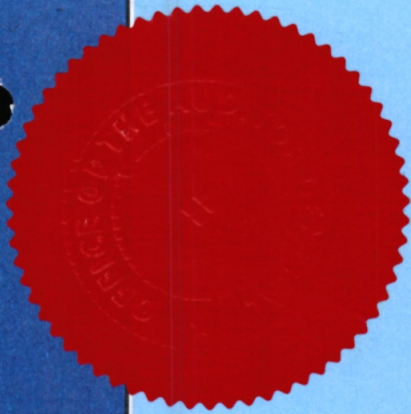


REPUBLIC OF KENYA



Enhancing Accountability



PARLIAMENT
OF KENYA
LIBRARY

REPORT

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 28 MAY 2025	DAY: Wednesday
TABLED BY: Hon. Owen Baya, MP Deputy Leader of the Majority Party	
CLERK-AT THE-TABLE: Esther Ngunjo	

THE AUDITOR-GENERAL

ON

**UNIVERSITY OF KABIANGA ENTERPRISE AND
SERVICES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2024**



UNIVERSITY OF KABIANGA ENTERPRISE AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

Prepared in accordance with the International Financial Reporting Standards (IFRS)

TABLE OF CONTENTS

1. Acronyms and Glossary of Terms.....	ii
2. Key Entity Information.....	iii
3. The Board of Directors.....	vi
4. Key Management Team.....	x
5. Fiduciary Management.....	x
6. Fiduciary Oversight Arrangements.....	x
7. Chairman’s Statement.....	xi
8. Report of the MD.....	xii
9. Statement of Performance against Predetermined Objectives for FY 2022/2023.....	xiii
10. Corporate Governance Statement.....	xiii
11. Management Discussion and Analysis.....	xvi
12. Environmental and Sustainability Reporting.....	xix
13. Report of the Directors.....	xix
14. Statement of Directors’ Responsibilities.....	xxii
15. Report of the independent Auditors on the financial statements for financial year 2023/2024.....	xxiv
16. Statement of Profit/Loss & Other Comprehensive Income for the year ended 30th June 2024.....	1
17. Statement of Financial Position as at 30 June 2024.....	2
18. Statement of Changes in Equity for the year ended 30 June 2024.....	4
19. Statement of Cash Flows for the year ended 30 June 2024.....	5
20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2024.....	6
21. Notes to the Financial Statements.....	8
22. Appendices.....	20

1. Acronyms and Glossary of Terms

CEO	Chief Executive Officer
IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
PFMA	Public Finance Management Act.
PSASB	Public Sector Accounting Standards Board

2. Key Entity Information

Introduction

University of Kabianga Enterprises and Services Limited (UKES) is a private limited company owned by the University of Kabianga. The company was registered in 2014 under the Companies Act of Kenya (Cap 486) 2014. The registration number is CPR/2014/172191.

Principal Activities

UKES was delinked from the University officially beginning 1st October 2021. The main enterprises run currently are Farm, Bookshop, Guesthouse and Fruit juice. However there plans to expand the number of enterprises in future.

Vision Statement

To be the leading provider in innovation, production, value addition and consultancy for betterment of humanity

Mission Statement

To train, produce and consult in innovative emerging technologies, using highly qualified human resource for increased performance of public, private and non-governmental organizations.

Ukes Ltd Values

- Innovation
- Professionalism
- Customer focus
- Continual improvement
- Teamwork
- Integrity

Core Objectives of the Company

Its objectives include:

- (1) Enhance entrepreneurial activity through the latest innovations in technological research

- (2) Utilize its human capital in various disciplines to provide practical solutions for business problems
- (3) Provide innovative value addition products and services
- (4) Provide consultancy and investment services
- (5) Provide training and capacity building

Directors

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

S/No.	NAME	POSITION	YEAR APPOINTED
1	Mr. Peter Kariuki Gathirwa	Chairman	Appointed in 2024
2	Ms. Tabitha A. Nyandiek	Director	Appointed in 2024
3	Prof. Eric Koech	Director	Appointed in 2014
4	Prof. Paul Onsare	Director	Appointed in 2024
5	Prof. Isaac Naibei	Director	Appointed in 2019
6	Dr. Joyce Kiplimo	Director	Appointed in 2019
7	Dr. Raymond Kemboi	Managing Director	Appointed on 2021
8	Ms. Ayuma Robai	Secretary to the Board	Appointed on 2014

Corporate information

Corporate Contacts

Telephone: (254) 723467501

E-mail: ukes@kabianga.ac.ke

a) Corporate Bankers Bankers of the Company

Kenya Commercial Bank

Kericho branch
Account Number 1280940670

Independent Auditors



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




Principal Legal Advisers

The Attorney General
State Law Office and Department of Justice
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya

3. The Board of Directors

University of Kabianga Enterprise and Services Limited (UKES) currently has eight (8) board of directors. The details of the board of directors are shown in the table below:

SN	Directors	Details
1.	 Mr. Peter K. Gathirwa Board Chairman	<p>Mr. Peter K. Gathirwa, born in 1967 is the Finance Chairman (P.C.E.A Eldoret Presbyterian); C.E.O(Maika Investment LTD); Board member – Sugo mixed Secondary School; Board member – P.C.E.A.Soy township Academy; Council member – Cooperate University of Kenya; Certified Professional Mediator (CPM); Dispute and conflict resolution international. He was appointed as a Member of Council of University of Kabianga through a Gazette Notice with effect from 5th April, 2024.</p>
2.	 Ms. Tabitha A. Nyandiek Member	<p>Ms. Tabitha A. Nyandiek was born in 1980. She has served with various Financial Institutions including the former Barclays Bank (Now ABSA), Co-op Bank and Britam Insurance. Also served in the Internal Audit Committee of Homabay County Assembly and worked in the Ministry of Interior and Coordination of National government for several years. She was appointed as a Member of Council of University of Kabianga through a Gazette Notice with effect from 5th April, 2024.</p>

<p>3.</p>	 <p>Prof. Eric Koech, MBS Member</p>	<p>Prof Eric Koech holds a Bachelor of Science from University of Nairobi, Master of Science from Mc Gill and a Doctor of Philosophy from North Wales in United Kingdom.</p> <p>He currently serves as the Vice Chancellor University of Kabianga. He previously served as the Deputy Vice Chancellor incharge of Administration and Finance.</p>
<p>4.</p>	 <p>Prof. Paul Onsare Member</p>	<p>Prof. Paul Onsare holds Bachelor of Education from Moi University, Master of Philosophy from Moi University and a Doctor of Philosophy from Moi University.</p> <p>Prof. Onsare currently serves as the Acting Deputy Vice Chancellor Academics and Students affairs of the University of Kabianga. He previously served as the Dean School of Education at the University of Kabianga</p>
<p>5.</p>		<p>Prof. Isaac Naibei holds a Bachelor of Arts in Business Administration (Accounting option)-from Maseno University, a Master of Business Administration – Accounting specialization from Maseno University and a Doctor of Philosophy in Business Administration - Accounting specialization from Maseno University. He is also a Certified Public Accountant of Kenya.</p>

	<p>Prof. Isaac Naibei Member</p>	<p>He currently serves as the Acting Deputy Vice Chancellor Administration and Finance at the University of Kabianga. He previously served as the Dean School of Business and Economics.</p>
<p>6.</p>	 <p>Dr. Joyce Jepkorir Kiplimo Bett Member</p>	<p>Dr. Joyce Jepkorir Kiplimo Bett is a trained and experienced Chemistry Lecturer with over 10 years of experience in Research and Academics. Excellent in Organic chemistry, Natural products, problem solving, Research proposals and Science laboratory Technologies.</p> <p>Member of Organization for Women in Science for the Developing World (OWSD), Member of Organization for Women in Science for the Developing World (OWSD Kenyan Chapter)-Kenya, Member of Royal Society of Chemistry (MRSC), Member of Natural Products Research Network of East and Central Africa (NAPRECA). Treasurer of NAPRECA, Kenya Chapter, Member of Kenya Chemical Society (KCS) and Member of South African Chemical Society</p>
<p>7.</p>	 <p>Ayuma Wakoli Mmeber & Board Secretary</p>	<p>Ms. Robai W. Ayuma holds a Bachelors degree in Law from Moi University, a diploma in Law from Kenya School of Law. She currently serves as the University Legal officer and serves University of Kabianga Enterprise and services Limited (UKES) as a board member and secretary to the Board.</p>

8.	 <p>Dr. Raymond Kemboi. Managing Director</p>	<p>Dr. Raymond Kemboi holds Doctor of Philosophy in Business Administration (PhD) Finance specialization from University of Kabianga, Master of Business Management (MBM) Finance Option from University of Kabianga and a Bachelor's Degree in Business Administration (Finance Option) with Information Technology. Certified Public Accounts (CPA) Section 4</p> <p>He has served as a lecturer for over seven years where he has made significant achievements in all fronts including teaching, student's mentorship, training and post graduate research supervision.</p> <p>Owing to his exemplary performance, he has been assigned additional responsibilities in the University where he previously served as the Head of Department in the department of Accounting, Finance and Economics. He was later promoted to be a Director of University of Kabianga Enterprise and Services Limited where he holds that position currently.</p>
----	--	---

4. Key Management Team

UKES Internal management staff are:

S/no	Name	Designation
1.	Dr. Raymond Kemboi	Managing Director
2.	CPA Jackline Bor	Accountant
3.	Samwel K. Ngetich	Asst. Farm Manager
4.	Evaline Langat	In charge Guest House
5.	John Cheruiyot	In charge Fruit Juice
6.	Andrew Mutai	In charge Bookshop
7.	Zephania Mutai	Procurement officer

5. Fiduciary Management

S/no	Designation	Name
1.	Managing Director	Dr. Raymond Kemboi
2.	Accountant	CPA Jackline Bor
3.	Procurement officer	Zephania Mutai

6. Fiduciary Oversight Arrangements

During this period the board had not established board committees owing to the lean number and size of the company however, the company utilized University of Kabianga Audit department for internal audit services.

7. Chairman's Statement

During this period the company registered a net profit after tax of Ksh. 1,686,289. This was an improvement compared to the previous year where the company recorded a net profit after tax of Ksh. 922,978. The key drivers that propelled the increment of profit is the venture into external business that brought-in additional revenues from corporate clients. The other factor was a continuous supply of raw materials in time and also good planning by the management. The company still faces a challenge of transporting its' products to the external market owing to lack of transport vehicle.

Going into the future, there are plans to improve operational efficiency by ensuring swift services and aggressive marketing within and outside the current market. Adoption of modern technology will also be key as the company progresses. The company should also manage the market by developing insight into market share, customer segments, and seeking new market opportunities.

The company will also ensure continuous training of staff. This will ensure that the quality of products and services are up to date and meets customer satisfaction and demand. As we move into the next financial year the key performance indicators will be the number of new corporate clients, increase in production units in the farm and new partnerships.

In order to register continuous improvement, we shall continue to work towards attaining advancement and progress in our scope, adopt and apply best practices of corporate governance, adhere to laws and policies set out, and in return getting the full satisfaction of our customers

8. Report of the MD

In the Financial Year 2023/2024, the Company generated Income from its, units namely; Farm, Restaurant, Bookshop and Fruit Juice processing plant and Water bottling plant.

The total revenue as at the end of this period was Ksh16, 356,456. This was an increase compared to the previous financial year 2021/2023 where the company recorded a revenue of Ksh 19,553,328. The increase is attributed to business stability during the period and increase in business activities. During this period also the cost of sales was Ksh. 9,065,135. During this period, the cost of goods was high owing to the changes in the cost of input materials. This therefore means that the Company made a gross profit of Kshs. 7,291,321 before tax.

From the balance sheet side, the company recorded an increment of its fixed assets by approximately 40%. It is worth noting that despite the volatility in prices, the company recorded achievements including establishment of poultry units in the farm section and expansion of customer database. The company attracted corporate clients for its hospitality services. The company endeavors to expand its customer base in future. This will automatically boost the revenue levels of the company.

Late last year, we enhanced our sustainability-linked operations, set ambitious targets and broaden our scope of activities and presence within the local market. We are grateful to our shareholder University of Kabianga more so the various departments and staff for their support and commitment to our long-term strategic vision.

In the next financial year, the company plans to partner with other major players in the industry to leverage on their resource strength and its brand as it grows its, brand also. Allocation has been given for marketing the company's services in the next financial year.

I am proud of our well-balanced business and exceptional team and am convinced that in the next financial year 2024/2025, it will bring a wealth of possibilities for us and propel the company to greater heights towards its vision. While the macro-economic and micro-environments may be volatile and fluid, our business is well-diversified and resilient, and leveraging on our brand power, I trust in our ability to navigate with agility and vigilance.

We remain steadfast in our efforts to create a more sustainable future for our teams, our customers as well as for the industry as a whole. We have entered financial year 2024/2025 with renewed optimism and determination, and trust in our ability to develop solutions and deliver on our objectives and plans. I wish to extend my sincere thanks to our employees, clients, Board members, and our University of Kabianga our main shareholders for their support and ongoing confidence in our company.

9. Statement of Performance against Predetermined Objectives for FY 2022/2023

Since the operationalization of the company, the income has improved over time. Our gross profit margin improved to Ksh. 7,291,321 in 2024, up from Ksh. 8,258,978 in 2022. This represents a 51% improvement from the previous financial year. This increase can be attributed to both production efficiencies and a favorable product mix, with higher-margin products accounting for a larger percentage of total sales.

10. Corporate Governance Statement

University of Kabianga Enterprise and Services Limited is committed to maintaining the highest standards of corporate governance. Our governance framework is designed to promote ethical decision-making, accountability, and transparency, ensuring that we create sustainable value for our shareholders while meeting the expectations of our stakeholders.

Our governance framework is built on the following key principles:

- Innovation
- Professionalism
- Customer focus
- Continuous improvement
- Teamwork
- Integrity

The Board of Directors is composed of a diverse group of individuals with a wide range of skills, experience and backgrounds. The company is governed by eight (8) directors. The composition of the directors are drawn from the council (two members), from the University senate (two representative members) and from University management (four members) and the managing director making a total of eight members.

The Board is responsible for approving corporate strategies and monitoring their implementation, overseeing the company's financial performance and ensuring the integrity of financial reporting, identifying and managing risks associated with our business activities and establishing corporate policies and standards of ethical conduct. The Board ensures the establishment of effective risk management processes. We regularly assess risks associated with our operations and develop mitigation strategies to address them.

We recognize the importance of engaging with our stakeholders, including shareholders, employees, customers, suppliers, and the communities in which we operate. We seek feedback through regular communication and ensure that stakeholders have access to relevant information. We are committed to continuously improving our governance practices. We regularly review our governance framework and engage with stakeholders to ensure our practices align with their expectations and industry standards.

During this reporting period (2023/2024). The board of directors held four meetings as per the requirements by law. The meetings were spread across the year specifically one meeting per quarter.

The summary of attendance of the meetings is shown in the table below:

S/No.	NAME	Q1	Q2	Q3	Q4
1	Mr. Peter Kariuki Gathirwa				Present
2	Ms. Tabitha A. Nyandiek				Present
3	Prof. Eric Koech	Present	Present		Present
4	Prof. Paul Onsare				Present
5	Prof. Isaac Naibei	Present	Present	Present	Present
6	Dr. Joyce Kiplimo	Present	Present	Present	Present
7	Dr. Raymond Kemboi	Present	Present	Present	Present
8	Ms. Ayuma Robai	Present	Present	Present	Present
9	Dr. Adelaide Mbithi	Present	Present		
10	Amb. Aggrey Shitsama	Present	Present		

Notes

1. Three members namely; Mr. Peter Kariuki Gathirwa, Ms. Tabitha A. Nyandiek and Prof. Paul Onsare were appointed in March 2024 after Q3 meeting.
2. Two board members; Dr. Adelaide Mbithi and Amb. Aggrey Shitsama retired from the board at the end of 2023 and they didn't attend the subsequent meetings after the end of their term in University council.

Since the board membership was not a full time job, the board members were therefore paid sitting allowances. As a governance practice all the members were requested to declare conflict of interest before agenda was discussed. This was the practice always in all its sitting.

At University of Kabianga Enterprise and Services Limited, we believe that effective corporate governance is fundamental to our long-term success. We are dedicated to upholding the highest standards of ethics, accountability, and transparency in all our business practices

11. Management Discussion and Analysis

Financial Performance

For the fiscal year ended 30th June 2024, University of Kabianga Enterprise and Services Limited reported total revenues of Ksh. 16,356,456 representing a 33.9% increase compared to Ksh. 19,553,328 for the fiscal year ended 30th June 2023. This growth was driven primarily by a 15% increase in sales of our products, which has gained increased market share due to our brand power.

Gross Profit Margin:

Our gross profit margin was Ksh. 7,291,321 in 2024, and Ksh.8,258,978 in 2023. This improvement was due to both production efficiencies and a favorable product mix, with higher-margin products accounting for a larger percentage of total sales.

Operating Expenses:

Operating expenses increased to Ksh. 4,882,337 in 2023/2024 compared to ksh. 6,940,439 for the year 2022/2023. This increase was attributable to many factors including change in market prices of raw materials and increased operation and activities. Investments in research and development, marketing, and personnel

as we seek to expand our product offerings and enhance our brand visibility. Notably, we intend make investment to support the distribution of water products to wider markets which is scheduled for 2024/2025.

Net Income:

Net income for the year was Ksh. 1,686,289 compared to Ksh. 922,978 in financial year 2022/2023. The increase in net income can be attributed to our revenue growth and improved margins, despite the rise in operating expenses.

Liquidity and Capital Resources

At June 30, 2023, University of Kabianga Enterprise and Services Limited had cash and cash equivalents of Ksh. 2,786,750 and at the end of this reporting period the cash and cash equivalents was Ksh. 4,235,903. This reflects a significant year-over-year increase of 1,449,153. This increase is primarily due to higher cash flows from operations.

Working Capital:

We maintained a strong working capital position. This indicates our ongoing ability to meet our short-term liabilities.

Debt structure:

As of June 30, 2024, the company's total total current liabilities stands at Ksh. 3,190,469. We believe our current debt levels are manageable and that we have adequate liquidity to meet our operational needs and investment plans for the coming year.

Operational Review

In 2023/2024, UKES continued to enhance its operational efficiencies, leading to sustainable growth. Our production facilities operated at 70% capacity, and we

have taken steps to invest in automation technologies that we expect will further reduce costs and improve output quality over the next 12-24 months.

Market Conditions:

The overall market for widgets is expected to grow at a compound annual growth rate (CAGR) of 7% over the next five years, driven by increasing consumer demand and emerging markets. We believe that our initiatives position us well to capitalize on these opportunities.

Future Outlook

Going forward, our strategic priorities for 2024/2025 include:

- i) **Product Innovation:** Launching new juice product, which is projected to increase our market share and revenue potential.
- ii) **Market Expansion:** Targeting new geographic markets in Southrift, which are expected to provide significant revenue growth opportunities.
- iii) **Operational Efficiency:** Continuing to invest in automation and process improvements to enhance profitability.
- iv) **Sustainability Initiatives:** Committing to a 20% reduction in our carbon footprint over the next five years to align with global sustainability goals.
- v) **Partnership:** We are expecting new business partnership during the 2024/2025 financial year.

Despite economic uncertainties, we are optimistic about the future. With our strong financial position and innovative product pipeline, we are well-equipped to navigate challenges and capture new opportunities.

Conclusion

In summary, 2023/2024 was a strong year for UKES. With our continued focus on growth, innovation, and operational excellence, we believe we can achieve our long-term strategic objectives and deliver value to our shareholders.

12. Environmental and Sustainability Reporting

The company is always committed to ensure a sustainable environment. During this reporting period, the company developed initiatives to reduce emissions and wastage in production. The company also adopted use of electronic processing to minimize paper wastages. Going into the future, the company will enhance the level of environmental concern by going green in its processes. In addition to this the company will continue supporting sustainable environment by supporting initiatives such as tree planting. This support to environmental issues drives organizations to adopt more sustainable practices, ultimately contributing to a healthier planet and society.

13. Report of the Directors

The Directors discussed the 2023/2024 statement and financial report for University of Kabianga Enterprise and Service Limited during its' 10th regular board meeting held on Thursday 11th July 2024. The main highlights include;

Principal activities

The principal activities of the entity are;

- i) Farming
- ii) Hotel and hospitality services
- iii) Water bottling and juice processing
- iv) Bookshop services

Results

The results of the entity for the year ended June 30, 2024, are set out on page 1. In summary, the company reported total revenues of Ksh. 16,356,456 representing a 33.9% increase compared to Ksh. 19,553,328 for the fiscal year ended 30th June 2023. Net income for the year was Ksh. 1,686,289 compared to Ksh. 922,978 in Financial Year 2022/2023.

Directors

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

Auditors

The Auditor-General is responsible for the statutory audit of the University of Kabianga Enterprise & Services Ltd in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the University of Kabianga Enterprise & Services Ltd for the year/period ended June 30, 2024, in accordance with section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

University of Kabianga Enterprise and Services Limited
Annual Report and Financial Statements for the year ended June 30, 2024

By Order of the Board



.....

Name

Corporate Secretary/Secretary to the Board

Date

14. Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2024. This responsibility includes:

- (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period,
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity,
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud,
- (iv) Safeguarding the assets of the entity,
- (v) Selecting and applying appropriate accounting policies, and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the entity's 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 (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act.

The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2024, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern. Nothing has come to the attention of the Directors to indicate that the entity 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 University of Kabianga Enterprise & services Ltd financial statements were approved by the Board on 11/07/2024 and signed on its behalf by:



Name: Mr. Peter K. Gathirwa

Chairperson of the Board



Name: Dr. Raymond Kemboi

M.D/Accounting officer

15. Report of the independent Auditors on the financial statements for financial year 2023/2024

Considering the size of the company, the company used audit services from the university of Kabianga.

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF KABIANGA ENTERPRISE AND SERVICES LIMITED FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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 University of Kabianga Enterprise and Services Limited set out on pages 1 to 30, which comprise the statement of financial position as at 30 June, 2024 and statement of profit/loss and other comprehensive income, statement of changes in equity, statement of cashflows and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of University of Kabianga Enterprise and Services Limited as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Presentation and Disclosure of the Financial Statements

1.1 Variances in Revenue Generated.

The statement of profit/loss and other comprehensive income reflects an amount of Kshs.16,356,456 being revenue generated by the company. However, Note 1 reflects an amount of Kshs16,351,351 resulting to unexplained variance of Kshs.5,105

In the circumstances, the accuracy and completeness of the revenue generated of Kshs16,356,456 could not be confirmed.

1.2 Inaccuracy of Cash and Cash Equivalents

The statement of cashflow reflects cash and cash equivalent at the end of the year as Kshs.4,235,903. Recasting of the entries in the statement of cashflow reflected a total of Kshs4,233,333 resulting into unexplained variance of Kshs.2,570.

In the circumstances, the accuracy and completeness of the statement cashflow balance of Kshs.4,235,903 could not be confirmed.

1.2 Failure to Maintain Assets Register

The statement of financial position and as is disclosed in Note 16 to the financial statements reflects a balance of Kshs.308,472 in respect of property plant and equipment. However, Management did not maintain assets register to support the values reflected in the financial statements.

In the circumstances, the accuracy and completeness of property plant and equipment of Kshs.308,472 could not be confirmed.

Understatement of Retained Earnings

The statement of changes in equity for the year ended 30 June, 2024 reflected nil balance brought forward for retained earnings and Kshs.1,686,289 retained earnings for the year. The unaudited statement of changes in equity for the prior period however reflected retained earnings of Kshs.922,977. No explanation was provided for excluding the balance brought forward for retained earnings in the statement of changes in equity for the year ended 30 June 2024.

In the circumstances, the accuracy and completeness of retained earnings of Kshs.1,686,289 could not be confirmed.

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the University of Kabianga Enterprise and Services 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

Budgetary Control and Performance

Budget and Budget Control

The statement of comparison of budget and the actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.21,878,618 and Kshs.16,351,351, respectively, resulting in an underfunding of Kshs.5,527,267 or 25.26% of the budget. Similarly, the Company spent a balance of Kshs.14,369,255 against actual revenue of Kshs.16,351,351 resulting into under-utilization of Kshs.1,982,096 or 12.12% of the actual receipts.

The underfunding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Information

The Directors are responsible for the other information set out on page iii to xxiv which comprise of Key Entity Information, The Board of Directors, Key Management Team, Fiduciary Management, Fiduciary Oversight Arrangements, Chairman's Statement, Report of the MD, Statement of Performance against the University of Kabianga Enterprise and Services Limited Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit thereon.

In connection with my audit on the University of Kabianga Enterprise and Services Limited financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated, If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

1.1 Non-Remittance of Housing Levy

The statement of profit/loss and comprehensive income and as disclosed under Note 4 to the financial statements reflects administration cost of Kshs.4,882,337. Included in the amount is staff costs of 3,800,903. Review of payroll revealed that the company did not deduct or remit housing levy between July 2023 and December 2023. Non-remittance of statutory deduction could lead to unnecessary expenditures in form of penalties.

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

1.2 Unremitted National Industrial Training Authority (NITA)

The statement of profit/loss and comprehensive income and as disclosed under Note 4 of the financial statement reflects staff costs of Kshs.3,800,903. However, during the year under review the entity did not remit to the National Industrial Training Authority (NITA) deductions from employees. This is against the industrial training Act section 5(Cap 237) which requires employers to pay NITA annually at a monthly rate of Kshs.50 per employee.

In the circumstances, Management is in breach of the law

The audit was conducted in accordance with ISSAI 3000 and 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters 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

1.1 Lack of Strategic Plan

The University of Kabianga Enterprise and Services Limited had not developed a strategic plan contrary to the provisions of section 68. (2). (g) of Public Finance Management Act, 2012 which provides that an accounting officer for a national government entity prepare a strategic plan for the entity in conformity with the medium term fiscal framework and fiscal policy objectives of the national government.

In the circumstances, the company's strategic objectives may not be well defined and aligned to the medium term fiscal framework and fiscal policy objectives of the national government.

1.2 Irregularities in Revenue Collection and Administrations.

The statement of profit/loss and comprehensive income as disclosed under Note 1 to the financial statements reflects revenue amounting to Kshs.16,356,456.

However, the following shortcomings were observed;

- a. The Finance policy manual provided for audit did not outline the acceptable modes of payment for different income streams. During the year under audit the company accepted cash/M-pesa/bank payments. The cash payments are prone to risk of fraud since there are no outlined policies and controls over the same. The finance policy manual was neither dated nor was it approved/signed.
- b. The applicable rates for the different income streams approved by the board were not provided for audit.
- c. The receipt book/physical receipts issued were labelled as "Kabianga University College".

In the circumstances, the controls put in place for identification, collection and accounting for revenue could not be ascertained/confirmed

The audit was conducted in accordance with ISSAI 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages xix to xxi is consistent with the financial statements.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Directors are responsible for overseeing University of Kabianga Enterprise and Services Limited 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 December, 2024

University of Kabianga Enterprise and Services Limited
Annual Report and Financial Statements for the year ended June 30, 2024

16. Statement of Profit/Loss & Other Comprehensive Income for the year ended 30th June 2024

Description	Note	2023-2024	2021-2023
		Kshs	Kshs
Revenue	1	16,356,456	19,553,328
Less Cost of Sales	2	9,065,135	11,294,350
Gross profit		7,291,321	8,258,978
Other Income			
Carwash income		-	-
Short Courses			
Total Revenue		7,291,321	8,258,978
Operating Expenses			
Administration Costs	4	4,882,337	6,940,439
Total Operating Costs		4,882,337	6,940,439
Profit (loss) before Taxation		2,408,984	1,318,539
Income Tax expense	14	722,695	395,562
Profit/(loss) after Taxation		1,686,289	922,978

University of Kabianga Enterprise and Services Limited
Annual Report and Financial Statements for the year ended June 30, 2024

17. Statement of Financial Position as at 30 June 2024

Description	Note	2023-2024	2021-2023
		Kshs.	Kshs.
Assets			
Non -Current Assets			
Property Plant & Equipment	16	308,472	187,162
Total Non- Current Assets		308,472	187,162
Current Assets			
Inventories	10	490,842	223,763
Trade and Other Receivables	11	3,477,700	1,520,115
Bank and Cash Balances	12	4,235,903	2,786,750
Total Current Assets		8,204,445	4,530,628
Total Assets		8,512,917	4,717,789
Equity and Liabilities			
Capital and Reserves			
Share Capital		100,000	100,000
Retained Earnings		1,686,289	922,977
Shareholders Fund		3,536,159	2,500,000
Capital and Reserves		5,322,448	3,522,977
Non -Current Liabilities			
Current Liabilities			
Trade and Other payables	13	1,539,774	799,250
Tax payable	14	722,695	395,562
Provisions	15	928,000	-
Total current Liabilities		3,190,469	1,194,812
Total Net Equity and Liabilities		8,512,917	4,717,789

The financial statements were approved by the Board on 11/07/2024 and signed on its behalf by



Name; Mr. Peter K. Gathirwa
Chair of the Board



Name Dr. Raymond Kerobai
CEO/MD



Name JACKLINE BDR
Head of Finance
ICPAK No. 14444

18. Statement of Changes in Equity for the year ended 30 June 2024

Description	Ordinary share capital	Revaluation Reserve	Retained Earnings	Proposed Dividends	Capital/Development Grant/fund	Total
As at July 1, 2023	100,000	-	-	-	3,536,159	3,636,159
New capital issued	-	-	-	-	-	-
Revaluation gain	-	-	-	-	-	-
Profit for the year	-	-	1,686,289	-	-	-
Capital/development grants received during the year	-	-	-	-	-	-
Dividends paid – prior year	-	-	-	-	-	-
Interim dividends paid – current year	-	-	-	-	-	-
Proposed final dividends	-	-	-	-	-	-
As at June 30, 2024	100,000	-	1,686,289	-	3,536,159	5,322,448

19. Statement of Cash Flows for the year ended 30 June 2024

Description	2023-2024	2021-2023
	Kshs.	Kshs
Cash flow from operating Activities		
Cash generated from operations	16,351,351	12,595,227
Cash generated used in operations	14,719,873	13,098,237
Net Cash flow from Operating Activities	1,631,478	(503,010)
Cash flow from Investing Activities		
Purchase of Property, Plant & Equipment	(184,895)	(149,900)
Disposal of Biological Assets	-	1,036,159
Net Cash flow used in investing Activities	(184,895)	886,259
Cash flow from Financing Activities		
Seed Money (UOK)	-	2,500,000
Net cash flow from Financing Activities	-	2,500,000
Net Increase/(Decrease) in Cash and Cash Equivalent	1,446,583	2,785,650
Cash and Cash Equivalent at the beginning Year	2,786,750	1,100
Cash and Cash Equivalent at the end of the Year.	4,235,903	2,786,750

20. Statement of Comparison of Budget & Actual amounts for the period ended 30 June 2024

Description	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% of Utilisation
	a	b	c=a+b	d	E=c-d	d/c%
Revenue						
Sale of goods	20,878,618	0	20,878,618	16,351,351	4,527,267	78
Transfer from uok	2,000,000	1,000,000	1,000,000	-	1,000,000	0
Other Income					-	
Total Income	22,878,618	1,000,000	21,878,618	16,351,351	5,527,267	75
					-	
Expenses					-	
Compensation of Employees	3,660,000	0	3,660,000	3,800,903	-140,903	104
Telephone	72,000	0	72,000	72,000	-	100
Stationaries	50,000	0	50,000	86,300	-36,300	173
Travelling & Accommodation	150,000	0	150,000	236,442	-86,442	158
Guest house Expenses	4,238,720	0	4,238,720	7,523,140	3,284,420	177
Farm Expenses	2,648,468	0	2,648,468	931,900	1,716,568	35
Pineapple expenses	2,069,750	0	2,069,750	748,866	1,320,884	36
Bookshop expenses	147,000	0	147,000	128,309	18,691	87
Car wash expenses	150,000	0	150,000	-	150,000	0
Short Courses Expenses	480,000	0	480,000	-	480,000	0
Accounting System	450,000	0	450,000	-	450,000	0
Insurance Expenses	290,000	0	290,000	-	290,000	0
Consultancy Services & subscriptions	320,000	0	320,000	-	320,000	0

University of Kabianga Enterprise and Services Limited

Annual Report and Financial Statements for the year ended June 30, 2024

Meetings & workshop	240,000	0	240,000	-	240,000	0
Maintenance of Plant & equipment	265,000	0	265,000	21,900	243,100	8
Advertising & Marketing Expenses	182,000	0	182,000	-	182,000	0
Board committee expenses	1,080,000	0	1,080,000	574,600	505,400	53
Audit fee	100,000	0	100,000	60,000	40,000	60
Purchase of plant & equipment	910,193	0	910,193	184,895	725,298	20
Purchase of protective clothing	66,850	0	66,850	-	66,850	0
Vehicle Running Expenses	604,600	0	604,600	-	604,600	0
Strategic plan Development	200,000	0	200,000	-	200,000	0
Total Expenditure	18,374,581	0	18,374,581	14,369,255	4,005,326	78
Surplus for the Period	4,504,037	-	3,504,037	1,982,096	1,521,941	57

21. Notes to the Financial Statements

1. General Information

University of Kabianga Enterprise & Services Ltd is established by and derives its authority and accountability from Companies Act. The company is wholly owned by the University of Kabianga. The entity's principal activity is generate income.

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

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis 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 Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Notes. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the company, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

3. Summary of Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the entity expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The entity recognizes revenue when it transfers control of a product or service to a customer.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the entity delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the entity actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognized in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognized in the income statement as it accrues using the effective interest implicit in lease agreements.
- vi) **Other income** is recognized as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the entity in the form of actual goods and/or services rather than in money or cash terms. These donations

may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement. Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

Freehold Land	Nil
Buildings and civil works	2%
Plant and machinery	12.5%

Motor vehicles, including motor cycles	25%
Computers and related equipment	33.3%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss

in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the entity incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. These

bonds are measured at amortized cost/ at fair value through other comprehensive income (FVTOCI) or at fair value through profit or loss (FVTPL).

i) Quoted investments

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value through profit or loss (FVTPL).

j) Unquoted investments

Unquoted investments are measured at fair value through profit or loss (FVTPL).

k) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method or First in First out (FIFO). Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

l) Trade and other receivables

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

m) Taxation

i) Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to

items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

n) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their

expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

p) Cash and cash equivalents

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

q) Borrowings

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

r) Trade and other payables

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

s) Retirement benefit obligations

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

t) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

u) Exchange rate differences

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

Significant Judgments and Sources of Estimation Uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

(include provisions applicable for your organization e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

Revaluation Reserve

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

4. Fair Value Adjustment Reserve

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognized in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognized in profit or loss.

5. Retained Earnings

The retained earnings represent amounts available for distribution to the entity's shareholders. Undistributed retained earnings are utilized to finance the entity's business activities.

22. Appendices

NOTE 1. Revenue		
	2023-2024	2021-2023
Description	Kshs	Kshs.
Sales of Goods		
Guest house	10,380,233	12,583,306
Farm	5,105,310	4,729,609
Pineapple plant	741,660	1,056,858
Bookshop	124,148	329,392
Carwash	-	106,730
Short Courses	-	747,433
Total	16,351,351	19,553,328

Note 2. Cost of Sales

	2023-2024	2021-2023
Description	Kshs.	Kshs
Guest house	7,450,136	8,726,664
Farm	888,960	1,540,410
Pineapple plant	617,344	826,066
Bookshop	108,695	201,210
Total	9,065,135	11,294,350

Note 3. Seed Money from Uok

	2023-2024	2021-2023
Description	Kshs	Kshs
Seed Money	-	2,500,000
Total	-	2,500,000

Note 4. Administration Costs

Description	2023-2024	2021-2023
	Kshs.	Kshs
Staff costs(note 4)	3,800,903	5,086,282
Board Expenses	574,600	-
Stationery	52,785	86,300
Telephone	72,000	108,000
Travelling & Accommodation	236,442	512,304
Bank charges	10,123	13,268
Repairs and Maintenance	21,900	21,800
Audit fee	50,000	-
Car wash Expense		189,753
Licenses and Permits	-	217,778
KRA		412,602
short Courses Expense		232,015
Depreciation	63,585	60,337
Total	4,882,337	6,940,439

Note 5. Staff Costs

Description	2023-2024	2021-2023
	Kshs.	Kshs.
Wages	3,267,416	5,086,282
NHIF	78,100	-
NSSF	404,822	-
Housing Levy	37,965	
NITA	12,600	
Total	3,800,903	5,086,282

Note 6. Guest House Cost of Goods Sold

Description	2023-2024	2021-2023
	Kshs	Kshs
Opening Stock	62,211	-
Add Purchases	7,523,140	8,788,875
	7,585,351	8,788,875
less Closing Stock	135,215	62,211
Cost Of Goods Sold	7,450,136	8,726,664

Note 7. Farm Cost of Goods Sold

Description	2023-2024	2021-2023
	Kshs	Kshs
Opening Stock	82,350	-
Add Purchases	931,900	1,622,760
	1,014,250	1,622,760
less Closing Stock	125,290	82,350
Cost of Goods Sold	888,960	1,540,410

Note. 8. Pineapple Plant Cost of Goods Sold

Description	2023-2024	2021-2023
	Kshs	Kshs
Opening Stock	49,680	-
Add Purchases	748,866	875,746
	798,546	875,746
less Closing Stock	181,202	49,680
Cost of Goods Sold	617,344	826,066

Note 9. Bookshop Cost of Goods sold

Description	2023-2024	2021-2023
	Kshs	Kshs
Opening Stock	29,521	-
Add Purchases	128,309	230,731
	157,830	230,731
less Closing Stock	49,135	29,521
Cost of Goods Sold	108,695	201,210

Note 10. Inventories

Description	2023-2024	2021-2023
	Kshs	Kshs
Guest house	135,215	62,211
Farm	125,290	82,350
Pineapple plant	181,202	49,680
Bookshop	49,135	29,521
Total	490,842	223,763

Note 11. Trade and Other Receivables

Description	2023-2024	2021-2023
	Kshs	Kshs
Trade Receivables(11a)	3,477,700	1,520,115
Total Trade and Other Receivables	3,477,700	1,520,115

University of Kabianga Enterprise and Services Limited
Annual Report and Financial Statements for the year ended June 30, 2024

11(a) Trade Receivables		
	2023-2024	2021-2023
Description	Kshs	Kshs
Gross Trade Receivables	3,477,700	1,520,115
Net Trade Receivables	3,477,700	1,520,115
At 30th June 2024 the ageing analysis of the gross trade receivables was as follows		
Less than 30 days	635,240	125,340
Between 30 and 60 days	341,315	658,575
Between 61 and 90 days	630,420	130,200
Between 91 and 120 days	950,280	606,000
Over 120 days	920,445	
Total	3,477,700	1,520,115

Note 12. Bank and Cash Balances

	2023-2024	2021-2023
Description	Kshs	Kshs
Kenya Commercial Bank	4,235,903	2,786,750
Total Bank and cash balances	4,235,903	2,786,750

Note 13. Trade and Other Payables

	2023-2024	2021-2023
Description	Kshs	Kshs
Trade Payables	1,234,504	517,823
Employee payables	305,270	281,428
Total	1,539,774	799,251

Note 14. Income Tax Expense/(Credit)

Current Taxation		
	2023-2024	2021-2023
Description	Kshs	Kshs
Current Taxation based on adjusted profit for the Year at 30%	722,695	395,562
Total	722,695	395,562

Note 15. Provision

Current Provision

	2023-2024	2021-2023
Description	Kshs	Kshs
Provision for Audit Fee	928,000	-
Total	928,000	-

University of Kabianga Enterprise and Services Limited
Annual Report and Financial Statements for the year ended June 30, 2024

Note 16. Property Plant & Equipment

	Land	Buildings	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Total
Depreciation Rate	0	2.00%	12.50%	33.33%	12.50%	25%	
COST/VALUATION	KShs	KShs.	KShs	KShs.	KShs.	KShs	KShs.
As at 1 July,2023			180,077	7,085			187,162
Additions	0	0	109,995	74,900	0	0	184,895
Disposals	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfer to Buildings	-	-	-	-	-	-	-
As at 30 June,2024	0	0	290,072	81,985	0	0	372,057
Depreciation							
At 1 July, 2023	-						0
Charge for the Period	0	0	36,259	27,326	0	0	63,585
Revaluation							-
As at 30 June,2024	0	0	36,259	27,326	0	0	63,585
Net Book Values							
As at 30 June 2024	0	0	253,813	54,659	0	0	308,472

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 in accordance with limits set by the directors. 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 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.

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

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

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

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid 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) 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.

i) Management of interest rate risk

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

ii) 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.

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the entity's market assumptions. These two types of inputs have created the following fair value hierarchy:

- i) Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- ii) Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- iii) Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The entity considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern.

6. Incorporation

University of Kabianga Enterprise & Services Ltd is incorporated in Kenya under *the Kenyan Companies Act* and is domiciled in Kenya.

7. Events after the Reporting Period

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

