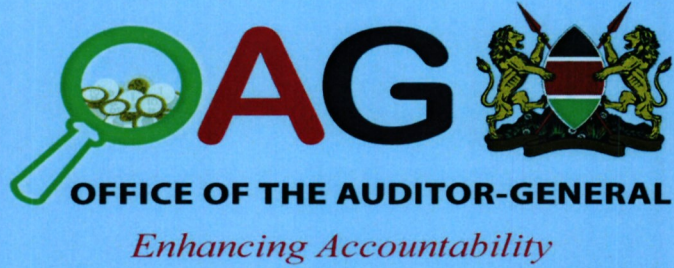


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**REPORT**

THE NATIONAL ASSEMBLY PAPERS LAID	
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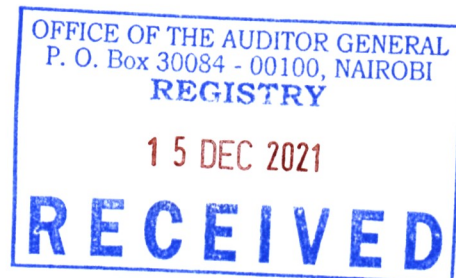
**OF**

**THE AUDITOR-GENERAL**

**ON**

**JOMO KENYATTA UNIVERSITY OF  
AGRICULTURE AND TECHNOLOGY  
INDUSTRIAL PARK LIMITED**

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



**International Financial Reporting Standards (IFRS)  
Annual Financial Reporting Template for  
Commercial Government Owned Entities**

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**JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY  
(JKUAT) INDUSTRIAL PARK LIMITED**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2020**

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

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## **KEY ENTITY INFORMATION**

### **Background Information**

Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited initially started in 2013 as a department of the University under the name Nairobi Industrial and Technology Park (NITP) through a mutual Memorandum of Understanding (MoU) between Jomo Kenyatta University of Agriculture and Technology (JKUAT) and the Ministry of Industrialization and Enterprise Development (MOIED) signed in 2012. It was later registered as a company wholly owned by the University and was incorporated on 29 November 2017 under the Kenyan Companies Act, 2015 as a private limited company and became operational from May 2018. It was set up to promote the collaboration between the University, Government, and the private sector with the aim of facilitating the growth and development of knowledge and technology based enterprises in line with the Kenya Vision 2030 and geared towards facilitating the transformation of innovations and research findings into sustainable enterprises by availing an incubation process. The company aims to stimulate and manage the flow of knowledge and technology from universities, R&D institutions and other innovation pools to the industry.

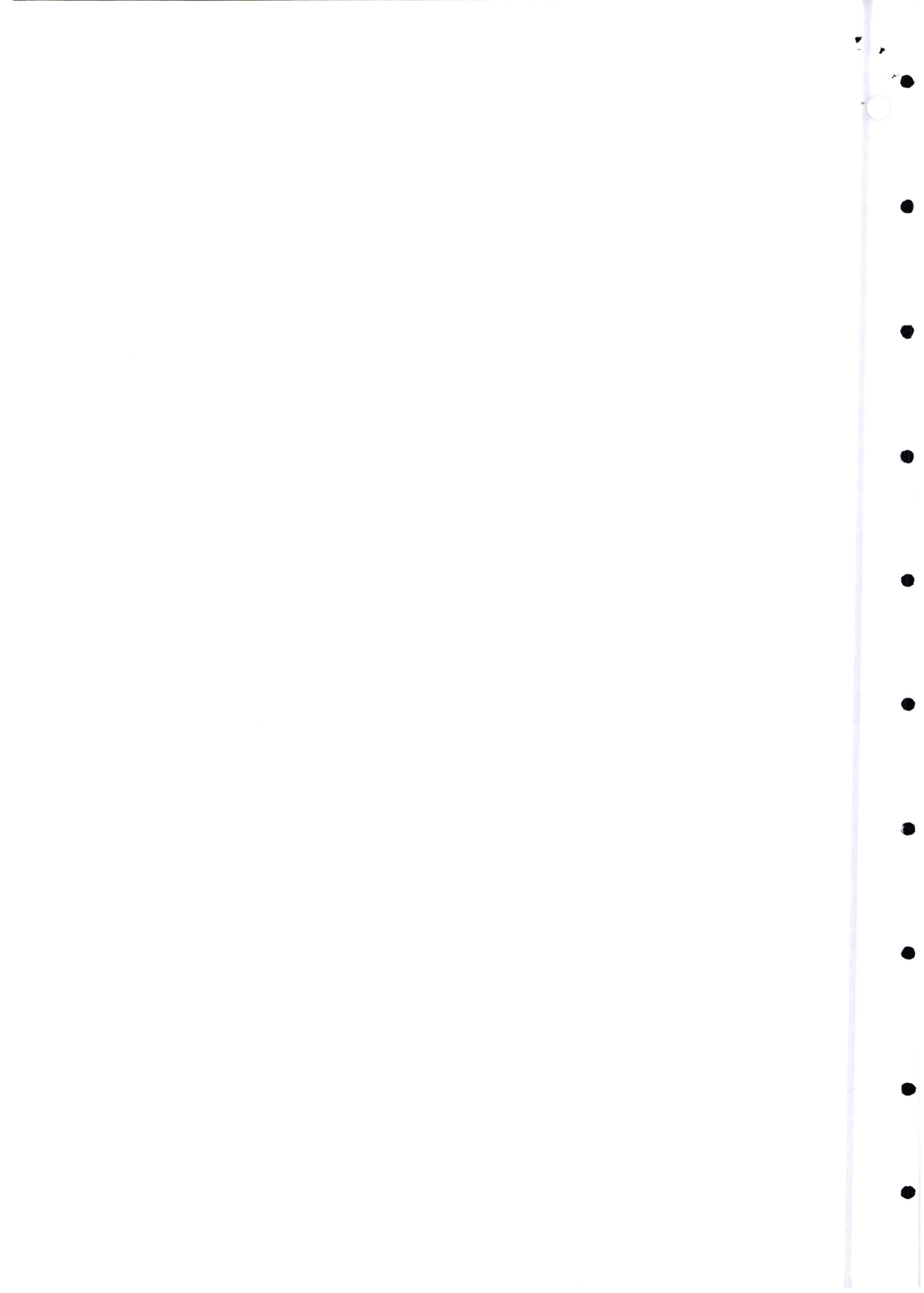
The company's priority sectors are in agro-processing, agro machinery, electrical and electronics, Bio- technology, ICT and packaging.

### **Principal Activities**

The principle activities of the company are those of assembling, incubation and innovations.

### **Strategic Objectives**

- To facilitate incubation of innovations/ businesses into sustainable commercial enterprises.
- To facilitate transfer of technology and promote local knowledge-based enterprises.
- To create an environment for inventiveness and innovativeness.
- To stimulate and manage the flow of knowledge and technology amongst University, R&D, institutions, companies and markets.
- To provide other value added services together with high quality space and services.
- To translate Government policies into sectoral strategies and action plans.



**KEY ENTITY INFORMATION (Continued)**

**Directors**

The Directors who served the company during the period were as follows:

1. <b>Amb. (Eng.) Mahboub Maalim</b>	Chairperson, JKUAT Council Chair
2. <b>Dr. Gumato Ukur Yatani</b>	Former Chairperson
3. <b>Prof. Paul Kanyari</b>	Former Chairperson
4. <b>Dr Philip Kibet Langat</b>	Ag. Managing Director JKUAT Industrial Park Limited
5. <b>Prof. Victoria Wambui Ngumi</b>	Director, Vice Chancellor - JKUAT
6. <b>Prof. Bernard Moirongo Otoki</b>	Director, Deputy Vice Chancellor Finance and Planning - JKUAT
7. <b>Prof. Mary Oyiela Abukutsa</b>	Director, Deputy Vice Chancellor (RPE)-JKUAT
8. <b>Prof. Robert Kinyua</b>	Director, Deputy Vice Chancellor (Admin)-JKUAT
9. <b>Prof. Bernard Ikua</b>	Director, Deputy Vice Chancellor (AA)-JKUAT
10. <b>Ms Vivian Nyambura</b>	Company Secretary

**Corporate Secretary**

Ms Vivian Nyambura  
P.O. Box 62000 – 00200  
Nairobi, Kenya

**Registered Office and Corporate Headquarters**

Jomo Kenyatta University of Agriculture & Technology  
L.R. No 13094 Thika Road  
P.O Box 62000 - 00200  
Nairobi, Kenya

**Corporate Contacts**

Telephone: (254) 67 5870001-4 ext. 1043/1026  
E-mail: [nitp@jkuat.ac.ke](mailto:nitp@jkuat.ac.ke)  
Website: [www.jkuatindustrialpark.com](http://www.jkuatindustrialpark.com)

**Corporate Bankers**

Kenya Commercial Bank  
JKUAT Branch  
P.O. Box 737 -01001  
KALIMONI

**KEY ENTITY INFORMATION (Continued)**

**Independent Auditors**

Auditor-General

Office of the Auditor -General,

Anniversary Towers, University Way

P.O. Box 30084 - 00100

Nairobi, Kenya



THE BOARD OF DIRECTORS

Board Member	Key Qualifications
	<b>Amb. (Eng.) Mahboub Maalim,</b> <b>Board Chairperson,</b> Chairperson - JKUAT Council
	<b>Dr Philip Kibet Langat,</b> <b>Ag. Managing Director,</b> JKUAT Industrial Park Limited
	<b>Prof. Victoria Wambui Ngumi,</b> <b>Director,</b> Vice Chancellor - JKUAT
	<b>Prof. Bernard Moirongo Otoki,</b> <b>Director</b> Deputy Vice Chancellor (Finance and Planning) - JKUAT
	<b>Prof. Mary Oyiela Abukutsa</b> <b>Director,</b> Deputy Vice Chancellor (Research, Production and Extension) - JKUAT
	<b>Prof. Robert Kinyua</b> <b>Director,</b> Deputy Vice Chancellor (Academic Affairs) - JKUAT

**Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited**

**Annual Reports and Financial Statements**

**For the year ended 30 June, 2020**

	<b>Prof. Bernard Ikua</b> <b>Director,</b> Deputy Vice Chancellor (Admin) - JKUAT
	<b>Ms Vivian Nyambura,</b> <b>Ag. Company Secretary,</b> Chief Legal Officer - JKUAT

**MANAGEMENT TEAM**

<b>Name of the Staff</b>	<b>Responsibility</b>
<b>Dr. Philip Kibet Langat</b>	<b>Ag. Managing Director</b>
<b>Mr. Kebati Calvin</b>	<b>Deputy Director</b>
<b>Ms. Natalie Leiyan</b>	<b>Ag. Operations Manager</b>
<b>Mr. Michael Nyakundi</b>	<b>Finance Officer</b>

**CHAIRPERSON'S STATEMENT**

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements for the Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited as the Board's Chairperson for the year ended 30 June 2020. JKUAT Industrial Park Limited was set up to promote the collaboration between the University, Government, and the private sector with the aim of facilitating the growth and development of knowledge and technology based enterprises in line with the Vision 2030.

The company continued to implement its many projects started in the previous years under the Nairobi Industrial and Technology Park (NITP) department and also additionally engaged new ones during the year in order to achieve greater financial performance and improvement. Notably, the company through the University was awarded a contract worth over KES. 2.2 billion to assemble, supply and deliver digital devices by The Kenya National Bureau of Statistics (KNBS) that were used for conducting the Kenya Population and Housing Census (KPHC) in August 2019. During the year 2019/2020, the Company registered an EBIT of KES 40,574,740 compared to a surplus of KES 217,741,207 registered in 2018/2019. This was derived from a total revenue of KES 1.933 B, mainly attributable to successful execution of the KPHC Project.

The Board is committed to ensure prosperity of the company by collectively directing its affairs whilst meeting the diverse interests of its Stakeholders. The Board strives to maintain the highest standards of corporate governance and ethics in providing the policy and strategy of the company.

As we look to the next fiscal year, we are committed to continue delivering on our mandate and strategic plan and aim to develop strategic partnerships so as to achieve our goals.

**Appreciation**

On behalf of the Board of Directors, I wish to thank all the Stakeholders for the confidence placed on the Board during my first year as chair and look forward to serving even better. In a special way, I thank the Government through the ICT Authority, KNBS, our collaborators and other partners who have stood with us during the financial year under review. Your continued support is highly appreciated. Further, I thank Management and Staff for their dedication and commitment towards the growth of the company.

  
**AMB. (ENG.) MAHBOUB MAALIM**  
**BOARD CHAIRPERSON**

## **REPORT OF THE MANAGING DIRECTOR**

It gives me great pleasure in presenting the Annual Report and Financial Statements for the Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited for the year ended 30 June 2020.

### **Operational and Financial Performance**

The Company through the University successfully implemented the KPHC project which it had tendered and had been awarded 60% of the contract to assemble and supply digital devices. The devices which were supplied to KNBS were used to carry out the Kenya Population and Housing Census in August 2019. During the year under review, the company received KES. 1.927 B of revenue from the KPHC project which was 99% of the total reported revenue of KES 1.933 B. Sales, and servicing income from Taifa laptops and tablets received by the company amounted to KES. 5.48 m while sale of REHAU Home Gas was KES 192,000.

During the year under review, the Company reported an EBIT of KES 40,574,740.00 against an EBIT of KES 217,741,207.00 reported in 2018/2019. The financial performance in the current year was realized in an environment where COVID-19 pandemic affected operations in the last quarter not only for the Company but also the prospective clients resulting in delayed commencement of some potential business engagements.

### **Achievements and Challenges**

Despite the new revenue streams, the company is still facing some challenges such as its location which is situated in the University's premises in one of the buildings posing operational risks. The Board and Management plan to relocate the company's offices to its allocated 21-acre site within Juja in the near future.

### **Compliance with Statutory Guidelines**

In the year under review, Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited diligently fulfilled its entire statutory obligations and guidelines set by Government agencies and Commissions.

**Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited**

**Annual Reports and Financial Statements**

**For the year ended 30 June, 2020**

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**Appreciation**

I would like to appreciate the guidance of the Board of Directors in ensuring the Management is kept on the move towards attainment of the set targets. The Company also acknowledges the support accorded to Management by the Staff who worked tirelessly in ensuring smooth operation of the Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited.



**DR PHILIP KIBET LANGAT**  
**AG. MANAGING DIRECTOR**

**CORPORATE GOVERNANCE STATEMENT**

The Board of Directors is accountable to the University, which is the sole shareholder in ensuring that the company complies with the law and the best practices in corporate governance and business ethics. The Board is also responsible for providing overall leadership through oversight, review and guidance in addition to setting the strategic and policy direction of the company.

**Board Composition**

During the year under review, the Board of Directors comprised of 6 non-executive members and the Managing Director who is secretary to the Board. The Directors are drawn from the main University. They are however considered to be independent, and free from any business, interest or other relationship that could interfere with the exercise of their independent judgement.

**Functions of the Board of Directors**

The functions and powers of the Board of Directors are:

- i. Exercise their role collectively and not individually.
- ii. Determine the organization's mission, vision, purpose and core values.
- iii. Set and oversee the overall strategy and approve significant policies of the organization.
- iv. Ensure that the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders.
- v. Ensure that the strategy of the organization is aligned to the long term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
- vi. Approve the organizational structure.
- vii. Approve the annual budget of the organization.
- viii. Monitor the organization's performance and ensure sustainability
- ix. Enhance the corporate image of the organization
- x. Ensure availability of adequate resources for the achievement of the organization's objectives
- xi. Hire the Managing Director, on such terms and conditions of service as may be approved by the relevant government organ(s) and approve the appointment of senior management staff.
- xii. Ensure effective communication with stakeholders.

**Board Meetings Attendance and Members' Participation**

The Board holds regular meetings to transact planned business of the company. Special meetings may also be called when there is significant business to discuss. During the year under review, the Board held 5 mandatory meetings attended by the members. Board members receive adequate notices and detailed issues for discussion in order for them to prepare for the meetings in advance.

**Board Remuneration**

Members of the Board are paid taxable sitting allowances for meetings attended as well as travel allowances while carrying out duties on behalf of the company as per the guidelines provided by Salaries and Remuneration Commission. The allowances are included in the Board expenses in the Annual Reports and Accounts.

**Board committees**

The Board is yet to form its sub committees.

**Conflict of Interest**

The company has a conflict of interest policy which applies to all members of the Board, key management and other employees. They are obligated to disclose and remove themselves from discussion or decision making authority in matters which they may have material personal interest that could result in impairing their objectivity or interfere with the execution of their duties.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **Operational and Financial Performance**

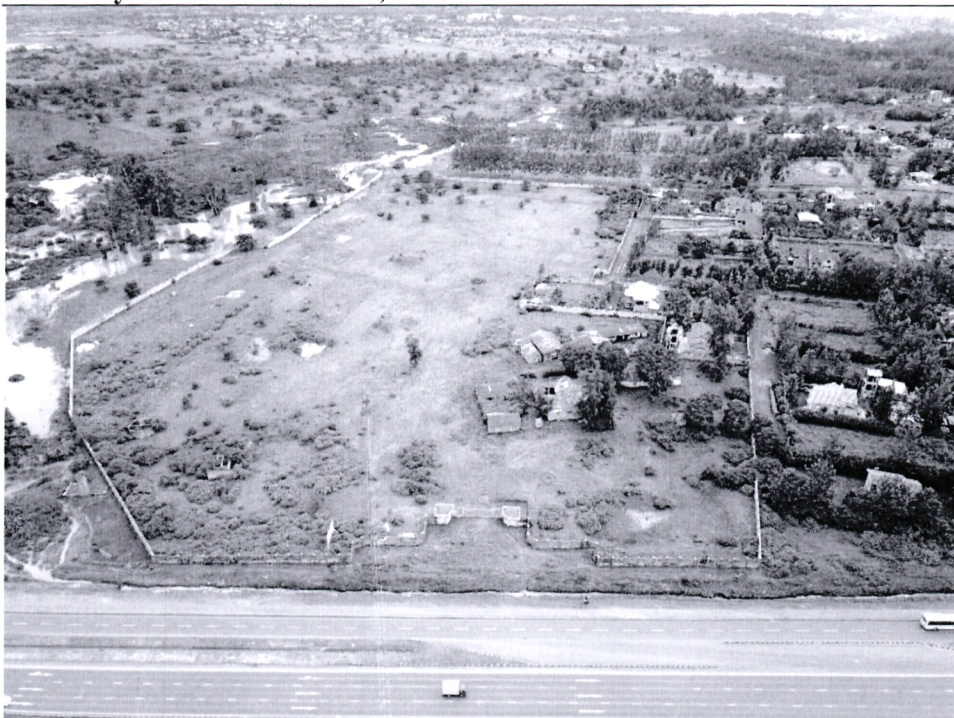
The company continued implementing its projects which include: Taifa Electronics, Shujaa Tractor, REHAU Home-Gas as well as facilitating the university's Digital Literacy Programme (DLP) Phase 1 project. New project undertaken during the year was the KNBS Kenya Population and Census Project for which the company assembled, supplied and delivered digital devices for conducting 2019 Census.

Sales and servicing income from Taifa laptops and tablets received by the company amounted to KES. 5,482,168 while sale of Rehau Home Gas was KES. 192,000.

Direct costs relating to the various projects amounted to KES. 1,859,843,187 mainly related to the KPHC project. Total operating expenses for the year were KES. 32,786,614 majorly relating to employment costs. The profit before tax as at the end of the financial year was KES. 40,574,740.

### **Key projects or Investments Decision Implemented or Ongoing**

The company is in the final stages of procuring a van to ease up the movement of teams and goods. Kenya Vision 2030 recognizes SME industrial and technology parks as important vehicles through which the growth of Kenya's manufacturing sector can be fast-tracked. Industrial and technology parks are key elements of the infrastructure supporting the growth of today's global knowledge economy. It is because of this that the University designated 21 acres of land in Juja for setting up the necessary structures in the Industrial Park which will be partly leased out to start ups and other innovative companies. The University also erected a perimeter wall to secure the property. The company's Board and Management plan to relocate the company's offices to its site in the future.



**Figure 1 Ariel View of the JKUAT Industrial Park**

The company has been utilising computer assembly lines since 2015 acquired by the University. The assembly lines are capable of producing laptops, tablets and mobile phones. They have a capacity to produce at least 2,400 laptops per day.

### **Compliance with Statutory Requirements**

Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited has a duty to ensure that all the relevant laws and regulations are adhered to and complied with. In addition, the company does acknowledge its obligation to have all statutory dues such PAYE, NHIF, NSSF, HELB, withholding tax, and VAT levies processed and remitted before the set timelines. There are no non-compliance issues that may expose the company to potential contingent liabilities neither are there ongoing or potential court cases and defaults that could expose the company to adverse liability.

**Major risks facing the Organisation**

The company's activities expose it to a variety of strategic and operational risks:

- i) **Strategy risk** - the risk associated with the company's inability to formulate and/or execute a successful strategy. The risk has been mitigated by having a Board in place whose members are professional and highly experienced in their fields.
- ii) **Operational risk** - the risk of failure or loss resulting from inadequate or failed processes, people, or systems failure. This risk has been managed through defining and embedding internal controls in all the processes. These internal controls include but not limited to obtaining authorizations for all transactions and ensuring compliance with laws and regulations.

**Material arrears in Statutory and other Financial Obligations**

Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited has no existing material financial obligations and has been able to settle all statutory obligations as at the yearend.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

During the year under review, Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited did not carry out any Corporate Social Responsibility activities.

**Annual Reports and Financial Statements**

**For the year ended 30 June, 2020**

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**REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of affairs of JKUAT Industrial Park Limited.

**Principal activities**

The principal activities of the entity are those of assembling, incubation and innovations.

**Results**

The results of the entity for the year ended June 30, 2020 are set out from page 17.

**Dividends**

The directors do not recommend the declaration of a dividend for the year.

**Directors**

The members of the Board of Directors who served during the year are shown on pages (iii).

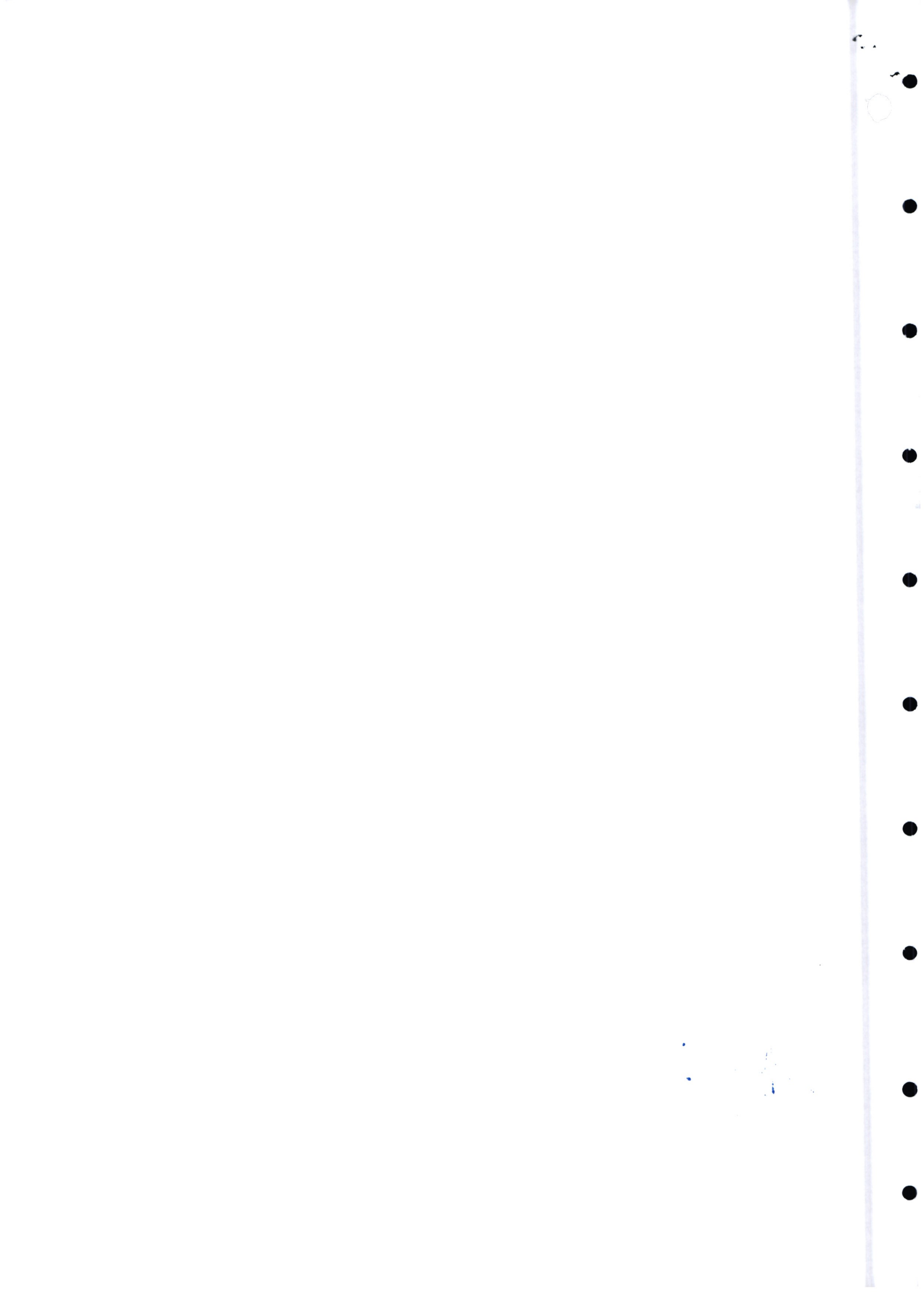
**Auditors**

The Auditor General is responsible for the statutory audit of JKUAT Industrial Park Limited in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Dr. Kibet Langat**  
**Ag. Managing Director**  
**Nairobi**



**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and Kenyan Companies Act, 2015 require the Directors to prepare financial statements in respect of JKUAT Industrial Park Limited which give a true and fair view of the state of affairs of JKUAT Industrial Park Limited at the end of the financial year and the operating results of JKUAT Industrial Park Limited for that year. The Directors are also required to ensure that JKUAT Industrial Park Limited keep proper accounting records which disclose with reasonable accuracy the financial position of JKUAT Industrial Park Limited. The Directors are also responsible for safeguarding the assets of JKUAT Industrial Park Limited.


The Directors are responsible for the preparation and presentation of JKUAT Industrial Park Limited financial statements, which give a true and fair view of the state of affairs of JKUAT Industrial Park Limited for and as at the end of the financial year ended on June 30, 2020. 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 accept responsibility for JKUAT Industrial Park Limited financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and Kenyan Companies Act, 2015. The Directors are of the opinion that JKUAT Industrial Park Limited's financial statements give a true and fair view of the state of its transactions during the financial year ended June 30, 2020, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for JKUAT Industrial Park Limited which have been relied upon in the preparation of its financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

JKUAT Industrial Park Limited financial statements were approved by the Board on 4-12- 2020 and signed on its behalf by:

  
\_\_\_\_\_  
Prof. Victoria Wambui Ngumi  
Director

  
\_\_\_\_\_  
Prof. Bernard Ikua  
Director





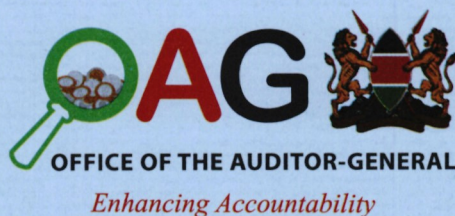
**REPORT OF THE AUDITOR-GENERAL**





# REPUBLIC OF KENYA

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



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

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

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta University of Agriculture and Technology Industrial Park Limited set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit and loss, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta University of Agriculture and Technology Industrial Park Limited as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### Trade and Other Receivables

The statement of financial position reflects trade and other receivables balance of Kshs.141,166,437 which, as disclosed in Note 14 to the financial statements, includes receivables of Kshs.139,633,184 due from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). However, the receivables balance of Kshs.139,633,184 is not reflected as a payable in JKUAT records for the year ended 30 June, 2020. Further, details of the terms of the advance were not provided for audit review.

Under the circumstances, the accuracy, validity and recoverability of trade receivables balance of Kshs.141,166,437 as at 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Jomo Kenyatta University of Agriculture

and Technology Industrial Park Limited Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Key Audit Matters**

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

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

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **1. Unauthorized Expenditure**

The statement of comparison of budget and actual amounts indicates that the Company had a budgeted income of Kshs.303,160,601 against actual amount of Kshs.1,933,204,540 resulting in an over collection of Kshs.1,630,043,939. Similarly, the Company planned to spend an amount of Kshs.295,733,560 but utilized Kshs.1,891,037,658 resulting in an over expenditure of Kshs.1,595,304,098. Management explained that the variance between the budgeted amounts and actuals was due to the Management's failure to include the Kenya Population Census (KPHC) project in the Company's budget for the year. This is contrary to Section 12 of the State Corporations Act which states that, no state corporation shall without the prior approval in writing of the Minister and The National Treasury, incur any expenditure for which provision has not been made in an annual estimate prepared and approved.

In the circumstances the Company was in breach of the law.

##### **2. Irregular Payment Allowances**

The statement of profit and loss reflects costs of sales balance of Kshs.1,859,843,187 which, as disclosed in Note 7 to the financial statements, includes an amount of Kshs.45,497,033 representing payment of allowances to members of the Kenya National Bureau of Statistics Census Project Management Committee. The Members of the Committee were also members of staff of Jomo Kenyatta University of Agriculture and

Technology. A review of the expenditure revealed that the amount was paid against a budgeted amount of Kshs.54,000,000 under project management costs.

However, evidence of appointment of members to the Project Management Committee, approval from the Salaries and Remuneration Committee (SRC) for the payment of the allowances and the criteria/rates used in the payment of the allowances were not provided for audit review.

In the circumstances the payment of the allowances is irregular and contrary to the law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on audit procedures performed. I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- (iii) The Company's financial statements are in agreement with books of account.

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

## **Auditor-General's Responsibilities for the Audit**

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
Nancy Gathungu  
AUDITOR-GENERAL

Nairobi

09 November, 2021

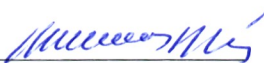
**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 30 JUNE 2020**

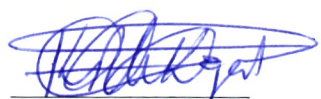
		2019/2020	2018/2019
	Note	KES	KES
<b>REVENUES</b>			
Revenue	6	1,933,204,540	416,428,014
Cost of Sales	7	1,859,843,187	169,680,476
<b>Gross Profit (loss)</b>		<b>73,361,353</b>	<b>246,747,538</b>
Other Income	8	-	659,760
<b>Total Other income</b>		<b>-</b>	<b>659,760</b>
<b>TOTAL REVENUES</b>		<b>73,361,353</b>	<b>247,407,298</b>
<b>OPERATING EXPENSES</b>			
Employment costs	9	27,838,131	21,764,894
Remuneration of directors	10	551,000	690,000
Administration costs	11	2,805,340	6,152,508
Depreciation expense - Property, plant and equipment	13	1,592,142	1,058,689
<b>TOTAL OPERATING EXPENSES</b>		<b>32,786,613</b>	<b>29,666,091</b>
<b>PROFIT (LOSS) BEFORE TAXATION</b>		<b>40,574,740</b>	<b>217,741,207</b>
INCOME TAX	12	12,172,422	65,322,362
<b>PROFIT (LOSS) AFTER TAXATION</b>		<b>28,402,318</b>	<b>152,418,845</b>


STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020	2018/2019
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	13	15,333,060	4,126,426
<b>Total Non-Current Assets</b>		<b>15,333,060</b>	<b>4,126,426</b>
<b>Current Assets</b>			
Trade and other receivables	14	141,166,437	39,633,184
Bank and cash balances	15	275,770,367	524,608,535
<b>Total Current Assets</b>		<b>416,936,804</b>	<b>564,241,719</b>
<b>Total Assets</b>		<b>432,269,864</b>	<b>568,368,145</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	16	100,000	100,000
Capital Fund	17	84,000,000	84,000,000
Unrealized FX Gain/Loss Reserve	18	14,728,685	4,994,352
Retained earnings	19	180,821,163	152,418,845
<b>Capital and Reserves</b>		<b>279,649,848</b>	<b>241,513,197</b>
<b>Current Liabilities</b>			
Trade and other payables	20	152,620,016	326,854,948
<b>Total Current Liabilities</b>		<b>152,620,016</b>	<b>326,854,948</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>432,269,864</b>	<b>568,368,145</b>

The financial statements were approved by the Board on 4-12- 2020 and signed on its behalf by:

  
 Amb. (Eng.) Mahboub Maalim  
 Chairman-Board of Directors

  
 Prof. Kibet Langat  
 Ag Managing Director

  
 Jimmy Bogonko  
 Head of Finance  
 ICPAK No: 25592



Annual Reports and Financial Statements

For the year ended June 30, 2020

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary Share Capital	Retained Earnings	Capital Fund	Total
<b>At July 1, 2018</b>	-	-	-	-
Issue of new share capital	100,000	-	-	<b>100,000</b>
Seed Capital received during the year	-	-	84,000,000	<b>84,000,000</b>
Total Profit(loss) for the year	-	152,418,845	-	<b>152,418,845</b>
<b>At June 30, 2019</b>	<b>100,000</b>	<b>152,418,845</b>	<b>84,000,000</b>	<b>236,518,845</b>
<b>At July 1, 2019</b>	<b>100,000</b>	<b>152,418,845</b>	<b>84,000,000</b>	<b>236,518,845</b>
Issue of new share capital	-	-	-	<b>0</b>
Seed Capital received during the year	-	-	-	<b>0</b>
Total Profit(loss) for the year	-	28,402,318	-	<b>28,402,318</b>
<b>At June 30, 2020</b>	<b>100,000</b>	<b>180,821,163</b>	<b>84,000,000</b>	<b>264,921,163</b>

## Annual Reports and Financial Statements

For the year ended June 30, 2020

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Operating Profit (loss)		28,402,318	152,418,845
Depreciation	13	1,592,142	1,058,689
Operating profit before working capital changes		<b>29,994,460</b>	<b>153,477,534</b>
(Net Increase) in trade and other receivables	14	(101,533,253)	(39,633,184)
(Net Decrease) Increase in trade and other payables	20	(174,234,932)	326,854,948
Net changes in working capital		<b>(275,768,185)</b>	<b>287,221,764</b>
<b>Net Cash generated from operations</b>		<b>(245,773,725)</b>	<b>440,699,298</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	13	(12,798,776)	(5,185,115)
<b>Net cash generated from/(used in) investing activities</b>		<b>(12,798,776)</b>	<b>(5,185,115)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from seed capital		-	84,000,000
Proceeds from issues of new share capital	16		100,000
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>84,100,000</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(258,572,501)</b>	<b>519,614,183</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>524,608,535</b>	<b>-</b>
Effects of foreign exchanges rate fluctuations	18	9,734,333	4,994,352
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	15	<b>275,770,367</b>	<b>524,608,535</b>

Annual Reports and Financial Statements  
For the year ended June 30, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 20  
20

	Final budget 2019/2020	Actual on comparable basis 2019/2020	Performance difference 2019/2020	% of difference	Remark
Revenue from sale of goods and services	111,586,800	5,674,169	105,912,631	95%	Less device sales than projected
Project income	191,573,801	1,927,530,371	-1,735,956,570	-906%	More KPHC income than forecasted
<b>Total Revenue</b>	<b>303,160,601</b>	<b>1,933,204,540</b>	<b>1,630,043,939</b>		
<b>Expenses</b>					
Direct costs	0	1,859,843,186	1,859,843,186		Non-forecasted KPHC costs of sales
Employment costs	40,035,350	27,838,131	12,197,219	30%	Higher labour efficiency and use of casual staff
Directors emoluments	3,000,000	551,000	2,449,000	82%	Fewer meetings than initially projected
Operations & Maintenance	135,398,210	2,805,341	132,592,869	98%	Postponed purchase of assets & goods
Development costs	117,300,000	0	117,300,000	100%	Park construction yet to commence
<b>Total expenditure</b>	<b>295,733,560</b>	<b>1,891,037,658</b>	<b>1,595,304,098</b>		
<b>Profit for the period</b>	<b>7,427,041</b>	<b>42,166,881</b>			

**Note:** PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

**Annual Reports and Financial Statements**

**For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited is established by and derives its authority and accountability from the Kenyan Companies Act, 2015. The entity is wholly owned by Jomo Kenyatta University of Science and Technology (JKUAT) and is domiciled in Kenya. The entity's principal activity is that of assembling, incubation and innovations.

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 Note 5.

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

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

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

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

***IFRS 16: Leases***

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

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

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020 (Continued)**

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

***IFRIC 23: Uncertainty Over income tax treatments***

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

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

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

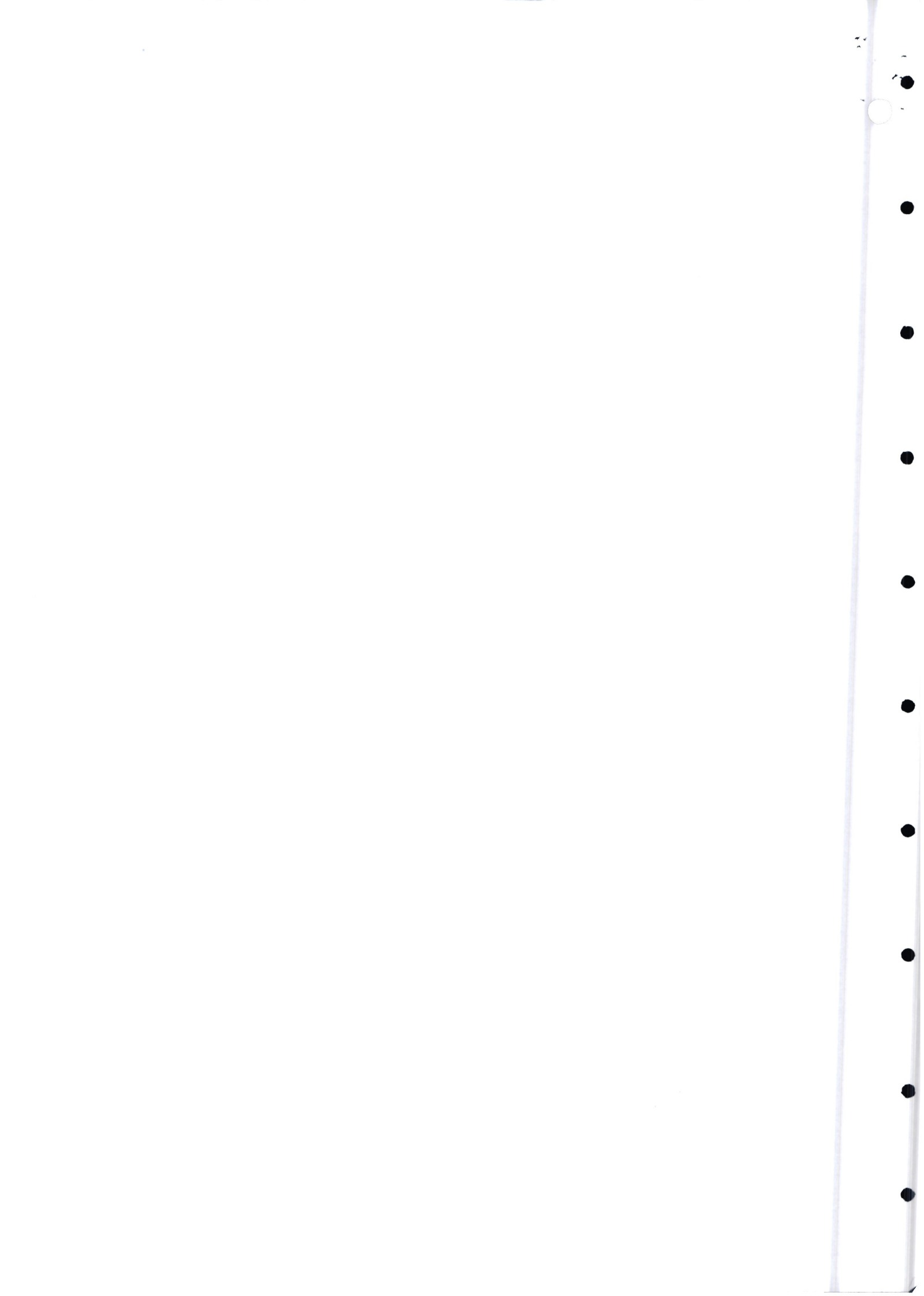
The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure pre-payable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

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

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

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

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



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

**i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020(Continued)**

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

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

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

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

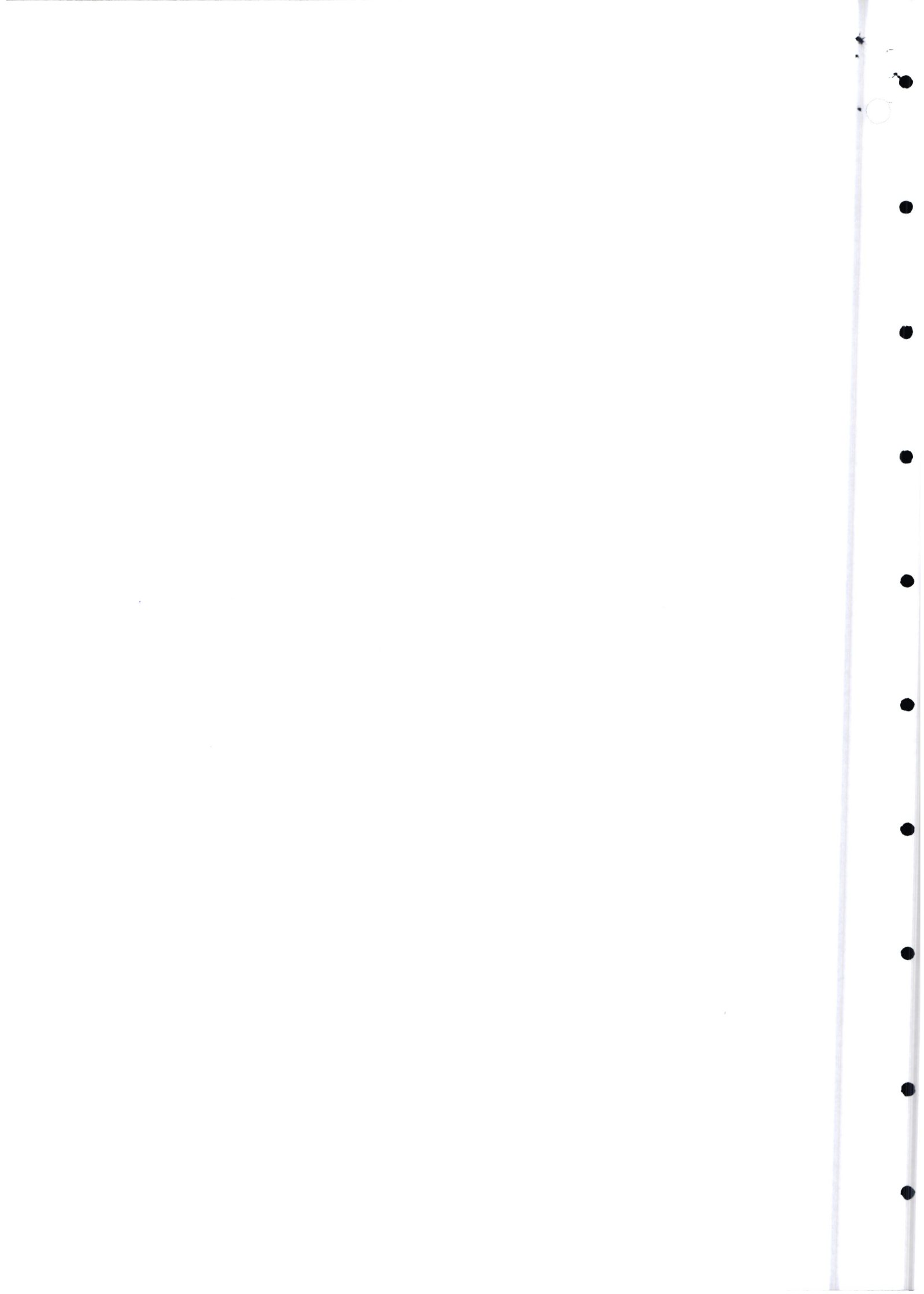
*Amendments to IAS 23 - Annual Improvements to IFRSs 2015–2017 Cycle , issued in December 2017*

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

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

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

*The above standards have no impact in the preparation of these financial statements.*



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

*IFRS 17 Insurance Contracts (Issued 18 May 2017)*

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

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

Together with the revised *Conceptual Framework* published in March 2018, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*. The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

Annual Reports and Financial Statements

For the year ended 30 June, 2020

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

**iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

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) **Other income** is recognized as it accrues.

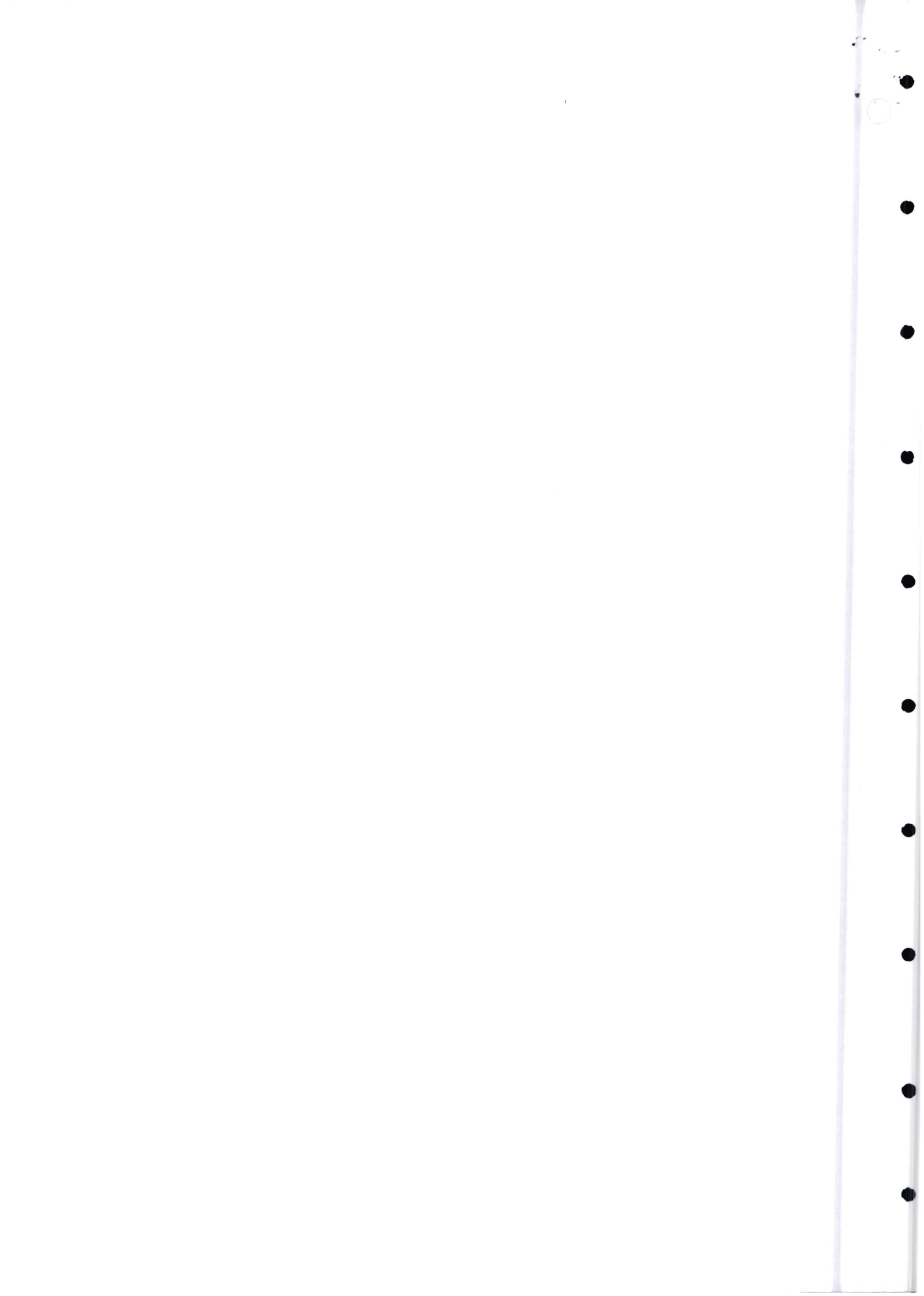
**b) Trade and other receivables**

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

**c) Taxation**

*Current income tax*

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



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Taxation

*Current income tax*

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

*Deferred tax*

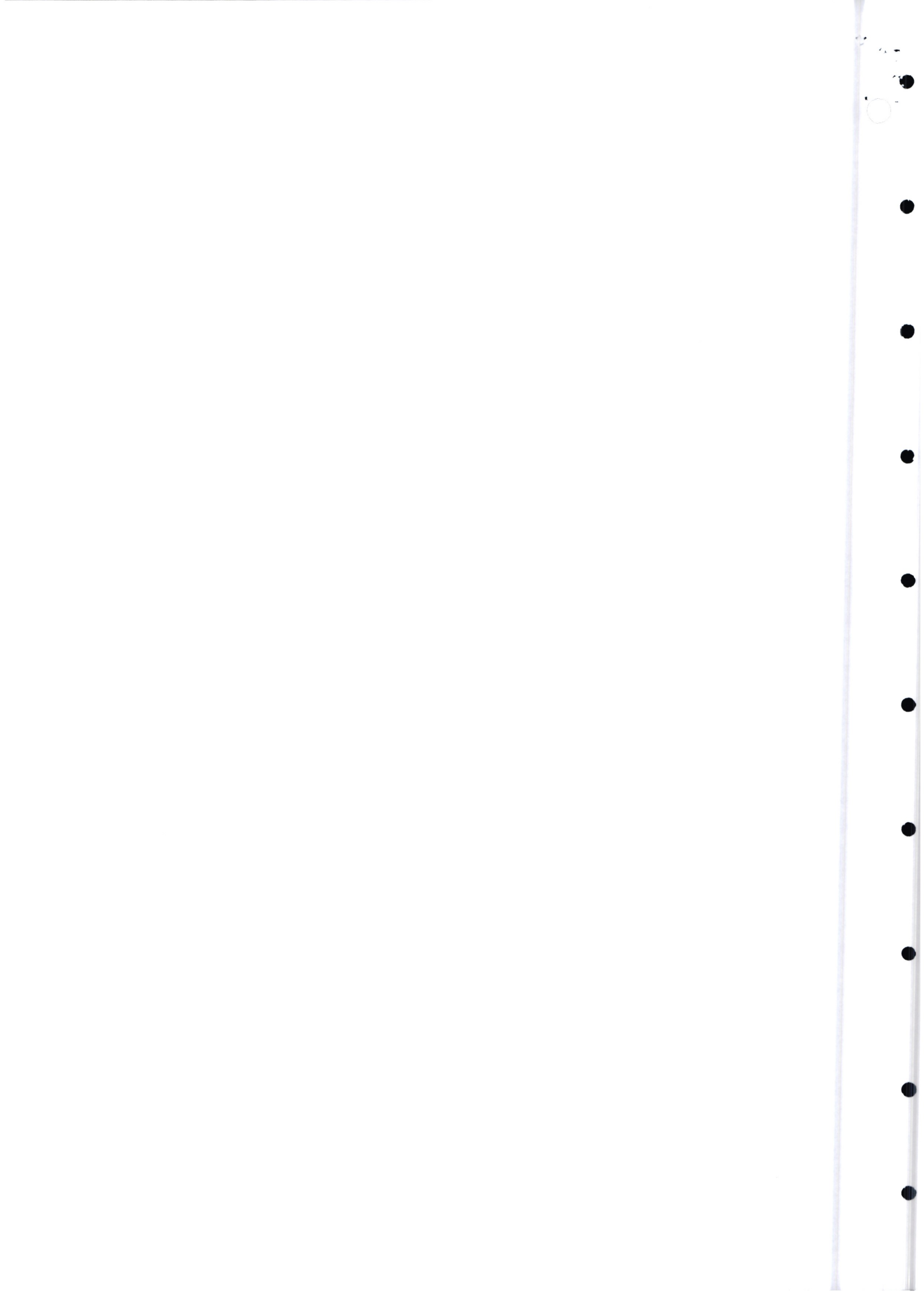
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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.



**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**c) Taxation**

*Deferred tax (Continued)*

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.

**d) Cash and cash equivalents**

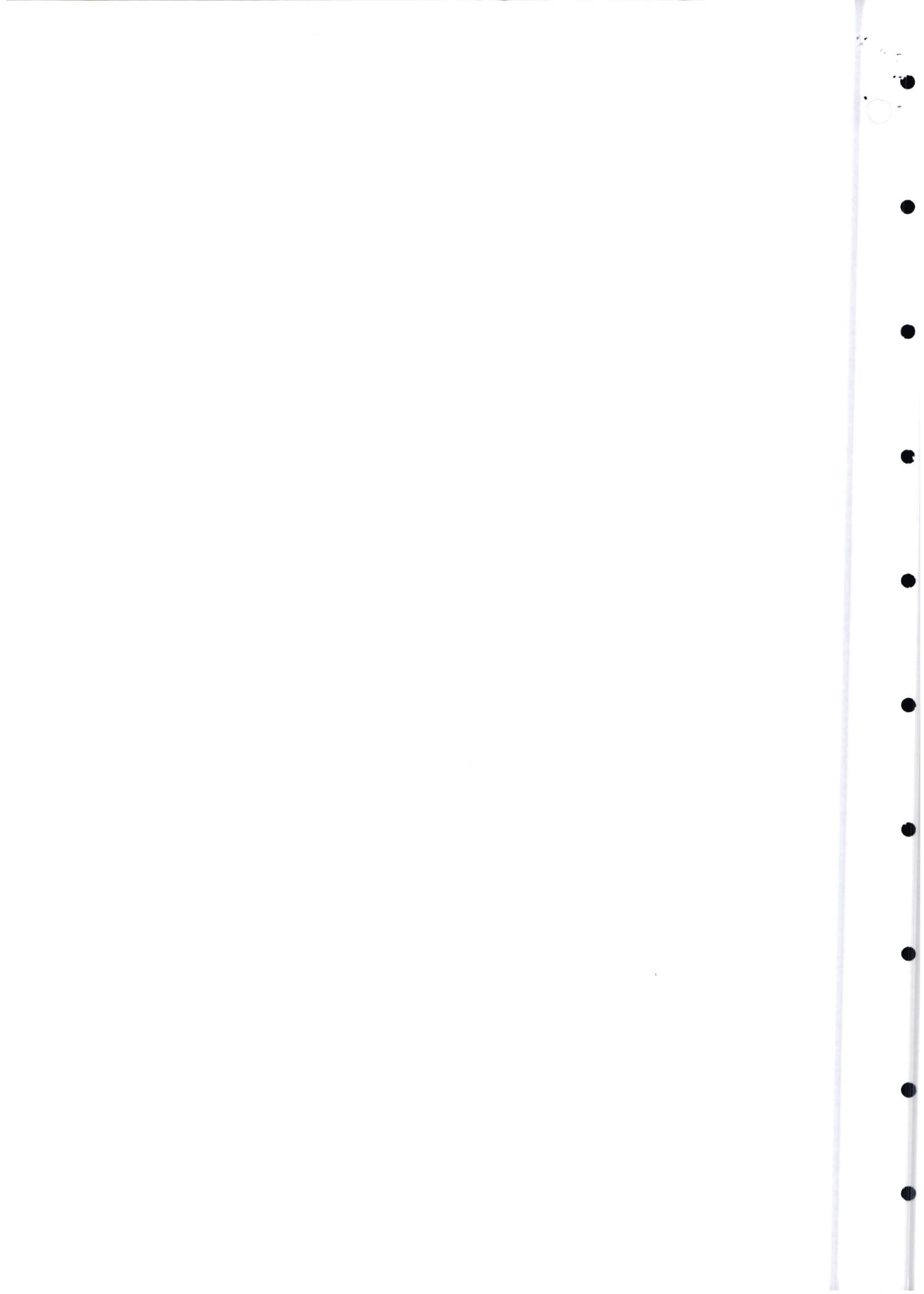
Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**e) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortized 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.

**f) 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.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**g) Budget information**

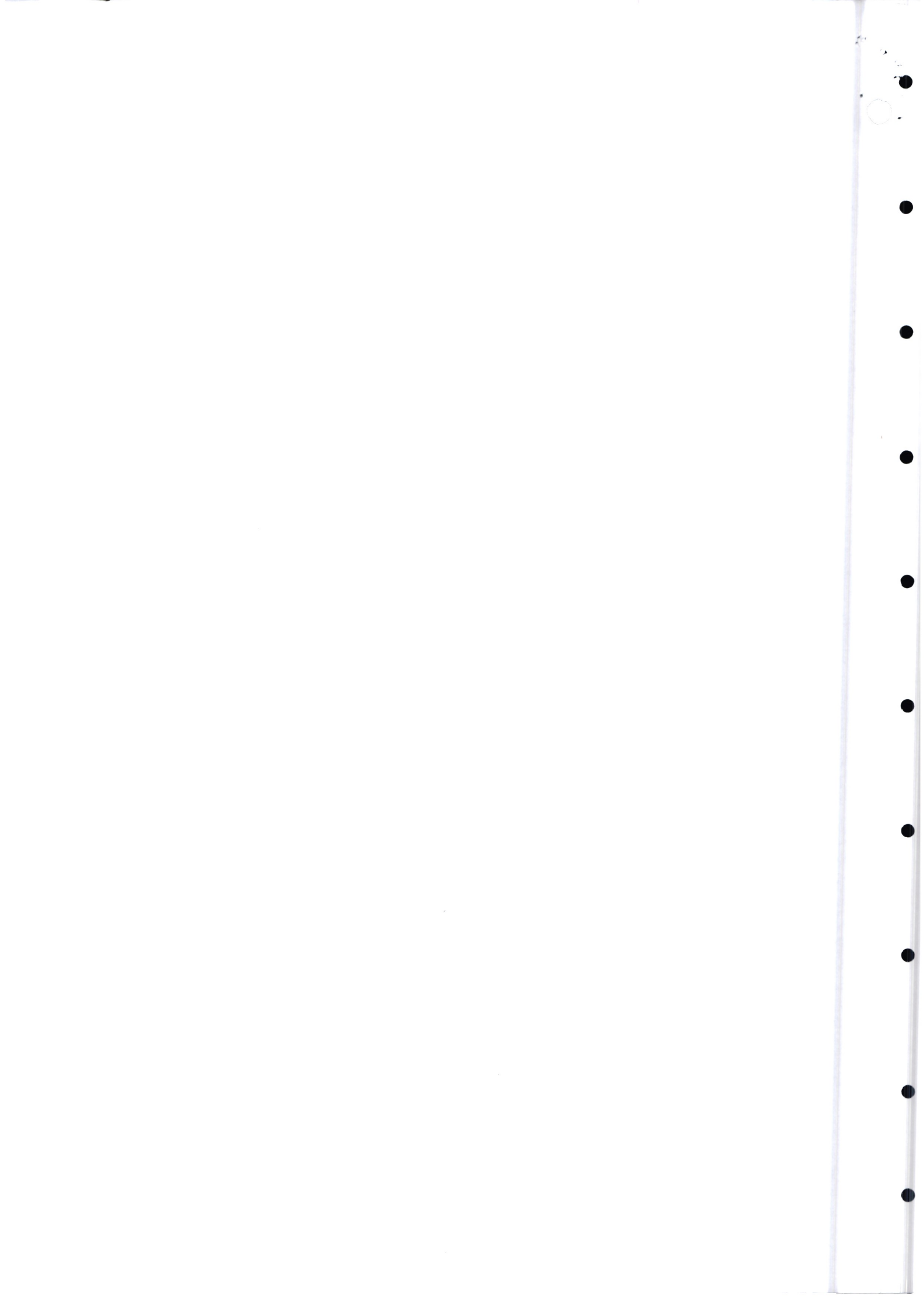
The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget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

**h) Comparative figures**

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

**i) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 5. 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. Depreciation rates.

#### Estimates and assumptions

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

#### Useful lives and residual values

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

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

#### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. REVENUE

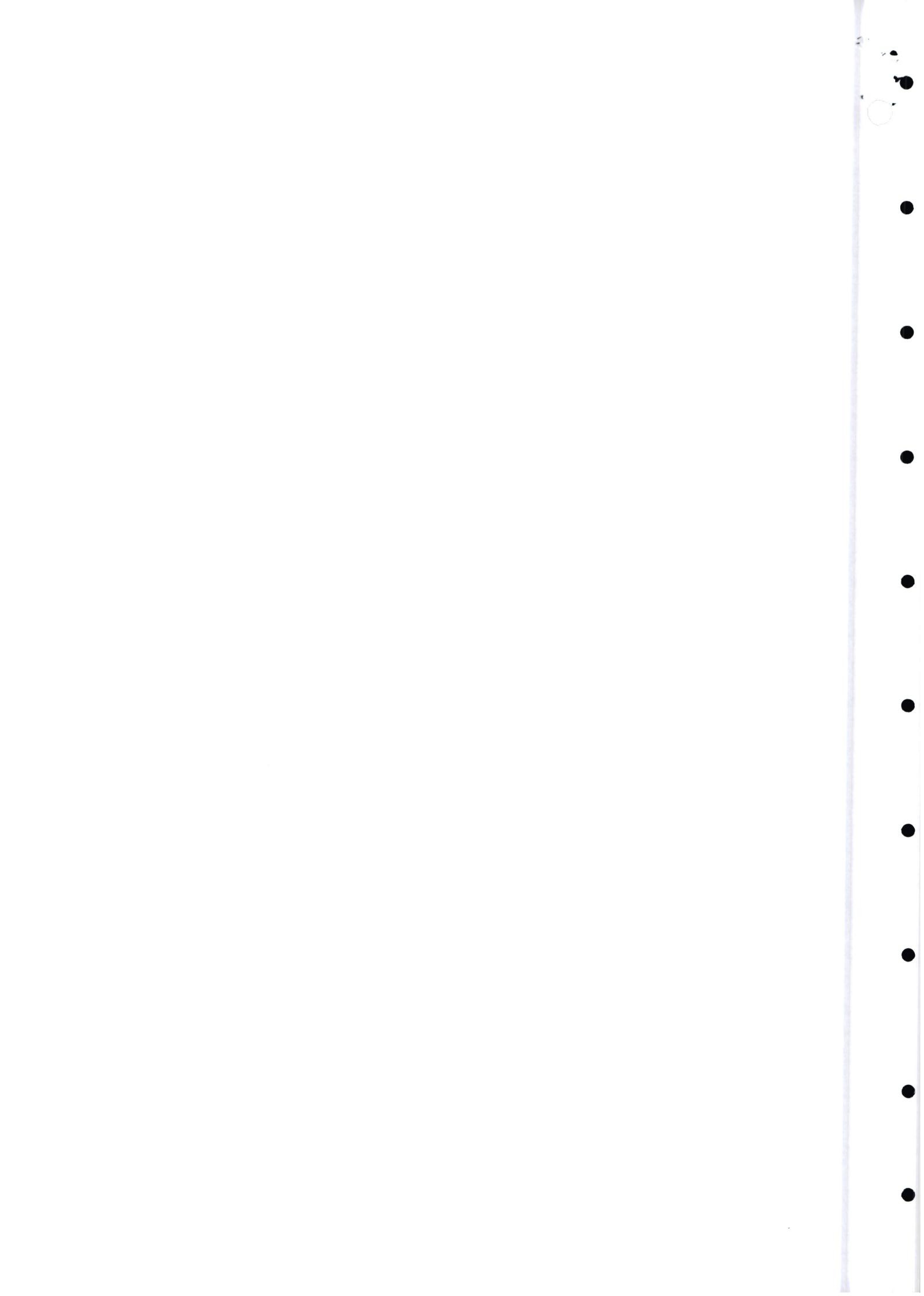
	2019/2020	2018/2019
	KES	KES
Project Income	1,927,530,371	12,110,431
Advance payment - KNBS Project	-	397,405,404
Taifa laptop and tablets sales	4,721,154	6,134,406
Taifa Laptop and tablet servicing	416,575	251,200
Taifa Laptop (leasing)	344,440	296,573
Rehau Home Gas	192,000	230,000
<b>Total</b>	<b>1,933,204,540</b>	<b>416,428,014</b>

7. COST OF SALES

	2019/2020	2018/2019
	KES	KES
KNBS Project costs	1,551,779,154	159,602,467
Taifa product costs	11,392,321	466,034
DLP Project	2,729,760	6,604,043
Telkom Project	-	196,032
VAT A/c	244,157,504	-
Payment of direct service providers	45,497,033	2,811,900
Nandi Call Centre COS	4,287,415	-
<b>Total</b>	<b>1,859,843,187</b>	<b>169,680,476</b>

8. OTHER INCOME

	2019/2020	2018/2019
Description	KES	KES
Miscellaneous income	-	659,760
<b>Total</b>	<b>-</b>	<b>659,760</b>



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9. STAFF COSTS

	2019/2020	2018/2019
Salaries and wages employees	23,965,086	16,935,259
Leave pay and gratuity provisions		1,008,460
Staff welfare – medical expenses	3,873,045	3,821,175
<b>Total</b>	<b>27,838,131</b>	<b>21,764,894</b>

10. DIRECTORS EMOLUMENTS

	2019/2020	2018/2019
	KES	KES
Directors' emoluments	551,000	690,000
<b>Total</b>	<b>551,000</b>	<b>690,000</b>

11. ADMINISTRATION COSTS

	2019/2020	2018/2019
Description	KES	KES
Travel & subsistence	-	1,333,282
Internet	144,910	99,306
Marketing	714,456	140,295
Consultancy	165,000	120,000
Office float	311,510	0.00
Other operating expenses	951,492	4,366,673
Bank charges	299,974	92,952
KRA Penalties	191,098	-
Computer Software	26,900	-
<b>Total</b>	<b>2,805,340</b>	<b>6,152,508</b>

12. INCOME TAX

(a) Current taxation

	2019/2020	2018/2019
	KES	KES
Current taxation based on the adjusted profit for the year at applicable rates	12,172,422	65,322,362
Current tax: prior year under/(over) provision	-	
Current year deferred tax asset	0	
Prior year under-provision for deferred tax	-	
<b>Total</b>	<b>12,172,422</b>	<b>65,322,362</b>

**b) Reconciliation of tax (credit) to the expected tax based on accounting profit**

	2019/2020	2018/2019
	KES	KES
Profit (Loss) before taxation	40,574,739	217,741,208
Tax at the applicable tax rate	12,172,422	65,322,362
Tax b/f	65,322,362	
<b>Total</b>	<b>77,494,784</b>	<b>65,322,362</b>

**13. PROPERTY, PLANT AND EQUIPMENT**

2020	Computers & related equipment	Office equipment, furniture & fittings	Motor Vehicle	Total
<b>COST OR VALUATION</b>				
At July 1, 2019	2,002,681	3,182,434		5,185,115
Additions	2,181,078	3,071,100	7,546,598	12,798,776
<b>At June 30, 2020</b>	<b>4,183,759</b>	<b>6,253,534</b>	<b>7,546,598</b>	<b>17,983,891</b>
<b>DEPRECIATION</b>				
At July 1, 2019	660,885	397,804		1,058,689
Charge for the year	898,915	651,302	41,925	1,592,142
Accumulated Depreciation	1,559,800	1,049,106	41,925	2,650,831
<b>At June 30, 2020</b>				
<b>NET BOOK VALUE (As at 30/06/2020)</b>	<b>2,623,959</b>	<b>5,204,428</b>	<b>7,504,673</b>	<b>15,333,060</b>
<b>NET BOOK VALUE (As at 30/06/2019)</b>	<b>1,341,796</b>	<b>2,784,630</b>	<b>-</b>	<b>4,126,426</b>

**14. TRADE AND OTHER RECEIVABLES**

	2019/2020	2018/2019
	KES	KES
Performance Security Paid	1,082,739	-
Receivables from JKUAT	139,633,184	39,633,184
Other receivables	450,514	0
<b>Total</b>	<b>141,166,437</b>	<b>39,633,184</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. BANK AND CASH BALANCES

	2019/2020	2018/2019
	KES	KES
Cash at bank	275,770,367	524,608,535
<b>Total</b>		

The make – up of bank balances is as follows:

Detailed analysis of the cash and cash equivalents

		2019/2020	2018/2019
Financial institution	Account number	KES	KES
<b>Current account</b>			
Kenya Commercial Bank - KES	A/c No. 1232906875	8,488,333	39,885,204
Kenya Commercial Bank - KES	A/c No. 1254510834	-163	127,467,019
Kenya Commercial Bank - USD	A/c No. 1254519238	267,282,197	357,256,312
<b>Total</b>		<b>275,770,367</b>	<b>524,608,535</b>

16. ORDINARY SHARE CAPITAL

	2019/2020	2018/2019
	KES	KES
<b>Authorized:</b>		
1,000 ordinary shares of KES.100 par value each	100,000	100,000
<b>Issued and fully paid:</b>		
1,000 ordinary shares of KES.100 par value each	<b>100,000</b>	<b>100,000</b>

17. CAPITAL FUND

	2019/2020	2018/2019
	KES	KES
At start of Year	<b>84,000,000</b>	0
Capital Funds Received	0.00	84,000,000
At end of the Year	<b>84,000,000</b>	<b>84,000,000</b>

**18. UNREALIZED FOREX GAIN/LOSS RESERVE**

	2019/2020	2018/2019
Description	KES	KES
Unrealized foreign exchange gains	14,728,685	4,994,352
<b>Total</b>	<b>14,728,685</b>	<b>4,994,352</b>

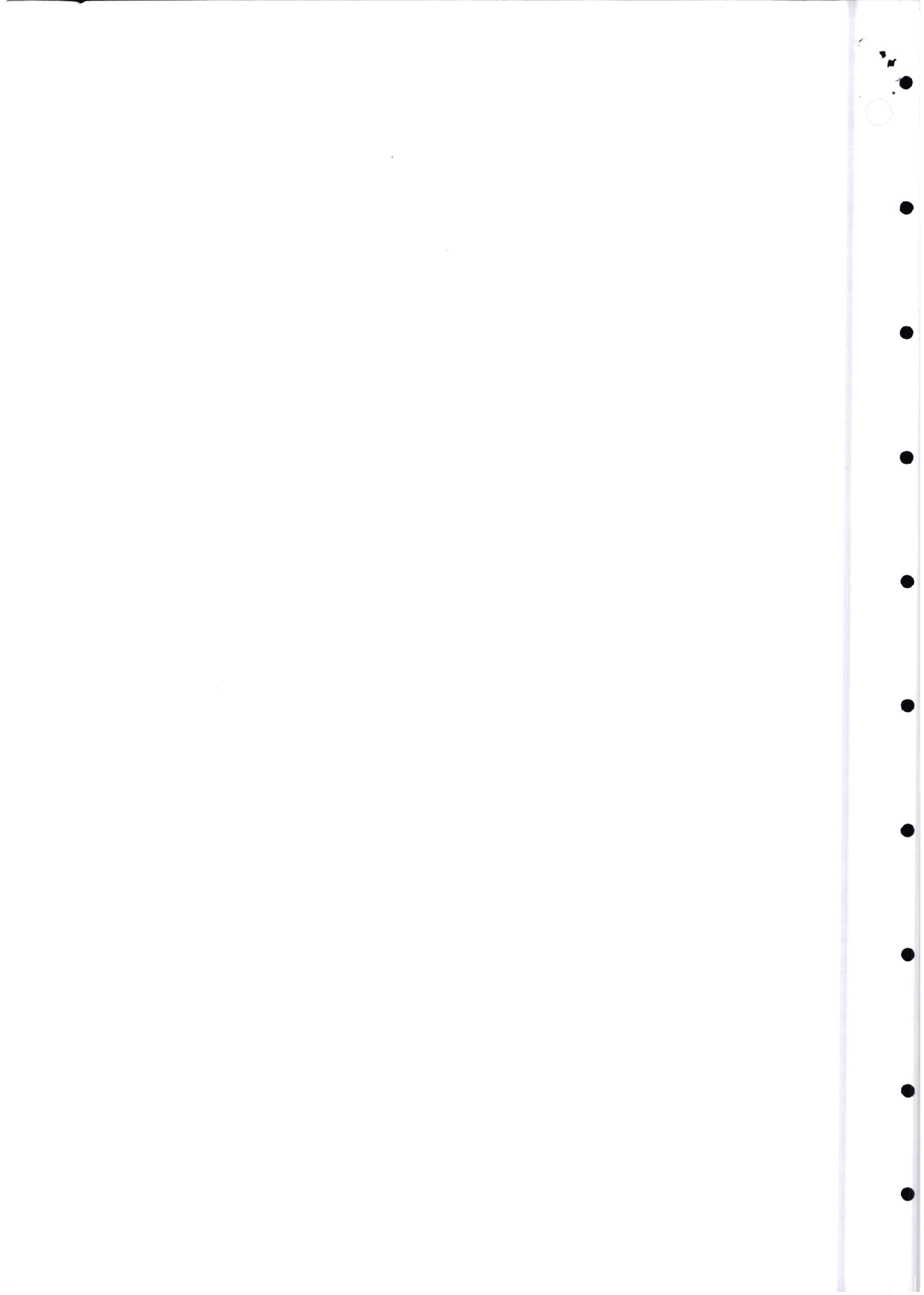
**19. RETAINED EARNINGS**

	2019/2020	2018/2019
	KES	KES
Retained Earnings B/fwd	152,418,846	
Surplus/(Deficit) for the Year	28,402,317	152,418,846
<b>Retained Earnings C/fwd</b>	<b>180,821,163</b>	<b>152,418,846</b>

The retained earnings represent amounts available for distribution to the shareholders of Jomo Kenyatta University of Agriculture and Technology (JKUAT) Industrial Park Limited. Undistributed retained earnings are utilised to finance the company's business activities.

**20. TRADE AND OTHER PAYABLES**

	2019/2020	2018/2019
	KES	KES
Trade payables	13,175,694	
Advance payment - VAT for KNBS Project	-	256,074,346
Other payables	2,226,920	2,226,920
Payroll Payables	1,626,751	2,651,320
VAT Payable	252,464	-
Accrued Expenses DLP	56,683,403	-
Audit Fees Payable	1,160,000	580,000
Taxes Payable Provision	77,494,784	65,322,362
<b>Total</b>	<b>152,620,016</b>	<b>326,854,948</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. NOTES TO THE STATEMENT OF CASH FLOWS

	2019/2020	2018/2019
	KES	KES
<b>(a) Reconciliation of operating profit to cash generated from operations</b>		
Operating Profit (loss)	28,402,318	152,418,845
Depreciation	1,592,142	1,058,689
Operating profit before working capital changes	<b>29,994,460</b>	<b>153,477,534</b>
(Net Increase) in trade and other receivables	(101,533,253)	(39,633,184)
Increase in trade and other payables	(174,234,932)	326,854,948
Net changes in working capital	<b>(275,768,185)</b>	<b>287,221,764</b>
<b>Net Cash generated from operations</b>	<b>(245,773,726)</b>	<b>440,699,298</b>
<b>(b) Analysis of cash and cash equivalents</b>		
Cash at bank	275,770,367	524,608,535
<b>Balance at end of the year</b>	<b>275,770,367</b>	<b>524,608,535</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya through Jomo Kenyatta University of Agriculture and Technology (JKUAT) is the principal shareholder of the company, holding 100% of the entity's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the entity, both domestic and external.

Other related parties include:

- i) Jomo Kenyatta University of Agriculture and Technology (JKUAT)
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

Transactions with related parties

	2019/2020	2018/2019
	KES	KES
<b>a) Key management compensation</b>		
Directors' emoluments	551,000.00	690,000.00
<b>Total</b>		



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 23. 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's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The entity has no 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 (deposits with banks), as well as trade and other receivables.

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 carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KES	Fully performing KES	Past due KES	Impaired KES
<b>At 30 June 2020</b>				
Receivables from non- exchange transactions				
Bank balances	275,770,367	275,770,367		
<b>Total</b>				

The credit risk associated with these receivables is minimal and therefore no allowance for uncollectible amounts has been recognised in the financial statements.

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.

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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### (ii) Liquidity risk management

Liquidity risk is the risk that the entity will not have sufficient financial resources to meet its obligations as they fall due or will have to do so at excessive costs. This arises due to the mismatching of the timing of cash flows from revenue and capital/operational outflows.

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

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.

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.

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

**Foreign currency risk** – is the risk from 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 - 60 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The company manages foreign currency risk from future commercial transactions and recognised assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

### (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. The company did not have any borrowing from external parties as at the yearend and therefore it is lowly geared.



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**24. INCOPORATION**

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

**25. EVENTS AFTER THE REPORTING PERIOD**

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

**26. CURRENCY**

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



Fig 1

Figure 1

