

REPUBLIC OF KENYA



Enhancing Accountability



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

REPORT

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**UNIVERSITY OF KABIANGA ENTERPRISE AND
SERVICES LIMITED**

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



UNIVERSITY OF KABIANGA ENTERPRISE AND SERVICES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED

JUNE 30, 2023

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

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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

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.	 <p>Dr. Adelaide M. Mbithi (HSC) Chairman of Council PhD (UoN); MSc. (USIU); B. Ed. (Science) –UoN; Dip (Montreal, Canada). Board Chairman</p>	<p>Dr Adelaide Mbaika Mbithi is a Scholar and a Higher Education Development, Management and Training Consultant and Expert in Kenya. She has risen through the ranks from a registered graduate teacher to an administrator in the University. Adelaide has served in several public, private and religious boards at the national, county and at community level. As a scholar, Adelaide has attended and presented papers at seminars, symposia and conferences as well as publishing in peer reviewed journals and has supervised PhD and Masters Theses in the fields of business administration, human resources and project management. Adelaide has professional training, certification and experience in strategic management, transformational leadership and corporate governance among others. She is a registered member of professional associations and insitutes. She was appointed as Chairman of Council of University of Kabianga on the 4th November, 2020.</p>

<p>2.</p>	 <p>Amb. Aggrey Shikanga Shitsama</p> <p>Member</p> <p>LLB(UoN); LLM (UoN)</p>	<p>Amb. Aggrey Shikanga Shitsama is an accomplished legal practitioner, Administrator, Manager and Diplomat. He is an Advocate of the High Court of Kenya since 13/10/1980. Since 1982 to date he has been in Private Legal Practice. From 2011 to March 2014 he served as the Chairman Standards Tribunal appointed under the Standards Act. He was appointed as an in 2014 Ambassador and posted by the Government of Kenya as Deputy Ambassador Deputy Head of Mission/ Head of Chancery Kenya's Mission in Addis Ababa Ethiopia. In 2019 he resorted back to full time private practice. He was appointed as member of Council of University of Kabianga on the 4th November, 2020.</p>
<p>3.</p>	 <p>Prof. Wilson K. Kipngeno, MBS</p> <p>Member</p> <p>B.Sc, M.Sc (UoN), Ph.D (California, Riverside)</p>	<p>Prof. Wilson Kipngeno started his career as a lecturer in University of Nairobi in the field of Applied Statistics. Through his brilliance, he has risen through the ranks to be the Vice-Chancellor of University of Kabianga. His previous work experience includes serving as a DVC (Administration Planning and Finance) in Jomo Kenyatta University of Agriculture and Technology (JKUAT) and Egerton University. Prior to his appointment in May 2013, Prof. Kipngeno was the Ag. Vice-Chancellor after serving as the Principal of Kabianga University College since May 2009. He was re-appointed as Vice-Chancellor of Council of University of Kabianga on the 18th June, 2018 and served up to 20th June, 2023.</p>

<p>4.</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>5.</p>	 <p>Prof. Paul Elija Omwenga FICTAK Member</p>	<p>Prof. Elijah Omwenga holds Bachelor of Education Science from Kenyatta University. Post graduate Diploma in Computer Science from University of Nairobi. He holds Master of Science from NUST, Bulawayo and Doctor of Philosophy (PhD) FROM University of Nairobi.</p> <p>Prof. Omwenga currently serves as the Deputy Vice Chancellor Academics and Students affairs of the University of Kabianga.</p>
<p>6.</p>	 <p>Prof. Isaac Naibei</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>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>7.</p>	<div data-bbox="316 584 679 891" data-label="Image"> </div> <p>Dr. Joyce Jepkorir Kiplimo Bett</p> <hr/> <p>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>8.</p>	<div data-bbox="306 1350 660 1666" data-label="Image"> </div> <p>Ayuma Wakoli</p> <p>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>

9.	 <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>
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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.	Daniel Koskei	In charge Guest House
5.	John Cheruiyot	In charge Fruit Juice
6.	Andrew Mutai	In charge Bookshop
7.	Bilah Saro	Procurement officer

5. Fiduciary Management

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

6. Fiduciary Oversight Arrangements

During this period the size of the company was still small and thus the board had not established board committees. To enhance oversight, the company utilized University of Kabianga Audit department for internal audit services.

7. Chairman's Statement

As we close the books on another year, I am pleased to report that UKES] has continued to demonstrate strong financial performance, solidifying its movement towards it's' vision.

Our financial results for 2022/2023 reflect the hard work and dedication of our team members, as well as the effective execution of our strategic plan. We have achieved significant growth in revenue, driven by our focus on [key areas of growth]. Our efforts to optimize operations and streamline costs have also resulted in improved profitability.

It's worth noting that there is revenue growth driven by the various business lines or products. This has resulted to increased net income amounting to Ksh. 1,318,539. The cash flow we generated Ksh. 19,553,328 in cash from operations, enabling us to invest in strategic initiatives. Our financial performance has been underpinned by a number of key factors, including:

our focus on innovation, which has enabled us to stay ahead of the curve and capitalize on emerging trends, our commitment to operational excellence, which has allowed us to improve efficiency and reduce costs, partnerships, which have expanded our offerings and capabilities. The ongoing support of our loyal customers, who continue to trust us with their business. Looking ahead, we are well-positioned to build on our success and drive further growth. We will continue to prioritize innovation, operational excellence, and strategic investments to ensure that we remain competitive and deliver long-term value to our shareholders.

We are optimistic about the future prospects of our business and expect to continue delivering strong financial performance. We anticipate that our revenue growth will be driven by [specific areas of growth], while we also expect to maintain our focus on cost discipline and operational efficiency.

In conclusion, I am proud of the progress we have made in Ksh 1,318,539 profit before tax. I am excited about the opportunities that lie ahead. I would like to take this opportunity to thank our team members for their hard work and dedication, as well as our customers and stakeholders for their continued support.

Dr. Adalaide Mbithi

Chairman.

8. Report of the M.D

We have made significant improvements in stock management resulting in continuous production. Employee development: We have invested in the training and development of our employees, enabling them to stay up-to-date with the latest skills and technologies

The company has made significant strategic initiatives including;

1. Digital transformation: We have made significant progress in our digital transformation journey, leveraging technology to improve operational efficiency and enhance customer experience
2. Sustainability: We have continued to prioritize sustainability, with a focus on reducing our environmental impact and promoting social responsibility
3. Supply chain optimization: We have optimized our supply chain operations, resulting in cost savings and improved delivery times

The company on the other hand has encountered some challenges and notable ones includes the current economic climate continues to present uncertainties, and we must remain agile and responsive to changing market conditions. However, we are confident that our strong financial position, combined with our strategic initiatives, will enable us to navigate these challenges and capitalize on emerging opportunities.

Looking ahead, we are optimistic about the future prospects of our business. We anticipate that our revenue growth while we also expect to maintain our focus on cost discipline and operational efficiency.

In conclusion, I am proud of the progress we have made in 2022/2023 and am excited about the opportunities that lie ahead. I would like to take this opportunity to thank our employees for their hard work and dedication, as well as our customers and stakeholders for their continued support.

Dr. Raymond Kemboi,

Managing Director.

9. Statement of Performance against predetermined Objectives for FY 2021/2022

In the financial year 2022/2023, the company recorded and improved performance compared to the previous financial year 2021/2022. In the previous financial year the company did not operate full year since it began its operations in October 2021. This therefore makes the previous year not to be a good comparative year to the current year. It is worth noting that the company entry to the market is now stable and it is projected that in the coming years ahead the company will generate good returns.

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 (2022/2023). 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	Dr. Adelaide Mbithi	Present	Present	Present	Present
2	Amb. Aggrey Shitsama	Present	Present	Present	Present
3	Prof. Wilson Kipngeno	Present	Present	Present	
4	Prof. Eric Koech	Present	Present	Present	Present
5	Prof. Elijah Omwenga	Present		Present	Present
6	Prof. Isaac Naibei	Present	Present	Present	Present
7	Dr. Joyce Kiplimo	Present	Present	Present	Present
8	Dr. Raymond Kemboi	Present	Present	Present	Present
9	Ms. Ayuma Robai	Present	Present	Present	Present

Corporate Governance Report

As a responsible corporate entity, University of Kabianga Enterprise and Services Limited is committed to upholding the highest standards of corporate governance. We recognize that effective governance is essential to building trust with our stakeholders, ensuring accountability, and driving long-term success.

Our Board of Directors is composed of experienced professionals with diverse skills and expertise. In line with our governance practices, we ensure that at least 50% of our Board members are independent, non-executive directors who bring an objective perspective to our decision-making process.

As a best practice, we require all Board members to declare any potential conflicts of interest before each meeting. This ensures that we maintain transparency and objectivity in our decision-making process. As you noted, since Board membership is not a full-time job, we pay sitting allowances to our Board members to compensate them for their time and effort. We believe that this practice helps to attract and retain talented individuals who can contribute to our success.

Our governance structure is designed to ensure accountability and transparency. We have established clear roles and responsibilities among our Board members, committees, and management team. This includes regular reporting on key performance indicators, risk management, and compliance with relevant laws and regulations.

We are committed to upholding the highest ethical standards in all our business practices. Our Code of Conduct outlines our values and principles, which guide our behavior and decision-making. We also have a robust whistle-blowing policy to ensure that any concerns or irregularities are reported and addressed promptly.

We believe in transparency in all our business dealings. We regularly disclose information about our operations, financial performance, and governance practices to our stakeholders. This includes publishing annual reports, financial statements, and sustainability reports that provide insight into our performance and strategy.

In conclusion, University of Kabianga Enterprise and Services Limited is committed to upholding the highest standards of corporate governance. We believe that effective governance is essential to building trust with our stakeholders, ensuring accountability, and driving long-term success. We will continue to prioritize governance excellence as we navigate the challenges and opportunities ahead.

11. Management Discussion and Analysis

In the Financial Year 2022/2023 under review, the Company received seed money from the University of Kabianga of Ksh.500, 000.00 out of Ksh. 2,000,000 which was allocated to finance its recurrent budget. The funds generated from the units within the enterprise amounted to Ksh.19,553,328.

The total revenue as at the end of the Financial period 2021/2022 and 2022/2023 is Kshs 19,553,328.00 while the total expenditure for the enterprise was Ksh 18,234,789. This therefore means that the company made a surplus of Ksh 922,977 profit before tax.

Gross Profit Margin:

Our gross profit margin was Ksh. 8,258,978 in 2022/2023. This signifies a good start for the company for a full year. We look forward to better results in future owing to enhanced stability of the company in the various profit zones.

Operating Expenses:

The total expenditure for the enterprise was Ksh 18,234,789. This was a cumulative figure from the various units of production. As we move into the future, the company plans to reduce cost by adopting cost cutting strategies.

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. This reflects a significant year-over-year increase of 1,705,756. This increase can be attributed to improved stability.

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. 1,194,812. 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 60% capacity, and we have initiated steps towards automation technologies that we expect will further reduce costs and improve output quality.

Market Conditions:

The overall market for widgets is expected to grow at a compound annual growth rate (CAGR) of above 5 % 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

As we close the books on another year, we are excited to share our strategic priorities for the next financial year, 2023/2024. Our vision is to continue delivering innovative products and services that meet the evolving needs of our customers, while driving growth, profitability, and sustainability.

Our key strategic priorities for the next financial year are:

- i. **Market Expansion:** We will be targeting new geographic markets in Southrift, which are expected to provide significant revenue growth opportunities. This expansion will enable us to diversify our customer base, increase our market share, and establish ourselves as a leading player in the region.
- ii. **Partnership:** We expect to form new business partnerships during the 2024/2025 financial year that will enable us to access new markets, technologies, and talent. These partnerships will be key to driving innovation, reducing costs, and increasing our competitiveness.
- iii. **Operational Efficiency:** We will continue to invest in automation and process improvements to enhance profitability. This includes implementing new technology solutions, streamlining our operations, and reducing costs wherever possible.
- iv. **Sustainability Initiatives:** We are committed to reducing our carbon footprint by 20% over the next five years to align with global sustainability goals. This initiative will

involve implementing sustainable practices throughout our operations, reducing waste, and increasing our use of renewable energy sources.

Conclusion

In conclusion, we are excited about the opportunities that lie ahead and are confident that our strategic priorities will enable us to achieve our vision of becoming a leading player in the industry. We believe that our commitment to innovation, sustainability, and partnership will drive growth, profitability, and long-term success.

12. Environmental and Sustainability Reporting

Going forward, we are committed to enhancing our environmental concerns by adopting green processes in all aspects of our operations. This includes:

1. Green production: We will continue to invest in energy-efficient equipment and renewable energy sources to reduce our carbon footprint.
2. Sustainable Supply Chain: We will work with our suppliers to promote sustainable practices and reduce waste in our supply chain.
3. Community Engagement: We will continue to support environmental initiatives such as tree planting and community clean-up programs to promote sustainability and environmental awareness.

Benefits of Environmental Sustainability:

Our commitment to environmental sustainability drives organizations to adopt more sustainable practices, ultimately contributing to a healthier planet and society. The benefits of environmental sustainability include:

1. Reduced Environmental Impact: By reducing our environmental footprint, we minimize the negative impact on the environment and promote sustainable development.
2. Cost Savings: Implementing sustainable practices can lead to cost savings through reduced energy consumption and waste reduction.
3. Improved Reputation: Our commitment to environmental sustainability enhances our reputation and builds trust with our stakeholders.

In conclusion, University of Kabianga Enterprise and Services Limited is committed to ensuring a sustainable environment for future generations. We believe that sustainability is essential for long-term success and will continue to prioritize environmental concerns in all aspects of our operations.

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, 2023, are set out on page 1. In summary, the company generated from the units within the enterprise Ksh.19,553,328 as income. The total revenue as at the end of the Financial Year 2022/2023 is Kshs 19,553,328.00 while the total expenditure for the enterprise was Ksh 18,234,789. This therefore means that the company made a surplus of Ksh 1,318,539 profit before tax.

Directors

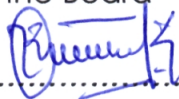
The members of the Board of Directors who served during the year are shown on page vii

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, 2023, 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 period ended June 30, 2023

By Order of the Board



.....
Name

Ayuma Robai

for

Corporate Secretary/Secretary to the Board

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.

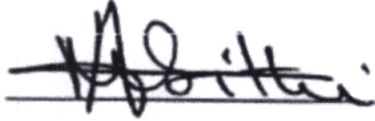
We, the Directors of University of Kabianga Enterprise and Services Limited, hereby confirm that we are responsible for the preparation and presentation of the financial statements of the entity for the financial year ended June 30, 2023.

We confirm that:

1. **Accounting Policies:** The financial statements have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates.
2. **Conformity with IFRS:** The financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS).
3. **Compliance with Laws and Regulations:** The financial statements have been prepared in compliance with the requirements of the Public Finance Management (PFM) Act, 2012 and the State Corporations Act.
4. **True and Fair View:** We are of the opinion that the financial statements give a true and fair view of the entity's transactions during the financial year ended June 30, 2023, and of the entity's financial position as at that date.
5. **Completeness of Accounting Records:** We confirm that the accounting records maintained for the entity are complete and have been relied upon in the preparation of the financial statements.
6. **Adequacy of Systems of Internal Financial Control:** We confirm that the systems of internal financial control maintained by the entity are adequate and have been relied upon in the preparation of the financial statements.
7. **Going Concern:** We have assessed the entity's ability to continue as a going concern and, based on our assessment, we believe that the entity will remain a going concern for at least the next twelve months from the date of this statement. Nothing has come to our attention to indicate otherwise.

Approval of the financial statements

The University of Kabianga Enterprise & services Ltd financial statements were approved by the Board on 17th August 2023 and signed on its behalf by:



Name: Dr. Adelaide Mbithi

Chairperson of the Board



Name: Dr. Raymond Kemboi

M.D/Accounting officer

**15. Report of the Independent Auditors on the financial statements for the year
2022/2023**

During this period the size of the company was still small and thus the board had not established internal audit. To enhance oversight, the company utilized University of Kabianga Audit department for internal audit services.

REPUBLIC OF KENYA

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



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

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON UNIVERSITY OF KABIANGA ENTERPRISE AND SERVICES 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 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 26, which comprise the statement of financial position as at 30 June, 2023 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 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 University of Kabianga Enterprise and Services 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 (IFRS) and comply with the Companies Act of Kenya (Cap 486) and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Statement of Comparison of Budgets and Actual Amounts

The statement of comparison of budget and actual amounts reflects Kshs.2,000,000 as the original budget and Kshs.2500,000 as the final budget being the amount to be transferred from University of Kabianga to the Company. However, the statement reflects nil adjustment of the original budget amount. No explanation was given on the ensuing difference of Kshs.500,000.

In the circumstances, the accuracy and completeness of the statement of comparison of budgets and actual amounts could not be confirmed

1.2 Failure to Maintain Assets Register

The statement of financial position and as is disclosed in Note 15 to the financial statements reflects a balance of Kshs.187,162 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.187,162 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

The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs.22,765,749 and Kshs.22,053,328, respectively, resulting in an underfunding of Kshs.712,421 or 3% of the budget. Similarly, the Company spent Kshs.18,448,214 against actual revenue of Kshs.22,053,328 resulting to under-utilization of Kshs.3,605,114 or 16.35% 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 xxiii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the M.D, Statement of Performance against the University of Kabianga Enterprises and Services Limited Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Director's 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

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 employee cost of Kshs.4,809,939. 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 circumstance, Management was in breach of the law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 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 effects 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

1.0 Weaknesses in Internal Controls

1.1 Lack of Internal Audit and Audit Committee

A review of the enterprise's structure revealed that they had not established an internal audit function to assist in review and recommendations on effectiveness of internal control systems.

In the circumstances, the effectiveness of the enterprise's internal controls, risk management and overall governance could not be confirmed.

1.2 Lack of ICT Strategy

A review of internal controls, risk management and governance revealed that the enterprise had not established an Information Communication Technology department, Strategy and IT steering Committee, IT policy, disaster management and recovery policies, business continuity plan and IT continuity plan to ensure smooth running of its operations.

In the circumstances, lack of IT department, strategy, Steering Committee, IT Policy, Disaster Management and recovery policies exposed the enterprise to loss of vital information which could affect the smooth running of its operations

1.3 Lack of Risk Management Policy

Review of the documents and records provided for audit review revealed that the Management had not established Risk Management Policy. This is contrary Regulations 165 (1) of the Public Finance Management Regulations (National Government), 2015 which states that 'states that the Accounting Officer shall ensure that the national government entity develops (a) risk management strategies, which include fraud prevention mechanism; and (b) a system of risk management and internal control that builds robust business operations.

In the circumstances, Management was in breach of the law and was not able to identify risks and develop mitigating strategies.

1.4 Irregularities in Revenue Collection and Administrations.

The statement of profit/loss and comprehensive income as disclosed under Note 2, 3 and 4 to the financial statements reflects sales, carwash and short courses income amounting to Kshs.12,216,014, Kshs.95,530 and Kshs.283,683 respectively.

However, the following weaknesses were observed;

- i. 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 entity 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.
- ii. The applicable rates for the different income streams approved by the board were not provided for audit review.
- iii. 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 xx 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 Public Sector Accounting Standards (Accrual Basis) 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 Funds' 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.

Report of the Auditor-General on University of Kabianga Enterprise and Services Limited for the year ended 30 June, 2023

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

27 December, 2024

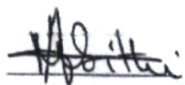
16. Statement of Profit/Loss & Other Comprehensive Income for the period ended 30th June 2023

Description	NOTE	2021-2023
		Kshs
Revenue	1	19,553,328
Less Cost of Sales	2	11,294,350
Gross profit		8,258,978
Other Income		
		-
Total Revenue		8,258,978
Operating Expenses		
Administration Costs	4	6,940,439
Total Operating Costs		6,940,439
Profit (loss) before Taxation		1,318,539
Income Tax expense	14	395,562
Profit/(loss) after Taxation		922,977

17. Statement of Financial Position as at 30 June 2023

Description	NOTE	2021-2023
		Kshs.
Assets		
Non -Current Assets		
Property Plant & Equipment	16	187,162
Total Non- Current Assets		187,162
Current Assets		
Inventories	10	223,763
Trade and Other Receivables	11	1,520,115
Bank and Cash Balances	12	2,786,750
Total Current Assets		4,530,628
Total Assets		4,717,789
Equity and Liabilities		
Capital and Reserves		
Share Capital		100,000
Retained Earnings		922,977
Shareholders Fund		2,500,000
Capital and Reserves		3,522,977
Non -Current Liabilities		
Current Liabilities		
Trade and Other payables	13	799,250
Tax payable	14	395,562
Provisions	15	
Total current Liabilities		1,194,811
Total Net Equity and Liabilities		4,717,789

The financial statements were approved by the Board on 17/08/2023 and signed on its behalf by



Name: Dr. Adelaide Mbithi

Chair of the Board



Name JACKLINE BOR

Head of Finance

ICPAK No. 1444



Name Dr. Raymond Kambad

CEO/MD

18. Statement of Changes in Equity for the Year ended 30 June 2023

Description	Share capital	Retained earnings	Reserve	TOTALS
As at July 1,2021	100,000	-	-	100,000
Additional Capital	1,036,159	-	-	1,036,159
Seed Money	2,500,000	-	-	2,500,000
Profit for the period	-	922,977	-	922,977
At June 30,2023	3,636,159	922,977	-	4,559,136

19. Statement of Cash Flows for the period ended 30 June 2023

Description	2021-2023
	Ksh.
Cash flow from operating Activities	
Cash generated from Operations	12,595,227
Cash generated used in operations	13,098,237
Net Cash flow from Operating Activities	(503,010)
Cash flow from Investing Activities	
Purchase of Property, Plant & Equipment	(247,499)
Disposal of Biological Assets	1,036,159
Net Cash flow used in investing Activities	788,660
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	2,785,650
Cash and Cash Equivalent at the beginning of the period	1,100
Cash and Cash Equivalent at the end of the period	2,786,750

20. Statement of Comparison of Comparison of Budget & Actual amounts for the period ended 30 June 2023

Description	Original Budget	Adjustments	Final Budget	Actual on Comparable basis	Performance difference	% of Utilisatio n
	a	b	c=a+b	d	e=c-d	d/c%
Revenue						
Sale of goods	20,265,749	0	20,265,749	19,553,328	712,421	96
Transfer from uok	2,000,000	0	2,500,000	2,500,000	-	100
Other Income					-	
Total Income	22,265,749		22,765,749	22,053,328	712,421	97
Expenses						
Compesatio n of Employees	5,029,789	0	5,029,789	5,086,282	-56,493	101
Telephone	72,000	0	72,000	108,000	-36,000	150
Stationaries	50,000	0	50,000	86,300	-36,300	173
Travelling & Accomonda tion	150,000	0	150,000	512,304	362,304	342
Guest house Expenses	7,650,558	0	7,650,558	8,788,875	1,138,317	115
Farm Expenses	2,364,800	0	2,364,800	1,622,760	742,040	69
Pineapple expenses	1,121,852	0	1,121,852	875,746	246,106	78
Bookshop expenses	186,000	0	186,000	230,731	-44,731	124
Car wash expenses	144,200	0	144,200	189,753	-45,553	132
Short Courses Expenses	120,250	0	120,250	232,015	111,765	193
Accounting System	300,000	0	300,000	-	300,000	0
Insurance Expenses	290,000	0	290,000	-	290,000	0
Consultancy Services & subscription s	320,000	0	320,000	643,648	323,648	201

University of Kabianga Enterprise and Services Limited

Annual Report and Financial Statements for the period ended June 30, 2023

Meetings & workshop	179,300	0	179,300	-	179,300	0
Maintenance of Plant & equipment	445,000	0	445,000	21,800	423,200	5
Advertising & Marketing Expenses	382,000	0	382,000	-	382,000	0
Board committee expenses	220,000	0	220,000	50,000	170,000	23
Audit fee	170,000	0	170,000		170,000	0
Total Expenditure	19,195,749		19,195,749	18,448,214	747,535	96
Surplus for the Period	3,070,000		3,570,000	3,605,114		

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) Amortization and impairment of intangible assets

Amortization 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 recognized 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 amortized 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 on 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 judgments, 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 recognised 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 utilised to finance the entity's business activities.

22. Appendices

NOTE 1. Revenue

Description	2021-2023
	Kshs
Sales of Goods	
Guest house	12,583,306
Farm	4,729,609
Pineapple plant	1,056,858
Bookshop	329,392
Car wash	106,730
Short Courses	747,433
Total	19,553,328

Note 2. Cost of Sales

Description	2021-2023
	Kshs.
Guest house	8,726,664
Farm	1,540,410
Pineapple plant	826,066
Bookshop	201,210
Total	11,294,350

Note 3. Seed Money from Uok

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

Note 4. Administration Costs

Description	2021-2023
	Kshs.
Staff costs(note 4)	5,086,282
Car wash Expenses	189,753
Telephone	108,000
Travelling & Accommodation	512,304
Bank charges	13,268
Repairs and Maintenance	21,800
Licences and Permits	217,778
KRA	412,602
Short Courses Expenses	232,015
Stationaries	86,300
Depreciation	60,337
Total	6,940,439

Note 5. Staff Costs

Description	2021-2023
	Kshs.
Wages	5,086,282
Total	5,086,282

Note 6. Guest House Cost of Goods Sold

Description	2021-2023
	Kshs.
Opening Stock	-
Add Purchases	8,788,875
	8,788,875
less Closing Stock	62,211
Cost of Goods Sold	8,726,664

Note 7. Farm Cost of Goods Sold

Description	2021-2023
	Kshs.
Opening Stock	-
Add Purchases	1,622,760
	1,622,760
less Closing Stock	82,350
Cost of Goods Sold	1,540,410

Note 8. Pineapple Plant Cost of Goods Sold

Description	2021-2023
	Kshs.
Opening Stock	-
Add Purchases	875,746
	875,746
less Closing Stock	49,680
Cost of Goods Sold	826,066

Note 9. Bookshop Cost of Goods sold

Description	2021-2023
	Kshs.
Opening Stock	-
Add Purchases	230,731
	230,731
less Closing Stock	29,521
Cost of Goods Sold	201,210

Note 10. Inventories

Description	2021-2023
	Kshs
Guest house	62,211
Farm	82,350
Pineapple plant	49,680
Bookshop	29,521
Total	223,763

Note 11. Trade and Other Receivables

Description	2021-2023
	Kshs
Trade Receivables(a)	1,520,115.00
Total Trade and Other Receivables	1,520,115.00

(a) Trade Receivables

Description	2021-2023
	Kshs
Gross Trade Receivables	1,520,115.00
Net Trade Receivables	
At 30th June 2024 the ageing analysis of the gross trade receivables was as follows	
Less than 30 days	125,340
Between 30 and 60 days	658,575
Between 61 and 90 days	130,200
Between 91 and 120 days	606,000
Over 120 days	
Total	1,520,115

Note 12. Bank and Cash Balances

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

Note 13. Trade and Other Payables

Description	2021-2023
	Kshs
Trade Payables	517,822
Employee payables	281,428
Total	799,250

Note 14. Income Tax Expense/(Credit)

Current Taxation

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

Note 15. Property, Plant and Equipment

	Land	Buildings	Plant and Equipment	Computers, Printers & Copiers	Furniture & Fittings	Motor Vehicles	Total
Rate	0	2.00%	12.50%	33.33%	12.50%	25%	
COST/VALUATION	KShs	KShs.	KShs	KShs.	KShs.	KShs	KShs.
As at 1 July,2021							0
Additions	0	0	230,499	17,000	0	0	247,499
Disposals	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-
Transfer to Buildings	-	-	-	-	-	-	-
As at 30 June,2023	0	0	230,499	17,000	0	0	247,499
Depreciation							
Depreciation	0	0	50,422	9,916	0	0	60,337
Revaluation							-
At 30 June, 2023	-	0	50,422	9,916	0	0	60,337
Net Book Values							
As at 30 June 2023	0	0	180,077	7,084	0	0	187,162

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.