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REPORT

OF

THE AUDITOR-GENERAL

ON

DEKUT ENTERPRISES COMPANY

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

THE NATIONAL ASSEMBLY
PAPERS TABLET

DATE: 22 MAR 2022 DAY: TUESDAY

MAJORITY LEADER

[Signature]





DEKUT ENTERPRISES COMPANY

**ANNUAL REPORTS AND FINANCIAL
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**



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



Vision Statement

To be a provider of choice, in consultancy, training and production of quality products leveraging on technology.

Mission Statement

To leverage on highly qualified human resource in provision of consultancy, training and production of quality products utilizing recent technologies for the benefit of public, private and non-governmental organizations.

Core Values

- Innovation
- Excellence
- Teamwork
- Integrity

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1. KEY ENTITY INFORMATION

Background Information

DEKUT Enterprises Company (DeKUTES) was established under the Companies Act 2015 in December, 2017. The Company is limited by guarantee, fully owned by Dedan Kimathi University of Technology (DeKUT). It commenced its operations in July, 2018 as the commercial arm of the University charged with the responsibility of promoting and coordinating Income Generating Activities. DeKUTES is governed by a Board of Directors who include the Vice Chancellor (Chair), Deputy Vice Chancellor, Administration and Finance (Member), Finance Officer (Member) and Managing Director (Member).

Principal Activities

The principal activity of the entity is to offer consultancies and training services, production of quality products such as yoghurt, detergent, personal protective equipments and coffee processing as well as hire of University facilities.

Directors

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

1. Prof. Eng. Paul N. Kioni	Chairman	Appointed on 30 th Oct 2019
2. Prof. Esther Magiri	Director	Appointed on 30 th Oct 2019
3. Mr. Abraham Mwangi	Director	Appointed on 30 th Oct 2019
4. Dr. Paul Sang	Managing Director	Appointed on 30 th Oct 2019

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Principal Legal Advisor

Nelius Mwangi
Legal Officer, Dedan Kimathi University of Technology
Private Bag-10143, Dedan Kimathi, Nyeri

Registered Office

Dedan Kimathi University of Technology
Main Campus - Nyeri
Private Bag-10143, Dedan Kimathi, Nyeri

Corporate Contacts

Mobile: 0110912738/ 0758 563586
Email: md-dekutes@dkut.ac.ke,

Corporate Bankers

Consolidated Bank of Kenya Limited
Nyeri Branch
P.O. Box 935-10100, Nyeri.


Independent Auditors

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

2. THE BOARD OF DIRECTORS

	<p>Prof. Eng. P. N. Kioni – Chairman, DeKUTES Board of Directors Prof. P. Ndirangu Kioni is serving as the first Vice-Chancellor of Dedan Kimathi University of Technology (DeKUT) following its upgrading to a fully-fledged University by award of Charter on 14th December 2012. He was at Cambridge University, England, where he got a Doctor of Philosophy degree, in 1994. He took his undergraduate studies at the University of Nairobi (UoN), where he obtained First Class honours, Bachelor of Science degree in Mechanical Engineering in 1988, along the way winning the General Motors Prize for the top student, a position he had maintained every year throughout the programme. After leaving UoN, he worked as a Plant Engineer at Unilever Kenya Limited, formerly East Africa Industries Ltd, where he obtained his first experiential training in engineering before proceeding for further studies in 1990. He was born in 1966</p>
	<p>Prof. Esther N. Magiri – Director Prof. Esther Nkirote Magiri is currently serving as Deputy Vice Chancellor (Administration and Finance). She attended Tel Aviv University, Israel for her postdoctoral studies, having graduated with a Ph.D degree in applied Molecular Biology in Plant Pathology from ZheJiang University, PR , China. Before this, she had graduated with MSc in Biochemistry and BSc. (Biochemistry major and Zoology minor) from University of Nairobi. She is an associate member of Kenya Institute of Management (KIM). She was born in 1966</p>
	<p>Mr. Abraham Mwangi – Director He is currently serving as the Acting Finance Officer at Dedan Kimathi University of Technology. Mr. Mwangi holds a Masters Degree in Business Administration (Finance) and a Bachelors degree in Business Administration. He is a registered member of ICPAK. He has headed various sections in the Finance Department and has as a result gained a wealth of experience in the planning, organising and controlling of the financial functions. He was instrumental in the formation of the staff Sacco (KIMTECH). He is still in the Sacco's leadership; he has also served in the DeKUT staff retirement scheme as an elected trustee. He was born in 1978</p>
	<p>Dr. Paul Sang – Ag. Managing Director Dr. Paul Sang is serving as the first Managing Director of DeKUT Enterprises Company following its operationalization in July 2018. He was at Louisiana State University (LSU), USA where he got a Doctor of Philosophy degree, in 2014. He took his undergraduate studies at the Egerton University, where he obtained Bachelor of Education (Science) degree in Mathematics and Chemistry in 2001. Upon Graduation from Egerton University Paul worked with Fellowship of Christian Unions (FOCUS) for one year as a short term staff before proceeding to Teachers Service Commission where he was deployed to Kapkeben Secondary School, Eldoret, as a teacher. He served in different positions including as Deputy Principal where he helped convert the school from the last in the District to a performing school. He exited Secondary school teaching and proceeded for study leave to pursue higher studies in Chemistry. Paul emerged among the top in his class at LSU attracting several outstanding awards in research and teaching. Paul joined the Department Chemistry, Dedan Kimathi University in 2015. He served in various positions in the Department including the Chair of the Chemistry Department where he spearheaded Detergent production as an IGU converting it to a profitable</p>

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	<p>venture. Dr. Sang was then appointed to set up and run DeKUT Enterprises Company, a position he has served diligently to date. He was born in 1975</p>
	<p>John Gitibi Rukioyah</p> <p>John Rukioyah is currently serving as the Company Secretary. He holds a Bachelor of Laws (LL.B) from Moi University and Postgraduate Diploma in Law from Kenya School of Law. John Rukioyah is an Advocate of the high court of Kenya. He is not a member of ICPSK. He was born in 1984</p>

3. MANAGEMENT TEAM

	<p>Dr. Paul Sang – Ag. Managing Director</p> <p>Dr. Paul Sang is serving as the first Managing Director of DeKUT Enterprises Company following its operationalization in July 2018. He was at Louisiana State University (LSU), USA where he got a Doctor of Philosophy degree, in 2014. He took his undergraduate studies at the Egerton University, where he obtained Bachelor of Education (Science) degree in Mathematics and Chemistry in 2001. Upon Graduation from Egerton University Paul worked with Fellowship of Christian Unions (FOCUS) for one year as a short term staff before proceeding to Teachers Service Commission where he was deployed to Kapkeben Secondary School, Eldoret as a teacher. He served in different positions including as Deputy Principal where he helped convert the school from the last in the District to a performing school. He exited Secondary school teaching and proceeded for study leave to pursue higher studies in Chemistry. Paul emerged among the top in his class at LSU attracting several outstanding awards in research and teaching. Paul joined the Department Chemistry, Dedan Kimathi University in 2015. He served in various positions in the Department including the Chair of the Chemistry Department where he spearheaded Detergent production as an IGU converting it to a profitable venture. Dr. Sang was then appointed to set up and run DeKUT Enterprises Company, a position he has served in diligently to date.</p>
	<p>Ms. Irene Mwangi - Senior Administrative Assistant</p> <p>Irene is currently serving as the Senior Administrative Assistant at DeKUTES. She holds a masters degree in Entrepreneurship from Jomo Kenyatta University of Technology, a Bachelor of Education (Arts) degree from the University of Nairobi and a diploma in Project Management from Kenya Institute of Management.</p>
	<p>CPA CS Chris Githinji - Business Development Officer</p> <p>CPA CS Chris is currently serving as the Business Development Officer at DeKUTES. He holds a Masters Degree in Business Administration (Finance) from Dedan Kimathi University of Technology, Bachelors Degree in Business Administration (Accounting and Finance) from Kenya Methodist University, Practitioners Diploma in Marketing from Marketing Society of Kenya and CPA, CS, CICT & CIFA from KASNEB. He is a registered member of ICPAK and ICPSK.</p>
	<p>CPA Joseph Mungai - Accountant</p> <p>CPA Joseph is currently serving as the Accountant at DeKUTES. He holds a Bachelors Degree in Commerce (Finance) from Jomo Kenyatta University of Technology and is a registered member of ICPAK.</p>

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4. CHAIRMAN'S STATEMENT



The increasing need for resources and the ever-changing workplace has made it imperative that opportunities be provided for University staff to continually explore and expand business opportunities, research and enhance innovations. Further, the University has realized the importance of mobilizing resources through investing in various income generating activities and establishing value addition activities. This informed the need to establish a commercial arm of the University, DeKUT Enterprises Company (DeKUTES), The Company is charged with the responsibility of promoting and coordinating Income Generating Activities. Through DeKUTES, University professionals are provided with a platform to bring together their expertise with an objective of providing appropriate business, research and innovative solutions as well as mobilize resources for the University.

The Company guided by its vision and mission that are aligned to the national development blue print Kenya Vision 2030 and the global Sustainable Development Goals (SDGs) aspires to contribute to national development while maintaining relevance and global competitiveness by being more effective, efficient and sustainable in its operations.

Financial Performance

During the 2019/2020 Financial Year the Company reported a gross revenue of KShs. 27,375,453 and a net profit of KShs. 1,781,481. This was attributed to revenue generated by six main units within DeKUTES.

Achievements

2019/2020 FY was mainly utilized for operationalization of DeKUTES. We began by appointing a managing Director and seconded members of staff to assist in its establishment in 2018/2019 FY. The Company sourced for more business through hiring of University facilities, sale of personal protective equipment, processed coffee and yoghurt which led to the enhanced financial performance. The Company also managed to customise Microsoft Dynamic NAV ERP which is currently being used by DeKUT. The Company focus is to market the ERP to other Universities and institutions of higher learning. During the year, the Company purchased a coffee grinder, coffee packaging machine and made a requisition to procure coffee roaster machine which required huge cash outflow. Procurement of these equipment will go a long way in ensuring that processing of coffee is done within DeKUT and will provide great opportunities to raise additional revenue in meeting demand for processed coffee and coffee value added products. In Addition, the Fashion Design Income Generating Unit which focuses on production of personal protective equipment and textile required additional equipment and machineries which were purchased by the Company.

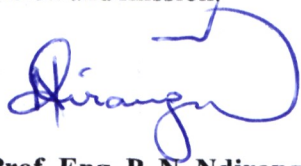
Challenges

The targeted activities scheduled to be undertaken in the last quarter (April – June 2020), were adversely affected by Covid 19 pandemic. However, the Company strategized and focused on production of sanitizers, face masks and hazmat suits in order to combat spread of Covid 19 outbreak.

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Conclusion

I wish to thank the University Council for the support it has given DeKUTES in the past year and seek their support in the coming Financial Year. It is through the Council's support and approval of necessary instruments for operationalization of DeKUTES that has enabled DeKUTES to make the strides outlined here. The performance of DeKUTES as analyzed in annual report and financial statement is promising. The Board of Directors will continue working closely with management especially in the strategic planning to ensure that DeKUTES is well grounded towards achieving its vision and mission.



Prof. Eng. P. N. Ndirangu Kioni
Chairman, DeKUTES Board of Directors

5. REPORT OF THE MANAGING DIRECTOR



DeKUTES has just clocked two years since it commenced business operations. Its presence has greatly transformed the working experience at Dedan Kimathi University of Technology and its surrounding community. The year 2019/2020 saw the Company embark on enhanced production of yoghurt, detergent and sanitizers, fashion and design textiles and hiring of facilities. In order to enhance productivity and increase revenue, DeKUTES embarked on strengthening various revenue divisions by ensuring that each division is headed by a substantive coordinator. A total of five revenue divisions were established and coordinators appointed to coordinate and direct various activities and production process. This milestone has enabled revenue division to focus on maximizing revenue and profitability as outlined in the annual report for the year.

There was a need for a strong team that can focus on establishment of the structures and policies as well as other operating activities. This necessitated the University Management Board in consultation with the Council to second various staff to work under DeKUTES. As a result, the Company has developed various policies including consultancy policy, short courses policy, finance manual, and procurement manual as well as various business plans. The Company is in the process of formulating strategic plan which clearly provides a road map for the various activities undertaken towards achieving the Company's vision, mission and strategic objectives.

DeKUTES recognizes consultancy, capacity building, training, research and development as an effective way to disseminate knowledge, generate revenue and make a direct impact on society. This was demonstrated by approval of consultancy policy which presents a framework for coordination and implementation of innovative consultancy services through external engagements with consultants that facilitate, research, knowledge and technology transfer to private and public sectors as well as the wider industry both locally and internationally. The Company takes pride in the wide array of highly qualified human resource in the University who are experts in various fields that are its disposal for implementing consultancies.

This year also saw DeKUTES in conjunction with software development centre launch DeKUTES Microsoft Dynamics NAV ERP that is customized to suit Learning Institutions. DeKUT has operationalized the use of ERP which provides a centralized solution that brings together all core learning institution activities via automation and integration from the top management to the key clerical staff. Its automation features cover front and back-end processes, from students' management, financial management, examinations, procurement, HR among other modules which enable the users to generate reports to gain useful insights for more effective planning, scheduling, and decision-making. The ERP is expected to hit the market in the coming year targeting institutions of higher learning. The software has competitive edge having been tested by DeKUT.

It is my great joy to report that during the year the company generated gross revenue of KShs. 27,375,453 and a net profit of KShs. 1,781,481. The big picture is to have a thriving and ever growing Company competing with the very best in the world and at the same time creating more opportunities for more University staff among other stakeholders. It is worth noting that last quarter of the year (April/June) had its own unique challenges brought by Covid 19 pandemic. This mainly affected all the revenue divisions in that quarter but the team was able to diversify and focused on production of sanitizers and PPEs towards contributing to the fight against the pandemic. In return, this enabled the Company to remain afloat. I congratulate Board of Directors as well as all staff

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members and stakeholders who made it possible for the Company to adapt rapidly to Covid 19 pandemic.

The Company also embarked on acquisition of several assets such as aluminum foil sealing machine, alcohol gun, batch coder, computers, coffee grinder, continuous sealer machine and several sewing machines. The purchased equipment has gone a long way in ensuring production of quality products in a timely manner.

During the year, the company received immeasurable support and goodwill from the University Management, staff and students. DeKUTES continues to rely and leverage on University's Departments for some of its key services such as Internal Audit, Procurement, Finance, ICT, Catering, Housekeeping, HR among others. The University staff and students formed a key market for the Company's products and indirect marketing through their word of mouth and social media platforms. The Company's Board of Directors was at hand to provide Company's strategic direction, support and resources. These aspects significantly contributed to the achievements realized within the year.

Looking ahead, we will continue to reinvent our businesses, invest in new areas of growth and realign our priorities to position the Company as a business that is fit for the future. DeKUTES therefore remains committed to be the provider of choice, in consultancy, training and production of quality products leveraging on technology.

I would like to thank the Board of Directors under the leadership of our able Chairman for the support during the year under review. I would also like to thank the Council for the support and favourable responses each time we have communicated a request through our Chairman. In addition, I take this opportunity to thank all our stakeholders for their unwavering support in helping us to achieve our vision. Lastly, I want to thank DeKUTES members of staff for their tireless effort, team work and for achievements made in the year ended 30th June 2020.



Dr. Paul K. Sang
Ag. Managing Director, DeKUTES

6. REVIEW OF DeKUTES PERFORMANCE FOR FY 2019/2020

Performance during the 2019/2020 financial year

Performance during the 2019/2020 financial year resulted to revenue of KShs. 27,375,453 and a net profit of KShs. 1,781,481. The divisions contributed to this result as follows: DeKUT Coffee KShs. 471,633, yoghurt KShs. 1,059,300, detergent, hand wash and sanitizer KShs. 3,616,284, retail products KShs. 135,983, PPE sales KShs. 7,810,427 and hire of facilities KShs. 14,281,825. The cost of sales amounted to KShs. 12,699,971, administration cost KShs. 12,330,872 while selling and distribution amounted to KShs. 576,362. Management is working out modalities for profit up-scaling by focusing on consultancy and training services and the existing divisions.

The Company invested in immovable assets which include plant and machineries at a cost of KShs. 1,252,546, equipments KShs. 233,690, and computer and accessories KShs. 140,449. This activity has gone a long way in enhancing effectiveness and efficiency in service delivery.

DeKUTES Strategic Pillars

DeKUTES has four strategic pillars and objectives within its Strategic Plan for the FY 2020/2021-2021/2022. These strategic pillars are as follows:

- Pillar 1: To create a platform for commercialization of innovations emanating from the University that provides solutions to societal problems.
- Pillar 2: To maximize returns and create value for the shareholder.
- Pillar 3: To catalyse transformation of society
- Pillar 4: To act as a centre for business development

DeKUTES develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the FY 2019/2020 period for its four strategic pillars, as indicated in the diagram below:

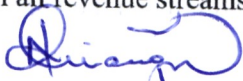
Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	To create a platform for commercialization of innovations emanating from the University that provides solutions to societal problems.	<ul style="list-style-type: none"> • Consultancies & Training • Commercialized products 	<ul style="list-style-type: none"> • Bid and offer consultancy and training • Sale of products 	<ul style="list-style-type: none"> • Submitted various consultancy proposals during the year • Various products developed from the University were commercialized
Pillar 2:	To maximize returns and create value for the shareholder.	<ul style="list-style-type: none"> • Increased revenue and profitability 	<ul style="list-style-type: none"> • Product diversification 	<ul style="list-style-type: none"> • Realized revenue of KShs. 27,375,453 with net profit of KShs. 1,781,481
Pillar 3:	To catalyse transformation of society.	<ul style="list-style-type: none"> • Capacity building • Mentorship and coaching • Corporate responsibility 	<ul style="list-style-type: none"> • Capacity building activities • CSR 	<ul style="list-style-type: none"> • Trained, coached and mentored Laikipia County and Ndaragwa constituency residents on PPE

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				production <ul style="list-style-type: none"> • Provided financial support as part of CSR to the DeKUT endowment golf tournament and purchased DeKUT volleyball team uniforms
Pillar 4:	To act as a centre for business development	<ul style="list-style-type: none"> • Business plans 	<ul style="list-style-type: none"> • Develop business plan 	<ul style="list-style-type: none"> • Various business plans developed.

Projections for FY 2020/2021

The Company commits to continually provide quality and innovative products and services, increase its revenue generation, implement effective marketing strategies and maintain outstanding stakeholder relationships within the 2020/2021 financial year. The objective is to increase net income on all revenue streams by 20%.



Prof. Eng. P. N. Ndirangu Kioni
Chairman, DeKUTES Board of Directors

7. CORPORATE GOVERNANCE STATEMENT

Corporate Governance:

The company is governed by the Board of Directors whose conduct is guided by the articles and memorandum of association. The Board of Directors is responsible for the governance of the Company and is accountable to the University which is the sole shareholder in ensuring that the Company complies with the law and the highest standards of corporate governance and business ethics. The Board attaches great importance to the need to conduct business in a manner that promotes integrity and in accordance with the generally accepted corporate practice.

The Board of Directors:

The Board is made up of a substantial majority of Independent, non-executive Directors, including the Chairman. The Directors are given appropriate and timely information so that they can maintain full and effective control over all strategic, financial, operational and compliance issues.

Composition of Board:

The Board of Directors draws its membership from the office bears of the following offices at Dedan Kimathi University of Technology, namely: Vice Chancellor's, Deputy Vice Chancellors, Finance Officer and the Managing Director of the Company. The company has a succession plan at the Board level where Board Members assume office upon recruitment in any of the above positions as provided for by the Articles of Association of the Company.

Board Meetings:

The various sub-committees meet once per quarter to deliberate on issues requiring the Board of Directors' intervention before tabling their reports in the full board meetings. Full board meetings were held four times during the year.

Directors' Benefits:

In the current financial year, no Director received or became entitled to receive any benefit other than amounts received under employment contracts for Executive Director. The aggregate of emoluments for Directors' services rendered in the financial year is disclosed in the detailed financial report. However, to motivate the Directors and enlighten them on any new development in the sector, the company organizes an annual workshop for the directors training on corporate governance.

Conflict of Interest:

Board of Directors are considered to be independent and free from any business interest or other relationship that could interfere with the exercise of their independent judgment. In addition, the Director declares whether or not they have any interest on every matter tabled for deliberations and the record of the same maintained.

Board Evaluation

Performance of the Board is monitored and evaluated annually. This is done through the signing of performance contracts and annual evaluation of performance against the set targets. Further the conduct of the Directors is guided by the code of ethics provided for all directors.

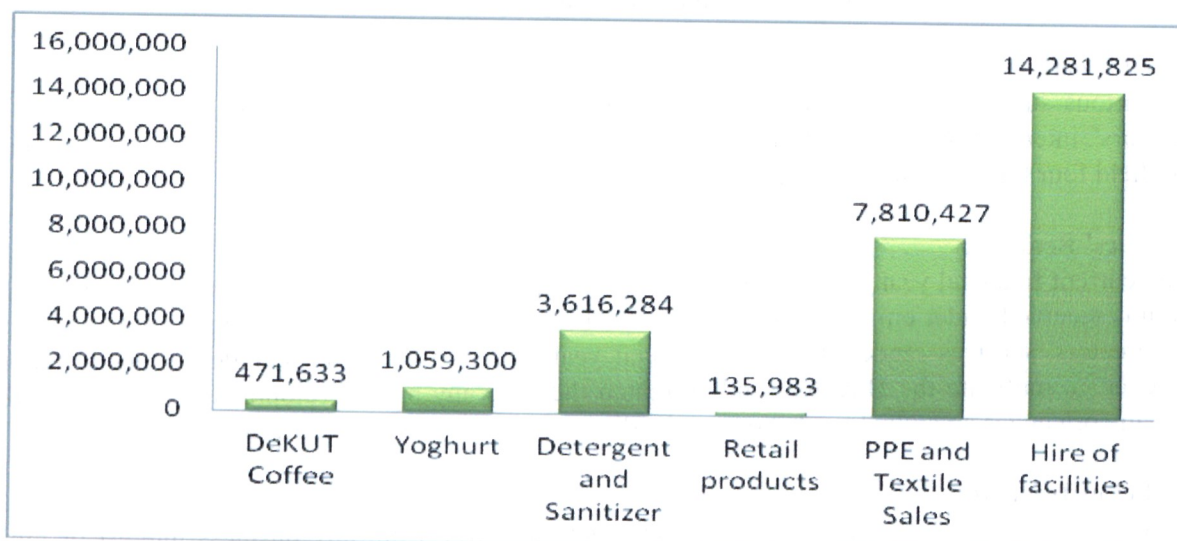
8. MANAGEMENT DISCUSSION AND ANALYSIS

DeKUTES is the commercial arm of DeKUT whose mandate is to mobilize resources through investing in various income generating activities and establishing value addition activities. The Company’s Vision is “To be the provider of choice, in consultancy, training and production of quality products leveraging on technology”. This will be achieved by leveraging on highly qualified human resource at DeKUT in provision of consultancy, training and production of quality products utilizing recent technologies for the benefit of public, private and non-governmental organizations.

In the year 2019/2020, we made good progress against our strategic objectives, including focusing on new products development, product diversifications, market penetration and continued refinement of our product mix. The company managed to transact business with a number of private and public institutions as well as non-governmental institutions. For the purpose of this management discussion and analysis report, DeKUTES is considering 2019/2020 as the base year. During the year 2018/2019 when the Company commenced business operations, the main focus was to establish structures as well as embarking on legal and regulatory framework compliance hence not appropriate for comparative analysis.

2.1 Revenue Divisions Performance

The year 2019/2020 saw the company generate gross revenue of KShs. 27,375,453. This revenue was generated from various revenue divisions as outlined below.



Processing and sale of DeKUT Coffee Premium Blend

DeKUT Coffee Premium Blend is produced from 100% Arabica beans grown at the Dedan Kimathi University of Technology Farm. Coffee processing unit is anchored under the Institute of Food Bio-resources Technology. The Unit processes medium roast as well as dark roast coffee which is medium grind to cater for different needs of the consumers. We also have medium roast and dark roast coffee beans on sale. The coffee is packaged in quantities of 100g and 250g.

Yoghurt

Our diverse and unique flavours of yoghurt include coffee yoghurt, chia enriched yoghurt, vanilla and strawberry flavoured yoghurt as well as natural yoghurt. The primary source of the milk used in production of this yoghurt is the University farm. Natural flavours and additives are used in production of this yoghurt. Our yoghurt is packaged in quantities of 250mL, 500mL, 1L and 2L. Yoghurt production unit is anchored under the Institute of Food Bio-resources Technology.

Multi- Purpose Detergent, Sanitizers and Hand Wash

Detergent production unit is anchored in the Chemistry Department. The unit produces multi-purpose detergent which is packaged in quantities of 1L, 5L, and 20L. Primary consumers of the multi-purpose detergent are the University's housekeeping and catering departments. The unit also produces hand wash which is packaged in quantities of 300mL and 500mL.

PPE and Textile

Fashion & Design production unit is anchored in the Institute of Technical and Professional Studies. The unit produces branded T-Shirts, dust coats, overall, hats, curtains among other products on order. In the last quarter, the department came in handy in production of personal protective equipment such as face masks and hazmat suits which made the Company to remain afloat during that period.

Hire of University Facilities

DeKUTES facilitates hire of University facilities to external customers for conferences and workshops. The University has well equipped venues ideal for boardroom meetings, training, seminars and conferences, team building, sports events and other outdoor activities.

Consultancies and Training

DeKUTES leverages on the huge pool of professionals and specialized facilities that provide a platform for provision of consultancy services and training. The Company creates an avenue for University staff to utilize their expertise, knowledge and skills in provision of innovative solutions

The Company increasingly intends to expand the revenue divisions. Various business proposals are underway such as commercialization of DeKUTES Microsoft Dynamics NAV ERP, establishment of a car wash among other strategic alliances and partnership with other reputable organizations to leverage on expertise, machineries, sales and distribution in efforts to improve its performance.

In conclusion, the Company has started in a healthy financial position being able to meet all operational cost and report a net profit of KShs. 1,781,481. We expect the net sales growth of approximately 20% and the acquisition of machineries and equipments is approximately KShs. 5 Million in the year 2020/2021.

2.2 Major Risks Facing the Organisation

The company assesses, forecast as well as identifies risk through the audit, risk and governance board committee. However the company is exposed to varieties of risks including liquidity risk, operational risk and market risk

Liquidity risks

This is the risk that the company is unable to meet its obligations when they fall due as a result of sudden and potentially protracted increase in cash outflows. These outflows could be principally through increase of general wages through industrial action and court award, inflationary pressure, currency depletion or unexpected operational, maintenance costs due to an Act of God. The company manages this risk by properly maintaining stringent cash flow management and adherence to the budgets. A contingent account is in place to mitigate some of the factors. Known risks have been insured

Operational risk

This is a risk attributable to direct impacts resulting from human factors, in adequate or failed internal processes and systems or external events. Operational risks are inherent in the company business

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activities and are typical of any water provider. Losses from operational risks of small significance are expected to occur and are accepted as part of normal course of service delivery. Those of material significance are rate and the company seeks to reduce

Market risk

DeKUTES takes on the exposure to market risk, which is the risk that changes in market prices or raw materials used in production of final products affects the company's surplus. Such changes in the market prices cause fluctuations to the cashflows of the company. Market risk monitoring is done by the management in conjunction with the Board of directors. Market risk exposures are measured by sensitivity analysis and appropriate management measures instituted.

2.3 Compliance with Statutory Requirements

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") using the Public Sector Accounting Standards Board Reporting Template. In addition, the company is in compliance with Income Tax, VAT and statutory deductions requirements, policies and procedures. The company is working towards full compliance will corporate governance issued as required under the Mwongozo Code.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

DeKUTES exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on 5 key Areas. Below is a brief highlight of our achievements in each key area:

3.1 Sustainability Strategy and Profile

DeKUTES commenced autonomous business operations in March 2019. Therefore, the year under review marks the 2nd in our corporate history. Our strategic priorities are reflected in four strategic objectives which include: to create a platform for commercialization of innovations emanating from the university that provides solutions to societal problems, to maximize returns and create value for the shareholder, to catalyse transformation of society and act as a centre for business development. These objectives have considered the opportunities and challenges in our operating context, including the practical impacts that an expanded business venture brings, as well as the added value and efficiencies that our sustainability focus offers. The strategies are also shaped in the context of anticipated growth for the company.

At the end of 2019/2020, the company had established five different revenue divisions which are treated as Income Generating Units. Our purpose is to create sustainable value for our customers and consumers, shareholders as well as for the wider society and communities in which we operate. Each revenue division was operational self sustaining after being able to break even and generate surplus. This initial achievement was actualised as a result of joint effort by University Council and Board of Directors who ensured that DeKUTES was provided with support it required to discharge its mandate. The current priority is to reformulate five years strategic plan which will clearly provides the road map for the various activities undertaken towards achieving the Company's vision, mission and strategic objectives. The company will also ensure continuous compliance with legal and regulatory framework.

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3.2 Environmental Performance

DeKUTES has continued to implement environmental awareness programmes among staff. The company ensures that projects implemented as well as activities under its operations comply with National environmental management authority (NEMA) requirements. During this reporting period DeKUTES has maintained a focus on enhanced environmental improvements. Ongoing environmental management improvements mainly focus on; focusing of on use of biodegradable substances, use of environmental friendly packaging materials, internal training on environment pollutants and controls and application of NEMA license where applicable.

3.3 Employee Welfare

DeKUTES is cognisant of the roles played by its employees and has implemented employees' welfare which focused on development of human resource policies and procedures manual which provides guidelines in the management and development of human resource capacity towards the achievement of DeKUTES goals and objectives. Outlines employee benefits such as salaries and wages, annual leave among other benefits, training needs analysis on areas of specialisation and provision of conducive working environment

3.4 Market Place Practices

DeKUTES undertake feasibility studies and market surveys before development and introduction of the product in the market. The company have embraced the following marketing strategies to create awareness and sell its products and services; personal selling, networking, online marketing and strategic alliance. In order gain competitive advantage the company has embarked on product differentiation, market penetration and product development

3.5 Community Engagements

The Company takes its corporate responsibilities ("CSR") seriously and is committed to advancing its policies and systems to ensure it addresses and monitors all aspects of CSR that are relevant to it. During the year the Company has undertaken the following CSR Activities;-

- a) Contributed Ksh. 50,000 towards Endowment Fund. DeKUT established Endowment Fund to raise funds to support special needs student with scholarships. During the year 2019/2020, the company organized Golf Tournament to support the fund and donated Ksh. 50,000. The objective was to give golfers, businesses and individuals an opportunity to support the initiative. The fund provides an avenue to make education easier to access by needy students.
- b) Procured sports Uniform worth Ksh. 35,000 for DeKUT Students' Volleyball team. Students do not have uniforms. Benefits of sport health reduce stress. Encourage students board played the game when presenting uniform. Incentive to encourage sports, uniformity as they have uniform unique to them. DeKUTES is housed in the university where our immediate society is staff and students

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10. 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 the *entity's* affairs.

Principal activities

The principal activities of the company are to offer consultancy services, training and production of quality products.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1 *and the comparative figures for the year 2018-2019 relating to the four months the company operated (March 2019 – June 2019)*. The results of the profit made during the year are as follows:

	2019-2020	2018-2019
	Kshs	Kshs
Profit (Loss) before taxation	1,781,481	(73,677)
Income tax charge	231,831	0
Profit (Loss) after taxation	1,549,650	(73,677)

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Company in accordance with the provisions of Articles 229 of the Constitution of Kenya and the Public Audit Act, 2015.

By Order of the Board



DEKUTES
Corporate Secretary
NYERI

Date: 26/8/20

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and *section 635 of the Companies Act 2015*, 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/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. 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, 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 Company; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors 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 Companies Act 2015. The Directors are of the opinion that the Company financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2020, and of the Company 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 financial statements as well as the adequacy of the systems of internal financial control.

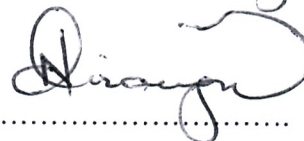
Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Company's financial statements were approved by the Board on 26th August 2020 and signed on its behalf by:



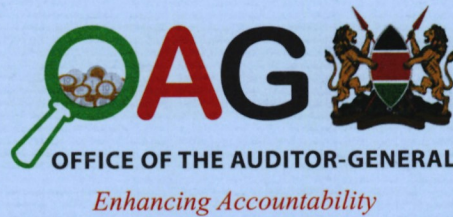
.....
Managing Director
Dr. Paul Sang



.....
Chairperson of the Board.
Prof. Eng P.N Kioni

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
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 DEKUT ENTERPRISES COMPANY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of DEKUT Enterprises Company set out on pages 1 to 57, which comprise the statement of financial position as at 30 June, 2020, and the statement of profit or loss and other comprehensive income, 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 effects 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 DEKUT Enterprises Company 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.

Basis for Qualified Opinion

Unconfirmed Comparative Balances

The financial statements for the year under review were the first to be submitted by the Company to my Office for audit. Management did not submit financial statements for the 2018/2019 financial year contrary to the requirements of Section 47 of the Public Audit Act, 2015. Consequently, the validity, completeness and accuracy of the opening balances for assets totalling Kshs.5,632,785, equity and liabilities totalling Kshs.5,506,463 and capital and reserves totalling Kshs.126,323 as at 01 July, 2019, these being the comparative balances for 2018/2019 reflected in the financial statements for the year under review, could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the DEKUT Enterprises 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.

Emphasis of Matter

Provision for Bad and Doubtful Receivables

Disclosed in Note 27(a) to the financial statements is a provision for bad and doubtful on receivables totalling Kshs.437,584. Included in the provision is Kshs.200,000, relating to a fraudulent payment reportedly made by a customer who had been supplied with goods of equivalent value. Records provided for audit indicated that the fraud was under investigation but no recovery of the loss had been made as at 30 June, 2020.

My Opinion is not modified in respect of this matter.

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. I have determined that there are no key audit matters to report in the year under review.

Other Information

The Directors are responsible for the other information. The other information comprises the report of directors as required by the Companies Act, 2015, and the statement of the directors' responsibilities which are obtained prior to the date of this report, and the annual report which is expected to be made available after that date.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated. Based on the work I have performed on the other information obtained prior to the date of this auditor's report, if I conclude that there is material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 matter described in the Basis for Conclusion on Lawfulness and

Effectiveness in Use of Public Resources sections 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

Non-Compliant Board of Directors

I draw attention to Pages vi and vii of other information accompanying the financial statements on Board of Directors of the Company. The Company has four Directors and a Company Secretary. However contrary to the provisions of Paragraph 1.20 of the Mwongozo Code of Governance for State Corporations, the Company Secretary was as at 30 June, 2020 not a Certified Public Secretary and was therefore not a member of the Institute of Certified Secretaries of Kenya.

As a result, the composition of the Board was not compliant with the Mwongozo Code.

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 the audit, that:

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;

- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with books of account; and
- (iv) In my opinion, the information given in the report of the directors on Page XX is consistent with the financial statements.

Responsibilities of Management Directors and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related 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 cease operations.

The Directors are 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, the 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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with the 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 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 an 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 assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with Section 7(1)(a) of 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 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 directors.
- Conclude on the appropriateness of the Directors' 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 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 Directors with a statement that I have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 February, 2022

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13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
REVENUES			
Revenue	6	27,375,453	5,528,552
Cost of sales	7	(12,926,508)	(3,010,728)
Gross profit		14,448,945	2,517,824
Interest income	9	239,770	
TOTAL REVENUES		14,688,715	2,517,824
OPERATING EXPENSES			
Administration Costs	12	12,330,872	2,450,046
Selling and Distribution Costs	13	576,362	141,455
TOTAL OPERATING EXPENSES		12,907,234	2,591,501
PROFIT/(LOSS) BEFORE TAXATION		1,781,481	(73,677)
INCOME TAX EXPENSE/(CREDIT)	16	231,831	0
PROFIT/(LOSS) AFTER TAXATION		1,549,650	(73,677)

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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	19	1,787,743	466,295
Intangible assets	20	66,667	0
Total Non-Current Assets		1,854,410	466,295
Current Assets			
Inventories	26	5,374,200	404,933
Trade and other receivables	27(a)	4,514,104	3,045,158
Short-term deposits	29	6,000,000	0
Bank and cash balances	30	2,610,749	1,716,399
Total Current Assets		18,499,054	5,166,490
TOTAL ASSETS		20,353,464	5,632,785
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital reserves	45(iv)	200,000	200,000
Retained earnings	45(iv)	1,475,972	(73,677)
Capital and Reserves		1,675,972	126,323
Current Liabilities			
Trade and other payables	38	18,445,661	5,506,463
Current Tax	16	231,831	0
Total Current Liabilities		18,677,492	5,506,463
TOTAL EQUITY AND LIABILITIES		20,353,464	5,632,785

The financial statements were approved by the Board on 26th August 2020 and signed on its behalf by:




.....
Managing Director

Dr. Paul Sang



.....
Head of Finance

Joseph Mungai
ICPAK M/NO: 24915



.....
Chairman of the Board

Prof Eng. Paul N. Kioni

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

	Capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2018	0	0	0	0	0	0	0
Capital – Addition	200,000	0	0	0	0	0	200,000
Total comprehensive income	0	0	0	(73,677)	0	0	(73,677)
At June 30, 2019	200,000	0	0	(73,677)	0	0	126,323
At July 1, 2019	200,000	0	0	(73,677)	0	0	126,323
Total comprehensive income	0	0	0	1,549,650	0	0	1,549,650
At June 30, 2020	200,000	0	0	1,475,973	0	0	1,675,973

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

	Capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/ Development Grants/Fund	Total
At July 1, 2018	0	0	0	0	0	0	0
Capital – Addition	200,000	0	0	0	0	0	200,000
Total comprehensive income	0	0	0	(73,677)	0	0	(73,677)
At June 30, 2019	200,000	0	0	(73,677)	0	0	126,323
At July 1, 2019	200,000	0	0	(73,677)	0	0	126,323
Total comprehensive income	0	0	0	1,549,650	0	0	1,549,650
At June 30, 2020	200,000	0	0	1,475,973	0	0	1,675,973

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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2019-2020	2018-2019
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	42	8,604,368	2,080,385
Net cash generated from/(used in) operating activities		8,604,368	2,080,385
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	19	(1,626,684)	(563,986)
Purchase of intangible assets	20	(83,333)	(0)
Net cash generated from/(used in) investing activities		(1,710,018)	(563,986)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new capital		0	200,000
Net cash generated from/(used in) financing activities		0	200,000
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,894,350	1,716,399
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		1,716,399	0
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	42(b)	8,610,749	1,716,399

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2020

DESCRIPTION	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference	
	2019-2020		2019-2020		2019-2020		2019-2020		2019-2020	
REVENUES	Kshs		Kshs		Kshs		Kshs		Kshs	
Revenue	34,336,925		(3,524,025)		30,812,900		27,375,453		3,437,447	
Cost of sales	21,683,272		(5,280,488)		16,402,784		12,926,508		3,476,276	
Gross profit	12,653,653		1,756,463		14,410,116		14,448,945		38,829	
Interest income	0		245,000		245,000		239,770		5,230	
TOTAL REVENUES	12,653,653		2,001,463		14,655,116		14,688,715		33,599	
OPERATING EXPENSES										
Administration Costs	10,299,033		2,214,467		12,513,500		12,330,872		182,628	
Selling and Distribution Costs	713,695		(117,695)		596,000		576,362		19,638	
TOTAL OPERATING EXPENSES	11,012,728		2,096,772		13,109,500		12,907,234		202,266	
PROFIT/(LOSS) BEFORE TAXATION	1,640,925		(95,309)		1,545,616		1,781,481		235,865	
INCOME TAX EXPENSE/(CREDIT)	410,231		129,354		539,585		231,831		307,754	
PROFIT/(LOSS) AFTER TAXATION	1,230,694		(224,663)		1,006,031		1,549,650		543,619	

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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.

- (i) Revenue target was not achieved due to down turn in business activities as a result of COVID-19 pandemic which brought about social distancing measures and this affected income from conference activities which are a major source of income.
- (ii) There were savings in cost of sales which was a result of few business opportunities arising from conferencing activities which was as a result of COVID-19 pandemic
- (iii) The adjustments were as a result of supplementary budget in the month of March 2020 due to the pandemic outbreak. The budget review necessitated the production of facemasks and sanitizers in the fight against Covid-19.

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

DEKUT Enterprises Company is established by and derives its authority and accountability from the Companies Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is manufacturing of detergents including sanitizer, processing and packaging premium coffee, production of yoghurt, consultancy, conferencing activities and commercialising any other innovations of the University.

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 18.

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

The financial statements have been prepared in accordance with the PFM Act, the Companies Act, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. 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. Based on the Directors' assessment, right of use assets of KSh 0, lease liabilities of KSh 0 and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

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 2020, allow entities to measure prepayable 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 2020, 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 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 2020, 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 2020, 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 2020, 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 2019)

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 2020, 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

Amendments to IAS 1 and IAS 8 Definition of material

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

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 2019- Applicable for annual periods beginning 1 January 2020)

Together with the revised *Conceptual Framework* published in March 2019, 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 2019) 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.

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 2019.

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

b) In-kind contributions

In-kind contributions are donations that are made to the *entity* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *entity* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value using the depreciation rate. The annual depreciation rates in use are:

Plant and machinery	12.5 %
Computers and related equipment	30%
Equipment, furniture and fittings	12.5 %

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of five years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

h) Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognised 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. A general provision is made at a rate of 5 % of the receivables at the end of the year.

n) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation (Continued)

Current income tax (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

o) Cash and cash equivalents

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

p) Borrowings

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

q) Trade and other payables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Retirement benefit obligations

The entity does not operate a defined contribution scheme for the employees since the Company does not pay its employees directly since they are on secondment from the university and so the appointing authority ensures compliance to all the terms and conditions as agreed between the employer and the employee and also ensure compliance to the existing labour and taxation laws in Kenya.

s) Provision for staff leave pay

Employees' entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date. The Company does not pay its employees directly since they are on secondment from the university and so the appointing authority ensures compliance to all the terms and conditions as agreed between the employer and the employee and also ensure compliance to the existing labour and taxation laws in Kenya.

t) 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 recognised in profit or loss.

u) Budget information

The original budget for FY 2019-2020 was approved by the Company board of directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget..

The entity's budget is prepared on accrual basis and so is 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. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

u) Budget information (Continued)

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 section 6 of these financial statements.

v) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

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

x) 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, 2019.

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 judgements, estimates and assumptions made: e.g

5 SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY
(Continued)

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 12(a).

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. Provision for bad debts is made in full where a debt is deemed uncollectible whereas a general provision of 5% is made on the total debtors.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

6 REVENUE

	2019/2020	2018/2019
	Kshs	Kshs
Gross sales of goods	14,414,007	1,008,529
Gross sales of services	16,566,918	4,996,382
Less: Value added tax on gross sales	(3,605,471)	(476,359)
Total	27,375,453	5,528,552

[sale of services as illustrated above was the major boost in the revenues until the COVID 19 disrupted the service industry us included]

7 COST OF SALES

	2019/2020	2018/2019
	Kshs	Kshs
Cost of sales on goods	6,347,452	617,209
Cost of sales on services	6,579,056	2,393,519
Total	12,926,508	3,010,728

8 GRANTS FROM NATIONAL GOVERNMENT

	2019/2020	2018/2019
	Kshs	Kshs
Recurrent grants received	0	0
Capital grants realized (see note below)	0	0
In Kind contributions/ donations	0	0
Total	0	0

(Note: For capital/development grants the amount recognized in the statement of comprehensive income should be the depreciation/amortisation equivalents for assets that have been acquired using such capital/development grant as per IAS 20).

[There were no capital/development grants in the current financial year:]

Name of the Entity sending the grant	Amount recognized in the Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2019-2020 KShs
Ministry/State Department	0	0	0	0	0
Ministry	0	0	0	0	0
Total	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9 INTEREST INCOME

	2019- 2020	2018-2019
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	239,770	0
Total	239,770	0

[This is income from On-call deposit in Consolidated Bank of Kenya]

10 OTHER INCOME

	2019- 2020	2018-2019
Description	Kshs	Kshs
Sale of tender documents	0	0
Fines and penalties	0	0
Cash donations	0	0
In kind donations	0	0
Gain on sale of fixed assets	0	0
Insurance compensation	0	0
Other miscellaneous receipts	0	0
Total	0	0

[The Company did not have income except from its core business]

11 OTHER GAINS AND LOSSES

	2019- 2020	2018-2019
Description	Kshs	Kshs
Foreign exchange gains / (losses)	0	0
Loss/gain on disposal on sale of investments	0	0
Unrealized foreign exchange gains/(losses)	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12 (a) ADMINISTRATION COSTS

Description	2019 Kshs	2018 Kshs
Travelling and accommodation	63,275	0
Telephone expenses	12,383	0
Printing & stationery	172,660	8,248
Subscription to professional bodies	149,434	0
Entertainment expenses	900	0
Licenses	49,817	0
Internet connections materials	51,000	0
Bank charges and commissions	66,545	10,739
Repairs and maintenance	11,683	0
Asset tagging & Barcoding	69,000	0
Depreciation	42,135	0
Amortisation on Software	16,667	0
Staff Management Costs	10,426,888	2,431,059
Corporate Social Responsibility	80,972	0
AGM expenses	137,763	0
consultancy fees Expenses	241,200	0
Bad debts Provision -Specific	200,000	0
Bad debts Provision -General	237,584	0
Auditors Fee-Provision	300,000	0
Fines	967	0
Total	12,330,873	2,450,046

12 (b) STAFF COSTS

Salaries and allowances of permanent employees	0	0
Wages of temporary employees	0	0
Compulsory national health insurance schemes	0	0
Compulsory national social security schemes	0	0
Other pension contributions	0	0
Leave pay and gratuity provisions	0	0
Staff welfare	0	0
Total	0	0
The average number of employees at the end of the year was:		
Permanent employees – Management	0	0
Permanent employees – Unionisable	0	0
Temporary and contracted employees	0	0
Total	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 SELLING AND DISTRIBUTION COSTS

	2019-2020	2018-2019
Description	Kshs	Kshs
Staff Management Costs	440,153	79,863
Publicity material	60,474	61,592
Exhibitions	30,000	0
Depreciation	45,735	0
Total	576,362	141,455

14 FINANCE COSTS

	2019-2020	2018-2019
Description	Kshs	Kshs
Interest expense on loans	0	0
Interest expense on bank overdrafts	0	0
Interest on lease liabilities	0	0
Total	0	0

15 OPERATING PROFIT/(LOSS)

	2019-2020	2018-2019
	Kshs	Kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	0	0
Depreciation of property, plant and equipment	305,236	97,691
Amortisation of intangible assets	16,667	0
Provision for bad and doubtful debts	437,584	0
Auditors' remuneration - current year provision	300,000	0
Interest receivable	(239,770)	0
Total	819,717	97,691

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16 INCOME TAX EXPENSE/(CREDIT)

(a) Current taxation

	2019-2020	2018-2019
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	231,831	0
Current tax: prior year under/(over) provision	0	0
Total	231,831	0

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

	2019-2020	2018-2019
	Kshs	Kshs
Profit before taxation	1,781,481	0
Tax at the applicable tax rate of 30%	534,444	0
Current tax	231,831	0
Tax effects of expenses not deductible for tax purposes	(282,428)	0
Tax effects of specific provision(bad debt)	60,000	0
Tax effects of excess capital allowances over depreciation/amortization	525,041	0
Total	534,444	0

[The company did not pay instalment tax since it did not anticipate to make significant profits since this it's operational for less than twenty four months]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 EARNINGS PER SHARE

The earnings per share is calculated by dividing the profit after tax of a company by the average number of ordinary shares in issue during the year. DEKUT Enterprises Company is a Company limited by guarantee and therefore has no ordinary shares.

18 DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified and declared at the relevant Annual General Meeting (AGM).

DEKUT ENTERPRISES COMPANY
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

19 PROPERTY, PLANT AND EQUIPMENT

2020	Plant and machinery	Equipment	Computers & related equipment	Furniture & fittings	Total
COST OR VALUATION					
At July 1, 2019	0	119,805	155,388	288,793	563,986
Additions	1,252,546	233,690	140,449	0	1,626,685
At June 30, 2020	1,252,546	353,495	295,837	288,793	2,190,671
DEPRECIATION					
At July 1, 2019	0	14,976	46,616	36,099	97,691
Charge for the year	156,568	42,315	74,766	31,587	305,236
At June 30, 2020	156,568	57,290	121,383	67,686	402,927
NET BOOK VALUE At June 30, 2020	1,095,978	296,204	174,454	221,107	1,787,744
2019	Plant and machinery	Equipment	Computers & related equipment	Furniture & fittings	Total
COST OR VALUATION					
At July 1, 2018	0	0	0	0	0
Additions	0	119,805	155,388	288,793	563,986
At June 30, 2019	0	119,805	155,388	288,793	563,986
DEPRECIATION					
At July 1, 2018	0	0	0	0	0
Charge for the year	0	14,976	46,616	36,099	97,691
At June 30, 2019	0	14,976	46,616	36,099	97,691
NET BOOK VALUE At June 30, 2019	0	104,829	108,772	252,694	466,295

NOTES TO THE FINANCIAL STATEMENTS (Continued)

20 INTANGIBLE ASSETS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	0	0
Additions	83,333	0
Disposals	(0)	(0)
At June 30	83,333	0
AMORTISATION		
At July 1	0	0
Charge for the year	16,666	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	16,666	0
NET BOOK VALUE		
At June 30	66,667	0

[The addition during the year relates to purchase of computer software]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21 INVESTMENT PROPERTY

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	0	0
	=====	=====
DEPRECIATION (IF AT COST)		
At July 1	0	0
Charge for the year	0	0
Disposals	(0)	(0)
Impairment loss	(0)	(0)
At June 30	0	0
	=====	=====
NET BOOK VALUE		
At June 30	0	0
	=====	=====

(The company did not hold any Investment property as at 30th June 2020)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Right-of-use assets

	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost				
At 1 July 2018 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2019 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Accumulated Depreciation				
At 1 July 2018 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2019 – Restated	0	0	0	0
Additions	0	0	0	0
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Carrying Amount				
At 30 June 2020	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
At 30 June 2020 – Restated	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

23 FIXED INTEREST INVESTMENTS (BONDS)

	2019-2020	2018-2019
	Kshs	Kshs
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	0	0
AB Corporate Bond (give details)	0	0
CD Corporate Bond (give details)	0	0
	<u>0</u>	<u>0</u>
	=====	=====

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Details		
Balance at 1 July	0	0
Additions during the year	0	0
Interest accrued during the year	0	0
Investment maturities during the year	0	0
Balance at 30 June	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24 QUOTED INVESTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
Opening valuation	0	0
Movements during the year		
Additions	0	0
Disposals	(0)	(0)
Fair value gains/(losses)	0	0
Closing valuation	0	0

Name of entity where investment is held	No of shares			Nominal value of shares/purchase price	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Current year	Prior year
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
	0	0	0	0	0	0

25 UNQUOTED INVESTMENTS

	2019-2020	2018-2019
	Kshs	Kshs
COST		
At July 1	0	0
Additions	0	0
Disposals	(0)	(0)
At June 30	0	0
IMPAIRMENT		
At July 1	0	0
Disposals	(0)	(0)
Impairment loss in the year	(0)	(0)
At June 30	0	0
NET BOOK VALUE		
At June 30	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

UNQUOTED INVESTMENTS (Continued)

Name of entity where investment is held	No of shares			Nominal value of shares/ purchase price	Value of shares less impairment	Value of shares less impairment
	Direct shareholding	Indirect shareholding	Effective shareholding			
	%	%	%	Shs	Current year Shs	Prior year Shs
Entity A	0	0	0	0	0	0
Entity B	0	0	0	0	0	0
Entity C	0	0	0	0	0	0
Entity D	0	0	0	0	0	0
	0	0	0	0	0	0

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INVENTORIES

	2019-2020	2018-2019
	Kshs	Kshs
Raw Materials		
Coffee	28,092	178,035
Detergent	1,204,303	184,008
Yoghurt	51,675	0
Equipment Production	1,402,316	0
Work in Progress		
Detergent	0	4,122
Finished Goods		
Coffee	273,191	30,236
Detergent	467,578	2,179
Yoghurt	3,286	6,353
Fashion and Design	1,654,845	0
Assorted Merchandise	288,914	0
Total	5,374,200	404,933

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27(a) TRADE AND OTHER RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade receivables (note 27 (b))	4,593,315	2,765,271
Deposits and prepayments	243,822	0
VAT recoverable	114,552	129,247
Staff receivables (note 27 (c))	0	150,640
Other receivables	0	0
Gross trade and other receivables	4,951,689	3,045,158
Provision for bad and doubtful receivable	(437,584)	(0)
Net trade and other receivables	4,514,104	3,045,158

[trade receivables are majorly from the university being the major customer of the company]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

27 (b) TRADE RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross trade receivables	4,951,689	2,765,271
Provision for doubtful receivables	(437,584)	(0)
	<u>4,514,104</u>	<u>2,765,271</u>
	=====	=====
At June 30, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	1,784,681	2,512,516
Between 30 and 60 days	2,335,003	93,860
Between 61 and 90 days	108,370	63,975
Between 91 and 120 days	60,545	94,920
Over 120 days	663,090	0
Total	<u>4,951,689</u>	<u>2,765,271</u>
	=====	=====

27 (c) STAFF RECEIVABLES

	2019-2020	2018-2019
	Kshs	Kshs
Gross staff loans and advances	0	150,640
Provision for impairment loss	(0)	(0)
	<u>0</u>	<u>150,640</u>
Less: Amounts due within one year	(0)	(150,640)
Amounts due after one year	<u>0</u>	<u>0</u>
	=====	=====

[These amounts represents unaccounted advances/ imprests]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

28 TAX RECOVERABLE

	2019-2020	2018-2019
	Kshs	Kshs
At beginning of the year	0	0
Income tax charge for the year (note 16)	0	0
Under/(over) provision in prior year/s (note 16)	0	0
Income tax paid during the year	(0)	(0)
At end of the year	0	0

29 SHORT TERM DEPOSITS

	2019-2020	2018-2019
	Kshs	Kshs
Consolidated Bank of Kenya	6,000,000	0
	6,000,000	0

The average effective interest rate on the short term deposits as at June 30, 2020 was 6%.

30 BANK AND CASH BALANCES

	2019-2020	2018-2019
	Kshs	Kshs
Cash at bank	2,601,099	1,716,399
Cash in hand	1,895	0
Mpesa cash balance	7,755	
Total	2,610,749	1,716,399

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

30(b) BANK AND CASH BALANCES (Continued)

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

Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2019-2020	2018-2019
		KShs	KShs
a) Current account			
Consolidated Bank		2,028,625	1,716,399
Consolidated Bank		572,474	
b) Others		0	0
Cash in hand		1,895	0
M pesa		7,755	0
Grand total		2,610,749	1,716,399

31 ORDINARY SHARE CAPITAL

	2019-2020	2018-2019
	Kshs	Kshs
Authorised:		
No ordinary shares	0	0
	=====	=====
Issued and fully paid:		
No ordinary shares	0	0
	=====	=====

[DEKUT Enterprises Company is limited by guarantee and has no Ordinary shares.]

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

32 REVALUATION RESERVE

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable. The Company has not revalued any class of assets and therefore has no revaluation surplus/deficit in the financial statements.

33 FAIR VALUE ADJUSTMENT RESERVE

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss. The Company does not hold any marketable securities and therefore has no fair value adjustment reserve in the financial statements.

34 RETAINED EARNINGS

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

35 BORROWINGS

Description	2019-2020 Kshs	2018-2019 Kshs
Balance at beginning of the year	0	0
External borrowings during the year	0	0
Domestic borrowings during the year	0	0
Repayments of external borrowings during the year	(0)	(0)
Repayments of domestics borrowings during the year	(0)	(0)
Exchange rate gains/(losses) on revaluation of borrowings	0	0
Balance at end of the year	0	0
Less: Amounts due with one year (current portion)	0	0
Amounts due after one year (non-current portion)	0	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 BORROWINGS (Continued)

The analyses of both external and domestic borrowings are as follows:

	2019-2020	2018-2019
	Kshs	Kshs
External Borrowings		
Dollar denominated loan from 'A'	0	0
Sterling Pound denominated loan from 'B'	0	0
Euro denominated loan from 'C'	0	0
	0	0
Domestic Borrowings		
Kenya Shilling loan from KCB	0	0
Kenya Shilling loan from Barclays Bank	0	0
Kenya Shilling loan from Consolidated Bank	0	0
	0	0
Total balance at end of year	0	0

[Foreign denominated loans should be restated based on CBK closing mean rates at the end of financial year]

36 DEFERRED TAX LIABILITY

Deferred tax is calculated on all temporary differences under the liability method using the enacted tax rate, currently 30%. The net deferred tax liability at year end is attributable to the following items:

	2019-2020	2018-2019
	Kshs	Kshs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

36 DEFERRED TAX LIABILITY (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
The movement on the deferred tax account is as follows:		
Balance at beginning of the year	0	0
Credit to revaluation reserve	(0)	(0)
Under provision in prior year	0	0
Income statement charge/(credit)	0	0
Balance at end of the year	0	0

[The company does not have any deferred tax assets/liabilities]

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LEASE LIABILITY

	2019-2020	2018-2019
	Kshs	Kshs
Maturity analysis		
Year 1	0	0
Year 2	0	0
Year 3	0	0
Year 4	0	0
Year 5	0	0
On wards	0	0
	<u>0</u>	<u>0</u>
Less: unearned interest	(0)	(0)
	<u>0</u>	<u>0</u>
Analysed as:		
Non-Current	0	0
Current	0	0

38 TRADE AND OTHER PAYABLES

	2019-2020	2018-2019
	Kshs	Kshs
Trade payables	4,025,779	5,506,463
Accrued expenses	3,162,583	0
Retention/ contract monies	0	0
Other payables	11,257,299	0
Total	18,445,661	5,506,463

[Other payables relates to staff management cost for the employees]

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39 RETIREMENT BENEFIT OBLIGATIONS

The entity does not operate a defined benefit scheme since its employees are on secondment from the university and the university pays those particular employees and then charges the company a management fee.

	2019-2020	2018-2019
	Kshs	Kshs
Valuation at the beginning of the year	0	0
Changes in valuation during the year	0	0
Valuation at end of the year	0	0
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

40 PROVISION FOR LEAVE PAY

	2019-2020	2018-2019
	Kshs	Kshs
Balance at beginning of the year	0	0
Additional provision at end of year	0	0
Leave paid out or utilised during the year	(0)	(0)
Balance at end of the year	0	0

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

41 DIVIDENDS PAYABLE

The balance of dividends payable relates to unclaimed dividends, payable to different ordinary shareholders. The balances are analysed in annual amount below.

	2019-2020	2018-2019
	Kshs	Kshs
Year 2020	0	0
Year 2019	0	0
Year 2018	0	0
Year 2017	0	0
Year 2016	0	0
Balance at end of the year	0	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 NOTES TO THE STATEMENT OF CASH FLOWS

	2019-2020	2018-2019
	Kshs	Kshs
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit/(loss)	1,549,650	(73,677)
Depreciation	305,236	97,691
Amortisation	16,666	0
Operating profit/(loss) before working capital changes	1,871,553	24,014
(Increase)/decrease in inventories	(4,969,267)	(404,933)
(Increase)/decrease in trade and other receivables	(1,468,946)	(3,045,158)
Increase/(decrease) in trade and other payables	13,170,029	5,506,463
Cash generated from/(used in) operations	8,604,368	2,080,385
(b) Analysis of cash and cash equivalents		
Short term deposits	6,000,000	0
Cash at bank	2,601,099	1,716,399
Cash in hand	1,895	(0)
M-pesa	7,755	0
Balance at end of the year	8,610,749	1,716,399

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

42 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

	2019-2020	2018-2019
	Kshs	Kshs
(c) Analysis of interest paid		
Interest on loans (note 12)	0	0
Interest on bank overdraft (note 12)	0	0
Interest on lease liabilities	0	0
	0	0
Interest on loans capitalised	0	0
Balance at beginning of the year	0	0
Balance at end of the year (note 35(b))	(0)	(0)
Interest paid	0	0
(d) Analysis of dividend paid		
Balance at beginning of the year	0	0
2017 dividends paid	0	0
2019 dividends paid	0	0
2020 interim dividends paid	0	0
Balance at end of the year	(0)	(0)
Dividend paid	0	0

43 RELATED PARTY DISCLOSURES

(a) Government of Kenya

Dedan Kimathi University of Technology is the principal shareholder of the *entity*, holding 100% of the *entity's* equity interest. Dedan Kimathi University of Technology has provided full guarantees to all long-term lenders of the *entity*, both domestic and external.

Other related parties include:

- i) The Parent Company;
- ii) Key management;
- iii) Board of directors;

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

43 RELATED PARTY DISCLOSURES (Continued)

Transactions with related parties

	2019-2020	2018-2019
	Kshs	Kshs
a) Sales to related parties		
Sales of goods to University	1,120,943	2,690,658
Sales of services University	25,000	0
Total	1,145,943	2,690,658
b) Grants from the Government		
Grants from National Govt	0	0
Grants from County Government	0	0
Donations in kind	0	0
Total	0	0
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	3,497,477	194,736
Total	3,497,477	194,736
d) Key management compensation		
Compensation to the M.D	3,880,435	2,431,059
Compensation to key management	4,287,801	0
Total	8,168,236	2,431,059

44 CAPITAL COMMITMENTS

Capital commitments at the year- end for which no provision has been made in these financial statements are:

	2019-2020	2018-2019
	Kshs	Kshs
Amounts authorised and contracted for	2,960,000	0
Amounts authorizes but not contracted for	0	0
Less: Amounts included in Work in progress	(0)	(0)
	2,960,000	0

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 CONTINGENT LIABILITIES

	2019-2020	2018-2019
	Kshs	Kshs
Bank guarantees	0	0
Legal claims against the <i>entity</i>	0	0
Letters of credit	0	0
Disputed tax penalties	0	0
	0	0

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize.

45 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The 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:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(i) Credit risk (Continued)

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2020				
Receivables from exchange transactions	4,514,104	4,514,104	0	437,584
Receivables from non exchange transactions	0	0	0	0
Bank balances	2,610,749	2,610,749	0	0
Total	7,124,853	7,124,853	0	437,584
At 30 June 2019				
Receivables from exchange transactions	3,045,158	3,045,158	0	0
Receivables from non exchange transactions	0	0	0	0
Bank balances	1,716,399	1,716,399	0	0
Total	4,761,557	4,761,557	0	0

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2020				
Trade payables	12,334,511	2,153,268	3,657,882	18,145,661
Current portion of borrowings	0	0	0	0
Provisions	300,000	0	0	300,000
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	12,634,511	2,153,268	3,657,882	18,445,661
At 30 June 2019				
Trade payables	5,265,608	240,855	0	5,506,463
Current portion of borrowings	0	0	0	0
Provisions	0	0	0	0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
Total	5,265,608	240,855	0	5,506,463

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

The entity manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2019			
Financial assets			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
Financial Liabilities			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

(iii) Market risk (Continued)

b) Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	0%	0	0
USD	0%	0	0
2019			
Euro	0%	0	0
USD	0%	0	0

c) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

The Company has no interest bearing debt and therefore the effect on the current financial statements is not considered significant.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) Financial instruments measured at fair value (Continued)

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
At 30 June 2020				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Property, plant and equipment	1,787,743	0	0	1,787,743
Intangible Assets	66,667	0	0	66,667
	1,854,410	0	0	1,854,410
	=====	=====	=====	=====
At 30 June 2019				
Financial Assets				
Quoted equity investments	0	0	0	0
Non- financial Assets				
Investment property	0	0	0	0
Property, plant and equipment	466,295	0	0	466,295
Intangible Assets	0	0	0	0
	466,295	0	0	466,295
	=====	=====	=====	=====

There were no transfers between levels 1, 2 and 3 during the year.

b) Financial instruments not measured at fair value

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

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 entity capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	1,475,973	(73,677)
Capital reserve	200,000	200,000
Total funds	1,675,973	126,323
Total borrowings/Creditors	18,445,661	5,506,463
Less: cash and bank balances	(8,610,749)	(1,716,399)
Net debt/(excess cash and cash equivalents)	9,834,912	3,790,064
Gearing	586%	3000%

47 INCOPORATION

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

48 EVENTS AFTER THE REPORTING PERIOD

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

49 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

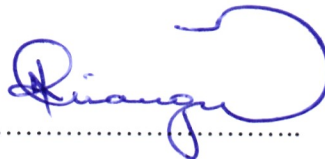
Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



.....
Managing Director
Dr. Paul Sang

Date..... 26/8/20



.....
Chairman of the Board
Prof. Eng Paul N. Kioni

Date..... 26/8/20

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APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

Status of Projects completion

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							

(The company does not have any donor funded project under implementation)

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APPENDIX III: INTER-ENTITY TRANSFERS

ENTITY NAME:			
Break down of Transfers from the State Department of 0			
FY 2019/2020			
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		0	
		0	
		0	
	Total	0	

The above amounts have been communicated to and reconciled with the parent Ministry
 Finance Manager
 entity

Head of Accounting Unit
 Ministry

Sign -----

Sign-----

(DeKUTES does not receive any transfers from state department)

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APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Donor Fund/Other	Total Amount - KES	Where Recorded/recognized						Total Transfers during the Year
				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific		
Ministry of Planning and Devolution	0	Recurrent	0	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Development	0	0	0	0	0	0	0	0
USAID	0	Donor Fund	0	0	0	0	0	0	0	0
Ministry of Planning and Devolution	0	Direct Payment	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0
Total			0	0	0	0	0	0	0	0