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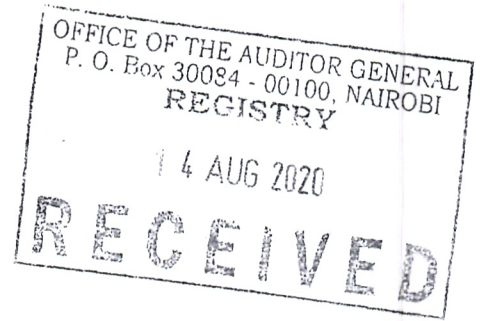
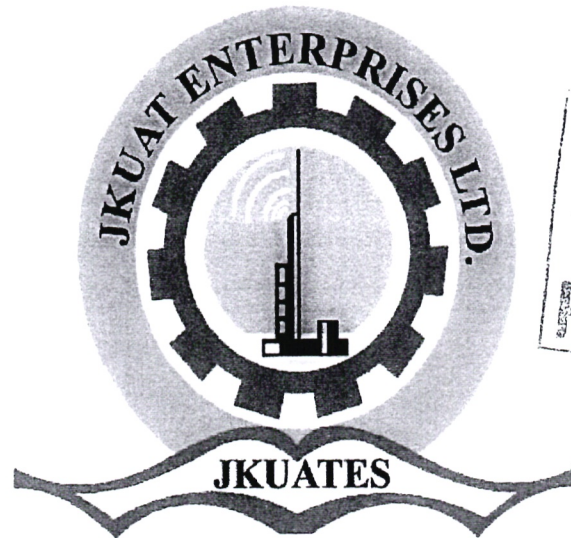
OF

THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2019**



Taking the University to the People

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2019**

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

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

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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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:

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

- | | | |
|-----|------------------------|--|
| 1. | Prof. Paul Kanyari | Director, Chairman JKUAT Council-Appointed on 9 th November 2016 |
| 2. | Prof. Mabel Imbuga | Director, Vice Chancellor Retired 31 st Aug 2018 |
| 3. | Prof. Victoria W Ngumi | Director, Vice Chancellor Appointed 1 st 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 01/05/2017 |
| 6. | Prof. Bernard Ikua | Director, Ag. Deputy Vice Chancellor (Admin), Appointed 1 st Sep 2018 |
| 7. | Prof. Romanus Odhiambo | Director, Deputy Vice Chancellor (AA) Retired, retired 31 st Aug 2018 |
| 8. | Prof. Robert Kinyua | Director, Ag. Deputy Vice Chancellor (AA) Appointed 1 st Sep 2018 |
| 9. | Prof. Bernard Otoki | Director, Deputy Vice Chancellor (Finance) April 2014 |
| 10. | CPA Robert Asumani | Director, Representing PS Min of Education-Appointed on 1 st Oct 2018 |
| 11. | CPA Judith A. Nyakawa | Director, Representative CS Treasury appointed on 24 th November 2017 |

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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

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.





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THE BOARD OF DIRECTORS



	Prof. Paul W. Kanyari, Chairman JKUAT Council Chair
	Prof. Mabel O. Imbuga, Director The Vice-Chancellor JKUAT Professor of Biotechnology-Retired 31/08/2018
	Prof. Victoria Ngumi, Director The Vice-Chancellor JKUAT Professor of Botany Appointed 1 st Sep 2018
	Dr. Winifred N. Karugu, Managing Director BSc Agriculture (Oklahoma state university) Appointed 01/05/2017 MSc Agricultural Economics (Oklahoma state university) PhD Economics (JKUAT)
	Prof. Mary Abukutsa Director, Deputy Vice Chancellor (RPE)-JKUAT- Appointed 01/05/2017
	Prof. Robert Kinyua Director, ag. Deputy Vice Chancellor (AA)-JKUAT-Appointed 01/09/2018
	Prof. Romanus Odhiambo, Director DVC Academic Affairs-JKUAT Professor of Mathematics- Retired 31/08/2018
	Prof. Bernard Ikua Director, ag. Deputy Vice Chancellor (Admin)-JKUAT- Appointed 01/09/2018

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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 Masters of Business Administration</p>

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	<p>Mr. Kelvin Muoki, Business Development Manager BSc in Information Technology Masters of Business Administration</p>
	<p>Mr. Joseph Macharia Certified Public Accountant Bachelor of Commerce</p>
	<p>Ms. Vivian Waithaka, Company Secretary JKUAT legal Officer, Masters, LLB</p>

**JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY
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CHAIRMAN'S STATEMENT

REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2019

Introduction

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

Financial Performance

During the year 2018/2019 the company reported Gross revenue of **Ksh 327.2 Million**, with a gross profit of **Ksh 71.57Million** and a net profit of **Ksh 1.6 Million** compared to a Gross revenue Ksh 248 Million and a gross profit of Ksh 39.7 Million and net loss of 2.9 Million for the year 2017/2018. The performance significantly improved with the top line increasing by Ksh 74.4 Million and net loss improving to profit territory.

Achievements

The contribution from each division were as follows; Products Ksh 122.3 Million, Consultancy Ksh 194 Million and EDC Ksh 8.4 Million and the E-Commerce Ksh 2.39 Million.

The company reviewed staff salaries upwards for the first time in more than seven years and hired more staff especially in the lower cadre to take care of the grounds and factories. The company's move to its new office block (The Hub) had an overall positive impact as staff can now work effectively without the challenges posed by over congestion. Further, more classroom space allows for more student enrollment and since all operations are situated at the Hub, it is easier to manage the company.

Challenges

The company's major challenge during the year in question was cash flow constraints thus resulting in sub-optimal operations in the various divisions. The company's main bankers KCB had not given any indication of facilitating investment despite multiple meetings and consultations. In spite of this, the company went ahead to produce and market its various products as far as cash flows allowed. For example, the company conducted market trials that indicated high levels of acceptability of its products and has now embarked on branding and procuring a distribution company for purposes pushing products to the market.

The company sought expert advice from German experts, having hosted four since October 2018 under the products division, namely the noodles factory, the Instant Flour production, the Seedlings operation and for Milk processing. The experts have been very instrumental in product development and improvement.

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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: 22/07/2020

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ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2019

Financial Performance

Management is encouraged by the fact that despite operating under very tough conditions things during the last three years, the company not only began experience financial recovery during the last financial year, and that the upward trend has continued during the current year. During the four quarters of the current financial year this upward trend continued with an income of **Ksh 327.2 million** with a gross profit of **Ksh 71.6 million** and a profit before tax of **Ksh 1.6 million**. During the same period in the 2017/2018 financial year revenue was Ksh 248 million, gross profit of Ksh 39.7 million and net loss was Ksh 2.9 million. Therefore the top line increased by Ksh 74.4 million while the net loss is now a net profit. The divisions contributed to the above result as follows; Products division Ksh 122.3 million, Consultancy division Ksh 194 million, EDC division Ksh 8.4 million and E-Com division 2.39 million.

During the first half of the year the company reviewed staff salaries upwards for the first time in more than seven years and also engaged in restructuring the company into more clearly defined divisions. We also hired seven new members of staff mostly lower cadre to maintain the grounds, and assist in the factories. The restructuring coupled with enhanced staff remuneration and incentive schemes is yielding results as reflected in the improvement in both the top and bottom lines.

The move to our new premises is bearing fruit in several ways including the fact that now the staff can concentrate on their tasks without having to deal with the challenges posed by over-congestion, our training rooms now allow more courses and trainees simultaneously and the fact that almost all our projects are in the same compound have made them easier to manage. However there is still a lot of work that needs to be done to properly finish the building and the infrastructure in the Hub, but management intends to pace the work as cash flows allow.

Over the last three years the company has been seriously hampered by cash flow problems that prevented optimal production in all its divisions. This situation persisted over the last financial year as management held several discussions with its main banker KCB to determine whether the bank will actually facilitate investment. Despite this management decided to go ahead with production and marketing as far as internally generated funds allowed. In line with this the company has over the last two quarters engaged in testing the various products under its aegis for acceptability. The results have been analyzed and show that the products have wide acceptability. Encouraged by this the company has engaged a marketing company that will brand, promote, advertise and distribute the products. The products will enter the market before the end of this calendar year.

In line with its production agenda the company sourced expert advice from Germany¹ and since October we have hosted four experts one for the noodles factory, one for the instant porridge factory, the third one for the seedlings operation and the fourth one for the dairy factory. The experts have been instrumental in identifying and correcting production problems, enabling us to make the push towards market.

Environmental Impact

During the time period in question the company sold about 900,000 seedlings both tissue cultured (200,000) and grafted. These seedlings have been planted in orchards across the country, helping green the countryside and clean the atmosphere. We thus believe that we are making significant contribution

¹ German government's Senior Expert Service (SES)

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to environmental protection in this country. Our production activities have also improved the micro-environment in-between the staff houses, Gate C and the COHES/COPAS/PAUSTI buildings. And as we continue to relocate our operations to Kengo Gate the area is likewise benefitting from our activities.

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 time period in question each division addressed a specific need (please see addendum one) with consultancy hosting a fun day with a motivational speaker, music, games, competitions and product sampling. Products division created a mini fruit orchard while teaching pupils about husbandry, construction began to improve existing dining area and place benches in their leisure areas, and the factories donated samples to pupils and staff.

Reports from the Company's Divisions for 2018/2019 Financial Year

Products Division

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

The key highlights for the year so far include; production and market testing of the instant porridge flour (Inspo) and breakfast/snacks (Chunkys) and the much anticipated market entry. The division has also been scaling up seedling production and marketing as well as implementing the recommendations given by the four Senior Technical Experts who were seconded to us by the German government. We managed a top line of Ksh 122 million compared to Ksh 90 million in the previous financial year. This represented growth of 35% and the division is optimistic that the growth trend will continue. Currently we are focused on cost management as we continue to grow our product lines.

Propagation Materials

The growth experienced by the division was remarkable considering that the peak March to May season sales of seedlings were below expectation due to adverse weather. There is however a lot of potential for this business line especially due to the expected start of the National Agriculture and Rural Inclusive Project and Kenya Climate Smart Agriculture projects that are being funded by the World Bank in partnership with the counties. This will be in addition to the traditional markets. We are also hopeful that the weather will be more favorable this year. The sales target for this year is Ksh 160 m.

Convenience Foods

The division has continued to develop the food products after getting useful feedback from the market testing. Currently, we are working on eliminating lumping and improving the nutritional composition of the porridge as well as coming up with different flavors to cater for different consumers.

We have also engaged marketing firms to help us with complete marketing plans that will help us aggressively push the products in the market. The division is optimistic that all these efforts are going to yield products that are competitive in the market and grow the revenues. The target is sales of Ksh 20 million.

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Key challenges for the division include limited funding and adverse weather conditions that are slowing down the operations and sales.

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 division began the year determined to increase its business lines by centering its drive-in business development. This has seen an increase in the number of prospective clients as well as a rise of resource persons whose role is to aid in sourcing consultancy and training assignments. Over the last financial year the division experienced significant growth in revenues moving from Ksh 151 to 194 million. In the last year alone both our revenue and gross margin increased by 30%.

All this is attributed to the implementation of a transformation agenda with the objective of increasing revenues. The agenda is anchored within 3 strategic pillars namely excellence in customer relationship management, excellence in support and excellence in service delivery. This led to identifying 4 key products lines; construction, ICT, strategic management and human resources that we are currently developing capacity, increasing specialization and also mapping and developing a database of competent consultants.

Furthermore, with the support of the management, we have also started implementing the silo system in managing our resources to enhance revenue and cost management and self-reliance and implementation of commission system as a way of motivating staff.

Financial year 2019-2020

In the just ended financial year we managed to secure new contracts amounting to approximately Ksh. 130 million in the different products lines which we expect to implement in the next 2 financial years. Furthermore, we are working hard to secure more business in the areas of KRA staff augmentation program, business process reengineering, construction, KPLC trainings and consultancies and IFMIS audit phase 2 among others.

Our Revenue target for this financial year is Ksh. 150 million with a gross margin of 30 million.

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

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 corporate training division engaged

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in mushroom training for an NGO in Bungoma and cyber security for the National Police, DCI, Masinde Muliro University and Chai Traders in Mombasa.

The division met its target this year having by generated Ksh 8.8 million 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 and monitoring and evaluation. The target for 2019-2017 is Ksh 15 m.

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.

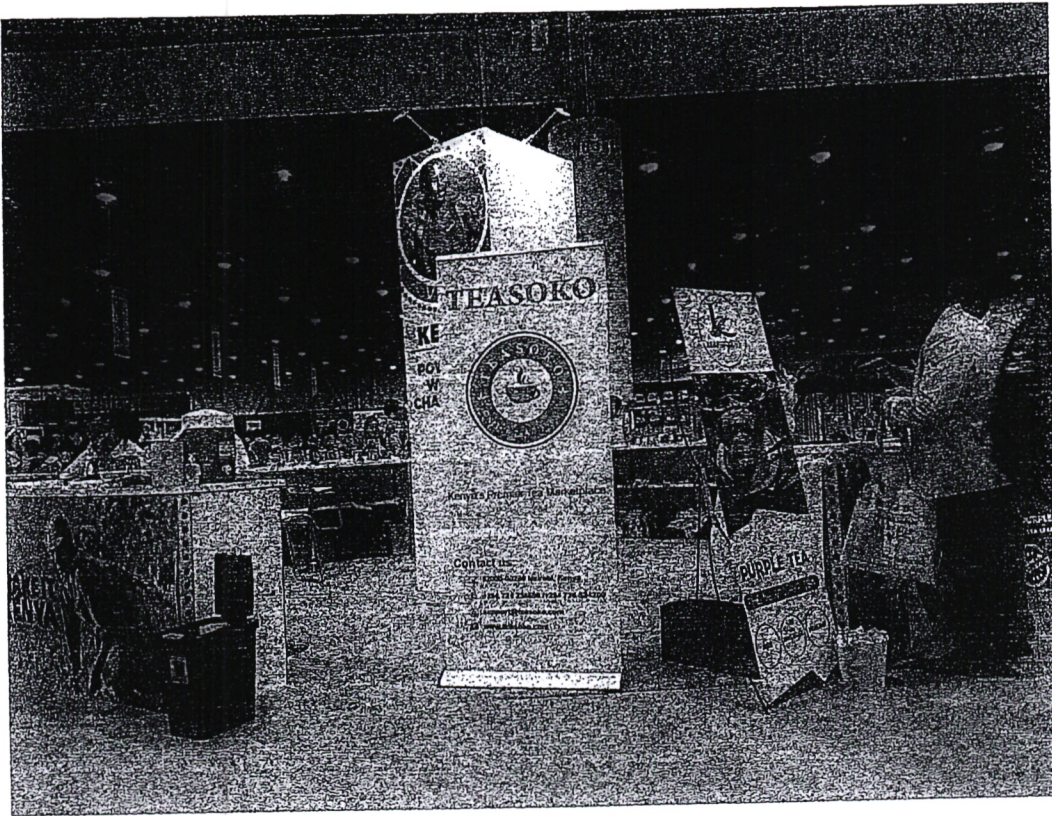
The division began operations in September 2018 and spent much of the year developing the online platform and investigating overseas markets for tea and fruits.

TeaSoko platform

Development of the TeaSoko platform, the online platform for Kenyan specialty tea, is complete. It can be viewed on <https://www.teasoko.com>. So far, three sellers have listed their products on the platform: Gatanga Tea Industries, Tumoi Teas and Brand Discovery Limited. JKUATES will also be listing its tea range products on the platform soon. In total, there are 30 products listed. We anticipate having more sellers come on board as we progress. JKUAT Enterprises will retain a commission of 20% on products sold on the platform.

The division recently (July) exhibited the platform at the International Tea Expo-ITE 2019 Las Vegas USA (courtesy of Tea Directorate), and at Kenya Trade Week and COMESA source 21 events at KICC. The platform made the news² on local channels which was very encouraging.

² <https://www.youtube.com/watch?v=HNsbOeUW4dI&feature=youtu.be>

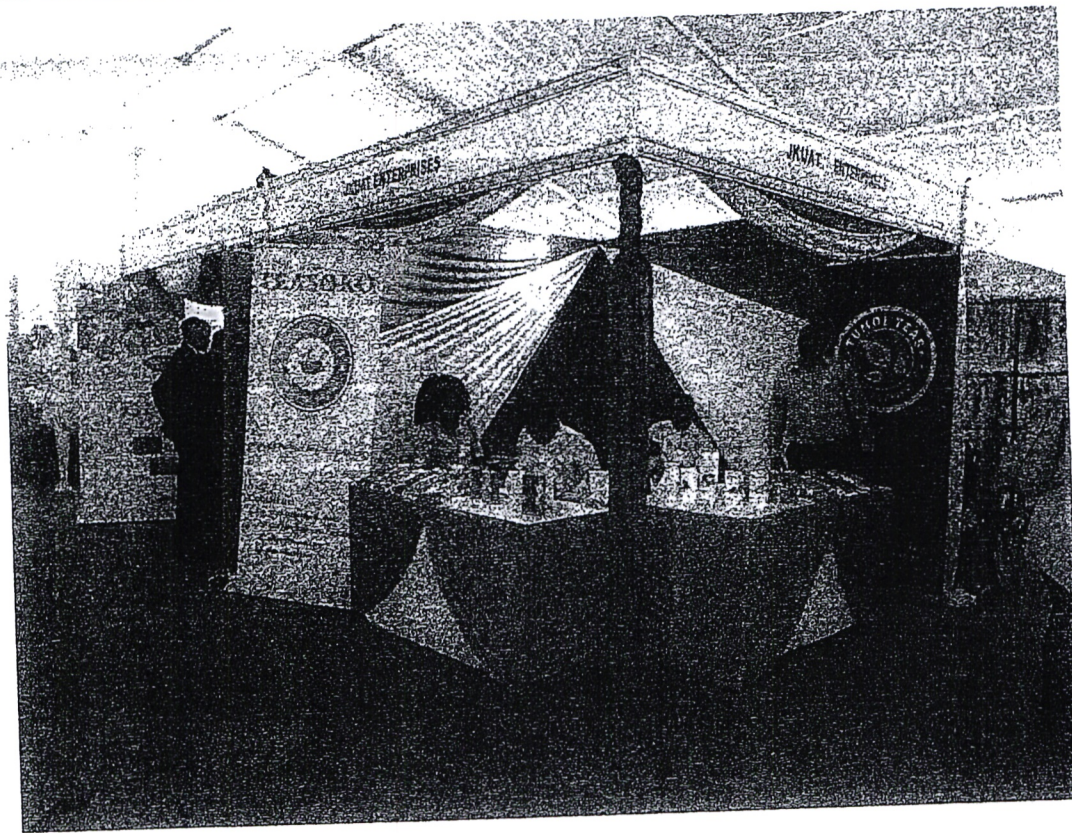


The early signs are positive and already some buyers have shown interest in purchasing products from teasoko.com. We will embark on a digital marketing campaign to popularize the site to both local and international buyers.

JKUATMART 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.

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Avocado Exports

The avocado season which is regulated by HCDA starts in March and ends in July. The Company managed to sea freight two 40" Reefer Containers one to Dubai, UAE to Messrs Fresh Fruit LLC and the other to France Messrs. Pulp Fruit SAS, each with a total 5760, 4kg net boxes of Avocado³ (23MT). The sale to Dubai was more successful than the one to France due to the stringent requirements imposed by the EU, coupled by intense competition from Peru. Since prices are much higher in Europe than the Middle East, the division is still interested in the European market but will likely explore air freight options during the season next year to ensure that the fruits are in peak condition when they arrive. The division earned Ksh 2.3 million in revenue from the two consignments. In the current financial year the division projects to export avocado worth Ksh 20 m.

Specialty Tea - Camellia Premium Brand

JKUATES own-brand of specialty Tea has been successfully completed. The brand name is "*Camellia Premium Tea*". A dry-run on the first batch of Tea sales is underway with 1000 boxes (each approx.100g) scheduled to be sold in this inaugural run with projected 50% margin. The division projects to make sales of tea worth Ksh 5 m this financial year.

³ Fuerte variety to Dubai and Hass variety to France

CORPORATE SOCIAL RESPONSIBILITY

JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY PRIMARY SCHOOL

Consultancy Division

In a drive to give back to the society, the Consultancy division undertook a corporate social responsibility at Jomo Kenyatta Primary school on 4th April 2019. The purpose was to spend time with the pupils and to encourage them to strive for better things in the future. This led to a school fun day coupled with motivational talk.



Inspection of the Guard of Honour

School choir entertaining the assembled

A word of prayer from one of the teachers followed by a brief introduction from the head-teacher marked the beginning of the event. The school choir entertained the audience with songs and poem recitals.

The head-teacher introduced the guest of honour, Dr. Winifred Karugu – Managing Director, JKUAT Enterprises Limited to give her speech. She gave a detailed introduction on JKUATES, a private company owned by JKUAT to be the commercial arm of the university. She mentioned the five divisions namely: Consultancy, Products, EDC, ICT, E-Commerce and JKUAT Noodles. Dr. Karugu engaged the pupils on their preferred career paths and many leaned towards practicing accounting. The pupils were full of energy and wished to join JKUAT and other institutions higher education when they grew up. Though the future is marred with uncertainties, they bubbled with the potential to conquer the unknown and become productive people. They learned a lot about their new neighbours and the services they offer. There MD signed off by letting the pupils that the sky is not the limit and therefore they should always strive for greater things. She introduced the Consultancy Head, Mr. Martin Muange to take over the program.

Mr. Martin Muange gave a brief description of the services offered to various clients by the Consultancy Division. Through an interactive session with the students, he encouraged the pupils to let nothing hinder them from achieving their dreams in life. Later, he welcomed the keynote speaker Ms. Rachael Wanjiku.

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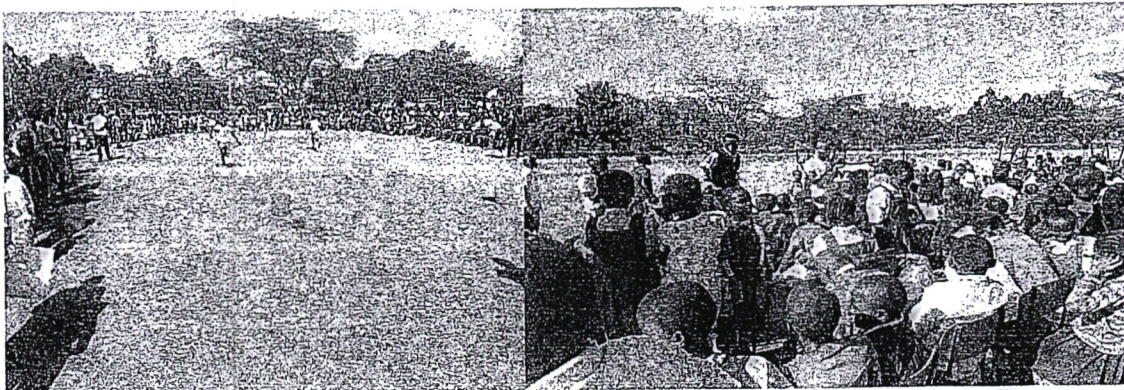
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Ms. Rachel Wanjiku engaging the pupils Dr. Karugu, Mrs. Karuki & Ms. Rachel taking a selfie

Ms. Rachel Wanjiku has had the privilege to deal with various groups in mentorship programs in various platforms such as schools, universities, colleges, churches TVs, etc. From the audience, she touched on various topics advising the pupils on what they should engage in the April holidays. Her expertise was seen as she interactively engaged with students. She encouraged them to enjoy their childhood while it lasts. She warned the pupils against succumbing to peer pressure, as they would find themselves engaging in the wrong activities. They ought to align themselves with the right company and assist in carrying out house chores when at home. She requested them to adhere to the B.L.A.S.T. action. This stands for B-Behave. L-Listen. A-Ask. S-Solve. T-Time Bound. The pupils were well motivated to learn and adhere to the advice that was shared with them as the April holidays began. The zeal in their eyes was fulfilling.

This was later followed by games, entertainment and finally the presentation of goodies from JKUAT Enterprises Ltd.



Fill the bucket challenge

Mr. Muange addressing pupils at the closing assembly

Products Division

The Products division planted 70 avocado seedlings and 30 assorted fruit seedlings (mango, citrus, pawpaw and tree tomato) in an area identified by the school's management for creation of a mini orchard. The pupils were taught how to plant and care for the seedlings and will be able to observe them as they grow into trees that the pupils can harvest fruit from.

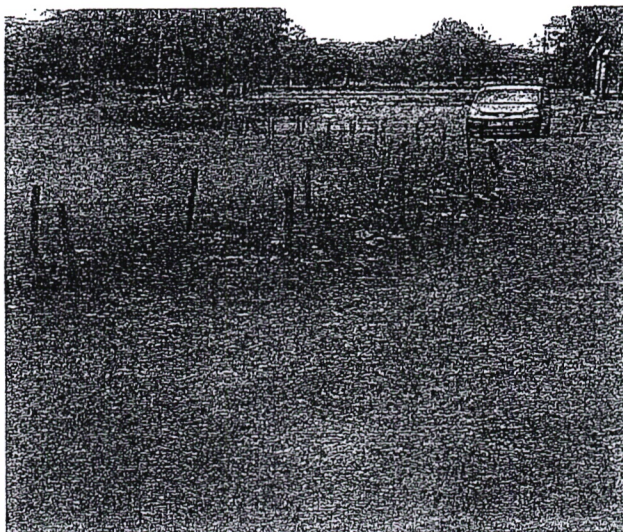
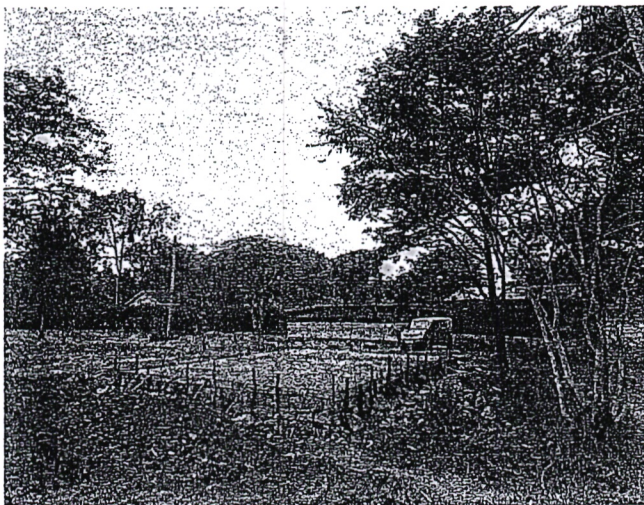


Finance, Procurement and Construction Divisions

The division is on-course to providing the Jomo Kenyatta Primary School with a dining hall, a change from the old structure built along a busy road leading to JKUAT Enterprises Main Offices. This shift of structure will provide room for installation of a fence for safety of the school pupils.

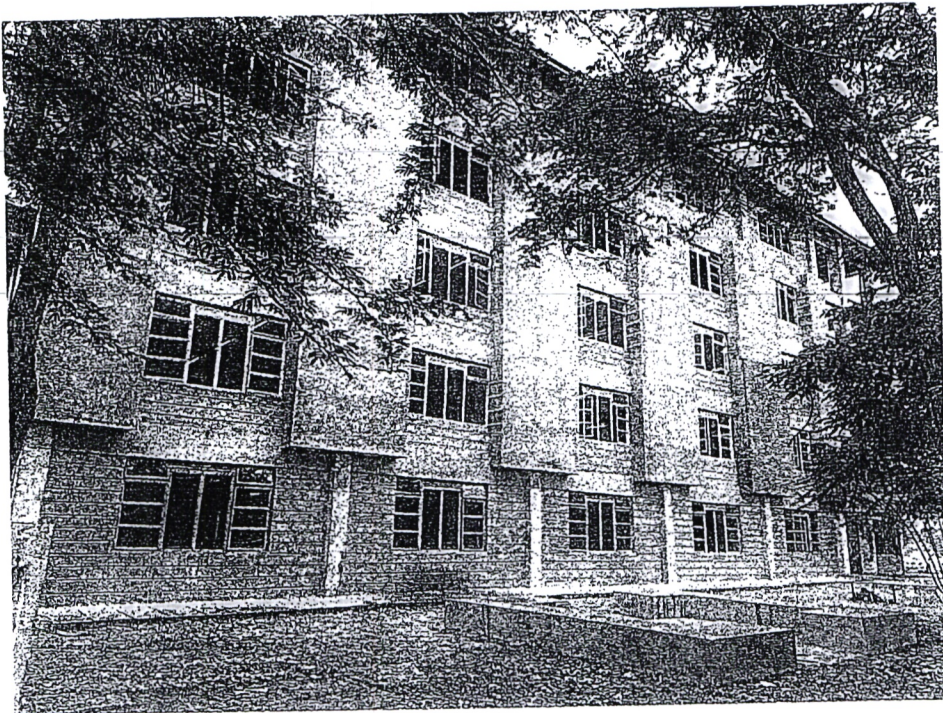
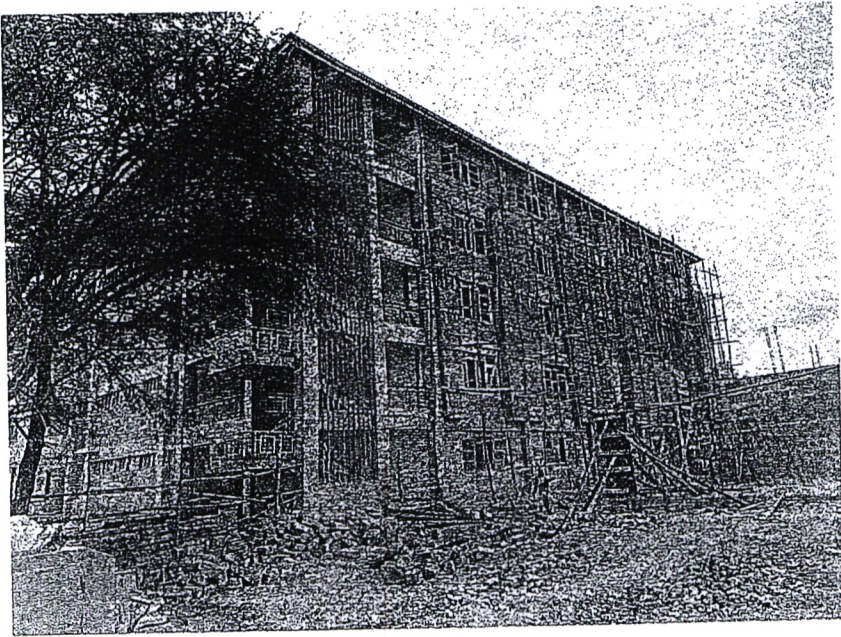
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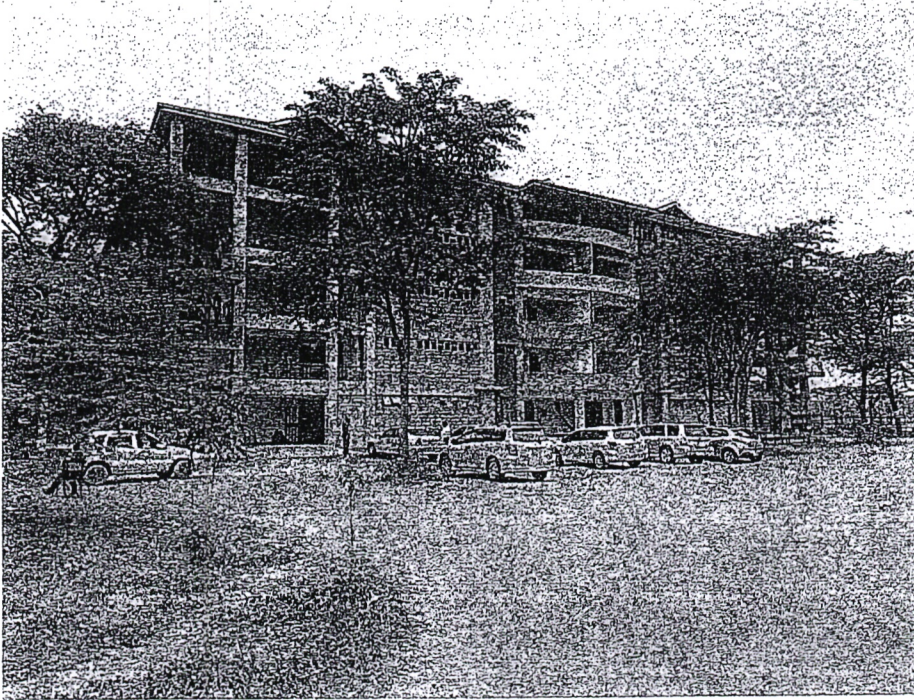
ADDENDUM TWO

IMAGES OF CONSTRUCTION PROJECTS

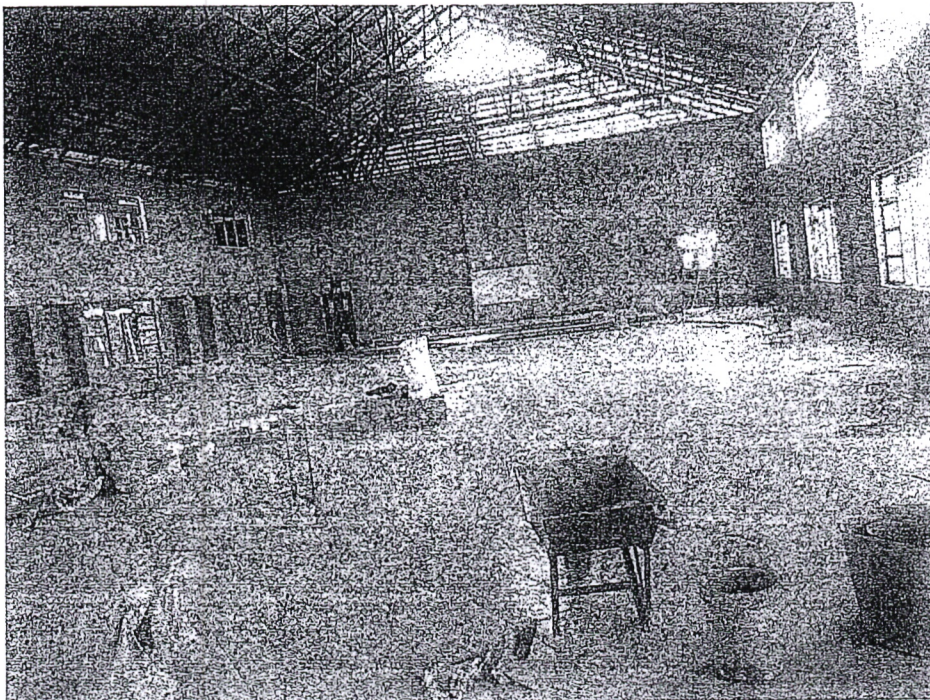


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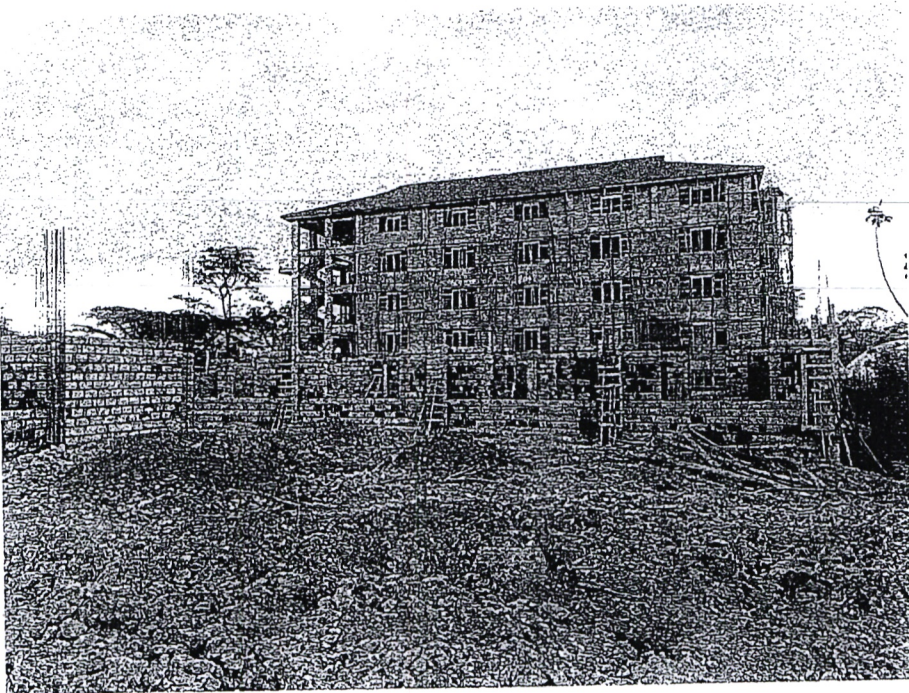
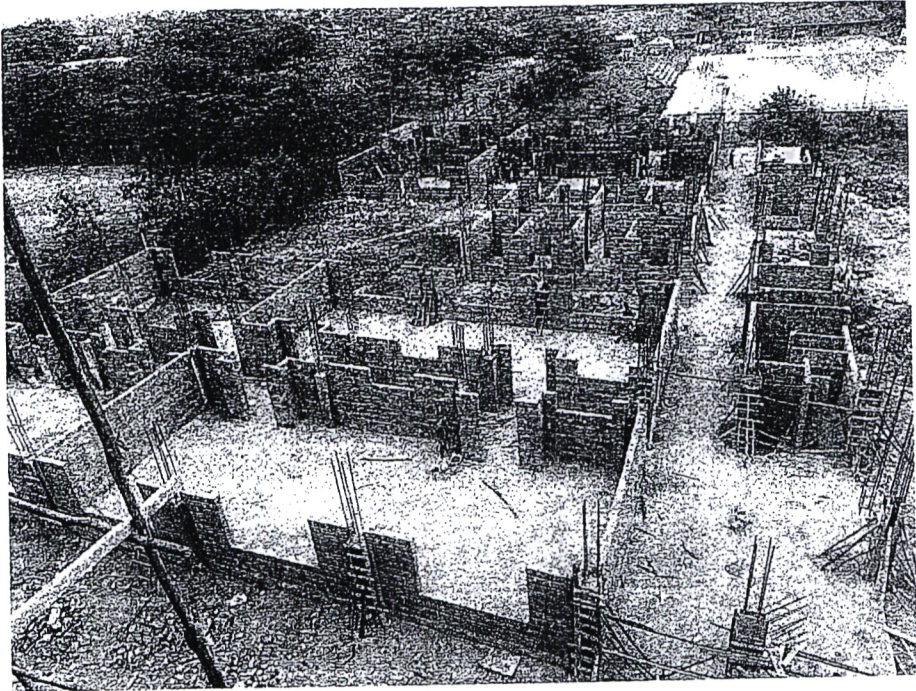
COHRED building



COHRED building hall

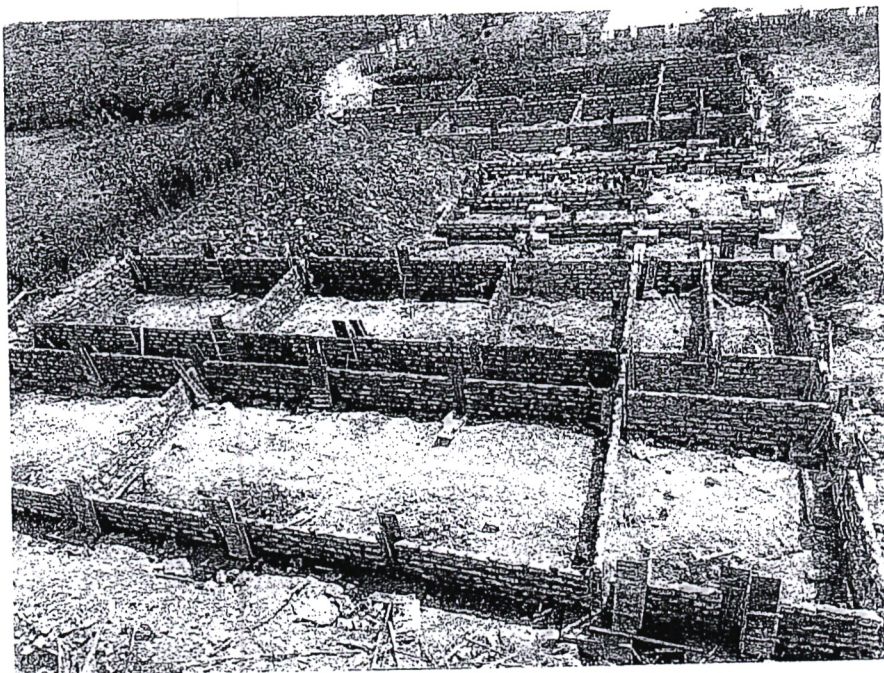
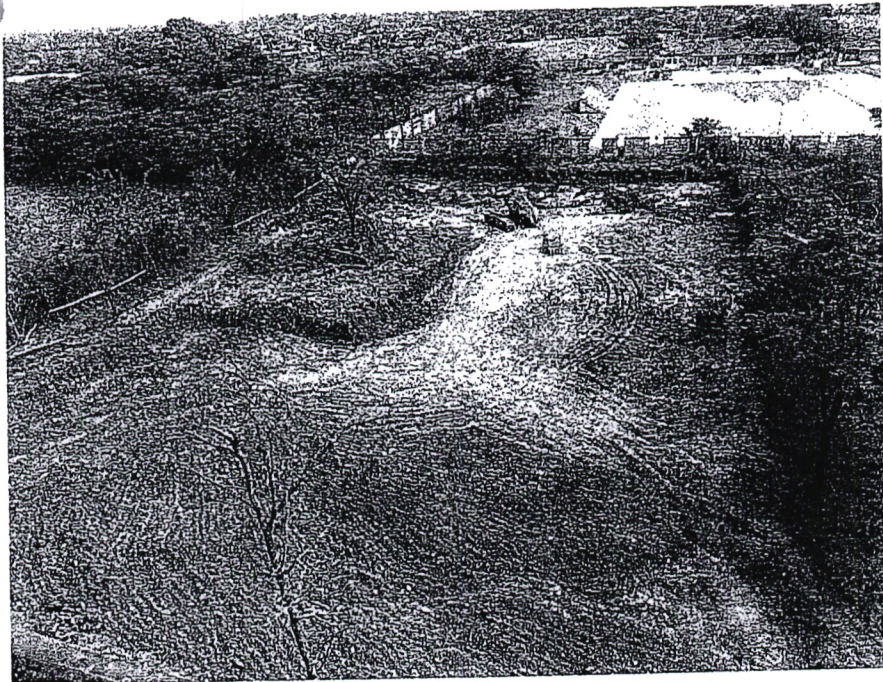
JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**



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

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**



CORPORATE GOVERNANCE STATEMENT

Corporate Governance:

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

The Board of Directors:

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

Board Meetings:

The Board meets quarterly for scheduled meetings and on other occasions to deal with any specific matter that requires attention in between the quarterly meetings. Scheduled meetings review the quarterly performance against targets as well as monitoring of business and operational issues.

Composition of Board:

Eight out of the nine members of the Board are non-executive, including the Chairman of the Board. Majority of the directors are drawn from the main university or related fields. However, they are considered to be independent and free from any business, interest or other relationship that could interfere with the exercise of their independent judgment.

Board Meetings:

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

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

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Directors' Benefits and Loans:

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

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

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The divisions contributed to the above result as follows; EDC division Ksh 8.5m, Products division Ksh 122.3m, E-commerce 2.3m and Consultancy division Ksh 194 m. This can be represented in the following chart:-

REVENUE CONTRIBUTION

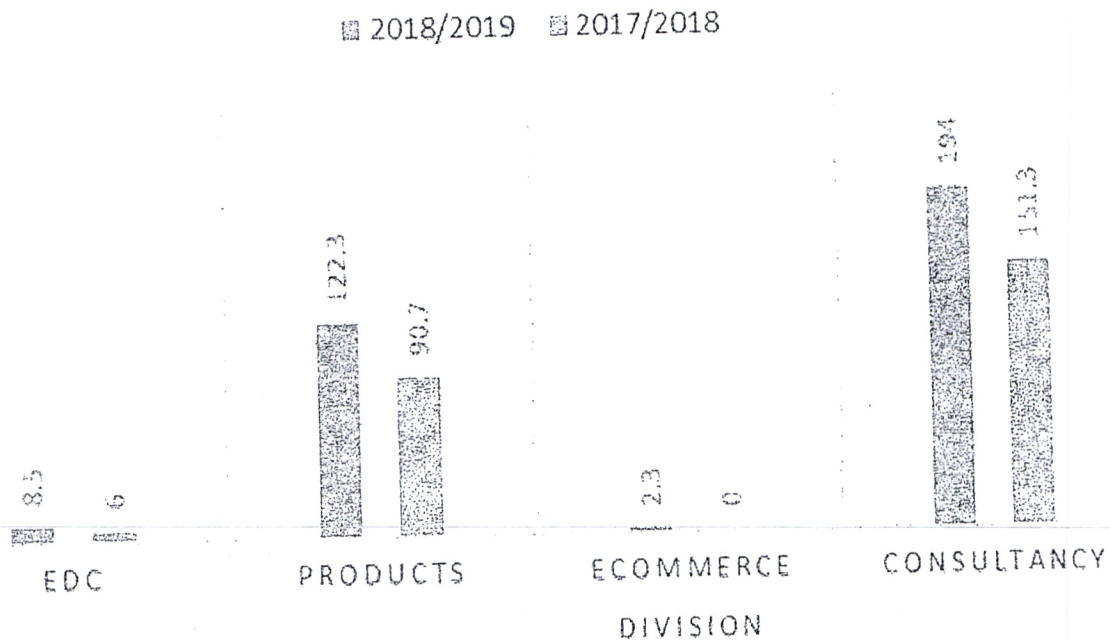


Figure 1: Revenue Contribution

Cost of sales

Cost of sales as per divisions was as follows: - EDC division Ksh 5m, Products division Ksh 99.6m, E-commerce 9.5m and Consultancy division Ksh 141.4 m. This could be shown by the following chart:

COST OF SALES



Figure 2: Cost of Sales

Expenses analysis

The rise in revenue came along with a rise in cost of sales and expenses. Analysis of company’s expenses for the two years in comparison were as follows:

EXPENSES ANALYSIS

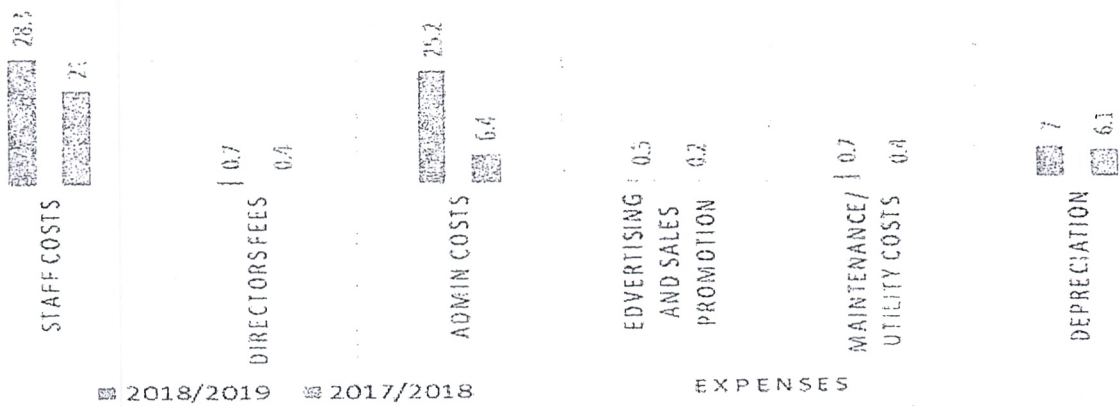


Figure 3: Expenses analysis

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Finance cost

The finance cost for the financial year 2018-2019 reduced compared to the precedent financial year 2017-2018 i.e. ksh.7.6m to 8.2m respectively. This can be depicted by the following chart:

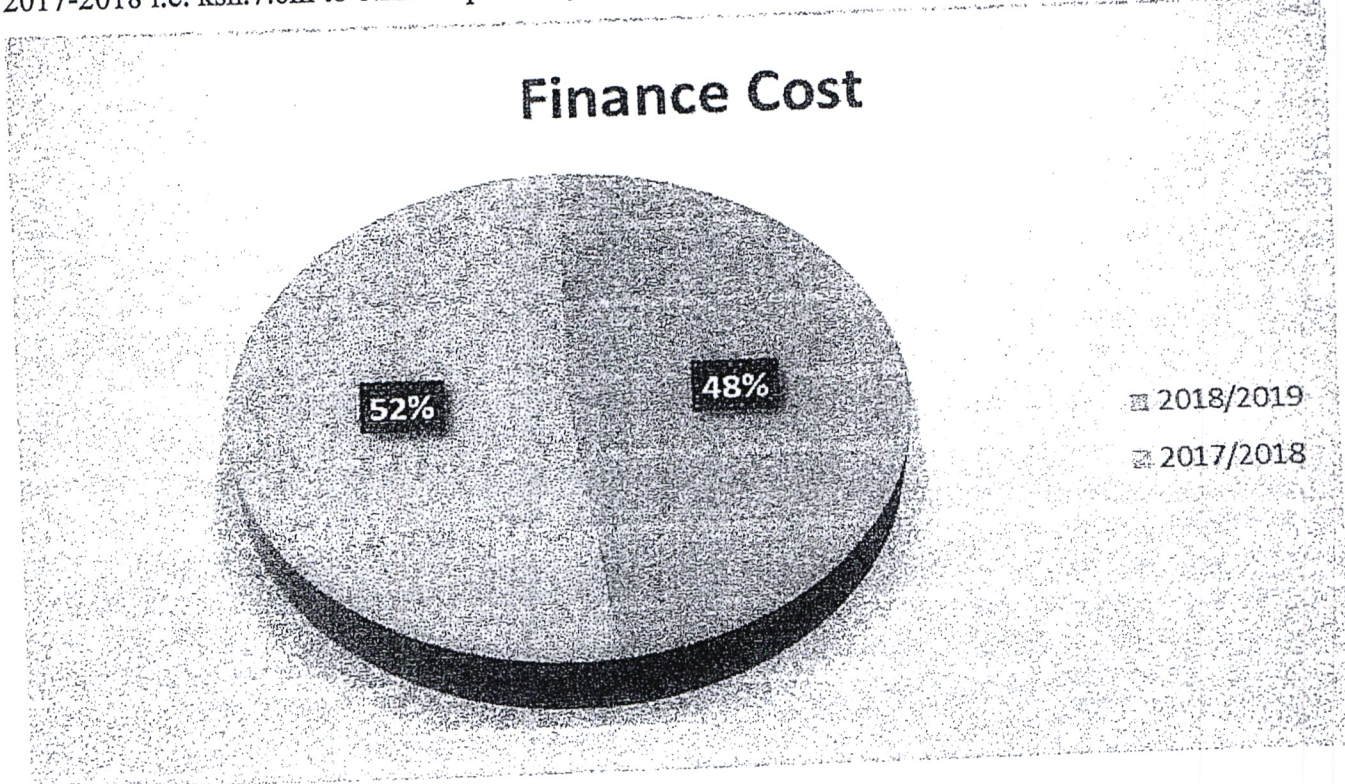


Figure 4: Finance Cost

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

	2018/2019	2017/2018
	Ksh	Ksh
Profit/Loss for the year	1.6m	(2.9m)

This can be summarized in the chart below:

PERFORMANCE COMPARISON

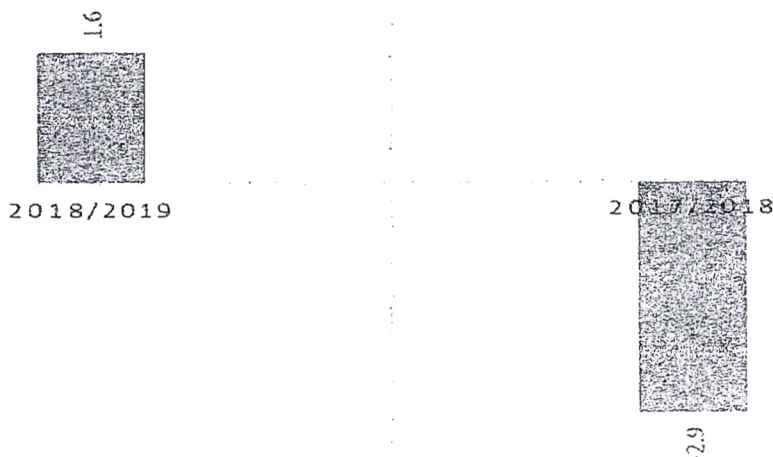


Figure 5: Performance comparison

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 71.4m to 71.2m in the year 2017/2018 to 2018/2019 respectively. This is a reduction of 0.2% to its previous value. This can be seen in the chart below:

PROPERTY, PLANT AND EQUIPMENT



Figure 6: Property, Plant and Equipment

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Current Assets

Current assets increased significantly from kshs. 116.7m to kshs.161.8m in the financial year 2017/2018 and 2018/2019 respectively. This was as shown below:

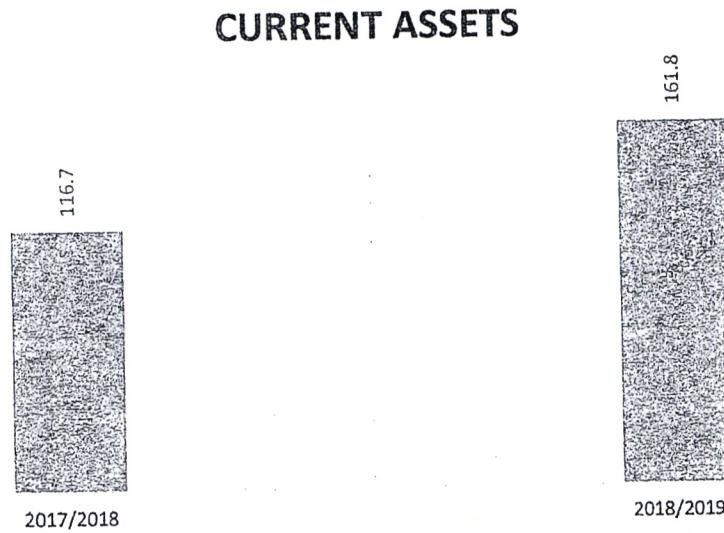


Figure 7: Current Assets

Capital and reserves

Capital and reserves increased from -13.5m to -11.8m in the financial year 2017/2018 to 2018/2019 respectively. Their status can be represented as in the picture below:

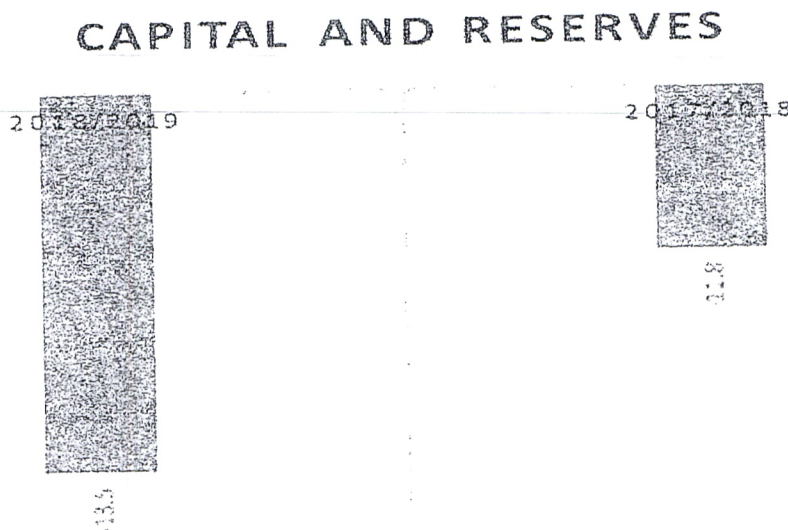


Figure 8: Capital and Reserves

Current Liabilities

Current liabilities grew to Kshs.207m from Kshs. 155.6m. This was as represented in the chart below:

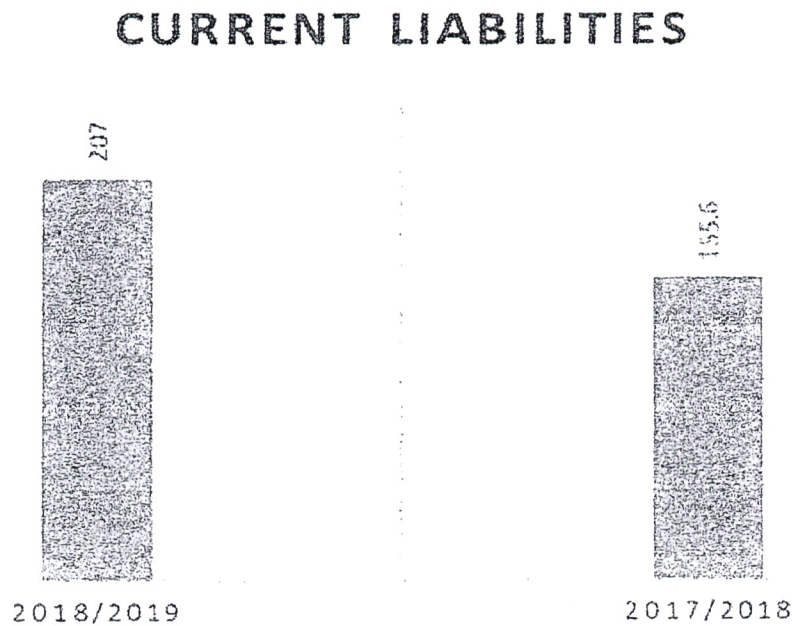


Figure 9: Current Liabilities

Non-Current Liabilities

The Long term liabilities included only item of Asset Based Finance which reduced significantly from Kshs. 20.3m to Kshs. 12.1m. This is shown in the table below:

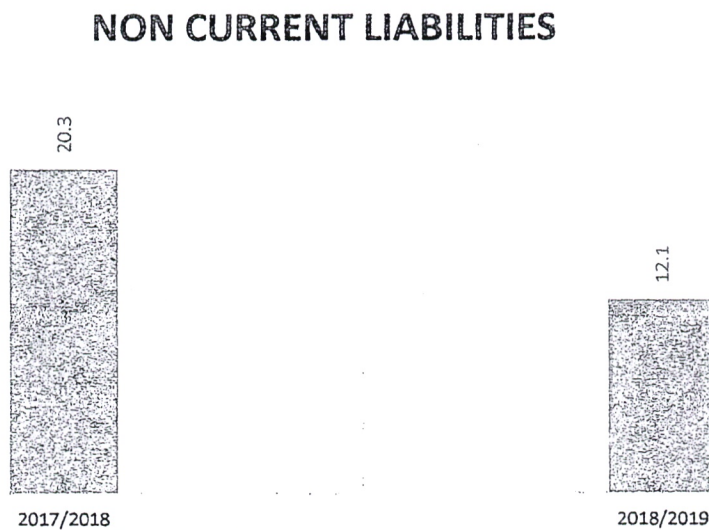


Figure 10: Non-Current Liabilities

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2019 which show the state of the entity's affairs.

Principle Activities

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

Financial results

The results of the entity for the year ended June 30, 2019 are set out on page 1. Below is summary of the profit or loss made during the year.

	2018/2019	2017/2018
	Ksh	Ksh
Profit/Loss for the year	1.6M	(2.9M)
Tax Charge	0.48M	0
Net loss for the year	(1.1M)	(2.9)

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...24/7/2020.....

STATEMENT OF DIRECTORS RESPONSIBILITIES

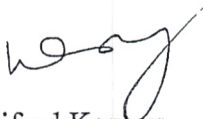
The JKUAT Enterprises board is required to prepare statements, which give a true and fair view of the state of affairs of the company at the end of financial year and the results of the operations for the year. The board is required to ensure that the company keeps proper accounting records, which disclose 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 2019 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

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR GENERAL

Enhancing Accountability

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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, 2019

REPORT ON THE FINANCIAL STATEMENTS

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, 2019, 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, 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, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Opinion

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 opinion.

Emphasis of Matter

Going Concern Uncertainty

As disclosed in note 19 to the financial statements, the statement of financial position reflects current liabilities of Kshs.207,014,609 and current assets of Kshs.161,360,089

resulting to a negative working capital of Kshs.45,654,520 (2018: Kshs.38,831,237). Further, the Company had a negative accumulated revenue reserves of Kshs.12,343,661 (2018: Kshs.13,452,6260). The Company is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption of continued assistance from Jomo Kenyatta University of Agriculture and Technology and its creditors.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no Key Audit Matters to report in the year under review.

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

Non-Compliance with the Constitution and the National Cohesion and Integration Act, 2008

Examination of data on staff ethnic diversity revealed that as at 30 June, 2019 the Company had one hundred and fifty-five (155) staff members out of which sixty-three (63) were from one ethnic community representing 41% of the total staff population. This is contrary to Section 7(1) and (2) of the National Cohesion and Integration Act, 2008 which states that, "all public offices shall seek to represent the diversity of the people of Kenya in employment of staff and that no public institution shall have more than one third of its staff establishment from the same ethnic community". The Company is also in contravention with Article 232(1)(h) of the Constitution on the values and principles of the public service for the representation of Kenya's diverse communities. Although Management explained that the matter was historical, additional officers from the same ethnic community were recruited during the year under review.

Management is therefore, in breach of the Constitution and the National Cohesion and Integration Act, 2008.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern

them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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 Kenya Companies Act, I report based on my audit, that:

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the 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 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

01 March, 2021

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2019**


	NOTES	2018-2019	2017-2018
		<u>Kshs.</u>	<u>Kshs.</u>
INCOME			
Revenue	1	327,214,115	248,028,701
TOTAL INCOME		<u>327,214,115</u>	<u>248,028,701</u>
COST OF GOOD SOLD			
Cost of Sales	2	255,662,795	208,294,939
TOTAL COGS		<u>255,662,795</u>	<u>208,294,939</u>
GROSS PROFIT		<u>71,551,320</u>	<u>39,733,762</u>
OVERHEADS			
Staff Costs	3	28,285,781	21,024,555
Directors Fees	4	688,335	353,630
Administration Expenses	5	25,267,914	6,399,831
Finance costs	6	7,633,184	8,229,446
Advertising and sales Promotion	7	455,000	150,000
Utilities/Maintenance	8	651,109	364,990
Depreciation	9	6,985,762	6,122,284
TOTAL OVERHEAD		<u>69,967,085</u>	<u>42,644,737</u>
PROFIT/(LOSS) BEFORE TAXATION		1,584,235	(2,910,975)
Tax @30%		(475,270)	0
Profit after tax		<u>1,108,965</u>	<u>(2,910,975)</u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

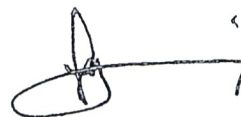
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

ASSETS	NOTES	2018-2019	2017-2018
		<u>Kshs.</u>	<u>Kshs.</u>
Non-Current Assets			
Property Plant and Equipment	10	71,167,790	71,414,693
Current Assets			
Trade and Other Receivables	11	102,122,051	71,224,706
Inventories	12	40,695,792	36,011,387
Cash and Bank Balances	13	18,542,246	9,489,853
		<u>161,360,089</u>	<u>116,725,946</u>
TOTAL ASSETS		<u><u>232,527,879</u></u>	<u><u>188,140,639</u></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	(12,343,661)	(13,452,626)
Capital and Reserves		<u>13,402,383</u>	<u>12,293,418</u>
Current Liabilities			
Trade and Other Payables/Overdraft	17	207,014,609	155,557,183
Total Current Liabilities		<u>207,014,609</u>	<u>155,557,183</u>
Non Current Liabilities	18	<u>12,110,887</u>	<u>20,290,038</u>
TOTAL EQUITY AND LIABILITIES		<u><u>232,527,879</u></u>	<u><u>188,140,639</u></u>



**DR. WINIFRED KARUGU
MANAGING DIRECTOR**



**PROF. VICTORIA NGUMI, PhD
DIRECTOR**

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

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

	Share Capital <u>Kshs</u>	Capital Funding <u>Kshs</u>	Revenue Reserve <u>Kshs</u>	Total <u>Kshs</u>
As at 1 July 2018	102,040	25,644,004	(13,452,626)	12,293,418
Surplus for the year	-	-	<u>1,108,965</u>	<u>1,108,965</u>
As at 30.6.2019	<u>102,040</u>	<u>25,644,004</u>	<u>(12,343,661)</u>	<u>13,402,383</u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	NOTE	2018-2019 Kshs.	2017-2018 Kshs.
Net Profit after tax for the Year		1,108,965	(2,910,975)
Adjustment for the year			
Depreciation	9	6,985,762	6,122,284
		<u>8,094,727</u>	<u>3,211,309</u>
Changes in working capital			
(Increase)/Decrease in Trade and Other Receivables	11	(30,897,343)	(3,747,119)
Increase/(Decrease in Trade and Other Payables	17	51,457,424	34,209,772
(Increase)/Decrease in inventories	12	(4,684,405)	(11,642,848)
Net Cashflow from operating activities		<u>23,970,403</u>	<u>22,031,114</u>
Cashflow from investing activities			
Purchase of Assets	9	(6,738,859)	(6,598,076)
Net Cashflow from investing activities		<u>(6,738,859)</u>	<u>(6,598,076)</u>
Cashflow from financing activities			
Asset Loan	18	(8,179,151)	(6,058,340)
Net Cash flow from financing Activities		<u>(8,179,151)</u>	<u>(6,058,340)</u>
Net Increase in cash and cash equivalents		9,052,393	9,374,698
Cash and Cash Equivalents at the beginning of the year	13	9,489,853	115,155
Cash and Cash Equivalents at the end of the year		<u><u>18,542,246</u></u>	<u><u>9,489,853</u></u>

JOMO KENYATTA UNIVERSITY OF AGRICULTURE & TECHNOLOGY ENTERPRISES LIMITED.

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2019

	ACTUALS 2018-2019	BUDGET 2018-2019	VARIANCE 2018-2019	VARIANCE %	
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>%</u>	
INCOME					
PRODUCTS					
Convenience Food	89,000	25,000,000	(24,911,000)	-100%	a
Horticultural products	94,806,035	60,000,000	34,830,035	58%	b
Tissue Culture Products	27,426,651	40,000,000	(12,573,349)	-31%	c
Total Products Division	122,321,686	125,000,000	(2,654,314)		
ECOMMERCE DIVISION					
Ecommerce	2,336,484	0	2,336,484	100%	d
ECOMMERCE DIVISION	2,336,484	0	2,336,484	100%	
CONSULTANCY					
External Consultancy	194,077,070	130,000,000	64,077,070	49%	e
Total consultancy	194,077,070	130,000,000	64,077,070		
ENTERPRISE DEVELOPMENT CENTRE					
Trainings	8,467,219	10,000,000	(1,532,781)	-15%	f
Total for EDC	8,467,219	10,000,000	(1,532,781)		
Other Income-Exchange gain	11,656	0	11,656		
TOTAL INCOME	327,214,115	265,000,000	(62,238,115)		
COST OF SALE					
Ecommerce	9,509,508	10,000,000	490,492	5%	g
Total Ecommerce	9,509,508	10,000,000	490,492	5%	
PRODUCTS					
Convenient Food	4,003,957	21,250,000	17,246,043	81%	h
Horticultural products	79,710,012	42,000,000	(37,710,012)	-90%	i
Tissue Culture Products	15,923,409	28,000,000	12,076,589	43%	j
Total Products Division	99,637,378	91,250,000	(8,387,378)	-20%	k
CONSULTANCY					
External Consultancy	141,421,780	90,817,691	(50,604,089)	-56%	l
Total consultancy	141,421,780	90,817,691	(50,601,689)		
ENTERPRISE DEVELOPMENT CENTRE					
Training	5,094,129	7,000,000	1,905,871	27%	m
Total for EDC	5,094,129	7,000,000	1,905,871		
TOTAL COST OF SALE	255,662,795	199,067,691	(56,595,105)	-28%	n

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GROSS PROFIT	71,551'319	65'932'309	(5'619'010)	
OVERHEADS	<u>Kshs</u>	<u>Kshs</u>		<u>%</u>
Staff costs	28,285,781	25,000,000	(3,285,781)	-13% o
Board Expenses	688,335	800,000	111,665	14% p
Administration Expenses	24,787,914	6,500,000	(18,287,914)	-281% q
Selling And Distribution	455,000	3,000,000	2,545,000	85% r
Maintenance costs	651,109	1,000,000	348,891	35% s
Professional Fees	480,000	1,500,000	1,020,000	68% t
Depreciation	6,985,762	5,500,000	(1,485,761)	-27% u
Finance Costs	7,633,184	10,000,000	2,366,816	24% v
TOTAL OVERHEADS	69,967,085	53,300,000	(1,667,084)	-31%
PROFIT BEFORE TAX	1,584,235	12,632,309	11,048,074	
INCOME TAX (CREDIT)/EXPENSE				
Current taxation based on the profit for the year at 30%	(475,270)	3,789,693	(3,314,423)	-87% w
PROFIT AFTER TAX	1,108,965	8,842,616	(7,733,651)	-87%

EXPLANATION TO VARIANCES

- Yoghurt factory remained dormant within the year of audit while the flour factory was under testing hence the convenient foods section did not do much.
- There was high demand for horticultural seedlings than had been estimated
- 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
- Though there was no budgeted revenue from ecommerce division, the division still managed to make an income of 2.3m
- External consultancy section surpassed its target by 49%. This was due to more jobs secured by the section than it anticipated accompanied by revenues from corporate trainings section after restructuring.
- This section failed to meet target by 15% in revenue collection. The section is poised to perform better in the financial year 2019/2020.
- This section observed its budgeted costs well with a slight over expenditure of 5%
- Convenience foods section did not have many activities during the year. This was because the flour and yoghurt factories were not in operation during the year of audit
- The cost of operation in horticulture section escalated with an increase in revenues.
- Tissue Culture products costs were relatively well managed compared to revenues generated by the section. This commensurate well with revenue collected by the section.
- Cumulatively the product division failed short of its target by 20%

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- l) Cost of sales from external consultancy was tightly controlled to commensurate with the growth in revenues.
- m) The EDC section failed to meet their revenue set target. This was accompanied by decline in cost of sale from the division but well managed to meet the budgeted gross profit.
- n) The cumulative cost of sale was favorable by 28%
- o) Staff costs increased with an increase in staff and revised staff remuneration.
- p) The number of board meetings budgeted became less therefore less cost due to reduced board allowances
- q) The administration costs went up due to absorbed bad debts from trade receivables
- r) Our products could be marketed effortlessly and therefore only one adverts was run during the year of ksh 455,000
- s) There were no much breakdown to machines as anticipates during budgeting and therefore less maintenance costs
- t) There was less incurrence to professional fees as it had been forecasted. Not much of professional services was required during the year
- u) There was under provision to machines depreciation during budgeting because there was less investment in capital expenses
- v) Finance costs went down due to reducing method of costing used during loan amortization without obtaining more debt.
- w) The company had anticipated to make a profit before tax of 12.6m during the year of audit. The company however made a profit of 1.6m hence decline in corporate tax by 3.3m.

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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.

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f) Taxation

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

g) Cash and cash equivalents

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

h) Trade and other payables

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

i) Exchange rate difference

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

j) Comparative figures

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

k) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

l) Reporting Currency

Accounts have been reported in Kenya shillings

m) Number of employees

The number of employees as at 30/06/2019 was 151

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.

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NOTES TO FINANCIAL STATEMENTS

1	INCOME	2018-2019	2017-2018
		Kshs	Kshs
	EDC		
	Short Courses	8,467,219	6,049,362
	Total EDC	8,467,219	6,049,362
	PRODUCTS		
	Convenience Food	89,000	340
	Mushroom Products	3,809,436	2,894,047
	Horticultural products	94,806,035	64,542,622
	Banana Products	23,247,050	23,081,572
	Organic Products	370,165	197,390
	Total Products Division	122,321,686	90,715,971
	ECOMMERCE		
	Ecommerce	2,336,484	-
	Total Ecommerce	2,336,484	-
	CONSULTANCY		
	External Consultancy	150,795,437	70,086,328
	Corporate Training	41,344,836	77,884,127
	Jkuat construction	1,936,797	3,292,914
	Total consultancy	194,077,070	151,263,369
	OTHER INCOME		
	Exchange Gain	11,656	-
		11,656	-
	TOTAL INCOME	327,214,115	248,028,701
2	COST OF SALE		
	EDC		
	Short Courses	5,094,129	4,373,173
	Total EDC	5,094,129	4,373,173
	PRODUCTS		
	Convenience Food	4,003,957	2,545,637
	Mushroom Products	2,391,950	1,679,767
	Horticultural products	79,710,012	51,464,832
	Banana Products	12,837,379	21,750,137
	Organic Products	694,080	6,400
	Total Products Division	99,637,378	77,446,773

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NOTES TO FINANCIAL STATEMENTS CONT'

	CONSULTANCY		
	External Consultancy	111,731,920	59,418,534
	Corporate Training	29,689,860	67,056,460
	Total consultancy	141,421,780	126,474,994
	ECOMMERCE		
	Ecommerce	9,509,508	-
	Total Ecommerce	9,50,508	-
	TOTAL COST OF SALE	255,662,795	208,294,939
	GROSS PROFIT	71,551,320	39,733,762
3	STAFF COSTS		
	Gratuity	2,693,264	2,122,910
	N.S.S.F CO. Contribution	40,400	33,200
	NSSF Staff Contribution	40,400	33,200
	NHIF Staff Contribution	248,700	204,750
	PAYE Staff Deduction	6,335,884	4,554,846
	NET Salary	16,233,413	11,119,633
	Staff Other Deduction	1,738,802	2,053,304
	Pension co. contribution	954,918	902,712
		28,285,781	21,024,555
4	DIRECTORS FEES	688,335	353,630
	Directors fees	688,335	353,630
5	ADMINISTRATION EXPENSES		
	Bad debts	17,465,430	-
	Insurance	5,213,830	4,218,360
	Staff Mileage Claim	21,392	61,682
	Medical expenses	476,315	159,785
	Staff Welfare	319,220	285,305
	Travel And Subsistence	469,340	369,260
	Stationery Ordinary	461,050	422,935
	Computer Stationery	161,260	64,934
	Newspaper and Periodicals	30,000	22,260
	Subscription to Prof. Orgn	-	40,366
	Exchange Loss	-	105,818
	Professional fees - Audit fee	440,000	480,000
	- Legal fee	40,000	-
	trading license	27,700	-

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	trading license	27,700	-
	Telephone	40,977	14,326
	Internet Services	101,400	154,800
		25,267,914	6,399,831
6	FINANCE COSTS		
	Bank Charges	638,484	678,691
	Interest on loan	6,994,700	7,550,756
		7,633,184	8,229,446
7	ADVERTISING AND SALES PROMOTION		
	Field Promotion	455,000	150,000
8	MAINTENANCE/UTILITY COST		
	Electricity	594,460	329,537
	Cleaning	12,989	33,034
	Repair and Maintenance	43,660	2,420
		651,109	364,990
9	DEPRECIATION		
	Depreciation Comp Equipment	230,810	62,305
	Depreciation Furniture	37,306	29,011
	Depreciation Office Equipment	236,418	218,881
	Depreciation Production Structures & Equip	6,015,384	5,346,243
	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
		6,985,762	6,122,284
	PROFIT BEFORE TAX	1,584,235	(2,910,975)

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

9 PROPERTY PLANT & EQUIPMENT

SCHEDULE	<u>2.5%</u>	<u>33.33%</u>	<u>10%</u>	<u>10%</u>	<u>25%</u>		
						<u>PRODUCTION STRUCTURES</u>	
				<u>OFFICE</u>	<u>&</u>	<u>WORK IN</u>	<u>TOTAL</u>
<u>COST</u>	<u>BUILDINGS</u>	<u>COMPUTERS</u>	<u>FURNITURES</u>	<u>EQUIPMENTS</u>	<u>EQUIPMENTS</u>	<u>PROGRESS</u>	<u>KSHS</u>
<u>COST</u>		KSHS	KSHS	KSHS	KSHS		
As at 01-07-2017	18,633,761	4,966,269	1,252,200	3,017,296	17,025,285	45,392,422	90,287,233
Addition in the year	0	113,800	0	80,000	6,055,926	348,350	6,598,076
As at 30th June 2018	18,633,761	5,080,069	1,252,200	3,097,296	23,081,211	45,740,772	96,885,309
DEPRECIATION							
As at 01-07-2017	1,358,032	4,929,474	1,095,857	1,711,351	10,253,618	0	19,348,332
Charge for the year	465,844	62,305	29,011	218,881	5,346,243	0	6,122,284
As at 30th June 2018	1,823,876	4,991,780	1,124,868	1,930,232	15,599,861	0	25,470,616
NET BOOK VALUE-							
As at 30th June 2018	16,809,885	88,289	127,332	1,167,064	7,481,351	45,740,772	71,414,693
COST							
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	0	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	0	25,470,616
Charge for the year	465,844	230,810	37,306	236,418	6,015,384	0	6,985,762
As at 30th June 2019	2,289,720	5,222,590	1,162,174	2,166,650	21,615,245	0	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
NET BOOK VALUE-							
As at 30th June 2018	16,809,885	88,289	127,332	1,167,064	7,481,351	45,740,772	71,414,693

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2018-2019	2017-2018
11 TRADE AND OTHER RECEIVABLES		
Trade Receivables	69,268,703	44,097,590
Sundry Deposit	284,000	284,000
Withholding Tax	28,543,780	23,263,320
Jkuat Nissin Foods	12,421	-
Insurance prepayment	4,013,147	3,579,796
	102,122,051	71,224,706
12 INVENTORIES		
Mushroom Spawn	21,375	3,425
Books:		
Basics of Geometry	92,822	92,822
Basics of Calculus	69,333	69,333
Algebra and maths	93,777	93,777
Statistics & Probability	73,543	73,543
Basics of Graphs	94,565	94,565
Chuff Cutters	16,682	16,682
Paw paw seedlings	466,580	637,700
Banana	17,943,105	12,159,805
Mango Seedlings	2,399,600	1,601,160
Avocado Seedlings	18,395,915	18,346,700
Templates Seedlings	93,300	772,500
Orange seedlings	-	138,985
Lemon Seedlings	785,900	1,497,900
Memorabilia	-	272,570
Other Assorted Seedlings	149,295	139,920
Total Stock	40,695,792	36,011,387
13 CASH & BANK BALANCES		
BARCLAYS Juja-Bank Current Account	-	46,818
Cooperative Bank	19,251	19,692
Standard Chartered Bank	7,469,958	44,114
KCB 2	81,580	-
KCB Moi Av-USD Account	10,971,457	9,379,229
Total Cash & Bank Balances	18,542,246	9,489,853
14		
-Authorized Share capital-10,000 ordinary shares of Kshs 20.00 each		
-Issued Share Capital 5102 @ 20	102,040	102,040

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	25,644,005	25,644,004
15 Capital Funding		
16 REVENUE RESERVE		
Bal B/F	(13,452,626)	(10,541,651)
Net Profit for the year	1,108,965	(2,910,975)
	(12,343,661)	(13,452,626)
17 TRADE AND OTHER PAYABLES		
Trade Payables	88,337,806	69,784,201
P.A.Y.E Control	906,076	445,025
N.H.I.F Control	49,400	30,850
N.S.S.F Control	16,800	11,200
Sundry Deduction	121,812	186,405
Net salary Control	2,712,831	1,311,894
Provision for audit fee	510,400	510,400
Provision for gratuity	9,902,621	11,313,447
Pension control	599,790	112,839
Prepayments-debtors	18,629,802	12,767,412
Staff welfare	376,556	349,900
Casuals control	1,230,866	1,191,858
Other provision	15,273,046	3,594,883
Prov of md salary	-	427,140
VAT Control a/c	4,650,688	3,149,505
KRA supporters	2,208,650	2,173,700
University classes	19,911,586	5,038,149
HIV test project	8,374,010	5,074,461
Safari project	160,918	-
Spheir project	574,948	-
African acade	4,560,750	-
GEMIX Program	280,175	-
	179,389,531	117,473,269
OVERDRAFT	27,625,076	38,083,914
TOTAL CURRENT LIABILITIES	207,014,607	155,557,183
18 LONG TERM LIABILITIES		
Asset Loan	12,110,887	20,290,038
	12,110,887	20,290,038

19. GOING CONCERN CONCEPT

During the year the company registered a net profit of Ksh 1.6m. This is an improvement from a loss of 2.9m. It is beyond reasonable doubt that the Company has immensely improved its financial performance in entirety. Although the company has a negative working capital of ksh 45m it is due to finance cost charge on factory assets acquired through bank loan. The Asset finance loan accrued interest from the date of acquisition whereas the factory was not in operation. During the current year 2019/2020, The Company has embarked on upscaling seedlings production. This pertains to both fruits and tissue culture seedlings. Production will be followed by marketing of our products to broaden our customer base. The company is also working towards growing its' revenue generation unit on external consultancy to have more projects and help generate more revenue. This will be expected to gear up financial performance and improve working capital.

20. 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

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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.

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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

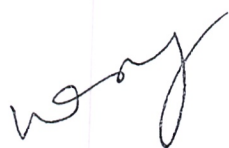
The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, 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 2018/2019 the company was able to improve its financial performance significantly from a loss of Kshs 2.9m to a profit of Kshs 1.6m	Dr. Winifred Karugu (Managing Director)	Significant improvement	30/06/2020
2.	Imbalanced ethnic composition	The management is keen to rationalise this in future with new recruitments	Dr. Winifred Karugu (Managing Director)	In progress	31/12/2020
3.	Accounts Receivables provision	The management is developing a policy on Accounts Receivables	Dr. Winifred Karugu (Managing Director)	In progress	30/06/2020



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

DATE.. 22/7/2020

