

REPUBLIC OF KENYA



**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

**REPORT**

DATE: 10 NOV 2022

Thursday

Hon Kimani Ichungwa, MP

Leader of majority

Samuel Kalama

**OF**

**THE AUDITOR-GENERAL**

**ON**

**EGERTON UNIVERSITY INVESTMENT  
COMPANY**

**FOR THE YEAR ENDED  
30 JUNE, 2021**





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

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2021**

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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**

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

### **Principal Activities**

The principal activity of the company as provided by the Company's Act Cap 486 of the Laws of Kenya includes: Farming, Hotel, Hospitality and Tourism

### **Vision**

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

### **Mission**

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

#### **Core Values**

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

### **Directors**

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

- |    |                         |  |
|----|-------------------------|--|
| 1. | Ms Esther Mukoa Wabuge  | - Chairperson (Appointed 13.11.2020)         |
| 2. | Mr Julius Kimeu Mutua   | - Director (Appointed 13.11.2020)            |
| 3. | Dr John Ondari          | - Director (Appointed 13.11.2020)            |
| 4. | Mr James Muchiri Ndungu | - Director (Appointed 13.11.2020)            |
| 5. | Prof. Isaac O Kibwage   | - Director                                   |
| 6. | Prof. Richard Mulwa     | - Director                                   |
| 7. | Prof George Owuor       | -Managing Director (Left 31.03.2021)         |
| 8. | Prof. Symon Mahungu     | - Ag Managing Director (Appointed 1.04.2021) |

### **Company Secretary**

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

**KEY ENTITY INFORMATION (Continued)**

**Registered Office**

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

**Corporate Bankers**

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



**Independent Auditors**

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



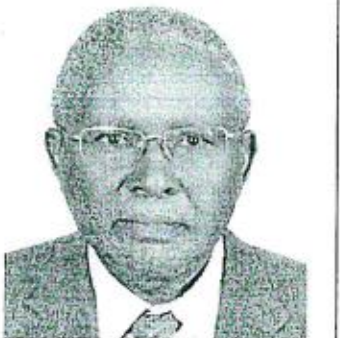
**Principal Legal Adviser**

1. The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya
2. Ms Janet Bii  
Legal Officer – Egerton University  
P.O. Box 536 -20115  
Egerton, Kenya




**THE BOARD OF DIRECTORS**

	<p><b>NAME:</b> Ms. Esther Mukoa Wabuge</p> <p><b>POSITION/KEY RESPONSIBILITIES:</b>          Director and Chairperson of EUICO Board</p> <p><b>QUALIFICATION:</b>          B.Ed. (Moi), DIBM (KIM), M.Sc. (JKUAT), M.A. (University College London)</p> <p><b>WORK EXPERIENCE</b>          Project Officer Training, Management Sciences for Health (MSH) – Leadership, Management &amp; Sustainability (LMS) Project;          Associate Consultant, Kenya National AIDS Strategic Plan;          Kenya HIV/AIDS Private Sector Business Council (KHBC): Head of Programme &amp; Stakeholder Development; Head of Training &amp; Business Development;          Namawanga Girls’ High School: Biology &amp; Home science teacher</p> <p><b>APPOINTED</b> 13 November 2020</p>
	<p><b>NAME:</b> Mr. John Nyakawa Ondari</p> <p><b>POSITION/KEY RESPONSIBILITIES:</b>          Director and Chairman Finance &amp; Audit Committee</p> <p><b>QUALIFICATION:</b>          B.A. (UoN), M.A. (UoN)</p> <p><b>WORK EXPERIENCE:</b>          Strategic Advisor, Kenya Water Security &amp; Climate Resilience Program.          Senior WASH Advisor, SNV Netherlands Development Organisation,          Kenya. Long Term Technical Advisor, Kenya Water &amp; Sanitation Programme. Lemma Development Consultants Ltd: Managing Director; Research Director Economist (WSS Financing Consultant), World Bank, Water &amp; Sanitation Program – AF. Economist/ Statiscian, Ministry of Planning &amp; The Treasury.</p> <p><b>APPOINTED:</b> 13 November 2020</p>

**Egerton University Investment Company  
Annual Reports and Financial Statements  
For the year ended June 30, 2021**

	<p><b>NAME:</b> Mr. James M. Ndung'u</p> <p><b>POSITION/KEY RESPONSIBILITIES:</b> Director</p> <p><b>QUALIFICATION:</b> B.Ed. (KU), M.Ed. (MU)</p> <p><b>WORK EXPERIENCE</b> Ministry of Education; Senior Assistant Director of Education – State Department for University Education and Research; 20 years' experience in education sector</p> <p><b>APPOINTED:</b> 13 November 2020</p>
	<p><b>NAME:</b> Mr. Julius Kimeu Mutua</p> <p><b>POSITION/KEY RESPONSIBILITIES:</b> Director and Member Finance &amp; Audit Committee</p> <p><b>QUALIFICATION:</b> B.A. Economics (Kenyatta University, MA Economics - University of Dar es Salaam, Tanzania</p> <p><b>QUALIFICATION:</b> B.A.(KU), M.A (University of Dar es Salaam)</p> <p><b>WORK EXPERIENCE</b> Government of Kenya National Treasury: Programme Coordinator, Public Finance Management Reforms Secretariat; Senior Economist, Department Of Economic Affairs; Economist I, Department of Restrictive Trade Practices Tribunal; Economist II, Department of Monopolies &amp; Prices Commission.</p> <p><b>APPOINTED</b> 13 November 2020</p>
	<p><b>NAME:</b> Prof. Isaac O. Kibwage</p> <p><b>POSITION/KEY RESPONSIBILITIES:</b> Director</p> <p><b>QUALIFICATION</b> B.Pharm (UoN, B.Pharm, Ph.D. (K.U. Leuven), FPSK, CSci. C.Chem., MRSC</p> <p><b>WORK EXPERIENCE</b> Egerton University: Acting Vice-Chancellor; Deputy Vice-Chancellor (Administration, Planning &amp; Development)</p> <p>University of Nairobi: Professor, Principal College of Health Sciences, Dean, Chairman of Department</p>



	<p><b>NAME:</b> Prof. Richard M.S. Mulwa</p> <p><b>POSITION/KEY RESPONSIBILITY</b> Director</p> <p><b>QUALIFICATION</b> Dip., BSc. (Egerton), Grad. Dip, MappSc. (Melbourne), PhD. (UIUC)</p> <p><b>WORK EXPERIENCE</b> Egerton University - Ag. Deputy Vice Chancellor (Administration, Planning &amp; Development), Associate Professor of Horticulture, Director - Crop Management Research and Training, Senior Lecturer, Lecturer, Teaching Assistant/ Research Assistant, Assistant Lecturer -Department of Crops, Horticulture and Soils; University of Melbourne: PC2 Greenhouse Manager</p>
	<p><b>NAME:</b> Prof. George Owuor</p> <p><b>POSITION:</b> Managing Director</p> <p><b>QUALIFICATION</b> BSc.-AGBM (Egerton University), MSc-Agricultural Economics (Egerton University), Ph.D.-AGBM (Sandwich-Kiel University Germany and Egerton University)</p> <p><b>WORK EXPERIENCE</b> Chairman Department of Agribusiness Management at Egerton University, PI Centre of Excellence in sustainable Agriculture and Agribusiness Management, Programme Manager African Economic Research Consortium (AERC) covering 13 countries in Eastern, Central and South Africa, project consultancies with CIMMYT, CIAT, IFPRI, ILRI, Syngenta Foundation and International Centre for Development and Decent Work- in Germany.</p> <p><b>LEFT:</b> 31 March 2021</p>
	<p><b>NAME:</b> Prof. Symon Mahungu</p> <p><b>POSITION:</b> Acting Managing Director</p> <p><b>QUALIFICATION</b> BEd [University of Nairobi]; MSc (Chemistry) – Kenyatta University; PhD (Food Science) – University of Illinois at Urbana-Champaign, USA</p> <p><b>WORK EXPERIENCE</b> Professor [Food Science]; University Industry Liaison Officer; Appointed by the Food and Agriculture Organization (FAO) of the United Nations (UN) in the year 2007 as consultant for the Joint FAO/WHO Expert Committee on Food Additives (JECFA) representing the AFRICA REGION for the period 2007-2012; Been a member of the Egerton University Senate for twenty-three (25) years (1995 – 2021). Chairman of Department (COD) for a combined total of nine (9) years [1995 – 2004]. Chemistry Department 1995-1998 while Dairy &amp; Food Science Department 1998-2004.</p> <p><b>APPOINTED:</b> 1 April 2021</p>

## **REPORT OF THE CHAIRPERSON**

The present Egerton University Investment Company's financial report 2020/21 is the eighth financial report, and the first report under the new Board of Directors. The Company performance over the last 7 years has been dismal performance, a factor that the Board of Directors has taken serious attention and is focusing on. It is also worth noting that the Company is also under the new management and in the last 48 months the fruits of turnaround have been seen. Some of the new initiatives include a new strategic plan, new business turnaround plans for the company's units and already a growing market and sale of milk and horticultural produce. The Board therefore, notes with great hope the ongoing transformations that are expected to see the company change the direction of performance.

Turning to the financial performance, its noteworthy that great improvement has been experienced after 2015/16 and 2016/17 with a reduction in losses from Kshs 60 million in 2015/16, Kshs 40 million loss in 2016/17, 2017/18 loss of Kshs 19 million and loss of Kshs 12 million in 2018/19. The financial period 2019/20 showed the Company slide back to loss making with a loss of Kshs 24 million while in the current financial period this has widened to Kshs 46 million. The loss is mainly due to the continued negative effects of Covid 19 which has adversely hit the hospitality sector and closure of the university that provides a big market share for the produce from the company resulting in reduced revenue while major expenditure, staff costs, continued to be incurred.

At the unit levels, Castle made a loss of Kshs 1.1 million, while ARC Hotel made a loss of Kshs 7.3 million and the farm a loss of Kshs 30.5 million after depreciation and loss on biological assets. However, with the easing of COVID 19 situation and expected normalcy in the financial year 2021/2022 the Management strongly look forward to recovery from the pandemic and bouncing back reduction in losses towards positive returns in the coming years.

Yours Sincerely,



**Chairperson, Board of Directors**

## **REPORT OF THE MANAGING DIRECTOR**

The financial statement for the year 2020/2021 marks the 8th year of operation since Egerton University Investment Company was incorporated on 30th June 2010 as a subsidiary Company Limited by Guarantee and wholly owned by Egerton University.

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

It started on a humble beginning with a seed capital inform of a loan of Kshs 145 million from the University including the establishments which were already available, the farm with acreage of 2,728, ARC Hotel building with 90 rooms and Lord Egerton Castle.

The performance in the year 2013/14 realised a profit of Ksh 57,755,428. However, the following years 2014/15 returned a loss of Kshs 48,786,066 and 2015/16 a loss of Kshs 61,849,201. These growths in losses made the Company Board change the management, with the new management coming in March 2017. Since then, there has been gradual turn around, with 2016/17 reducing a loss to Kshs 40 million from 60 million, and 2017/18 another reduction in loss to Kshs 19 million and in 2018/19 another reduction in loss to Kshs 12 million. However, following the advent of Covid 19 the company has returned back to loss making. The financial year 2019/20 returned a loss of Kshs 24,448,833 and in the current financial period a loss of Kshs. 46,578,430 mainly attributable to the negative effects of Covid 19.

I therefore have the pleasure to present the Annual Report and Financial Statements of Egerton University Investment Company for the year ended June 30, 2021 as per the Company's Act 486 as set out on pages 11 to 36.

Yours Sincerely,



**Prof. Symon Mahungu**  
**Ag Managing Director**

## **REPORT OF THE DIRECTORS**

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2021 which show the state of the company's affairs.

### **Principal activities**

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

### **Results**

The results of the entity for the year ended June 30, 2021 are set out on pages 11 to 35.

### **Dividends**

The Directors do not recommend the payment of a dividend.

### **Directors**

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

### **Auditors**

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

By Order of the Board

Name: Janet Bii

Signature:  Date: 27/09/2021

Secretary to the Board



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

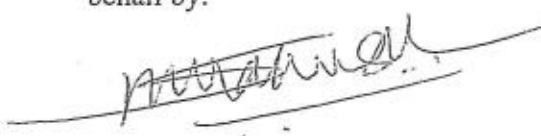
The Directors are responsible for the preparation and presentation of the company's financial statements, which give a true and fair view of the state of affairs of the company for and as at the end of the financial year (period) ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the State Corporations Act section 14. The Directors are of the opinion that the company's financial statements give a true and fair view of the state of company's transactions during the financial year ended June 30, 2021 and of the company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the company, which have been relied upon in the preparation of the company's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

The company's financial statements were approved on 27/09/ 2021 and signed on its behalf by:

  
Prof. Symon Mahungu  
Ag Managing Director

  
Ms Esther Wabuge  
Chairperson, Board of Directors





# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON EGERTON UNIVERSITY INVESTMENT COMPANY FOR THE YEAR ENDED 30 JUNE, 2021**

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### **PREAMBLE**

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

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

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

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Egerton University Investment Company set out on pages 11 to 35, which comprise the statement of financial position as at 30 June, 2021, and the statement of profit and loss and other comprehensive



income, the 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Egerton University Investment Company as at 30 June, 2021, 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 .

### **Basis for Qualified Opinion**

#### **1. Failure to Disclose Material Uncertainty Related to Going Concern**

The statement of profit and loss and other comprehensive income indicates that the Company incurred a loss of Kshs.46,578,430 resulting to an increase in accumulated loss to Kshs.89,209,192. Further, the statement of financial position reflects total current assets balance of Kshs.127,517,668 against total current liabilities balance of Kshs.151,740,806, resulting to a negative working capital of Kshs.24,223,138. The financial statements have been prepared on a going concern basis on the assumption that the Company will continue to receive financial support from the Egerton University and its creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Management to reverse the undesirable financial position have not been disclosed in the notes to the financial statements.

In the circumstances, there is a risk that the Company may not be able to meet its current obligations as and when they fall due and its continued operation as a going concern is dependent on the support of creditors.

#### **2. Understatement of Revenue from Hay**

The statement of profit and loss and other comprehensive income reflects revenue amount of Kshs.71,436,225 out of which Kshs.9,150 was receipts from the sale of hay. However, records provided for audit revealed that the Company sold 10,690 bales of hay to four Companies at the rate of Kshs.150 each, totalling Kshs.1,603,500 resulting to an understatement of revenue by Kshs.1,594,350.

In the circumstances, the accuracy and completeness of the revenue of Kshs.9,150 from the sale of hay for the year ended 30 June, 2021 could not be confirmed.

#### **3. Trade and Other Receivables**

The statements of financial position as at 30 June, 2021 reflects trade and other receivables balance of Kshs.117,124,077 which differs with the debtors control ledger balance of Kshs.118,020,543, resulting to an unreconciled variance of Kshs.896,466. Further, examination of debtor schedules revealed that debts totalling to Kshs.110,989,288 or 95% of the total debtors balance have been outstanding for more



than a year. No evidence was provided to show the efforts being made by Management to recover the debts.

In the circumstances, the accuracy, completeness and recoverability of the trade and other receivables balance of Kshs.117,124,077 could not be confirmed.

#### **4. Inaccuracies in Bank and Cash Balances**

The statement of financial position as at 30 June, 2021 and the corresponding Note 16 to the financial statements reflects bank and cash balances of Kshs.7,705,784. Included in this balance are three (3) bank accounts with overdrawn balances totalling Kshs.4,982,198 which differ with the balances as per cash book reflected in the reconciliation statements totalling Kshs.183,748, resulting to an unreconciled variance of Kshs.5,165,946.

Further, the bank reconciliation statement for the month of June, 2021 reflects receipts in cashbook not in bank statement amount of Kshs.44,825 being cash destroyed by fire at the Lord Egerton Castle on 12 February, 2020 that has not been written off or compensated through an insurance claim.

In addition, and as previously reported, Note 16 to the financial statements reflects a cash in hand balance of Kshs.12,687,983 which were receipts collected and not banked by former employees of the Company dating back to the year 2015. Although the Management has indicated that the Board of Directors are still pursuing the issue, recovery of the cash has not been realised.

In the circumstances, the accuracy, completeness and existence of the reported bank and cash balances of Kshs.7,705,784 could not be confirmed.

#### **5. Unsupported Borrowings**

As previously reported, the statement of financial position and the corresponding Note 19 to the financial statements reflects non-current liability balance of Kshs.150,119,907. This balance relates to a loan from Egerton University issued upon incorporation of the Company in the year 2013, which has remained outstanding over the years. However, Management has not supported the borrowings with a formal legal agreement to confirm the loan terms and conditions.

In the circumstances, the rights and obligations of the long outstanding borrowings balance of Kshs.150,119,907 reflected in the statement of financial position as at 30 June, 2021 could not be confirmed.

#### **6. Trade and Other Payables**

The statement of financial position and, the corresponding Note 20 to the financial statements reflects trade and other payables balance of Kshs.151,740,806. This balance includes other payables balance of Kshs.94,605,970 out of which Kshs.85,803,399 relates to statutory deductions and other payables that have been outstanding beyond 90 days.

Further, the balance of Kshs.151,740,806 includes trade payables amount of Kshs.57,134,836. However, review of the supporting schedules provided revealed that some of payable accounts had negative balances amounting to Kshs.2,256,424 an indication of overpayment of suppliers and which should have been classified as receivable balances.

In the circumstances, the accuracy of the trade and other payables balance of Kshs.151,740,806 and recoverability of the long outstanding payables of Kshs.85,803,399 could not be confirmed. Further, failure to honour statutory obligations could result in interests and penalties against the Company.

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

### **Key Audit Matters**

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

### **Other Matter**

### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects a total revenue final budget of Kshs.107,477,693 against actual receipts on a comparable basis of Kshs.72,254,898, resulting to revenue shortfall of Kshs.35,222,795 or 33% of the budget. Similarly, the statement reflects total expenditure final budget of Kshs.104,850,047 against actual expenditure on a comparable basis of Kshs.101,548,067, resulting to under-expenditure of Kshs.3,301,980 or 3% of the budget. The underfunding and under absorption may have negatively impacted on service delivery to the public.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the

financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### Conclusion

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

### Basis for Conclusion

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### Responsibilities of Management and Board of Directors

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

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

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

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

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

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**28 July, 2022**



**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR  
 THE YEAR ENDED 30 JUNE 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	5	71,436,225	99,225,558
Cost of sales	6	(23,187,771)	(35,726,870)
<b>GROSS PROFIT</b>		<b>48,248,454</b>	<b>63,498,688</b>
Other Income	7	818,672	538,887
Other gains	8	(17,285,261)	2,594,386
<b>TOTAL REVENUES</b>		<b>31,781,865</b>	<b>66,631,961</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	9 (a)	78,360,295	90,972,789
Finance Costs	10	-	108,005
<b>TOTAL OPERATING EXPENSES</b>		<b>78,360,295</b>	<b>91,080,794</b>
<b>LOSS BEFORE TAXATION</b>		<b>(46,578,430)</b>	<b>(24,448,833)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>		<b>-</b>	<b>-</b>
<b>LOSS AFTER TAXATION</b>		<b>(46,578,430)</b>	<b>(24,448,833)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Fair value through comprehensive income		-	-
Surplus or deficit on revaluation of PPE		-	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>(46,578,430)</b>	<b>(24,448,833)</b>





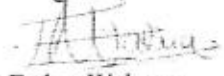
**Egerton University Investment Company**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2021**

**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

	Note	2020-2021	2019-2020
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	12	37,713,353	46,515,563
Biological assets	13	47,420,500	64,705,761
<b>Total Non-Current Assets</b>		<b>85,133,853</b>	<b>111,221,324</b>
<b>Current Assets</b>			
Inventories	14	2,687,807	1,860,547
Trade and other receivables	15(a)	117,124,077	113,500,194
Bank and cash balances	16	7,705,784	8,926,937
<b>Total Current Assets</b>		<b>127,517,668</b>	<b>124,287,678</b>
<b>Total Assets</b>		<b><u>212,651,521</u></b>	<b><u>235,509,002</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Reserves</b>			
Accumulated fund		(89,209,192)	(42,630,762)
<b>Capital and Reserves</b>		<b>(89,209,192)</b>	<b>(42,630,762)</b>
<b>Non-Current Liabilities</b>			
Borrowings	19	150,119,907	150,119,907
<b>Total Non-Current Liabilities</b>		<b>150,119,907</b>	<b>150,119,907</b>
<b>Current Liabilities</b>			
Trade and other payables	20	151,740,806	128,019,857
<b>Total Current Liabilities</b>		<b>151,740,806</b>	<b>128,019,857</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>212,651,521</u></b>	<b><u>235,509,002</u></b>

The financial statements were approved on 27/09/2021 and signed on its behalf by:

  
 Prof. Symon Mahungu  
 Ag Managing Director

  
 Ms Esther Wabuge  
 Chairperson, Board of Directors

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

	Accumulated Fund	Proposed dividends	Total
<b>At July 1, 2019</b>	(18,181,929)	-	(18,181,929)
Total comprehensive income	(24,448,833)	-	(24,448,833)
Proposed final dividends	-	-	-
<b>At June 30, 2020</b>	(42,630,762)	-	(42,630,762)
<b>At July 1, 2020</b>	(42,630,762)	-	(42,630,762)
Total comprehensive income	(46,578,430)	-	(46,578,430)
Proposed final dividends	-	-	-
<b>At June 30, 2021</b>	(89,209,192)	-	(89,209,192)

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021**

	Note	2021-2021	2019-2020
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	22	(1,164,912)	(1,227,025)
Interest paid	22	-	(108,005)
<b>Net cash generated from/(used in) operating activities</b>		<b>(1,164,912)</b>	<b>(1,335,030)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	12	(56,241)	(432,249)
<b>Net cash generated from/(used in) investing activities</b>		<b>(56,241)</b>	<b>(432,249)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings	19	-	-
Repayment of borrowings	19	-	-
<b>Net cash generated from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(1,221,153)</b>	<b>(1,767,279)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>8,926,937</b>	<b>10,694,216</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	16	<b>7,705,784</b>	<b>8,926,937</b>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2021

	Original budget 2020-2021	Adjustments 2020-2021	Final budget 2020-2021	Actual on comparable basis 2020-2021	Performance difference 2020-2021
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Revenue</b>					
Sale of goods	38,308,120		38,308,120	26,467,077	11,841,043 a)
Sale of services	68,608,573		68,608,573	44,969,149	23,639,424 a)
Finance Income	-		-	-	-
Other income	561,000		561,000	818,672	(257,672)
<b>Total Revenue</b>	<b>107,477,693</b>	<b>-</b>	<b>107,477,693</b>	<b>72,254,898</b>	<b>35,222,795</b>
<b>Expenditure</b>					
Compensation of employees	57,277,609		57,277,609	56,140,138	1,137,471 b)
Use of goods and services	46,022,438		46,022,438	35,725,191	10,297,247 b)
Finance cost					
Other payments	1,550,000		1,550,000	824,286	725,714
Depreciation				8,858,452	(8,858,452)
<b>Total expenditure</b>	<b>104,850,047</b>	<b>-</b>	<b>104,850,047</b>	<b>101,548,067</b>	<b>3,301,980</b>
<b>Loss in biological assets</b>				<b>(17,285,261)</b>	<b>17,285,261</b>
<b>Surplus/(Deficit) for the period</b>	<b>2,627,646</b>	<b>-</b>	<b>2,627,646</b>	<b>(46,578,431)</b>	<b>49,206,077</b>

a) Adverse variance attributable to impact of COVID 19 measures by GOK/MOH including curfews, lockdowns etc. affecting business operations and in some instances resulting in complete stoppage of business operations ultimately reducing revenues

b) Adverse variance attributable to impact of COVID 19 measures by GOK/MOH including curfews, lockdowns etc. affecting business operations ultimately resulting in reduced expenditure spending



## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

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

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

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

#### **i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021**

##### ***IFRS 16: Leases***

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

The Directors do not plan to apply any the above. 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.

### iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020 -2021.

## i) 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 company 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 company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Other income** is recognized as it accrues.

### b) Property, plant and equipment

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

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

### c) Depreciation and impairment of property, plant and equipment

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 to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	2.5 % (40 years)
Plant and machinery	10% (10 years)
Motor vehicles, including motor cycles	25% (4 years)
Computers and related equipment	33.3% (3 years)
Equipment, furniture and fittings, tools	12.5%, 20%, 33.3% (8, 5, 3 years)

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



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### d) Inventories

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

#### e) 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 year end. Bad debts are written off after all efforts at recovery have been exhausted.

#### f) Taxation

##### *Current income tax*

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

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

#### g) Cash and cash equivalents

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

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

**h) Borrowings**

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

**i) Trade and other payables**

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

**j) Retirement benefit obligations**

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

**k) Exchange rate differences**

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

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

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

**l) Budget information**

The budget for FY 2020-2021 was approved by the Board of Director on 22 April 2021.

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

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

**m) Comparative figures**

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

**n) Subsequent events**

The COVID-19 pandemic has since March 2020 continued to affect the operations of the company resulting in minimal activities and subsequently reduced revenues and cash flows to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

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

### **4 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

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

#### **Estimates and assumptions**

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

#### **Useful lives and residual values**

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

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

#### **Valuation**

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

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

**5 REVENUE**

	2020- 2021	2019-2020
	Kshs	Kshs
Gross sales of goods	26,467,077	39,815,899
Gross sales of services	44,969,148	59,409,659
Less: Value added tax on gross sales	-	-
<b>Total</b>	<b>71,436,225</b>	<b>99,225,558</b>

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

**6 COST OF SALES**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Cost of sales on goods	9,520,721	17,363,615
Cost of sales on services	13,667,050	18,363,255
<b>Total</b>	<b>23,187,771</b>	<b>35,726,870</b>

**7 OTHER INCOME**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Other service sales	54,737	54,479
Other miscellaneous receipts	763,935	484,408
<b>Total</b>	<b>818,672</b>	<b>538,887</b>

Other income are mainly miscellaneous incomes from one off transactions not likely to recur in future.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

8 OTHER GAINS AND LOSSES

Description	2020-2021	2019-2020
	Kshs	Kshs
Foreign exchange gains / (losses)	-	-
Unrealized( loss) / gain in Biological Assets (Note 13)	(17,285,261)	2,594,386
<b>Total</b>	<b>(17,285,261)</b>	<b>2,594,386</b>

9 (a) ADMINISTRATION COSTS

Description	2020-2021	2019-2020
	Kshs	Kshs
Staff costs (note 9 b)	56,140,138	65,347,644
Directors' emoluments	824,286	1,132,563
Electricity and water	2,216,191	3,055,799
Communication services and supplies	721,165	698,650
Transportation, travelling and subsistence	1,150,217	2,559,480
Advertising, printing, stationery and photocopying	286,710	658,821
Staff training expenses	270,345	11,200
Insurance costs	60,083	143,114
Bank charges and commissions	600,548	442,155
Office and general supplies and services	66,446	152,967
Auditors' remuneration	-	-
Legal fees	-	95,000
Consultancy fees	31,000	35,000
Repairs and maintenance	3,219,084	1,666,675
Provision for bad and doubtful debts	-	-
Depreciation	8,858,452	9,000,907
Other operating expenses	3,915,631	5,972,814
<b>Total</b>	<b>78,360,295</b>	<b>90,972,789</b>



NOTES TO THE FINANCIAL STATEMENTS (Continued)

9(b) STAFF COSTS

	2020- 2021	2019-2020
Description	Kshs	Kshs
Salaries and allowances of contractual employees	42,946,843	44,674,500
Wages of temporary (casual) employees	4,911,172	8,845,595
Compulsory national health insurance schemes	-	-
Compulsory national social security schemes	306,200	370,800
Gratuity	7,841,780	11,161,687
Staff welfare	134,143	295,062
<b>Total</b>	<b>56,140,138</b>	<b>65,347,644</b>
<b>The average number of employees at the end of the year was:</b>		
Contracted employees – Management	4	4
Contracted employees –others	98	94
Temporary (Casual) employees	28	54
<b>Total</b>	<b>130</b>	<b>152</b>

10 FINANCE COSTS

	2020- 2021	2019-2020
Description	Kshs	Kshs
Interest expense on loans	-	108,005
<b>Total</b>	<b>-</b>	<b>108,005</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11 OPERATING LOSS

	2020- 2021	2019-2020
Description	Kshs	Kshs
The operating (loss) is arrived at after charging/(crediting):		
Staff costs ( <b>note 9 b</b> )	56,140,138	65,347,644
Depreciation of property, plant and equipment	8,858,452	9,000,907
Provision for bad and doubtful debts	-	-
Directors' emoluments – fees	824,286	1,132,563
- other		
Auditors' remuneration - current year fees	-	-
- prior year under-provision	-	-
Loss on disposal of property, plant and equipment	-	-
Interest receivable	-	-
Interest payable	-	108,005
<b>Total</b>	<b>65,822,876</b>	<b>75,589,119</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT

2021	Buildings & civil works	Plant & machinery	Motor vehicles, including motor cycles	Computer & Accessories	Equipment	Intangibles	Total
<b>COST OR VALUATION</b>							
At July 1, 2020	23,793,995	73,602,715	4,427,910	1,537,960	14,150,184	1,897,613	119,410,377
Additions	-	-	-	-	56,241	-	56,241
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>At June 30, 2021</b>	<b>23,793,995</b>	<b>73,602,715</b>	<b>4,427,910</b>	<b>1,537,960</b>	<b>14,206,426</b>	<b>1,897,613</b>	<b>119,466,618</b>
<b>DEPRECIATION</b>							
At July 1, 2020	4,879,853	47,899,628	4,427,910	1,330,954	12,665,694	1,690,774	72,894,814
Charge for the year	594,850	7,269,647	-	204,362	686,293	103,300	8,858,452
<b>At June 30, 2021</b>	<b>5,474,703</b>	<b>55,169,275</b>	<b>4,427,910</b>	<b>1,535,315</b>	<b>13,351,987</b>	<b>1,794,074</b>	<b>81,753,265</b>
<b>NET BOOK VALUE At June 30, 2021</b>	<b>18,319,292</b>	<b>18,433,440</b>	<b>-</b>	<b>2,645</b>	<b>854,438</b>	<b>103,539</b>	<b>37,713,353</b>

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

	Cost or Valuation	Normal annual Depreciation charge
Plant and machinery	1,680,792	1,680,792
Motor vehicles, including motor cycles	4,427,910	4,427,910
Office equipment, furniture and fittings	12,690,882	12,690,882
	<b>18,799,584</b>	<b>18,799,584</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 PROPERTY, PLANT AND EQUIPMENT (Continued)

2020	Buildings & civil works	Plant and machinery	Motor vehicles, including, motor cycles	Computer & Accessories	Equipment	Intangibles	Total
<b>COST OR VALUATION</b>							
At July 1, 2019	23,793,995	73,602,715	4,427,910	1,221,860	14,034,035	1,897,613	118,978,128
Additions	-	-	-	316,100	116,149	-	432,249
Transfers	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
At June 30, 2020	23,793,995	73,602,715	4,427,910	1,537,960	14,150,184	1,897,613	119,410,377
<b>DEPRECIATION</b>							
At July 1, 2019	4,285,003	40,539,357	4,427,910	1,115,604	11,961,800	1,564,233	63,893,907
Charge for the year	594,850	7,360,271	-	215,350	703,894	126,542	9,000,907
At June 30, 2020	4,879,853	47,899,628	4,427,910	1,330,954	12,665,694	1,690,775	72,894,814
NET BOOK VALUE At June 30, 2020	18,914,142	25,703,087	-	207,006	1,484,490	206,838	46,515,563

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

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

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

**13 BIOLOGICAL ASSETS**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Bearer Assets – Animals	28,380,500	29,250,000
Bearer Assets – Plant	19,040,000	35,455,761
<b>Total</b>	<b>47,420,500</b>	<b>64,705,761</b>

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

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

	2020- 2021	2019-2020
Description	Kshs	Kshs
Bear Assets – Animals	(16,415,761)	248,000
Bearer Assets – Plant	(869,500)	2,346,386
<b>Total</b>	<b>(17,285,261)</b>	<b>2,594,386</b>

**14 INVENTORIES**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Engineering stores	-	798,000
Stationery and general stores	2,687,807	1,062,547
<b>Total</b>	<b>2,687,807</b>	<b>1,860,547</b>

Inventories mainly comprise of farm inputs e.g. chemicals etc., dry food rations etc. held for use by the company.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

15 (a) TRADE AND OTHER RECEIVABLES

	2020- 2021	2019-2020
Description	Kshs	Kshs
Trade receivables (note 15 (b))	116,618,152	113,861,463
Deposits and prepayments		
VAT recoverable		
Staff receivables (note 15 (c))	505,925	(361,269)
Other receivables		
Gross trade and other receivables	117,124,077	113,500,194
Provision for bad and doubtful receivable		
<b>Net trade and other receivables</b>	<b>117,124,077</b>	<b>113,500,194</b>

Trade receivables are mainly dues from government entities and public institutions.

15 (b) TRADE RECEIVABLES

	2020- 2021	2019-2020
Description	Kshs	Kshs
Gross trade receivables	116,618,152	113,861,463
Provision for doubtful receivables	-	-
	<b>116,618,152</b>	<b>113,861,463</b>
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,908,496	600,537
Between 30 and 60 days	1,763,899	3,879,874
Between 61 and 90 days	1,334,885	96,334
Between 91 and 120 days	2,969,710	519,491
Over 120 days	107,641,162	108,765,227
	<b>116,618,152</b>	<b>113,861,463</b>

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

**15 (c) STAFF RECEIVABLES**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Gross staff loans and advances	505,925	(361,269)
Provision for impairment loss		-
	<b>505,925</b>	<b>(361,269)</b>
Less: Amounts due within one year	505,925	(361,269)
Amounts due after one year	-	-

Staff receivables relate to imprests and advances to staff not accounted for at end of financial year.

**16 BANK AND CASH BALANCES**

	2020- 2021	2019-2020
Description	Kshs	Kshs
Cash at bank	(4,982,199)	(4,608,256)
Cash in hand	12,687,983	13,535,193
<b>Total</b>	<b>7,705,784</b>	<b>8,926,937</b>

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

**Detailed analysis of the cash and cash equivalents**

		2020- 2021	2019-2020
Financial institution	Account number	Kshs	Kshs
<b>a) Current account</b>			
Kenya Commercial bank	1136869271	(1,460,666)	(1,453,817)
Kenya Commercial bank	1101907339	(1,823,515)	(1,415,452)
Kenya Commercial bank	1109628668	(1,698,017)	(1,738,987)
<b>Sub- total</b>		<b>(4,982,199)</b>	<b>(4,608,256)</b>
<b>b) Others(specify)</b>			
Cash in transit			-
cash in hand		12,687,983	13,535,193
M-pesa		-	-
<b>Sub- total</b>		<b>12,687,983</b>	<b>13,535,193</b>
<b>Grand total</b>		<b>7,705,784</b>	<b>8,926,937</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 **ORDINARY SHARE CAPITAL**

Egerton University Investment Company is a company limited by guarantee.

18 **RESERVES**

The reserves represent the company's accumulated losses.

19 **BORROWINGS**

	2020- 2021	2019-2020
Description	Kshs	Kshs
<b>Balance at beginning of the year</b>	150,119,907	150,119,907
Domestic borrowings during the year		-
Repayments of domestics borrowings during the year		-
<b>Balance at end of the year</b>	<b>150,119,907</b>	<b>150,119,907</b>
Less: Amounts due with one year (current portion)	-	-
<b>Amounts due after one year (non-current portion)</b>	<b>150,119,907</b>	<b>150,119,907</b>

The loan comprises of cash transfers amounting to Kshs 145,400,000 advanced in 2013 to operationalize the company and Kshs 4,719,907 advanced in 2017 for payment of salary arrears. The terms and conditions of the loan were not provided to the company by the University at the time of issuing the loan.

The University in 2020 resolved to convert the Kshs 145,400,000 loan as a contribution to the company. The company is currently incorporated as a company Limited by Guarantee. The structure of the company has not yet been amended to a company Limited by Shares to effect the change.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 TRADE AND OTHER PAYABLES

	2020- 2021	2019-2020
Description	Kshs	Kshs
Trade payables	57,134,836	58,460,163
Other payables	94,605,970	69,559,694
	151,740,806	128,019,857

Trade and other payables comprises mainly of amounts owed to suppliers, statutory bodies like Kenya Revenue Authority and staff dues.

21 RETIREMENT BENEFIT OBLIGATIONS

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



NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 NOTES TO THE STATEMENT OF CASH FLOWS

	2020- 2021	2019-2020
Description	Kshs	Kshs
<b>(a) Reconciliation of operating loss to cash generated from/(used in) operations</b>		
Operating loss	(46,578,430)	(24,448,833)
Depreciation	8,858,452	9,000,907
Interest expense	-	108,005
Loss/(Gain) on biological assets	17,285,261	(2,594,386)
<b>Operating loss before working capital changes</b>	<b>(20,434,717)</b>	<b>(17,934,307)</b>
Decrease in inventories	(827,260)	1,751,564
Decrease in trade and other receivables	(3,623,883)	2,957,532
Decrease in trade and other payables	23,720,948	11,998,185
<b>Cash generated used in operations</b>	<b>(1,164,912)</b>	<b>(1,227,026)</b>
<b>(b) Analysis of changes in loans</b>		
Balance at beginning of the year	150,119,907	150,119,907
Receipts during the year	-	-
Repayments during the year	-	-
Accrued interest	-	-
<b>Balance at end of the year</b>	<b>150,119,907</b>	<b>150,119,907</b>
<b>(c) Analysis of cash and cash equivalents</b>		
Cash at bank	(4,982,199)	(4,608,256)
Cash in hand	12,687,983	13,535,193
<b>Balance at end of the year</b>	<b>7,705,784</b>	<b>8,926,937</b>
<b>(d) Analysis of interest paid</b>		
Interest on loans	-	108,005
<b>Total</b>	<b>-</b>	<b>108,005</b>

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

**23 RELATED PARTY DISCLOSURES**

**Egerton University**

Egerton University is the principal shareholder of the company, holding 100% of the company's equity interest.

**Transactions with related parties**

	<b>2020- 2021</b>	<b>2019-2020</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Sales to related parties</b>		
Sales of goods to Egerton University	700,000	-
Sales of services to Egerton University	5,780,300	22,789,855
<b>Total</b>	<b>6,480,300</b>	<b>22,789,855</b>

**24 INCORPORATION**

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

**25 EVENTS AFTER THE REPORTING PERIOD**

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

**26 CURRENCY**

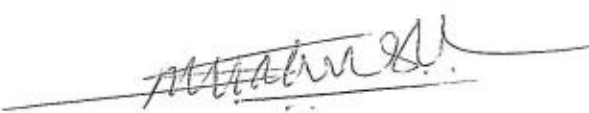
The financial statements are presented in Kenya Shillings (Kshs).

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**APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
2.0	Unsupported loans advanced by Egerton University Investment Company	The University has resolved to convert the loan as a contribution to the company. Awaiting changing of the company structure to a company Limited by Shares.	Managing Director	Not Resolved	2021 - 2022

  
Ag. Managing Director

Date: 29/09/2021

  
Chairperson, Board of Directors

Date: 29/09/2021