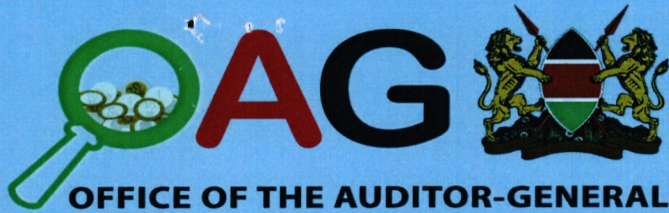


REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY

DATE: 21 OCT 2021

DAY:

Thursday

OF

TABLED BY:

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CLERK-AT THE-TABLE:

Mara Wanjiku

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

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

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



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
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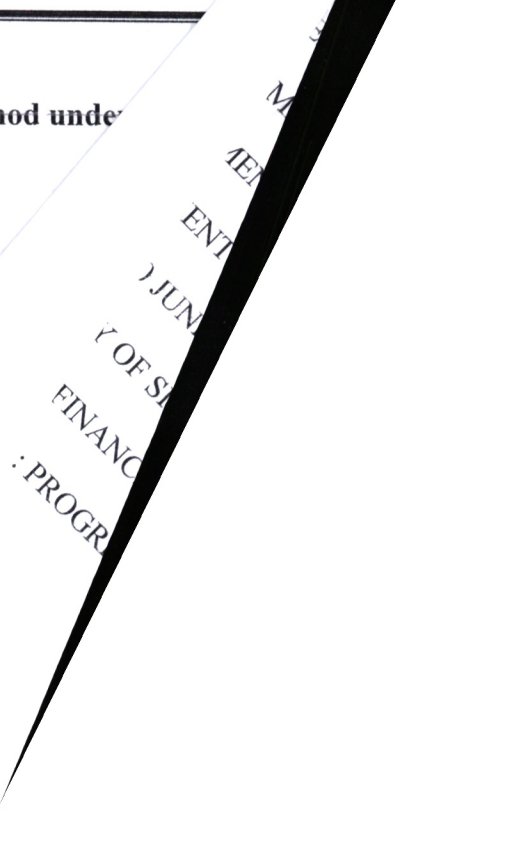
Taking the University to the People

JKUAT ENTERPRISES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2020**

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



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FINANCIAL REPORTING STANDARDS (IFRS)
PROGR

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KEY ENTITY INFORMATION

Background information

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

Principle Activities

The principle activities of the company are to offer Training, Consultancy services and Production and sale of Tissue Culture and horticulture seedlings. The entity is currently venturing on E-commerce and trade.

Directors

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

1. Prof. Paul Kanyari Director, Chairman JKUAT Council-Retired on 14th November 2019
2. Prof. Gumato Ukur Yattani Director, Chairman JKUAT Council-Appointed on 15th Nov 2019
3. Prof. Victoria W Ngumi Director, Vice Chancellor Appointed 1st Sep 2018
4. Dr. W.N. Karugu Managing Director, JKUAT Enterprises Ltd Appointed May 2008
5. Prof. Mary Abukutsa Director, Deputy Vice Chancellor (RPE) Appointed 1st May 2017
6. Prof. Bernard Ikua Director, Ag. Deputy Vice Chancellor (Admin), Appointed 1st Sep 2018
7. Prof. Robert Kinyua Director, Ag. Deputy Vice Chancellor (AA) Appointed 1st Sep 2018
8. Prof. Bernard Otoki Director, Deputy Vice Chancellor (Finance) appointed 1st April 2014
9. CPA Robert Asumani Director, Representing PS Min of Education-Appointed on 1st Oct 2018
10. CPA Judith A. Nyakawa Director, Representative CS Treasury appointed on 24th November 2017

JKUAT ENTERPRISES LIMITED

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Corporate Secretary

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

1. Kenya Commercial Bank Ltd,
Moi Avenue Branch
P.O. Box 30081 - 00100
NAIROBI
2. Cooperative Bank of Kenya,
Thika Branch
P.O BOX 1815-01000
THIKA
3. Standard Chartered Bank
Thika Branch
P.O. BOX 300-01000
THIKA

Independent Auditors

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

Legal Advisor

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

THE BOARD OF DIRECTORS



	<p>Prof. Paul W. Kanyari, Chairman JKUAT Council Chair Retired on 14th November 2019</p>
	<p>Prof. Ukur Yattani, Chairman JKUAT Council Chair Appointed on 15th Nov 2019</p>
	<p>Prof. Victoria Ngumi, Director The Vice-Chancellor JKUAT Professor of Botany Appointed 1st Sep 2018</p>
	<p>Dr. Winifred N. Karugu, Managing Director BSc Agriculture (Oklahoma state university) Appointed 01/05/2008 MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)</p>
	<p>Prof. Mary Abukutsa Director, Deputy Vice Chancellor (RPE)-JKUAT- Appointed 01/05/2017</p>
	<p>Prof. Robert Kinyua Director, ag. Deputy Vice Chancellor (AA)-JKUAT-Appointed 01/09/2018</p>
	<p>Prof. Bernard Ikua Director, ag. Deputy Vice Chancellor (Admin)-JKUAT- Appointed 01/09/2018</p>

JKUAT ENTERPRISES LIMITED

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	<p>Prof. Bernard Moirongo Otoki, Director DVC Finance appointed April 2014 Professor of Architecture & Urban Design</p>
	<p>CPA. Robert Asumani, Director Representing Principal Secretary, Education appointed 01/10/2018</p>
	<p>Ms. Vivian Waithaka, Company Secretary JKUAT legal Officer, Masters, LLB</p>
	<p>CPA. Judith A. Nyakawa Representing Cabinet Secretary, Treasury Appointed 24th Nov 2017</p>

MANAGEMENT TEAM

	<p>Dr. Winifred N. Karugu, Managing Director BSc Agriculture (Oklahoma state university) MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)</p>
	<p>Mr. Erastus Mvuria, General Manager Certified Public Accountant Bachelor of Commerce Master of Business Administration</p>

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	<p>CPA. Joseph Macharia, Finance Manager Certified Public Accountant Bachelor of Commerce</p>
	<p>Mr. Evans Mutugi, Projects Manager B. Com in Business Administration and Management Master of Procurement and Logistics Certified Procurement and Supply Professional-(CPSP-part 1) Certified Public Accountant (CPA- part 1)</p>
	<p>Ms. Vivian Waithaka, Company Secretary JKUAT legal Officer, Master, LLB</p>

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

CHAIRMAN'S STATEMENT

Introduction

JKUAT Enterprises limited recognizes its main role in commercializing University inventions and innovations by “taking the University to the People”. In this respect, JKUAT Enterprises Limited has developed four main revenue divisions namely Products, Ecommerce, Consultancy and Enterprise Development Centre (EDC).

Financial Performance

During the year 2019/2020 the company reported Gross revenue of **Ksh 302Million**, with a gross profit of **Ksh 53.8Million** and a net profit of **Ksh 1.23 Million** compared to a Gross revenue Ksh 327Million and a gross profit of Ksh 71 Million and net loss of 1.1 Million for the year 2018/2019. Therefore the top line decreased by Ksh 25 m while the net profit increased marginally.

Achievements

Environmental Impact

During the period in question, the company sold more than 600,000 seedlings both tissue cultured and grafted. These seedlings were planted in orchards across the country, helping green the countryside and clean the atmosphere. Thus, the company continues to make significant contribution to environmental protection in this country. Our production activities have also improved the microenvironment in the Juja Main Campus.

Social Impact

Since moving to the Kengo Gate area, the company has adopted the government primary school within the university campus grounds. The school has 1,000 pupils and 24 teachers and facilities are stretched very thin. The Head Teacher has identified several needs that the company can address including fencing to protect pupils from motor vehicle traffic, upgrade of dining hall and kitchen, sanitation and support for sports and the arts.

During the period in question, the company continued to maintain the mini fruit orchard they planted for the school while teaching pupils about husbandry, constructed a live fence as well as shade trees and constructed a new dining room with outside seating for pupils. The dining room is complete.

Currently the company is engaged in improving the road access from IEET to JKUATES Hub, for the benefit of the school, residential households and JKUATES staff and customers. The company has also embarked on a program to retool the primary school teachers in online teaching by holding training and designating a computer and internet access for the purpose.

Challenges

The company's major challenge during the year in question was cash flow problems that prevented optimal production in all its divisions. Management has explored several possibilities for funding including other banks and specialist lenders such as ICDC. However, the lockdown and subsequent economic downturn has slowed these discussions considerably as lenders adopt a “wait and see” position. Despite these constraints, management has gone ahead with production and marketing as far as internally generated funds allow. In line with this the company has over the last year engaged with professional marketers who have conducted market studies, developed branding and prepared a marketing plan. The studies have pointed out where we need to improve products and the company has

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

engaged technical people both within and without the university to solve the problems. We are making slow but steady progress in taking these products to the market.

Conclusion

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

Signature: 
Chairman

Date: 07/06/2021

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PERFORMANCE OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2020

Performance

During the financial year, the company attained an income of **Ksh 303 m** with a gross profit of **Ksh 133 m** and a net profit of **Ksh 1.33 m**. During the same period in 2018/2019, revenue was Ksh 327 m, gross profit of Ksh 71 m and net profit of Ksh 1.11 m. Therefore the top line decreased by Ksh 24 m and net profit increased marginally. The reasons for this include the fact that the coronavirus pandemic has led to some activities such as training to be shelved, while the lockdown prevented many of our customers from coming to buy during the peak season. All this adversely affected the performance of the divisions contributed to the above result as follows; Consultancy division Ksh 138.7 m, Support Services & Logistics division Ksh 106 m, EDC division Ksh 39.7 m, EDC division Ksh 10.9 m, EDC division 3.5 m and Construction division 3.5 m. The company has made elaborate plans to launch noodles into the Kenyan market in April but the Covid19 lockdown delayed the launch by five months. We are now preparing to launch in late September 2020.

The company continued to be seriously hampered by cash flow problems that prevented optimal performance of its divisions. Management has explored several possibilities for funding including approaching specialist lenders such as ICDC. However, the lockdown and subsequent economic downturn have slowed these discussions considerably as lenders adopt a “wait and see” position. Despite these challenges, management has gone ahead with production and marketing as far as internally possible. In line with this the company has over the last year engaged with professional consultants who have conducted market studies, developed branding and prepared a marketing plan. The company has identified out where we need to improve products and the company has engaged technical consultants within and without the university to solve the problems. We are making slow but steady progress in getting these products to the market.

Impact

In the year in question, the company sold more than 600,000 seedlings both tissue cultured and open pollinated. These seedlings were planted in orchards across the country, helping green the countryside and improve the environment. Thus, the company continues to make significant contribution to environmental conservation in the country. Our production activities have also improved the microenvironment in the surrounding areas.

In the Kengo Gate area, the company has adopted the government primary school within its campus grounds. The school has 1,000 pupils and 24 teachers and facilities are stretched to accommodate the needs. The Head Teacher has identified several needs that the company can address including providing shade for pupils from motor vehicle traffic, upgrade of dining hall and kitchen, sanitation and the arts.

In the year in question, the company continued to maintain the mini fruit orchard they planted on the campus. The company is teaching pupils about husbandry, constructed a live fence as well as shade trees around the dining room with outside seating for pupils. The dining room is complete.

The company is engaged in improving the road access from IEET to JKUATES Hub, for the benefit of residential households and JKUATES staff and customers.

The company embarked on a program to retool the primary school teachers in online teaching by providing and signing a computer and internet access for the purpose.

Reports from the Company's Divisions for 2019/2020 Financial Year

Consultancy Division

The Consultancy Unit generally undertakes consultancy services aimed solving the problems of clients, in strategic management, HR, ICT and architectural and engineering design and project management.

The financial year 2019 – 2020 started well as we embark on implementing the more than 20 projects we had already secured in the previous financial year. Some of the notable projects are audit of IFMIS system at National Treasury, Job evaluation analysis, coaching and trainings programs at KRA, 4 construction consultancy projects at KRA, systems audit and quality assurance projects at KERRA and ICDC.

Furthermore, within the year we managed to secure more business, which included but was not limited to renewal of staff augmentation program, at KRA and KERRA, development of strategic plan for EPRA, culture change trainings at KRA, and development, deployment support E-learning platform at KRA and supply of medical supplies to KEMSA.

The 2019/2020 year also saw the division increase business from new clients from last financial from KERRA, and ICDC who now account for approximately 40% of our total business as compared to 15% in the previous year. In addition, we have also secured new clients i.e. ERPA, KPLC and KEMSA who have both awarded us contracts, we are in the process of implementation these projects, and we are fostering good relationship to ensure continuous business for the near future.

As at June 2020 our revenues are at 138.7 m with a gross profit of 24.08 m as compared to revenue of 122.M with a gross profit of 20 m for the same period in the financial year 2018-2019 which represents an increase of 13% on revenues and 17% on profits. However, this fell short of our projected revenues of 150M with a projected profit of 25 m and this was as a result of reduced business in the last quarter of the financial year 2019-2020 attributed to the Covid-19 pandemic which saw reduced business especially corporate trainings by 100%.

Despite these challenges, we embarked of getting other business lines and before the closure of the financial year, we were able to supply hand sanitizers to KEMSA valued at 19.4 m.

In the current financial year, we expect to reach our target of 180 m in revenues. The division projects additional revenues from KRA amounting to 20 m from increase in staff augmentation program and implementation of systems. In addition, the division expects additional revenue from KERRA, ICDC, KPLC and EPRA amounting to approximately 20 m. Furthermore, we will also continue pursuing supply of medical supplies to KEMSA and other government entities to augment our revenues. Lastly, we are also expecting kicking of phase two of IFMIS audit at National Treasury, all of which is expected to increase our revenues to the target level.

Planned Activities for Financial Year 2020-2021

1. Staff development – With the increase in number, complexity and highly specialized projects we are undertaking, there is need to develop and equip our staff with prerequisite skill to enable them deliver on their roles and duties. The Division had planned for training on proposal development, monitoring & evaluation tools and techniques, and customer relationship management skills in this last quarter but due to increased activities for the year, we have therefore planned for the training in the first quarter of the 2020-2021 financial year.

2. Office Renovation – We are in the process of renovating our consultancy division offices to enhance operations. So far, we have bought furniture and are planning to partition the office as soon as the funds allow. This will go a long way in providing a conducive environment for not only the staff but also our partners and clients as working space, has been a big challenge for us.
3. Recruitment – Due to huge number of projects that we are handling, there was need to recruit more project assistants and a project manager into the division. In March 2020, we recruited two project assistants and they reported to work on 1st June 2020.
4. Corporate social responsibility (CSR). Consultancy Division had planned for a CSR activity in the last quarter of the financial year 2019-2020 but with the outbreak of COVID19 pandemic which resulted to restrictions in social gatherings, the division cancelled the planned events with staff and pupils of our local primary school, until such gathering are allowed. We will then reschedule the events.

Key challenges for the consultancy division include lack of funding that prevents pursuing major projects that require upfront investment. The division also needs to complete renovation of existing space in line with the needs of staff and consultants.

Products Division

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

The key highlights for the period just ended include; Aggressive marketing of the seedlings through the media and direct marketing to the relevant national and county departments. There was special emphasis on the avocado seedlings and tissue culture bananas. The division also moved all its production operations to one central place with the exception of bananas.

Propagation Materials

The division has ended the year with a reported turnover of Ksh106 million which was remarkable considering that the peak March – May season sales for the seedlings were below expectation due to the disruptions that were experienced during that period. There is however, a lot of effort to ensure this business line continues to grow. The company continues to leverage on the ongoing donor funded projects that are supporting agriculture such as the National Agriculture and Rural Inclusive Project and Kenya Climate Smart Agriculture projects funded by the World Bank. We also continue to make efforts towards serving the traditional markets in spite of the economic downturn.

Convenience Foods

The division continued to develop and test new food products but these efforts were severely hampered by local and international lockdowns. This paralyzed activities between the company and our partners resulting in delays in finalizing the development of the products. We however continued to test our products and even donated some of our test product to Kiambu County Covid19 fund. We have now resumed the engagements with our external research partners and continue to address the outstanding issues of lumping, improving the nutritional composition of the product as well as coming up with different flavours to cater for different consumers.

Key challenges for the division include limited funding and the adverse pandemic situation that is slowing down the operations and sales.

Support Services and Logistics Division

This division provides support services and logistical support for businesses, projects and consultants.

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The company started providing support services and logistical support on request by businesses, projects and professionals. This started in a very small way more than ten years ago, with some SMEs requesting assisting with product development. The first client was Canaan Products from Embu County who we assisted in developing nutritional supplements with the help of experts from Food Science. Over the years this line has evolved and grown substantially to include; business development for SMEs, payroll management for projects including payment of statutory and other deductions, procurement, accounting and bookkeeping, organising and/or hosting meetings and conferences, meals, transport and accommodation and leisure activities such as localised tourism.

Enterprise Development Centre

EDC engages in all forms of training ranging from computer packages, practical training and business training for SMEs.

During the period under review the division engaged in training various short courses including basic computer packages (Word, Xcel, Data base, Data Security, Power point and Publisher), as well as other computer courses such as SPSS, Stata, Java programming, Block chain, ICDL, Cyber Security, Python programming, IT Essentials, computer graphics and Mobile App development. Other courses include mushroom cultivation, M & E, Project Management and CPA.

The division met its target this year having by generated Ksh 10.2 m during the period under review. Promising business lines include a project under development to train for NTSA and government funded transport entities as well as matatu saccos. Also under development are more ICT training courses, mushroom training for counties, monitoring, and evaluation.

Although the division met its target of Ksh 10 m during the financial year, it would have performed substantially better were it not for the Covid19 pandemic that forced it to cancel all training from mid-march. The division has begun to address this by offering online training which is beginning to gain traction.

Challenges include lack of funding for equipment and furniture for the classrooms, as well as to purchase production materials.

E-Commerce Division

The E-Commerce division engages in trading speciality teas online as well as an online “agrimart” platform capable of trading all JKUAT products together with the products generated by JKUATES customers.

TeaSoko and Camelia Premium Brand

We continue to promote our platform Teasoko.com. In June 2020, we had discussions with the AFA-Tea Directorate about collaborating to market the online site and attract tea sellers and buyers. We reached an agreement with them and a Memorandum of Understanding is currently under legal review. This collaboration has already seen two tea sellers register on the site and many more express interest. We expect that with this collaboration, we will be able to market the platform to the main tea markets and earn from it as well as promote Kenya tea.

We also continue to promote our tea brand Camelia Premium. And currently selling it both online and offline. We have also made attempts to list the products in various supermarkets. Most of these outlets

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have however scaled down on listing due to low business occasioned by the Covid 19 pandemic. We will continue to pursue this avenue.

Avocado Exports

We have continued with exportation of avocados. In June 2020, a shipment, being 40” Reefer Container was sent to Dubai, UAE to Messrs. Barka Foodstuff Trading LLC with a total of 5760, 4kg net boxes of Fuerte Avocado (23MT). In July 2020, another shipment was sent to Dubai, UAE also being a 40” Reefer Container with 5760, 4kg net boxes of Fuerte Avocado (23MT). It was also sent to Barka Foodstuff Trading LLC.

Martplus Platform

“Martplus” our omnibus marketplace is at design stage and next step will be reviewing prototypes for development approval. This is envisaged as a platform on which all sorts of products and services can be listed.

Key challenges include funding for purchase of avocado fruit and shipping activities as well for marketing of tea.

Construction

The main activities include construction of new buildings and renovation of existing buildings. The main client is the University.

During the period in question, the division engaged in activities as described below.

COHRED Building

JKUATES is due to handover the newly completed COHRED Building, at a cost of Ksh 213,495,580/40, which represents a major saving for the university.

The building comprises of:

- 24 lecture rooms 15*8mtrs
- 1 lecture halls 30*19mtrs
- 40 staff offices
- 1 kitchenettes
- 1 security offices
- 7 sets of washrooms

JKUATES made a total margin of Ksh 9,793,375/25 on this project.

COETEC Building

JKUATES has undertaken a construction assignment from the university to construct a Ksh 208,000,000.00 lecture halls building comprising of:

- 24 lecture rooms 15*8mtrs
- 2 lecture halls 30*19mtrs
- 40 staff offices
- 3 kitchenettes
- 4 security offices
- 7 sets of washrooms

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The building is 8,200 mtrs², sitting on 1,953 mtrs². JKUATES has so far received a total of Ksh 116,998,894/00, which has facilitated about 50% of the construction. JKUATES has made a total margin of Ksh 5,366,921.74.

Repair of Road leading from Fundilima to JKUATES Hub

JKUATES is undertaking repair of the road and restoration of the drainage system from JKUATES Hub to Fundilima. This will cost the company Ksh 300,000/-. This road serves as the main access road to JKUATES, and the works has improved access for JKUAT staff who reside in that area as well as students and staff of the Primary School.

Primary School Dining Room

JKUATES undertook to construct a new dining hall for the primary school pupils as part of the Corporate Social Responsibility. This cost the company Ksh 600,000.00. The project extends to beautification of the entry area.

Animal Feeds Factory


JKUATES is putting up a 160 meter squared Animal feeds factory at a value of Ksh 3 m. The factory is expected to produce 2,000 tonnes of quality feeds per annum.

Beautification of JKUATES Hub

To create a better working environment, as well as attractive to our esteemed clients, JKUATES has been creating parking area, recreational park, flag hoisting area and a meeting gazebo. JKUATES is also working hard to complete the office block.

Conclusion

During the period under review, the company experienced very tough times with significant financial challenges, aggravated by the COVID 19 pandemic. Despite all these challenges, the company managed to not only breakeven but also to make a slight profit. This is attributable to our consistent effort to cut costs and the deliberate effort to stay open safely during the onset of the pandemic. Management is hopeful that the company will be able to steer through the current tough times, but acknowledges that the outlook for the near future is a bit grim.

Signature 
Managing Director

Date 27th May 2021

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ADDENDUM

Image of avocados being packed for export

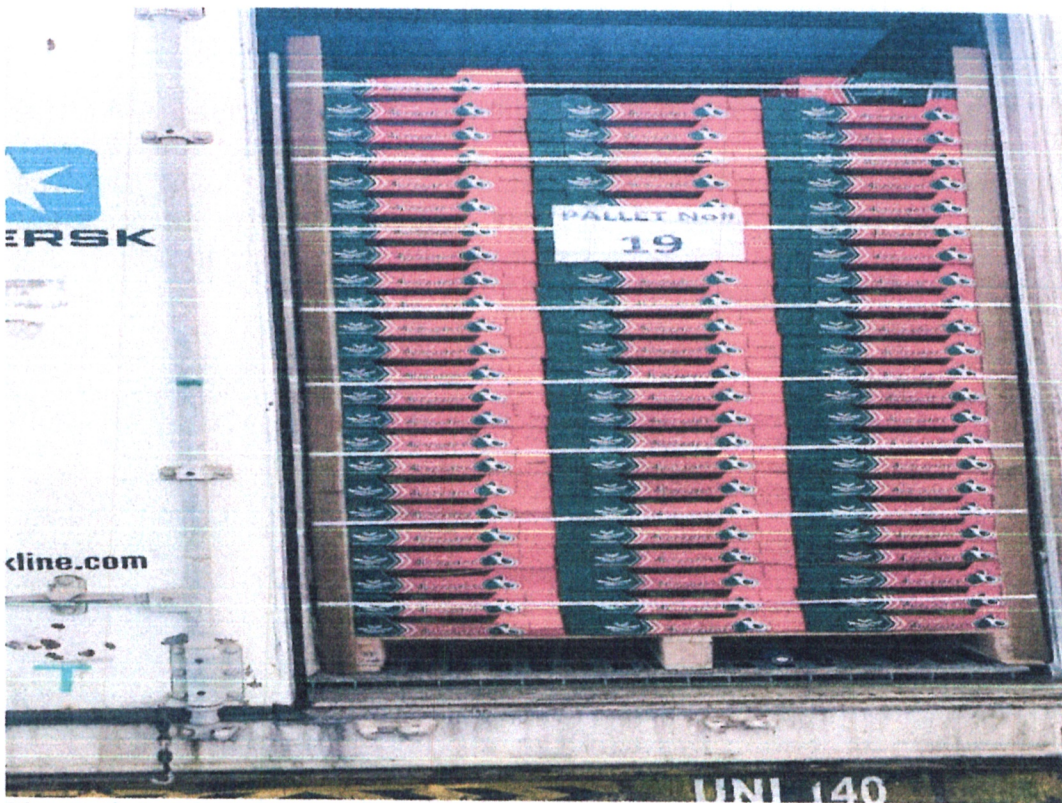


Photo of container arriving in UAE, Dubai



1st floor ceiling plaster - COETEC



COHRED front side view - COETEC



Slab construction - COETEC



Rear view - COETEC



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Ramp - COETEC



COHRED BUILDING



Road Repair



Road Repair



Primary School Dining

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Recreation Park



Meeting Gazebo

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JKUATES HUB beautification



Animal feeds factory

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.

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

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MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The divisions contributed to the above result as follows; EDC division Ksh 10.9m, Products division Ksh 105.9m, E-commerce 3.5m, Support services and Logistics 39.7m, Construction Services 3.5m, Exchange gain 0.6m and Consultancy division Ksh 138.7 m. This can be represented in the following chart:-

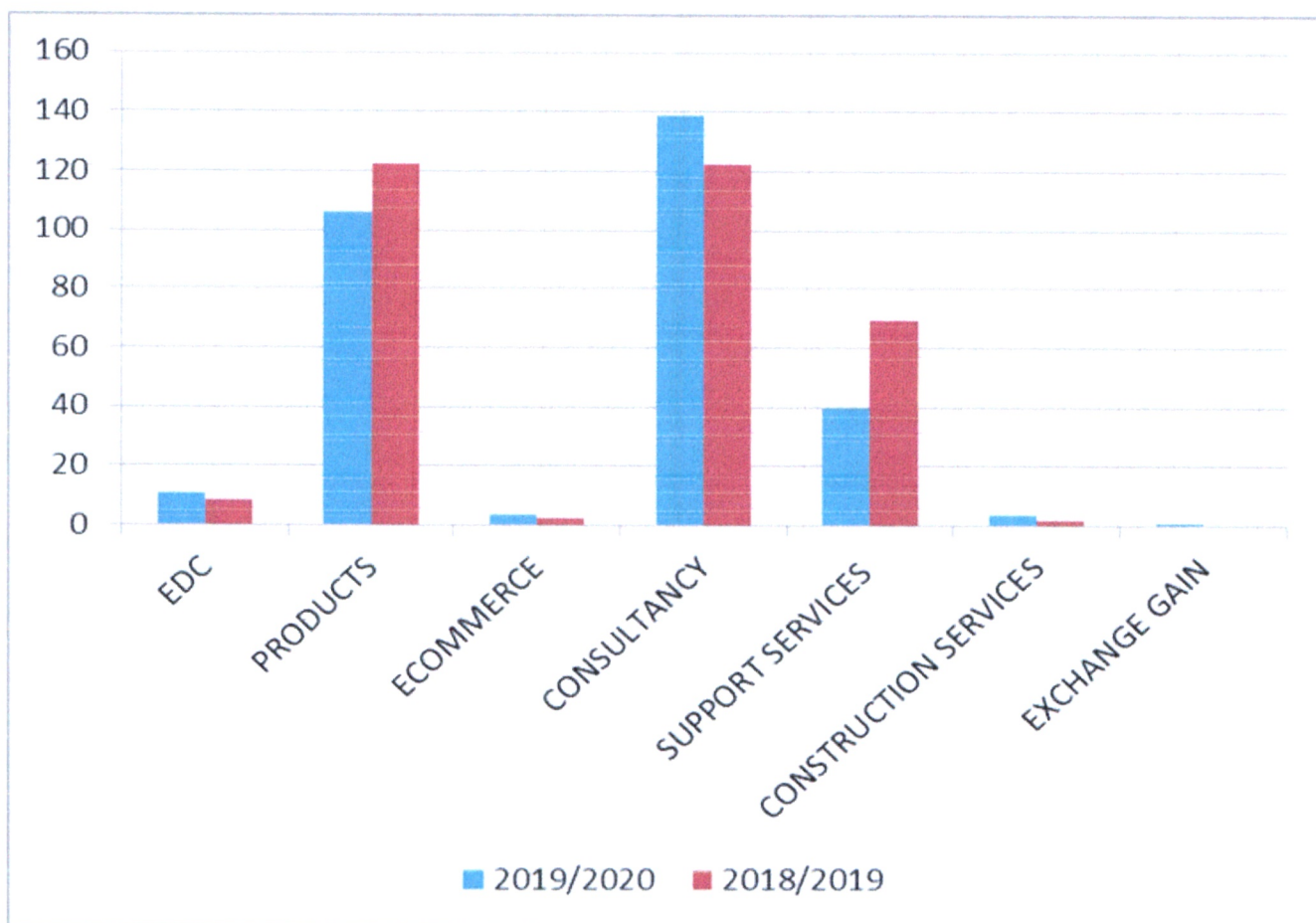


Figure 1: Revenue Contribution

Cost of sales

Cost of sales as per divisions was as follows: - EDC division Ksh 9.2m, Products division Ksh 86m, E-commerce 10m and Consultancy division Ksh 115.2 m. This could be shown by the following chart:

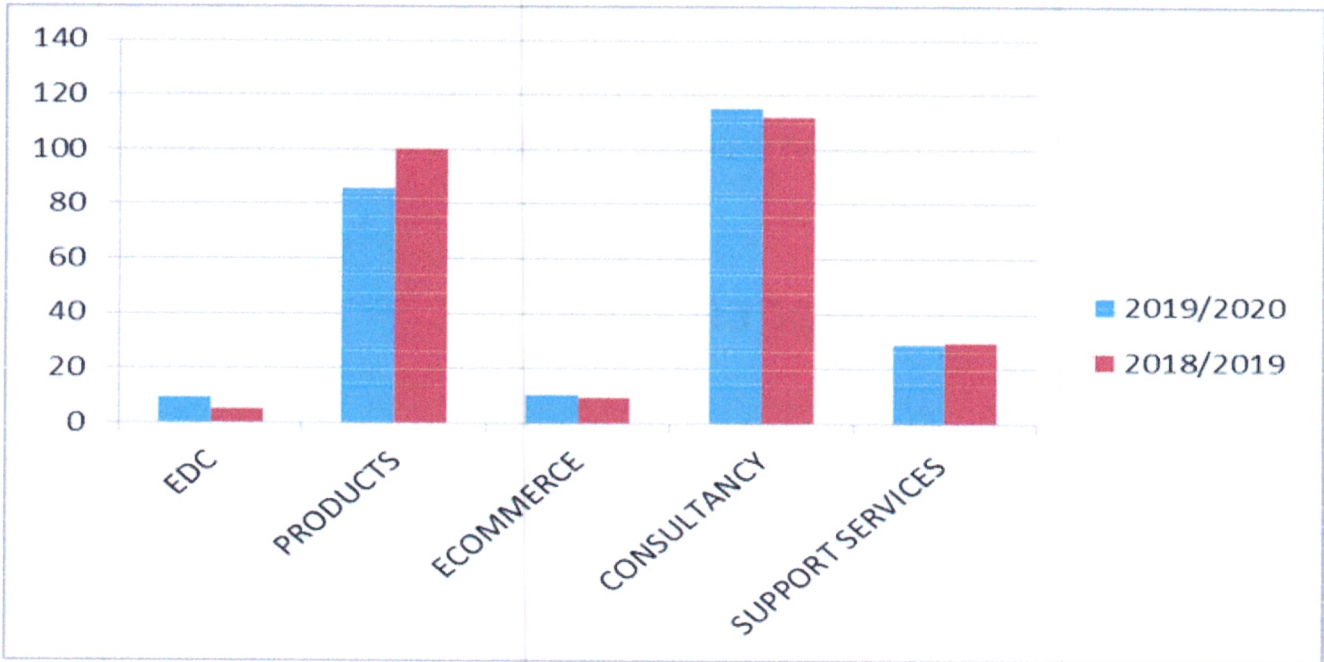


Figure 2: Cost of Sales

Expenses analysis

Analysis of company's expenses for the two years in comparison were as follows:

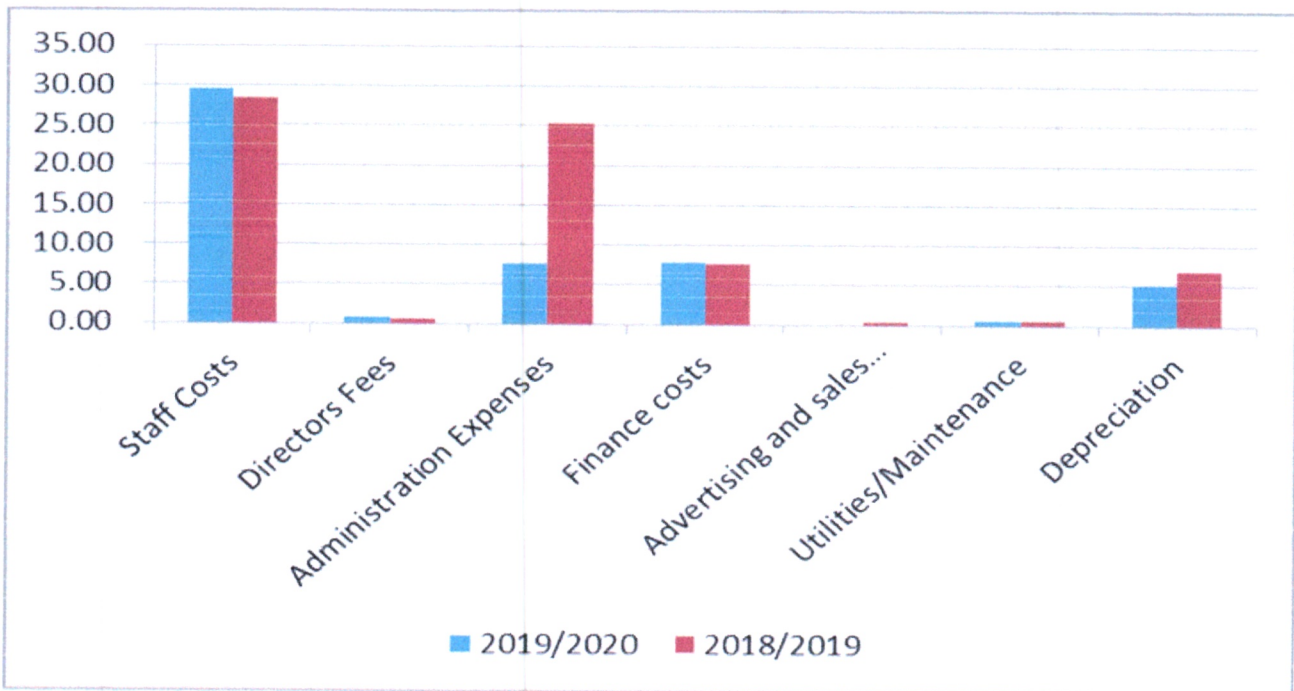


Figure 3: Expenses analysis

Finance cost

The finance cost for the financial year 2019-2020 increased slightly compared to the precedent financial year 2018-2019 i.e. ksh.7.8m to 7.6m respectively. This can be depicted by the following chart:

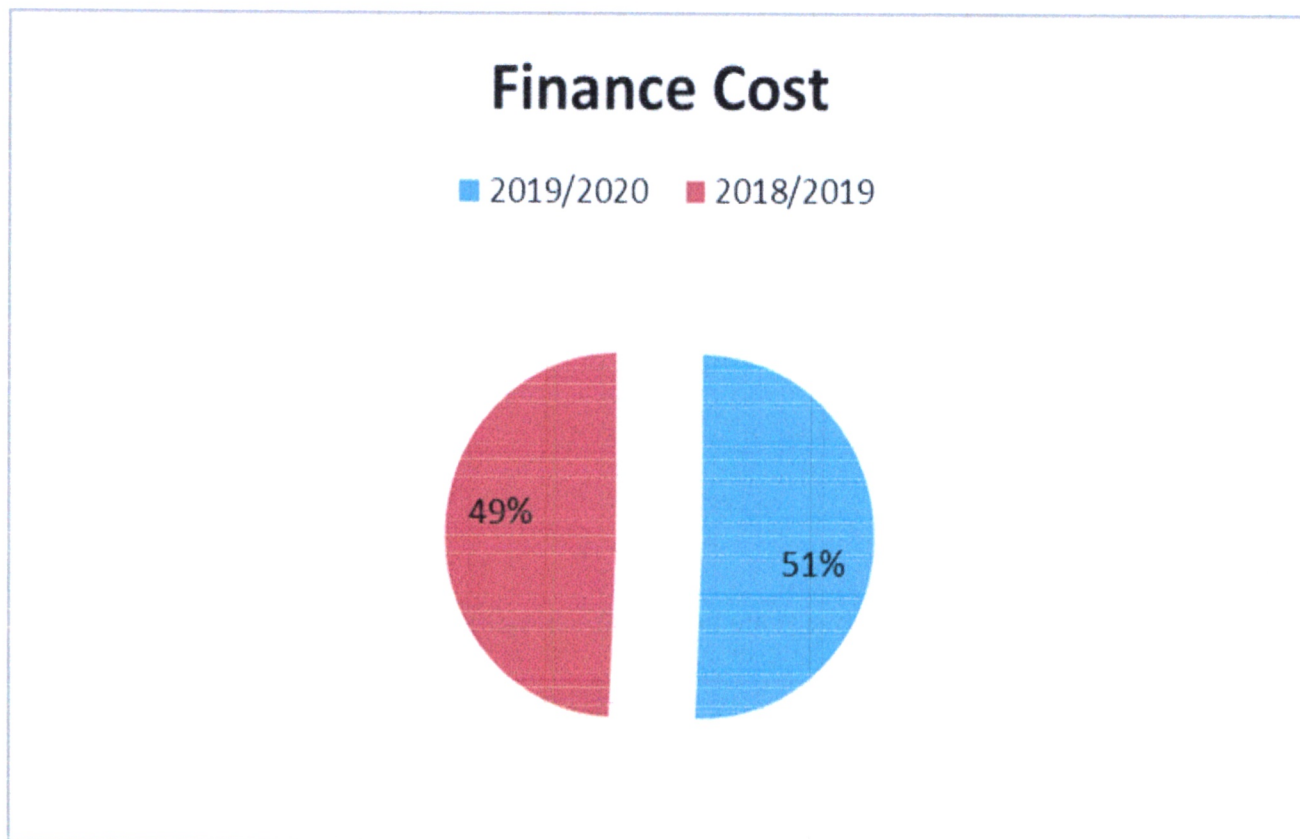


Figure 4: Finance Cost

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

	2019/2020	2018/2019
	Ksh	Ksh
Profit for the year	1.9m	1.6m

This can be summarized in the chart below:

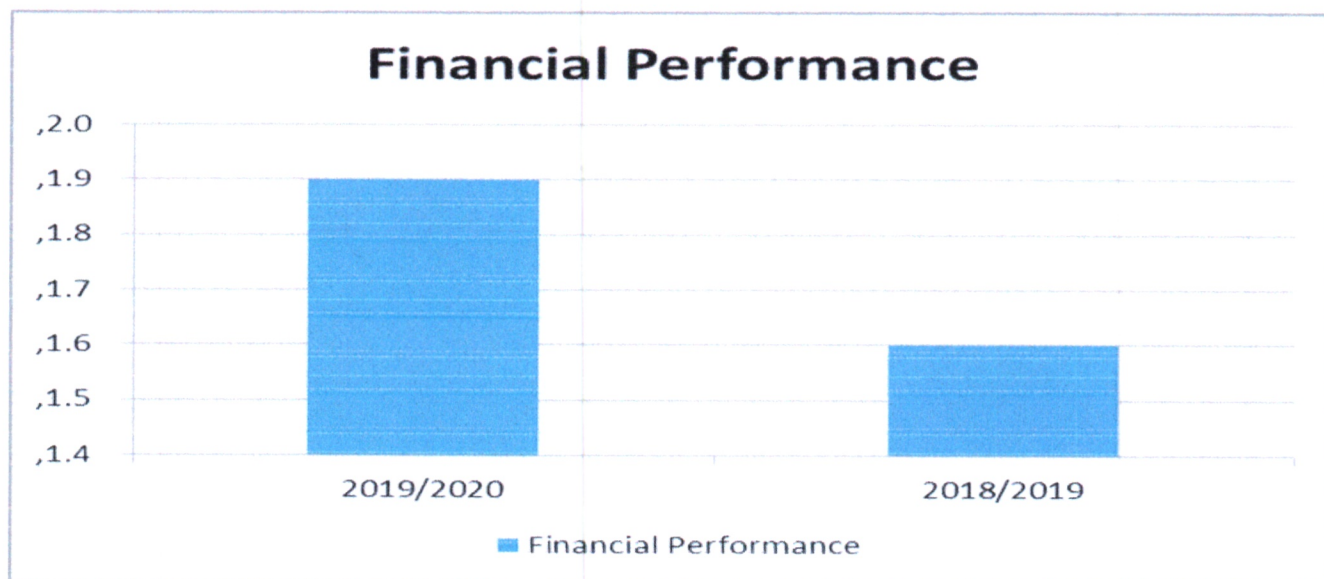


Figure 5: Performance comparison

Investment activities

The company did not invest much to its Property, Plant and Equipment in the year under consideration. This can be demonstrated by a fall in PPE value from 71.2m to 68.1m in the year 2018/2019 to 2019/2020 respectively. This is a reduction of 0.4% to its previous value. This can be seen in the chart below:

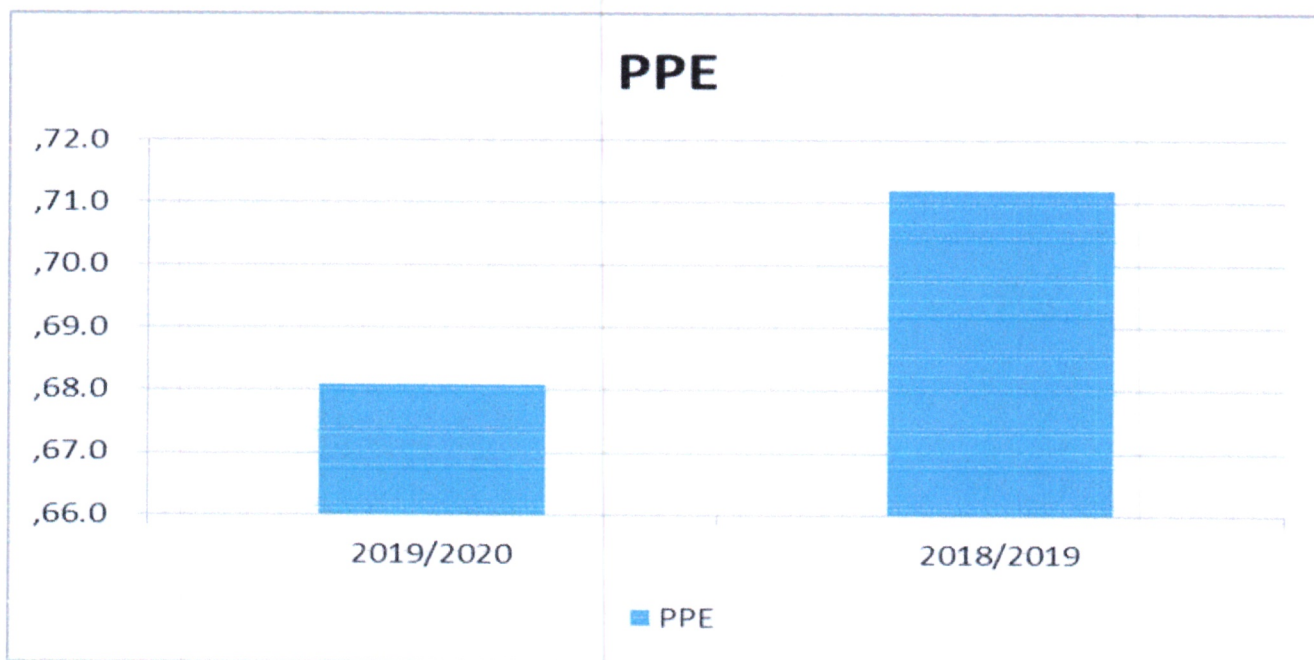


Figure 6: Property, Plant and Equipment

Current Assets

Current assets increased from kshs. 161.4m to kshs.162.8m in the financial year 2018/2019 and 2019/2020 respectively. This was as shown below:

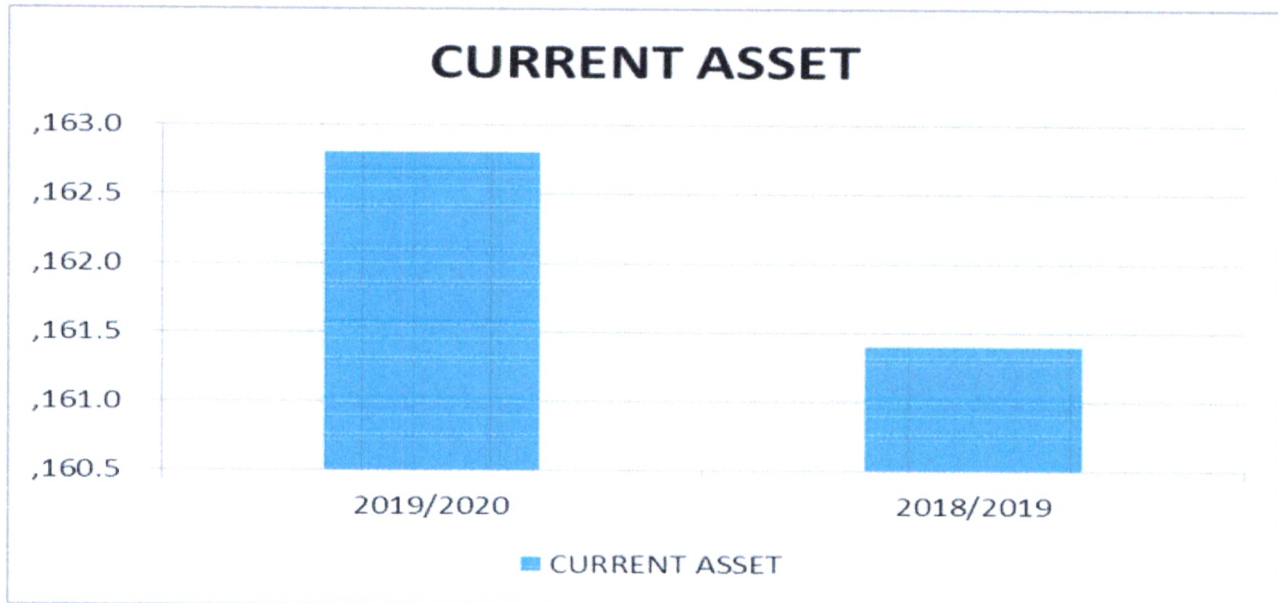


Figure 7: Current Assets

Capital and reserves

Capital and reserves increased from 13.4m to 14.7m in the financial year 2018/2019 to 2019/2020 respectively. Their status can be represented as in the picture below:

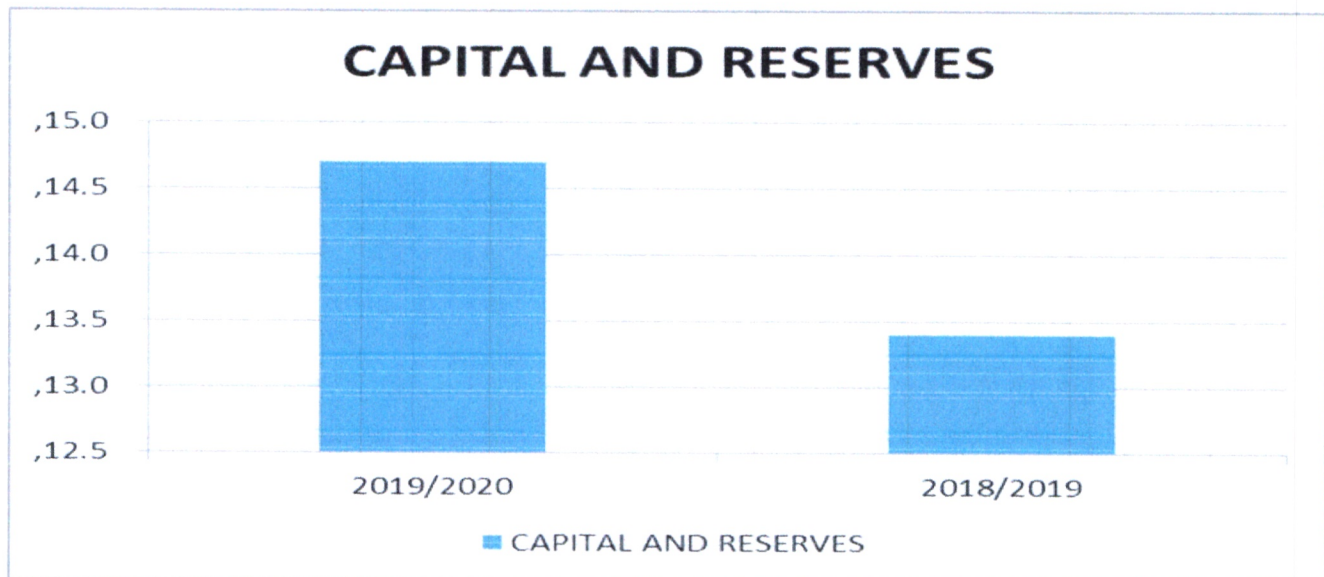


Figure 8: Capital and Reserves

Current Liabilities

Current liabilities grew to Kshs.212.7m from Kshs. 207m. This was as represented in the chart below:

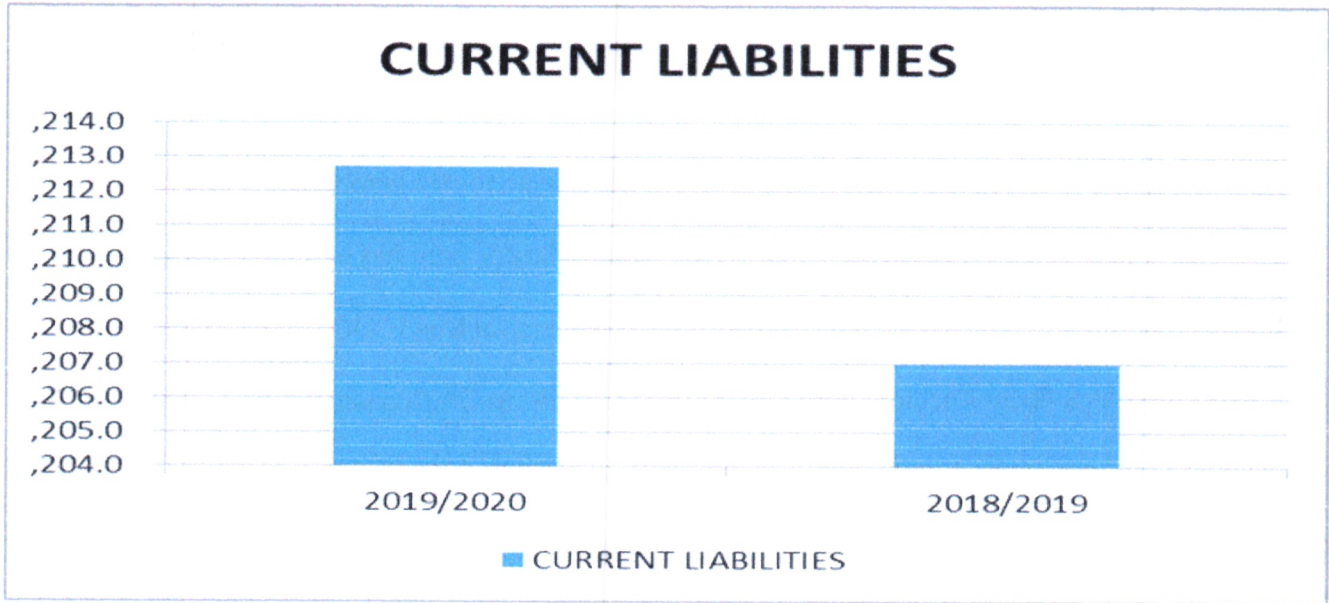


Figure 9: Current Liabilities

Non-Current Liabilities

The Long term liabilities included only item of Asset Based Finance which reduced significantly from Kshs. 12.1m to Kshs. 3.5m. This is shown in the table below:

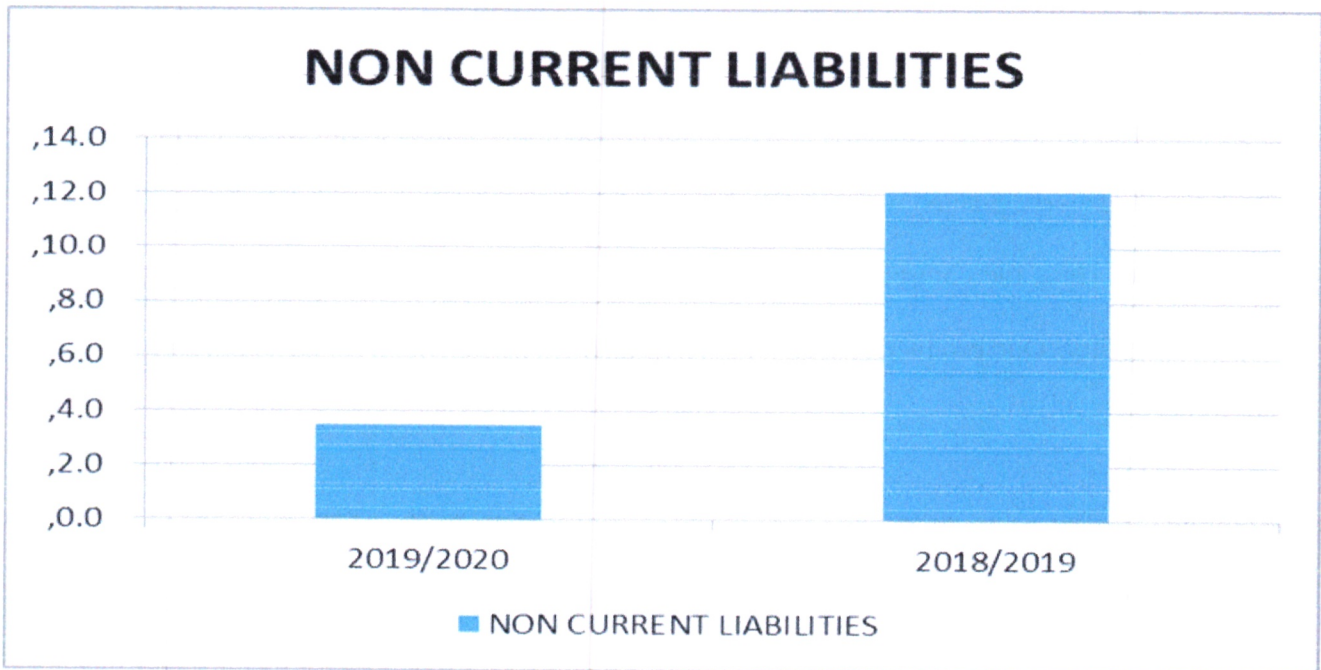


Figure 10: Non-Current Liabilities

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Sustainability strategy and profile

During the 2019/2020 financial year, the company continued to be seriously hampered by cash flow problems that prevented optimal production in all its divisions. Management has explored several possibilities for funding including other banks and specialist lenders such as ICDC. However, the lockdown and subsequent economic downturn has slowed these discussions considerably as lenders adopt a “wait and see” position. Despite these constraints, management has gone ahead with production and marketing as far as internally generated funds allow. In line with this the company has over the last year engaged with professional marketers who have conducted market studies, developed branding and prepared a marketing plan. The studies have pointed out where we need to improve products and the company has engaged technical people both within and without the university to solve the problems. We are making slow but steady progress in taking these products to the market.

Environmental performance

During the period in question, the company sold more than 600,000 seedlings both tissue cultured and grafted. These seedlings were planted in orchards across the country, helping green the countryside and clean the atmosphere. Thus, the company continues to make significant contribution to environmental protection in this country. Our production activities have also improved the microenvironment in the Juja Main Campus.

Employee welfare

With the increase in number, complexity and highly specialized projects we are undertaking, there is need to develop and equip our staff with prerequisite skill to enable them deliver on their roles and duties. The company has planned for training on proposal development, monitoring & evaluation tools and techniques, and customer relationship management skills in this last quarter but due to increased activities for the year, we have therefore planned for the training in the first quarter of the 2020-2021

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

financial year. We are in the process of renovating our consultancy division offices to enhance operations. So far, we have bought furniture and are planning to partition the office as soon as the funds allow. This will go a long way in providing a conducive environment for not only the staff but also our partners and clients as working space, has been a big challenge for us.

Market Place Practices

During the period under review, the company experienced very tough times with significant financial challenges, aggravated by the COVID19 pandemic. Despite all these challenges, the company managed to not only breakeven but also to make a slight profit. This is attributable to our consistent effort to cut costs and the deliberate effort to stay open safely during the onset of the pandemic. Management is hopeful that the company will be able to steer through the current tough times, but acknowledges that the outlook for the near future is a bit grim.

Community Engagements

JKUATES undertook to construct a new dining hall for the primary school pupils as part of the Corporate Social Responsibility. This cost the company Ksh 600,000.00. The project extends to beautification of the entry area.

JKUATES is undertaking repair of the road and restoration of the drainage system from JKUATES Hub to Fundilima. This will cost the company Ksh 300,000/-. This road serves as the main access road to JKUATES, and the works has improved access for JKUAT staff who reside in that area as well as students and staff of the Primary School.

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

REPORT OF THE DIRECTORS

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

Principle Activities

The principle activities of the company are to offer Training, Consultancy services, Export Trade and Production and sale of Tissue Culture and horticulture seedlings.

Financial results

The results of the entity for the year ended June 30, 2020 are set out on page 1. Below is summary of the profit or loss made during the year.

	2019/2020	2018/2019
	Ksh	Ksh
Profit for the year	1.89M	1.58M
Tax Charge	0.57M	0.48M
Net profit for the year	1.32M	1.10M


Directors

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

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. 27th May 2021

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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 2020 and of its profit for the year ended. The board further confirms the accuracy and completeness of the accounting records, which have been relied upon in the preparation of financial statements, as well as on adequate systems of internal financial control.

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

Approval of the financial statements

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



Dr. Winifred Karugu
MANAGING DIRECTOR



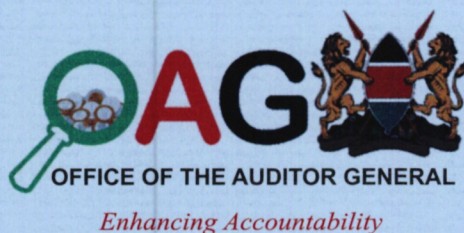
Prof. Victoria Ngumi, PhD
DIRECTOR

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE, 2020

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 1 to 19, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters 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, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Long Outstanding Receivables

The statement of financial position reflects a balance of Kshs.79,158,899 under trade and other receivables which, as disclosed in Note 11 to the financial statements, includes an amount of Kshs.40,720,529 in respect of trade receivables. The latter balance includes an amount of Kshs.3,490,423 that has been outstanding for more than three years with an amount of Kshs.104,775 remaining outstanding for more than ten years. Management has not provided evidence to show steps taken towards full recovery of these long outstanding amounts.

Under the circumstances, the recoverability of the long outstanding receivables is in doubt and the accounts receivables balance may not be fairly stated.

2. Trade and Other Payables

The statement of financial position reflects a balance of Kshs.169,121,009 under trade and other payables which, as disclosed in Note 17 to the financial statements, includes an amount of Kshs.60,179,589 in respect of trade payables. The trade payables balance includes an amount of Kshs.13,355,640 that have been outstanding for more than two (2) years. Management has not provided evidence of the steps being taken to settle debts.

Further, a third-party confirmation of trade payables revealed that the entity owes Jomo Kenyatta University of Agriculture and Technology (JKUAT) a sum of Kshs.15,664,214 for various services received from the University. However, only a debt of Kshs.5,428,870 is recognized in the books of Jomo Kenyatta University of Agriculture and Technology Enterprises resulting to a variance of Kshs.10,235,344, that has not been explained or reconciled.

In the circumstances, the accuracy, validity and completeness of trade payables balance of Kshs.60,179,589 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 Jomo Kenyatta University of Agriculture and Technology Enterprises Limited 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.

Emphasis of Matter

Going Concern Uncertainty

The statement of financial position reflects current liabilities of Kshs.212,662,665 which exceeded the current assets of Kshs.162,779,184 resulting in a negative working capital of Kshs.49,883,481. The Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued financial assistance from Jomo Kenyatta University of Agriculture and Technology, bankers and its creditors.

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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects that the Company had a budgeted income of Kshs.302,840,450 against an actual amount of Kshs.343,000,000 resulting to under collection of Kshs.40,159,550 or 12%. Similarly, the Company planned to spend Kshs.330,098,091 but utilized Kshs.300,946,621 resulting in an under expenditure of Kshs.29,151,470 or 9%. Management has attributed the under collection and under expenditure to little activity in some product lines, decrease in demand for the products accompanied by heavy competition from new entrants into the market and negative impact of the COVID-19 pandemic.

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, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Ethnic Composition

Examination of staff ethnic diversity data for the Company revealed that as at 30 June, 2020 the entity had 148 staff members out of which 61 were from one ethnic community representing more than 41% of the total staff population. Although Management has explained that the matter is historical, it has not regularized the anomaly in the last 12 years since 2008. The Company is therefore in contravention of Section 7 of the National Cohesion and Integration Act, 2008 which provides that 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 law.

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 comply, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 Company's 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, so far as appears from the examination of those records; and,
- iii. The Company's financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with international financial reporting standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, matters related to going concern and using 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Company 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 the Company to cease to continue as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

12 October, 2021

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2020**

	NOTES	<u>2019-2020</u>	<u>2018-2019</u>
		<u>Kshs.</u>	<u>Kshs.</u>
INCOME			
Revenue	1	302,840,450	327,214,115
TOTAL INCOME		<u>302,840,450</u>	<u>327,214,115</u>
COST OF GOOD SOLD			
Cost of Sales	2	249,341,935	255,662,795
TOTAL COGS		<u>249,341,935</u>	<u>255,662,795</u>
GROSS PROFIT		<u>53,498,515</u>	<u>71,551,320</u>
OVERHEADS			
Staff Costs	3	29,537,272	28,285,781
Directors Fees	4	726,280	688,335
Administration Expenses	5	7,735,731	25,267,914
Finance costs	6	7,814,058	7,633,184
Advertising and sales Promotion	7	0	455,000
Utilities/Maintenance	8	642,736	651,109
Depreciation	9	5,148,608	6,985,762
TOTAL OVERHEAD		<u>51,604,685</u>	<u>69,967,085</u>
PROFIT/(LOSS) BEFORE TAXATION		<u>1,893,829</u>	<u>1,584,235</u>
Tax @30%		568,149	475,270
Profit after tax		<u>1,325,680</u>	<u>1,108,965</u>

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

ASSETS	NOTES	2019-2020	2018-2019
		<u>Kshs.</u>	<u>Kshs.</u>
Non-Current Assets			
Property Plant and Equipment	10	68,089,410	71,167,790
Current Assets			
Trade and Other Receivables	11	79,158,899	102,122,051
Inventories	12	45,098,125	40,695,792
Cash and Bank Balances	13	38,522,160	18,542,246
		<u>162,779,184</u>	<u>161,360,089</u>
TOTAL ASSETS		<u>230,868,594</u>	<u>232,527,879</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued Share Capital	14	102,040	102,040
Capital Fund	15	25,644,004	25,644,004
Revenue reserves	16	(11,017,981)	(12,343,661)
Capital and Reserves		<u>14,728,063</u>	<u>13,402,383</u>
Current Liabilities			
Trade and Other Payables	17	169,121,009	179,389,533
Overdraft	18	43,541,656	27,625,076
Total Current Liabilities		<u>212,662,665</u>	<u>207,014,609</u>
Non Current Liabilities	19	3,477,866	12,110,887
TOTAL EQUITY AND LIABILITIES		<u>230,868,594</u>	<u>232,527,879</u>

**DR. WINIFRED KARUGU
MANAGING DIRECTOR****CPA. JOSEPH MACHARIA
FINANCE MANAGER ICPAK NO: 25735****PROF. VICTORIA NGUMI, PhD
DIRECTOR**

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020**

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1/07/2018	102,040	25,644,004	(13,452,626)	12,293,418
Surplus for the year	-	-	1,108,965	1,108,965
As at 30/6/2019	<u>102,040</u>	<u>25,644,004</u>	<u>(12,343,661)</u>	<u>13,402,383</u>

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1/07/2019	102,040	25,644,004	(12,343,661)	13,402,383
Surplus for the year	-	-	1,325,680	1,325,680
As at 30/6/2020	<u>102,040</u>	<u>25,644,004</u>	<u>(11,017,981)</u>	<u>14,728,063</u>

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	NOTE	2019-2020 Kshs.	2018-2019 Kshs.
Net Profit after tax for the Year		1,325,680	1,108,965
Adjustment for the year			
Depreciation	9	<u>5,148,608</u>	<u>6,985,762</u>
		6,474,288	8,094,727
Changes in working capital			
(Increase)/Decrease in Trade and Other Receivables	11	22,963,152	(30,897,343)
Increase/(Decrease in Trade and Other Payables	17&18	5,648,056	51,457,424
(Increase)/Decrease in inventories	12	<u>(4,402,333)</u>	<u>(4,684,405)</u>
Net Cashflow from operating activities		<u>30,683,163</u>	<u>23,970,403</u>
Cashflow from investing activities			
Purchase of Assets	10	<u>(2,070,228)</u>	<u>(6,738,859)</u>
Net Cashflow from investing activities		<u>(2,070,228)</u>	<u>(6,738,859)</u>
Cashflow from financing activities			
Asset Loan	19	<u>(8,633,021)</u>	<u>(8,179,151)</u>
Net Cash flow from financing Activities		<u>(8,633,021)</u>	<u>(8,179,151)</u>
Net Increase in cash and cash equivalents		19,979,914	9,052,393
Cash and Cash Equivalents at the beginning of the year	13	<u>18,542,246</u>	<u>9,489,853</u>
Cash and Cash Equivalents at the end of the year		<u><u>38,522,160</u></u>	<u><u>18,542,246</u></u>

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

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

	ACTUALS	BUDGET	VARIANCE	VARIANCE	
	2019-2020	2019-2020	2019-2020	%	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	%	
INCOME					
PRODUCTS					
Convenience Food	201,798	25,000,000	(24,798,202)	(0.99)	a
Horticultural products	78,104,515	100,000,000	(21,895,485)	(0.22)	b
Tissue Culture Products	27,627,811	40,000,000	(12,372,189)	(0.31)	c
Total Products Division	105,934,124	165,000,000	(59,065,876)		
ECOMMERCE DIVISION					
Ecommerce	3,467,034	30,000,000	(26,532,966)	(0.88)	d
ECOMMERCE DIVISION	3,467,034	30,000,000	(26,532,966)	(0.88)	
CONSULTANCY					
External Consultancy and support services and logistics	178,452,993	130,000,000	48,452,993	0.37	e
Total consultancy	178,452,993	130,000,000	48,452,993		
ENTERPRISE DEVELOPMENT CENTRE					
Trainings	10,888,671	18,000,000	(7,111,329)	(0.40)	f
Total for EDC	10,888,671	18,000,000	(7,111,329)		
OTHER INCOMES					
Construction services	3,467,464	-	3,467,464		
Exchange gain	630,164	-	630,164		
	4,097,629	0	4,097,629		
TOTAL INCOME	302,840,450	343,000,000	(40,159,550)		
COST OF SALE					
Ecommerce	10,086,744	22,500,000	12,413,256	0.55	g
Total Ecommerce	10,086,744	22,500,000	12,413,256		
PRODUCTS					
Convenient Food	4,119,184	26,250,000	22,130,816	0.84	h
Horticultural products	62,949,980	71,030,400	8,080,420	0.11	i
Tissue Culture Products	18,885,144	28,000,000	9,114,856	0.33	j
Total Products Division	85,954,308	125,280,400	39,326,092		
CONSULTANCY					
External Consultancy and support services and logistics	144,054,785	100,817,691	(43,237,094)	(0.43)	k
Total consultancy	144,054,785	100,817,691	(43,237,094)		

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****ENTERPRISE DEVELOPMENT
CENTRE**

Training	9,246,098	10,700,000	(1,453,902)	(0.14)	l
Total for EDC	9,246,098	10,700,000	(1,453,902)		

TOTAL COST OF SALE

249,341,935	259,298,091	9,956,156
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GROSS PROFIT

53,498,515	83,701,909	(30,203,394)
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OVERHEADS**%**

Staff costs	29,537,272	35,000,000	(5,462,728)	(0.16)	m
Board Expenses	726,280	800,000	(73,720)	(0.09)	n
Administration Expenses	7,735,731	14,500,000	(6,764,269)	(0.47)	o
Maintenance costs	642,736	1,000,000	(357,264)	(0.36)	p
Depreciation	5,148,608	9,500,000	(4,351,392)	(0.46)	q
Finance Costs	7,814,058	10,000,000	(2,185,942)	(0.22)	r

TOTAL OVERHEADS

51,604,686	70,800,000	(19,195,314)
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PROFIT BEFORE TAX

1,893,829	12,901,909	(11,008,080)
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INCOME TAX (CREDIT)/EXPENSE

Current taxation based on the profit for the year at 30%	568,149	3,870,573	(3,302,424)	(0.85)	s
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PROFIT AFTER TAX

1,325,680	9,031,336	(7,705,656)	(0.85)	t
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JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

EXPLANATION TO VARIANCES

- a) There was little activity from Yoghurt section within the year of audit while the flour factory was under testing hence the convenient foods section did not do much.
- b) There was low demand for horticultural seedlings than had been estimated. The section usually has high activity during the 4th quarter and this was negatively impacted by COVID 19.
- c) Tissue culture section failed short of the revenue target by 31%. This was due to decrease in demand for the products accompanied by heavy competition from new entrants into the market
- d) The division is still establishing its market for export products and has begun special focus on Avocado fruits. It's perfecting on timings and methodologies. It is poised for better performance this financial year.
- e) External consultancy section surpassed its target by 37%. This was due to more jobs secured by the section than it anticipated.
- f) This section failed to meet target by 40% in revenue collection. The section was affected by closure of educational institutions due to COVID 19.
- g) There was no much activities in this section that would demand for high cost of sales
- h) Convenience foods section did not have many activities during the year. This was because the flour factory was not in operation during the year of audit accompanied by low activity from Yoghurt production.
- i) The cost of operation in horticulture section decreased by 11%. This commensurate well with revenue decrease of 22%.
- j) The cost of operation in Tissue Culture Products section decreased by 33%. This commensurate well with revenue decrease of 31%.
- k) The cost increased relatively in adverse by 43% accompanied by revenue increase by 37%. The divisions' performance was cumulatively good.
- l) The cost drop by 14% accompanied by 40% drop in revenue. The division is expected to perform better this financial year 2020-2021.
- m) Staff costs decreased than had anticipated. The Company did not employ as it planned.
- n) The number of board meetings budgeted became less therefore less cost due to reduced board allowances
- o) The administration costs went down because the company had planned to absorb some cost like bad debts which did not happen.
- p) There were no much breakdown to machines as anticipates during budgeting and therefore less maintenance costs
- q) The Company did not invest much in Property Plant and Equipment and hence much depreciation was from existing fixed assets.
- r) Finance costs went down due to reducing method of costing used during loan amortization without obtaining more debt.
- s) The company had anticipated to make a profit before tax of 12.9m during the year of audit. The company however made a profit of 1.9m hence decline in corporate tax by 3.3m.
- t) The magnitude of fall in profit before tax brought about same magnitude in fall in profit after tax.

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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, 2020.

l) Reporting Currency

Accounts have been reported in Kenya shillings

m) Number of employees

The number of employees as at 30/06/2020 was 148

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.

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTES TO FINANCIAL STATEMENTS

1	INCOME	2019-2020	2018-2019
		Kshs	Kshs
	EDC		
	Short Courses	10,888,671	8,467,219
	Total EDC	10,888,671	8,467,219
	PRODUCTS		
	Convenience Food	201,798	89,000
	Mushroom Products	946,858	3,809,436
	Horticultural products	78,104,515	94,806,035
	Banana Products	24,256,345	23,247,050
	Organic Products	2,424,608	370,165
	Total Products Division	105,934,124	122,321,686
	ECOMMERCE		
	Ecommerce	3,467,034	2,336,484
	Total Ecommerce	3,467,034	2,336,484
	CONSULTANCY		
	External Consultancy	119,345,009	122,639,430
	Instant Hand Sanitizer	19,400,550	-
		138,745,559	122,639,430
	Support Services & Logistics	39,707,434	69,500,843
	Total Support Services & Logistics	39,707,434	69,500,843
	Construction services	3,467,464	1,936,797
	Total construction services	3,467,464	1,936,797
	OTHER INCOME		
	Exchange Gain	630,164	11,656
		630,164	11,656
	TOTAL INCOME	302,840,450	327,214,115
2	COST OF SALE		
	EDC		
	Short Courses	9,246,098	5,094,129
	Total EDC	9,246,098	5,094,129
	PRODUCTS		
	Convenience Food	4,119,184	4,003,957
	Mushroom Products	1,198,966	2,391,950
	Horticultural products	62,949,980	79,710,012
	Banana Products	17,257,258	12,837,379

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

Organic Products	428,920	694,080
Total Products Division	85,954,308	99,637,378
CONSULTANCY		
External Consultancy	100,437,866	111,731,920
Instant Hand Sanitizer	14,737,999	
Total consultancy	115,175,865	111,731,920
Support Services & Logistics	28,878,920	29,689,860
Total Support Services&Logistics	28,878,920	29,689,860
ECOMMERCE		
Ecommerce	10,086,744	9,509,508
Total Ecommerce	10,086,744	9,509,508
TOTAL COST OF SALE	249,341,935	255,662,795
GROSS PROFIT	53,498,515	71,551,320
3 STAFF COSTS		
Gratuity	2,247,227	2,693,264
N.S.S.F CO. Contribution	40,000	40,400
NSSF Staff Contribution	40,000	40,400
NHIF Staff Contribution	251,850	248,700
PAYE Staff Deduction	6,556,809	6,335,884
NET Salary	17,801,378	16,233,413
Staff Other Deduction	1,600,358	1,738,802
Pension co. contribution	999,650	954,918
	29,537,272	28,285,781
4 DIRECTORS FEES		
Directors fees	726,280	688,335
5 ADMINISTRATION EXPENSES		
Bad debts	-	17,465,430
Insurance	5,108,870	5,213,830
Staff Mileage Claim	-	21,392
Medical expenses	290,729	476,315
Staff Welfare	671,342	319,220
Travel And Subsistence	543,862	469,340
Stationery Ordinary	214,944	461,050
Computer Stationery	137,599	161,260

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
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	Newspaper and Periodicals	23,280	30,000
	Professional Fees	456,200	480,000
	trading licence	181,000	27,700
	Telephone	50,259	40,977
	Internet Services	57,646	101,400
		7,735,731	25,267,914
6	FINANCE COSTS		
	Bank Charges	478,657	638,484
	Interest on loan	7,335,401	6,994,700
		7,814,058	7,633,184
7	ADVERTISING AND SALES PROMOTION		
	Field Promotion	-	455,000
8	MAINTENANCE/UTILITY COST		
	Electricity	524,096	594,460
	Cleaning	12,630	12,989
	Repair and Maint-Building	106,010	43,660
		642,736	651,109
9	DEPRECIATION		
	Depreciation Comp Equipment	476,568	230,810
	Depreciation Furniture	78,396	37,306
	Depreciation Office Equipment	232,020	236,418
	Depreciation Production Structures & Equip	3,433,716	6,015,384
	Depreciation Instant mini factory	124,433	124,433
	Depreciation Yoghurt Factory	146,175	146,175
	Depreciation Premises fence	69,005	69,005
	Depreciation Washroom	13,964	13,964
	Depreciation Civil Works	112,267	112,267
	Depreciation office Building	462,064	-
		5,148,608	6,985,762
	PROFIT BEFORE TAX	1,893,829	1,584,235

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

ASSET MOVEMENT SCHEDULE

10 PROPERTY PLANT & EQUIPMENT

SCHEDULE	<u>2.50%</u>	<u>33.33%</u>	<u>10%</u>	<u>10%</u>	<u>25%</u>	WORK IN PROGRESS	TOTAL
	<u>BUILDINGS</u>	<u>COMPUTERS</u>	<u>FURNITURES</u>	<u>OFFICE EQUIPMENTS</u>	<u>PRODUCTION STRUCTURES & EQUIPMENTS</u>		
<u>COST</u>	KSHS		KSHS	KSHS	KSHS		KSHS
As at 01-07-2018	18,633,761	5,080,069	1,252,200	3,097,296	23,081,211	45,740,772	96,885,309
Addition in the year	-	541,000	115,514	175,370	2,676,565	3,230,410	6,738,859
As at 30th June 2019	18,633,761	5,621,069	1,367,714	3,272,666	25,757,776	48,971,182	103,624,168
DEPRECIATION							
As at 01-07-2018	1,823,876	4,991,780	1,124,868	1,930,232	15,599,861	-	25,470,616
Charge for the year	465,844	230,810	37,306	236,418	6,015,384	-	6,985,762
As at 30th June 2019	2,289,720	5,222,590	1,162,174	2,166,650	21,615,245	-	32,456,378
NET BOOK VALUE-							
As at 30th June 2019	16,344,041	398,479	205,540	1,106,016	4,142,531	48,971,182	71,167,790
COST							
As at 01-07-2019	18,633,761	5,621,069	1,367,714	3,272,666	25,757,776	48,971,182	103,624,168
Addition in the year	473,671	775,000	436,396	-	-	385,161	2,070,228
Transfer from WIP	18,008,887	-	-	-	-	(18,008,887)	-
As at 30th June 2020	37,116,319	6,396,069	1,804,110	3,272,666	25,757,776	31,347,456	105,694,396
DEPRECIATION							
As at 01-07-2019	2,289,720	5,222,590	1,162,174	2,166,650	21,615,245	-	32,456,378
Charge for the year	927,908	476,564	78,395	232,022	3,433,719	-	5,148,608
As at 30th June 2020	3,217,628	5,699,154	1,240,569	2,398,672	25,048,964	-	37,604,986
NET BOOK VALUE-							
As at 30th June 2020	33,898,691	696,915	563,541	873,994	708,812	31,347,456	68,089,410
NET BOOK VALUE-							
As at 30th June 2019	16,344,041	398,479	205,540	1,106,016	4,142,531	48,971,182	71,167,790

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	2019-2020	2018-2019
11 TRADE AND OTHER RECEIVABLES		
Trade Receivables	40,720,529	69,268,703
Sundry Deposit	284,000	284,000
Withholding Tax	34,194,402	28,543,780
Jkuat Nissin Foods	-	12,421
Insurance prepayment	3,959,968	4,013,147
	79,158,899	102,122,051
12 INVENTORIES		
Mushroom Spawn	-	21,375
Books:		
Basics of Geometry	-	92,822
Basics of Calculus	-	69,333
Algebra and maths	-	93,777
Statistics & Probability	-	73,543
Basics of Graphs	-	94,565
Chuff Cutters	-	16,682
Paw paw seedlings	804,280	466,580
Banana	17,792,630	17,943,105
Mango Seedlings	1,197,960	2,399,600
Avocado Seedlings	24,776,855	18,395,915
Templates Seedlings	124,050	93,300
Orange seedlings	-	-
Lemon Seedlings	30,200	785,900
Memorabilia	-	-
Other Assorted Seedlings	372,150	149,295
Total Stock	45,098,125	40,695,792
13 CASH & BANK BALANCES		
Barclays Current Account	-	-
Cooperative Bank	18,772	19,251
Standard Chartered Bank	26,617,842	7,469,958
KCB 2	6,244,558	81,580
USD A/C No 1259991709	60,523	
KCB KSHS Ecommerce	2,559	
KCB Moi Av-USD Account	5,577,906	10,971,457
Total Cash & Bank Balances	38,522,160	18,542,246
14 -Authorized Share capital-10,000 ordinary shares of Kshs 20.00 each		

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020**

	-Issued Share Capital 5102 @ 20	102,040	102,040
15	Capital Funding	25,644,005	25,644,005
16	REVENUE RESERVE		
	Bal B/F	(12,343,661)	(13,452,626)
	Net Profit for the year	1,325,680	1,108,965
		(11,017,981)	(12,343,661)
17	TRADE AND OTHER PAYABLES		
	Trade Payables	60,179,589	88,337,806
	P.A.Y.E Control	867,673	906,076
	N.H.I.F Control	54,100	49,400
	N.S.S.F Control	17,200	16,800
	Sundry Deduction	260,677	121,812
	Net Salary Control	3,556,786	2,712,831
	Prov For Audit Fee	1,020,800	510,400
	Provision For Gratuity	12,786,943	9,902,621
	Pension Control	2,158,884	599,790
	Prepayments-Debtors	37,729,157	18,629,802
	Staff Welfare	478,156	376,556
	Casuals Control	1,919,625	1,230,866
	Other Provision	790,369	15,273,046
	VAT Control A/C	5,004,973	4,650,688
	KRA Supporters	2,248,044	2,208,650
	University Classes	24,276,406	19,911,586
	HIV Test Project	12,267,470	8,374,010
	Safari Project	67,814	160,918
	Spheir Project	58,094	574,948
	African Acade	842,666	4,560,750
	Gemix Program	-	280,175
	JKUAT Noodles	8,130	-
	Strawberry Project	28,500	-
	WWF	45,000	-
	National Academy Of Science	469,380	-
	ICRISAT	1,488,350	-
	Customer Service Training	61,197	-
	KRA HR Board Services	80,440	-
	Job Analysis And Evaluation	117,200	-
	KESRA Masterplan	229,500	-
	Wote Green Park Project	7886	-
		169,121,009	179,389,533

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18	Overdraft	43,541,656	27,625,076
	TOTAL CURRENT LIABILITIES	212,662,665	207,014,609
19	LONG TERM LIABILITIES		
	Asset Loan	3,477,866	12,110,887
		3,477,866	12,110,887

20. GOING CONCERN CONCEPT

During the year the company registered a net profit of Ksh 1.9m. This is an improvement from a profit of 1.6m. The overall company performance was good. This was amid the struggle brought about by COVID 19 pandemic. Despite all the storms the company did not default in repayment of its debt from the financier i.e. Kenya Commercial Bank. During the current year 2020/2021, The Company has embarked on up scaling seedlings production by employing better production methods, employing more skilled managers and research. This pertains to both fruits and tissue culture seedlings. The company is also working towards growing its' revenue generation unit on external consultancy to have more projects and help generate more revenue. The Support services and Logistics section is also picking up with much referral. This will be expected to gear up financial performance and improve working capital.

21. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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

ii) Liquidity risk management

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

(iii) Market risk

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

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

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

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

a) Foreign currency risk

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

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis


The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Poor Financial Performance	During the financial year 2019/2020 the company was able to improve its financial performance slightly from a profit of Kshs 1.6m to a profit of Kshs 1.9m	Dr. Winifred Karugu (Managing Director)	Not Resolved	30/06/2021
2.	Idle Assets	The management has been developing ways and strategies to have the Flour factory run	Dr. Winifred Karugu (Managing Director)	Not Resolved	30/06/2021


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

DATE..........