

REPUBLIC OF KENYA



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REPORT

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THE AUDITOR-GENERAL

ON

**EGERTON UNIVERSITY INVESTMENT
COMPANY**

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



12 DEC 2013

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

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019

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

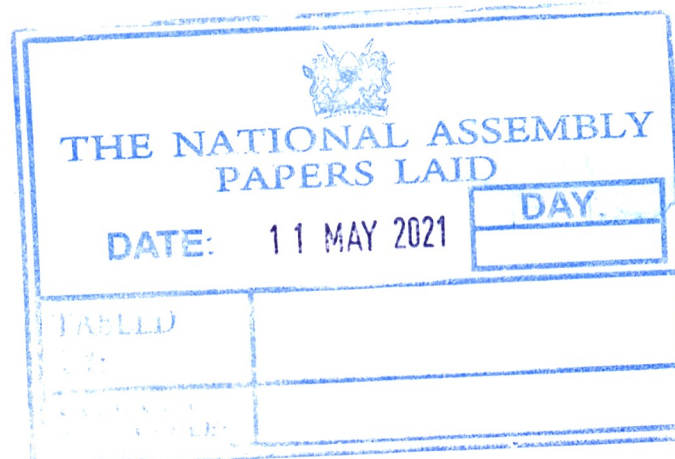


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KEY ENTITY INFORMATION

Background information

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

Principal Activities

The principal activity of the company as provided by the Company's Act Cap 486 of the Laws of Kenya includes:

Farming, Hotel Hospitality and Tourism

Vision

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

Mission

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

Core Values

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

Directors

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

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

Company Secretary

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

KEY ENTITY INFORMATION (Continued)

Registered Office

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

Corporate Bankers

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

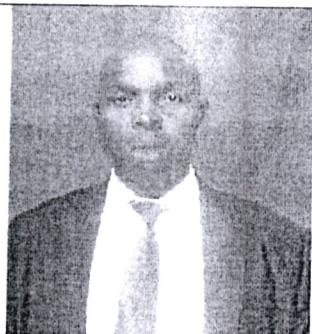
Independent Auditors

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

Principal Legal Adviser

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

THE BOARD OF DIRECTORS



NAME: Mr. Joshua Nyangidi Otieno

YOB: 1976

POSITION/KEY RESPONSIBILITIES:

Board Chairman

QUALIFICATION: B.Ed. (KU), MBA. (KU)

WORK EXPERIENCE

KCA University: Manager, Centre for Entrepreneurship & Leadership;
Lecturer KCA University, Lead Researcher in the Africa Bio-diversity
Conservation and Innovation Centre & CIC Insurance Company
Business Consultant & Trainer at Kenya Market Trust and Parsons Ltd.
Business Trainer, Africa Youth Trust
Part-time Lecturer: JKUAT, Kenyatta University & Moi University



NAME: Mr. Joseph Mwaura Kamau

YOB: 1970

POSITION/KEY RESPONSIBILITIES:

Director

QUALIFICATION: B.A. (UoN), MBA-Finance (KAIST), Masters of
Finance & Banking (Moi)

WORK EXPERIENCE

Government of Kenya National Treasury Economist,
Equity Bank (K) Ltd,
Standard Chartered Bank (K) Ltd.



NAME: Ms. Esther Mukoa Wabuge

YOB: 1976



POSITION/KEY RESPONSIBILITIES:

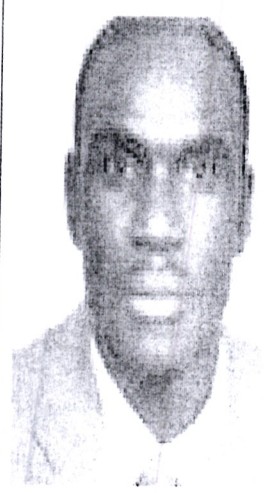
Director

QUALIFICATION: B.Ed. (Moi), M.Sc. (JKUAT).

WORK EXPERIENCE

Project Officer Training, Management Sciences for Health (MSH) –
Leadership, Management & Sustainability (LMS) Project.
Associate Consultant, Kenya National AIDS Strategic Plan.

	<p>Kenya HIV/AIDS Private Sector Business Council (KHBC): Head of Programme & Stakeholder Development; Head of Training & Business Development</p> <p>Namawanga Girls' High School: Biology & Home science teacher</p>
	<p>NAME: Prof. Rose. A. Mwonya</p> <p>YOB: 1950</p> <p>POSITION/KEY RESPONSIBILITIES:</p> <p>Director</p> <p>QUALIFICATION</p> <p>Dip (Egerton), B.Sc., M.Sc., Ph.D. (Iowa)</p> <p>WORK EXPERIENCE</p> <p>Egerton University: Vice Chancellor; Deputy Vice-Chancellor (Academic Affairs); Dean of Students; Director Centre of Women Studies and Gender Analysis; Chairperson Dept. Of Agriculture & Home Economics; Full Professor, Associate Professor, Senior Lecturer, Lecturer</p>
	<p>NAME: Prof. Isaac O. Kibwage</p> <p>YOB: 1954</p> <p>POSITION/KEY RESPONSIBILITY</p> <p>Director</p> <p>QUALIFICATION</p> <p>B.Pharm (UoN), B.Pharm, Ph.D. (K.U. Leuven), FPSK, CSci. C.Chem., MRSC</p> <p>WORK EXPERIENCE</p> <p>Egerton University: Deputy Vice-Chancellor (Administration, Planning & Development)</p> <p>University of Nairobi: Professor, Principal College of Health Sciences, Dean, Chairman of Department</p>



NAME: Prof. George Owuor

YOB: 1969

POSITION/KEY RESPONSIBILITY

Managing Director

QUALIFICATION

BSc.-AGBM (Egerton University), MSc-Agricultural Economics (Egerton University), Ph.D.-AGBM (Sandwich-Kiel University Germany and Egerton University)

WORK EXPERIENCE

Managing Director, Egerton University Investment Company, Chairman Department of Agribusiness Management at Egerton University, PI Centre of Excellence in sustainable Agriculture and Agribusiness Management, Programme Manager African Economic Research Consortium (AERC) covering 13 countries in Eastern, Central and South Africa, project consultancies with CIMMYT, CIAT, IFPRI, ILRI, Syngenta Foundation and International Centre for Development and Decent Work- in Germany.

CHAIRMAN'S STATEMENT

The present Egerton University Investment Company's financial report 2018/19 is the sixth financial report, and the second report under the new Board of Directors that I chair. The Company performance over the last 5 years has seen dismal, a factor that the new Board has taken serious attention and is focusing on. It is also worth noting that the Company is also under the new management and in the last 24 months the fruits of turnaround have been seen. Some of the new programs include a new strategic plan, new business turnaround plans for various company units and already a growing market and sale of milk and horticultural produce. The Board therefore, notes with great hope the ongoing transformations that are expected to see the company change the direction of performance.

Turning to the current financial performance, I note a great improvement from 2015/16 and 2016/17 with a reduction in losses from Kshs 60 million in 2015/16, Kshs 40 million loss in 2016/17, 2017/18 loss of Kshs 19 million and Kshs 12 million in 2018/19.

At the unit levels, Castle made net gains of Kshs 0.3 million shillings, while ARC Hotel made a minimal loss of Kshs 1.7 million and the farm Kshs 3.6 after depreciation and gain in biological assets. However, looking forward to the ongoing turnaround of all units, the company is moving in the right direction and expect to improve on the current gains to generate positive returns in the coming financial year 2019/20.

Yours Sincerely,



Joshua Nyangidi Otieno
Chairman, EUICO Board of Directors

REPORT OF THE MANAGING DIRECTOR

The financial statement for the year 2018/2019 marks the 6th year of operation since Egerton University Investment Company was incorporated on 30th June 2010 as a subsidiary Company limited by guarantee and wholly owned by Egerton University.

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

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

At the beginning the financial reports were amalgamated to the main University financial reports but the last three years the accounts were captured separately. The performance in the year 2013/14 realised a profit of Ksh 57,755,428. However, the following years 2014/15 returned a loss of Kshs 48,786,066 and 2015/16 a loss of Kshs 61,849,201. These growth in loss made the company board change the management, with the new management coming in March 2017. Since then, there has been gradual turn around, with 2016/17 returning a loss of Kshs 40 million down from 60 million, and 2017/18 another reduction in loss to Kshs 19,392,892. The current report has seen another effort in the positive direction returning a loss of Kshs. 12,087,715. This is positive movement as compared to the previous year.

I therefore have the pleasure to present the Annual Report and Financial Statements of Egerton University Investment Company for the year ended June 30, 2019 as per the Company's Act 486 as set out on pages 11 to 39.

Yours Sincerely,



Prof. George Owuor
Managing Director

REPORT OF THE DIRECTORS

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

Principal activities

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

Results

The results of the entity for the year ended June 30, 2019 are set out on pages 11 to 39.

Dividends

The Directors do not recommend the payment of a dividend.

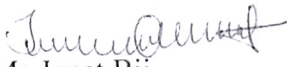
Directors

The members of the Board of Directors who served during the year are shown on page 2.

Auditors

The Auditor General is responsible for the statutory audit of the entity in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board


Ms Janet Bii
Company Secretary
Nairobi
Date: 19/09/19

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2019, and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The company's financial statements were approved by the Board on 19th September 2019 and signed on its behalf by:



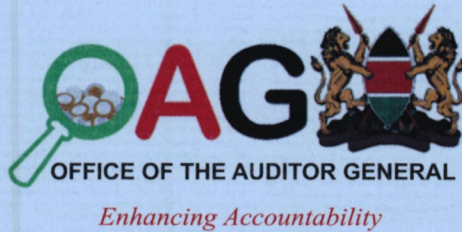
Prof George Owuor
Managing Director



Mr. Joshua Nyangidi Otieno
Chairman Board of Directors

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EGERTON UNIVERSITY INVESTMENT COMPANY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying Financial Statements of Egerton University Investment Company set out on pages 11 to 39, which comprise the statement of financial position as at 30 June, 2019, and the statement of profit or loss and other comprehensive income, statement of cash flows, statement of changes in equity and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Egerton University Investment Company 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 (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015 of the laws of Kenya.

Basis for Qualified Opinion

1. Material Uncertainty Relating to Going Concern

The statement of profit or loss and other comprehensive income indicates that the Company incurred a loss of Kshs.12,087,715 (2018 – Kshs.19,392,891) which as reflected in the statement of financial position increased the accumulated loss to Kshs.18,181,928 (2018 – Kshs.6,094,214). In spite of the fact that the negative trend casts significant doubt on the ability of the Company to continue to operate as a going concern, necessary disclosures on the material uncertainty relating to going concern have not been incorporated in the financial statements.

2. Cash and Bank Balances

As disclosed in note 16 to the financial statements, the statement of financial position reflects Bank and Cash balances of Kshs.10,694,216; (2018 – Kshs.8,771,618). The following observations were made:-

2.1 Unaccounted for Cash

Note 16 to the Financial Statements reflects a cash in hand balance of Kshs.13,535,193 as at 30 June, 2019. However, documents provided indicated that the balance comprised of Undeposited Funds; Reception Cash Register; Bank Deposit and Credit Card Receipts of Kshs.4,398,613; Kshs.9,051,925; Kshs.17,655 and Kshs.67,000 respectively being revenue receipts in the prior years but unbanked as at year end. Management explained that the money had been spent at source but was yet to be accounted for by the responsible officers and that the matter had been escalated to the Board of Directors (BOD) for further action.

2.2 Presentation and Disclosure

The reported bank and cash balance of Kshs.10,694,216 has been arrived at after offsetting the overdrawn bank balances of Kshs.2,840,977 against the cash in hand balance of Kshs.13,535,193 instead of disclosing the overdrawn balances separately under current liabilities as required under paragraph 32 of the International Accounting Standards No.1 – Presentation of financial statements.

2.3 Long Outstanding Bank Reconciliation Items

The Bank Reconciliation Statements for the three (3) bank accounts for the month of June, 2019 reflected receipts in bank statements but not recorded in the cashbook amounting to Kshs.725,317, payments in bank statements but not recorded in cashbook amounting to Kshs.938,738 and unrepresented cheques amounting to Kshs.1,212,187 which included stale cheques totalling to Kshs.94,917, some of which dated as far back as 30 August, 2016. No satisfactory explanation was provided for the delay in clearing the reconciling items reflected in the bank reconciliation statements.

In view of the foregoing, the existence and accuracy of the reported cash and bank balance of Kshs.10,694,216 could not be confirmed. Further, the Financial Statements as prepared and presented do not comply with IFRS requirements.

3. Unsupported Borrowings

As previously reported, the statement of financial position reflects borrowings of Kshs.150,119,907 under non-current liabilities. Available information indicates that the Company procured a loan refinancing of Kshs.5,000,000 from the bank that was applied to pay off the current and non-current borrowings loan portions amount of Kshs.2,688,051 and Kshs.2,311,949 respectively. Management has however, not supported the borrowings by way of formal legal agreement to confirm terms and conditions of the loan.

In the circumstances, the validity and accuracy of the net borrowings balance of Kshs.150,119,907 as at 30 June, 2019 could not be confirmed.

4. Long Outstanding Receivables

As disclosed in note 15 to the financial statements, the statement of financial position reflects a balance of Kshs.116,457,726 under trade and other receivables. A review of the aging analysis provided indicated that balances totalling to Kshs.110,624,414 or 95% had been outstanding for periods exceeding one year. Adjustments necessary for fair statement of the balances by way of provisions for doubtful debts as a result of likely impairment have not been incorporated in the financial statements. Further, Management had not put in place concrete measures for the recovery of the long outstanding debts.

Under the circumstances, the accuracy and recoverability of Trade and Other Receivables amounting to Kshs.116,457,726 could not be confirmed.

5. Trade and Other Payables

The statement of financial position reflects a balance of Kshs.116,021,673 under trade and other payables which includes payroll payables, withholding taxes and catering levy of Kshs.43,878,045, Kshs.10,043,842 and Kshs.1,290,089 respectively. However, the balance does not include interest and penalties arising as a result of delays in settling the liabilities and also excludes an amount of Kshs.1,701,656 being audit fees payable to the Office of the Auditor-General.

In the circumstance, the accuracy of the Trade and Other Payables balance of Kshs.116,021,651 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Egerton University Investment Company Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.183,233,462 and Kshs.119,074,964 respectively resulting in under-performance of Kshs.64,158,498 or

35%. Similarly, the Company spent Kshs.134,722,454 against an approved budget of Kshs.147,078,467 resulting to an under-expenditure of Kshs.12,356,013 or 8.4% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 Companies Act, 2015, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and

- iii. The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

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

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

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

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

obtained up to the date of my audit report. However, future events or conditions may cause Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

09 March, 2021

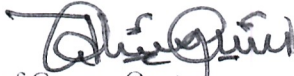
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2019**

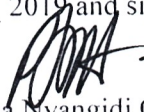
	Note	2018-2019	2017-2018
		Kshs	Kshs
REVENUES			
Revenue	5	117,777,526	119,019,952
Cost of sales	6	(44,665,503)	(41,309,262)
Gross profit		73,112,023	77,710,690
Other Income	7	1,297,438	871,957
Other gains/(losses)	8	3,559,775	(6,616,816)
TOTAL REVENUES		77,969,236	71,965,831
OPERATING EXPENSES			
Administration Costs	9 (a)	89,623,149	90,947,624
Finance Costs	10	433,802	411,098
TOTAL OPERATING EXPENSES		90,056,951	91,358,722
LOSS BEFORE TAXATION		(12,087,715)	(19,392,891)
INCOME TAX EXPENSE/(CREDIT)		-	-
LOSS AFTER TAXATION		(12,087,715)	(19,392,891)
OTHER COMPREHENSIVE INCOME			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(12,087,715)	(19,392,891)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2019	2018
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	12	55,084,222	64,090,348
Biological assets	13	62,111,375	44,981,000
Total Non-Current Assets		117,195,597	109,071,348
Current Assets			
Inventories	14	3,612,112	18,607,813
Trade and other receivables	15(a)	116,457,726	121,104,710
Bank and cash balances	16	10,694,216	8,771,618
Total Non-Current Assets		130,764,054	148,484,141
Total Non-Current Assets		<u>247,959,651</u>	<u>257,555,489</u>
EQUITY AND LIABILITIES			
Reserves			
Accumulated fund		(18,181,929)	(6,094,214)
Capital and Reserves		(18,181,929)	(6,094,214)
Non-Current Liabilities			
Borrowings	19	150,119,907	150,119,907
Total Non-Current Liabilities		150,119,907	150,119,907
Current Liabilities			
Borrowings	19	-	2,688,051
Trade and other payables	20	116,021,673	110,841,745
Total Current Liabilities		116,021,673	113,529,796
TOTAL EQUITY AND LIABILITIES		<u>247,959,651</u>	<u>257,555,489</u>

The financial statements were approved by the Board on 17th December 2019 and signed on its behalf by:


Prof George Owton
Managing Director


Mr Joshua Nyangidi Otieno
Chairman of the Board

**Annual Reports and Financial Statements
For the year ended June 30, 2019**

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

	Revaluation reserve	Fair value adjustment reserve	Accumulated Fund	Proposed dividends	Total
At July 1, 2017	-	-	13,298,678	-	13,298,678
Total comprehensive income			(19,392,892)		(19,392,892)
Proposed final dividends					
At June 30, 2018	-	-	(6,094,214)	-	(6,094,219)
At July 1, 2018					
Total comprehensive income	-	-	(6,094,214)	-	(6,094,214)
Proposed final dividends			(12,087,715)		(12,087,715)
At June 30, 2019	-	-	(18,181,929)	-	(18,181,929)

**Annual Reports and Financial Statements
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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	22	5,956,279	523,655
Interest paid	22	(433,802)	(411,098)
Net cash generated from/(used in) operating activities		5,522,477	112,557
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	12	(911,828)	(206,854)
Proceeds from disposal of property, plant and equipment		-	-
Net cash generated from/(used in) investing activities		(911,828)	(206,854)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	19	2,311,949	7,407,958
Repayment of borrowings	19	(5,000,000)	(2,756,884)
Net cash generated from/(used in) financing activities		(2,688,051)	4,651,074
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		1,922,598	4,556,777
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		8,771,618	4,214,841
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	10 (c)	10,694,216	8,771,618

Annual Reports and Financial Statements
For the year ended June 30, 2019

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

	Original budget 2018-2019 Kshs	Adjustments 2018-2019 Kshs	Final budget 2018-2019 Kshs	Actual on comparable basis 2018-2019 Kshs	Performance difference 2018-2019 Kshs
Revenue					
Sale of goods	79,768,710		79,768,710	38,564,731	41,203,979
Sale of services	102,784,752		102,784,752	79,212,795	23,571,957
Finance Income	-		-	-	-
Other income	680,000		680,000	1,297,438	(617,438)
Total income	183,233,462	-	183,233,462	119,074,964	64,158,498
Expenses					
Compensation of employees	64,190,504		64,190,504	55,425,588	8,764,916
Use of goods and services	78,932,100		78,932,100	66,825,041	12,107,059
Finance cost	-		-	433,802	(433,802)
Other payments	3,278,000		3,278,000	2,120,069	1,157,931
Depreciation	677,863		677,863	9,917,954	(9,240,091)
Total expenditure	147,078,467	-	147,078,467	134,722,454	12,356,013
Gain in biological assets				3,559,775	(3,559,775)
Surplus/(Deficit) for the period	36,154,995	-	36,154,995	(12,087,715)	48,242,710

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

IFRS 16: Leases

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.

IFRIC 23: Uncertainty Over income tax treatments

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre payable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017.

The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019(Continued)

Amendments to IFRS 11 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

Amendments to IAS 12 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017

The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

The above new standards and amendments are effective for the year ended 30 June 2019 and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statement of the company.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

IFRS 17 Insurance Contracts (Issued 18 May 2017)

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2018 -2019.

iii) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognised 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 recognised as it accrues.

b) Property, plant and equipment

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

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

c) Depreciation and impairment of property, plant and equipment

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Inventories

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

e) Trade and other receivables

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

f) Taxation

Current income tax

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

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

g) Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Borrowings

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

i) Trade and other payables

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

j) Retirement benefit obligations

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

k) Exchange rate differences

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Budget information

The original budget for FY 2018-2019 was approved by the Board of Director on 11 May 2018.

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

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

m) Comparative figures

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

n) Subsequent events

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Valuation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 REVENUE

	2018- 2019	2017-2018
	Kshs	Kshs
Gross sales of goods	38,564,731	50,065,185
Gross sales of services	79,212,795	68,954,767
Less: Value added tax on gross sales	-	-
Total	117,777,526	119,019,952

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

6 COST OF SALES

	2018- 2019	2017-2018
Description	Kshs	Kshs
Cost of sales on goods	17,258,274	14,973,250
Cost of sales on services	27,407,229	26,336,012
Total	44,665,503	41,309,262

7 OTHER INCOME

	2018- 2019	2017-2018
Description	Kshs	Kshs
Hire Charges	775,780	700,000
Business Centre receipts	162,371	8,750
Other Service Sales	103,767	136,207
Other miscellaneous receipts	255,520	27,000
Total	1,297,438	871,957

Other income is mainly attributable to hire charges from provision of harvesting services to outsiders using company machinery and equipment.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GAINS AND LOSSES

	2018- 2019	2017-2018
Description	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Unrealized gains/(losses) in Biological Assets (Note 13)	3,559,775	(6,616,816)
Total	3,559,775	(6,616,816)

9 (a) ADMINISTRATION COSTS

	2018- 2019	2017-2018
Description	Kshs	Kshs
Staff costs (note 9 b)	55,425,588	61,308,906
Directors' emoluments	2,120,069	2,132,397
Electricity and water	4,136,198	2,514,112
Communication services and supplies	708,680	611,248
Transportation, travelling and subsistence	2,014,930	1,488,510
Advertising, printing, stationery and photocopying	1,615,214	1,149,338
Staff training expenses	454,165	561,940
Insurance costs	137,482	24,861
Bank charges and commissions	507,053	330,558
Office and general supplies and services	43,937	32,338
Auditors' remuneration		
Legal fees	125,000	1,201,067
Consultancy fees	350,500	888,000
Repairs and maintenance	1,445,764	2,647,137
Provision for bad and doubtful debts		
Other operating expenses	20,538,569	16,057,212
Total	89,623,149	90,947,624

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9(b) STAFF COSTS

	2018- 2019	2017-2018
Description	Kshs	Kshs
Salaries and allowances of permanent employees	38,220,595	40,428,561
Wages of temporary employees	13,585,342	14,849,107
Compulsory national health insurance schemes	19,115	-
Compulsory national social security schemes	654,747	137,600
Gratuity	2,612,694	5,575,446
Staff welfare	333,095	318,192
Total	55,425,588	61,308,906
The average number of employees at the end of the year was:		
Permanent employees – Management	4	4
Permanent employees –others	73	78
Temporary and contracted employees	99	112
Total	176	194

10 FINANCE COSTS

	2018-2019	2017-2018
Description	Kshs	Kshs
Interest expense on loans	433,802	411,098
Interest expense on bank overdrafts	-	-
Total	433,802	411,098

Egerton University Investment Company

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 OPERATING PROFIT/(LOSS)

	2018-2019	2017-2018
Description	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 9 b)	55,425,588	61,308,906
Depreciation of property, plant and equipment	9,917,954	10,027,005
Provision for bad and doubtful debts		
Directors' emoluments – fees	2,120,069	2,132,397
- other		
Auditors' remuneration - current year fees	-	-
- prior year under-provision		
Loss on disposal of property, plant and equipment	-	-
Interest receivable		
Interest payable	433,802	411,098
Total	67,897,413	73,879,406

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

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

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

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

Annual Reports and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2018	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Other Equipment	Total
COST OR VALUATION					
At July 1, 2017	23,793,995	73,602,715	4,427,910	16,034,826	117,859,446
Additions				206,854	206,854
Transfers					
Disposals					
At June 30, 2018	23,793,995	73,602,715	4,427,910	16,241,680	118,066,300
DEPRECIATION					
At July 1, 2017	3,095,303	25,818,814	4,333,082	10,701,748	43,948,947
Charge for the year	594,850	7,360,271	94,828	1,977,056	10,027,005
At June 30, 2018	3,690,153	33,179,085	4,427,910	12,678,804	53,975,952
NET BOOK VALUE					
At June 30, 2018	20,103,842	40,423,630	-	3,562,876	64,090,348

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

	Cost or Valuation	Norman annual Depreciation charge
Plant and machinery	-	-
Motor vehicles, including motor cycles	4,427,910	94,825
Office equipment, furniture and fittings	4,144,177	1,977,056
	8,572,087	2,071,881

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 BIOLOGICAL ASSETS

	2018-2019	2017-2018
Description	Kshs	Kshs
Bearer Assets – Animals	29,002,000	29,546,000
Bearer Assets – Plant	33,109,375	15,435,000
Total	62,111,375	44,981,000

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

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

	2018-2019	2017-2018
Description	Kshs	Kshs
Bear Assets – Animals	(544,000)	(195,000)
Bearer Assets – Plant	4,103,775	(6,421,816)
Total	3,559,775	(6,616,816)

14 INVENTORIES

	2018-2019	2017-2018
Description	Kshs	Kshs
Engineering stores	505,300	569,320
Stationery and general stores	3,106,812	18,038,493
Total	3,612,112	18,607,813

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (a) TRADE AND OTHER RECEIVABLES

Description	2018-2019 Kshs	2017-2018 Kshs
Trade receivables (note 15 (b))	115,089,879	119,761,126
Deposits and prepayments		
VAT recoverable		
Staff receivables (note 15 (c))	1,367,847	1,343,584
Other receivables		
Gross trade and other receivables	116,457,726	121,104,710
Provision for bad and doubtful receivable	-	-
Net trade and other receivables	116,457,726	121,104,710

15 (b) TRADE RECEIVABLES

Description	2018-2019 Kshs	2017-2018 Kshs
Gross trade receivables	115,089,879	119,761,126
Provision for doubtful receivables	-	-
	115,089,879	119,761,126
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	3,378,127	5,762,286
Between 30 and 60 days	3,826,889	(2,738,081)
Between 61 and 90 days	1,717,733	2,337,865
Between 91 and 120 days	177,487	922,049
Over 120 days	105,989,643	113,477,007
	115,089,879	119,761,126

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (c) STAFF RECEIVABLES

	2018-2019	2017-2018
Description	Kshs	Kshs
Gross staff loans and advances	1,367,847	1,343,584
Provision for impairment loss	-	-
	1,367,847	1,343,584
Less: Amounts due within one year	1,367,847	1,343,584
Amounts due after one year	-	-

16 BANK AND CASH BALANCES

	2018-2019	2017-2018
Description	Kshs	Kshs
Cash at bank	(2,840,977)	(4,763,575)
Cash in hand	13,535,193	13,535,193
Total	10,694,216	8,771,618

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2018-2019 KShs	2017-2018 KShs
a) Current account			
Kenya Commercial bank	1136869271	(1,244,701)	(1,620,111)
Kenya Commercial bank	1101907339	(141,724)	(752,004)
Kenya Commercial bank	1109628668	(1,454,552)	(2,391,460)
Sub- total		(2,840,977)	(4,763,575)
b) Others(specify)			
Cash in transit		-	-
cash in hand		13,535,193	13,535,193
M pesa		-	-
Sub- total		13,535,193	13,535,193
Grand total		10,694,216	8,771,618

Egerton University Investment Company

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 ORDINARY SHARE CAPITAL

Egerton University Investment Company is a company limited by guarantee.

18 RESERVES

The reserves represent the company's accumulated losses.

19 BORROWINGS

	2018-2019	2017-2018
Description	Kshs	Kshs
Balance at beginning of the year	152,807,958	148,156,884
Domestic borrowings during the year	2,311,949	7,407,958
Repayments of domestics borrowings during the year	(5,000,000)	(2,756,884)
Balance at end of the year	150,119,907	152,807,958
Less: Amounts due with one year (current portion)	-	(2,688,051)
Amounts due after one year (non-current portion)	150,119,907	150,119,907

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

	2018-2019	2017-2018
Description	Kshs	Kshs
Domestic Borrowings		
Kenya Shilling loan from KCB Bank	2,311,949	2,688,051
Kenya Shilling loan from Egerton University	-	4,719,907
Total balance at end of year	2,311,949	7,407,958

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER PAYABLES

	2018-2019	2017-2018
Description	Kshs	Kshs
Trade payables	60,560,043	56,784,436
Other payables	55,461,630	54,057,308
	116,021,673	110,841,744

21 RETIREMENT BENEFIT OBLIGATIONS

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 NOTES TO THE STATEMENT OF CASH FLOWS

	2018-2019	2017-2018
Description	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	(12,087,715)	(19,392,892)
Depreciation	9,917,954	10,027,005
Interest expense	433,802	411,098
(Gain)/loss on disposal of property, plant and equipment		
Operating profit/(loss) before working capital changes	(1,735,958)	(8,954,789)
(Increase)/decrease in inventories	14,995,701	(6,645,434)
(Increase)/decrease in trade and other receivables	4,646,984	(11,795,495)
Increase/(decrease) in trade and other payables	5,179,928	10,598,303
Increase/(decrease) in Biological assets	(17,130,375)	17,321,070
Cash generated from/(used in) operations	5,956,278	523,655
(b) Analysis of changes in loans		
Balance at beginning of the year	152,807,958	148,156,884
Receipts during the year	2,311,949	7,407,958
Repayments during the year	(5,000,000)	(2,756,884)
Repayments of previous year's accrued interest	-	-
Accrued interest	-	-
Balance at end of the year	150,119,907	152,807,958
(c) Analysis of cash and cash equivalents		
Cash at bank	3,054,961	2,855,884
Cash in hand	7,639,255	5,915,734
Balance at end of the year	10,694,216	8,771,618

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 NOTES TO STATEMENT OF CASHFLOWS

	2018-2019	2017-2018
Description	Kshs	Kshs
(d) Analysis of interest paid		
Interest on loans	433,802	411,098
	433,802	411,098

23 RELATED PARTY DISCLOSURES

Egerton University

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

Transactions with related parties

	2018-2019	2017-2018
Description	Kshs	Kshs
Sales to related parties		
Sales of goods to Egerton University	5,143,163	5,800,556
Sales of services Egerton University	29,398,970	25,234,783
Total	34,542,133	31,035,339

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 INCORPORATION

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

25 EVENTS AFTER THE REPORTING PERIOD

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

26 CURRENCY

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

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Unaccounted for hay revenue	The unaccounted amount was attributable own use for feeding livestock and mulching in horticulture. Own use is now recorded and regular reconciliations done	Farm Manager	Resolved	
2.0	Unsupported loans advanced by Egerton University Investment company	Management is in consultation with the University to prepare a formal legal agreement stating the terms and conditions	Managing Director	Not resolved	
1.1	Unlimited grant of super rights in sage accounting system	The company's head of accounting has now been granted limited rights in Sage Accounting system	Managing Director	Resolved	


 Managing Director

Date 17/12/2019


 Chairman of the Board

Date 17/12/2019

