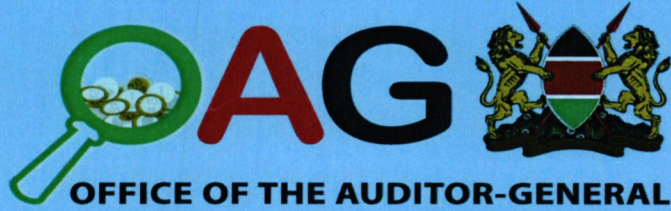


REPUBLIC OF KENYA



*Enhancing Accountability*

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**REPORT**  
THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 18 NOV 2021 DAY.

TABLED BY	L.O'M
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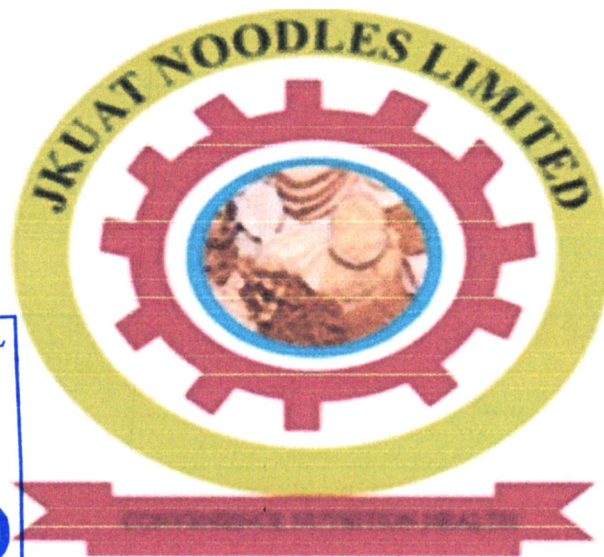
**THE AUDITOR-GENERAL**

**ON**

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

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

10/10/10



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

14 JUN 2021

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**JKUAT NOODLES LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2020**

---

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

# JKUAT NOODLES LIMITED

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

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

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**KEY ENTITY INFORMATION**

**Background information**

JKUAT Noodles Ltd was established under the Companies Act (Cap. 486) on 10th day of January Two Thousand and Eighteen. At Cabinet level, the entity is represented by the Cabinet Secretary for Education and Cabinet Secretary Treasury, who are responsible for the general policy and strategic direction of the entity.

**Principle Activities**

The principle activity of the company is to produce noodles.

**Directors**

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

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

# **JKUAT NOODLES LIMITED**

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

---

### **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](mailto:jkuates@jkuates.jkuat.ac.ke)  
Website: [www.jkuates.com](http://www.jkuates.com)

### **Corporate Bankers**

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

## JKUAT NOODLES LIMITED

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

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




### MANAGEMENT TEAM

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

**JKUAT NOODLES LIMITED**

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

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	<p><b>Mr. Joseph Macharia</b> Certified Public Accountant Bachelor of Commerce</p>
	<p><b>Mr. Evans Mutugi, Projects Manager</b> 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><b>Ms. Vivian Waithaka, Company Secretary</b> JKUAT legal Officer, Master, LLB</p>

## **CHAIRMAN'S STATEMENT**

### **REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2020**

#### **Introduction**

JKUAT Noodles Limited recognizes its main role in commercializing the yummy brand of noodles. The company spent the last two years developing noodle and seasoning formulations and to date we have thirty one (31) noodle and five (5) seasoning formulations.

#### **Financial Performance**

During the year 2019/2020 the company reported Gross revenue of Ksh 0.47m, with a gross loss of Ksh 4.67 million and a net loss of Ksh 9 Million. During the same period in the previous financial year, income was recorded at Ksh. 0.25m with a gross loss of Ksh.2.3 million and a net loss of Ksh. 3.2 million. It should be noted that the company has not yet reached the stage of commercial production and that the sales recorded are part of market trials.

#### **Product Development**

Out of the many formulations, three had already been selected for market testing through randomized palatability tests. They are; vegetable fortified, sorghum fortified and protein (cowpeas) fortified. Likewise three seasoning formulations had also been selected namely beef, chicken and masala flavours. All our formulations use raw materials that are locally available and the products do not contain harmful additives or preservatives. During the time period in question the company conducted extensive market trials.

#### **Preliminary Market Testing**

The company tested the noodle products extensively for market acceptability during the year. Testing provided additional useful feedback that was incorporated into the products. The initial market tests comprised of three major groups; JKUAT student population, JKUAT staff at selected locations, Juja community. A fourth group comprising of young mothers formed a focus group that provided in-depth information. The results were analyzed and were found to be very promising with acceptability for taste, color, smell and visuals ranging at around 80% acceptability.

Encouraged by this the company engaged professional marketers to test the products in Juja and Ruiru in September to December last year. The feedback was likewise very encouraging and the decision was made to embark on a pilot market launch in April this year. Together with the marketers the company made elaborate for product launch in Juja, Ruiru and Thika, targeting 400,000 young people in tertiary institutions.

#### **Factory Testing**

The company has tested the factory machinery severally and is confident that it is in working order. Hopefully it will prove to perform consistently when serious production commences. We have engaged various consultants to test various aspects and the results are satisfactory. We expect to a dry run for the pilot in September 2020.

#### **Recruitment**

Recruitment of core staff will commence next financial year but to start with, staff will be hired on short contracts. As the product gains traction in the market the contracts will be reviewed accordingly.

**JKUAT NOODLES LIMITED**

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

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**Challenges**

Key challenges include financing production and marketing, the persisting financial challenges facing the supermarkets and other retail chains, and the general state of the economy. This makes pushing the product extremely difficult.

**Conclusion**

Management has worked hard during the period under review and are ready for the considerable challenges involved in commercial production.

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

Chairman

Date: \_\_\_\_\_

07/08/2021

# **JKUAT NOODLES LIMITED**

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

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### **REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2020 ACTIVITIES FOR 2019/2020 FINANCIAL YEAR**

#### **Introduction**

The company spent the last two years developing noodle and seasoning formulations and to date we have thirty one (31) noodle and five (5) seasoning formulations. The company also completed the rigorous process of prequalifying professional marketers, printers, distributors and raw material suppliers.

#### **Product Development**

Out of the many formulations, three were selected for market testing through randomised palatability tests. They are; vegetable fortified, sorghum fortified and protein (cowpeas) fortified. Likewise three seasoning formulations were selected and these were beef, chicken and masala flavours. All our formulations use raw materials that are locally available and the products do not contain harmful additives or preservatives.

In addition to the above activities, the company obtained KEBS certification, bar codes and branding artwork for the products (see images). KIPi registration is close to finalisation.

#### **Preliminary Market Testing**

The company has tested the noodle products extensively for market acceptability last year. Testing provided additional useful feedback that was incorporated into the products. The initial market tests comprised of three major groups; JKUAT student population, JKUAT staff at selected locations, Juja community. A fourth group comprising of young mothers formed a focus group that provided in-depth information. The results were analyzed and were found to be very promising with acceptability for taste, color, smell and visuals ranging at around 80% acceptability.

Encouraged by this the company engaged professional markers to test the products in Juja and Ruiru in September to December last year. The feedback was likewise very encouraging and the decision was made to embark on a pilot market launch in April this year. Together with the marketers the company made elaborate for product launch in Juja, Ruiru and Thika, targeting 400,000 young people in tertiary institutions. Unfortunately the Covid19 pandemic delayed the launch due to the resultant lockdown, and ultimately caused us to move the focus of the launch away from tertiary college students and more towards households as reopening became uncertain. Plans are now well advanced to launch the product in late 2020.

#### **Factory Testing**

The company has tested the factory machinery severally and is confident that it is in working order. Hopefully it will prove to perform consistently when serious production commences. We have engaged various consultants to test various aspects and the results are satisfactory. We expect to a dry run for the pilot in late 2020.

#### **Branding and Marketing**

The company continued with development of packaging and branding for the noodles and is now satisfied with that of the three formulations headed for market (see images).

**JKUAT NOODLES LIMITED**

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

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**Recruitment**

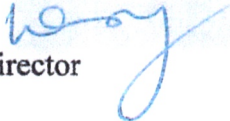
Recruitment of core staff will commence later this year but to start with, staff will be hired on short contracts. As the product gains traction in the market the contracts will be reviewed accordingly.

**Challenges**

Key challenges include financing production and marketing, the persisting financial challenges facing the supermarkets and other retail chains, and the general state of the economy. This makes pushing the product extremely difficult.

**Conclusion**

Management has worked hard during the period under review and are ready for the considerable challenges involved in commercial production.

Signature:   
Managing Director

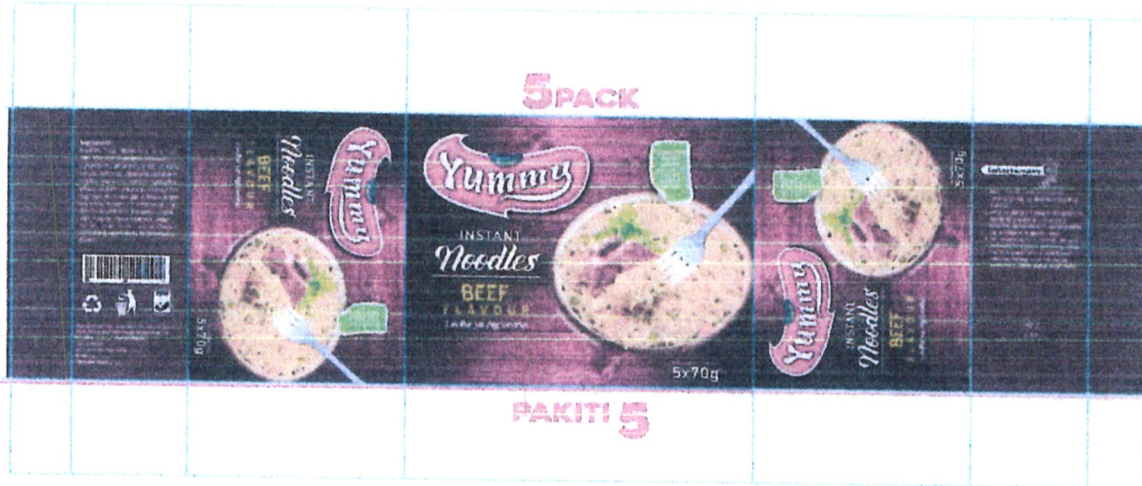
Date: 27<sup>th</sup> May 2021

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

ANNEX 1

IMAGES OF NOODLE PACKAGING

Packaging



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



## **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.

**JKUAT NOODLES LIMITED**

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

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**Directors' Benefits and Loans:**

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

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

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

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**MANAGEMENT DISCUSSION AND ANALYSIS**

**Revenue**

During the year of audit the company collected revenue of 0.5m compared to 0.2m in the year 2018/2019. This can be represented in the following chart:-



Figure 1: Revenue Contribution

**Cost of sales**

Cost of sales was 5.1m as compared to 2.5m in the year 2019/2020 and 2018/2019 consecutively. This could be shown by the following chart:

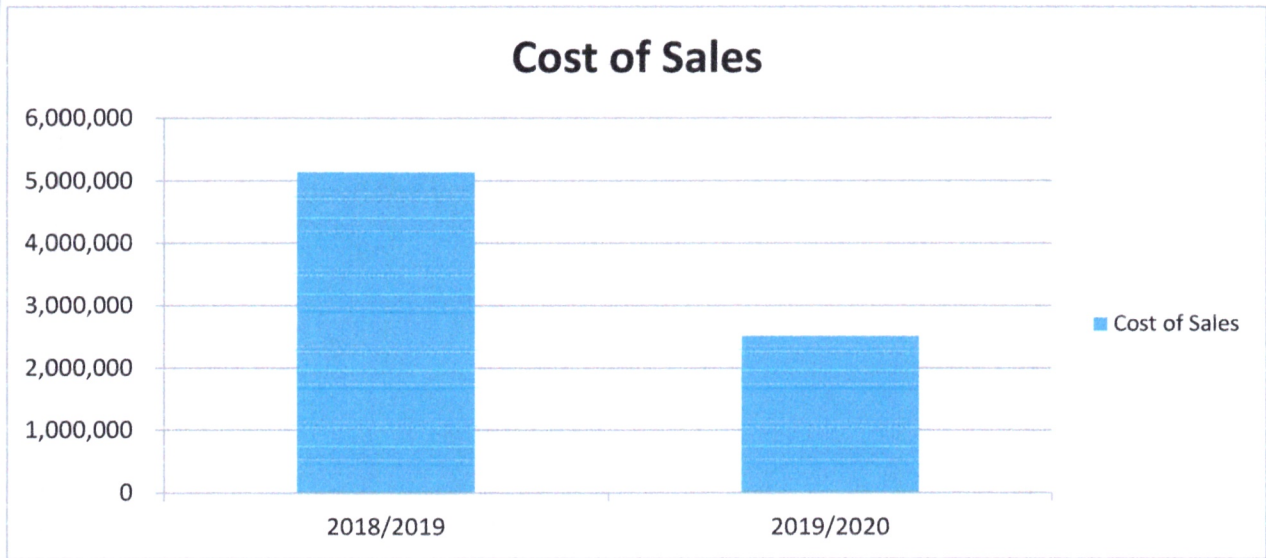


Figure 2: Cost of Sales

**Administrative analysis**

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

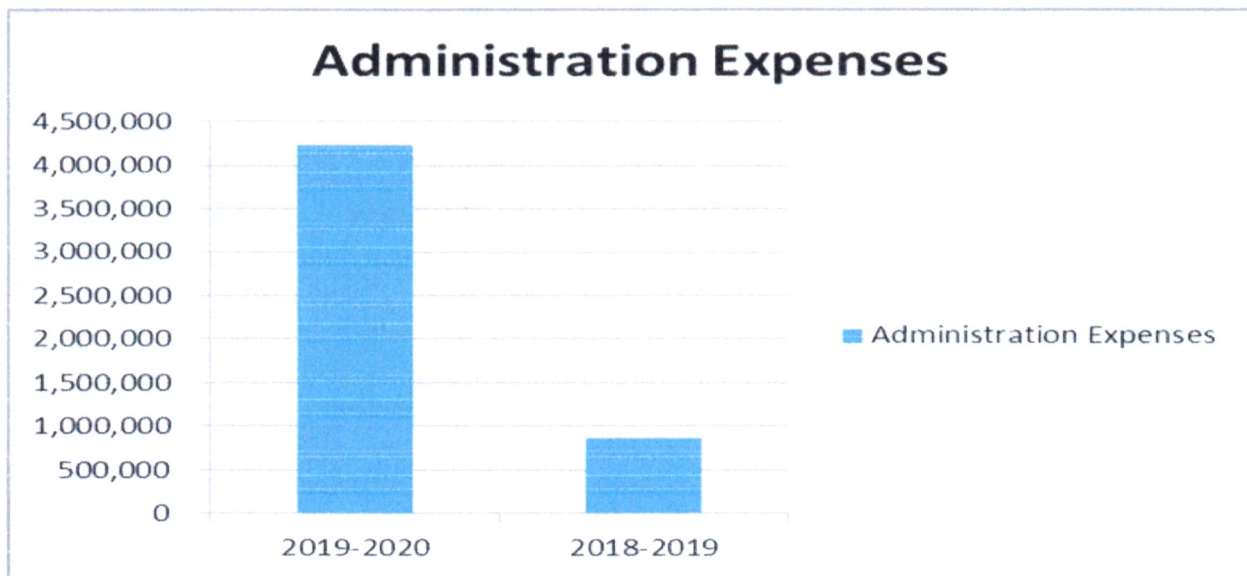


Figure 3: Administration analysis

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

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**Finance cost**

The finance cost for the financial year 2019-2020 reduced compared to the precedent financial year 2018-2019 i.e. ksh.0.033m to 0.031m respectively. This can be depicted by the following chart:

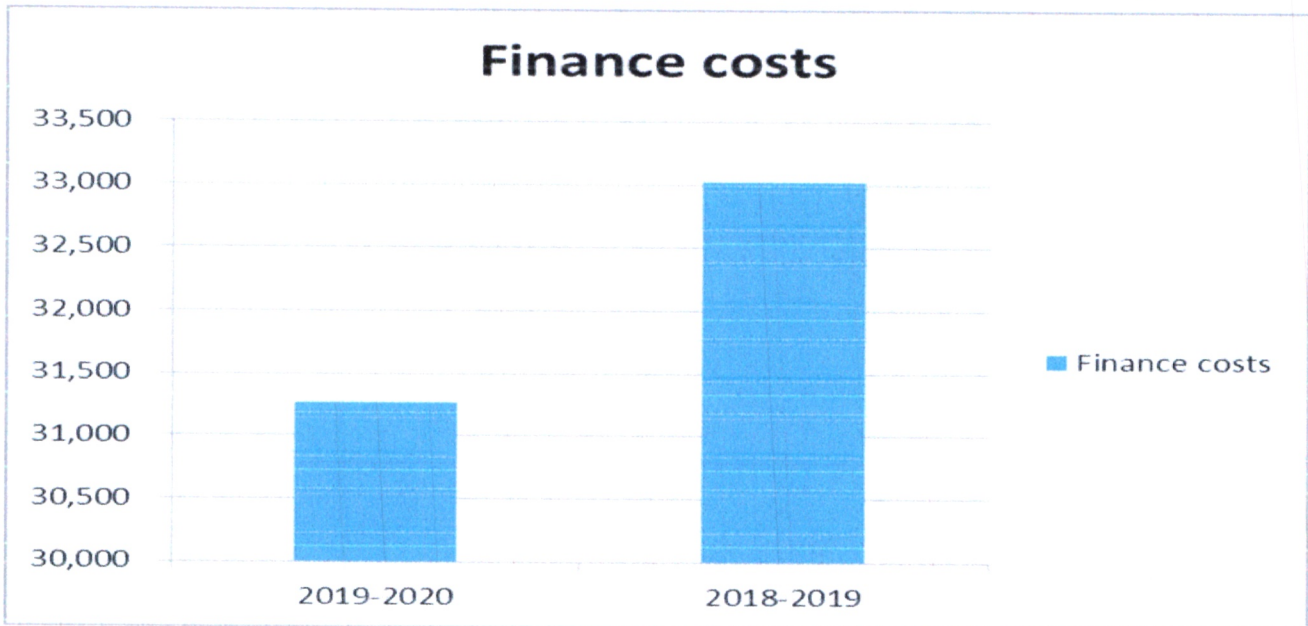


Figure 4: Finance Cost

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

	<b>2019/2020</b>	<b>2018/2019</b>
	Ksh	Ksh
Loss for the year	(9m)	(3.2m)

This can be summarized in the chart below:



Figure 5: Performance comparison

**Investment activities**

The company made a slight investment to its Property, Plant and Equipment in the year under consideration. This can be seen in the chart below:

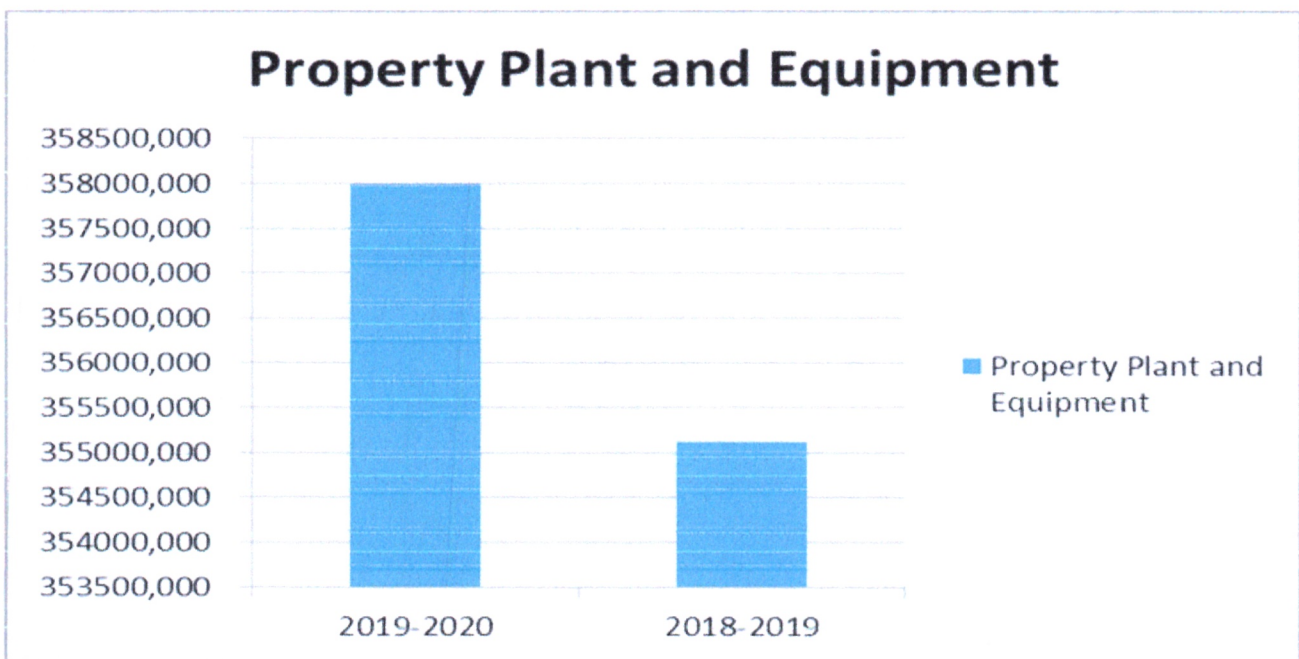


Figure 6: Property, Plant and Equipment

**Current Assets**

Current assets reduced from kshs. 23m to kshs.11.3m 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 reduced from 378m to 369m in the financial year 2018/2019 to 2019/2020 respectively. Their status can be represented as in the picture below:

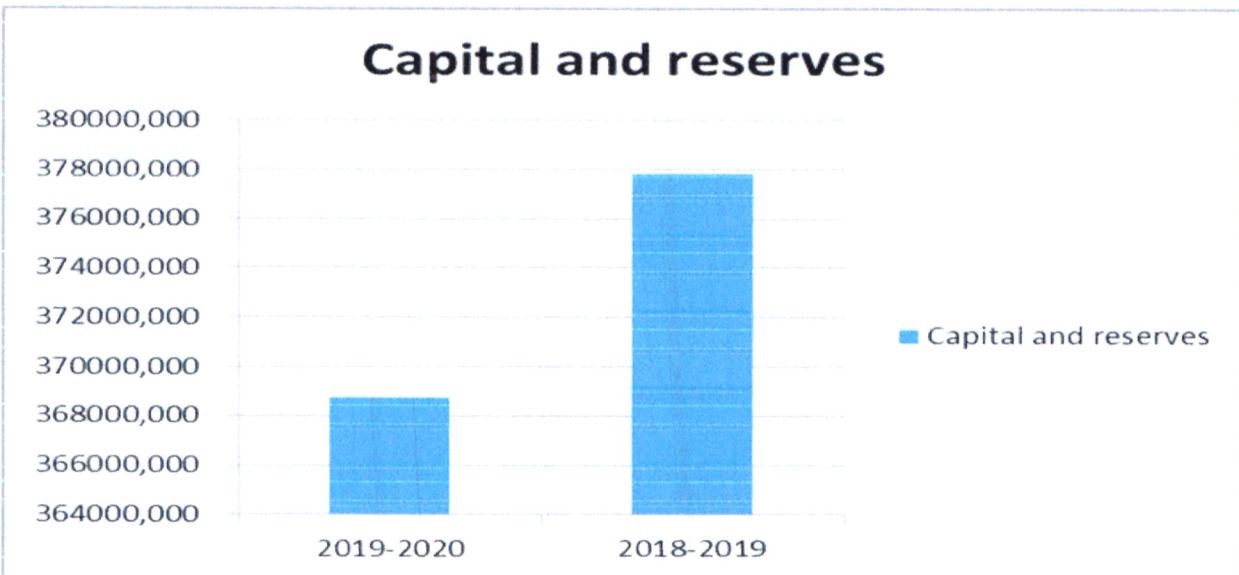


Figure 8: Capital and Reserves

**Current Liabilities**

Current liabilities grew to Kshs.0.5m from Kshs. 0.3m. This was as represented in the chart below:

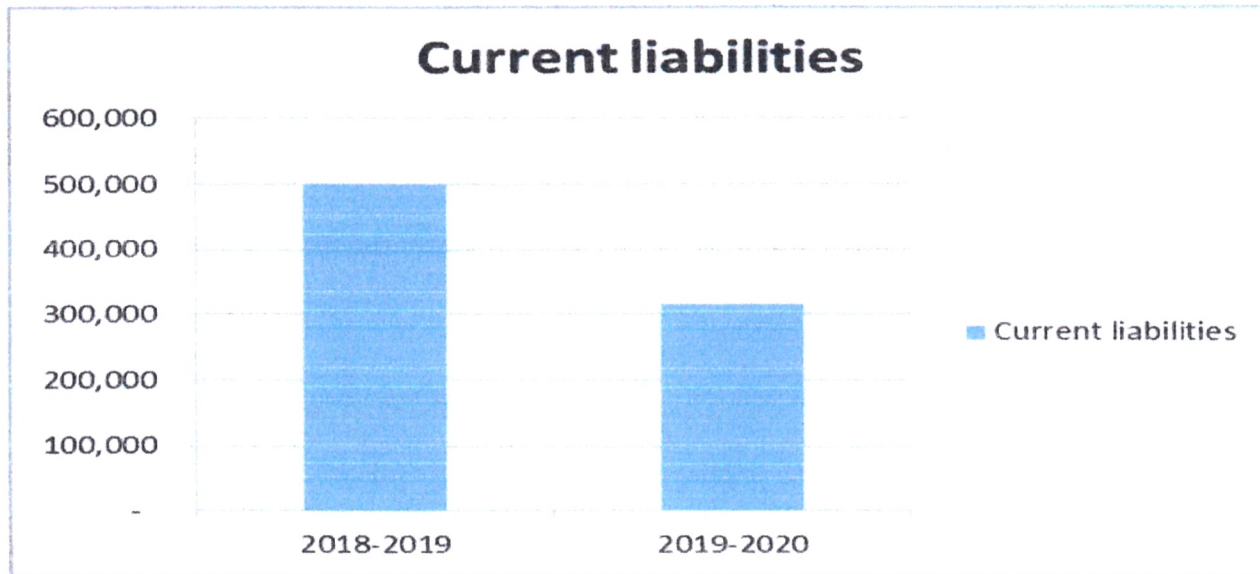


Figure 9: Current Liabilities

# JKUAT NOODLES LIMITED

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

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### REPORT OF THE DIRECTORS

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

#### Principle Activities

The principle activity of the company is to product noodles.

#### 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 loss made during the year.

	2019/2020	2018/2019
	Ksh	Ksh
Less for the year	( 9M)	( 3.2M)
Tax Charge	-	-
Net loss for the year	(9M)	( 3.2M)


#### 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: 27<sup>th</sup> May 2021

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

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**STATEMENT OF DIRECTORS RESPONSIBILITIES**

The JKUAT Noodles 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 Noodles 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 NOODLES LIMITED**

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

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**JKUAT NOODLES LIMITED**

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

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**REPORT OF THE AUDITOR-GENERAL**

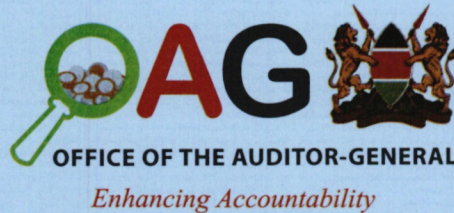
**JKUAT NOODLES LIMITED**

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

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# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

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

---

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Jomo Kenyatta University of Agriculture and Technology Noodles Limited set out on pages 1 to 16, 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, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta University of Agriculture and Technology Noodles 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 and comply with the Public Finance Management Act, 2012 and 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 Noodles 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.

#### 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 are no key audit matters to report in the year under review.

## **Other Matter**

### **1. Company Shareholding and Ownership.**

As previously reported, the statement of financial position reflects owners capital of Kshs.381,028,875. However, a search at the Companies' Registry on 18 February, 2021 revealed that the Company was jointly owned by an international food company and Jomo Kenyatta University of Agriculture and Technology at seventy (70%) and thirty (30%) shareholding, respectively. Although Management provided a duly signed share transfer certificate and resignation letters of the Directors of the international food company making JKUAT the sole shareholder of the Company, it is not clear why the transfer had not been effected at the Registrar of Companies.

In the circumstances, it has not been possible to confirm the ownership status of the Company as at 30 June, 2020.

### **2. Financial Performance**

The statement of financial performance reflects a deficit of Kshs.8,984,095 (2018/2019-deficit of Kshs.3,202,469) thereby increasing the accumulated deficit to Kshs.12,186,564 as at 30 June, 2020. If strategies are not put in place to reverse the trend, the Company is likely to face financial challenges in the near future.

### **3. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects indicates that the Company had a budgeted income of Kshs.25,000,000 against actual amount of Kshs.472,140 resulting to an under collection of Kshs.24,527,860 or 98% of the budget. Similarly, the Company planned to spend Kshs.62,834,125 but utilized Kshs.9,456,235 resulting in an under expenditure of Kshs.53,377,890 or 85%. Management attributed the under collection and under expenditure to minimal activity during the year under review as the Company was not fully operational. Failure to spend on budgeted activities and programs may have negatively impacted on production and performance.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform 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 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 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 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 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**

**28 October, 2021**

**JKUAT NOODLES LIMITED**

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

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

	NOTES	2019-2020	2018-2019
		Kshs.	Kshs.
<b>INCOME</b>			
Revenue	1	472,140	250,669
<b>TOTAL INCOME</b>			
<b>COST OF GOOD SOLD</b>			
Cost of Sales	2	5,139,440	2,516,325
<b>TOTAL COGS</b>			
<b>GROSS PROFIT</b>		(4,667,300)	(2,265,656)
<b>OVERHEADS</b>			
Administration Expenses	3	4,285,529	903,790
Finance costs	4	31,266	33,023
<b>TOTAL OVERHEAD</b>		4,316,795	936,813
<b>Loss for the year</b>		<b>(8,984,095)</b>	<b>(3,202,469)</b>

**JKUAT NOODLES LIMITED**

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

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

		<u>2019-2020</u>	<u>2018-2019</u>
<b><u>ASSETS</u></b>	<b>NOTES</b>		
<b><u>Non-Current Assets</u></b>			
Property Plant and Equipment	5	358,000,000	355,118,584
<b><u>Current Assets</u></b>			
Trade and Other Receivables	6	549,396	487,179
Cash and Bank Balances	7	10,794,334	22,535,253
Total Current Assets		11,343,730	23,022,432
<b>TOTAL ASSETS</b>		<b>369,343,730</b>	<b>378,141,016</b>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b><u>Capital and Reserves</u></b>			
Revenue Reserves	8	(3,202,469)	-
Owners Capital	8	381,028,875	381,028,875
Profit for the Year	8	(8,984,095)	(3,202,469)
<b>Total Capital and reserves</b>		<b>368,842,311</b>	<b>377,826,406</b>
<b><u>Current Liabilities</u></b>			
Trade and Other Payables	9	501,419	314,610
<b>Total Current Liabilities</b>		<b>501,419</b>	<b>314,610</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>369,343,730</b>	<b>378,141,016</b>



**DR. WINIFRED KARUGU  
MANAGING DIRECTOR**



**CPA. JOSEPH MACHARIA  
FINANCE MANAGER ICPAK NO: 25735**



**PROF. VICTORIA NGUMI,  
PhD  
DIRECTOR**

**JKUAT NOODLES 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**

	<b>Share Capital</b>	<b>Owner Capital</b>	<b>Revenue Reserve</b>	<b>Total</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>As at 1/07/2018</b>	-	381,028,875	-	381,028,875
Surplus for the year	-	-	(3,202,469)	(3,202,469)
<b>As at 30/6/2019</b>	-	<b>381,028,875</b>	<b>(3,202,469)</b>	<b>377,826,406</b>

	<b>Share Capital</b>	<b>Owner Capital</b>	<b>Revenue Reserve</b>	<b>Total</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
<b>As at 1/07/2019</b>	-	381,028,875	(3,202,469)	377,826,406
Surplus for the year	-	-	(8,984,095)	(8,984,095)
<b>As at 30/6/2020</b>	-	<b>381,028,875</b>	<b>(12,186,564)</b>	<b>368,842,311</b>

**JKUAT NOODLES 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	2018-2019
		Kshs.	Kshs.
Net Loss before tax for the Year		(8,984,095)	(3,202,469)
<b>Adjustment for the year</b>			
Depreciation		-	-
		(8,984,095)	(3,202,469)
<b>Changes in working capital</b>			
(Increase)/Decrease in Trade and Other Receivables	6	(62,217)	(487,179)
Increase/(Decrease in Trade and Other Payables	9	186,809	314,610
<b>Net Cashflow from operating activities</b>		(8,859,503)	(2,400,680)
<b>Cashflow from investing activities</b>			
Purchase of Assets	5	(2,881,416)	(3,823,096)
<b>Net Cashflow from investing activities</b>		(2,881,416)	-
<b>Net Increase in cash and cash equivalents</b>		(11,740,919)	(7,198,134)
Cash and Cash Equivalents at the beginning of the year	7	22,535,253	29,733,387
<b>Cash and Cash Equivalents at the end of the year</b>		<b>10,794,334</b>	<b>22,535,253</b>

**JKUAT NOODLES LIMITED**

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

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

	<u>Jul '19-June 20</u>	<u>Jul '19-June 20</u>	<u>Jul '19-June 20</u>		
<u>INCOME</u>	<u>Actuals</u>	<u>Annual budget</u>	<u>Variance</u>		
Income for the year	472,140	25,000,000	(24,527,860)	(0.98)	a
<b>TOTAL REVENUE</b>	<b>472,140</b>	<b>25,000,000</b>	<b>(24,527,860)</b>	<b>(0.98)</b>	
<u><b>COST OF SALES</b></u>					
Cost of sales	5,139,440	16,000,000	(10,860,560)	(0.68)	b
<b>COST OF SALES</b>	<b>5,139,440</b>	<b>16,000,000</b>	<b>(10,860,560)</b>	<b>(0.68)</b>	
<b>GROSS PROFIT</b>	<b>(4,667,300)</b>	<b>9,000,000</b>	<b>(13,667,300)</b>		
<u><b>OVERHEADS</b></u>					
Staff Costs	-	3,000,000	(3,000,000)	(1.00)	c
Directors fees	177,945	800,000	(622,055)	(0.78)	d
Administration Expenses	471,985	3,000,000	(2,528,015)	(0.84)	e
Factory testing	-	1,500,000	(1,500,000)	(1.00)	f
Motor Vehicle expenses	37,500	3,600,000	(3,562,500)	(0.99)	g
Factory Insurance and valuation	183,110	1,450,000	(1,266,890)	(0.87)	h
Finance costs	31,266	36,000	(4,734)	(0.13)	i
Utilities/Maintenance	294,989	2,400,000	(2,105,011)	(0.88)	j
Sales Promotion and Advertisement	3,120,000	30,000,000	(26,880,000)	(0.90)	k
Depreciation	-	1,048,125	(1,048,125)	(1.00)	l
<b>TOTAL OVERHEADS</b>	<b>4,316,795</b>	<b>46,834,125</b>	<b>(42,517,330)</b>		
			-		
<b>NET INCOME</b>	<b>(8,984,095)</b>	<b>(37,834,125)</b>	<b>28,850,030</b>		

**EXPLANATION TO VARIANCES**

- a) The factory is still doing test runs therefore hardly making sales.
- b) The cost from test runs is minimal compared to the budgeted costs
- c) Jkuat Noodles limited is administered by JKUATES staff under pro bono basis therefore no staff costs
- d) Few board meetings took place than had anticipated
- e) The Factory is not fully operational and this is requires little administration expenses.
- f) These costs are fully covered under cost of sales
- g) These costs were anticipated to emanate from sales and distribution by motor vehicles which never took place

## **JKUAT NOODLES LIMITED**

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

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- h) Few costs were incurred to insured vehicles because the production did not allow purchase for more as forecasted
- i) The finance costs were fairly forecasted as compared to the overall budget
- j) Few machines and low activity was experienced hence little maintenance
- k) There was little production to warrant advertisement
- l) The test runs are done at university labo there the Company machines which were still being installed and commissioned were still under Work in Progress

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

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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. Most of the assets values in this category were derived from the valuation report done by a qualified valuer i.e Antony Kamau Mbogo registered as Green Gain Consultation. The valuer had a practicing certificate number 0001351 from 01/01/2020 to 31/12/2020 issued to him under the Valuer Act, Cap.532, Laws of Kenya. The assets have not been depreciated since they were still under testing and commissioning. We will start depreciation once production commences.

**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.

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

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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, 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 4

**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.

**JKUAT NOODLES LIMITED**

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

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**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 NOODLES LIMITED**

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

**NOTES TO FINANCIAL STATEMENTS**

<b>1</b>	<b>INCOME</b>	<b>2019-2020</b>	<b>2018-2019</b>
		<b>Kshs</b>	<b>Kshs</b>
	Interest Income	101,353	99,979
	Exchange gain	342,550	137,664
	Sale of Noodles	28,237	13,0266
	<b>Total Income</b>	<b>472,140</b>	<b>250,669</b>
<b>2</b>	<b>COST OF SALE</b>		
	Production Materials	3,853,620	2,287,565
	Gas	141,950	80,940
	Labour	787,806	86,800
	Diesel Oil	356,064	61,020
	<b>TOTAL COST OF SALE</b>	<b>5,139,440</b>	<b>2,516,325</b>
	<b>GROSS PROFIT</b>	<b>(4,667,300)</b>	<b>(2,265,657)</b>
<b>3</b>	<b>ADMINISTRATION COST</b>		
	Repairs	96,600	295,829
	Marketing	3,120,000	-
	Cleaning	259,730	30,650
	Electricity	198,389	105,391
	Insurance	183,110	-
	Directors fees	177,945	214,315
	Staff Welfare	22,485	-
	Travel And Subsistence	27,380	18,600
	Motor Vehicle Expenses	37,500	-
	Stationery	2,000	137,755
	Licenses	39,390	1,250
	Audit Fee	100,000	100,000
	Barcodes	21,000	-
		<b>4,285,529</b>	<b>903,790</b>
<b>4</b>	<b>FINANCE COSTS</b>		
	Bank Charges	31,266	33,023
		<b>31,266</b>	<b>33,023</b>
	<b>PROFIT BEFORE TAX</b>	<b>(8,984,095)</b>	<b>(3,202,469)</b>

**JKUAT NOODLES LIMITED**

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

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

**ASSET MOVEMENT SCHEDULE**

**5 PROPERTY PLANT & EQUIPMENT**

SCHEDULE	2.5%	33.33%	10%	10%	25%		
	<u>BUILDINGS</u>	<u>COMPUTERS</u>	<u>FURNITURES</u>	<u>OFFICE</u> <u>EQUIPMENTS</u>	<u>PLANT &amp;</u> <u>MACHINERY</u>	<u>VEHICLES</u>	<u>TOTAL</u>
<u>COST</u>		KSHS	KSHS	KSHS	KSHS		KSHS
As at 01-09-2018	99,190,000	-	103,584	15,000	247,986,904	4,000,000	351,295,488
Addition in the year	810,000.00	-	-	-	3,013,096	-	3,823,096
As at 30th June 2019	100,000,000	-	103,584	15,000	251,000,000	4,000,000	355,118,584
<b>DEPRECIATION</b>							
As at 01-07-2018	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
As at 30th June 2019	-	-	-	-	-	-	-
<b>NET BOOK VALUE-</b>							
As at 30th June 2019	<u>100,000,000</u>	<u>0</u>	<u>103,584</u>	<u>15,000</u>	<u>251,000,000</u>	<u>4,000,000</u>	<u>355,118,584</u>
<b>COST</b>							
As at 01-07-2019	100,000,000	0	103,584	15,000	251,000,000	4,000,000	355,118,584
Addition in the year	-	-	896,416	1,985,000	-	0	2,881,416
As at 30th June 2020	<u>100,000,000</u>	<u>0</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>251,000,000</u>	<u>4,000,000</u>	<u>358,000,000</u>
<b>DEPRECIATION</b>							
As at 01-07-2019	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
As at 30th June 2020	-	-	-	-	-	-	-
<b>NET BOOK VALUE-</b>							
As at 30th June 2020	<u>100,000,000</u>	<u>0</u>	<u>1,000,000</u>	<u>2,000,000</u>	<u>251,000,000</u>	<u>4,000,000</u>	<u>358,000,000</u>
<b>NET BOOK VALUE-</b>							
As at 30th June 2019	<u>100,000,000</u>	<u>0</u>	<u>103,584</u>	<u>15,000</u>	<u>251,000,000</u>	<u>4,000,000</u>	<u>355,118,584</u>

**6 TRADE AND OTHER RECEIVABLES**

Trade and other Receivables	8,130	-
VAT Claimable	541,266	304,069
Insurance Prepayment	-	183,110
<b>Total Trade and other Receivables</b>	<b>549,396</b>	<b>487,179</b>

**7 CASH & BANK BALANCES**

Stan Chart Ac 010202805610	2,078,459	12,125,336
Dollar Ac 8702028056100	6,753,958	8,549,775
Fixed Dep A/C -0152528056	1,951,265	1,849,912
Dollar Ac II 8752528056100	10,652	10,230
<b>Total Cash &amp; Bank Balances</b>	<b>10,794,334</b>	<b>22,535,253</b>

**JKUAT NOODLES LIMITED**

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

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<b>8</b>	<b>Capital and Reserves</b>		
	Revenue Reserves	(3,202,469)	-
	Owners Capital	381,028,875	381,028,875
	Profit for the Year	(8,984,095)	(3,202,469)
	<b>Total Capital and reserves</b>	<b>368,842,311</b>	<b>377,826,406</b>
<b>9</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Trade Payables	147,764	183,110
	Other Provisions	153,655	31,500
	Provision for Audit Fee	200,000	100,000
	<b>TOTAL TRADE AND OTHER PAYABLES</b>	<b>501,419</b>	<b>314,610</b>

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

**10. GOING CONCERN CONCEPT**

During the year the company registered a net loss of Ksh 8.8m. The company is in pursuit of funding to help build on proper working capital. The company is still focusing on getting the right formulation to hit the market. This will enable full production capacity.

**11. 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.

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**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**

There was no progress report since the company was being audited for the first year.

Sign.....



Date.....

27<sup>th</sup> May 2021

Dr. Winifred Karugu

Managing Director

**APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

Projects were no projects implemented by the company during the year under audit.

