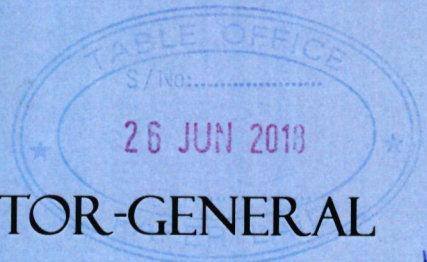


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



Paper Laid on the Table of the House

REPORT

by the Leader of the Majority Party

OF

[Hon. Aden Duale]

on Tuesday

PARLIAMENT OF KENYA LIBRARY

THE AUDITOR-GENERAL

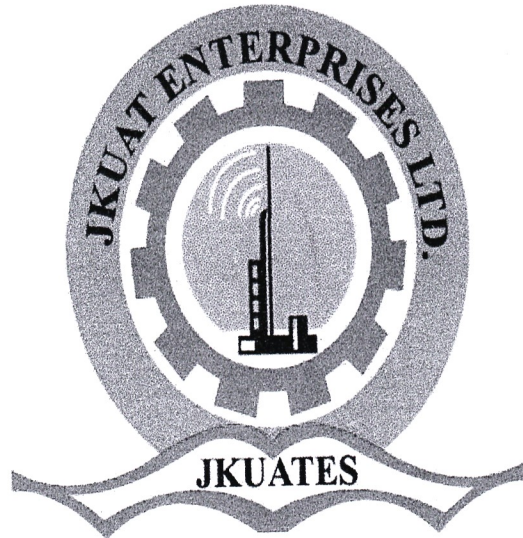
26 June 2018

ON

[Afternoon]

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

FOR THE YEAR ENDED 30 JUNE 2017



Taking the University to the People

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

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JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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:

- | | |
|------------------------------------|--|
| 1. Prof. Paul Kanyari | Director, Chairman JKUAT Council |
| 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 (Admin) |
| 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 |
| 9. Mr. Archer Arina | Director, Representing PS Min of Education |

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

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

Corporate Secretary/Legal Advisor

Vivian Waithaka
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
Website:www.jkuates.com

Corporate Bankers

Barclays Bank of Kenya Limited
Juja Branch
P.O. Box 580 – 01001
KALIMONI

Kenya Commercial Bank Ltd,
Moi Avenue Branch
P.O. Box 30081 - 00100
NAIROBI

Cooperative Bank of Kenya,
Thika Branch
P.O BOX 1815-01000
THIKA

Independent Auditors

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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.



**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

THE BOARD OF DIRECTORS

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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

	Mr. Edward Kithinji, Director Representing Permanent Secretary, Treasury
	Ms Vivian Waithaka, Company Secretary JKUAT legal Officer

MANAGEMENT TEAM

	Dr. Winifred N. Karugu, Managing Director BSc Agriculture (Oklahoma state university) MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)
	Mr. Erastus Mvuria, General Manager BSc MBA
	Mr. Kelvin Muoki, Business Development Manager BSc MBA

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

CHAIRMAN'S STATEMENT

Introduction

JKUAT Enterprises limited recognizes its main role in commercializing university invention and innovation by taking 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 2016/2017 the company reported Gross revenue of Kshs 201.8m and a net loss of 17m compared to a Gross revenue Ksh 185.6m and net loss of 6.4m for the year 2015/5016. The loss is attributed to the extended dry season and political climate in the country.

Achievements

The Company sourced for more business increasing its revenue by 8.2% from the previous year.

The company has also constructed on behalf of the University a new classroom building where the works have reached fourth level.

Challenges

The company has constructed and equipped convenience food factory that require working capital to commence operation. The company had requested funding from our banker KCB bank which was declined after six month of waiting.

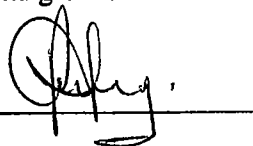
The company also requires expansion of green houses to meet the huge demand of the seedlings.

In addition, the persisting dry weather made the raw materials hard to come by and when available very expensive.

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 4th April 2017

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

REPORT OF THE CHIEF EXECUTIVE OFFICER

1ST JULY 2016 TO 30TH JUNE 2017

Performance during the 2016/2017 Financial Year

Financial

Performance during the 2016/2017 financial year resulted in revenue of Ksh201.85m, with gross profit of Ksh 24.56m and net loss of Ksh 17.53m. During the same period in the 2015/2016 financial year revenue stood at Ksh 185.71 m, gross profit at Ksh37.71 m and net loss of Ksh 6.42 m. This is attributable to the fact that the company 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. The Board had kindly approved management's request for enhancement of existing bank facilities during the last meeting and the University Council had agreed to guarantee the same. Unfortunately after deliberating this request for six month, our banker KCB has just informed us that they have declined the request for enhancement preferring to continue with the facilities at the current existing levels. This has put considerable strain on the company's cash flows as management struggles to maintain operations and pay suppliers and overheads. So far the company has managed to keep up with its financial obligations but management acknowledges that its current business climate is very challenging.

The divisions contributed to this result as follows; ICT division Ksh115.87 m, Products division Ksh48.32m, Consultancy division Ksh37.59 m and EDC division Ksh 0.07 m. Staff costs increased due to the fact that gratuities were paid when most of the three year contracts ended. However administrative, finance costs and most operational expenses went down slightly, while depreciation increased marginally. The greatest increase in costs was in yoghurt production due to the fact that in the absence of a marketing budget the company gave away a lot of samples. Setting up a distribution network was also costly but it succeeded in giving the yogurt visibility in the market. Management is working out modalities for profitability up-scaling yogurt production and sale. With regard to porridge production the company is currently in a position where it has fully equipped factory without production because it lacks the capital required to operate it. Management is exploring different alternatives for commencing production including partnering with potential partners.

The company's investment in immovable assets continued but 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 equipment for the factories such as a data coding machine and the yogurt packing machine which is due to be installed shortly. This activity has necessarily been way below projected targets due to the funding shortfall.

Performance of the Company's Divisions

Products Unit

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

The key highlights for the year so far include the fact that the porridge factory was finally completed and the production line tested, Maya yogurt produced for Tropical Brands Africa Limited continues to grow its market and seedling production continues to expand.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

Propagation Materials

The division has continued to grow the banana infrastructure and production and remains on course for production of 1 million bananas a year. The grafted seedlings line has also continued to grow as planned and we continue to supply various customers most notably the county governments.

Key challenges include adverse weather during the October, November and December season that slowed down sales. The drought in the country impacted negatively on seedling sales but the long rains have provided some measure of relief.

Convenience Foods

The division has continued to push the yogurt in the market getting useful feedback and gaining significant insights. We have engaged a marketer to help us develop the market, but the process is slow due to the cash crunch. We are looking to increase the product lines such as long life milk and mala in order to increase revenues and attract bulk suppliers. Porridge production is yet to commence but the division is determined to ensure that it does despite problems in funding.

Key challenges include the persisting dry weather that is making raw material hard to come by and when available very expensive. 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 continuously provided 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.

Consultancy Unit

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

KRA Properties

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. Currently, we are undertaking 7 projects in this respect, and we expect once we commence billing it will provide an additional revenue stream.

TeaSoko

The division organized a meeting with Tea Directorate last December 15, 2016, which provided useful insights. The Directorate advised that we shift our focus from the bulk black tea¹ and concentrate our efforts in the specialty teas value chain with good prospects of escalating growth over time. We were introduced to the Purple and Specialty Tea Association of Kenya (PSTAK), tasked with spearheading the development of

¹ The Directorate was anxious to shield the company from business wars that could ensue if it interfered with the markets controlled by powerful brokers, with considerable political clout.

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

Kenyan high value teas. We have been in constant communication since then enabling us to develop specifications. We have subsequently submitted our proposal for the trade platform, and expect feedback soonest possible.

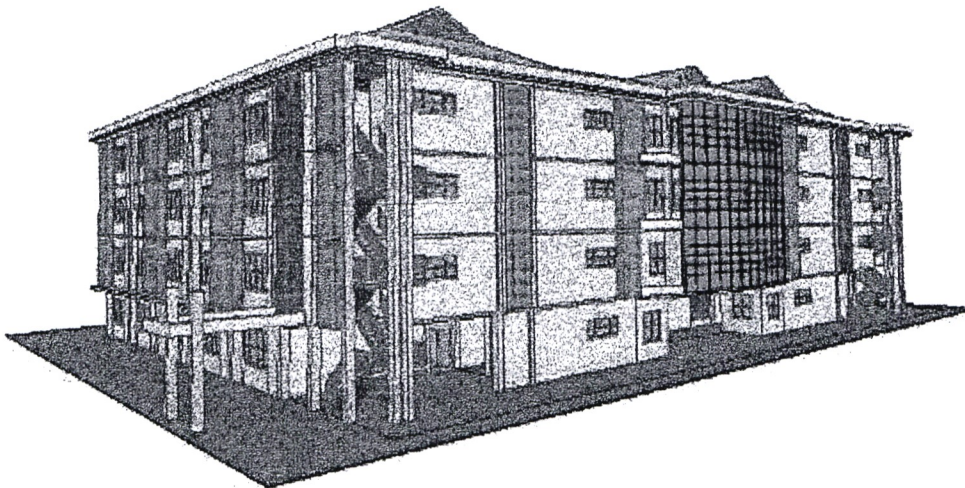
Mobigrow

This is an initiative by KCB and MasterCard, aimed at offering training to farmers. This training is meant to enable farmers get the best out of their farming and marketing activities. JKUATES will develop a masterplan training manual that will be used to reinforce the message via SMS and other media such as pamphlets. We are in the stage of bringing on-board industry experts in the Dairy, Livestock, Maize and Potato value chains to facilitate in developing the necessary training manuals. Once this phase is over there is opportunity for further business over three years.

Construction

Construction of the new classroom building next to BEED is progressing well. The works have reached the fourth level and it is anticipated that all other things being equal the building will be complete in time for the next intake of students. The company has also undertaken several construction and renovation projects including a small building for an insect project, renovations for the legume project in Food Science, renovations for the ICT directorate and renovations for HIGDA project in COHES. Key challenges include financial facilitation in a timely manner and rising cost of inputs.

Below is an impression of the Building provisionally known as the Swimming Pool Annexe.



JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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.

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 _____
Managing Director

Date 29th March 2018

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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.

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.

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30 2017 which show the state of the entity's affairs.

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.

Financial results

The results of the year are as follows:

	2017 Ksh	2016 Ksh
Loss for the year	(17,527,775)	(6,422,906)
Tax Charge	0	0
Net loss for the year	(17,527,775)	(6,422,906)

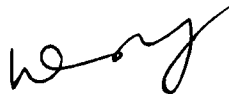
Directors

The members of the Board of directors who served during the year are shown on page 3.

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 29th March 2018

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

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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 2017 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. Mabel Imbuga, PhD
DIRECTOR

REPUBLIC OF KENYA

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



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 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta University of Agriculture and Technology Enterprises Limited set out on pages 16 to 32, which comprise the statement of financial position as at 30 June 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution 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 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with Kenyan Companies Act.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Basis for Qualified Opinion and Other Matter sections of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

Going Concern

During the year under review, the Company registered a loss of Kshs.17,527,775 (2016 loss: Kshs.6,422,906) which resulted to a revenue reserves deficit of Kshs.10,541,651 as at 30 June 2017 compared to revenue reserves of Kshs.6,986,124 in 2016. Further, the current liabilities of Kshs.121,347,411 exceeded the current assets of Kshs.91,961,281 resulting in a negative working capital of Kshs.29,386,130 as at 30 June 2017. The Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued support from Jomo Kenyatta University of Agriculture and Technology and its creditors. Although the management has attributed the poor

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 2017

financial performance to lack of adequate financing, dry weather and adverse political climate in the Country, it is not clear when and if the financial performance will improve.

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 qualified 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 matters described in the Basis for Qualified Opinion and Other Matter sections of my report, I determine there were no Key Audit Matters to communicate in my report.

Other Matter

Non-compliance with the Constitution and the National Cohesion and Integration Act No. 12 of 2008

A review of the staff composition revealed that one ethnic community accounts for 50% of other staff. The Company is therefore in contravention of Article 232(1)(h) of the constitution on the values and principles of the Public Service for the representation of Kenya's diverse communities and section 7 of the National Cohesion and Integration Act, 2008, on discrimination in employment for all public establishments and which should represent the diversity of the people of Kenya and no public establishment shall have more than one third (1/3) of its staff from the same ethnic community.

Consequently, the Management is in breach of the constitution and the National Cohesion and Integration Act, 2008,

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Company's 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 Company's 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's 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's to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

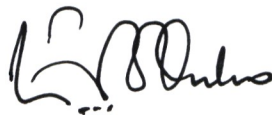
I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan 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, adequate accounting records have been kept by the Company and returns adequate for their audit have been received from the Company's branches not visited, so far as appears from the examination of those records; and,
- (iii) The Company's financial statements are in agreement with the accounting records and returns.



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

Nairobi

09 May 2018

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 2017

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

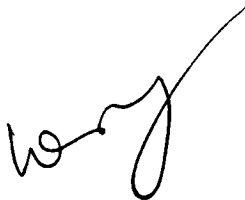
	NOTES	<u>2016-2017</u> <u>Kshs.</u>	<u>2015-2016</u> <u>Kshs.</u>
TOTAL REVENUE	2	201,853,401	185,706,869
TOTAL COST OF SALES	3	<u>(177,293,521)</u>	<u>(147,998,721)</u>
GROSS PROFIT		<u>24,559,880</u>	<u>37,708,148</u>
OPERATING EXPENSES			
Staff Costs	4	20,521,792	23,760,802
Board expenses	5	456,575	446,225
Administration Expenses	6	6,317,578	5,257,782
Advertising and sales Promotion	7	0	142,500
Telephone and Internet	8	141,304	246,965
Utilities/Maintenance	9	267,065	366,362
Professional fees	10	400,000	400,000
Depreciation	11	4,692,930	3,939,279
TOTAL OPERATING EXPENSES		<u>(32,797,244)</u>	<u>(34,559,915)</u>
OPERATING PROFIT		<u>(8,237,364)</u>	<u>3,148,233</u>
Finance costs	12	(9,290,411)	(9,571,139)
LOSS BEFORE TAXATION		<u>(17,527,775)</u>	<u>(6,422,906)</u>
INCOME TAX EXPENSES	13	<u>0</u>	<u>0</u>
NET LOSS		<u>(17,527,775)</u>	<u>(6,422,906)</u>

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

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

		<u>30-Jun-17</u>	<u>30-Jun-16</u>
		<u>Kshs.</u>	<u>Kshs.</u>
ASSETS	NOTES		
Non-Current Assets			
Property Plant and Equipment	14	70,938,901	66,505,031
Current Assets			
Trade and Other Receivables	15	67,477,587	48,369,714
Inventories	16	24,368,539	10,903,491
Cash and Bank Balances	17	115,155	89,759
		<u>91,961,281</u>	<u>59,362,964</u>
TOTAL ASSETS		<u>162,900,182</u>	<u>125,867,995</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued Share Capital	18	102,040	102,040
Capital Fund	19	25,644,004	25,644,004
Revenue reserves	20	(10,541,651)	6,986,124
Capital and Reserves		<u>15,204,393</u>	<u>32,732,168</u>
Current Liabilities			
Trade and Other Payables	21	83,030,277	38,111,994
short term borrowings	22	38,317,134	28,503,731
Total Current Liabilities		<u>121,347,411</u>	<u>66,615,725</u>
Long-term Liabilities			
Long term borrowings	23	26,348,378	26,520,102
TOTAL EQUITY AND LIABILITIES		<u>162,900,182</u>	<u>125,867,995</u>



**DR. WINIFRED KARUGU
MANAGING DIRECTOR**



**PROF. MABEL IMBUGA, PhD
DIRECTOR**

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1 July 2015	102,040	25,644,004	13,409,030	39,155,074
Surplus for the year	-	-	(6,422,906)	(6,422,906)
As at 30.6.2016	<u>102,040</u>	<u>25,644,004</u>	<u>6,986,124</u>	<u>32,732,168</u>

	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
Deficit 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>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	2016-2017	2015-2016
	Kshs.	Kshs.
Net Profit before tax for the Year	(17,527,775)	(6,422,906)
Adjustment for the year		
Depreciation	<u>4,692,931</u>	<u>3,939,279</u>
	(12,834,844)	(2,483,628)
Changes in working capital		
(Increase)/Decrease in Trade and Other Receivables	(19,107,874)	9,613,887
Increase/(Decrease in Trade and Other Payables	44,918,283	(2,446,228)
(Increase)/Decrease in inventories	<u>(13,465,052)</u>	<u>649,461</u>
Net Cashflow from operating activities	<u>(489,486)</u>	<u>5,333,492</u>
Cashflow from investing activities		
Purchase of Assets	<u>(9,126,801)</u>	<u>(19,002,235)</u>
Net Cashflow from investing activities	<u>(9,126,801)</u>	<u>(19,002,235)</u>
Cashflow from financing activities		
Asset Loan and small portion of borrowings	<u>9,641,684</u>	<u>11,780,405</u>
Net Cash flow from financing Activities	<u>9,641,684</u>	<u>11,780,405</u>
Net Increase in cash and cash equivalents	25,397	(1,888,338)
Cash and Cash Equivalents at the beginning of the year	<u>89,758</u>	<u>1,978,096</u>
Cash and Cash Equivalents at the end of the year	<u><u>115,155</u></u>	<u><u>89,758</u></u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	ACTUALS 2016-2017	BUDGET 2016-2017	VARIANCE 2016-2017	VARIANCE %	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>%</u>	
INCOME					
ICT DEPARTMENT					
Corporate Training	81,029,611	15,500,000	65,529,611	423%	a
IT Support Services	34,837,527	34,500,000	337,527	1%	b
Total ICT Department	115,867,139	50,000,000	65,867,139	132%	
PRODUCTS					
Convenient Food	7,804,720	75,000,000	(67,195,280)	-90%	c
Horticultural products	27,427,225	30,000,000	(2,572,775)	-9%	d
Tissue Culture Products	13,090,184	40,000,000	(26,909,816)	-67%	e
Total Products Division	48,322,129	145,000,000	(96,677,871)	-67%	
CONSULTANCY					
External Consultancy	37,591,073	55,000,000	(17,408,927)	-32%	f
Total consultancy	37,591,073	55,000,000	(17,408,927)		
ENTERPRISE DEVELOPMENT CENTRE					
TRAININGS					
	73,061	10,000,000	(9,926,939)	-99%	g
Total for EDC	73,061	10,000,000	(9,926,939)		
OTHER INCOME					
TOTAL INCOME	201,853,401	260,000,000	(58,146,599)	-22%	
COST OF SALE					
ICT DEPARTMENT					
Corporate Training	74,804,012	10,850,000	(63,954,012)	-589%	h
IT Support Services	27,666,290	28,467,691	801,401	3%	i
Total ICT Department	102,470,302	39,317,691	(63,152,611)	-161%	
PRODUCTS					
Convenient Food	14,279,430	56,250,000	41,970,570	75%	j
Horticultural products	21,478,459	21,000,000	(478,459)	-2%	k
Tissue Culture Products	8,752,059	28,000,000	19,247,941	69%	l
Total Products Division	44,509,947	105,250,000	60,740,053	58%	
CONSULTANCY					
External Consultancy	30,150,046	44,000,000	13,849,954	31%	m
Total consultancy	30,150,046	44,000,000	13,849,954		
ENTERPRISE DEVELOPMENT CENTRE					
Training					
	163,225	7,000,000	6,836,775	98%	n
Total for EDC	163,225	7,000,000	6,836,775		
TOTAL COST OF SALE	177,293,521	195,567,691	18,274,170	9%	
GROSS PROFIT	24,559,880	64,432,309	39,872,429	62%	

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

STATEMENT OF COMPARISON BETWEEN ACTUALS AND BUDGET CONT'

	ACTUALS	BUDGET	VARIANCE	VARIANCE	
	2016-2017	2016-2017	2016-2017	%	
OVERHEADS	<u>Kshs</u>	<u>Kshs</u>		<u>%</u>	
Staff costs	20,521,792	25,000,000	4,478,208	18%	o
Board Expenses	456,575	800,000	343,425	43%	p
Administration Expenses	6,317,578	6,500,000	182,422	3%	q
Selling And Distribution	0	3,000,000	3,000,000	100%	r
Telephone and Internet	408,369	1,000,000	591,631	59%	s
Professional services	400,000	1,500,000	1,100,000	73%	t
Ammortisation	4,692,931	5,500,000	807,069	15%	u
Finance Costs	9,290,411	10,000,000	709,589	7%	v
TOTAL OVERHEADS	42,087,656	53,300,000	11,212,344	21%	
PROFIT BEFORE TAX	(17,527,776)	11,132,309	28,660,085	257%	
INCOME TAX (CREDIT)/EXPENSE					
Current taxation based on the profit for the year at 30%	-	3,339,693	3,339,693	100%	
PROFIT AFTER TAX	(17,527,776)	7,792,616	25,320,392	325%	

- a) We secured more contracts with Kenya Revenue Authority
- b) It support services were well within the budget
- c) Flour factory production did not kick start as earlier anticipated
- d) Horticulture sales were 9% slightly lower than the budget but within forecast
- e) The market for tissue culture bananas was affected by prolonged dry season during the financial year which culminated to low demand.
- f) Some of the forecasted projects did not come through hence we were unable to secure their contracts.
- g) The Enterprise Development Centre did not actively generate revenues since it is a young income generation venture under development. As shown in the notes to income statement, this unit only generated low income from publishing of books and sale of memorabilia.
- h) Due to more projects which came through under this section, more costs were incurred to generate the extra unanticipated revenue.
- i) The cost of sale for IT support services were well within the range with only 3% variance on the favorable side.
- j) The anticipated production of yoghurt flour did not happen hence the forecasted costs were not incurred hence savings on the cost.

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

- k) The forecast for horticulture section was actualized for both sales and cost of sales and hence within the range.
- l) Since the production of tissue culture bananas was affected by poor market demand the cost of production also went down.
- m) The anticipated projects which never came through led to savings in cost of sales for external consultancy projects.
- n) There were low sales accompanied by low cost of sales under Enterprise Development Section.
- o) Since some anticipated activities planned to take place within the period like flour production, the company did not employ human resources for the activities.
- p) There were only three board meetings during the period hence low cost towards board allowances. The company had budgeted for more meetings.
- q) Administration expenses were within budget
- r) The company had budgeted on distributing the produced flour which was never produced. There was also budget for sales promotion which was never realized.
- s) The company had planned to have internet and telephone connection and to network the new offices to be used by new staff which never occurred.
- t) The company was not in need serious need for professional services. There was also low subscription to professional organizations.
- u) The company did not acquire some machines and equipment which were to be used in operating flour factory.
- v) Finance costs were well forecasted and managed within the range.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

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, 2017.

l) Reporting Currency

Accounts have been reported in Kenya shillings

m) Number of employees

The number of employees as at 30/06/2017 was 120

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.

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)

NOTES TO FINANCIAL STATEMENTS

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>Kshs</u>	<u>Kshs</u>
2 INCOME		
ICT DEPARTMENT		
Corporate Training	81,029,611	23,489,602
Computer Short Courses	6,694,700	6,746,911
IT Support Services	28,142,827	52,186,943
Total ICT Department	<u>115,867,139</u>	<u>82,423,456</u>
PRODUCTS		
Convenient Food	5,569,329	1,993,978
Mushroom Products	2,235,391	1,670,300
Horticultural products	27,427,225	25,595,466
Banana Products	12,774,480	23,928,075
Other IBR Products	315,704	250,134
Total Products Division	<u>48,322,129</u>	<u>53,437,952</u>
CONSULTANCY		
External Consultancy	37,591,073	49,447,372
Total consultancy	<u>37,591,073</u>	<u>49,447,372</u>
ENTERPRISE DEVELOPMENT CENTRE		
Publishing	10,121	19,741
Memorabilia	62,940	327,387
Total for EDC	<u>73,060</u>	<u>347,128</u>
OTHER INCOME		
Exchange gain	0	50,961
TOTAL INCOME	<u>201,853,401</u>	<u>185,706,869</u>
3 COST OF SALE		
ICT DEPARTMENT		
Corporate Training	74,804,012	12,953,337
Computer Short Courses	5,578,952	5,309,443
IT Support Services	22,087,338	40,087,780
Total ICT Department	<u>102,470,302</u>	<u>58,350,559</u>
PRODUCTS		
Convenient Food	13,107,186	7,364,354
Mushroom Products	1,172,244	1,086,226
Horticultural products	21,478,459	21,022,912
Banana Products	8,707,159	15,199,680
Other IBR Products	44,900	29,665
Total Products Division	<u>44,509,947</u>	<u>44,702,837</u>
CONSULTANCY		
External Consultancy	30,150,046	44,454,741
Total consultancy	<u>30,150,046</u>	<u>44,454,741</u>
ENTERPRISE DEVELOPMENT CENTRE		
Publishing	4,745	9,614
Memorabilia	158,480	480,970
Total for EDC	<u>163,225</u>	<u>490,584</u>
TOTAL COST OF SALE	<u>177,293,521</u>	<u>147,998,721</u>
GROSS PROFIT	<u>24,559,880</u>	<u>37,708,148</u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>Kshs</u>	<u>Kshs</u>
4 STAFF COSTS		
Gratuity	1,171,945	1,105,204
N.S.S.F CO. Contribution	32,200	31,200
NSSF Staff Contribution	32,200	31,200
NHIF Staff Contribution	202,050	195,850
PAYE Staff Deduction	4,802,062	5,581,697
NET Salary	10,683,967	13,213,646
Staff Other Deduction	2,694,656	2,756,245
Pension Co. Contribution	902,712	845,760
	<u>20,521,792</u>	<u>23,760,802</u>
5 BOARD EXPENSES		
Director's Allowances	456,575	446,225
6 ADMINISTRATION EXPENSES		
Staff Mileage Claim	190,663	408,204
Medical expenses	135,776	409,935
Staff Welfare	292,423	342,507
Travel And Subsistence	729,330	507,285
Motor Vehicle Expenses	0	432,500
Generator Fuel	0	35,694
Stationery Ordinary	308,912	451,930
Computer Stationery	28,000	12,470
Photocopying	55,500	60,666
Insurance	3,516,669	2,482,791
Newspaper and Periodicals	2,940	11,180
Subscription to Prof Org	55,000	42,620
License	12,000	60,000
Exchange Loss	990,365	
	<u>6,317,578</u>	<u>5,257,782</u>
7 SELLING AND DISTRIBUTION		
Field Promotion	0	142,500
8 TELEPHONE AND INTERNET		
Telephone	6,304	9,465
Internet Services	135,000	237,500
	<u>141,304</u>	<u>246,965</u>
9 MAINTENANCE/UTILITY COST		
Electricity and Water	157,306	289,584
Cleaning	97,459	76,778
Equipment Repair and Maintenance	12,300	
	<u>267,065</u>	<u>366,362</u>
10 PROFESSIONAL SERVICES		
Audit Fees	400,000	400,000
	<u>400,000</u>	<u>400,000</u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>Kshs</u>	<u>Kshs</u>
11 Amortization		
Depreciation Comp Equipment	56,183	492,155
Depreciation Furniture	29,010	31,707
Depreciation Office Equipment	210,881	269,157
Depreciation Production Structures & Equip	3,931,012	2,680,416
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>4,692,930</u>	<u>3,939,279</u>
12 FINANCE COSTS		
Bank Charges	251,744	1,168,009
Current portion of borrowings interest	9,038,667	8,403,130
	<u>9,290,411</u>	<u>9,571,139</u>
NET LOSS	<u>(17,527,775)</u>	<u>(6,422,906)</u>
13 INCOME TAX (CREDIT)/EXPENSE		
Current taxation based on the profit for the year at 30%	-	-
LOSS AFTER TAX	<u>(17,527,775)</u>	<u>(6,422,906)</u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

ASSET MOVEMENT SCHEDULE							
14							
PROPERTY PLANT & EQUIPMENT							
SCHEDULE	2.50%	33.33%	10%	10%	25%		
	BUILDINGS	COMPUTERS	FURNITURES	OFFICE EQUIPMENTS	PRODUCTION STRUCTURES & EQUIPMENTS	WORK IN PROGRESS	TOTAL
COST		KSHS	KSHS	KSHS	KSHS		KSHS
As at 01-07-2015	17,053,779	4,893,569	1,208,393	2,735,844	9,178,652	27,040,547	62,110,784
Transfer from WP to Prodn equipment					47,413	-47,413	0
Addition in the year	1,579,982	35,000	43,807	281,452	2,796,837	14,312,570	19,049,648
As at 30/06/2016	18,633,761	4,928,569	1,252,200	3,017,296	12,022,902	41,305,704	81,160,432
DEPRECIATION							
As at 01-07-2015	426,344	4,381,136	1,035,139	1,231,313	3,642,190	0	10,716,122
Charge for the year	465,844	492,155	31,707	269,157	2,680,416	0	3,939,279
As at 30th June 2016	892,188	4,873,291	1,066,846	1,500,470	6,322,606	0	14,655,401
NET BOOK VALUE-30/06/2016	17,741,573	55,278	185,354	1,516,826	5,700,296	41,305,704	66,505,031
COST							
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	0	37,700	0	0	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
DEPRECIATION							
As at 01-07-2016	892,188	4,873,291	1,066,846	1,500,470	6,322,606	0	14,655,401
Charge for the year	465,844	56,183	29,011	210,881	3,931,012	0	4,692,931
As at 30th June 2017	1,358,032	4,929,474	1,095,857	1,711,351	10,253,618	0	19,348,332
NET BOOK VALUE-As at 30/06/2017	17,275,729	36,795	156,343	1,305,945	6,771,668	45,392,422	70,938,901
NET BOOK VALUE-As at 30/06/2016	17,741,573	55,278	185,354	1,516,826	5,700,296	41,305,704	66,505,031

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>Kshs</u>	<u>Kshs</u>
15 TRADE AND OTHER RECEIVABLES		
Trade Receivables	47,296,723	35,253,068
Sundry Deposit	284,000	284,000
Withholding Tax	17,181,052	11,053,423
Insurance Prepayment	2,715,812	1,779,223
	<u>67,477,587</u>	<u>48,369,714</u>
16 INVENTORIES		
Books:		
Basics of Geometry	94,416	95,213
Basics of Calculus	70,989	71,817
Algebra And Maths	94,215	95,749
Statistics and Probability	74,621	75,053
Basics of Graphs	96,106	97,261
Chuff Cutters	16,682	16,682
Mushroom Spawn	550	20,875
Paw paw seedlings	155,080	209,580
Banana Seedlings	12,575,165	2,761,800
Mango Seedlings	3,381,845	1,472,100
Avocado Seedlings	3,277,265	1,812,285
Templates Seedlings	1,080,030	1,184,840
Orange seedlings	428,450	478,390
Lemon Seedlings	1,277,675	508,800
Guava Seedlings	30,900	56,080
Other Assorted Seedlings	1,404,400	1,444,715
Memorabilia	310,150	467,640
Yoghurt	0	34,611
Total Stock	<u>24,368,539</u>	<u>10,903,491</u>
17 CASH & BANK BALANCES		
KCB Moi Av-Bank Current Account	-	-
BARCLAYS Juja-Bank Current Account	51,042	55,266
COOPERATIVE BANK ACCOUNT	20,390	0
KCB Moi Av-USD Account	43,723	34,493
Total Cash & Bank Balances	<u>115,155</u>	<u>89,759</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.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	<u>2016-2017</u>	<u>2015-2016</u>
	<u>Kshs</u>	<u>Kshs</u>
19 Capital Funding	<u>25,644,004</u>	<u>25,644,004</u>
20 REVENUE RESERVE		
Bal B/F	6,986,124	13,409,030
Net Profit for the year	<u>17,527,775</u>	<u>-6,422,906</u>
	10,541,651	6,986,124
21 TRADE AND OTHER PAYABLES		
Trade Payables	55,868,584	28,582,083
P.A.Y.E Control Account	490,216	469,970
N.H.I.F Control Account	32,250	29,200
N.S.S.F Control Account	11,600	10,400
Sundry Deductions	434,101	219,984
Net Salary Control Account	1,364,050	1,251,622
Provision for Audit Fee	464,000	464,000
Provision for Gratuity	6,253,252	3,409,240
Staff Welfare	320,100	260,700
Pension Control Account	112,839	70,480
Customers, Credit Balances	4,522,716	330,099
Casuals Control Account	1,165,859	786,870
VAT Control Account	2,726,650	1,993,496
KRA IT Support	1,955,450	233,850
Other Provision	6,733,138	-
Construction	575,474	0
Total Current Liabilities	<u>83,030,277</u>	<u>38,111,994</u>
22 Short term Borrowings		
Current portion of borrowings	<u>38,317,134</u>	<u>28,503,731</u>
23 Long term Liabilities		
Long term borrowings	<u>26,348,378</u>	<u>26,520,102</u>

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

24. GOING CONCERN CONCEPT

During the year the company registered a net loss of Ksh 17,527,775 and a negative working capital of ksh 29,386,130 due to finance cost charged 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 2017/2018, The Company has embarked on immense upscaling of seedlings production. Both fruits and tissue culture seedlings will be produced to more than double. Noted during the financial year 2016/2017 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 revert the losses and improve working capital.

**REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017 (KSHS)**

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

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)
	Poor Financial Performance	The company was to kick off flour production but due to financial constraint as expressed in this report, it become untenable within the time covered by this audit.	Dr. Winifred Karugu (Managing Director)	Not Resolved	31/12/2018



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

DATE... 29th March 2018