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REPORT

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THE AUDITOR-GENERAL

ON

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

**FOR THE YEAR ENDED
30 JUNE, 2023**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 11 JUN 2024	DAY: Tuesday
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JKUAT ENTERPRISES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2023**

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

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

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1. ACRONYMS, ABBREVIATIONS AND GLOSSARY OF TERMS

A: Acronyms and Abbreviations

EDC	Enterprise Development Centre
JKUAT	Jomo Kenyatta University of Agriculture and Technology
JKUATES	Jomo Kenyatta University of Agriculture and Technology Enterprises Limited
SSL	Support Services and Logistics
CPA	Certified Public Accountant
SC	State Corporations
ICS	Institute of Certified Secretaries
m	Million
Kshs	Kenyan Shillings
MSc	Master of Science
Bsc	Bachelor of science
B.Ed	Bachelor of Education
MPhil	Master of Philosophy
PhD	Doctor of Philisophy
PS	Principal Secretary
CS	Cabinet Secretary
AA	Academic Affairs
RPE	Research, Production and Extension
KEBS	Kenya Bureau of Standards
BSF	Black Soldier Fly
CSR	Corporate Social Responsibility
NSSF	National Social Security Fund

B: Glossary of Terms

JKUATES Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

Comparative/Prior Year- Means the prior period.

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2. KEY ENTITY INFORMATION

Background information

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

Principle Activities

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

Directors

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

1. Mahboub Maalim Mohamed Director, Chairman JKUAT Council-Appointed 16/10/2020 retired 23rd May 2023
2. Abdi Mohamud Hassan Director, Chairman JKUAT Council-Appointed 24th May 2023
3. Prof. Victoria W Ngumi Director, Vice Chancellor Appointed 1st Sep 2018
4. Dr. W.N. Karugu Managing Director, JKUAT Enterprises Ltd Appointed May 2008
5. Prof. Mary Abukutsa Director, Deputy Vice Chancellor (RPE) Retired 1st August 2022
6. Prof. Jackson K. Kwanza Director, Deputy Vice Chancellor (RPE) Appointed 1st Sep 2022
7. Prof. Bernard Ikua Director, Ag. Deputy Vice Chancellor (Administration), Appointed 1st Sep 2018
8. Prof. Robert Kinyua Director, Ag. Deputy Vice Chancellor (AA) Appointed 1st Sep 2018
9. CPA Robert Asumani Director, Representing PS Ministry of Education, Retired on 31st Oct 2022
10. Mr. James Kiburi Director, Representing PS Ministry of Education, Appointed on 1st Nov 2022
11. CPA Judith A. Nyakawa Director, Representative CS Treasury appointed on 24th November 2017
12. Mr. John Kiumi Wambugu Company Secretary Appointed 1st July 2022.

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Principal Legal Advisor

Mr. John Kiumi Wambugu
P.O. Box 62000 – 00200
NAIROBI

(a) Entity Headquarters

Jomo Kenyatta University of Agriculture & Technology
Main Campus – Juja
P.O. Box 62000 – 00200
Nairobi

(b) Corporate Contacts

Telephone: 067-52420, 0724-256696, 0736-524200
E-mail: jkuates@jkuates.jkuat.ac.ke
Website: www.jkuates.com

(c) Corporate Bankers

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

(d) Independent Auditors

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



(e) Corporate Secretary

Mr. John Kiumi Wambugu
P.O. Box 62000 – 00200
Nairobi



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3. THE BOARD OF DIRECTORS

SN		NAME	DATE OF BIRTH	QUALIFICATIONS	WORK EXPERIENCE	TYPE OF DIRECTOR	COMMITTEE CHAIR
1		Mr. Abdi Mohamud Hassan,	1969	MA, LLB, B.Sc, Advocate of the High Court of Kenya	Abdi is a Legal practitioner and transformational leader experienced in top level management of state corporations. He has served as a Council Member for LSK, Member of Presidential Power of Mercy Advisory Committee, Commissioner, Media Complaints Commission, Board Member, Numerical Machining Complex, Tourism Fund. He has also served as the Managing Partner, Hassan Mutembei & Company Advocates and Wamalwa, Abdi & Company Advocates	Chairman	
2		Ambassador (Eng.) Mahboub M. Maalim	1958	CBS, OGW, CEng, MSc, BSc	IGAD Executive Secretary-2008-2019, inspector and district water engineer Ministry of Water and Irrigation. 1994 - 1996	Chairman	


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3		Prof. Robert Kinyua	1/1/1966	<p>1996 – 2000: Doctor of Philosophy – High Energy Physics (Osaka University – Japan) 1990 – 1993: Master of Science (Physics) - University of Nairobi, Kenya. 1987 – 2000: Bachelor of Science (Physics Major) – University of Nairobi</p>	<p>Currently: Associate Professor in the Department of Physics, & Director of the Institute of Energy & Environmental Technology, JKUAT. 2009 – 2013: Senior Lecturer in the Department of Physics 2004 – to date: Member of the Jomo Kenyatta University of Agriculture and Technology Senate. 2010 – To date Director, Institute of Energy & Environmental Technology, JKUAT. June 2004-2009: Chairman, department of Physics (JKUAT) Various times: Acting Director, Board of Postgraduate Studies (BPS), JKUAT. Various times: Acting Director, Alternative Degree Programmes (ADP), JKUAT. 2000- 2004: Examinations Officer Department of Physics, JKUAT 1996- 2009 : Lecturer, department of Physics (JKUAT) 16th April 1993-1996: Assistant Lecturer, department of Physics (JKUAT) Seminar Coordinator, Department of Physics (JKUAT) Jan.1993-June 1993 Graduate Assistant, Department of Physics (Univ. of Nairobi) Sept. 1990-1992 Laboratory demonstrator, Dept. of Physics, Univ. of Nairobi</p>	Independent	N/A
4		Prof. Bernard Ikua	1965	<p>University of Nairobi undergraduate degree in Mechanical Engineering, PhD and MSc degrees Japan Totori University</p>	<p>Deputy Vice Chancellor in charge of Administration at Jomo Kenyatta University of Agriculture and Technology (JKUAT) ,Principal of the College of Engineering and Technology at JKUAT.</p>	Independent	HR and Finance



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5		Prof. Jackson Kwanza	1963	<p>1998- 2001: PhD research, Jomo Kenyatta University of Agriculture and Technology. 1991 – 1992: MSc. (Mathematics) degree, Kenyatta University. 1985- 1988 B.Ed (Sc) Kenyatta University.</p>	<p>August 2013 - present: Ag. Principal, JKUAT Karen Campus, April 2010 – August 2013 Director, J.K.U.A.T Academic Programmes, Karen Campus. May 2003-May 2006: Director, Continuing Education Programme (CEP), February – May 2003: Deputy Director, Continuing Education Programme (J.K.U.A.T), 8th March-8th April 2010 Acting chairman, Department of Pure and Applied Mathematics, January- March 2009 Acting chairman, Department of Pure and Applied Mathematics, January 2007- to date: Coordinator, seminars, Department of Pure and Applied Mathematics, April 2002 – February 2003: Time tabling Officer</p>	Independent	N/A
6		Prof. Victoria Ngumi	18/03/1960	<p>Prof. Ngumi is a beneficiary of the prestigious Fulbright scholarship that took her to Clemson University, South Carolina, USA, earning her a PhD degree in Plant Physiology in 1997. She had earlier won another Japan based Mombusho scholarship, that enabled her to pursue a Master of Science degree in Botany at Hiroshima University, successfully graduating in 1989. She is an alumnus of the University of Nairobi where she obtained an undergraduate degree in Education. She also holds an Executive MBA from JKUAT In 2021.</p>	<p>Prof. Victoria Wambui Ngumi, PhD, EBS is the Vice Chancellor of Jomo Kenyatta University of Agriculture and Technology (JKUAT) . She was appointed by His Excellency the President, Uhuru Kenyatta, in August 2018, as the Vice Chancellor. Prior to her appointment, she was serving as the Deputy Vice Chancellor in charge of Administration, position she had held since October 2014</p>	Independent	N/A



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13		Mr. Erastus Mvuria	14/2/1977	MBA,Bcom	Deputy Managing Director- JKUATES 2022-Date.Senior General Manager- JKUATES 2018-2022.General Manager- JKUATES 2012-2018.Finance Manager-JKUATES 2008-2011.Ag. Production Manager-JKUATES 2010-2012.Accountant -JKUATES 2005-2008	Executive	N/A
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4. MANAGEMENT TEAM

SN		NAME	DATE OF BIRTH	QUALIFICATIONS	WORK EXPERIENCE	TYPE OF DIRECTOR	COMMITTEE CHAIR
1		Dr. Winifred N. Karugu	1957	Ph.D,Msc,Bsc	February 2008 to date: Managing Director, JKUAT Enterprises Ltd		N/A
2		Mr. Erastus Mvuria	14/2/1977	MBA,Bcom	Deputy Managing Director- JKUATES 2022-Date.Senior General Manager- JKUATES 2018-2022.General Manager- JKUATES 2012-2018.Finance Manager- JKUATES 2008-2011.Ag. Production Manager-JKUATES 2010-2012.Accountant -JKUATES 2005-2008.	N/A	

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3		CPA. Joseph Macharia	17/12/1978	Bcom- Finance CPA	Projects Assistant -JKUATES 2007-2008.Accountant -JKUATES 2008-2011.Department Head Management Accounting-JKUATES 2011-2013.Financial Accountant-JKUATES 2013-2018.Finance Manager-JKUATES 2018-Date	N/A	N/A
4		Mr. Evans Mutugi	5/3/1980	MSc- Proc,Bcom,CPA1,CP SP	Projects Manager -JKUATES- Date. Head of Procurement, Logistics and Infrastructure Development – JKUATES 2016-2018, Procurement Officer – JKUATES 2013 -2016 Logistics Manager, Brainstorm International Nairobi,2010-2013, Procurement & Logistics Officer, elitec (K)Ltd Nairobi 2008-2009.Office Administrator Solid Investment Securities Ltd2006-2008.Assistant Accountant Solid Investment Securities Ltd 2004-2005	N/A	N/A

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Moreover, challenges stemming from unpredictable weather patterns were manifest at the onset of the financial year. These fluctuations reverberated across the agricultural sector, directly impacting the sales of horticultural products. The implications of these external forces required our teams to exhibit unwavering resolve and astute management to sustain our course.

Outlook for 2023/2024 Financial Year

The coming financial year presents a complex economic landscape with uncertainties at both the global and domestic levels. Factors such as geopolitical risks and inflationary pressures require our proactive approach to decision-making and risk management. Our priority remains reengineering our operations, diversifying our portfolio, and exploring export opportunities. Despite challenges, we are steadfast in our commitment to operationalizing production activities and strengthening our financial position.

Conclusion

As we reflect on the 2022-2023 fiscal year, it is evident that our response to challenges has been both timely and resolute, showcasing the company's indomitable spirit and management's unwavering commitment to positive outcomes. With a constant eye on diversification and vigilant cost management, our path forward remains illuminated by the promise of sustained success. Our commitment to navigating uncertainties, elevating financial performance, and nurturing a dedicated and skilled workforce remains unswerving under our guidance.

Signature
Chairman



Date:

5/2/2024

6. REPORT OF THE CHIEF EXECUTIVE OFFICER FOR THE YEAR ENDED 30 JUNE 2023

Financial Performance

During this period, the company achieved significant progress in its financial performance. Total income for the fiscal year amounted to Ksh 402.03 million, representing a notable increase compared to the previous year's figure of Ksh 355.88 million. The top-line growth of approximately 13.00% for the financial year 2022/2023. This growth in the top line is the best the company has experienced in nearly a decade, signifying the success of our efforts to reengineer our business processes.

The divisions contributed to the aforementioned results as follows:

- Consultancy division Ksh 204.09m
- Products division Ksh 122.59m
- Support Services & Logistics division Ksh 37.71m
- EDC division Ksh 13.16m
- Animal Feeds Ksh 22.91m
- E-Commerce division Ksh 308,640

Key Activities and Achievement of the Financial Year

The divisions within the company undertook several strategic initiatives during the financial year. As a result, the company achieved significant milestones as follows:

Products Division

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

Propagation Materials

The seedling production remained consistent despite ongoing challenges this fiscal year. Adequate stocks were prepared and supplied, aided by improved sales due to favourable weather. Sales figures slightly decreased from Kshs. 130 million to Kshs. 122 million, partly influenced by low treasury-backed orders.

To expand business, the division now focuses on donor-supported projects and individual customers. Aggressive advertising is pursued, but this alone isn't a long-term solution. International markets for seedlings and fruits are being explored for revenue diversification and stability. Investment in production facilities aims to meet global standards and enhance efficiency.

Convenience Foods

Despite challenges from rising costs and financial difficulties, the division continues developing food products based on market feedback. Sales growth did not meet projections due to cost factors. Efforts to lower production costs are ongoing, with a focus on producing raw materials and reworking processing lines for diverse applications, quality control, and cost management.

Short-term growth efforts are underway, with acknowledgment that more aggressive measures are essential for significant progress. While the process has begun, noticeable results are expected in the upcoming fiscal year.

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Consultancy Division

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

In the 2022-2023 fiscal year, the division initiated long-term projects secured in the prior year, reducing their cost value by year-end, signifying successful project completions. These encompassed various services, including recruitment, restructuring, research, and construction for our esteemed clients.

Through robust business development, the division broadened its client base, product lines, and tender participation, securing substantial to elevate its project portfolio.

To sustain this growth trajectory and elevate profits the division aims to maintain diversification and open tender strategies, pursue larger high-margin contracts with prudent risk mitigation, explore opportunities requiring initial capital investment, devising funding methods, attract and retain skilled consultants and staff through continuous recruitment, enhance staff proficiency through MS project and soft skills training and strengthen the team by hiring more skilled project assistants.

For the upcoming 2023-2024 fiscal year, the division envisions a revenue goal of 240M and an approximate gross profit of 35M. We hold strong confidence that these strategies will position us to solidify our existing business value and successfully attain our financial objectives.

Enterprises Development Centre

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

The Division achieved robust revenues from diverse sources, including training courses, mushroom production, and corporate services. A significant number of students participated in various courses, and the division was actively engaged in projects, tenders, and operational enhancements. These achievements contributed to a positive financial outlook and net profit for the reporting period.

The Regular trainings unit offered a diverse array of courses, which saw participation from a total of 1,043 students during 2022-2023.

The Corporate Services unit had a successful period as it acquired new clients and completed projects, including a web-based learning management system for Kentrade. On the other hand, the Mushroom Production unit also continued to generate income through its training and production sections and garnered positive feedback on social media, yielding Kshs. 3,055,516.00 in revenue.

The division saw the introduction of new market-oriented short-term programs in various fields, including Data Science (Python and R), Business Portfolio (HRM, Strategic Management), Engineering software trainings (Tekla, AutoCAD, Civil 3D), and Project Management (NGO Management, Resource Mobilization, ESIA).

Support Services and Logistics Division

The Support Services and Logistics division offers non-core solutions to professionals, projects, and organizations as an outsourced service. The solutions revolve around but are not limited to payroll management, procurement, IT, HR, business development, admin, and logistics. For the services rendered, the division realizes income by charging a commission on the total project budget.

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The division during the financial year focused on increasing its financial and maintenance, as well as increasing its client base. The division engaged in ongoing support and logistical services for existing clients while actively expanding its client base. Several new contracts were secured, setting a strong foundation for the upcoming financial year. Noteworthy clients included Technoserve Africa, International Atomic Energy Agency, ZALPH, and Research and Innovation Systems for Africa (RISA), alongside contract extensions from loyal clients like the Devolved Community Testing project and KENET project.

Financially, the division's revenue slightly declined compared to the same period the previous year due to project disbursement timing, the division remains optimistic about maintaining an overall upward trajectory and looks to secure new contracts and implement aggressive business development initiatives to increase its revenues

The division plans to bolster its visibility through an enhanced marketing and awareness campaign. This strategy will involve initiatives such as cold emails, calls, customer visits, and other business development approaches.

To support this endeavor, the division is actively equipping itself with upgraded hardware and software tools to enhance service delivery efficiency and quality.

Construction Division

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

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

Inspo Factory – Roof Change

The project aimed to change the 30mtrs by 10 mtrs timber truss roof to a metallic truss roof. KEBS licensing requires non wood building for food manufacturing to avoid lice dustfalling on the flour. The change has cost the division Kshs. 1,300,000.00 against a market average of Kshs. 1,600,000.00

Office Building -Roof Change

The division installed new iron sheet roof on the walkway of the office building which previously was polycarbonate. The polycarbonate roof has a life span of five years which have since lapsed. The project cost Kshs. 306,210.00.

Water Catchment Tanks

The scarcity of water in the JKUATES Hub has led us to device other ways of attracting more water. The division installed tanks to receive water at low pressure, including rain water and pumping it to higher tanks to supply water by gravity.

BSF Breeding Cages

The division built black solder flies breeding cages in a 30mtr by 8 mtr greenhouse.

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Ibr - Shadenets

The projects division undertook a project to overhaul the IBR banana shadenet IV. The shadenet previously supported by wooden poles now has metallic support. The project Kshs. 600,000.00 saving the company upto Kshs. 150,000.00.

Solar Lighting

The division installed external solar lightings, an initiative to reduce electricity cost. The intention is to light up JKUATES on all energy needs using solar. The initiative as so far significantly cut the bills.

Swamp Area Reclamation

The division helped to reclaim an acre of swamp area to be used for animal rearing.

Coetec Building

Construction at the COETEC building has stalled awaiting funds. The division raised a variation of Kshs. 44,972,590.58 due to price and design changes. The building is usable on one wing having installed the tiles. So far JKUATES has received the entire contract sum of Kshs. 208,748,244.81 making a 4% management fee of about Kshs. 9,575,607.56.

Animal Feeds Division

This division develops and promotes animal production resources, and activities include livestock breeding, feeding, and feed technologies, alongside other disruptive agriculture technologies (DAT).

Throughout the year, the division achieved significant milestones in advancing the utilization of Black Soldier Fly (BSF) larvae for diverse applications. The division embarked on mechanizing BSF larvae and fertilizer production, marking a pivotal step towards enhanced efficiency. A noteworthy accomplishment was the implementation of the ASDSP Kiambu County initiative, involving comprehensive training of BSF farmer groups and establishing four rearing units within the county.

The division also embarked on the initiation and execution of the NARIGP Kiambu County contract, dedicated to setting up BSF units for the Chicken Value chain. This substantial project, highlighting the company's dedication to addressing critical agricultural needs. Consistent efforts were directed towards promoting BSF training and products, successfully generating substantial revenue from animal feed sales, and the sale of BSF larvae, and associated training.

The division's engagement extended beyond product sales. Of particular significance was the collaboration with GIZ and E4Impact – JKUATES, focused on building the capacities of yellow passion fruit farmers across multiple counties. Furthermore, we signed the FARA – AIRTEA project partnership contract, demonstrating our commitment to agricultural development in Kisumu and Busia counties.

As we navigated the year, our division consistently prioritized innovation and expansion. It initiated and leveraged new BSF concrete rearing cages, paving the way for efficient rearing practices.

Looking ahead, its plan for the upcoming year includes scaling up biofertilizer production, bolstering its animal feed marketing efforts, and further refining the rearing unit operations. The divisions pursuit of excellence is matched by the acknowledgment of key needs: the acquisition of pelletizing equipment to facilitate sales growth and the enhancement of BSF production units.

The year witnessed remarkable progress as the division harnessed the potential of BSF larvae across various applications. Its dedication to training, partnerships, and innovation has solidified our position as a key player in sustainable agricultural solutions, promising an even more impactful year ahead.

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HR Division

The HR function of the company continues to play a crucial role in shaping our workforce and improving our working environment. During the financial year 2022/2023, the company underwent an internal restructuring process. As part of this restructuring, the E-commerce department underwent changes, and its employees were absorbed into other departments that took over the roles and responsibilities of the initial department.

By integrating E-commerce department employees into other relevant departments, we aimed to leverage their skills and expertise more effectively within the organization.

JKUATES ended the financial year with a total of 130 employees.

The HR division played a vital role in facilitating this restructuring process and ensured that the transition was smooth and transparent for all employees involved. Necessary HR processes were followed, including conducting evaluations, identifying suitable departments for placement, and addressing any employee concerns.

The restructuring aligns with our commitment to remain agile and adapt to changing market dynamics while focusing on enhancing the value we provide to our clients.

Due to certain circumstances, some contracts that had lapsed during the fiscal year were not renewed. However, HR processes were followed, and dues were paid to those affected. Going forward, we aim to create a safe workplace for our staff and will conduct a needs analysis in our divisions to ensure we invest in staff training for enhanced competency and value creation.

Challenges

Our financial trajectory throughout the fiscal year showcased growth, underpinned by the dedicated efforts of our teams. However, it is imperative to address the challenges we encountered, which necessitated adept maneuvering and strategic action to preserve our gross profit margin. Foremost among these challenges were shifts in our customer profile and the resultant market dynamics. The evolving landscape demanded swift adaptation to changing preferences and requirements. Furthermore, disruptions emanating from these shifts posed hurdles that necessitated agile strategies.

Additionally, the unpredictable nature of weather patterns exerted an unforeseen influence on our cost of sales. Variations in climatic conditions cascaded into the agricultural sector, subsequently impacting the sales of horticultural products. This factor, though external, required our internal teams to deftly manage the implications and mitigate the effects.

In the face of these challenges, our teams exhibited remarkable resilience and strategic prowess. Their ability to navigate these complexities while ensuring growth is a testament to their dedication and our organization's ethos of innovation and adaptability.

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Outlook for 2023/2024 Financial Year

The economic outlook for the upcoming financial year remains uncertain, with various domestic and global challenges. Geopolitical risks, inflationary pressures in Kenya driven by increased food and energy inflation, pose considerable risks and challenges to sustained growth. As a result, the company needs to remain agile and proactive in its decision-making and risk management.

To mitigate these risks, management is determined to navigate these times and structure our business the best way possible to achieve positive financial performance in the coming years. The company plans to diversify its portfolio to explore export opportunities and new market destinations. We will also focus on enhancing domestic resource mobilization and accelerating business structure reforms to ensure our resilience in the face of economic uncertainties.

Conclusion

In retrospect of the 2022-2023 fiscal year, it is undeniable that our organization has demonstrated unwavering resilience, adaptability, and an unyielding commitment to progress. The hurdles we encountered have only reinforced our determination to confront uncertainties with unwavering resolve and innovative strategies. Our strategic pivot towards diversification, cost optimization, and sustainable practices places us in a position of strength to confidently embrace the future.

As we close this fiscal chapter, the challenges we faced were met with swift and resolute action by the management. This attests to both the company's and management's tenacity and drive to surmount obstacles and attain positive outcomes. With an enduring emphasis on diversification and prudent cost management, our company remains poised for continued success and growth in the times ahead. The commitment to steering through uncertainties, enhancing financial performance, and nurturing a motivated and skilled workforce remains steadfast under our guidance.

Signature 
Managing Director

Date 05/02/2024

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

JKUAT Enterprises Limited exists to promote entrepreneurial activity by utilizing cutting-edge technological research to provide practical solutions to business problems. We strengthen JKUAT University's ties with industry, government, the public, and other stakeholders to provide a forum for networking, propel development, and market its innovations, all while providing peerless consultancy to our clientele based on our expertise in research and innovation.

Below is an outline of the organization's policies and activities that promote sustainability.

Our business pursuits during the fiscal year were guided by the following key pillars:

- **Economic:** A relentless drive for survival, innovation, and profit generation.
- **Human:** Unwavering commitment to employee welfare and the creation of employment opportunities.
- **Organic:** Focused efforts on Research and Development for sustained growth.
- **Social:** The resolute commitment to offer wholesome, healthy, and quality products to our valued customers.
- **Environmental:** Focused on conservation of natural resources, reduction of pollution and waste, and protection of biodiversity.

The Institution achieved its performance targets set for the FY 2022/2023 period as indicated in the diagram below:

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1. Economic	Enhancing entrepreneurial activity	Collaborations and partnerships	Research and development	Profit generation
2. Social	Empowering communities	Community engagement	Training and consultancy	Positive social impact

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3. Organic	Innovation and research	Innovative solutions	Product development and commercialization	Entrepreneurs hip support
4. Human	Employee welfare	Policies and programs	Creation of employment opportunities	Safe and healthy work environment
5. Environment	Conservation of natural resources	Compliance and certifications	Promoting sustainable practices	Sustainable Practices and resource efficiency

8. CORPORATE GOVERNANCE STATEMENT

Corporate Governance:

Roles and functions of the Board of Directors

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 the company's board meets regularly where need arises to deliberate and act on operational, finance compliance and strategic issues as per the requirements and 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. During the year under review the company held 5 Board meeting as follows: 20th July,2022, 18th August,2022, 16th November,2022, 23rd February, 2023 and 18th May, 2023. Find the attendance sheet attached.

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 remuneration

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.

JKUAT ENTERPRISES LIMITED

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Succession Plan

The organization lacks a formal succession plan because the Board of Directors is appointed based on the provisions outlined in the company's articles of incorporation.

Existence of board charter

The company is taking steps to formulate a board charter that aligns with the Mwongozo requirements. This will ensure that the company's board of directors operates effectively and efficiently, assists the nation to realize shared goals, and meets the expectations of stakeholders

Appointment and removal of Directors

The company underwent changes in its directorship during the financial year 2022/2023. Two directors were appointed and two were removed. James Kiburi was appointed as PS representing the Ministry of Education, replacing Robert Asumani. Mary Abukutsa resigned, and Jackson Kwanza was appointed to the board.

Induction and training

The company has an induction process in place to familiarize new directors/chairman with the company. This is to ensure that the new directors are equipped with the information and the knowledge that he or she will need to become as effective as possible in their role within the shortest practicable time, to make informed decisions, contributing to the company's success, and meet the expectations of stakeholders.

Board and members performance

The company conducted self-evaluation exercise on its Board members as required by Mwongozo and the recommendations were put into consideration and incorporated into the performance improvement plan.

Conflict of interest

The company maintains records of interest declaration signed by the board of directors in every meeting they attend. Find attached.

Ethics and conduct

The board is committed to ethics and conduct by prioritizing corporate culture, vigilantly watching for red flags, and setting clear expectations to sustain principled business landscape.

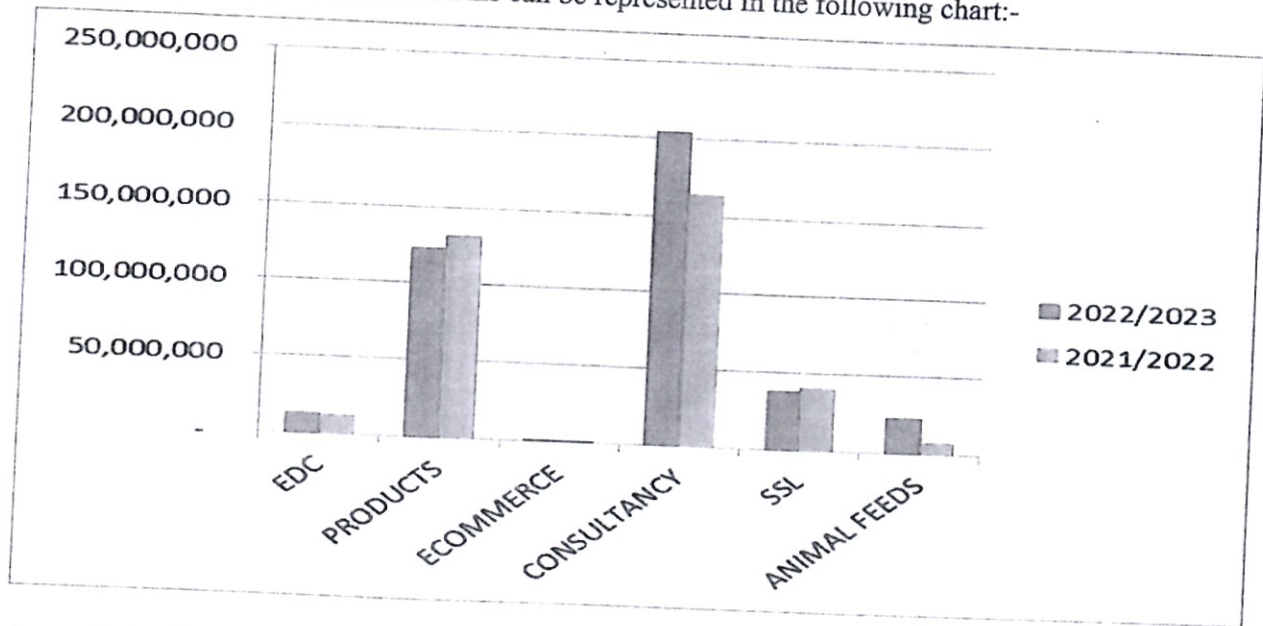
Governance audit

We conduct a continuous internal audit to evaluate governance processes, controls and compliancy.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

The divisions' contribution to revenue were as follows; EDC division Ksh 13.2m, Products division Ksh 122.6m, E-commerce 0.3m, Support services and Logistics 37.7m, Animal feeds 22.9m and Consultancy division Ksh 204 m. This can be represented in the following chart:-



An analysis of the same was as follows for the period 2020-2021 and 2021-2022; EDC division Ksh 11.9m, Products division Ksh 131m, E-commerce 0.3m, Support services and Logistics 40m, Construction Services 0.9m, Animal feeds 7m and Consultancy division Ksh 163.6 m. This can be represented in the following chart:-

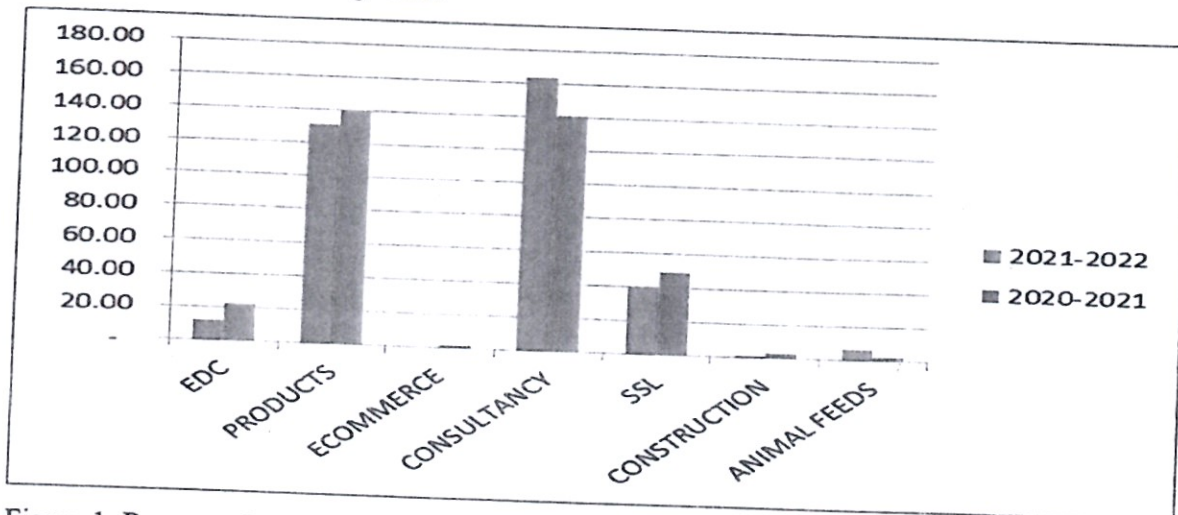


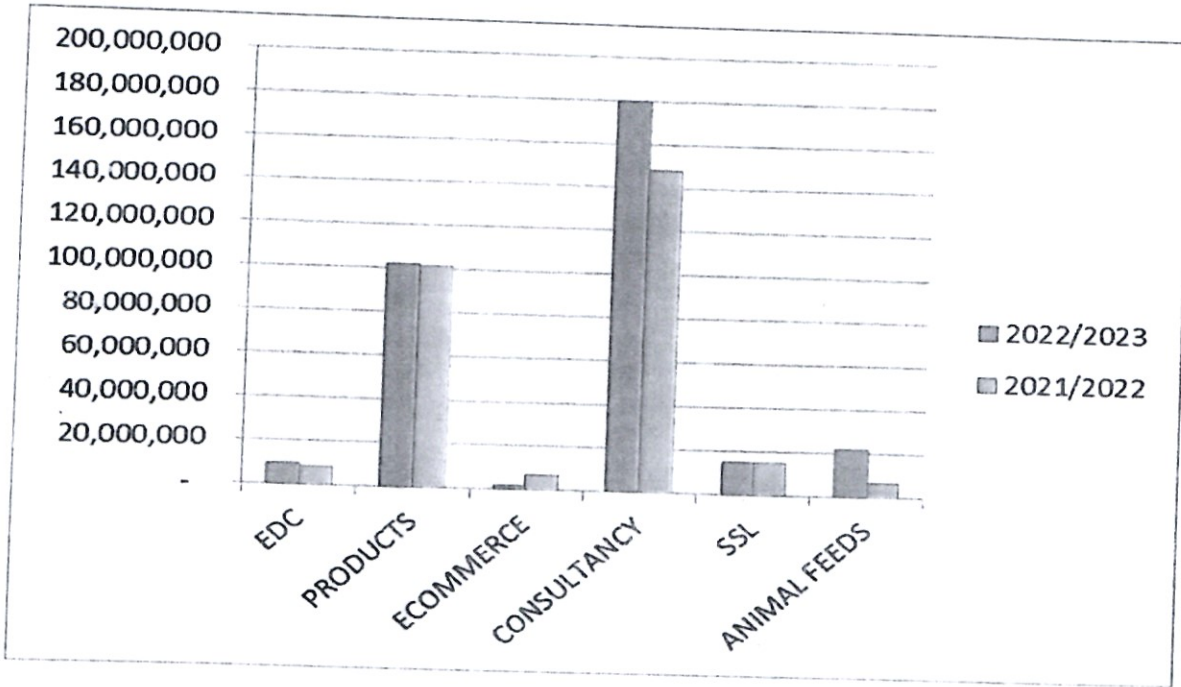
Figure 1: Revenue Contribution

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Cost of sales

Cost of sales as per divisions was as follows: - EDC division Ksh 9.3m, Products division Ksh 102.4m, E-commerce 1.8m, SSL 15.2m, Animal feeds 22m and Consultancy division Ksh 179.7 m. This could be shown by the following chart:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022; EDC division Ksh 8m, Products division Ksh 101.3m, E-commerce 6.6m, SSL 15.2m, Animal feeds 6.7m and Consultancy division Ksh 147.9 m. This could be shown by the following chart:

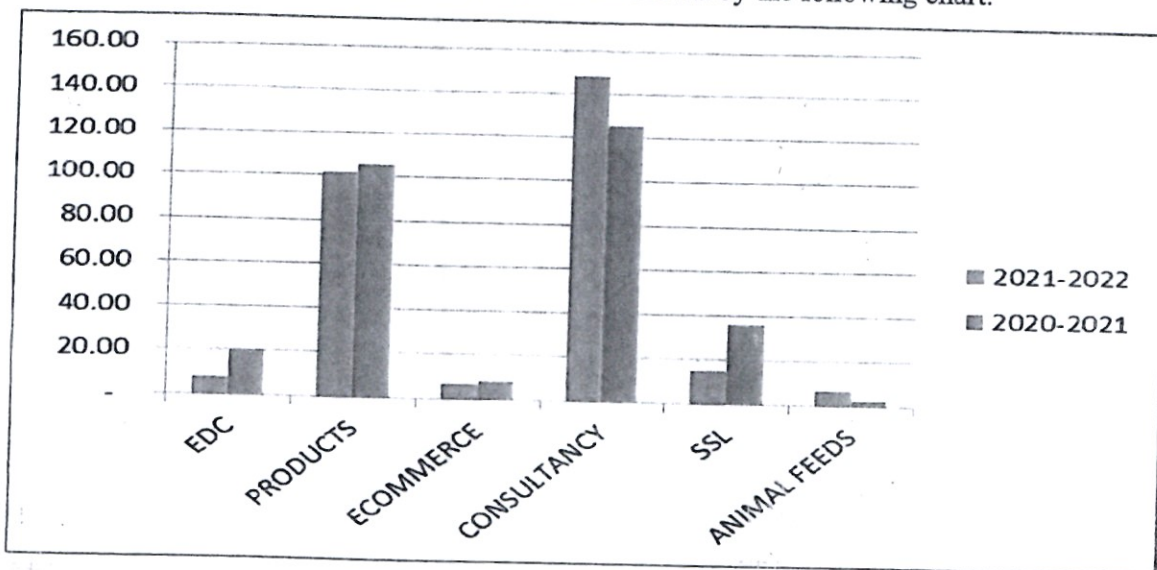


Figure 2: Cost of Sales

Expenses analysis

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

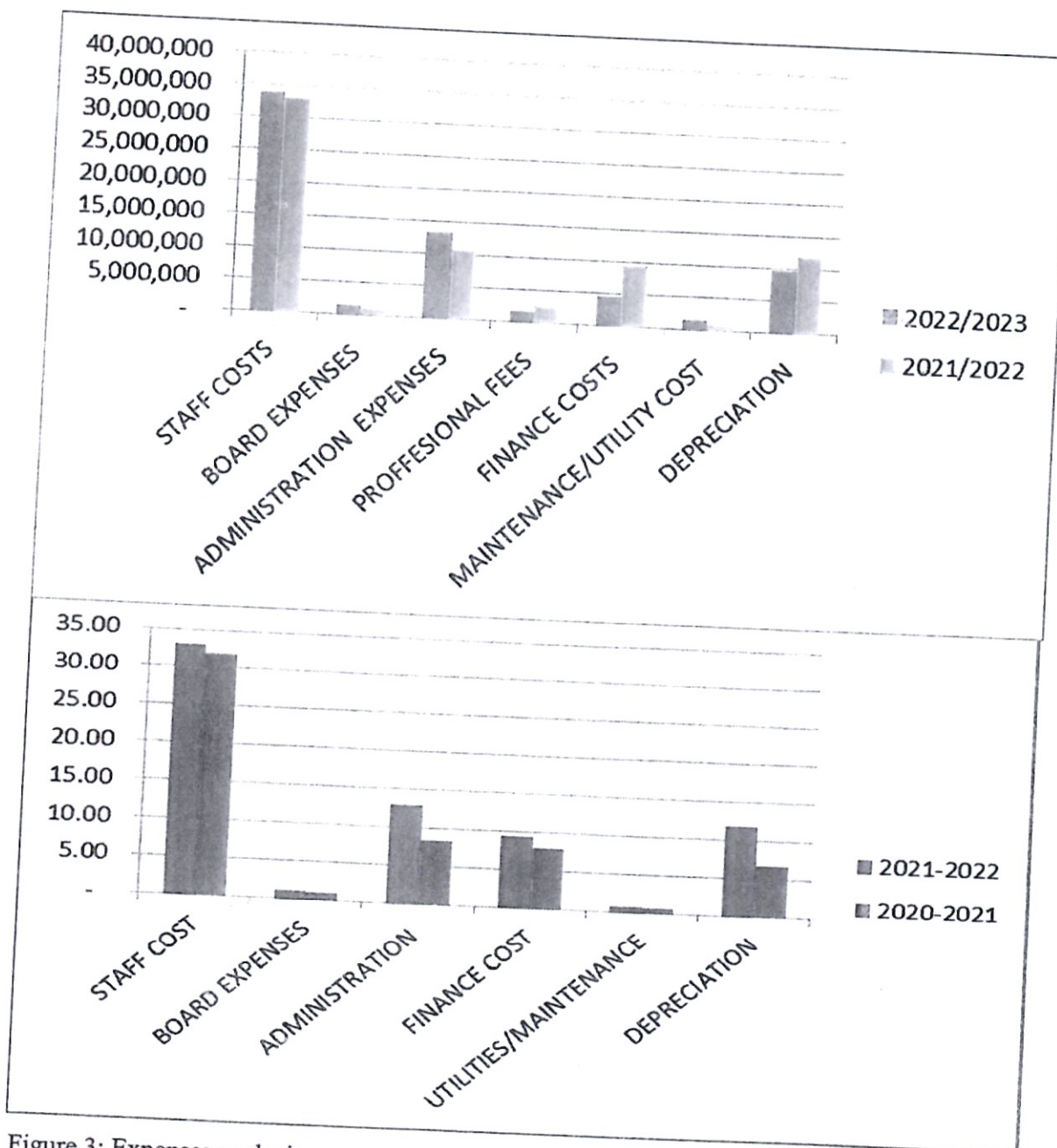


Figure 3: Expenses analysis

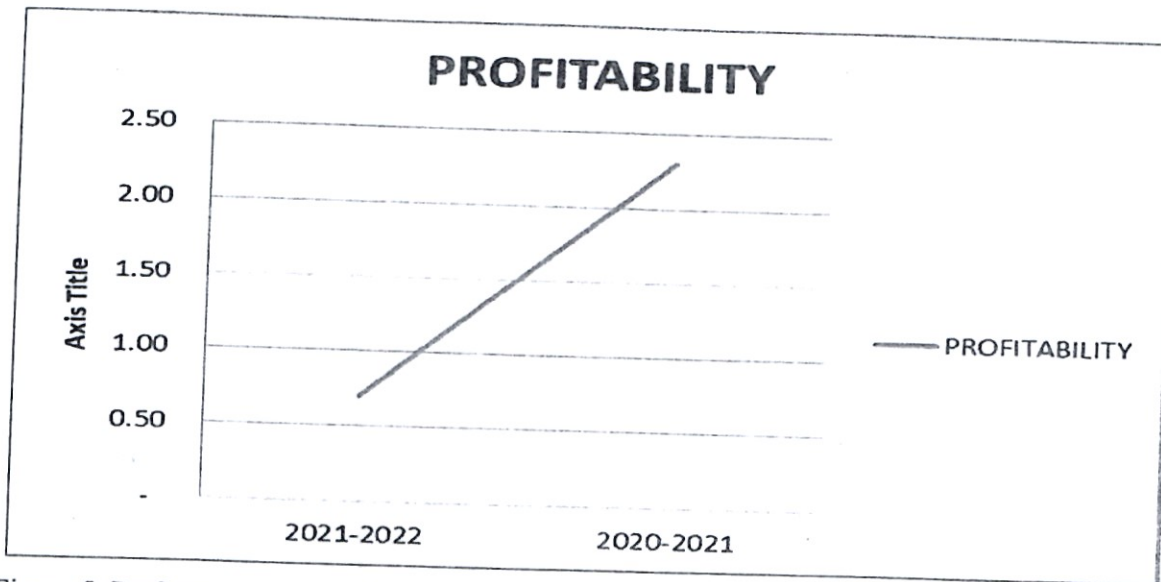
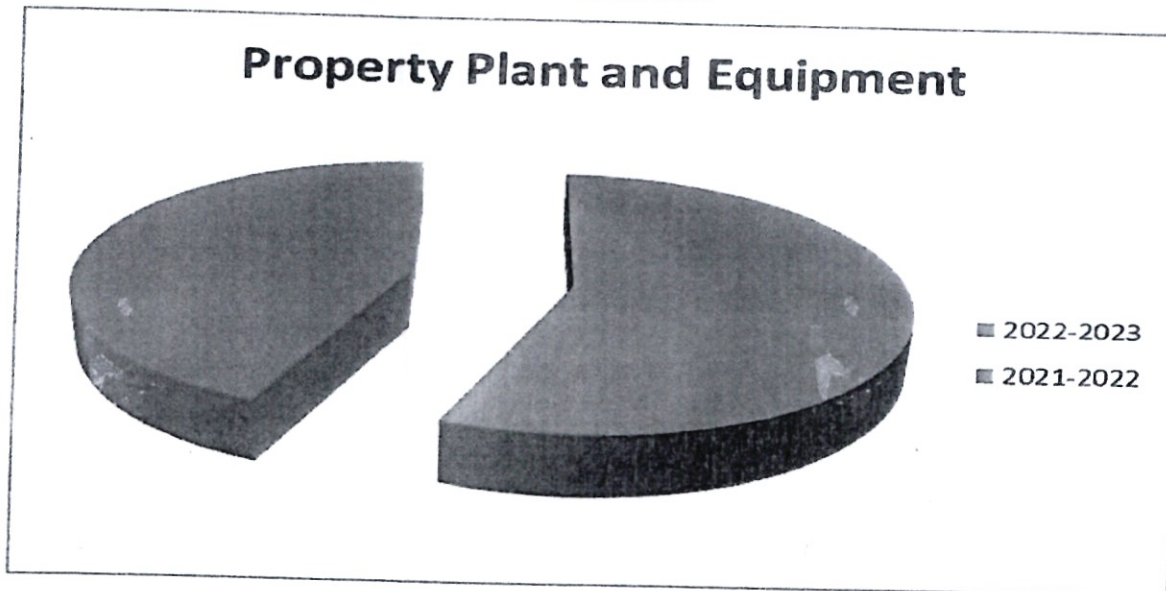


Figure 5: Performance comparison

Investment activities

The company did a revaluation of its Property, Plant and Equipment in the year under consideration. Together with the acquisitions for the year, increased the net book value (NBV) of these assets from 66m to 84m. This can be represented in the chart below:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022;

The company did not invest much to its Property, Plant and Equipment in the year 2021-2022. This can be demonstrated by a fall in PPE value from 67.8m to 66.1m in the year 2020/2021 to 2021/2022 respectively. This can be seen in the chart below:

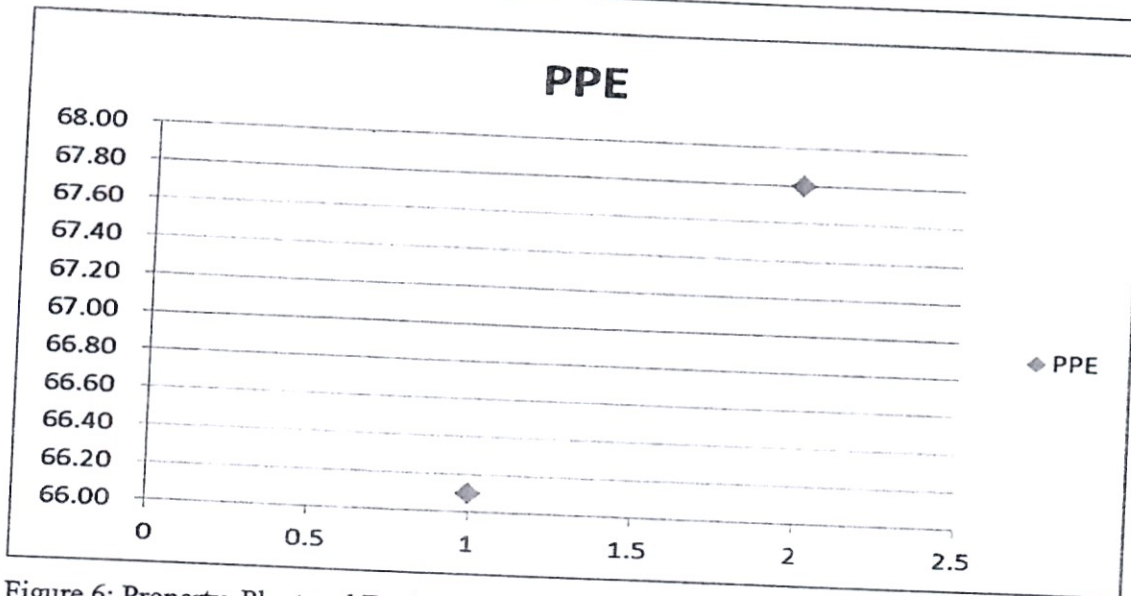
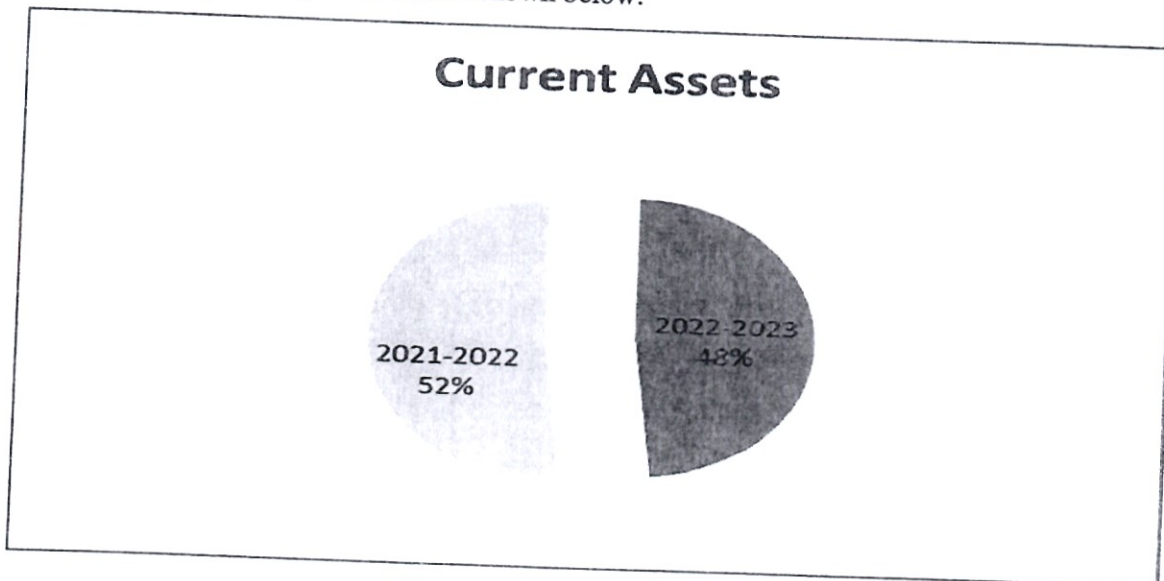


Figure 6: Property, Plant and Equipment

Current Assets

Current assets decreased from kshs. 297.8m to Kshs. 277m in the financial year 2021/2022 and 2022/2023 respectively. This was as shown below:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022;
Current assets increased from kshs. 198.7m to Kshs. 297.8m in the financial year 2020/2021 and 2021/2022 respectively. This was as shown below:

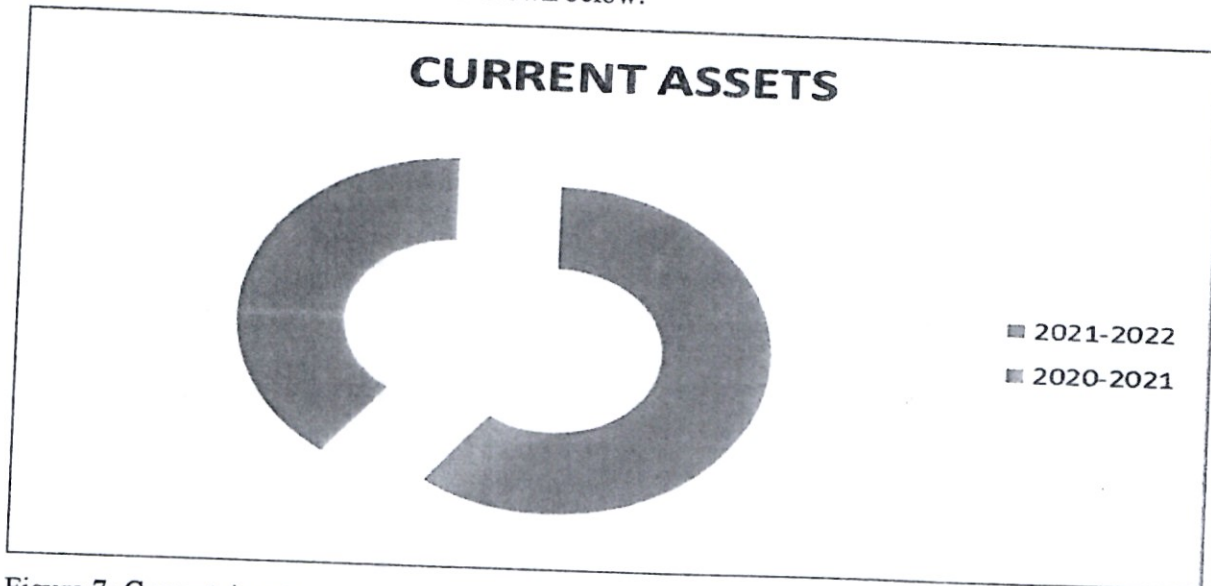
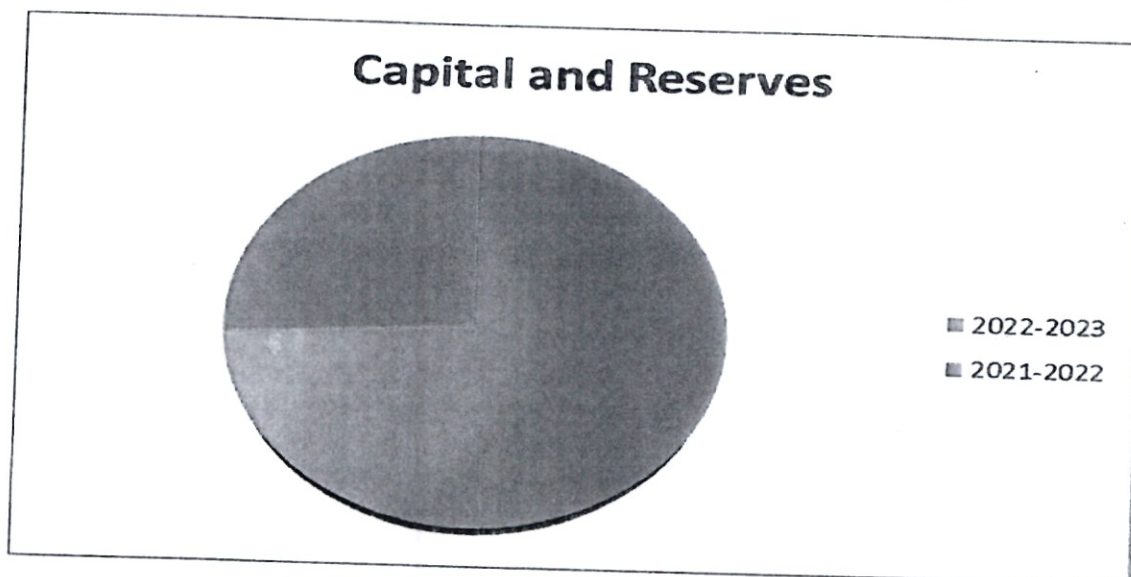


Figure 7: Current Assets

Capital and reserves

Capital and reserves increased from kshs.17.7m to Kshs 48.3m in the financial year 2021/2021 to 2022/2023 respectively. Their status can be represented as in the picture below:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022;
Capital and reserves increased from kshs.17m to Kshs 17.7m in the financial year 2020/2021 to 2021/2022 respectively. Their status can be represented as in the picture below:

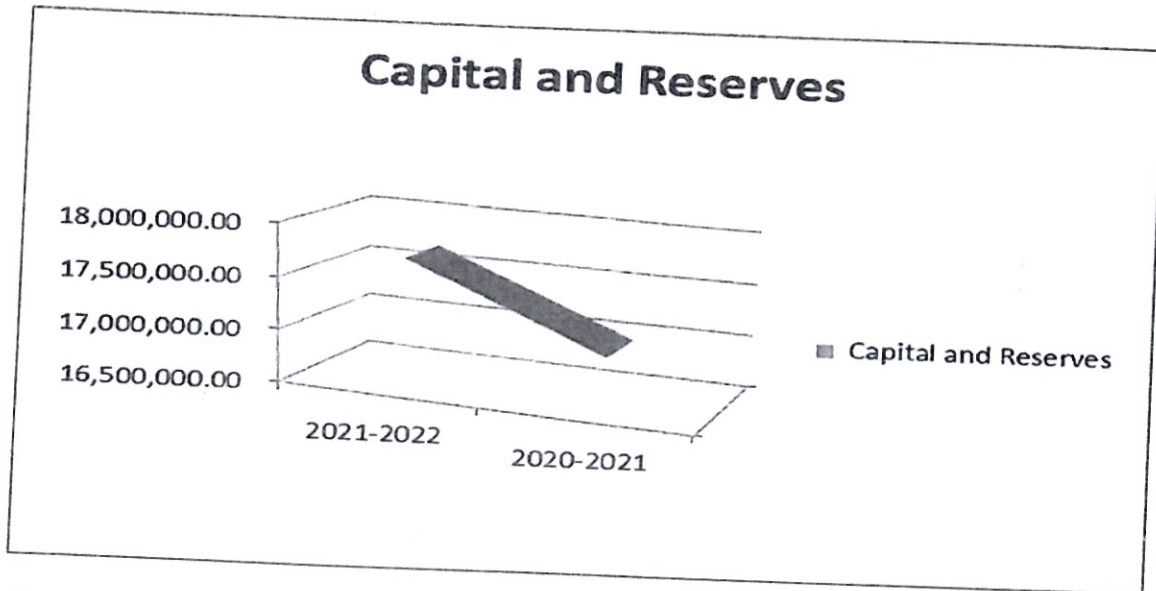
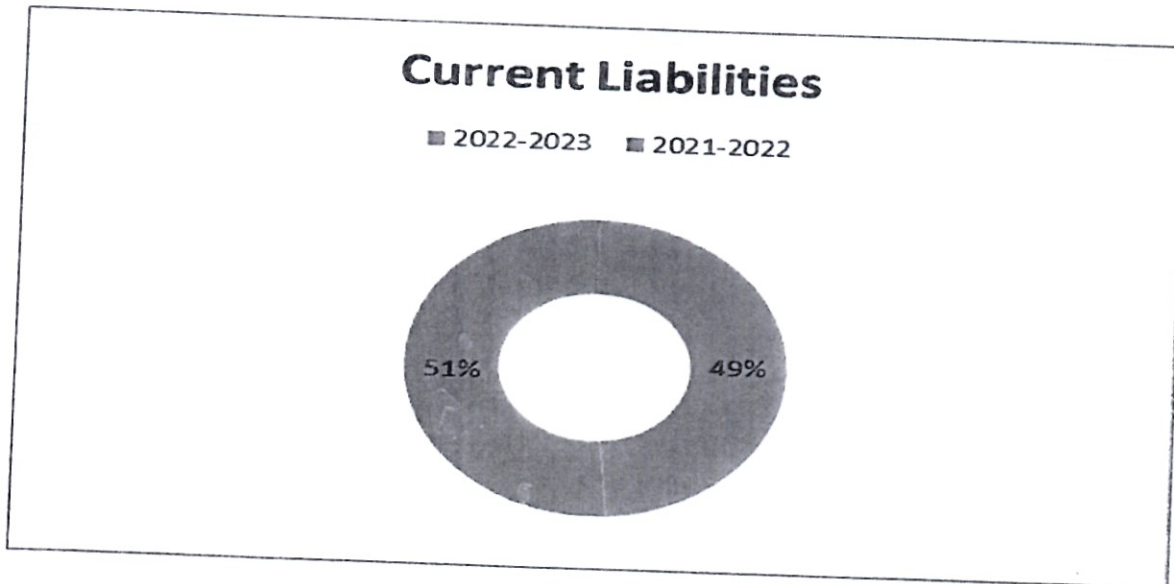


Figure 8: Capital and Reserves

Current Liabilities

Current liabilities reduced from Kshs. 312m from Kshs. 296m. This was as represented in the chart below:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022;

Current liabilities increased from Kshs.204.5m from Kshs. 312m. This was as represented in the chart below:

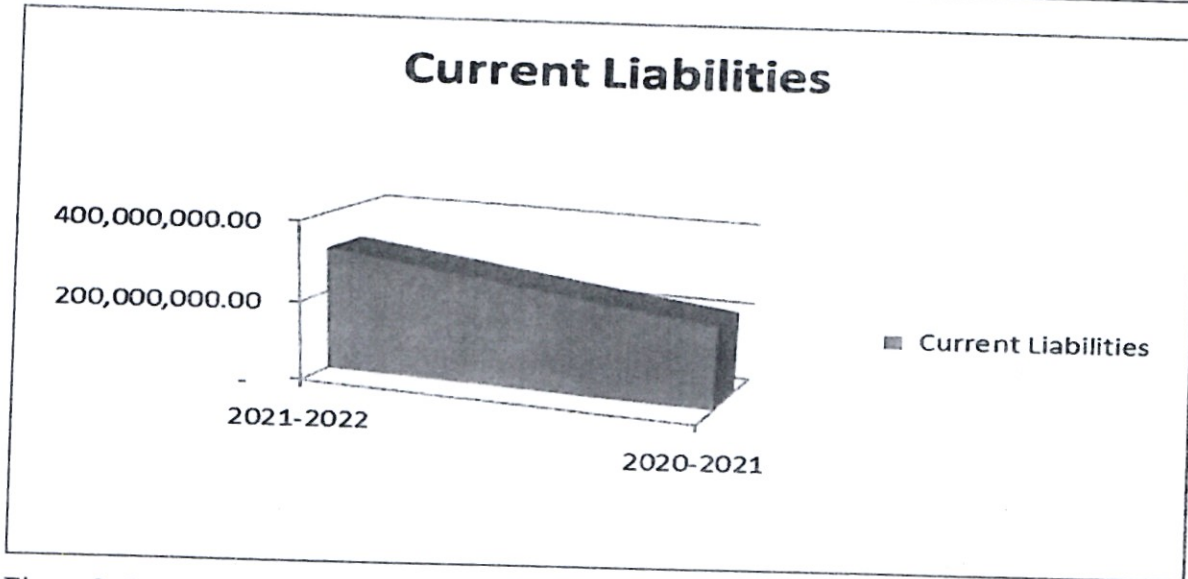
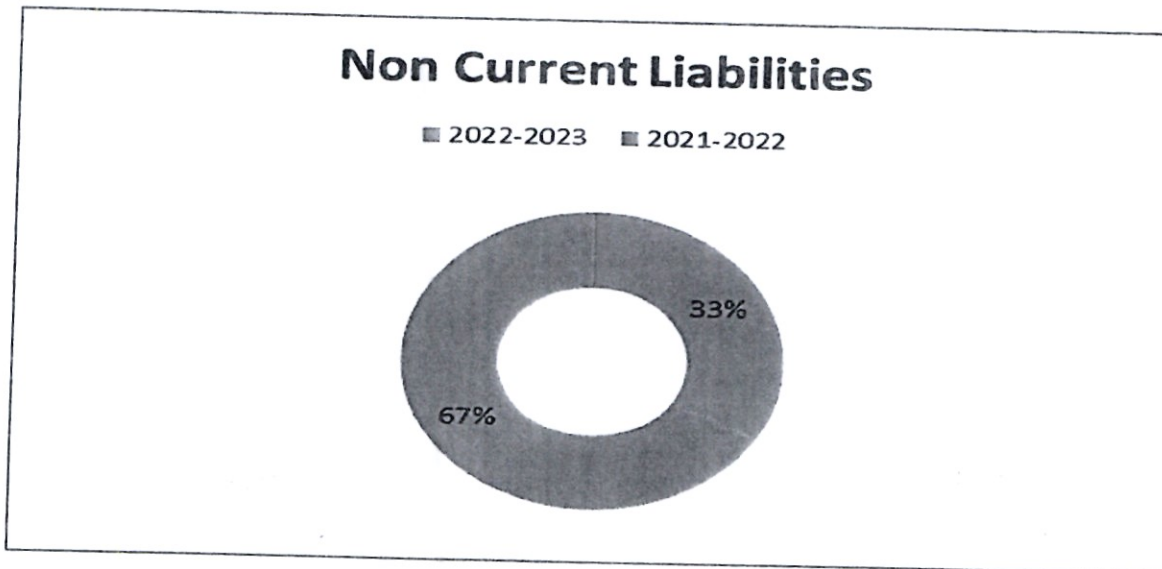


Figure 9: Current Liabilities

Non-Current Liabilities

The Long term liabilities decreased from Kshs. 34.1m to Kshs. 17.1m. This is shown in the table below:



An analysis of the same was as follows for the period 2020-2021 and 2021-2022;

The Long term liabilities decreased from Kshs. 45m to Kshs. 34.1m. This is shown in the table below:

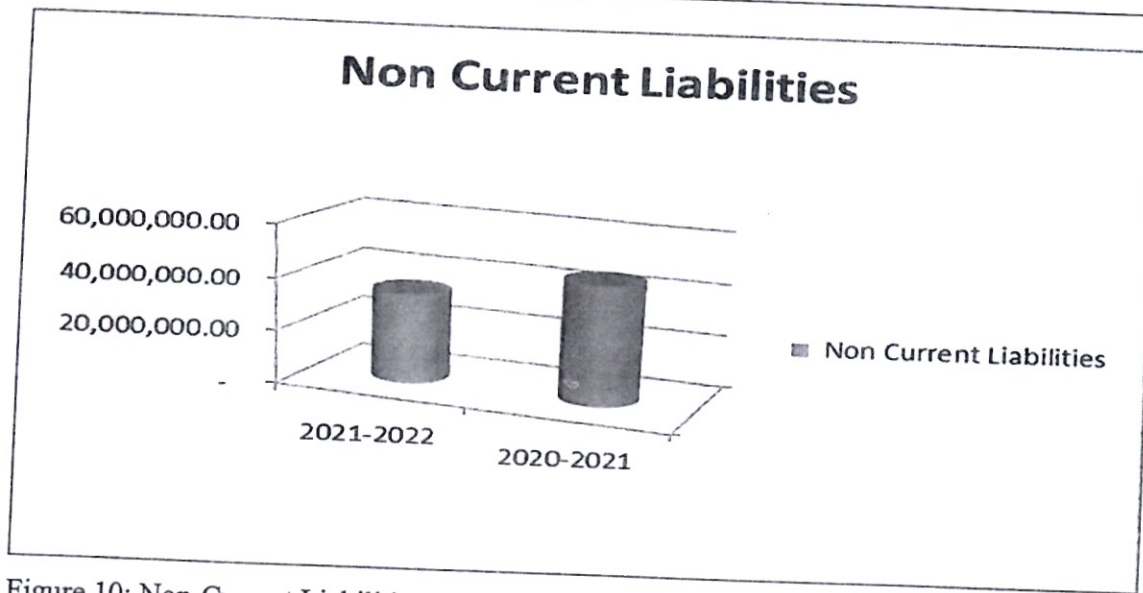


Figure 10: Non-Current Liabilities

COMPLIANCE WITH STATUTORY REQUIREMENTS

The company has fully complied with all statutory requirements.

MAJOR RISKS FACING THE ORGANIZATION

(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.

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

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

a) Foreign currency risk

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

b) Foreign currency sensitivity analysis

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

c) Interest rate risk

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

MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

The company reports on accrual basis and the only pending bills as at 30th June 2023 were statutory bills for June 2023 which were cleared in July 2023. Therefore the company does not have material arrears in statutory and other financial obligations

REVIEW OF THE ECONOMY

The company engages in several economical areas of operation including production and marketing of seedlings, consultancy services, offering support services and logistics to researchers and grants, offering short as well as corporate trainings, production and marketing of assorted animal feeds and human foods. Therefore the company has done good diversification of its investments to adapt the economy.

REVIEW OF THE SECTOR

The company engages in several economical areas of operation including production and marketing of seedlings, consultancy services, offering support services and logistics to researchers and grants, offering short as well as corporate trainings, production and marketing of assorted animal feeds and human foods. Therefore the company has done good diversification of its investments to adapt the economy.

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability strategy and profile

At the core of our organization's ethos lies a commitment to sustainability that shapes every facet of our operations. As we reflect on the period from 1st July 2022 to 30th June 2023, it becomes evident that our strategic pursuits have revolved around a multi-faceted approach to sustainability. A prominent facet of our journey has been the conscious shift towards harnessing renewable energy. Our unwavering commitment to reducing our carbon footprint has driven our transition to solar energy sources. Embracing solar power not only aligns with global efforts for a greener future but also signifies our dedication to operating responsibly within the environment. Furthermore, our quest for sustainability is underscored by the philosophy of remaining agile in a rapidly changing business landscape. With this, we've embarked on an ongoing journey of reengineering our divisions to fortify our operations, enhance efficiency, and maintain a stance of responsiveness to emerging market dynamics. This proactive approach serves as a testament to our unyielding commitment to adaptability.

Environmental performance

A resounding accomplishment during this time frame was the sale of over 800,000 seedlings – a fusion of tissue-cultured and grafted varieties. Orchestrated across the nation, these seedlings have blossomed into a testament of our commitment to greening the landscape and improving air quality. Within our very campus, the nurturing of a conducive microenvironment bears testament to the enduring influence of our production endeavors.

Employee welfare

At the heart of our pursuits lies the welfare of our valued employees. The realization that adaptability is paramount fuels our commitment to equip our workforce with the tools needed for excellence. Amidst transformative shifts, we recognize the need for a skilled team capable of maneuvering through specialized projects. Our pledge to employee welfare extends beyond skill

enhancement – it encompasses the embrace of diversity and equal opportunities. Regardless of background, we foster an inclusive workplace that honors individuality and harnesses the strength of varied perspectives.

Market Place Practices

In the realm of marketplace practices, we steadfastly adhere to ethical conduct and sound business principles. Our commitment to fair competition is unwavering, and we abstain from any form of predatory practices that could hinder equitable market access or impede technological progress. This stance resonates with our corporate integrity and dedication to fostering an environment of equitable growth.

As we reflect on the recent financial year, marred by economic challenges, geopolitical risks as well as changes in weather patterns, our resilience shines through. Despite adversity, we managed not only to navigate the storm but also to achieve a slight profit. This resilience underscores our steadfast commitment to sustaining our market presence even amid adversities. Our ability to navigate these challenges exemplifies our dedication to sustaining not only our enterprise but also our broader commitment to the market.

Community Engagements

Our engagement with the community carries an enduring promise of sustainable betterment. We believe in initiatives that not only serve the immediate present but also resonate across generations. This belief manifested in the construction of a second gate at Jomo Kenyatta Primary School. The gate, a result of our Corporate Social Responsibility endeavors, exemplifies our commitment to the safety and well-being of the community. It stands as a sentinel of security, welcoming students into an environment nurtured by our dedication.

A notable testament to our holistic approach to community well-being is the transition to solar power for security lights around the Kengo Gate. This strategic shift serves a dual purpose – it

JKUAT ENTERPRISES LIMITED

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has not only diminished operational costs but also fortified our security measures. The solar-powered gate stands not merely as a functional entity but as a symbol of our unwavering dedication to community safety and environmental sustainability.

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

11. CORPORATE SOCIAL RESPONSIBILITY / COMMUNITY ENGAGEMENTS

There were no Corporate Social Responsibility / Community Engagements during the year under audit

JKUAT ENTERPRISES LIMITED

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FOR THE YEAR ENDED 30 JUNE 2023**

12. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2023 which show the state of the entity's affairs.

Principle Activities

The principle activities of the company are to offer Trainings, Consultancy services, Export Trade and Production and sale of Tissue Culture and Horticulture seedlings as well as production and sale of animal feeds.

Financial results

The results of the entity for the year ended June 30, 2023 are set out on page 1. Below is summary of the profit or loss made during the year.

	2022/2023	2021/2022
	Ksh	Ksh
PROFIT/(LOSS) BEFORE TAXATION	6,858,861	1,031,349
Tax @30%	<u>2,057,658</u>	<u>309,405</u>
Profit after tax	<u>4,801,203</u>	<u>721,944</u>

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..... 05/07/2024

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
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13.STATEMENT OF DIRECTORS RESPONSIBILITIES

The JKUAT Enterprises board is required to prepare statements, which give a true and fair view of the state of affairs of the company at the end of financial year and the results of the operations for the year. The board is required to ensure that the company keeps proper accounting records, which disclose with reasonable accuracy the financial position of the company. They are responsible for safeguarding the assets of the company.

The company's board accepts responsibilities for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in a manner required by the companies Act. The company's board is of the opinion that the Financial Statements give a true and fair view of the state of financial affairs of the company as at 30 June 2022 and of its profit for the year ended. The board further confirms the accuracy and completeness of the accounting records, which have been relied upon in the preparation of financial statements, as well as on adequate systems of internal financial control.

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

Approval of the financial statements

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



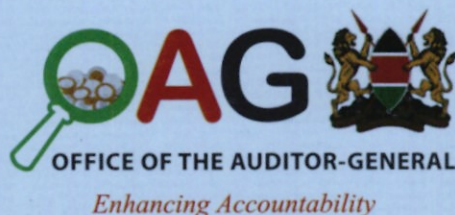
MR. ERASTUS MVURIA
MANAGING DIRECTOR



CS HASSAN ABDI MOHAMUD
CHAIRMAN

REPUBLIC OF KENYA

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



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta University of Agriculture and Technology Enterprises Limited set out on pages 1 to 26, which comprise

Report of the Auditor-General on Jomo Kenyatta University of Agriculture and Technology Enterprises Limited for the year ended 30 June, 2023

of the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Jomo Kenyatta University of Agriculture and Technology Enterprises Limited as at 30 June, 2023, 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 Qualified Opinion

1. Long Outstanding Payables

The statement of financial position reflects trade and other payables balance of Kshs.295,699,111 as disclosed in Note 17 to the financial statements. The balance includes trade payables of Kshs.115,210,634 out of which Kshs.82,594,938 have been outstanding for a period of more than 90 days. No explanation was provided for the long outstanding balances. In addition, it was also noted that the Company lacked a creditors policy.

In the circumstance, the accuracy and completeness of trade and other payables balance of Kshs.295,699,111 could not be confirmed.

2. Loss of Funds

The statement of profit or loss and other comprehensive income reflects professional fees amount of Kshs.1,686,910 as disclosed in Note 6 to the financial statements. Review of documents and records maintained by the Company revealed that a consultant was engaged by the Company for the supply of 3000 licenses for 6,000 employees. The principal amount of the contract was Kshs.26,250,000. However, due to late payments of the monies owing, the consultant charged monthly interest at 1% for 26 months amounting to Kshs.6,825,000 which JKUAT Enterprises Limited failed to pay. As a result, the consultant sued for delayed payment and interest thereon and the Court ruled in their favour. JKUAT Enterprises Limited further incurred an arbitration cost amounting to Kshs.1,740,000 for the lawyer and Kshs.650,000 as application costs. No details have been provided to confirm the outstanding contract amount has been cleared.

In the circumstances, the accuracy and completeness of the professional fees amount of Kshs.1,686,910 could not be confirmed.

3. Unsupported Board Expenses

The statement of profit or loss and other comprehensive income and Note 4 to the financial statements reflects Board expenses of Kshs.1,415,811. However, the appointment records of the serving Board members were not provided. As a result, the dates and terms of appointment as well as their respective duration of service could not be confirmed. Further, review of payment details for Board of directors' meetings sittings, revealed that some Board members were paid sitting allowances on various sittings within the year. However, there was no record of appended signatures in the respective meetings attendance register. In addition, appointment details of the representative from The National Treasury is dated 24th November 2017 with no indication of the ending period. Motor vehicle records and physical addresses of the members paid mileage allowances were also not provided for audit.

The financial statements under Board of directors, reflects the directors who served during the year under review. However, examination of Board expenses records revealed a member not included in the list of Board members who was included in payment of Board allowances, and similarly, his appointment records were not provided for audit.

In the circumstances, the accuracy and regularity of Board expenses totalling Kshs.1,415,811 could not be confirmed.

4. Long Outstanding Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.178,344,074 as disclosed under Note 11 to the financial statements, which is an increase by Kshs.32,733,680 or 22% from the prior year balance of Kshs.145,610,394. However, receivables amounting to Kshs.4,114,165 have been outstanding for more than 5 years with no movement over the years. No explanation was provided for non-recovery of the long outstanding debts. Further, there was no documentary evidence provided in form of correspondences with the customers showing efforts made by Management to recover the outstanding amounts from the debtors. In addition, no provision was made for bad and doubtful debts and the bad debts policy was not provided for audit.

In the circumstances, the accuracy and full recoverability of accounts receivables balance of Kshs.4,114,165 as at 30 June, 2023 could not be confirmed.

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

Emphasis of Matter

1. Material Uncertainty in Relation to Going Concern

The statement of financial position reflects total current assets balance of Kshs.276,951,490 against total current liabilities balance of Kshs.295,699,111 resulting in a negative working capital of Kshs.18,747,621 (Kshs.14,284,718 for 2021/2022). The Company's current ratio of 0.94 (0.95 for 2021/2022) is below 1.00 which indicates that the Company may not be able to settle all its debt obligations when they fall due.

Further, it was noted that the Company has reported negative working capital for the fourth consecutive year. As disclosed under Note 21 by the Board and Management in the past and current financial statements, strategic initiative has been undertaken to improve the financial performance, including working capital of the Company. However, these initiatives do not appear to have yielded the intended results.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects overheads final expenditure budget and actual amount on comparable basis totalling Kshs.313,225,000 and Kshs.330,389,744 respectively resulting in an over expenditure amounting to Kshs.17,164,744 or 5% of the expenditure budget. The over expenditure was in respect of external consultancy by an amount of Kshs.58,583,649 or 48%. Authority to incur expenditure above the approved budgeted amount was not provided for audit.

Further, the statement reflects overheads final expenditure budget and actual amount on comparable basis totalling Kshs.76,500,000 and Kshs.64,785,251 respectively resulting in an under performance amounting to Kshs.11,714,749 or 15% of the expenditure budget. The over expenditure on cost of sales may have resulted to overall underperformance by the Company.

My opinion is not modified in respect of these matters.

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

Unresolved Prior Audit Matters

In the audit report of the previous year, several paragraphs were raised. However, Management has not resolved and disclosed the status of the prior year matters as prescribed in the reporting requirements set by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance on Cash and Bank Management

The statement of financial position and Note 13 to the financial statements reflects cash and bank balances amounting to Kshs.48,629,387. However, Management did not submit bank reconciliation statements to The National Treasury with a copy to the Auditor-General by 10th of the subsequent month which is contrary to Regulation 90(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, Management was in breach of the law.

2. Over-Staffing

Review of the Company staff establishment revealed that the approved staff number is 136 staff. Review of the authorized number of staffs in the various departments within the organization against the actual number of staff in position as at 30 June, 2023 revealed an excess of 26 staff members as shown in the table below;

Department	Approved Numbers	Actual Numbers	Variance
IBR	24	41	17
Enterprise Development Centre	2	3	1
Products-Horticulture	42	47	5
KRA	15	18	3
Total	83	109	26

Need analysis for extension of contracts for the excess staff in the various departments as well as explanations for recruitment of the new staff above the authorized establishment were not provided. This was contrary to the Section B.2(1)(2) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which requires every Ministry/State Department to prepare human resource plans to support achievement of goals and objectives in their strategic plans.

In the circumstances, Management was in breach of policy guidelines.

3. Unclear Salary Structure

Examination of human resource records revealed that the Company has an approved salary structure showing the lower and upper limit salary points. However, the structure does not show salary progression or annual salary increments. Further, no information is provided on how long an employee takes to move from the lowest salary level to the highest level in various job groups. This was contrary to Section C.2 (1) of the Human Resource Policies and Procedures Manual for the Public Service, 2016 which states, the Public Service salary structure will be based on the grading levels spelt out in the various career progression guidelines.

In the circumstances, Management was in breach of the policy guidelines.

4. Irregular Award of Insurance Contract

Examination of the Company procurement records, and information provided revealed that the annual procurement plan was not prepared and approved prior to commencement of the year under review as part of the annual budget preparation process contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015. Further, examination of the procurement documents revealed that JKUAT Enterprises Limited awarded the tender for the Insurance and WIBA to a local Insurance company that had quoted a price of Kshs.5,432,739. However, another bidding local Insurance Company had quoted a lower price of Kshs.4,985,062. No reason was provided for not awarding the tender to the lowest bidder.

In addition, notification to the unsuccessful bidders did not include the tender price contrary to Regulation 82(3) of the Public Procurement and Asset Disposal Regulations, 2020.

In the circumstances, Management was in breach of the law.

5. Procurement of Services Outside the Procurement Plan

The statement of profit or loss and other comprehensive income and Note 5 to the financial statements reflects administration expenses of Kshs.12,768,208. The amount includes Kshs.2,818,300 incurred on television advertisements out of which Kshs.600,000 was not included in the approved procurement plan of the Company for the year under review. Similarly, Kshs.12,768,208 includes Kshs.828,144 spent on the strategic plan without being included in the approved procurement plan. This is contrary to Section 45(3)(a) of the Public Procurement and Asset Disposal Act, 2015 which provides that all procurement processes shall be within the approved budget of the procuring entity and shall be planned by the procuring entity concerned through an annual procurement plan.

In the circumstances, Management was in breach of the law.

6. Use of Non-Prequalified/Registered Consultants

Review of procurement documents revealed that consultancy services were procured from various consultants and paid amounts totalling Kshs.27,304,975 as detailed at **Appendix 1**. However, the consultants were not in the pre-qualified list of registered

suppliers provided for audit verification and no valid reason was given by Management. This is in breach of Section 71(4) of the Public Procurement and Asset Disposal Act, 2015 which provides that the list of registered suppliers shall be applied on the alternative procurement methods as specified and appropriate.

In the circumstances, Management was in breach of the law.

7. Irregularities in Using Quotation Method of Procurement

Animal feeds of Kshs.27,529,640 were procured through the request for quotation method as detailed in **Appendix II** during the year under review. However, it was not possible to ascertain whether the feeds were sourced at market price as the market survey report was not provided. This is contrary to Section 106(4) of the Public Procurement and Disposal Act, 2015, which provides that where the lowest price is above the prevailing market rates, the request for quotations shall be cancelled or terminated in accordance with the cancellation and termination procedures set out in this Act.

In the circumstances, value for money could not be confirmed in the absence of a market survey report and Management was in breach of the law.

8. Failure to Prepare and Implement Board Charter

Available information indicates that the Company Board Charter which is an important policy document that sets out the roles and responsibilities of the Board members, Chair, and other key roles to ensure clarity and alignment was not prepared contrary to the provisions of Mwongozo Chapter 1.11.

In the circumstances, Management was in breach of the policy guidelines.

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 Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Weaknesses in System Generated Receipt Serial Numbers

Review of the Company's income receipting system report revealed that some receipt serial numbers were missing and had not been accounted for, as detailed below:

Missing Sequence	Number of Receipts Missing
18350 -18364	15
18384 -18385	2
18406 -18407	2
18415 -18417	3
18549 -18551	3
18744 -18746	3
18911 -18914	4
19155 -19157	3

No explanation or reconciliation was provided for the missing receipt serial numbers.

In the circumstances, it was not possible to confirm the existence of effective controls in relation to generation of sequential receipt numbers during the year under review.

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 Kenyan Companies Act, 2015, I report based on the 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 my 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 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 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 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 money is applied in an effective manner.

The Board of Directors is responsible for overseeing the Company's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to 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 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 Management.
- Conclude on the appropriateness of the Management's use of the applicable 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.
- 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 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

18 April, 2024

APPENDICES

Appendix I: Non-Prequalified Consultants

Date	Consultant	Particulars	Amount (Kshs.)
04/01/2023	Sei Energy Innovations Ltd	Electricity Tarrif	4,632,369
03/03/2023	Sei Energy Innovations Ltd	Electricity Tarrif	6,176,492
12/06/2023	Sei Energy Innovations Ltd	Upon submission and acceptance of inception report - RIA Reliability	1,815,644
22/06/2023	Cliff Anderson Consultants Ltd	Human Resources Consultation Services	2,479,741
20/03/2023	Kalisec Technologies Ltd	Consultancy Services IT Audit	900,000
11/01/2023	May House Consult Ltd	KEMSA - Board support and coordination services for December 2022	969,828
21/09/2022	Kalisec Technologies Ltd	KeRRA IS Audit QA	600,000
02/11/2022	E & M Technology House Ltd	Microfocus LoadRunner Training-KRA	1,121,000
17/04/2023	Kalisec Technologies Ltd	Consultancy Services IT Audit	1,500,000
23/02/2023	May House Consult Ltd	Payment of Consultancy Services	4,481,621
07/03/2023	May House Consult Ltd	Payment for Consultancy Services	1,571,169
26/01/2023	May House Consult Ltd	Payment for Consultancy Services	1,057,111
			27,304,975

Appendix II

Animal Feeds Procured Using Quotations						
No.	Date	P.V No.	Payee	Details	Amount (Kshs.)	LPO/LSO
1	24-Mar-23	24611	Anointed Green Suppliers	Supply of Passion Scions and Coffee Scions	300,000	5567
2	31-Jan-23	24179	Eden Vinmaa Investors & General Suppliers	Supply of Strawberry Suckers + Avocado Fruits	1,060,000	5491
3	28-Feb-23	24376	Anointed Green Suppliers	Payment for supply of scions for grafting of seedlings	1,400,000	5510
4	27-Jan-23	24143	Anointed Green Suppliers	Payment for supply of avocado scions	2,100,000	5478
5	29-Mar-23	24677	Wistek Transporters Company	Loading offloading and distribution of grafted avocado seedlings (Hass variety) to Tigania East, Igembe North, Igembe Central, Igembe South, North Imenti, South Imenti subcounties within the County of Meru	1,050,000	5596
6	13-Apr-23	24786	Eden Vinmaa Investors & General Suppliers	Payment for supply of farmyard manure + indigenous avocado fruits	1,905,000	5615
7	09-Jun-23	25252	Muhoro Steel Dealers Hardware	Payment for supply of polythene bags	1,892,400	5701
8	21-Jun-23	25300	Anointed Green Suppliers	Payment for supply of avocado scions	1,400,000	5716
9	21-Mar-23	23605	Eden Vinmaa Investors & General Suppliers	Payment for Supply of indigenous avocado fruits	1,000,000	5376
10	20-Jul-22	22563	Eden Vinmaa Investors & General Suppliers	Payment for supply of avocado scions	1,120,000	5220
11	12-May-23	25012	Tamba Brand LTD	Payment for Supply of Nutriport Dairy cattle	2,525,000	5655
12	12-May-23	25015	Chanway Agencies	Payment for supply of Range Meal for animal feeds	2,800,000	5653

Animal Feeds Procured Using Quotations						
No.	Date	P.V No.	Payee	Details	Amount (Kshs.)	LPO/LSO
13	19-May-23	25055	Golden Valley Farm	Payment for supply of Animal Feeds	1,647,336	5670
14	06-Mar-23	24432	Golden Valley Farm	Payment for Supply of animal feeds Production materials	1,123,219	5548
15	23-Jan-23	24065	Golden Valley Farm	Payment for Supply of animal feeds Production materials	1,062,568	5468
16	15-Dec-22	23834	Golden Valley Farm	Payment for Supply of animal feeds Production materials	1,493,363	5429
17	27-Oct-22	23374	Golden Valley Farm	Payment for supply of raw materials for production animal feeds	1,085,754	5330
18	12-May-23	25013	Adeli LTD	Payment for supply of cattle nutricon for animal feed production	2,565,000	5654
					27,529,640	

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

**15. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 30 JUNE 2023**

		<u>2022-2023</u>	<u>2021-2022</u>
	NOTES	<u>Kshs.</u>	<u>Kshs.</u>
INCOME			
Revenue		402,033,108	355,876,430
TOTAL INCOME	1	402,033,108	355,876,430
COST OF GOOD SOLD			
Cost of Sales		330,389,744	285,630,100
TOTAL COGS	2	330,389,744	285,630,100
GROSS PROFIT		71,643,363	70,246,330
OVERHEADS			
Staff Costs			
Board Expenses	3	33,737,510	32,917,332
Administration Expenses	4	1,415,811	1,096,746
Professional fees	5	12,768,208	10,601,775
Finance costs	6	1,686,910	2,391,335
Utilities/Maintenance	7	4,524,031	9,440,336
Depreciation	8	963,927	849,482
TOTAL OVERHEAD	9	9,688,104	11,917,977
		64,784,502	69,214,983
PROFIT/(LOSS) BEFORE TAXATION		6,858,861	1,031,347
Tax @ 30%		2,057,658	309,404
Profit after tax		4,801,203	721,943

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

16. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	NOTES	2022-2023	2021-2022
		<u>Kshs.</u>	<u>Kshs.</u>
Non-Current Assets			
Property Plant and Equipment	10	84,123,094	66,117,867
Current Assets			
Trade and Other Receivables	11	178,343,849	145,610,394
Inventories	12	49,978,030	47,962,088
Cash and Bank Balances	13	48,630,136	104,232,702
		<u>276,952,015</u>	<u>297,805,184</u>
TOTAL ASSETS		<u>361,075,109</u>	<u>363,923,051</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Issued Share Capital	14	102,040	102,040
Capital Fund	15	25,644,005	25,644,005
Revenue reserves	16	22,508,293	(8,059,667)
Capital and Reserves		<u>48,254,338</u>	<u>17,686,378</u>
Current Liabilities			
Trade and Other Payables	17	295,699,111	312,089,902
Total Current Liabilities		<u>295,699,111</u>	<u>312,089,902</u>
Non Current Liabilities	18	17,121,660	34,146,771
TOTAL EQUITY AND LIABILITIES		<u>361,075,109</u>	<u>363,923,051</u>



MR. ERASTUS MVURIA
MANAGING DIRECTOR



CS HASSAN ABDI MOHAMUD
CHAIRMAN



CPA. JOSEPH MACHARIA
FINANCE MANAGER ICPAK NO: 25735

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

17. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	<u>NOTES</u>	<u>Share Capital</u> <u>Kshs</u>	<u>Revaluation Reserve</u> <u>Kshs</u>	<u>Capital Funding</u> <u>Kshs</u>	<u>Revenue Reserve</u> <u>Kshs</u>	<u>Total</u> <u>Kshs</u>
As at 1/07/2021	14&15	102,040	-	25,644,004	(8,781,610)	16,964,434
Surplus for the year	16	-	-	-	721,944	721,944
As at 30/6/2022		102,040	-	25,644,004	(8,059,666)	17,686,378
As at 1/07/2022	14&15	102,040	-	25,644,004	(8,059,666)	17,686,378
Surplus for the year	16	-	-	-	4,801,203	4,801,203
Revaluation reserve	16	-	25,766,757	-	-	25,766,757
As at 30/6/2023		102,040	25,766,757	25,644,004	(3,258,463)	48,254,338

JKUAT ENTERPRISES LIMITED**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023****18. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023**

	NOTE	2022-2023 Kshs.	2021-2022 Kshs.
Cash generated from/(used in) operations	19	(36,650,882)	79,440,881
Net Cashflow from operating activities		<u>(36,650,882)</u>	<u>79,440,881</u>
Cashflow from investing activities			
Purchase of Assets			
Net Cashflow from investing activities	10	<u>(1,926,574)</u>	<u>(10,234,640)</u>
Cashflow from financing activities			
Asset Loan			
Net Cash flow from financing Activities	18	<u>(17,025,111)</u>	<u>(10,886,796)</u>
Net Decrease/Increase in cash and cash equivalents		(55,602,566)	58,319,445
Cash and Cash Equivalents at the beginning of the year	13	<u>104,232,702</u>	<u>45,913,257</u>
Cash and Cash Equivalents at the end of the year		<u>48,630,136</u>	<u>104,232,702</u>

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

19. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

	Original Budget	Adjustments	Final budget	Actuals on	Performance	% of	Notes
	July to June 2023	July to June 2023	July to June 2023	Comparable basis July to June 2023	difference July to June 2023	utilisation July to June 2023	
	Kshs		Kshs	Kshs	Kshs		
INCOME							
EDC							
Short Courses	20,000,000		20,000,000	13,157,658	(6,842,342)	-34%	a
PRODUCTS	20,000,000		20,000,000	13,157,658	(6,842,342)	-34%	
Convenience Foods	25,000,000		25,000,000	788,607	(24,211,393)	-97%	b
Horticultural products	115,000,000		115,000,000	103,852,972	(11,147,028)	-10%	c
Banana Products	35,000,000		35,000,000	17,947,610	(17,052,390)	-49%	d
CONSULTANCY	175,000,000		175,000,000	122,589,189	(52,410,811)	-30%	
External Consultancy	142,500,000		142,500,000	204,090,961	61,590,961	43%	e
SUPPORT SERVICES & LOGISTICS	142,500,000		142,500,000	204,090,961	61,590,961	43%	
Support Services and Logistics	30,000,000		30,000,000	37,709,449	7,709,449	26%	f
ECOMMERCE	30,000,000		30,000,000	37,709,449	7,709,449	26%	
E commerce	20,000,000		20,000,000	308,640	(19,691,360)	-98%	g
CONSTRUCTION	20,000,000		20,000,000	308,640	(19,691,360)	-98%	
	5,000,000		5,000,000	-	(5,000,000)	-100%	h

JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023**

ANIMAL FEEDS					
Animal Feeds	16,000,000	16,000,000	22,914,798	6,914,798	43% i
Other Income	-	-	1,262,412	1,262,412	100% j
TOTAL INCOME	408,500,000	408,500,000	402,033,108	(2,729,305)	-1%
COST OF SALE					
EDC					
Short Courses	16,000,000	16,000,000	9,334,430	6,665,570	42% k
PRODUCTS	16,000,000	16,000,000	9,334,430	6,665,570	42%
Convenience Foods	20,500,000	20,500,000	3,139,743	17,360,257	85% l
Horticultural products	80,500,000	80,500,000	78,961,479	1,538,521	2% m
Banana Products	22,500,000	22,500,000	20,255,506	2,244,494	10% n
CONSULTANCY	123,500,000	123,500,000	102,356,728	21,143,272	17%
External Consultancy	121,125,000	121,125,000	179,708,649	(58,583,649)	-48% o
SUPPORT SERVICES & LOGISTICS	121,125,000	121,125,000	179,708,649	(58,583,649)	-48%
Support Services and Logistics	21,000,000	21,000,000	15,196,458	5,803,542	28% p
ECOMMERCE	21,000,000	21,000,000	15,196,458	5,803,542	28%
Tea Soko	18,000,000	18,000,000	1,824,434	16,175,566	90% q
	18,000,000	18,000,000	1,824,434	16,175,566	90%

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JKUAT ENTERPRISES LIMITED

**ANNUAL REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2023**

ANIMAL FEEDS

Animal feeds	13,600,000	13,600,000	21,969,047	(8,369,047)	-62%	r
	13,600,000	13,600,000	21,969,047	(8,369,047)	-62%	
TOTAL COST OF SALE	313,225,000	313,225,000	330,389,744	(17,164,744)	-5%	
GROSS PROFIT	95,275,000	95,275,000	71,643,363	14,435,440	15%	

OVERHEADS

Staff Costs	40,000,000	40,000,000	33,737,510	6,262,490	16%	s
Board Expenses	1,500,000	1,500,000	1,415,811	84,189	6%	t
Administration Expenses	14,500,000	14,500,000	14,455,119	44,881	0%	u
Finance costs	10,000,000	10,000,000	4,524,031	5,475,969	55%	v
Utilities/Maintenance	1,000,000	1,000,000	963,927	36,073	4%	w
Depreciation	9,500,000	9,500,000	9,688,104	(188,104)	-2%	x
	76,500,000	76,500,000	64,784,502	11,715,498	15%	
PROFIT/(LOSS) BEFORE TAX	18,775,000	18,775,000	6,858,862	(11,916,138)	-63%	

JKUAT ENTERPRISES LIMITED

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2023

EXPLANATION TO VARIANCES

- a) There was shortage in number of students than had been anticipated during budgeting
- b) There was little activity from Yoghurt section within the year of audit while the flour factory was under testing hence the convenient foods section did not do much.
- c) There was less demand for horticultural seedlings than had been estimated. The section usually has high activity during the 4th quarter.
- d) Tissue culture section fell short of revenue target by 49%. This was due to decrease in demand for the products.
- e) External consultancy section surpassed its target by 43%. This was due to more jobs secured by the section.
- f) The section revenue rose by 26%. This was due to more jobs secured by the section.
- g) The division is still establishing its market for export products and has begun special focus on Avocado fruits. It's perfecting on timings and methodologies.
- h) The section fell short of target by 100%. This section depends on jobs and assignments from the university. There were none of those during the year.
- i) Animal feeds section surpassed its target by 43%. This was due to more jobs secured by the section.
- j) This revenue arose from exchange differences within the course of the year which could not be budgeted for at the beginning and therefore 100% change.
- k) Less revenue came by 42% savings in cost.
- l) Convenience foods section did not have much activity during the year. This was because the flour factory was not in operation during the year of audit accompanied by low activity from Yoghurt production.
- m) The cost of operation in horticulture section increased by 2% which was well within the range.
- n) The cost of operation in Tissue Culture Products section decreased by 10%.
- o) The cost increased relatively by 48%. This was accompanied by increase in revenue.
- p) The cost rose by 28% accompanied by 26% increase in revenue. The division is expected to perform better in cost management this financial year 2023-2024.
- q) This section only utilized 10% of the budgeted cost while it fell short of revenue by 98%. The management is in deliberation on the best way possible for this section.
- r) This section surpassed its budgeted cost by 38%. The section revenue also went up by 43%.
- s) Staff costs decreased than had anticipated by 16%. The company did not employ much within the year.
- t) The number of board meetings budgeted became less therefore less cost due to reduced board allowances
- u) The administration costs was well managed and within the 10% difference ceiling.
- v) Finance costs went down due to reducing method of costing used during loan amortization without obtaining more debt.
- w) Utilities/Maintenance costs were well within an expected difference range on less than 10% i.e. 4%.

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- x) The Company revalued its Property Plant and Equipment. Depreciation surpassed the budgeted cost by 2%. Revalued cost was almost equal to previous year net book values.

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20. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

JKUATES is established by and derives its authority and accountability from Company's Act. JKUATES is wholly owned by JKUAT and is domiciled in Kenya. The Entity's principal activity is commercializing University innovations.

2. 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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the JKUATES 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 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of JKUATES. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

There were no new and revised standards affecting the presentation of JKUATES financial report.

4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the 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.

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i. Revenue from the sale of goods and services is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

ii. Other income is recognized as it accrues

b) Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less depreciation. Depreciation of fixtures and equipment are calculated on the straight line basis using the following annual rates:

Furniture and Fitting	10%
Computer and Electronic Equipment	33.3%
Office Equipment	10%
Production Structures and Equipment	25%
Building	2.5%
Vehicle	20%

c) Inventory

The company stocks are valued at the lower of cost and net realizable value in accordance with IAS 2.

d) 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.

e) Taxation

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 JKUATES 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. Management periodically

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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.

f) 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.

g) 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.

h) Exchange rate difference

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

i) Comparative figures

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

j) 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, 2023.

k) Reporting Currency

Accounts have been reported in Kenya shillings

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l) Number of employees

The number of employees as at 30/06/2023 was 130

m) 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.

n) 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, the university, JKUAT Noodles Limited and managing director are therefore treated as related parties to the company.

O) Budget information

The original budget for the Current FY was approved by the board on April 2023. There were no subsequent revisions or additional appropriations.

JKUATES 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 page 5-7 of these financial statements.

q) Provisions

Provisions are recognized when JKUATES has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be

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required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where JKUATES expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

r) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

s) Retirement benefit plans

JKUATES provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of JKUATES financial statements in conformity with IPSAS 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:

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 consolidated 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. IPSAS 1.140

Useful lives and residual value

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

- a) The condition of the asset based on the assessment of experts employed by the Entity.

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- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

1. Retirement Benefit Obligations

The entity provides for gratuity for all contract employees and all JKUATES staff are under contract. The provision is recognized monthly from the employees earnings from service as provided and stated in each employees contract. The company also 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.

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	2022/2023	2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current benefit obligation-NSSF				110,280	20,800
Non-current benefit obligation-Gratuity				13,029,202	11,047,488
Total employee benefits obligation				13,139,482	11,068,288

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NOTES TO FINANCIAL STATEMENTS CONT'

1 INCOME	2022-2023	2021-2022
	Kshs	Kshs
EDC		
Short courses	13,157,658	11,921,991
	13,157,658	11,921,991
PRODUCTS		
Convenience Food	788,607	8,330,257
Horticultural products	103,852,972	97,856,060
Banana Products	17,704,840	24,541,185
Organic Products	242,770	255,841
	122,589,189	130,983,343
ECOMMERCE		
Ecommerce	308,640	273,030
	308,640	273,030
CONSULTANCY		
External Consultancy	204,090,961	163,551,657
	204,090,961	163,551,657
SUPPORT SERVICES AND LOGISTICS	37,709,449	39,883,688
CONSTRUCTION	-	945,610
ANIMAL FEEDS	22,914,798	7,019,012
Exchange Gain	1,262,412	1,298,099
TOTAL INCOME	402,033,108	355,876,430
2 COST OF SALE		
EDC		
Short courses	9,334,430	8,035,634
	9,334,430	8,035,634
PRODUCTS		
Convenience Food	3,139,743	10,285,121
Horticultural products	78,961,479	81,963,837
Banana Products	20,189,226	9,015,279
Organic Products	66,280	12,000
	102,356,728	101,276,237

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CONSULTANCY		
External Consultancy	179,708,649	147,849,881
	179,708,649	147,849,881
ECOMMERCE		
Ecommerce	1,824,434	6,635,102
	1,824,434	6,635,102
SUPPORT SERVICES AND LOGISTICS		
	15,196,458	15,173,563
ANIMAL FEEDS		
	21,969,047	6,659,683
TOTAL COST OF SALE		
	330,389,744	285,630,100
3 STAFF COSTS		
Gratuity	2,573,499	3,065,089
N.S.S.F CO. Contribution	129,800	45,800
NSSF Staff Contribution	129,800	45,800
NHIF Staff Contribution	283,150	288,100
PAYE Staff Deduction	7,378,437	7,308,984
NET Salary	19,439,697	19,362,095
Staff Other Deduction	1,956,558	1,841,800
Pension co. contribution	959,664	959,664
Casuals	886,905	
	33,737,510	32,917,332
4 BOARD EXPENSES		
Board expenses	1,415,811	1,096,746
5 ADMINISTRATION EXPENSES		
Insurance	5,611,362	6,511,750
Medical expenses	335,670	458,612
Staff Welfare	1,035,775	797,049
Travel And Subsistence	30,250	87,750
Motor Vehicle Expenses	776,872	656,005
Stationery Ordinary	417,487	573,102
Computer Stationery	559,331	94,352
Trading licence	25,550	16,450
Corporate Social Responsibilities	222,805	285,962
Subscription to professional organization	-	8,500
Strategic plan	828,144	1,033,723
Advertising	2,818,300	-
Telephone	68,552	78,520

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Internet Services	38,110	
	12,768,208	10,601,775
6 PROFESSIONAL FEES		
Legal fees		
Audit fee	1,311,500	1,951,335
Secretariat and taxation	308,910	440,000
	66,500	-
	1,686,910	2,391,335
7 FINANCE COSTS		
Bank Charges		
Interest on loan	1,187,235	769,710
term loan 1 interest	842,565	4,921,712
Term loan 2 interest	1,549,019	2,587,180
	945,212	1,161,734
	4,524,031	9,440,336
8 MAINTENANCE/UTILITY COST		
Electricity	834,814	768,862
Cleaning	61,888	49,165
Repair and Maintenance	67,225	31,455
	963,927	849,482
9 DEPRECIATION		
Depreciation motor vehicle	480,000	792,641
Depreciation Comp Equipment	903,159	480,276
Depreciation Furniture	137,095	210,120
Depreciation Office Equipment	205,850	321,228
Depreciation Production Structures & Equip	6,478,000	8,971,464
Depreciation Instant mini factory	187,500	149,906
Depreciation Yoghurt Factory	155,000	146,175
Depreciation Premises fence	45,000	69,005
Depreciation Washroom	9,000	13,964
Depreciation Civil Works	55,000	112,267
Depreciation Office Building	862,500	525,639
Depreciation animal feeds	170,000	125,292
	9,688,104	11,917,977

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

ASSET MOVEMENT SCHEDULE

10 PROPERTY PLANT & EQUIPMENT

SCHEDULE	2.50%	33.33%	10.00%	10.00%	25.00%	20.00%	TOTAL
	<u>BUILDINGS</u>	<u>COMPUTERS</u>	<u>FURNITURES</u>	<u>OFFICE EQUIPMENTS</u>	<u>PRODUCTION & EQUIPMENTS STRUCTURES</u>	<u>MOTOR VEHICLE</u>	
<u>COST</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>	<u>KSHS</u>
As at 01-07-2021	37,347,347	6,799,069	2,023,797	3,476,066	33,244,595	3,176,579	112,106,487
Addition in the year	6,493,041	263,200	1,097,513	847,886	1,533,000	-	10,234,640
Transfer	1,849,559	-	-	-	24,189,476	-	-
As at 30th June 2022	45,689,947	7,062,269	3,121,310	4,323,952	58,967,071	3,176,579	(26,039,035)
DEPRECIATION							
As at 01-07-2021	4,151,312	6,272,152	1,340,932	2,644,454	29,103,790	792,645	44,305,283
Charge for the year	1,142,249	480,280	210,115	321,223	8,971,465	792,645	-
As at 30th June 2022	5,293,561	6,752,432	1,551,047	2,965,677	38,075,255	1,585,290	11,917,976
NET BOOK VALUE-							
As at 30th June 2022	40,396,386	309,837	1,570,263	1,358,275	20,891,816	1,591,289	-
COST							
Revalued figures as at 30/06/2023	58,513,324	2,094,950	1,370,950	1,703,400	25,802,000	2,400,000	91,884,624
Addition in the year	846,676	614,798	-	355,100	110,000	-	1,926,574
As at 30th June 2023	59,360,000	2,709,748	1,370,950	2,058,500	25,912,000	2,400,000	93,811,198
DEPRECIATION							
Charge for the year	1,484,000	903,159	137,095	205,850	6,478,000	480,000	9,688,104
As at 30th June 2023	1,484,001	903,159	137,095	205,850	6,478,000	480,000	9,688,104
NET BOOK VALUE-							
As at 30th June 2023	57,875,999	1,806,589	1,233,855	1,852,650	19,434,000	1,920,000	84,123,094
NET BOOK VALUE-							
As at 30th June 2022	40,396,386	309,837	1,570,263	1,358,275	20,891,816	1,591,289	66,117,867

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2022-2023	2021-2022
11 TRADE AND OTHER RECEIVABLES		
Trade Receivables	115,292,747	91,411,072
Sundry Deposit	284,000	284,000
Withholding Tax	54,010,928	47,940,034
JKUAT Noodles	4,730,286	1,303,186
Insurance prepayment	4,025,888	4,672,102
	178,343,849	145,610,394
12 INVENTORIES		
Mushroom Spawn	-	-
Paw paw seedlings	454,500	768,480
Banana	7,496,980	11,436,931
Mango Seedlings	4,287,475	1,046,850
Avocado Seedlings	26,008,715	26,431,225
Templates Seedlings		2,815,520
Lemon Seedlings	3,478,050	3,615,325
Animal Feeds	290,776	318,334
Yoghurt	5,834	2,118
Other Assorted Seedlings	7,955,700	1,527,305
Total Stock	49,978,030	47,962,088
13		
Euro KCB account	47,622	55,285
USD account 2	32,814	28,847
KCB Moi avenue-Kshs	5,053,324	3,020,389
KCB Commerce	4,215,181	9,100
Cooperative Bank	(458,101)	982,544
KCB Account 1250103924	(818,831)	2,656,594
Standard Chartered Bank	17,018,145	8,371,075
KCB Moi Av-USD Account	23,539,982	89,108,869
Total Cash & Bank Balances	48,630,136	104,232,702
14		
-Authorized Share capital-10,000 ordinary shares of Kshs 20.00 each	102,040	102,040
-Issued Share Capital 5102 @ 20	102,040	102,040
15		
Capital Funding	25,644,005	25,644,005

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16	REVENUE RESERVE		
	Revaluation Reserve	25,766,757	-
	Bal B/F	(8,059,667)	(8,781,610)
	Net Profit for the year	4,801,203	721,943
		22,508,293	(8,059,667)
17	TRADE AND OTHER PAYABLES		
	Trade Payables	115,210,634	89,101,227
	P.A.Y.E CONTROL	1,176,364	1,320,382
	N.H.I.F CONTROL	63,100	66,150
	N.S.S.F CONTROL	110,280	20,800
	Sundry Deduction	267,674	235,095
	Net Salary Control	-	3,923,674
	Prov For Audit Fee	440,000	1,020,800
	Provision For Gratuity	13,029,202	11,047,488
	Pension Control	119,958	119,958
	Debtors Advance Payments	8,196,858	2,018,000
	Staff Welfare	684,756	623,956
	Casuals Control	178,265	1,465,842
	Other Provision	6,939,763	491,524
	Vat Control A/C	1,635,944	14,613,131
	KRA Staff Augmentation Program	335,015	1,530,000
	JCON Project	18,548,956	26,381,811
	Hiv Test Project	57,827,099	16,764,072
	Safari Project	210,779	271,732
	Amr Project-African Acade	280,509	340,815
	JKUAT Noodles	18,390	18,390
	GEMIX Project	-	292,846
	National Academy Of Science	80,361	80,361
	SCHOOL OF COMPUTING -C1	3,597,691	1,851,723
	Healthysect Project	2,537,472	11,967,203
	IHE DELFT	-	71,382
	FIND-COVID 19 DIGITALTOOLS	28,312,024	103,535,437
	E4Impact Foundation	742,368	625,114
	GRANFIELD UNIVERSITY	270,262	261,502
	NAVINUT PROJECT -DISTL	401,471	223,398
	NCF Project	108,571	3,489,309
	BAOBAB Project	-	14,085,391
	CBD	-	936,000
	AREF	167,235	944,690
	KHEMIS	3,491,345	1,057,043
	UNIDO	107,280	803,444

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DUPC2 Water PIP Topup		
Snake Venom	-	449,212
GIZ Yellow Passion	-	41,000
Hydroponic System Project	18,510	-
AFRICAN RESEARCH	176,140	-
IDRC PROJECT	1,041,926	-
KENET PROJECT	17,863,858	-
GECKO PROJECT	398,270	-
WHEEL CHAIR PROJECT	6,167,737	-
UNOPS	571,853	-
Ren En Africa Project	122,984	-
BENACARE PROJECT	46,818	-
IITA Project	837,297	-
INSECTPRO	11,263	-
CHICKEN VALUE CHAIN	2,367,407	-
BANANA VALE CHAIN	846,664	-
KIAMBU NARIGP	92,477	-
	46,280	-
	295,699,111	312,089,902

18 LONG TERM LIABILITIES

Asset Based Finance		
Term Loan 1	3,653,870	10,334,682
Term loan 2	7,183,947	15,743,091
	6,283,843	8,068,998
	17,121,660	34,146,771

19.

	NOTE	2022-2023	2021-2022
		Kshs.	Kshs.
Net profit after tax		4,801,203	721,944
Adjustment for the year			
Depreciation	9	9,688,104	11,917,978
Changes in working capital		14,489,307	12,639,922
Increase in Trade and Other Receivables	11	(32,733,455)	(39,961,560)
Decrease/Increase in Trade and Other Payables	17	(16,390,791)	129,065,949
Decrease in overdraft	18	-	(21,433,236)
Increase in inventories	12	(2,015,942)	(870,193)
Net Cashflow from operating activities		(36,650,882)	79,440,881

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uj21. GOING CONCERN CONCEPT

During the year the company registered a net profit of Ksh 4.8m. This is an increase from a profit of 0.7m. The overall company performance was very good compared to the previous year. During the current year 2023/2024, the company has embarked on upscaling seedlings production by employing better production method and research. This pertains to both fruits and tissue culture seedlings as well as all other production areas. The company is also working towards growing its' revenue generation unit on external consultancy to have more projects and help generate more revenue. The Support services and Logistics section is also picking up with much referral. This will be expected to gear up financial performance and improve working capital.

22. 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.

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Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2023				
Receivables from exchange transactions	178,344,074	178,344,074	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	48,629,387	48,629,387	-	-
Total	226,973,461	226,973,461	-	-
At 30 June 2022				
Receivables from exchange transactions	145,610,394	145,610,394	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	104,232,702	104,232,702	-	-
Total	249,843,096	249,843,096	-	-

Credit Risk (Continued)

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. The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

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.

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Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	
At 30 June 2023				
Trade payables	21,563,170	11,052,526	82,594,938	115,210,634
Provisions	6,939,763	-	-	6,939,763
Employee benefit obligation	-	110,280	13,029,202	13,139,482
Total	28,502,933	11,162,806	95,624,140	135,289,879
At 30 June 2022				
Trade payables	61,030,801	(9,014,222)	37,084,648	89,101,227
Provisions	491,524	-	-	491,524
Employee benefit obligation	-	20,800	-	11,047,488
Total	61,522,325	(8,993,422)	37,084,648	100,640,239

(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.

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

d) 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.

e) 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.

f) 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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23. APPENDICES

APPENDIX 1: IMPLEMENTATION STATUS OF AUDITOR-GENERAL'S RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor

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	Inaccurate Cash and Bank Balances	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
2	Long Outstanding Trade and Other Receivables	Reconciliation with University is done and this will reflect in this current financial year 2023/2024	Mr. Erastus Mvuria (Managing Director)	Not Resolved	30-06-24
3	Accuracy of Trade and Other Payables	Reconciliation with University is done and this will reflect in this current financial year 2023/2024	Mr. Erastus Mvuria (Managing Director)	Not Resolved	30-06-24
4	Over-expenditure on Overhead costs	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
5	Unsupported Staff Costs	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	

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6	Non-compliance in Cash and Bank Management	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
7	Non-compliance with the National Cohesion and Integration Act, 2008	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
8	Irregular Procurement of Potting Bags	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
9	Splitting of Tenders	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
10	Lack of Rotation of Suppliers Registered In Various Categories	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
11	Office Partitioning-Consultancy Division	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
12	Construction of University Classrooms-COETEC Building	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
13	Payment for Works not Done-Inspo Factory Roof Project	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
14	Lack of Inspection and Acceptance Certificate	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved	
15	Gaps in Receipt and Invoice Numbers	Implemented in this financial year	Mr. Erastus Mvuria (Managing Director)	Resolved	

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		2022/2023 report		
16	Inadequate Internal Control Over Fees Collection	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved
17	Lack of Annual Recruitment Plan	Implemented in this financial year 2022/2023 report	Mr. Erastus Mvuria (Managing Director)	Resolved


Managing Director
Mr. Erastus Mvuria

DATE... 05/02/2024

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APPENDIX I1: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

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