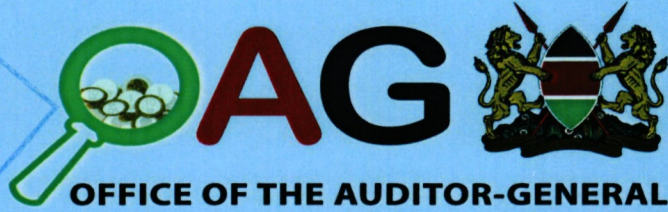


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 22 MAR 2022

DAY:
TUESDAY

TABLED
BY:

MAJORITY LEADER

CLERK-AT
THE TABLE:

OF

THE AUDITOR-GENERAL

ON

**EGERTON UNIVERSITY INVESTMENT
COMPANY**

**FOR THE YEAR ENDED
30 JUNE, 2020**



**EGERTON UNIVERSITY INVESTMENT COMPANY
(Company Number: CPR/2010/24642)**

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

**Egerton University Investment Company
Annual Reports and Financial Statements
For the year ended June 30, 2020**

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KEY ENTITY INFORMATION

Background information

Egerton University Investment Company was incorporated on the 30th June, 2010 as a Company limited by Guarantee Established through the Company's Act Cap 486 of the Laws of Kenya (Company Number: **CPR/2010/24642**).

Principal Activities

The principal activity of the company as provided by the Company's Act Cap 486 of the Laws of Kenya includes: Farming, Hotel Hospitality and Tourism

Vision

A world class University Company, Committed to quality agribusiness and hospitality.

Mission

Create value for the shareholder through production and marketing of quality products and services and provision of a platform for education, research and outreach

Core Values

- i. Quality and safe products and services.
- ii. Customer focus
- iii. Accountability and Integrity
- iv. Environmental Sustainability
- v. Innovation

Directors

The Directors who served the entity during the year/period were as follows:

1. Mr Joshua Nyangidi Otieno - Chairman
2. Mr Julius Kimeu Mutua
3. Ms Esther Mukoa Wabuge
4. Prof. Rose A Mwonya
5. Prof. Isaac O Kibwage
6. Prof. George Owuor - Managing Director

Company Secretary

Ms Janet Bii
Legal Officer – Egerton University
P.O. Box 536 -20115
Egerton

**Egerton University Investment Company
Annual Reports and Financial Statements
For the year ended June 30, 2020**

KEY ENTITY INFORMATION (Continued)

Registered Office

Egerton University – ARC Hotel
Mau Narok Road
P.O. Box 536 -20115
Egerton, Kenya

Corporate Bankers

KCB Bank Kenya Limited
Egerton University Branch
P.O. Box 18 -20100
Nakuru.

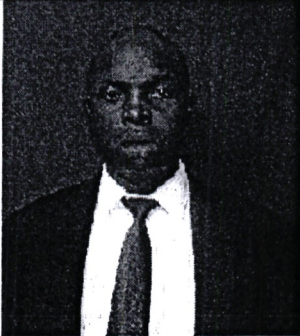


Independent Auditors

The Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084, GOP 00100
Nairobi, Kenya




Principal Legal Adviser

Ms Janet Bii
Legal Officer – Egerton University
P.O. Box 536 -20115
Egerton, Kenya

THE BOARD OF DIRECTORS

	<p>NAME: Mr. Joshua Nyangidi Otieno YOB: 1976 Position Held in EUICO: Board Chairman Qualification B.Ed. (KU), MBA. (KU) Work Experience KCA University: Manager, Centre for Entrepreneurship & Leadership; Lecturer KCA University, Lead Researcher in the Africa Bio-diversity Conservation and Innovation Centre & CIC Insurance Company Business Consultant & Trainer at Kenya Market Trust and Parsons Ltd. Business Trainer, Africa Youth Trust Part-time Lecturer: JKUAT, Kenyatta University & Moi University Served Till 10 March 2020</p>
	<p>NAME: Mr. Julius Kimeu Mutua YOB: 1971 Position in EUICO: Director QUALIFICATION: B.A. Economics (Kenyatta University, MA Economics -University of Dar es Salaam, Tanzania WORK EXPERIENCE EMPLOYER: The National Treasury Position: Programme Coordinator Department: Public Finance Management Reforms Secretariat Still serving</p>
	<p>NAME: Ms. Esther Mukoa Wabuge YOB: 1976 Position Held in EUICO: Director QUALIFICATION: B.Ed. (Moi), M.Sc. (JKUAT). WORK EXPERIENCE Project Officer Training, Management Sciences for Health (MSH) – Leadership, Management & Sustainability (LMS) Project. Associate Consultant, Kenya National AIDS Strategic Plan. Kenya HIV/AIDS Private Sector Business Council (KHBC): Head of Programme & Stakeholder Development; Head of Training & Business Development Namawanga Girls’ High School: Biology & Home science teacher Served Till 10 March 2020</p>

**Egerton University Investment Company
Annual Reports and Financial Statements
For the year ended June 30, 2020**

	<p>NAME: Prof. Rose. A. Mwonya YOB: 1950 Position in EUICO: Director QUALIFICATION Dip (Egerton), B.Sc., M.Sc., Ph.D. (Iowa) WORK EXPERIENCE Egerton University: Vice Chancellor; Deputy Vice-Chancellor (Academic Affairs); Dean of Students; Director Centre of Women Studies and Gender Analysis; Chairperson Dept. Of Agriculture & Home Economics; Full Professor, Associate Professor, Senior Lecturer, Lecturer Still serving</p>
	<p>NAME: Prof. Isaac O. Kibwage YOB: 1954 Position in EUICO: Director QUALIFICATION B.Pharm (UoN, B.Pharm, Ph.D. (K.U. Leuven), FPSK, CSci. C.Chem., MRSC WORK EXPERIENCE Egerton University: Deputy Vice-Chancellor (Administration, Planning & Development) University of Nairobi: Professor, Principal College of Health Sciences, Dean, Chairman of Department Still Serving</p>
	<p>NAME: Prof. George Owuor YOB: 1969 Position in EUICO: Managing Director QUALIFICATION BSc-.AGBM (Egerton University), MSc-Agricultural Economics (Egerton University), Ph.D.-AGBM (Sandwich-Kiel University Germany and Egerton University) WORK EXPERIENCE Managing Director, Egerton University Investment Company, Chairman Department of Agribusiness Management at Egerton University, PI Centre of Excellence in sustainable Agriculture and Agribusiness Management, Programme Manager African Economic Research Consortium (AERC) covering 13 countries in Eastern, Central and South Africa, project consultancies with CIMMYT, CIAT, IFPRI, ILRI, Syngenta Foundation and International Centre for Development and Decent Work- in Germany. Still Serving</p>

CHAIRMAN'S STATEMENT

The present Egerton University Investment Company's financial report 2019/20 is the seventh financial report, and the third report under the new Board of Directors that I chair. The Company performance over the last 6 years has been dismal performance, a factor that the new Board has taken serious attention and is focusing on. It is also worth noting that the Company is also under the new management and in the last 36 months the fruits of turnaround have been seen. Some of the new programs include a new strategic plan, new business turnaround plans for various company units and already a growing market and sale of milk and horticultural produce. The Board therefore, notes with great hope the ongoing transformations that are expected to see the company change the direction of performance.

Turning to the financial performance, its noteworthy that great improvement has been experienced after 2015/16 and 2016/17 with a reduction in losses from Kshs 60 million in 2015/16, Kshs 40 million loss in 2016/17, 2017/18 loss of Kshs 19 million and loss of Kshs 12 million in 2018/19. The current financial report 2019/20 show the Company drop back to a loss of Kshs 24 million from 12 million in the preceding year. The loss is mainly due to the negative effects of Covid 19 which saw ARC Hotel and Lord Egerton Castle closed from March 2020 over 3 months a period when the hospitality experiences much activity and business is always at its peak revenue was lost while staff cost continued leading to be sustained including other losses in income from the farm as major outlet for the farm produce is the ARC Hotel.

At the unit levels, Castle made a loss of Kshs 0.06 million, while ARC Hotel made a loss of Kshs 8.6 million and the farm a loss of Kshs 8.7 million after depreciation and biological assets. However, with the easing of COVID 19 situation and expected normalcy in the financial year 2020/2021 the Management strongly look forward to recovery from the pandemic and bouncing back reduction in losses towards positive returns in the coming years.

Yours Sincerely,


Chairman, EUICO Board of Directors

Egerton University Investment Company
Annual Reports and Financial Statements
For the year ended June 30, 2020

REPORT OF THE MANAGING DIRECTOR

The financial statement for the year 2019/2020 marks the 7th year of operation since Egerton University Investment Company was incorporated on 30th June 2010 as a subsidiary Company limited by guarantee and wholly owned by Egerton University.

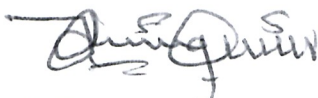
The Company is an Agribusiness and Hospitality Organization, running a Hotel and a farm and is endowed with high potential natural resources and facilities emanating from the status of the University. The Company was established as an Income generating entity to support the University with funds to meet its financial needs by complimenting Government capitation.

It started on a humble beginning with a seed money inform of a loan of Kshs 145,000,000.00 from the University including the establishments which were already available, the farm with acreage of 2728, ARC Hotel building with 90 rooms and Lord Egerton Castle.

At the beginning the financial reports were amalgamated to the main University financial reports but the last three years the accounts were captured separately. The performance in the year 2013/14 realised a profit of Ksh 57,755,428. However, the following years 2014/15 returned a loss of Kshs 48,786,066 and 2015/16 a loss of Kshs 61,849,201. These growths in losses made the Company Board change the management, with the new management coming in March 2017. Since then, there has been gradual turn around, with 2016/17 reducing a loss to Kshs 40 million from 60 million, and 2017/18 another reduction in loss to Kshs 19,392,892 and in 2018/19 another reduction in loss to Kshs 12,087,715. The current report has seen the loss increase back to Kshs. 24,448,833 mainly due to the negative effects of Covid 19 which saw ARC Hotel and Lord Egerton Castle closed from March 2020 over 3 months a period when the hospitality experiences much activity and business is always at its peak revenue was lost while staff cost continued leading to be sustained including other loses in income from the farm as major outlet for the farm produce is the ARC Hotel.

I therefore have the pleasure to present the Annual Report and Financial Statements of Egerton University Investment Company for the year ended June 30, 2020 as per the Company's Act 486 as set out on pages 11 to 39.

Yours Sincerely,



Prof. George Owuor
Managing Director

REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2020 which show the state of the company's affairs.

Principal activities

The principal activities of the entity continue to be farming, hotel hospitality and tourism.

Results

The results of the entity for the year ended June 30, 2020 are set out on pages 11 to 39.

Dividends

The Directors do not recommend the payment of a dividend.

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 entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board

Ms Janet Bii
Company Secretary
Nairobi
Date:.....

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act require the Directors to prepare financial statements in respect of that company, which give a true and fair view of the state of affairs of the company at the end of the financial year and the operating results of the company for that period. The Directors are also required to ensure that the company keeps proper accounting records which disclose with reasonable accuracy of the financial position of the entity. The Directors are also responsible for safeguarding the assets of the company.

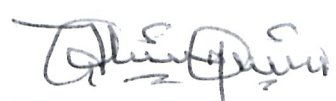
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2020, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors 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 company's financial statements were approved on 28/9/ 2020 and signed on its behalf by:



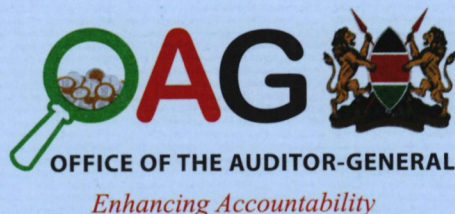
**Prof George Owuor
Managing Director**



Chairman Board of Directors

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON EGERTON UNIVERSITY INVESTMENT COMPANY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Egerton University Investment Company set out on pages 10 to 35, which comprise of the statement of financial position as at 30 June, 2020, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the 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 the Egerton University Investment Company as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Failure to Disclose Material Uncertainty Related to Going Concern

The statement of profit or loss and other comprehensive income reflects a loss of Kshs.24,448,833 resulting to increase of accumulated losses to Kshs.42,630,762 (2019: loss - 18,181,29) as at 30 June, 2020. Further, the Company's working capital deteriorated from a positive balance of Kshs.14,742,381 as at 30 June, 2019 to negative Kshs.3,732,179 as at 30 June, 2020. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the Egerton University and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Company's Directors to reverse the undesirable financial position have not been disclosed in the notes to the financial statements.

In the circumstances, the continued existence of the company is dependent on financial support from Egerton University and its creditors.

2. Inaccuracies in the Financial Statements

Review of the financial statements indicates that the statement of comparison of budget and actual amounts reflects use of goods and services actual amount of Kshs.51,326,549 whereas the statement of profit or loss and other comprehensive income reflects Kshs.25,625,145 on comparable basis resulting to unreconciled variance of Kshs.25,701,404.

Further, as disclosed in Note 22 to the financial statements, the statement of cash flows reflects cash used in operations of Kshs.1,227,026 which includes an unexplained interest payment of Kshs.108,005. Management overdrew bank accounts to the tune of Kshs.4,608,256 as at 30 June, 2020. The over drawn balances have been set off against the cash balances contrary to the requirements of IFRS 1 on presentation of financial statements.

In addition, as disclosed in Note 12 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.46,515,563. Included in the balance is an amount of Kshs.1,897,613 relating to cost of a software which is inappropriately classified as property, plant and equipment instead of intangible assets.

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Irregular use of revenue at source

As disclosed in Note 16 to the financial statements, the statement of financial position reflects cash and bank balance of Kshs.8,926,937. As previously reported, an amount of Kshs.13,535,193 received in prior years had not been banked but had been spent at source and not accounted for by the responsible officers. Although Management has indicated that the matter has been escalated to the Board of Directors (BOD) for further action, no evidence for the escalation of the matter to the Board was provided.

Consequently, the accuracy and completeness of the cash and bank balance of Kshs.8,926,937 as at 30 June, 2020 could not be confirmed.

4. Unsupported Borrowings

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.150,119,907 in respect of borrowings. However, review of records revealed that the Company, upon incorporation procured a loan from Egerton University in the year 2010 but the loan has remained outstanding over the years. Management has not supported the borrowings by a formal legal agreement to confirm the loan terms and conditions.

In the circumstances, the rights and obligations of the long outstanding borrowings balance of Kshs.150,119,907 reflected in the statement of financial position as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Egerton University Investment Company Management in accordance with ISSAI 130 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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.156,070,700 and Kshs.99,764,445 respectively resulting to an under-funding of Kshs.56,306,255 or 36%. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.139,163,801 and Kshs.126,807,664 respectively resulting to an under-expenditure of Kshs.12,356,137 or 9% of the budget.

The Management attributed the underperformance to COVID - 19 pandemic that began in March, 2020. The underfunding affected the planned activities and may have impacted negatively on service delivery to the public.

2. Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

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 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 the audit 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, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Trade and Other Receivables

As disclosed in Note 15 to the financial statements, the statement of financial position reflects trade and other receivables balance of Kshs.113,500,194. A review of the aging analysis indicated that balances totalling to Kshs.108,765,227.00 or 96% had been outstanding for periods exceeding one year. Adjustment necessary to fairly state the balances by way of provisions for doubtful debts as a result of likely impairment have not been incorporated in the financial statements. Management has not put in place concrete measures for the recovery of the long outstanding debts.

In the circumstances, it has not been possible to confirm the existence of an effective debt recovery system in the Company.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. 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 overall 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 Companies Act, 2015, 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, 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.

Responsibilities of Management and the Board of Directors

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 overall governance.

In preparing the financial statements, Management is responsible for assessing Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the Company or to cease operations.

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.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management 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 overall 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 overall 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 Company's ability to continue as a going concern. 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 Company to cease to continue as a going concern.
- 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.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 January 2022

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2020**

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	5	99,225,558	117,777,526
Cost of sales	6	(35,726,870)	(44,665,503)
Gross profit		63,498,688	73,112,023
Other Income	7	538,887	1,297,438
Other gains	8	2,594,386	3,559,775
TOTAL REVENUES		66,631,961	77,969,236
OPERATING EXPENSES			
Administration Costs	9 (a)	90,972,789	89,623,149
Finance Costs	10	108,005	433,802
TOTAL OPERATING EXPENSES		91,080,794	90,056,951
LOSS BEFORE TAXATION		(24,448,833)	(12,087,716)
INCOME TAX EXPENSE/(CREDIT)			-
LOSS AFTER TAXATION		(24,448,833)	(12,087,716)
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(24,448,833)	(12,087,716)

Egerton University Investment Company
Annual Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	46,515,563	55,084,222
Biological assets	13	64,705,761	62,111,375
Total Non-Current Assets		111,221,324	117,195,597
Current Assets			
Inventories	14	1,860,547	3,612,112
Trade and other receivables	15(a)	113,500,194	116,457,726
Bank and cash balances	16	8,926,937	10,694,216
Total Current Assets		124,287,678	130,764,054
Total Assets		<u>235,509,002</u>	<u>247,957,651</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated fund		(42,630,762)	(18,181,929)
Capital and Reserves		(42,630,762)	(18,181,929)
Non-Current Liabilities			
Borrowings	19	150,119,907	150,119,907
Total Non-Current Liabilities		150,119,907	150,119,907
Current Liabilities			
Trade and other payables	20	128,019,857	116,021,673
Total Current Liabilities		128,019,857	116,021,673
TOTAL EQUITY AND LIABILITIES		<u>235,509,002</u>	<u>247,959,651</u>

The financial statements were approved on 28/9/20 2020 and signed on its behalf by:


 Prof George Owuor
 Managing Director


 Chairman of the Board

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve	Fair value adjustment reserve	Accumulated Fund	Proposed dividends	Total
At July 1, 2018	-	-	(6,094,214)	-	(6,094,214)
Total comprehensive income	-	-	(12,087,715)	-	(12,087,715)
Proposed final dividends	-	-	-	-	-
At June 30, 2019	-	-	(18,181,929)	-	(18,181,929)
At July 1, 2019	-	-	(18,181,929)	-	(18,181,929)
Total comprehensive income	-	-	(24,448,833)	-	(24,448,833)
Proposed final dividends	-	-	-	-	-
At June 30, 2020	-	-	(42,630,762)	-	(42,630,762)

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	22	(1,227,026)	5,956,278
Interest paid	22	(108,005)	(433,802)
Net cash generated from/(used in) operating activities		(1,335,031)	5,522,477
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(432,249)	(911,828)
Net cash generated from/(used in) investing activities		(432,249)	(911,828)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	-	2,311,949
Repayment of borrowings	19	-	(5,000,000)
Net cash generated from/(used in) financing activities		-	(2,688,051)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(1,767,280)	1,922,598
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		10,694,216	8,771,618
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10 (c)	8,926,936	10,694,216

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

	Original budget 2019-2020	Adjustments 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Sale of goods	55,636,200		55,636,200	39,815,899	15,820,301
Sale of services	98,634,500		98,634,500	59,409,659	39,224,841
Finance Income					
Other income	1,800,000		1,800,000	538,887	1,261,113
Total income	156,070,700	-	156,070,700	99,764,445	56,306,255
Expenses					
Compensation of employees	65,640,618		65,640,618	65,347,644	292,975
Use of goods and services	63,754,184		63,754,184	51,326,549	12,427,635
Finance cost					
Other payments	9,768,999		9,768,999	1,132,563	8,636,436
Depreciation	-		-	9,000,907	(9,000,907)
Total expenditure	139,163,801	-	139,163,801	126,807,664	12,356,138
Loss in biological assets					
				2,594,386	(2,594,386)
Surplus/(Deficit) for the period	16,906,899	-	16,906,899	(24,448,833)	41,355,732

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Egerton University Investment Company entity is established by and derives its authority and accountability from the Companies Act Cap 486. The entity is wholly owned by the Egerton University and is domiciled in Kenya. The entity's principal activity is farming, hotel hospitality and tourism.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company.

The financial statements have been prepared in accordance with the Public Finance Management Act 2012, the Companies Act 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

The financial statements are hereby signed for submission by Managing Director and Chairman of the Advisory Board of the Company (on behalf of the Chairman). This is due to the fact that the Government is yet to appoint Council Members from where the Company Board of Director are constituted. This follows expiry of the services of the last Board of Directors on 10th March 2020.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

IFRS 16: Leases

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019 -2020.

i) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at the 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.

b) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

c) Depreciation and impairment of property, plant and equipment

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2.5 % (40 years)
Plant and machinery	20% (5 years)
Motor vehicles, including motor cycles	25% (4 years)
Computers and related equipment	33.3% (3 years)
Office equipment, furniture and fittings	12.5% (8 years)

A full year's depreciation charge is recognized in the year of asset purchase and none in the year of asset disposal.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

e) Trade and other receivables

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

f) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

i) Trade and other payables

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

j) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

k) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Budget information

The original budget for FY 2019-2020 was approved by the Board of Director on 25 May 2019.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under in page 15 of these financial statements.

m) Comparative figures

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

n) Subsequent events

The COVID-19 pandemic has since March 2020 affected the operations of the company resulting in minimal activities and subsequently reduced revenues and cash flows to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgments, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

Valuation

The company relies on an independent agricultural valuer to determine the appropriate value of Biological assets at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 REVENUE

	2019- 2020	2018-2019
	Kshs	Kshs
Gross sales of goods	39,815,899	38,564,731
Gross sales of services	59,409,659	79,212,795
Less: Value added tax on gross sales	-	-
Total	99,225,558	117,777,526

Sale of goods refers to income from farm produce including milk, beef, mutton, wheat, maize, hay amongst others and sale of services refers to income from hospitality business including accommodation, conference facilities, food and beverage services etc.

6 COST OF SALES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Cost of sales on goods	17,363,615	17,258,274
Cost of sales on services	18,363,255	27,407,229
Total	35,726,870	44,665,503

7 OTHER INCOME

	2019- 2020	2018-2019
Description	Kshs	Kshs
Hire Charges	-	775,780
Business Centre receipts	-	162,371
Other service sales	54,479	103,767
Other miscellaneous receipts	484,408	255,520
Total	538,887	1,297,438

Other income are mainly miscellaneous incomes from one off transactions not likely to recur in future.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GAINS AND LOSSES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Unrealized gains in Biological Assets (Note 13)	2,594,386	3,559,775
Total	2,594,386	3,559,775

9 (a) ADMINISTRATION COSTS

	2019- 2020	2018-2019
Description	Kshs	Kshs
Staff costs (note 9 b)	65,347,644	55,425,588
Directors' emoluments	1,132,563	2,120,069
Electricity and water	3,055,799	4,136,198
Communication services and supplies	698,650	708,680
Transportation, travelling and subsistence	2,559,480	2,014,930
Advertising, printing, stationery and photocopying	658,821	1,615,214
Staff training expenses	11,200	454,165
Insurance costs	143,114	137,482
Bank charges and commissions	442,155	507,053
Office and general supplies and services	152,967	43,937
Auditors' remuneration		
Legal fees	95,000	125,000
Consultancy fees	35,000	350,500
Repairs and maintenance	1,666,675	1,445,764
Provision for bad and doubtful debts		
Other operating expenses	14,973,721	20,538,569
Total	90,972,789	89,623,149

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9(b) STAFF COSTS

	2019- 2020	2018-2019
Description	Kshs	Kshs
Salaries and allowances of permanent employees	44,674,500	38,220,595
Wages of temporary employees	8,845,595	13,585,342
Compulsory national health insurance schemes	-	19,115
Compulsory national social security schemes	370,800	654,747
Gratuity	11,161,687	2,612,694
Staff welfare	295,062	333,095
Total	65,347,644	55,425,588
The average number of employees at the end of the year was:		
Contracted employees – Management	4	4
Contracted employees –others	94	73
Temporary and contracted employees	54	99
Total	152	176

10 FINANCE COSTS

	2019- 2020	2018-2019
Description	Kshs	Kshs
Interest expense on loans	108,005	433,802
Interest expense on bank overdrafts	-	-
Total	108,005	433,802

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 OPERATING LOSS

	2019- 2020	2018-2019
Description	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 9 b)	65,347,644	55,425,588
Depreciation of property, plant and equipment	9,000,907	9,917,954
Provision for bad and doubtful debts		
Directors' emoluments – fees	1,132,563	2,120,069
- other		
Auditors' remuneration - current year fees	-	-
- prior year under-provision		
Loss on disposal of property, plant and equipment	-	-
Interest receivable		
Interest payable	108,005	433,802
Total	75,674,837	67,897,413

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2020	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Other Equipment	Total
COST OR VALUATION					
At July 1, 2019	23,793,995	73,602,715	4,427,910	17,153,508	118,978,128
Additions	-	-	-	432,249	432,249
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
At June 30, 2020	23,793,995	73,602,715	4,427,910	17,585,757	119,410,377
DEPRECIATION					
At July 1, 2019	4,285,003	40,539,357	4,427,910	14,641,637	63,893,907
Charge for the year	594,850	7,360,271	-	1,045,786	9,000,907
At June 30, 2020	4,879,853	47,899,628	4,427,910	15,687,423	72,894,814
NET BOOK VALUE At June 30, 2020	18,914,142	25,703,087	-	1,898,334	46,515,563

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal annual Depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	4,427,910	4,427,910
Office equipment, furniture and fittings	11,490,091	11,490,091
	15,918,001	15,918,001

NOTES TO THE FINANCIAL STATEMENTS (Continued)
12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2019	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Other Equipment	Total
COST OR VALUATION					
At July 1, 2018	23,793,995	73,602,715	4,427,910	16,241,680	118,066,300
Additions				911,828	911,828
Transfers					-
Disposals					-
At June 30, 2019	23,793,995	73,602,715	4,427,910	17,153,508	118,978,128
DEPRECIATION					
At July 1, 2018	3,690,153	33,179,085	4,427,910	12,678,804	53,975,952
Charge for the year	594,850	7,360,271	-	1,962,833	9,917,954
At June 30, 2019	4,285,003	40,539,356	4,427,910	14,641,637	63,893,906
NET BOOK VALUE At June 30, 2019	19,508,992	33,063,359	-	2,511,871	55,084,222

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Norman annual Depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	4,427,910	4,427,910
Office equipment, furniture and fittings	11,490,091	11,490,091
	15,918,001	15,918,001

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 BIOLOGICAL ASSETS

	2019- 2020	2018-2019
Description	Kshs	Kshs
Bearer Assets – Animals	29,250,000	29,002,000
Bearer Assets – Plant	35,455,761	33,109,375
Total	64,705,761	62,111,375

Bearer Assets (animals) comprise of dairy animals, sheep and pigs at various stages of growth and bearer assets (plants) comprise of crops at different stages of maturity including maize, wheat, barley, hay, horticultural crops etc.

The valuation of biological assets were conducted by valuers from the ministry of Agriculture. The movement for the year was as follows:-

	2019- 2020	2018-2019
Description	Kshs	Kshs
Bear Assets – Animals	248,000	(544,000)
Bearer Assets – Plant	2,346,386	4,103,775
Total	2,594,386	3,559,775

14 INVENTORIES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Engineering stores	798,000	505,300
Stationery and general stores	1,062,547	3,106,812
Total	1,860,547	3,612,112

Inventories comprise of farm inputs e.g. chemicals etc. dry food rations held for use by the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (a) TRADE AND OTHER RECEIVABLES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Trade receivables (note 15 (b))	113,861,463	115,089,879
Deposits and prepayments		
VAT recoverable		
Staff receivables (note 15 (c))	(361,269)	1,367,847
Other receivables		
Gross trade and other receivables	113,500,194	116,457,726
Provision for bad and doubtful receivable		-
Net trade and other receivables	113,500,194	116,457,726

Trade receivables are mainly dues from government entities and public institutions.

15 (b) TRADE RECEIVABLES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Gross trade receivables	113,861,463	115,089,879
Provision for doubtful receivables	-	-
	113,861,463	115,089,879
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	600,537	3,378,127
Between 30 and 60 days	3,879,874	3,826,889
Between 61 and 90 days	96,334	1,717,733
Between 91 and 120 days	519,491	177,487
Over 120 days	108,765,227	105,989,643
	113,861,463	115,089,879

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (c) STAFF RECEIVABLES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Gross staff loans and advances	(361,269)	1,367,847
Provision for impairment loss	-	-
	(361,269)	1,367,847
Less: Amounts due within one year	(361,269)	1,367,847
Amounts due after one year	-	-

Staff receivables relate to imprests and advances to staff not accounted for at end of financial year

16 BANK AND CASH BALANCES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Cash at bank	(4,608,256)	(2,840,977)
Cash in hand	13,535,193	13,535,193
Total	8,926,937	10,694,216

The make – up of bank balances and short term deposits is as follows:

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019- 2020	2018-2019
		Kshs	Kshs
a) Current account			
Kenya Commercial bank	1136869271	(1,453,817)	(1,244,701)
Kenya Commercial bank	1101907339	(1,415,452)	(141,724)
Kenya Commercial bank	1109628668	(1,738,987)	(1,454,552)
Sub- total		(4,608,256)	(2,840,977)
b) Others(specify)			
Cash in transit		-	-
cash in hand		13,535,193	13,535,193
M-pesa		-	-
Sub- total		13,535,193	13,535,193
Grand total		8,926,937	10,694,216

Bank balances comprise of unrepresented cheques.

NOTES TO THE FINANCIAL STATEMENTS (Continued)**17 ORDINARY SHARE CAPITAL**

Egerton University Investment Company is a company limited by guarantee.

18 RESERVES

The reserves represent the company's accumulated losses.

19 BORROWINGS

	2019- 2020	2018-2019
Description	Kshs	Kshs
Balance at beginning of the year	150,119,907	152,807,958
Domestic borrowings during the year	-	2,311,949
Repayments of domestics borrowings during the year	-	(5,000,000)
Balance at end of the year	150,119,907	150,119,907
Less: Amounts due with one year (current portion)	-	-
Amounts due after one year (non-current portion)	150,119,907	150,119,907

The analyses of both external and domestic borrowings are as follows:

	2019- 2020	2018-2019
Description	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from KCB Bank	-	2,311,949
Kenya Shilling loan from Egerton University		-
Total balance at end of year	-	2,311,949

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER PAYABLES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Trade payables	58,460,163	60,560,043
Other payables	69,559,694	55,461,630
	128,019,857	116,021,673

Trade and other payables comprises mainly of amounts owed to suppliers, statutory bodies like Kenya Revenue Authority and staff dues.

21 RETIREMENT BENEFIT OBLIGATIONS

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 NOTES TO THE STATEMENT OF CASH FLOWS

	2019- 2020	2018-2019
Description	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(24,448,833)	(12,087,715)
Depreciation	9,000,907	9,917,954
Interest expense	108,005	433,802
(Gain)/loss on disposal of property, plant and equipment		
Operating profit/(loss) before working capital changes	(15,339,921)	(1,735,958)
Decrease in inventories	1,751,564	14,995,701
Decrease in trade and other receivables	2,957,532	4,646,984
Decrease in trade and other payables	11,998,185	5,179,928
Decrease/increase in Biological assets	(2,594,386)	(17,130,375)
Cash generated from/(used in) operations	(1,227,026)	5,956,278
(b) Analysis of changes in loans		
Balance at beginning of the year	150,119,907	152,807,958
Receipts during the year	-	2,311,949
Repayments during the year	-	(5,000,000)
Accrued interest	-	-
Balance at end of the year	150,119,907	150,119,907
(c) Analysis of cash and cash equivalents		
Cash at bank	(4,608,256)	3,054,961
Cash in hand	13,535,193	7,639,255
Balance at end of the year	8,926,937	10,694,216

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 NOTES TO STATEMENT OF CASHFLOWS

	2019- 2020	2018-2019
Description	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	108,005	433,802
Total	108,005	433,802

23 RELATED PARTY DISCLOSURES

Egerton University

Egerton University is the principal shareholder of the company, holding 100% of the company's equity interest. Egerton University had provided loan guarantees to KCB Bank Kenya Limited for borrowings now fully repaid.

Transactions with related parties

	2019- 2020	2018-2019
Description	Kshs	Kshs
Sales to related parties		
Sales of goods to Egerton University	-	5,143,163
Sales of services Egerton University	22,789,855	29,398,970
Total	22,789,855	34,542,133

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 INCORPORATION

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

25 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

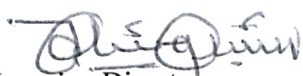
26 CURRENCY

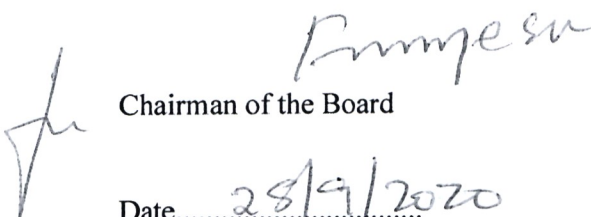
The financial statements are presented in Kenya Shillings (Kshs).

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 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)
2.0	Unsupported loans advanced by Egerton University Investment Company	The University is in the process of converting the loan into share capital	Managing Director	Not Resolved	2020 - 2021


 Managing Director
 Date... 28/9/20...


 Chairman of the Board
 Date... 28/9/2020