prof. Victoria W Ngumi Director, Deputy Vice Chancellor (APD)
6. Prof. R. Odhiambo Otieno Director, Deputy Vice Chancellor (AA)
7. Prof. Bernard Otoki Director, Deputy Vice Chancellor (Finance)
8. Mr. Edward Kithinji Director, Representing PS Treasury - Retired on 23<sup>rd</sup> November 2017
9. Mr.Archer Arina Director, Representing PS Min of Education-Appointed on 4<sup>th</sup> May 2016
10. Ms. Judith A. Nyakawa Director, Representative PS Treasury appointed on 24<sup>th</sup> November 2017

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**Corporate Secretary**

Vivian Waitthaka  
JKUAT Legal Officer  
P.O Box 62000-00200  
NAIROBI

**Registered Office**

Jomo Kenyatta University of Agriculture  
& Technology  
Main Campus – Juja  
P.O. Box 62000 – 00200  
NAIROBI

**Corporate Contacts**

Telephone: 067-52420, 0724-256696, 0736-524200  
E-mail: [jkuates@jkuates.jkuat.ac.ke](mailto:jkuates@jkuates.jkuat.ac.ke)  
Website: [www.jkuates.com](http://www.jkuates.com)

**Corporate Bankers**

1. Barclays Bank of Kenya Limited  
Juja Branch  
P.O. Box 580 – 01001  
KALIMONI
2. Kenya Commercial Bank Ltd,  
Moi Avenue Branch  
P.O. Box 30081 - 00100  
NAIROBI
3. Cooperative Bank of Kenya,  
Thika Branch  
P.O BOX 1815-01000  
THIKA
4. Standard Chartered Bank  
Thika Branch  
P.O. BOX 300-01000  
THIKA

**Independent Auditors**

Auditor-General  
Anniversary Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya


**Legal Advisor**

Vivian Waitthaka  
JKUAT Legal Officer  
P.O Box 62000-00200, NAIROBI

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**THE BOARD OF DIRECTORS**





	<p><b>Prof. Paul W. Kanyari, Chairman</b> JKUAT Council Chair</p>
	<p><b>Prof. Mabel O. Imbuga, Director</b> The Vice-Chancellor JKUAT Professor of Biotechnology</p>
	<p><b>Dr. Winifred N. Karugu, Managing Director</b> BSc Agriculture (Oklahoma state university) MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)</p>
	<p><b>Prof. Esther Murugi Kahangi, Director</b> DVC Research Production and Extension-JKUAT Professor of Horticulture</p>
	<p><b>Prof. Victoria Ngumi, Director</b> DVC Administration -JKUAT Professor of Botany</p>
	<p><b>Prof. Romanus Odhiambo, Director</b> DVC Academic Affairs-JKUAT Professor of Mathematics</p>
	<p><b>Prof. Bernard Moirongo Otoki, Director</b> DVC Finance Professor of Architecture &amp; Urban Design</p>
	<p><b>Mr. Archer Arina, Director</b> Representing Permanent Secretary, Education</p>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<p><b>Mr. Edward Kithinji, Director</b> Representing Permanent Secretary, Treasury Retired 23<sup>rd</sup> Nov 2017</p>
	<p><b>Ms Vivian Waithaka, Company Secretary</b> JKUAT legal Officer, Masters, LLB</p>
	<p><b>Ms. Judith A. Nyakawa</b> Representing Permanent Secretary, Treasury Appointed 24<sup>th</sup> Nov 2017</p>

**MANAGEMENT TEAM**

	<p><b>Dr. Winifred N. Karugu, Managing Director</b> BSc Agriculture (Oklahoma state university) MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)</p>
	<p><b>Mr. Erastus Mvuria, General Manager</b> Certified Public Accountant Bachelor of Commerce Masters of Business Administration</p>
	<p><b>Mr. Kelvin Muoki, Business Development Manager</b> BSc in Information Technology Masters of Business Administration</p>
	<p><b>Ms. Vivian Waithaka, Company Secretary</b> JKUAT legal Officer, Masters, LLB</p>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**CHAIRMAN'S STATEMENT**

**REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

**Introduction**

JKUAT Enterprises limited recognizes its main role in commercializing university inventions and innovations by "taking the University to the People". In this respect, JKUAT Enterprises Limited has developed four main revenue divisions namely Products, ICT, Consultancy and Enterprise Development Centre.

**Financial Performance**

During the year 2017/2018 the company reported Gross revenue of **Kshs 248 million**, with a gross profit of **Ksh. 39.7 million** and a net loss of **Ksh 2.9 million** compared to a gross revenue Ksh 201 million and a gross profit of Ksh. 24.5 million and net loss of 17.5 million for the previous year 2016/2017. The performance significantly improved with the top line increasing by Ksh 47 million and net loss decreasing by Ksh 14.6 million.

**Achievements**

The Company sourced for more business increasing its revenue by 23% from the previous year. During this period the company recorded its highest top line ever in its history. The company also made significant progress with the construction of the new classroom block for JKUAT called the COHRED Building which is in the final stages of completion. In addition, the company managed to increase its horticultural stock volumes to almost double, by achieving 1 million grafted avocado and 0.7 million tissue cultured banana seedlings when compared to the same period in the previous financial year. The company was also entrusted with the administration of JKUAT Noodles Limited. The factory is situated near its Kengo Hub, and testing and product development have been ongoing with production expected to commence soon.

**Challenges**

The company's major challenge continues to be capitation, thus prolonging the cash crunch the company has been witnessing for the better part of the last two financial years. This is mainly attributed to the reduced lending by banks including the company's main banker KCB, coupled with prolonged electioneering in 2017. Having constructed and equipped the convenience food factories at the Kengo Hub, the company is in dire need of capitation to meet operational costs in order to get the factories running. In addition, the company needs to expand its horticultural section with the need to construct more greenhouses in order to meet client orders. Also, the company intends to move to the new office block to ease the inconvenience of limited space which had begun to affect productivity adversely.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**Conclusion**

During the period under review the company went through very tough times with significant financial challenges. Despite this Management is hopeful that the company will be able to steer through the current tough times and grow all its business lines in the coming financial year.

Signature :  
Chairman \_\_\_\_\_

Date 4<sup>th</sup> Jan 2019

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2018**

**Performance during the 2017/2018 Financial Year**

**Financial Performance**

The better part of this financial year were exceedingly difficult due to the fact that the banks including our main banker KCB drastically reduced lending due to the interest capping law. The prolonged electioneering period experienced especially in the first two quarters of this financial year also dampened the economy thus adversely affecting our clients such as the counties who reduced demand for products and services. In fact there was no business at all from such customers and clients during this period. The effect of all this was to further delay production of the porridge flour and to force us to cut back drastically on yoghurt production due to lack of funds for operations. The first two months of the third quarter were the worst ever experienced by this company since operations commenced. Almost all expenditure had to be curtailed and it was a struggle even to pay salaries and wages. In March however, things began to ease as the rains began earlier than usual and great demand for seedlings especially avocados, macadamia and mangoes manifested itself and this favourable environment prevailed up to end of June 2018 during the close of the financial year. The net result of all this is that performance during the 2017/2018 financial year resulted in revenues amounting to Ksh248.03 m, with gross profit of Ksh.39.7 m and net loss of Ksh.2.9 m. During the same period in the 2016/2017 financial year revenue was Ksh.201.85 m, gross profit of Ksh.24.56 m and net loss of Ksh.17.53 m. Therefore the top line increased by Ksh.46.18 m while the net loss declined by Ksh.14.62 m.

Despite the difficult business environment prevailing in the country, the company has traditionally always been in a loss position for the better part of the first and second quarters of the financial year, due to fact that some of the costs sunk in seedlings production, are only recovered during the long rains mostly experienced in the third quarter in the months of October and November when we experience short rains and in the fourth quarter in the months of March and April when we experience long rains and when the bulk of sales takes place. With regard to both tissue-cultured and fruit seedlings we are pleased to report that we have been able to substantially increase production and in fact been able to double production this year. This has gone a long way towards mitigating the cash crunch experienced in the year. Also some of our other business lines in ICT and consultancy increased revenue generation in the last quarter as our governmental and parastatal clients approach the end of their financial year. We expect this trend to continue in the beginning the next of financial year. However the company

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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continues to be in serious need of enhanced capitation to kick start the porridge production, and upscale yoghurt production and seedling production both tissue cultured and grafted.

**Performance of the Company's Divisions**

The divisions contributed to the above result as follows; ICT division Ksh 83.9m, Products division Ksh 90.7 m and Consultancy division Ksh 73.4 m. EDC inflows remained insignificant, but we are confident that they will pick up in the next financial year. Although operating costs rose by 4.8% during the time period in question the fact is that the top line rose by 23% reducing the net loss by 83%. Finance costs reduced somewhat but depreciation increased substantially. The situation with regard to porridge production remains the same in that the company has a fully equipped factory but no production because we lack the capital required to operate it. However we produced an extruded flour product for a client in February this year (toll manufacturing) and also produced another consignment for another client in May. Management is exploring different alternatives for commencing production including partnering with potential partners.

The company's investment in immovable assets continues to be at a very low level due to the current cash flow problems. This includes slight progress in the office block, banana infrastructure especially greenhouses and expansion of the fruit seedling grafting operation. Activity has necessarily been way below projected targets due to the funding shortfall. However due to the unprecedented demand for fruit seedlings it is imperative that we substantially increase the infrastructure including greenhouses, water sources and irrigation, and skilled manpower.

The company has been entrusted with the running of the noodles factory built near Kengo gate by Nissin Company. The hand over process was duly completed and currently the company is undertaking efforts to transfer funds from the old account to the new account created under the new company's name; JKUAT Noodles Limited. Most of the equipment was imported, installed and connected by the end of March. The raw materials for testing the equipment were also procured and are on site.

**Environmental Impact**

During this financial year the company sold over 700,000 seedlings both tissue cultured and grafted. These seedlings have been planted in orchards across the country, helping green the countryside and clean the atmosphere. We thus believe that we are making significant contribution to environmental protection in this country.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**Social Impact**

During the time period in question the company contributed 300 seedlings to an NGO that caters for the needs of the blind.

**Products Unit**

*The Products unit produces propagation materials, convenience foods and biotechnology products.*

**Propagation Materials**

The division closed the year on target to close the financial year having produced 1 m horticulture seedlings as planned. However despite having more than doubled the tissue cultured banana seedlings infrastructure in the form of clean benches, autoclaves, and green houses, there are still serious bottlenecks caused by inadequate facilities especially greenhouses. This negatively affected the division's ability to reach the target of 1 m banana seedlings by the end of the year. The company is addressing this problem which requires substantial capitation. This problem has also caused the delay of production of tissue cultured potato seedlings which we believe will have substantial market demand.

The division noted that it sold out most of its substantial stock of seedlings in most part of the fourth quarter of the year to walk-in customers before its traditional customers of counties and NGOs made firm orders. The traditional customers had began to make their orders by the end of the third quarter and it is now clear that the division will have to drastically increase production in the next financial year if it is to keep up with demand. Consequently the target for next financial year is an ambitious 2.5m seedlings. Key challenges include inadequate infrastructure, inadequate financing and the need to upgrade the skills of technical and supervisory staff.

**Convenience Foods**

The division has continued to develop our yoghurt after getting useful feedback and gaining significant insights. We have engaged several partners among them Kevian and Danisco limited to help us develop a cheaper product of the same standard. The process is however slow due to the cash crunch. Porridge production is yet to commence but the division is working to ensure that production starts despite problems in funding, but the division has been experimenting with toll manufacturing for clients with

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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some measure of success. The division is determined to kick-start porridge production and to revive dairy production.

Key challenges include the persisting high raw material prices and the financial challenges facing the supermarkets and other retail chains that are making pushing the product extremely difficult. Added to this is lack of adequate financing for facilities and working capital.

**ICT Unit**

*The ICT Unit engages in ICT support services, training, software development & ICT consultancy.*

The ICT division has developed and successfully implemented key partnerships which have expanded our product and services offerings. Such partnerships include NITA, ICDL, EDB Postgres, etc. The department continues to provide key support services to the Kenya Revenue Authority, which includes support staff augmentation programs, expanded ICT trainings and consultancy work. We have also developed and rolled out regular specialized trainings in the key areas of Audit, Security, Change Management and Database Systems. This way, we have attracted new clients and increased our revenue streams. The computer training department continued to attract students in a variety of training ranging from basic packages to ICDL.

Key challenges include inadequate facilities for training, need to upgrade the skills of the staff and the need to upgrade the organizational skills of key staff.

**Consultancy Unit**

*The Consultancy Unit generally undertakes internal and external consultancy services aimed at solving the problems of its wide base of clients.*

**Architectural Design Consultancy**

The Kenya Revenue Authority has contracted the company to provide consultancy services in Property Architectural Designs, Quantity Survey, Project Management and related consultancy works for a period of one (1) year, on a commission based framework. The division successfully completed a 13 floor building for KASNEB, in Upper Hill, Nairobi and management is pleased to note that the National Treasury commended JKUATES, the client and the contractor for completing the project

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE 2018

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#### Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta University of Agriculture and Technology Enterprises Limited set out on pages 1 to 20, which comprise the statement of financial position as at 30 June 2018, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta University of Agriculture and Technology Enterprises Limited as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

#### Basis for Qualified Opinion

##### Trade and Other Receivables

The trade and other receivables of Kshs.71,414,693 as at 30 June 2018 includes receivables totaling Kshs.22,482,347 that have been long outstanding. Although the management has explained that a policy on provision for impairment of bad and doubtful debts will be ratified by the Board in 2018/2019 financial year, the full recoverability of the long outstanding receivables remains uncertain.

Consequently, it has not been possible to confirm the recoverability of trade receivable balance of Kshs.22,482,347 and that total balance of Kshs.71,414,693 is fairly stated as at 30 June 2018.

#### Emphasis of Matter

##### Going Concern

During the year under review the company registered a loss of Kshs.2,910,975 (2016/2017 loss of Kshs.17,527,775) which resulted in an accumulated deficit of

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*Report of the Auditor-General on the Financial Statements of Jomo Kenyatta University of Agriculture and Technology Enterprises limited for the Year Ended 30 June 2018*

Kshs.13,452,626 as at 30 June 2018. Further, the current liabilities of Kshs.155,557,183 as at 30 June 2018 exceeded the current assets of Kshs.116,725,946 resulting in a negative working capital of Kshs.38,831,237. The Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis assuming the company will continue to get support from its creditors, Jomo Kenyatta University of Agriculture and Technology and its bankers.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Jomo Kenyatta University of Agriculture and Technology Enterprises Limited in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matter(s) described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

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

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS**

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Companies Act, I report based on my audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- (iii) The Company's statement of financial position and statement of comprehensive income are in agreement with books of account.

### **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control, risk management and governance

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and

systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

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

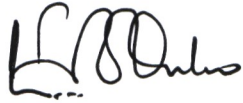
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR GENERAL**

**NAIROBI**

**7 February 2019**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

		<u>2017-2018</u>	<u>2016-2017</u>
	NOTES	Kshs.	Kshs.
<b>TOTAL INCOME</b>	<b>2</b>	248,028,701	201,853,401
<b>TOTAL COST OF GOOD SOLD</b>	<b>3</b>	(208,294,939)	(177,293,521)
<b>GROSS PROFIT</b>		<b>39,733,762</b>	<b>24,559,880</b>
<b>OPERATING EXPENSES</b>			
Staff Costs	4	21,024,556	20,521,792
Board Expenses	5	353,630	456,575
Administration Expenses	6	5,750,705	6,317,578
Advertising and sales Promotion	7	150,000	-
Telephone and Internet	8	169,126	141,304
Utilities/Maintenance	9	364,990	267,065
Professional fees	10	480,000	400,000
Amortization	11	6,122,284	4,692,930
<b>TOTAL OPERATING EXPENSES</b>		<b>(34,415,291)</b>	<b>(32,797,244)</b>
<b>OPERATING PROFIT</b>		<b>5,318,471</b>	<b>(8,237,364)</b>
Finance costs	12	(8,229,446)	(9,290,411)
<b>LOSS/PROFIT BEFORE TAXATION</b>		<b>(2,910,975)</b>	<b>(17,527,775)</b>
<b>INCOME TAX EXPENSES</b>	<b>13</b>	-	-
<b>LOSS/PROFIT AFTER TAXATION</b>		<b>(2,910,975)</b>	<b>(17,527,775)</b>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

<b>ASSETS</b>	<b>NOTES</b>	<b>30-Jun-18</b>	<b>30-Jun-17</b>
		<u>Kshs.</u>	<u>Kshs.</u>
<b>Non-Current Assets</b>			
Property Plant and Equipment	14	71,414,693	70,938,901
<b>Current Assets</b>			
Trade and Other Receivables	15	71,224,706	67,477,587
Inventories	16	36,011,387	24,368,539
Cash and Bank Balances	17	9,489,853	115,155
		<u>116,725,946</u>	<u>91,961,281</u>
<b>TOTAL ASSETS</b>		<u>188,140,639</u>	<u>162,900,182</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Issued Share Capital	18	102,040	102,040
Capital Fund	19	25,644,004	25,644,004
Revenue reserves	20	<u>(13,452,626)</u>	<u>(10,541,651)</u>
<b>Capital and Reserves</b>		<u>12,293,418</u>	<u>15,204,393</u>
<b>Current Liabilities</b>			
Trade and Other Payables	21	117,473,269	83,030,277
Bank Overdraft	22	<u>38,083,914</u>	<u>38,317,134</u>
<b>Total Current Liabilities</b>		155,557,183	121,347,411
<b>Long-term Liabilities</b>			
Asset Based Finance	23	20,290,038	26,348,378
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>188,140,639</u>	<u>162,900,182</u>



**DR. WINIFRED KARUGU  
MANAGING DIRECTOR**



**PROF. VICTORIA NGUMI, PhD  
DIRECTOR**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**STATEMENT OF DIRECTORS RESPONSIBILITIES**


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 financial year and the results of the operations for the year. The board is required to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy the financial position of the company. They are responsible for safeguarding the assets of the company.

The company's board accepts responsibilities for the 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 in a manner required by the companies Act. The company's board is of the opinion that the Financial Statements give a true and fair view of the state of financial affairs of the company as at 30 June 2018 and of its profit for the year ended. The board further confirms the accuracy and completeness of the accounting records, which have been relied upon in the preparation of financial statements, as well as on adequate systems of internal financial control.

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

**Approval of the financial statements**

The entity's financial statements were approved by the company's Board and signed on its behalf by:



Dr. Winifred Karugu

**MANAGING DIRECTOR**



Prof. Victoria Ngumi, PhD

**DIRECTOR**

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2018 which show the state of the entity's affairs.

**Principle Activities**

The principle activities of the company are to offer ICT training, consultancy services, Entrepreneurship and production and sale of Tissue Culture and horticulture seedlings.

**Financial results**

The results of the entity for the year ended June 30, 2018 are set out on page 25. Below is summary of the profit or loss made during the year.

	2017/2018	2016/2017
	Ksh	Ksh
Loss for the year	(2,910,975)	(17,527,775)
Tax Charge	0	0
Net loss for the year	(2,910,975)	(17,527,775)


**Directors**

The members of the Board of directors who served during the year are shown on page 2.

**Auditors**

The Auditor General is responsible for the statutory audit of the company in accordance with the provision of Articles 229 of the Constitution and Public Audit Act, 2015.

By Order of the Board

  
Managing Director

Date: 7<sup>th</sup> February 2019

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**Current Liabilities**

Current liabilities grew to Kshs.155,557,184 from Kshs. 121,347,411. This was as represented in the chart below:

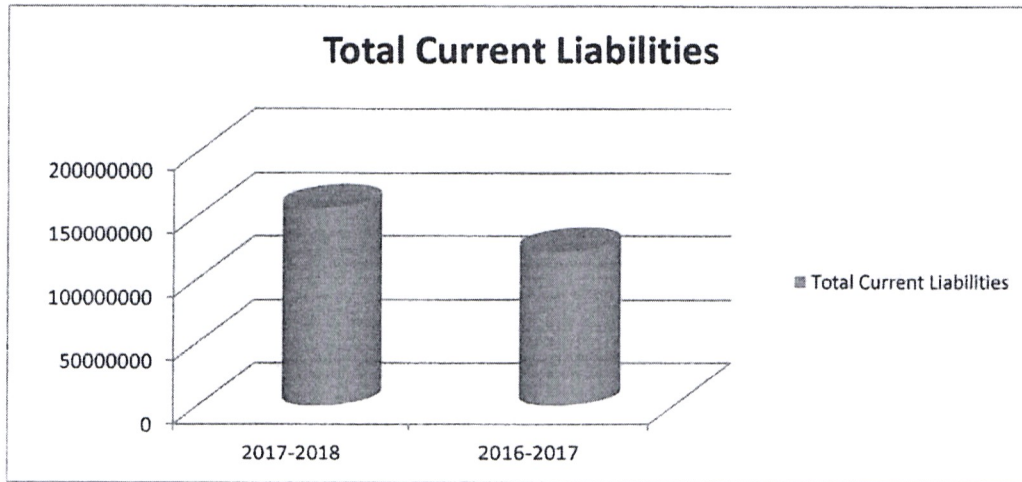


Figure 9: Current Liabilities

**Non-Current Liabilities**

The Long term liabilities included only item of Asset Based Finance which reduced significantly from Kshs. 26,348,378 to Kshs. 20,290,038. This is shown in the table below:

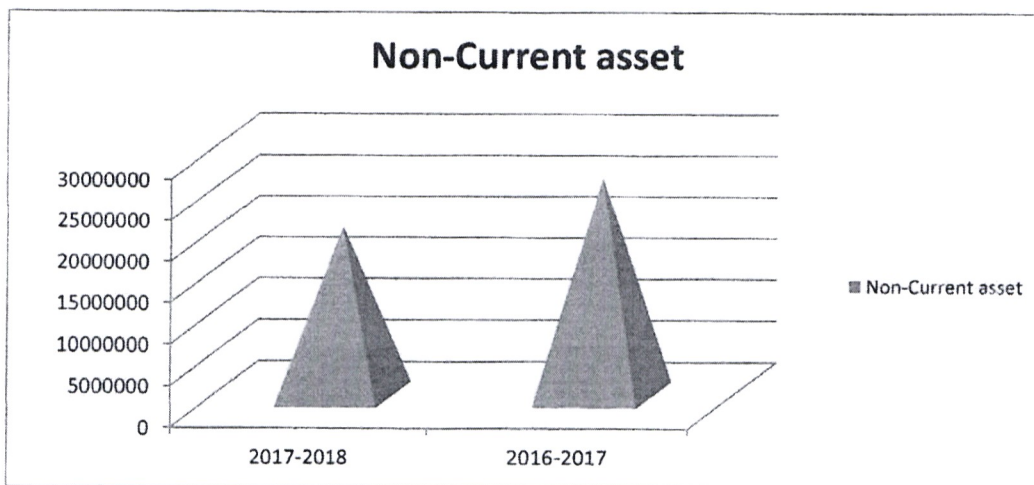


Figure 10: Non-Current Assets

**Current Assets**

Current assets increased significantly from kshs. 91,961,280 to kshs. 116,725,946. This was as shown below:

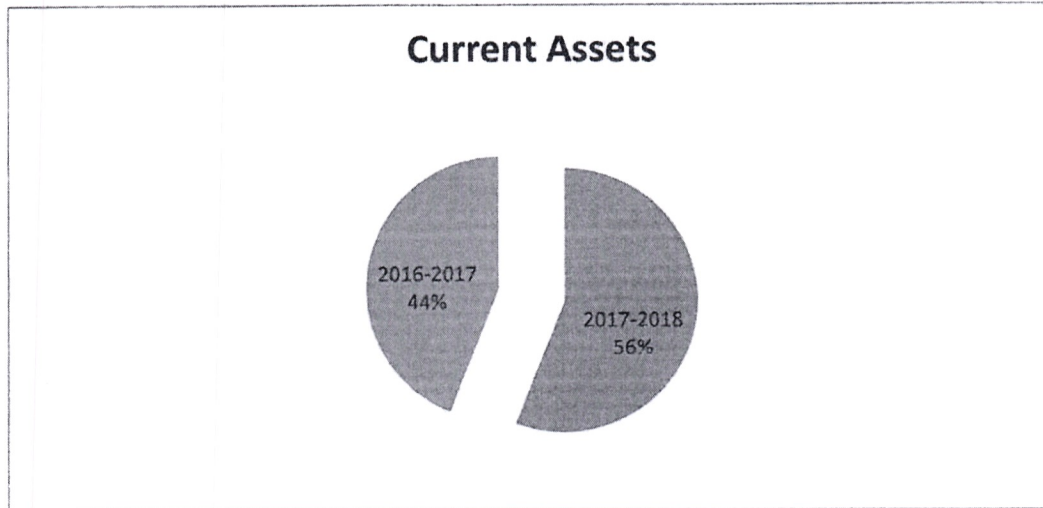


Figure 7: Current Assets

**Capital and reserves**

Capital and reserves reduced due to over utilized reserves. Their status can be represented as in the picture below:

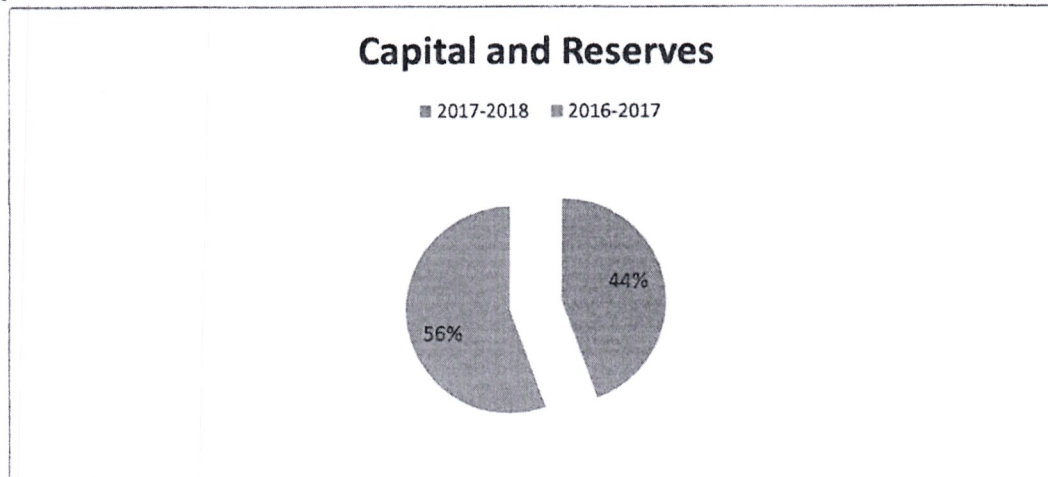


Figure 8: Capital and Reserves

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

The performance results for the years measured in terms of profitability were as follows:

	2017/2018	2016/2017
	Ksh	Ksh
Loss for the year	(2,910,975)	(17,527,775)

This can be summarized in the chart below:

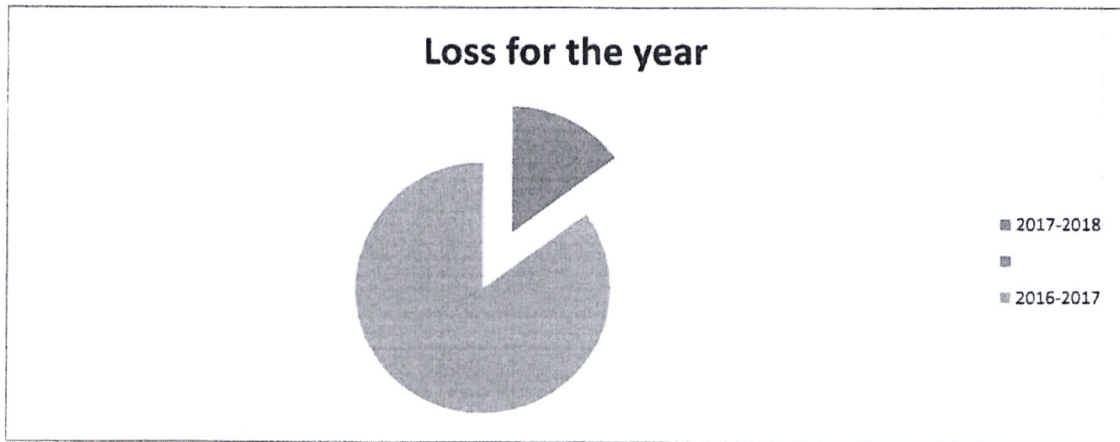


Figure 5: Performance comparison

**Investment activities**

The company did more investment to its property, plant and equipment from ksh.70,938,902 to ksh.71,414,693. This is a change of 0.7% to its previous PPE. This can be seen in the chart below:

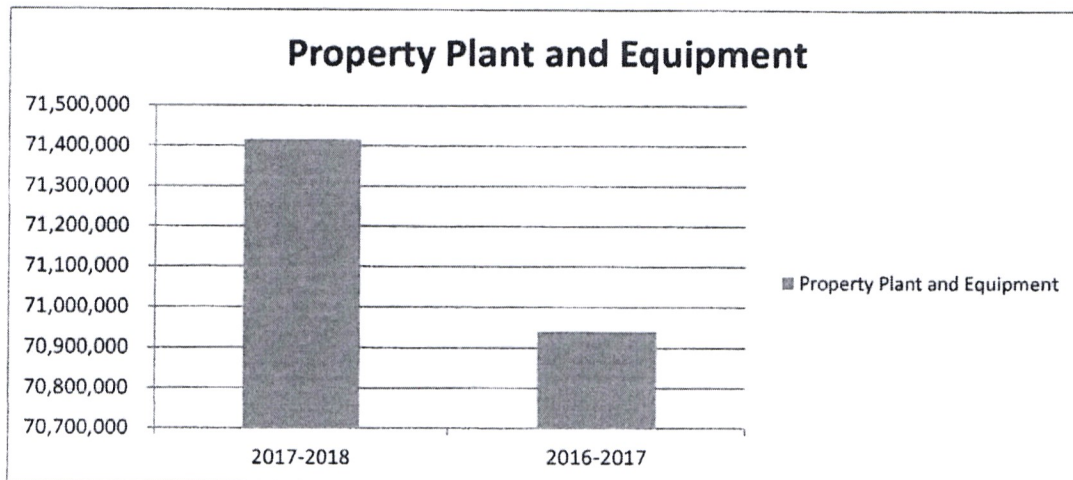


Figure 6: Property, Plant and Equipment

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**Expenses analysis**

The rise in revenue came along with a rise in cost of sales and expenses. This is an expected situation. Analysis of company's expenses for the two years in comparison were as follows:

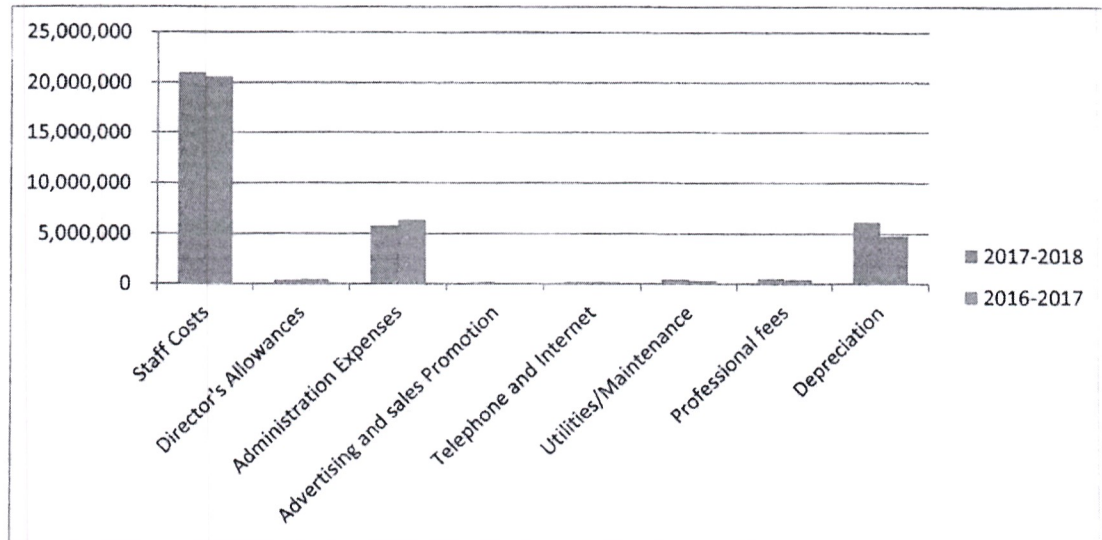


Figure 3: Expenses analysis

**Finance cost**

The finance cost for the financial year 2017-2018 reduced compared to the precedent financial year 2016-2017 i.e. ksh.9,290,411 to ksh.8,229,446. This can be depicted by the following chart:

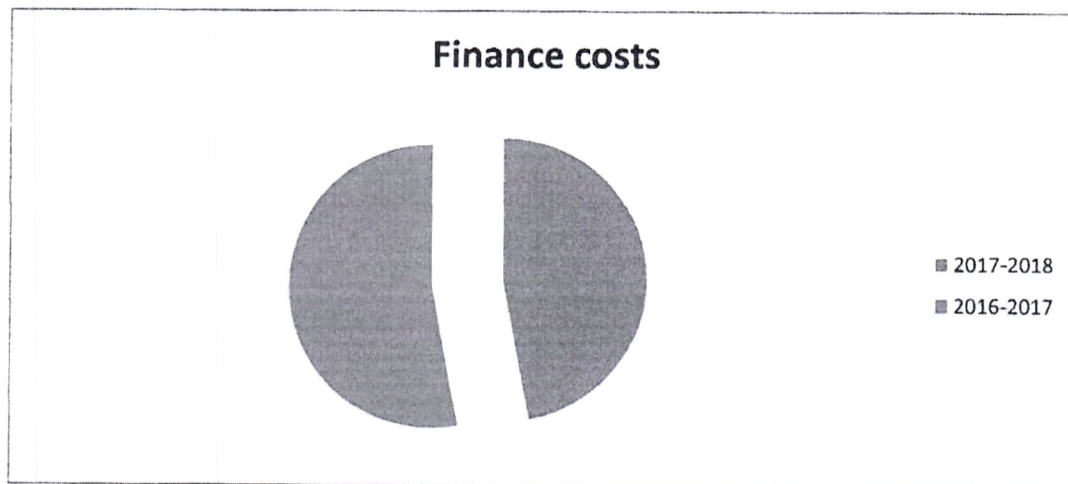


Figure 4: Finance Cost

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Revenue**

The divisions contributed to the above result as follows; ICT division Ksh 83.9m, Products division Ksh 90.7 m and Consultancy division Ksh 73.4 m. EDC inflows remained insignificant, but we are confident that they will pick up in the next financial year.

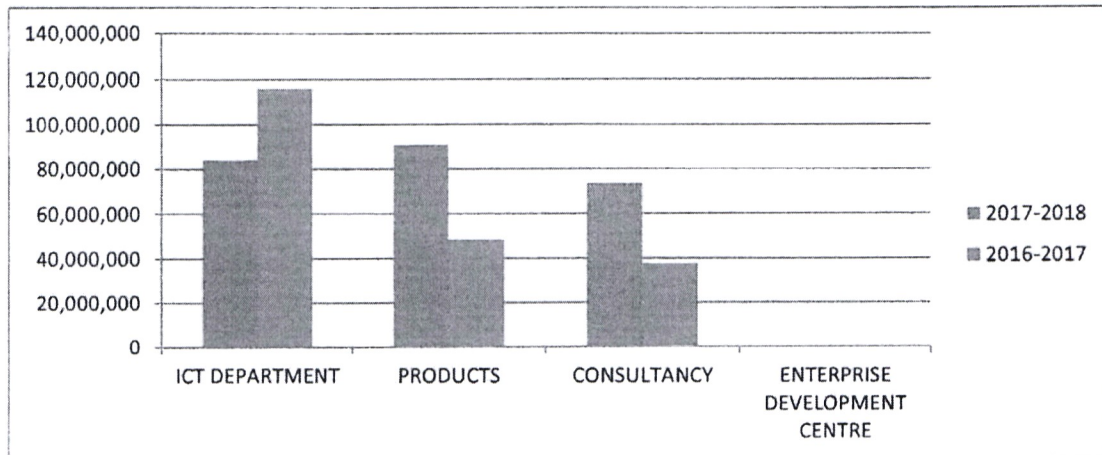


Figure 1: Revenue Contribution

**Cost of sales**

Cost of sales as per divisions was as follows: - ICT division kshs.71.4m, products division kshs.77.5m, Consultancy division kshs.59.4m and EDC kshs.0.044m. This could be shown by the following chart:

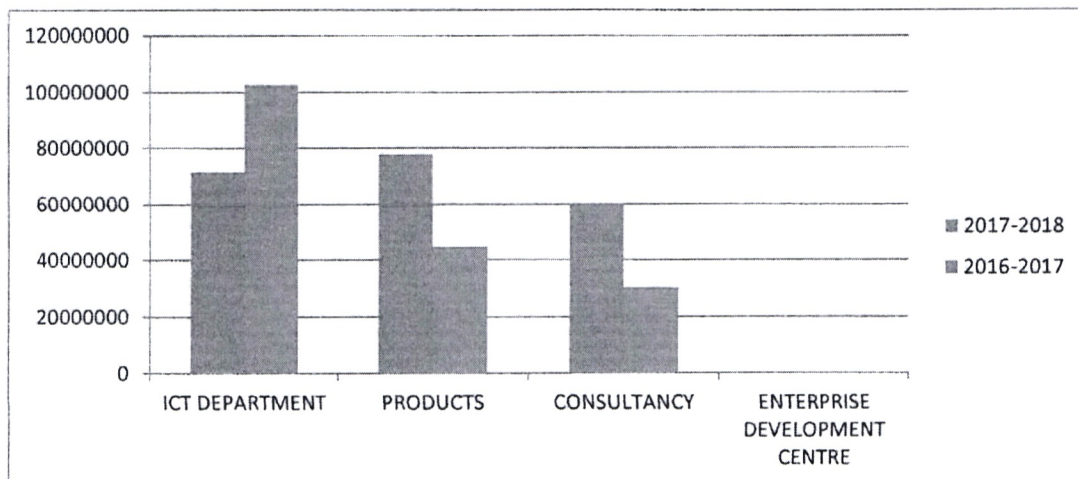


Figure 2: Cost of Sales

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**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, sitting allowances 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.

**CORPORATE GOVERNANCE STATEMENT**

**Corporate Governance:**

The Board of Directors is responsible for the governance of the Company and is accountable to the University which is the main shareholder 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:**

Eight out of the nine 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 judgment.

**Board Meetings:**

In accordance with the requirements of company's act, the company's board meets regularly where need arises to deliberate and act on operational, finance compliance and strategic issues as per the requirements.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**Conclusion**

During the period under review the company went through very tough times with significant financial challenges. Despite this, management is hopeful that the company will be able to steer through the current tough times and grow all its business lines in the next financial year.

Signature Wany  
Managing Director

Date 7<sup>th</sup> February 2019

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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within the budget. The division is also conducting other projects in Karatina University and Masai Mara University

**TeaSoko**

TeaSoko is a online tea trading platform that seeks to open a global window to Kenyan tea. This project's efforts are currently focused on the specialty teas value chain, where there is significant potential and minimal competition. We submitted our proposal to the Purple and Specialty Tea Association of Kenya (PSTAK), tasked with spearheading the development of Kenyan high value teas. The proposal has been approved, and an MOU signed regarding exclusive agreement to provide a speciality tea trading online platform. The platform has been developed but significant funding is required. In the future the company expects to replicate this product and develop similar products in other value chains which include bulk black tea, avocado, macadamia and flowers.

**Construction**

The company has made progress with construction of the new classroom block named COHRED Building and is currently roofing the building and installing plumbing and electrical fittings. All room are tiled right up to the 4<sup>th</sup> level except for the lecture hall on that level. The division is proud of the fact that it was able to add an additional floor within the original budget of Ksh 185 m. The division is also pleased to note that the University Council has approved Ksh 27 m for the additional works.

**Enterprise Development Centre**

*EDC engages in entrepreneurship and business management training, business counselling and market research.*

EDC division performed below expectation during the time period in question due to the fact that training facilities in the ground level of the office block are incomplete but once complete the division is expected to improve its income substantially. The division is in discussion with various entities to partner in non-academic training programs particularly for the SME sector. In fact one of our collaborators Proliance Ltd is due to begin short course upgrade training for personnel working in the engineering field.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018**

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1 July 2016	102,040	25,644,004	6,986,124	32,732,168
Surplus for the year	-	-	(17,527,775)	(17,527,775)
As at 30.6.2017	<u>102,040</u>	<u>25,644,004</u>	<u>(10,541,651)</u>	<u>15,204,393</u>

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1 July 2017	102,040	25,644,004	(10,541,651)	15,204,393
Deficit for the year	-	-	(2,910,975)	(2,910,975)
As at 30.6.2018	<u>102,040</u>	<u>25,644,004</u>	<u>(13,452,626)</u>	<u>12,293,418</u>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018**

	NOTE	2017-2018 Kshs.	2016-2017 Kshs.
Net Profit before tax for the Year		(2,910,975)	(17,527,775)
<b>Adjustment for the year</b>			
Depreciation	14	<u>6,122,284</u>	<u>4,692,931</u>
		3,211,309	(12,834,844)
<b>Changes in working capital</b>			
(Increase)/Decrease in Trade and Other Receivables	15	(3,747,119)	(19,107,874)
Increase/(Decrease in Trade and Other Payables	21&22	34,209,772	44,918,283
(Increase)/Decrease in inventories	16	<u>(11,642,848)</u>	<u>(13,465,052)</u>
<b>Net Cashflow from operating activities</b>		<u>22,031,114</u>	<u>(489,486)</u>
<b>Cashflow from investing activities</b>			
Purchase of Assets	14	<u>(6,598,076)</u>	<u>(9,126,801)</u>
<b>Net Cashflow from investing activities</b>		<u>(6,598,076)</u>	<u>(9,126,801)</u>
<b>Cashflow from financing activities</b>			
Asset Loan	23	<u>(6,058,340)</u>	<u>9,641,684</u>
<b>Net Cash flow from financing Activities</b>		<u>(6,058,340)</u>	<u>9,641,684</u>
<b>Net Increase in cash and cash equivalents</b>		9,374,698	25,397
Cash and Cash Equivalents at the beginning of the year	17	<u>115,155</u>	<u>89,758</u>
<b>Cash and Cash Equivalents at the end of the year</b>		<u>9,489,853</u>	<u>115,155</u>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018**

	ACTUALS 2017-2018	BUDGET 2017-2018	VARIANCE 2017-2018	VARIANCE %	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>%</u>	
<b>INCOME</b>					
<b>ICT DEPARTMENT</b>					
Corporate Training	48,930,035	15,500,000	33,430,035	216%	a
IT Support Services	34,984,092	34,500,000	484,092	1%	b
<b>Total ICT Department</b>	<b>83,914,127</b>	<b>50,000,000</b>	<b>33,914,127</b>	<b>68%</b>	
<b>PRODUCTS</b>					
Convenient Food	2,894,387	75,000,000	(72,105,613)	-96%	c
Horticultural products	64,542,621	30,000,000	34,542,621	115%	d
Tissue Culture Products	23,278,962	40,000,000	(16,721,038)	-42%	e
<b>Total Products Division</b>	<b>90,715,970</b>	<b>145,000,000</b>	<b>(54,284,030)</b>	<b>-37%</b>	
<b>CONSULTANCY</b>					
External Consultancy	73,379,242	55,000,000	18,379,242	33%	f
<b>Total consultancy</b>	<b>73,379,242</b>	<b>55,000,000</b>	<b>18,379,242</b>		
<b>ENTERPRISE DEVELOPMENT CENTRE</b>					
Trainings/memorabilia	19,362	10,000,000	(9,980,638)	-100%	g
<b>Total for EDC</b>	<b>19,362</b>	<b>10,000,000</b>	<b>(9,980,638)</b>		
<b>OTHER INCOME</b>					
<b>TOTAL INCOME</b>	<b>248,028,701</b>	<b>260,000,000</b>	<b>(11,971,299)</b>	<b>-5%</b>	
<b>COST OF SALE</b>					
<b>ICT DEPARTMENT</b>					
Corporate Training	40,287,657	10,850,000	(29,437,657)	-271%	h
IT Support Services	31,098,089	28,467,691	(2,630,398)	-9%	i
<b>Total ICT Department</b>	<b>71,385,746</b>	<b>39,317,691</b>	<b>(32,068,055)</b>	<b>-82%</b>	
<b>PRODUCTS</b>					
Convenient Food	4,225,404	56,250,000	52,024,596	92%	j
Horticultural products	51,406,832	21,000,000	(30,406,832)	-145%	k
Tissue Culture Products	21,814,537	28,000,000	6,185,463	22%	l
<b>Total Products Division</b>	<b>77,446,773</b>	<b>105,250,000</b>	<b>27,803,227</b>		
<b>CONSULTANCY</b>					
External Consultancy	59,418,534	44,000,000	(15,418,534)	-35%	m
<b>Total consultancy</b>	<b>59,418,534</b>	<b>44,000,000</b>	<b>(15,418,534)</b>		
<b>ENTERPRISE DEVELOPMENT CENTRE</b>					
Training/Memorabilia	43,886	7,000,000	6,956,114	99%	n
<b>Total for EDC</b>	<b>43,886</b>	<b>7,000,000</b>	<b>6,956,114</b>		
<b>TOTAL COST OF SALE</b>	<b>208,294,939</b>	<b>195,567,691</b>	<b>(12,727,248)</b>	<b>(7%)</b>	
<b>GROSS PROFIT</b>	<b>39,733,762</b>	<b>64,432,309</b>	<b>24,698,547</b>		

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

	ACTUALS 2016-2017	BUDGET 2016-2017	VARIANCE 2016-2017	VARIANCE %	
<b>OVERHEADS</b>	<b>Kshs</b>	<b>Kshs</b>		<b>%</b>	
Staff costs	21,024,5556	25,000,000	3,975,444	16%	o
Board Expenses	353,630	800,000	446,370	56%	p
Administration Expenses	5,750,705	6,500,000	749,295	12%	q
Selling And Distribution	150,000	3,000,000	2,850,000	95%	r
Maintenance costs	534,116	1,000,000	465,884	47%	s
Professional services	480,000	1,500,000	1,020,000	68%	t
Depreciation	6,122,284	5,500,000	(622,284)	(11%)	u
Finance Costs	8,229,446	10,000,000	1,770,554	18%	v
<b>TOTAL OVERHEADS</b>	<b>42,644,737</b>	<b>53,300,000</b>	<b>10,655,263</b>	<b>20%</b>	
<b>PROFIT BEFORE TAX</b>	<b>(2,910,975)</b>	<b>11,132,309</b>	<b>14,043,284</b>	<b>126%</b>	
<b>INCOME TAX (CREDIT)/EXPENSE</b>					
Current taxation based on the profit for the year at 30%	-	3,339,693	(3,339,693)	(100%)	w
<b>PROFIT AFTER TAX</b>	<b>(2,910,975)</b>	<b>7,792,616</b>	<b>10,703,591</b>	<b>137%</b>	

**EXPLANATION TO VARIANCES**

- Corporate training sub section secured more jobs/contracts with clients than it had anticipated
- IT support section budget was well within the forecasts with a variance of 1%
- Flour and Yoghurt factory remained dormant within the year of audit hence the convenient foods section did not do much
- There was massive production of seedlings followed by excellent purchase by our customers. The long heavy rains during the year also contributed to prolonged demand for the seedlings by customers
- Tissue culture section failed short of the revenue target by 42%. This was due to decrease in demand for the products accompanied by heavy competition from new entrants into the market
- External consultancy section surpassed its target by 33%. This was due to more jobs secured by the section than it anticipated
- This section remained dormant during the year under analysis
- Corporate training incurred more cost than it anticipated. This commensurate well with more revenues generated by the section
- IT supports services costs were well within budget. This is supported by revenues which were also within budget from the section
- Convenience foods section did not have many activities during the year. This was because the four and yoghurt factories were not in operation during the year of audit and consequently no expense for the same

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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- k) The cost of operation in horticulture section escalated with boom in production of seedlings though at high rate compared to revenues generated
- l) Tissue Culture products costs were relatively well managed at a more controlled range compared to revenues from the section
- m) Cost of sales from external consultancy was tightly controlled to commensurate with the growth in revenues. This can be explained by 33% growth in revenues compared to 35 % increase in cost of sales
- n) The EDC section remained dormant within the year of audit.
- o) Staff costs reduced because the extra staff who were anticipated to be employed to run factories were not employed
- p) The number of board meetings budgeted became less therefore less cost due to reduced board allowances
- q) The administration costs budgeted to run yoghurt and flour factories were not incurred
- r) Our products could be marketed effortlessly and therefore only two adverts were run during the year of ksh 75,000 each
- s) There were no much breakdown to machines as anticipates during budgeting and therefore less maintenance costs
- t) There was less incurrence to professional fees as it had been forecasted. Not much of professional services was required during the year
- u) There was under provision to machines depreciation during budgeting because there was less investment in capital expenses
- v) Finance costs went down due to reducing method of costing used during loan amortization without obtaining more debt.
- w) The company had anticipated to make a profit of 3.34m during the year of audit which was never achieved. The company made a loss which is not taxable.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS 1) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the company's accounting policies.

**b) Revenue recognition**

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

- i. Revenue from the sale of goods and services is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii. Other income is recognized as it accrues

**c) Property, plant and equipment**

Fixtures and equipment are stated at cost or valuation less depreciation. 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%
Production Structures and Equipment	25%
Building	2.5%

**d) Inventory**

The company stocks are valued at the lower of cost and net realizable value in accordance with IAS 2.

**e) Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectable amount. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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**f) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date.

**g) Cash and cash equivalents**

Cash and cash equivalents comprises cash in hand and cash at bank, Bank account balances include amounts held at various commercial banks at the end of the financial year.

**h) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the company or not, less any payments made to the suppliers.

**i) Exchange rate difference**

The accounting records are maintained in the financial currency of the primary economic environment in which the entity operates, Kenya Shillings. Transaction in foreign currencies during the year/period are translated into functional currency using the exchange rates prevailing at the date of transactions. Any foreign exchange gains and losses resulting from settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss

**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) 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, 2018.

**l) Reporting Currency**

Accounts have been reported in Kenya shillings

**m) Number of employees**

The number of employees as at 30/06/2018 was 130

**n) Borrowing costs**

IAS 23 Borrowing Costs requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that necessarily takes a substantial period of time to get ready for its intended use or sale) are included in the cost of the asset. Other borrowing costs are recognized as an expense.

**m) Related Parties**

The company 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 Authority, or vice versa. The company directors and managing director are therefore treated as related parties to the company.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO FINANCIAL STATEMENTS**

	<u>2017-2018</u>	<u>2016-2017</u>
	<u>Kshs</u>	<u>Kshs</u>
<b>2 INCOME</b>		
<b>ICT DEPARTMENT</b>		
Corporate Training	42,900,035	81,029,611
Computer Short Courses	6,030,000	6,694,700
IT Support Services	34,984,092	28,142,827
<b>Total ICT Department</b>	<u>83,914,127</u>	<u>115,867,139</u>
<b>PRODUCTS</b>		
Convenient Food	340	5,569,329
Mushroom Products	2,894,047	2,235,391
Horticultural products	64,542,621	27,427,225
Banana Products	23,081,572	12,774,480
Other IBR Products	197,390	315,704
<b>Total Products Division</b>	<u>90,715,970</u>	<u>48,322,129</u>
<b>CONSULTANCY</b>		
External Consultancy	73,379,242	37,591,073
<b>Total consultancy</b>	<u>73,379,242</u>	<u>37,591,073</u>
<b>ENTERPRISE DEVELOPMENT CENTRE</b>		
Publishing	13,362	10,121
Memorabilia	6,000	62,940
<b>Total for EDC</b>	<u>19,362</u>	<u>73,060</u>
<b>TOTAL INCOME</b>	<u>248,028,701</u>	<u>201,853,401</u>
<b>3 COST OF SALE</b>		
<b>ICT DEPARTMENT</b>		
Corporate Training	35,958,371	74,804,012
Computer Short Courses	4,329,286	5,578,952
IT Support Services	31,098,089	22,087,338
<b>Total ICT Department</b>	<u>71,385,746</u>	<u>102,470,302</u>
<b>PRODUCTS</b>		
Convenient Food	2,545,637	13,107,186
Mushroom Products	1,679,767	1,172,244
Horticultural products	51,406,832	21,478,459
Banana Products	21,808,137	8,707,159
Other IBR Products	6,400	44,900
<b>Total Products Division</b>	<u>77,446,773</u>	<u>44,509,947</u>
<b>CONSULTANCY</b>		
External Consultancy	59,418,534	30,150,046
<b>Total consultancy</b>	<u>59,418,534</u>	<u>30,150,046</u>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	<u>2017-2018</u>	<u>2016-2017</u>
	<u>Kshs</u>	<u>Kshs</u>
<b>ENTERPRISE DEVELOPMENT CENTRE</b>		
Publishing	6,306	4,745
Memorabilia	37,580	158,480
<b>Total for EDC</b>	<b>43,886</b>	<b>163,225</b>
<b>TOTAL COST OF SALE</b>	<u>208,294,939</u>	<u>177,293,521</u>
<b>GROSS PROFIT</b>	<u>39,733,762</u>	<u>24,559,880</u>
<b>4 STAFF COSTS</b>		
Gratuity	2,122,910	1,171,945
N.S.S.F CO. Contribution	33,200	32,200
NSSF Staff Contribution	33,200	32,200
NHIF Staff Contribution	204,750	202,050
PAYE Staff Deduction	4,554,846	4,802,062
NET Salary	11,119,634	10,683,967
Staff Other Deduction	2,053,304	2,694,656
Pension Co. Contribution	902,712	902,712
	<u>21,024,556</u>	<u>20,521,792</u>
<b>5 DIRECTORS ALLOWANCES</b>		
Director's Allowances	353,630	456,575
<b>6 ADMINISTRATION EXPENSES</b>		
Staff Mileage Claim	61,682	190,663
Medical expenses	159,785	135,776
Staff Welfare	285,305	292,423
Travel And Subsistence	369,260	729,330
Stationery Ordinary	422,935	308,912
Computer Stationery	64,934	28,000
Photocopying	-	55,500
Insurance	4,218,360	3,516,669
Newspaper and Periodicals	22,260	2,940
Subscription to Prof Org	40,366	55,000
Licence	-	12,000
Exchange Loss	105,818	990,365
	<u>5,750,705</u>	<u>6,317,578</u>
<b>ADVERTISING AND SALES PROMOTION</b>		
<b>7</b> Field Promotion	150,000	-

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	<u>2017-2018</u>	<u>2016-2017</u>
	<u>Kshs</u>	<u>Kshs</u>
<b>8 TELEPHONE AND INTERNET</b>		
Telephone	14,326	6,304
Internet Services	154,800	135,000
	<u>169,126</u>	<u>141,304</u>
<b>9 MAINTENANCE/UTILITY COST</b>		
Electricity and Water	329,536	157,306
Cleaning	33,034	97,459
Equipment Repair and Maintenance	2,420	12,300
	<u>364,990</u>	<u>267,065</u>
<b>10 PROFESSIONAL SERVICES</b>		
Audit Fees	480,000	400,000
	<u>480,000</u>	<u>400,000</u>
<b>11 DEPRECIATION</b>		
Depreciation Comp Equipments	62,305	56,183
Depreciation Furniture	29,011	29,010
Depreciation Office Equipment	218,881	210,881
Depreciation Production Structures & Equip	5,346,243	3,931,012
Depreciation porridge factory	124,433	124,433
Depreciation yoghurt factory	146,175	146,175
Depreciation Premises Fence	69,005	69,005
Depreciation Civil works	112,267	112,267
Depreciation Wash room	13,964	13,964
	<u>6,122,284</u>	<u>4,692,930</u>
<b>12 FINANCE COSTS</b>		
Bank Charges	678,690	251,744
Interest on Loan and Overdraft	7,550,756	9,038,667
	<u>8,229,446</u>	<u>9,290,411</u>
<b>PROFIT BEFORE TAX</b>	<u><b>(2,910,975)</b></u>	<u><b>(17,527,775)</b></u>
<b>13 INCOME TAX (CREDIT)/EXPENSE</b>		
Current taxation based on the profit for the year at 30%	-	-
<b>PROFIT AFTER TAX</b>	<u><b>(2,910,975)</b></u>	<u><b>(17,527,775)</b></u>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**14. PROPERTY PLANT & EQUIPMENT**

SCHEDULE	2.5%	33.33%	10%	10%	25%	WORK IN PROGRESS	TOTAL KSHS
	BUILDINGS	COMPUTE RS	FURNITUR ES	OFFICE EQUIPMENT S	PRODUCTION STRUCTURES & EQUIPMENTS		
		KSHS	KSHS	KSHS	KSHS		
<b>COST</b>							
As at 01-07-2016	18,633,761	4,928,569	1,252,200	3,017,296	12,022,902	41,305,704	81,160,432
Addition in the year	-	37,700	-	-	5,002,383	4,086,718	9,126,801
As at 30th June 2017	18,633,761	4,966,269	1,252,200	3,017,296	17,025,285	45,392,422	90,287,233
<b>DEPRECIATION</b>							
As at 01-07-2016	892,188	4,873,291	1,066,846	1,500,470	6,322,606	-	14,655,401
Charge for the year	465,844	56,183	29,011	210,881	3,931,012	-	4,692,931
As at 30th June 2017	1,358,032	4,929,474	1,095,857	1,711,351	10,253,618	-	19,348,332
<b>NET BOOK VALUE-</b>							
As at 30th June 2017	17,275,729	36,795	156,343	1,305,945	6,771,668	45,392,422	70,938,901
<b>COST</b>							
As at 01-07-2017	18,633,761	4,966,269	1,252,200	3,017,296	17,025,285	45,392,422	90,287,233
Addition in the year	-	113,800	-	80,000	6,055,926	348,350	6,598,076
As at 30th June 2018	18,633,761	5,080,069	1,252,200	3,097,296	23,081,211	45,740,772	96,885,309
<b>DEPRECIATION</b>							
As at 01-07-2017	1,358,032	4,929,474	1,095,857	1,711,351	10,253,618	-	19,348,332
Charge for the year	465,844	62,305	29,011	218,881	5,346,243	-	6,122,284
As at 30th June 2018	1,823,876	4,991,780	1,124,868	1,930,232	15,599,861	-	25,470,616
<b>NET BOOK VALUE-</b>							
As at 30th June 2018	16,809,885	88,289	127,332	1,167,064	7,481,351	45,740,772	71,414,693
<b>NET BOOK VALUE-</b>							
As at 30th June 2017	17,275,729	36,795	156,343	1,305,945	6,771,668	45,392,422	70,938,901

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

		<u>2017-2018</u>	<u>2016-2017</u>
		<u>Kshs</u>	<u>Kshs</u>
	<b>TRADE AND OTHER RECEIVABLES</b>		
15	Trade Receivables	44,097,590	47,296,723
	Sundry Deposit	284,000	284,000
	Withholding Tax	23,263,320	17,181,052
	Insurance Prepayment	3,579,796	2,715,812
		<u>71,224,706</u>	<u>67,477,587</u>
	<b>INVENTORIES</b>		
16	Mushroom Spawn	3,425	550
	Books:		
	Basics of Geometry	92,822	94,416
	Basics of Calculus	69,333	70,989
	Algebra And Maths	93,777	94,215
	Statistics and Probability	73,543	74,621
	Basics of Graphs	94,565	96,106
	Chuff Cutters	16,682	16,682
	Paw paw seedlings	637,700	155,080
	Banana Seedlings	12,159,805	12,575,165
	Mango Seedlings	1,601,160	3,381,845
	Avocado Seedlings	18,346,700	3,277,265
	Templates Seedlings	772,500	1,080,030
	Orange seedlings	138,985	428,450
	Lemon Seedlings	1,497,900	1,277,675
	Guava Seedlings	-	30,900
	Other Assorted Seedlings	139,920	1,404,400
	Memorabilia	272,570	310,150
	<b>Total Stock</b>	<u>36,011,387</u>	<u>24,368,539</u>
	<b>CASH &amp; BANK BALANCES</b>		
17	BARCLAYS Juja-Bank Current Account	46,818	51,042
	Cooperative Bank Account	19,692	20,390
	KCB Moi Av-USD Account	9,379,229	43,723
	Standard Chartered Bank	44,114	-
	Total Cash & Bank Balances	<u>9,489,853</u>	<u>115,155</u>
18	Authorized Share capital-10,000 ordinary shares of Kshs 20.00 each		
	Issued Share Capital 5102 @ 20	<u>102,040</u>	<u>102,040</u>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>19 Capital Funding</b>	<u>25,644,004</u>	<u>25,644,004</u>
<b>20 REVENUE RESERVE</b>		
Bal B/F	(10,541,651)	6,986,124
Net Profit for the year	<u>(2,910,975)</u>	<u>(17,527,775)</u>
	(13,452,626)	(10,541,651)
<b>21 TRADE AND OTHER PAYABLES</b>		
Trade Payables	69,784,201	55,868,584
P.A.Y.E Control Account	445,025	490,216
N.H.I.F Control Account	30,850	32,250
N.S.S.F Control Account	11,200	11,600
Sundry Deductions	186,405	434,101
Net Salary Control Account	1,311,894	1,364,050
Provision for Audit Fee	510,400	464,000
Provision for Gratuity	11,313,447	6,253,252
Staff Welfare	349,900	320,100
Pension Control Account	112,839	112,839
Customers, Credit Balances	12,767,412	4,522,716
Casuals Control Account	1,191,858	1,165,859
VAT Control Account	3,149,505	2,726,650
KRA IT Support	2,173,700	1,955,450
Other Provision	3,594,883	6,733,138
University Classes	5,038,149	575,474
Provision of MD Sallary	427,140	-
HIV TEST Project	<u>5,074,461</u>	<u>-</u>
Total Current Liabilities	<u>117,473,269</u>	<u>83,030,277</u>
<b>22 Bank Overdraft</b>		
KCB Moi Av-Bank Current Account	<u>38,083,914</u>	<u>38,317,134</u>
<b>23 LOAN</b>		
KCB Asset Based Finance	<u>20,290,038</u>	<u>26,348,378</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

**24. GOING CONCERN CONCEPT**

During the year the company registered a net loss of Ksh 2,910,975. This is an improvement from a loss of 17,527,775. It is beyond reasonable doubt that the Company has immensely improved its financial performance in entirety. Although the company has a negative working capital of ksh 38,831,238 it is due to finance cost charge on factory assets acquired through bank loan. The Asset finance loan accrued interest from the date of acquisition whereas the factory was not in operation. During the current year 2018/2019, The Company has embarked on upscaling seedlings production. This pertains to both fruits and tissue culture seedlings. Noted during the financial year 2017/2018 was the fact that there was a lot of politicking and bearing in mind that most of our clients are Government entities, this affected our market and contributed negatively towards the overall performance. Production will be followed by marketing of our products to broaden our customer base. The company is also working towards growing its' revenue generation unit on external consultancy to have more projects and help generate more revenue. This will be expected to gear up financial performance and improve working capital.

**25. FINANCIAL RISK MANAGEMENT**

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

**(i) Credit risk**

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment.

The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

**(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid approximately after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

**b) Foreign currency sensitivity analysis**

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant.

**c) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

***Sensitivity analysis***

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES  
LIMITED.**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

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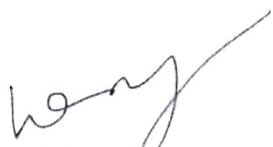
exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**APPENDIX 1: 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 person to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	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)
1.	Poor Financial Performance	During the financial year 2017/2018 the company was able to improve its financial performance significantly from a loss of Kshs 17.53m to a loss of Kshs 2.91m	Dr. Winifred Karugu (Managing Director)	Significant improvement	30/06/2019
2.	Imbalanced ethnic composition	The management is keen to rationalise this in future with any new recruitments in case of job openings	Dr. Winifred Karugu (Managing Director)	In progress	31/12/2020

  
**MANAGING DIRECTOR  
(DR. WINIFRED N. KARUGU)**

DATE... 7<sup>th</sup> February 2019