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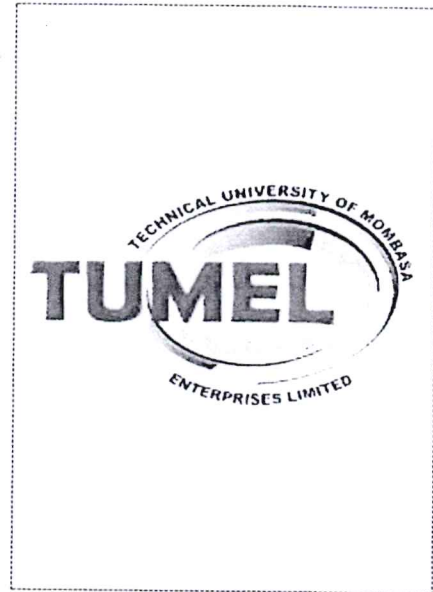
THE AUDITOR-GENERAL

ON

TECHNICAL UNIVERSITY OF MOMBASA
ENTERPRISES LIMITED

FOR THE YEAR ENDED
30 JUNE, 2025

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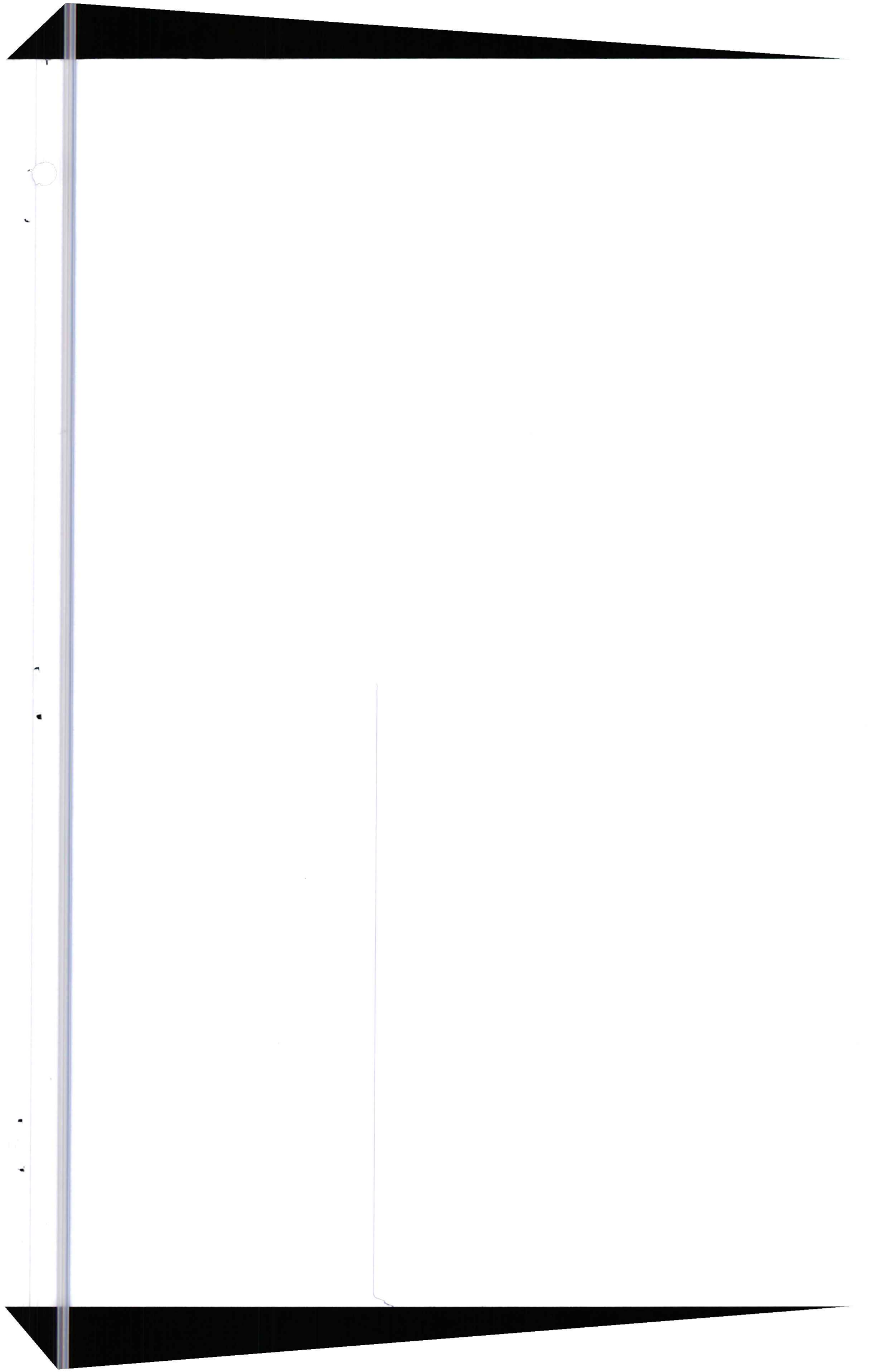
TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LTD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

Prepared in accordance with the IFRS Accounting Standards





Technical University of Mombasa Enterprises Limited
Annual Report and Financial Statements for the year ended June 30, 2025

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1. Acronyms and Definition of Key Terms

A. Acronyms

Acronym	Definition
ARCC	Audit, Risk and Compliance Committee
BOD	Board of Directors
CFIP	Certified Forensic Investigation Professional
COMRED	Coastal and Marine Resource Development
CPD	Continuous Professional Development
ERPNext	Enterprise Resource Planning (Next version)
ESG	Environmental, Social and Governance
FGPC	Finance and General-Purpose Committee
FY	Financial Year
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
KEMSFED	Kenya Marine Fisheries and Socio-Economic Development
NCA	National Construction Authority
NHIF	National Hospital Insurance Fund
NSSF	National Social Security Fund
OAG	Office of the Auditor-General
OSHA	Occupational Safety and Health Act
PFM	Public Finance Management
POS	Point of Sale
PWD	Persons with Disabilities
SLA	Service Level Agreement
SRC	Salaries and Remuneration Commission
TRI	Tourism Research Institute
TUM	Technical University of Mombasa
TUMEL	Technical University of Mombasa Enterprises Ltd
WIBA	Work Injury Benefit Act

B. Definition of Key Terms

Fiduciary Management	Members of Management are directly entrusted with TUMEL's financial resources.
Comparative Year	Means the prior period

Technical University of Mombasa Enterprises Limited

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2. Key Entity Information

a. Background information

Technical University of Mombasa Enterprises Limited (TUMEL) is a private limited Company wholly owned by Technical University of Mombasa (TUM). The Company was incorporated on 7th August 2013, under the Company Act (Chapter 486) as an income-generating unit of the University. Its primary role is to help the university mobilize resources through research, consultancy, and short-term training to improve the quality and capacity of staff for the community and private and public organizations.

TUMEL has successfully conducted consultancy services for both national and county governments, private sectors, non-governmental organizations, and international organizations.

b. Principal Activities

The principal activities of TUMEL are:

- Consultancy Services;
- Capacity Building and Professional Training;
- Cleaning, Disinfection and Fumigation Services;
- Production and Supply of Purified Drinking Water (Trademark name: TUMAQUA); and
- Hotel, Conferencing and Catering (in-house and outside) Services.

c. Directors

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

		Appointed on	
1.	Prof. Francis Kibera	Chairman of the Board	July 2022
2.	Mr. Stephen Musyoki	Rep. CS National Treasury/Member	July 2024
3.	Prof. Richard Onchiri	Member	August 2023
4.	CPA Mohammed Loo	Member	July 2024
5.	Prof. Laila Uweso Abubakar	Member	July 2017
6.	Prof. Joseph Ouma Rasowo	Member	July 2017
7.	Dr. Paul Mwasaru Mwazumbo	Member	July 2023
8.	Mr. Bernard Nyakundi Isaac	MD/Board Secretary	November 2021

d. Corporate Secretary

Technical University of Mombasa
Tom Mboya Avenue
P.O. Box 90420 80100
Mombasa, KENYA



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Key TUMEL information (continued)

e. Registered Office

Technical University of Mombasa
Tom Mboya Avenue
P.O. Box 90420 80100
Mombasa, KENYA

f. Corporate Headquarters

Technical University of Mombasa
Tom Mboya Avenue
P.O. Box 90420 80100
Mombasa, KENYA

g. Corporate Contacts

Telephone: (254) 716 772 140
E-mail: managingdirector@tumel.co.ke, tumel@tum.ac.ke

h. Corporate Bankers

National Bank of Kenya.
Tum Branch
P.O. Box 576-80100
Mombasa

i. Independent Auditors

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




j. Principal Legal Adviser

The Attorney-General
State Law Office
Harambee Avenue
P.O. Box 40112 City Square 00200
Nairobi, Kenya

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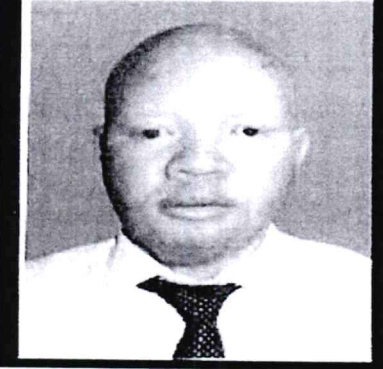


Annual Report and Financial Statements for the year ended June 30, 2025

3. The Board of Directors

SN	Directors	Details
1.	 <p data-bbox="264 709 663 746">Prof. Francis Kibera, PhD, CBS</p>	<p data-bbox="689 379 1461 692">Prof. Francis Kibera, CBS, holds a Doctor of Philosophy (PhD) from the University of Toronto, a Master of Business Administration (MBA) from the University of Alberta, and a Bachelor of Commerce from the University of East Africa (University College Nairobi). He is a fellow of Kenya Institute of Management (KIM) and a fellow of the Marketing Society of Kenya (MSK)</p> <p data-bbox="689 749 975 786">Chairman of the Board</p>
2.	 <p data-bbox="264 1140 539 1177">CPA Mohammed Loo</p>	<p data-bbox="689 798 1461 1106">CPA Loo holds a Master's Degree in Finance and a Bachelor of Commerce in Accounting. He is a fully qualified Certified Public Accountant of Kenya (CPA-K), Certified Secretary (CSK), and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Secretaries of Kenya (ICSK). He is the Director of Badi Loo & Associates and Muhammad Loo & Associates.</p> <p data-bbox="689 1118 991 1155">A Member of the Board.</p>
3.	 <p data-bbox="264 1510 663 1581">Dr. Paul Mwasaru Mwazumbo, PhD</p>	<p data-bbox="689 1199 1461 1463">Dr. Paul Mwasaru Mwazumbo holds a Doctor of Philosophy (PhD) in Business Administration, a Master's in Business Administration, and a Bachelor of Science, majoring in Chemistry, all from the University of Nairobi. He also holds a NEBOSH (UK) International Diploma in Environmental Management</p> <p data-bbox="689 1522 959 1559">Member of the Board</p>
4.	 <p data-bbox="264 1961 663 1998">Prof. Laila Uweso Abubakar, PhD</p>	<p data-bbox="689 1601 1461 1815">Prof Laila Uweso Abubakar holds a Doctor of Philosophy (PhD) in Bio-Chemistry from the University of Nairobi, a Master of Science in Biochemistry & Chemistry and a Bachelor of Science (Biochemistry & Chemistry) from the University of Nairobi.</p> <p data-bbox="689 1875 959 1912">Member of the Board</p>




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5.	 <p>Prof. Joseph Ouma Rasowo, PhD</p>	<p>Prof. Joseph Ouma Rasowo holds a Doctor of Philosophy (PhD) in Aquatic Ecology/ Aquaculture from Moi University, a Master of Science in Marine Ecology & Aquaculture from VUB Brussels, a Master of Business Administration in Strategic Management, and a Bachelor of Science in Botany/Zoology from the University of Nairobi.</p> <p>Member of the Board</p>
6.	 <p>Mr. Stephen Musyoki</p>	<p>Mr. Stephen Musyoki Munyao holds a Post Graduate Diploma in Tax Administration from the Kenya School of Revenue Administration, a Bachelor's Degree in Economics and Finance from Kenyatta University</p> <p>Member of the Board</p>
7.	 <p>Prof. Richard Onchiri, PhD</p>	<p>Prof. Richard Ocharo Onchiri holds a Doctor of Philosophy (PhD) in Civil Engineering, MSc. Civil and Industrial Engineering from St. Petersburg State University of Architecture and Civil Engineering, Russia.</p> <p>Member of the Board</p>
8.	 <p>Mr. Bernard Nyakundi Isaac</p>	<p>Mr. Bernard Nyakundi Isaac holds a Master of Science in Engineering, specializing in Electrical Engineering (University of Cape Town, South Africa), BSc. Degree in Electrical and Electronics Engineering (University of Nairobi)</p> <p>Member of the Engineers Board of Kenya and Member of the Institution of Engineers of Kenya (IEK)</p> <p>Managing Director/Board Secretary</p>





4. Key Management Team

SN	Management	Details
1.	 <p>Mr. Bernard Nyakundi Isaac</p>	<p>Master of Science in Engineering specializing in Electrical Engineering (University of Cape Town, South Africa) BSc. Degree in Electrical and Electronics Engineering (University of Nairobi) Member of the Engineers Board of Kenya and Member of the Institution of Engineers of Kenya (IEK)</p> <p>Managing Director</p>
2.	 <p>CPA Leonard Korir</p>	<p>CPA Leonard Korir holds a Bachelor of Commerce (Banking and Finance) from Kisii University He's a Certified Public Accountant of Kenya (CPA-K) and a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and The Institute of Internal Auditors (IIA). He is also a Certified Forensic Investigation Professional (CFIP) Master of Science, Finance & Accounting – Accounting major – JKUAT - Ongoing</p> <p>Consultant, Finance Officer</p>
3.	 <p>Ms. Fatuma Ahmed Khamis</p>	<p>Master of Business Administration (Strategic Management Option) Jomo Kenyatta University of Agriculture Technology (JKUAT) Bachelor Business Administration (Human Resource Management Option) Mt. Kenya University Member of Institute of Human Resource Management</p> <p>Human Resource and Administration Officer</p>

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4.	 <p>Ms. Esther Mmare Kitondo</p>	<p>Ms. Esther Mmare Kitondo holds a Bachelor’s Degree in Purchasing and Supplies Management from Taita Taveta University.</p> <p>Fully licensed member of Kenya Institute of Supplies Management, Licence No. K4116/2024.</p> <p>Procurement Officer</p>
5.	 <p>Ms. Esther Kitheka</p>	<p>Ms. Esther Kitheka holds Diploma in Travel and Tourism from Nairobi Aviation</p> <p>Bachelor of Technology in Hospitality Management – Technical University of Mombasa (TUM) – Ongoing</p> <p>Ag. Hotel & Conference Manager</p>

5. Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director	Bernard Nyakundi Isaac
2.	HR and Administration Officer	Ms. Fatuma Ahmed Khamis
3.	Procurement Officer	Ms. Esther Mmare Kitondo
4.	Ag. Hotel & Conference Manager	Ms. Esther Kitheka
5.	Finance Officer	CPA Leonard K. Korir

6. Fiduciary Oversight Arrangements

The fiduciary oversight arrangements are designed to ensure accountability, transparency, and proper financial governance:

i. Audit, Risk and Compliance Committee (ARCC):

The Audit, Risk, and Compliance Committee (ARCC) oversees the integrity of financial reporting, compliance with regulations, and internal control systems. It is tasked with



Technical University of Mombasa Enterprises Limited

Annual Report and Financial Statements for the year ended June 30, 2025

reviewing audit findings, ensuring effective risk management practices, and monitoring the implementation of audit recommendations to mitigate risks effectively.

ii. Finance and General-Purpose Committee (FGPC):

The Finance and General-Purpose Committee (FGPC) focuses on financial planning, budget reviews, and resource allocation. It oversees the organization's financial performance, ensures adherence to financial policies, and provides strategic guidance on general corporate matters, ensuring alignment with TUMEL's goals and objectives.

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7. Chairman's Statement

It is my privilege to present this report for the year ended June 30, 2025, on behalf of the Board of Directors of Technical University of Mombasa Enterprises Limited (TUMEL).

The financial year ending June 30, 2025, was marked by significant operational and economic challenges that negatively impacted revenue across key business lines. TUMEL recorded total revenue of Ksh. 76.16 million, reflecting a 41% decline from the prior year. This decrease was primarily driven by the complete absence of consultancy income and a reduction in hotel and conferencing activities. As a result, the Company reported a net loss of Ksh. 7.48 million compared to a profit of Ksh. 6.95 million in the previous year.

Despite these challenges, TUMEL made considerable progress in strategic initiatives. The Company broadened its revenue base by leveraging Mombasa's coastal advantage to aggressively market its hotel and conference facility as a MICE (Meetings, Incentives, Conferences, and Exhibitions) destination, attracting diverse domestic, regional, and international events. The water production unit, TUMAQUA, demonstrated resilience with a 13% revenue increase. Corporate governance and management frameworks were also fortified through the review and alignment of critical policies in line with the 2021–2026 Strategic Plan.

Key achievements during the year included enhanced client satisfaction in cleaning services, strengthened recruitment processes, and stringent cost containment, with total expenditure maintained at 49% of the budget. However, liquidity challenges persisted due to delayed receivables and public sector austerity measures affecting client budgets, highlighting the need to reduce reliance on project-based consultancy and expand stable revenue streams.

Looking forward, the Board is committed to driving stability and growth by focusing on strategic priorities: expanding engagement in the blue and green economy sectors, revitalizing consultancy services through proactive market outreach, scaling up TUMAQUA distribution, operationalizing the poultry project, and elevating TUMEL's status as a premier MICE hub. Efforts will also be directed at automation and enhancing operational efficiencies.

On behalf of the Board, I thank our sole shareholder (the Technical University of Mombasa), staff, and partners for their unwavering support during this transitional period. With dedicated execution and collaboration, we are confident TUMEL will recover and create long-term value for all stakeholders.



Professor Francis N. Kibera PhD, CBS
Chairman of the Board

8. Report of the Managing Director

It is my honour to present the Managing Director's report for the year ended 30th June 2025. This report highlights the key operational achievements, challenges encountered, and the strategic direction TUMEL is taking to realign with its vision of becoming a leading commercial and consultancy arm of the Technical University of Mombasa (TUM).

1. Operational Overview

The year under review was one of the most challenging periods for the Company in recent memory. TUMEL faced sharp revenue contraction, dropping from Ksh. 128.92 million in FY 2023/2024 to Ksh. 76.16 million in FY 2024/2025—a 41% decline. The absence of consultancy income (Ksh. 0 compared to Ksh. 44.78 million previously), together with reduced bookings in hotel and conferencing services, had a major impact on performance. Despite this, the Company sustained core operations and continued to implement its 2021–2026 Strategic Plan.

- Our principal focus areas remained:
- Consultancy and Training Services
- Hotel, Conferencing and Catering
- Cleaning and Fumigation
- Production and Distribution of TUMAQUA water
- Emerging income-generating ventures (poultry farming and security services)

2. Key Achievements

Corporate Governance:

The Company reviewed and aligned key operational policies in finance, procurement, human resources, and ICT. Regular board and committee meetings ensured oversight continuity. A revised Service Charter was finalized to guide service delivery.

- **Revenue Diversification:**

A significant investment has been made in the poultry farming project, which is currently 70% complete. Additionally, we advanced the registration of TUMEL Security Services to broaden our revenue base.

- **TUMAQUA Expansion:**

Water revenues increased by 13% to Ksh. 11.6 million. A focused marketing campaign and onboarding of new institutional clients drove this growth.

- **Staffing and Capacity Building:**

We hired an ICT Officer, an Assistant Finance Officer, and key restaurant staff. Total staff strength increased to 86. Internal training sessions were held to enhance skills and service delivery.



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▪ **Cleaning and Disinfection Services:**

This business line remained resilient, generating Ksh. 18.97 million. Client satisfaction levels were high, reflecting strong service standards.

3. Financial Performance

The Company reported a net loss of Ksh. 7.48 million, compared to a net profit of Ksh. 6.95 million in the previous year. The loss arose from the sharp revenue shortfall and increased board expenses associated with oversight activities and policy reviews. Notably:

- Total operating expenses stood at Ksh. 60.25 million.
- Cost of sales decreased significantly from Ksh. 62.85 million to Ksh. 23.21 million, reflecting reduced project activity.
- Trade and other receivables reduced from Ksh. 45.57 million to Ksh. 30.60 million, indicating improved debt recovery despite overall revenue decline.
- Cash and bank balances improved from Ksh. 0.40 million to Ksh. 1.85 million, supported by prudent cash flow management.

4. Challenges Faced

Overdependence on Consultancy Revenue:

The Company's financial structure is vulnerable due to reliance on consultancy contracts, which are often one-off and externally dependent.

▪ **Liquidity Constraints:**

Delays in payment by clients affected working capital, leading to temporary pressure in settling statutory obligations and supplier dues.

▪ **Reduced Training and Conferencing Demand:**

Public sector austerity measures curtailed in-house training and conferencing bookings, reducing hotel income by 21%.

5. Strategic Outlook

The Company is proactively repositioning to ensure long-term sustainability. Key actions underway or planned include:

- Operationalizing the poultry farming project to start generating income in the next financial cycle.
- Acquiring a delivery van to enhance TUMAQUA's distribution efficiency and expand market reach.
- Re-engaging with past consultancy clients and improving bid competitiveness through prequalification and market intelligence.
- Exploring new opportunities in climate-smart agriculture, Blue Economy consultancy, and digital innovation in line with national development priorities.

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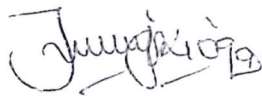


- Investing in automation (ERPNext and POS systems) to improve service efficiency and reduce operational costs.

6. Appreciation

I extend my gratitude to the Board of Directors for their unwavering strategic support and to the Technical University of Mombasa for its continued guidance and institutional backing. I also commend the TUMEL staff for their resilience and dedication during a particularly tough financial year. The collective efforts of our stakeholders give me confidence that TUMEL will emerge stronger and more agile in the years ahead.

Let us remain committed to our mission of delivering high-impact professional services that contribute to the University's vision and the broader socio-economic development of our communities.



Managing Director/Board Secretary

Bernard Nyakundi

9. Statement of Performance against Predetermined Objectives for FY 2024/25

Section 81(2)(f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statements a statement of the national government TUMEL’s performance against predetermined objectives.

Technical University of Mombasa Enterprises Ltd (TUMEL) operates under its Strategic Plan (FY2021/22–FY2025/26), which sets out Seven (7) Strategic Key Focus Areas. Each year, annual work plans are developed from these focus areas, with quarterly assessments conducted. The following table presents the performance against objectives for the year ended 30th June 2025:

Table 1: Performance Against Objectives – FY2024/25

Strategic Key Focus Area	Objective	Key Performance Indicators	Activities	Achievements
1. Corporate Governance	Strengthen governance structures	Functional, engaged Board	Regular Board meetings, policy oversight	All required Board meetings held; Board induction conducted; policies updated
	Enhance policy framework	Number of policies reviewed and aligned	Development and approval of revised policies	Updated Financial Management, HR, Procurement, and ICT policies
	Improve stakeholder communication	Service charter finalized	Service charter review and publication	Service charter completed, improving transparency to clients and stakeholders
2. Financial Sustainability	Diversify revenue streams	Progress on new business lines	Construction of poultry house; registration of security firm	Poultry project ~70% complete; security services registration advanced
3. Business Consultancy	Increase consultancy contracts	Number/value of consultancy contracts secured	Bid submissions for consultancy assignments	Multiple bids submitted but no major consultancy revenue realized; consultancy income fell to Ksh.0 from Ksh. 44.78M prior year



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4. TUM Hotel & Conferencing	Maintain competitiveness	Customer satisfaction ratings	Facility maintenance; marketing initiatives	Completed facility repairs; marginal occupancy gains, but overall hotel revenue dropped by 21%
5. Cleaning, Disinfection & Fumigation	Expand market share	Revenue growth in cleaning services	Aggressive marketing, service quality improvements	Cleaning revenue steady at ~Ksh.19M; customer satisfaction maintained
6. Human Capital Development	Build and retain competent workforce	Number of staff recruited and trained	Recruitment of key staff; capacity building	ICT Officer, Assistant Finance Officer, and restaurant staff recruited; staff increased to 86; training sessions held
7. Water Processing & Distribution	Grow TUMAQUA revenue	Annual water sales revenue	Expansion of client base; enhanced delivery logistics	TUMAQUA revenue rose 13% to Ksh.11.58M; new corporate clients onboarded

Performance Challenges

- **Revenue Dependency:** Heavy reliance on consultancy created revenue volatility when no major projects materialized in FY2024/25.
- **Cash Flow Strain:** Delayed client payments strained liquidity, impacting supplier settlements and statutory obligations.
- **External Budget Cuts:** Government austerity measures led to reduced training bookings, affecting hotel and conference revenue.

Outlook and Strategic Priorities

- Completion and operationalization of the poultry farming project to diversify income.
- Secure new consultancy and training contracts by improving bidding capacity and market intelligence.
- Further expand TUMAQUA distribution with planned acquisition of a delivery van.
- Explore opportunities in the Blue Economy and environmentally friendly services aligned with Kenya's climate resilience strategies.

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10. Corporate Governance Statement

Technical University of Mombasa Enterprises Limited (TUMEL) remains committed to the principles of good corporate governance, transparency, accountability, and ethical leadership as key pillars in achieving its mandate as the commercial arm of the Technical University of Mombasa (TUM). The governance structures and frameworks adopted by TUMEL align with the Mwongozo Code of Governance for State Corporations, the Companies Act, 2015, and relevant PFM and regulatory provisions.

i. Appointment, Removal, and Composition of the Board

Board members are appointed by the parent institution, Technical University of Mombasa, in consultation with the Ministry of Education and other stakeholders, based on merit, expertise, and representation criteria. The Board size currently stands at **eight (8)** members, comprising professionals from diverse sectors including academia, finance, engineering, public administration, and human resource management. The current Chairman is **Professor Francis Kibera, CBS**.

Directors serve on renewable terms, subject to performance and policy provisions. The process for removal of directors adheres to the provisions of the Company's Act, the Mwongozo Code, and the University's statutes. The Board operates under a formally adopted **Board Charter**, which defines its roles, responsibilities, and governance structure.

ii. Roles and Functions of the Board

The primary roles of the Board include:

- Providing strategic direction and policy oversight;
- Approving budgets, work plans, and key operational frameworks;
- Oversight of financial and risk management processes;
- Ensuring compliance with statutory and regulatory obligations;
- Monitoring performance of management and corporate objectives;
- Safeguarding the interests of the shareholder (TUM).

The Board maintains independence from management and operates through formally established committees.

iii. Induction, Training, and Development

All directors undergo a structured **induction programme** upon appointment to familiarize them with the Company's mandate, operations, legal obligations, and governance frameworks. During the year, Board members were provided with relevant updates on changes in IFRS, public procurement regulations, governance reporting, and PFM compliance. Continuous professional development is encouraged and facilitated.

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iv. Board and Members' Performance

The Board uses annual performance evaluations to assess its effectiveness, including peer reviews, self-assessments, and appraisals of individual members. In FY 2024/2025, the Board commissioned a performance review aligned with State Corporation Performance Contracting requirements. Key governance gaps were identified, and improvement actions are underway.

v. Board Meetings and Attendance

During the financial year, the Board held **four (4)** ordinary meetings and **three (3)** special meetings. Additionally, Committee meetings for Audit, Risk & Compliance (ARCC) and Finance & General-Purpose Committee (FGPC) were convened. The overall attendance rate among directors was **above 90%**, reflecting strong commitment and engagement.

vi. Succession Planning

TUMEL is developing a formal **succession plan** to ensure business continuity and leadership sustainability across the Company. During the year, the Company recruited and onboarded key technical and support staff. Internal mentorship and training for second-line leadership roles were initiated, particularly in finance, ICT, and procurement.

vii. Conflict of Interest

TUMEL **Conflict of Interest** (COI) matters are governed by the Conflict-of-Interest Act, 2025, the Companies Act, 2015, and PPADA, 2015. Interim controls include maintenance of a COI Register, mandatory recusal from deliberations/decisions where an interest exists, logging/clearance of gifts, hospitality, and outside employment within statutory timelines, ARCC review with Board approval above thresholds (and shareholder approval where required), and confidential whistleblowing channels; breaches attract sanctions under law.

viii. Board Remuneration

Board remuneration is guided by the Salaries and Remuneration Commission (SRC) guidelines and comprises sitting allowances and reimbursable expenses. No performance bonuses or other incentives are paid to non-executive directors. The Managing Director's remuneration is aligned with SRC salary bands for equivalent positions.

ix. Ethics and Conduct

The Board upholds high ethical standards, guided by a Code of Conduct and Ethics. Anti-corruption, whistleblowing, and integrity policies are in place and enforced. Directors and staff are required to adhere to ethical practices in all business dealings, consistent with public service values.

x. Governance Audit

TUMEL plans to undertake an **independent governance audit** in FY 2025/2026. This will assess the effectiveness of governance structures, compliance, stakeholder engagement, and alignment with national best practices. Preliminary internal reviews conducted during the year informed some governance enhancements.

xi. Communication and Public Relations

TUMEL communication is guided by the Mwongozo Code, the Access to Information Act (2016), the Data Protection Act (2019), and applicable public-sector integrity laws. The Board has designated the Managing Director as the authorized spokesperson (and the Board Chairman on governance matters), with all external statements, media releases, and regulator correspondence cleared through the MD. Official channels are the corporate email domain, the Company website, and quarterly stakeholder briefs; any social-media presence operates under documented SOPs for content approval, records retention, and take-down. Engagement follows a stakeholder matrix (TUM/TUM Council & Management, regulators, clients, suppliers, employees, and the community) and is conducted with accuracy, timeliness, equal access, and protection of personal data; audit- or market-sensitive information is handled under embargo and crisis-communication escalation.

xii. Terms of Reference of Committees

TUMEL has two key Board committees:

- **Audit, Risk and Compliance Committee (ARCC):** Oversees audit, internal control systems, and risk management. It reviews internal and external audit findings, tracks implementation of recommendations, and monitors the integrity of financial reports.
- **Finance and General-Purpose Committee (FGPC):** Focuses on budgeting, procurement oversight, capital investments, and financial reporting. It guides strategic resource allocation and revenue diversification plans.

Each committee has clearly defined **Terms of Reference**, approved by the Board and reviewed annually.

xiii. Related Party Transactions

TUMEL related-party matters are governed by the Companies Act, 2015, the Mwongozo Code, IAS 24, and the Public Procurement and Asset Disposal Act (PPADA). Interim controls include use of SLAs/MoUs with TUM or affiliates to evidence arm's-length terms, compliance with PPADA sourcing (or documented lawful exceptions), and full IAS 24 disclosure in the financial statements. All **Related Party Transactions** must be transparent, commercially reasonable, in the Company's best interests, and subject to Board oversight to prevent undue influence or conflict.

11. Management Discussion and Analysis

Overview of Financial and Operational Performance (FY2020/21–FY2024/25)

Over the last five years, TUMEL has experienced a mixed financial trajectory. From FY 2020/21 through FY 2023/24, the Company showed consistent growth in revenue and profitability. However, in FY 2024/25, the organization faced a sharp downturn:

Financial Year	Revenue (Ksh. Millions)	Net Profit/(Loss) (Ksh. Millions)
2020/21	88.9	13.5
2021/22	68.0	(5.5)
2022/23	85.6	3.8
2023/24	128.9	6.9
2024/25	76.2	(7.5)

The decline in FY 2024/25 was mainly due to:

- Absence of consultancy revenue (Ksh. 0 vs. Ksh. 44.78M in FY 2023/24)
- Reduced conferencing bookings due to austerity in the public sector

Despite the revenue contraction, cost containment measures stabilized expenses at 49% of the budget.

Key Projects and Investments

- **TUMAQUA Distribution Expansion:** Sales rose by 13%, driven by new corporate clients.
- **Hotel Facility Maintenance:** Upgrades contributed to improved customer retention.
- **ERPNext System Implementation:** Enhanced inventory, finance, and HR operations.
- **Poultry Farming Project:** Nearing completion (~70%); expected to start generating income in FY 2025/26.
- **Security Services Subsidiary:** Registration process initiated for market diversification.

Compliance with Statutory Requirements

TUMEL made progress in complying with:

- **PFM Act and IFRS:** Full compliance in financial reporting
- **KRA Obligations:** Part of the tax liabilities (Ksh. 2.76M) settled during the year
- **NSSF, NHIF & Housing Levy:** Remitted monthly, though there were occasional delays due to cashflow constraints.

Material statutory arrears as at 30 June 2025:

- Tax payable: Ksh. 2.76M
- Unpaid dividends: Ksh. 5.22M (unclaimed from prior years)
- Gratuity and payroll-related accruals: Ksh. 6.4M

Risk Management

Key Risks Identified:

Risk	Mitigation Strategy
Revenue dependency on consultancy	Diversification via poultry, water, and security
Liquidity risk	Improved credit control and timely client follow-up
Staff retention challenges	Internal promotions, training, and performance pay
Regulatory compliance gaps	Internal audits and ERP-linked tracking

Sector and Economic Review

- **Macro-Economic Outlook:** High inflation and delayed disbursements in government budgets weakened demand for training and conferencing.
- **Sector Review:** The consulting and training industry remained subdued due to spending cuts by MDAs. However, the water and hygiene sector showed resilience.
- **Opportunities:** Climate-smart projects, blue economy programs, MICE and PPPs in training and M&E are emerging areas of interest.

Future Outlook

- Operationalize the poultry farm in Kwale campus.
- Acquire a delivery van for TUMAQUA to boost market coverage.
- Enhance bid management to secure consultancy contracts.
- Reduce arrears in tax, statutory obligations, and supplier payments.
- Pursue green financing for environmental and ESG-aligned projects.

Conclusion

FY 2024/25 presented a sobering test for TUMEL's business model. While the Company posted a net loss, it made critical investments for future recovery and growth. With enhanced governance, renewed strategic focus, and prudent financial stewardship, management is optimistic about restoring profitability in FY 2025/26 and beyond.



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12. Environmental and Sustainability Reporting

TUMEL exists to generate income for the Technical University of Mombasa through sustainable business ventures. Sustainability underpins our strategy as we aim to maintain services and resource mobilization for the university and broader community over the long term.

i. Sustainability Strategy and Profile

- TUMEL's operations are guided by the **Sustainable Development Goals (SDGs)**, particularly SDG 6 (Clean Water and Sanitation) through TUMAQUA, and SDG 8 (Decent Work and Economic Growth) by providing employment opportunities.
- Global trends like climate change and inflation have increased operational risks and costs, necessitating efficiency and diversification strategies.
- The company promotes fair contracting practices, including allocating opportunities to youth, women, and persons with disabilities (PWDs) per public procurement guidelines.

ii. Environmental Performance

- TUMEL is **NEMA-compliant**, maintaining up-to-date environmental audits.
- Waste management protocols have been implemented in hotel and water operations; however, challenges remain in waste treatment and recycling capacity.
- Plans to go **paperless** by installing new POS and HR systems are underway, reducing paper usage and enhancing operational efficiency.
- The company vehicle is maintained regularly to reduce carbon emissions.

iii. Employee Welfare

- Recruitment follows merit-based and gender-inclusive policies.
- TUMEL promotes continuous staff development through in-house training, performance appraisals, and bonuses.
- Staff are covered under **WIBA**, and the company adheres to OSHA standards.
- No major work-related injuries were reported in FY2024/25.

iv. Market Place Practices

a. Responsible competition practice

- Enforced zero tolerance on corruption through anti-corruption and whistle-blowing policies.
- Fair tendering and competitive bidding are standard practices.

b. Responsible supply chain and supplier relations

- Strict adherence to the Public Procurement and Asset Disposal Act, including prompt payments to suppliers.

c. Responsible marketing and advertisement

- Ethical marketing upheld, avoiding false promises and exaggeration in promotions.

d. Product Stewardship

- Ensured consumer safety in TUMAQUA production and provided clear product information.
- Customer complaints are logged, investigated, and resolved promptly.

v. Corporate Social Responsibility/Community Engagements

- TUMEL engaged in **neighborhood clean-ups**, improving hygiene and community relations.
- Employment of local youth reduced unemployment and fostered social goodwill.
- Donations of food and essentials were made to children's homes.
- Participated in environmental conservation through periodic tree-planting exercises.



13. Report of the Directors

The Directors submit their report for the year ended June 30, 2025, which shows the state of the entity's affairs.

i. Principal Activities

The principal activities of the Company continue to be:

- Provision of consultancy and technical advisory services;
- Capacity building and professional training;
- Hotel, conferencing, and catering (in-house and external);
- Provision of cleaning, disinfection, and fumigation services;
- Production and distribution of purified drinking water under the trademark name **TUMAQUA**; and
- Development of new business lines, including poultry farming and security services.

These activities are aimed at generating revenue for the Technical University of Mombasa and enhancing the institution's contribution to socio-economic development.

ii. Results

The results of the Company for the year ended June 30, 2025, are set out on page 1 of the financial statements. Below is a summary of the financial performance:

Item	Amount (Ksh.)
Revenue from Operations	76,163,166
Cost of Sales	(23,214,340)
Gross Profit	52,948,826
Operating Expenses	(60,248,483)
Non-Operating Expenses	(182,840)
Net Profit / (Loss) before Tax	(7,482,497)
Income Tax Expense	–
Net Profit / (Loss) after Tax	(7,482,497)

The Company posted a **net loss of Ksh. 7.48 million** compared to a **net profit of Ksh. 6.95 million** in FY 2023/2024, primarily due to the absence of consultancy revenue and a decline in hotel and conference bookings linked to public sector austerity.

iii. Dividends

Given the net loss recorded in the year under review, the Board of Directors **does not recommend the declaration of dividends** for the year ended June 30, 2025. This decision is aimed at conserving cash to stabilize operations and support future investments.

iv. Directors

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

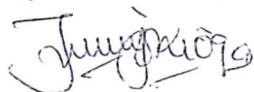
Technical University of Mombasa Enterprises Limited

Annual Report and Financial Statements for the year ended June 30, 2025

v. Auditors

The Auditor-General is responsible for the statutory audit of the Technical University of Mombasa Enterprises Limited's financial statements in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Board Secretary

Mombasa

Date:.....17/10/2025.....

14. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012, requires the Directors to prepare financial statements for Technical University of Mombasa Enterprises Limited, which give a true and fair view of the state of affairs at the end of the financial year/period and the operating results for that year/period. The Directors are also required to ensure that TUMEL maintains proper accounting records, which accurately disclose the financial position of the Company. The Directors are also responsible for safeguarding the Company's assets.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the situation for and as of the end of the financial year (period) ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the Company assets; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

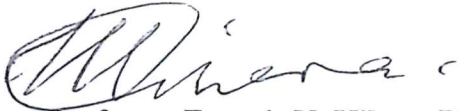
The Directors accept responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012, and the Company's Act. The Directors are of the opinion that the TUMEL's financial statements give a true and fair view of the state of the Company's transactions during the financial year ended June 30, 2025, and the financial position as of that date. The Directors further confirm the completeness of the accounting records maintained for TUMEL, which have been relied upon in the preparation of the Company's financial statements, as well as the adequacy of the systems of internal financial control.

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

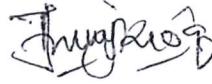


Approval of the Financial Statements

Technical University of Mombasa Enterprises Limited's financial statements were approved by the Board on 7th July 2025 and signed on its behalf by:



Name: Professor Francis N. Kibera PhD, CBS
Chairman of the Board



Name: Bernard Nyakundi
Managing Director

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Technical University of Mombasa Enterprises Limited set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2025 and the statement of profit/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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Technical University of Mombasa Enterprises Limited as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccurate Statement of profit or loss and other comprehensive income

The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.76,163,166 while on recasting the amount shows Kshs.52,948,827. The resultant variance of Kshs.23,214,339 was not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements balances could not be confirmed.

2. Inaccurate Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 11 to the financial statements reflects property, plant and equipment balance of Kshs.9,007,591 which includes plant and machinery whose cost as at 30 June, 2025 was Kshs.8,439,620. However, recasting of the plant and machinery balance revealed cost of Kshs.8,421,620 resulting to an unexplained variance of Kshs.18,000.

Further, Note 11 to the financial statement reflects property, plant and equipment balance of Kshs.9,007,591 net of accumulated depreciation charge of Kshs.9,158,841. However, the depreciation charge for the prior year of Kshs.2,655,050 differs with the comparative amount for depreciation and amortization expense under Note 9 to the financial statements of Kshs.2,967,545 by an amount of Kshs.312,495. Similarly, the depreciation amount for the period ended 30 June, 2025 of Kshs.2,272,780 shown in the schedule differs with depreciation and amortization expense under Note 9 to the financial statements of Kshs.3,317,195 by an amount of Kshs.1,044,415.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.9,007,591 could not be confirmed.

3. Unsupported Staff Costs

The statement of profit / loss and other comprehensive income and Note 9 reflects administration costs of Kshs.60,248,483. Included in this amount is Kshs.32,869,105 relating to staff costs which further includes Kshs.1,717,870 and Kshs.345,000 expended on gratuity and staff bonus and incentives respectively. However, the amounts were not supported with any expenditure documents.

In the circumstances, the accuracy and completeness of the administration costs of Kshs.60,248,483 could not be confirmed.

4. Long Outstanding Trade Receivables

The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs.30,599,561 which includes long outstanding receivables of more than one hundred and twenty (120) days of Kshs.14,273,809. Management indicated that the receivables are due from state agencies and the County Governments of Mombasa, Kilifi and Kwale and settlement of obligations by these Government entities is subject to delayed budgetary releases and procedural approvals. However, Management did not provide demand letters, follow-up correspondence or any other proof that they had made effort to recover the long outstanding receivables.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.30,599,561 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual amounts on a comparable basis of Kshs.211,800,000 and Kshs.76,346,372 respectively resulting in under-funding of Kshs.135,453,628 or 64% of the budget.

The underfunding may have affected the planned activities of the Company.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters

described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised as per the attached **Appendix** under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Internal Controls, Risk Management and Governance. Although management has indicated that the issues were resolved, no document was however provided in support of how the issues were addressed.

Other Information

The Management is responsible for the Other Information set out on page iii to xxvii which comprise of Key Entity Information, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Lack of Procurement Documents for Contracted Professional Services

The statement of profit loss and other comprehensive income and Note 9 reflects administration costs of Kshs.60,248,483. Included in the amount is Kshs.1,372,000

relating to contracted professional services. Review of expenditure revealed that the Enterprise made payments amounting to Kshs.457,000 for consultancy services for different providers. However, no documents in support of the procurement of the consultancy services were provided for audit review.

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

2. Late Acceptance of Tender Award

During the year under review, the entity procured for an ERP Next System Upgrade and Support from a firm at a contract sum of Ksh.285,000 per annum. However, audit scrutiny of the procurement file revealed that there was no evidence of advertisement and invitation to tender. Further, the letter of notification of award dated 24 March, 2025 required the letter of acceptance to be signed within fourteen (14) days, however it was signed on 10 April, 2025, three (3) days past the set deadline.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Failure to Integrate the Revenue Billing System to the Financial Management System

Review of revenue management system records indicates that the entity used an ERP software which was procured from a software vendor to enable efficient management of operations, and also used a POS system in the restaurant for billing. However, contract documents for the procurement of both Systems were not provided for audit review. Further, the ERP System was not integrated or synchronized with the POS System, M-Pesa revenue paybill account or bank account, to automatically reflect payments made by clients. Billing was done manually by the restaurant and hotel staff in the POS System while invoicing also was done manually by the finance staff who confirmed the bills and fed them into the ERP System for invoicing.

There was no integration between ERP System and POS System and verification and confirmation of payments was done manually by the same finance staff who fed payment details and references to the ERP System for receipting.

In addition, there was a disconnect between revenue billing and invoicing and there was also no segregation of duties of invoicing and confirmation of payments and receipting.

In the circumstances, the integrity and reliability of the ERP System could not be confirmed.

2. Lack of an ICT Policy, IT Continuity plan and Disaster Recovery plan

Review of administrative and ICT records including internal controls revealed that the Enterprise lacked a formally documented approved ICT Policy, IT continuity plan and a disaster recovery plan. This indicated weaknesses in internal controls of the systems that the Enterprise uses.

In the circumstances, the entity is at risk of loss of data in an event of a disaster and the IT controls are weak.

3. Lack of Board Evaluation

During the year under review, it was noted that the entity did not conduct a board evaluation which is necessary for evaluating the performance of the individual board members and the committees of the board. This is contrary to the Mwongozo code of governance for State Corporations, 2015 which recognizes the importance of appointment of professional boards with defined skillset, to undertake board induction and evaluation and require regular performance reports. Further, that the performance of the board, its committees and individual directors be evaluated annually.

In the circumstances, the effectiveness and performance of board members could not be confirmed.

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 controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

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

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

- ii. The information given in the Directors' report on pages xxiv to xxv is consistent with the financial statements.

The Companies Act, 2015 requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Company's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and Board of Directors.

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

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

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

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

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

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

04 November, 2025

Appendix

Unresolved Prior Year Matters

1. Unexplained Variances

Review of the financial statements reflects the following unexplained variances:

- i. The statement of profit or loss and other comprehensive income reflects total revenue of Kshs.129,794,791 while on recasting the amount totalled Kshs.66,939,428. Further, the opening balance of total revenue of Kshs.88,003,880 differs with the closing balance of the audited financial statements as at 30 June, 2023 of Kshs.57,626,316. The resultant variances of Kshs.62,810,363 and Kshs.30,377,564 were not explained or reconciled.
- ii. The following balances as reflected in the financial statements differs with the re-cast balances, resulting in unexplained and unreconciled variances as indicated below:

	Note	Reported Balance Kshs	Re-cast Balance Kshs	Variance Kshs
Property, Plant and Equipment	11			
Cost of Valuation				
As at 30 June 2024		6,928,571	6,910,571	18,000
Net Book Value		3,145,042	3,127,042	18,000
Dividends payable	26	5,255,650	5,221,614	34,036
Total Tax Payable	27	9,032,650	9,195,145	-162,495
Tax payable	27	3,692,919	3,741,667	-48,748

2. Trade and Other Receivables

2.1. Long Outstanding Trade Receivables

The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs.45,568,836 net of the allowance for doubtful debts of Kshs.3,504,306. The gross trade receivables of Kshs.49,073,141 is comprised of receivables outstanding for over one hundred and twenty (120) days of Kshs.6,387,553. Management has not indicated efforts made to recover the long outstanding debts.

2.2. Unreconciled Variance with Debtor Records

The statement of financial position and Note 15 to the financial statements reflects trade and other receivables balance of Kshs.45,568,836, which includes Kshs.5,695,592 due from the Technical University of Mombasa (TUM). However, the amount differed from that reflected in the University's audited financial statements of Kshs.1,489,164, resulting in an unreconciled variance of Kshs.4,206,428.

3. Unconfirmed Dividends Payable

The statement of financial position reflects dividends payable balance of Kshs.5,255,650 which include dividends declared during the year of Kshs.3,178,862. However, review of the parent University's (TUM) financial statements revealed that the amount had not been disclosed as dividends receivable from TUMEL. In addition, no shareholders' approval, TUMEL Board of Directors recommendation or Management's explanation was provided in support of the dividend declaration.

4. Unsupported Inventory and Other Payables

The statement of financial position and Note 14 reflects inventory balance of Kshs1,338,972, supported by a schedule but without the stock take report for the period ended 30 June, 2024. Further, note 23 shows trade and other payables balance of Kshs.25,252,583 which includes PAYE – Staff and Gratuity payable of Kshs.368,375 and Kshs.1,237,508 respectively, which were also not supported with staff listing.

5. Irregular Engagement of Consultants

The statement of profit or loss and other comprehensive income and Note 7 to the financial statements reflect cost of sales of Kshs.62,855,364, which includes Kshs.36,691,253 on consultancy expenses. The enterprise offered consultancy services to Tourism Research Institute when undertaking situational analysis on adoption of sustainable best practices, evaluate the impact of climate change on the tourism sector in Kenya and designing appropriate climate response and sustainable best practices in line with global benchmarks under a contract signed on 21 June, 2023 for contract sum of Kshs.43,831,296. The entity engaged the services of seven (7) experts for a period of eight (8) months starting from 21 June, 2023. However, the following procurement anomalies were noted:

5.1. Unsupported Engagement of Experts

Review of procurement records shows that despite the experts holding contract agreements with TUMEL, there was no evidence of any procurement process being followed from requisition, advertisement of expression of interest or request for proposals, evaluation and award of the consultancy services to signed contracts. Management indicated that they identified and engaged the experts through networking, a process which was unsupported and irregular.

5.2. Unexplained Variances on Remuneration Amounts

Review of remuneration amounts to the experts as reflected in Form FIN-3A submitted by TUMEL to Tourism Research Institute (TRI) compared to the individual experts contract amounts had unexplained variances as shown below;

Position	Form FIN-3A Amount (Kshs.)	Contract Amount (Kshs.)	Variance (Kshs.)
Lead Expert/Consultant	1,932,000	2,508,000	576,000
Tourism Sustainability Specialist	1,716,000	1,104,000	(612,000)
Climate Change Expert	1,716,000	1,140,000	(576,000)
Tourism and Environmental Economist	1,860,000	1,404,000	(456,000)
Statistician/Analyst	1,716,000	1,104,000	(612,000)
GIS Analyst	972,000	1,044,000	72,000
Stakeholder engagement Specialist	900,000	1,044,000	144,000

The difference in remuneration of the experts was explained by Management to be based on a revenue sharing policy signed between the consultants and TUMEL. However, the policy document provided was neither approved by the Board nor signed by the Chairman of the board of directors and it was not demonstrated how the contract amounts were based on the policy guidelines. Further, there was no evidence of formal discussions between Management and the Experts in regards to the remuneration.

6. Presentation of the Financial Statements

The financial statements presented for audit reflected presentation anomalies in the table of contents, the Chairman's statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, Corporate Governance, statement, Management discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities are erroneously reflected to be in pages xxi, xxii, xxvi, xxiv, xxvi, xxvii, xxxi, xxxiii, xxxiv instead of pages xi, xii, xiv, xvi, xvii, xxi, xxiii and xxiv respectively. This was contrary to the reporting template prescribed by the Public Sector Accounting Standards Board.

7. Weak Internal Controls in Accounting of Revenue

The statement of profit or loss and other comprehensive income reflects revenue from operations of Kshs.128,915,184. The amount includes revenue on consultancy of Kshs.44,777,243. However, review of the records provided in support of the revenue showed the following anomalies;

7.1. Duplicated Invoices

There were instances of duplicated invoices with no credit notes for cancellation of the duplicates. It was observed that invoice number 1243 dated 31 July,2023 and invoice number 1484 dated 19 October,2023 had the same amounts of Kshs.6,574,694 and both had ETR receipts. Management explained that invoice number 1484 was an error and was subsequently cancelled with a credit note. However, neither the invoice that was cancelled nor the credit note issued were entered into the system. Further, invoice number 2103 dated 25 June,2024 and invoice number 2171 dated 23 August,2024 had the same amounts of Kshs.13,149,389. Management explained that invoice 2171 was cancelled, but no credit note was issued in support of the cancellation.

7.2. Duplicated Contracts

Review of the contract agreements on consultancy revealed that two (2) contracts of similar nature and terms of reference were offered to the same consultant in respect of Geographic Information System Analyst, both signed by the accounting officer and the Project Steering Committee Chair on 21 June, 2023. However, one contract indicated the Professional fee payment as Kshs.1,044,000 while the other as Kshs.972,000. Management explained that one of the contracts was erroneously addressed to the consultant instead of a different consultant. However, it was not explained why Management signed a contract for a consultant whose name was not in the contract document.

7.3. Failure to Record Accountable Documents

Review of records maintained by Management disclosed that the entity did not have a record of the accountable documents issued and used. The completeness of the invoices and LPOs/Contracts issued and used during the period could not be ascertained.

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Annual Report and Financial Statements for the year ended June 30, 2025

16. Statement of Profit/Loss & Other Comprehensive Income for the year ended June 30, 2025.

	Note	2024/2025	2023/2024
		Kshs	Kshs
REVENUES			
Revenue from Operations	6	76,163,166	128,915,184
Cost of sales	7	(23,214,339)	(62,855,364)
Gross profit		52,948,827	66,059,820
Other Income	8	0	879,608
TOTAL REVENUES		76,163,166	129,794,792
OPERATING EXPENSES			
Administration Costs	9	(60,248,483)	(57,257,112)
TOTAL OPERATING EXPENSES		(60,248,483)	(57,257,112)
Non-Operating Expenses	10	(182,840.00)	(22,686)
TOTAL NON-OPERATING EXPENSES		(182,840.00)	(22,686)
PROFIT/(LOSS) BEFORE TAXATION		(7,482,497)	9,659,630
INCOME TAX EXPENSE/(CREDIT)		0	(2,709,795)
PROFIT/(LOSS) AFTER TAXATION		(7,482,497)	6,949,835

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Annual Report and Financial Statements for the year ended June 30, 2025

17. Statement of Financial Position as at June 30, 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	11	9,007,591	7,701,295
Intangible Asset	12	1,886,914	2,564,270
Right of Use Asset	13	5,700,000	5,850,000
Total Non-Current Assets		16,594,505	16,115,565
Current Assets			
Inventory	14	1,717,377	1,338,972
Trade and other receivables	15	30,599,561	45,568,836
Work -in -Progress-Farm House		0.00	1,101,965
Bank and Cash balances	16	1,852,555	400,573
Total Current Assets		34,169,493	48,410,346
TOTAL ASSETS		50,763,998	64,525,911
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Shares	17	100,000	100,000
Shareholder's contribution	17	4,900,000	4,900,000
Retained earnings	20	18,373,592	14,602,619
Profit/(Loss) for the year		(7,482,497)	6,949,835
Prior Year Adjustments		(29,383)	0
Dividend Declared		0	(3,178,862)
Capital and Reserves		15,861,712	23,373,592
Current Liabilities			
Trade and Other Payables	21	26,424,052	25,252,583
Provisions	24	499,670	6,985,203
Dividend Payable	25	5,221,614	5,221,614
Tax Payable	26	2,756,950	3,692,919
Total Current Liabilities		34,902,286	41,152,319
TOTAL EQUITY AND LIABILITIES		50,763,998	64,525,911

Technical University of Mombasa Enterprises Limited

Annual Report and Financial Statements for the year ended June 30, 2025

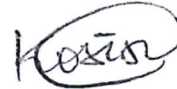
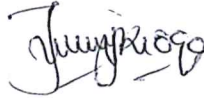
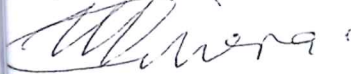
The financial statements were approved by the Board on **7th July 2025** and signed on its behalf by:

Name: Prof. Francis N. Kibera

Name: Bernard Nyakundi

Name: CPA Leonard Korir

PhD, CBS



Chairman of the Board

Managing Director

Head of Finance

ICPAK M/NO: 25611



Technical University of Mombasa Enterprises Limited

Annual Report and Financial Statements for the year ended June 30, 2025

18. Statement of Changes in Equity for the year ended June 30, 2025

	Note	Ordinary share capital	Shareholders contribution	Retained earnings	Total
At July 1, 2023		100,000	4,900,000	14,602,619	19,602,619
Profit /(Loss) for 2023/2024				6,949,835	6,949,835
Declared Dividend				(3,178,862)	(3,178,862)
At June 30, 2024		100,000	4,900,000	18,373,591	23,373,591
At July 1, 2024		100,000	4,900,000	18,373,591	23,373,591
Profit /(Loss) for 2024/2025				(7,482,497)	(7,482,497)
Prior Year Adjustments				(29,383)	(29,383)
At June 30, 2025		100,000	4,900,000	10,861,713	15,861,713



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Annual Report and Financial Statements for the year ended June 30, 2025

19. Statement of Cash Flows for the year ended June 30, 2025

	Note	2024/2025	2023/2024
		Kshs	Kshs
Cash Flows from Operating Activities			
Cash generated from/ (used in) operations		(7,482,497)	6,949,835
Add: Depreciation & Amortization	11,12 & 13	3,317,195	2,967,546
Decrease/(Increase) in Inventory	14	(378,405)	7,249
Decrease/(Increase) in Trade Receivables & Other Receivables	15	14,969,275	(16,466,474)
Decrease/(Increase) in Work-in-Progress-Farm House		1,101,965	(1,101,965)
(Decrease)/Increase in Trade Payables & Other Payables	21	1,171,469	1,424,229
(Decrease)/Increase in Provisions	24	(6,485,533)	6,329,636
(Decrease)/Increase in Tax Payable		(935,969)	2,047,265
(Decrease)/Increase in Dividend Payable		0	3,178,862
Net cash generated from/ (used in) operating activities		5,277,500	5,336,183
Cash Flows from Investing Activities			
Less: Purchase of Fixed Assets	11 & 12	(3,796,134)	(4,875,826)
Net cash generated from/ (used in) investing activities		(3,796,134)	(4,875,826)
Cash Flows from Financing Activities			
Payment of Dividend		0	(3,178,862)
Adjustments in Retained Earnings		(29,383)	0
Net cash generated from/ (used in) financing activities		(29,383)	(3,178,862)
Increase/(Decrease) In Cash and Cash Equivalents		1,451,982	(2,718,505)
Cash And Cash Equivalents at The Beginning of The Year	16	400,573	3,119,076
Cash and cash equivalents at the end of the year	16	1,852,555	400,573.00



20. Statement of Comparison of Budget & Actual amounts for the period ended June 30, 2025

	Original Budget	Adjustments	Final Budget	Cumulative Actual on a comparable basis	% of Utilisation
	a	b	C = a+b	d	e=d/c %
	(Ksh.)	(Ksh.)	(Ksh.)	(Ksh.)	
REVENUE					
Sale of goods	23,600,000		23,600,000	11,601,522	49%
Sale of services	188,200,000		188,200,000	64,744,850	34%
TOTAL INCOME	211,800,000		211,800,000	76,346,372	36%
EXPENDITURE					
Compensation to employees	41,870,000		41,870,000	32,869,105	79%
Use of goods and services	112,670,600		112,670,600	49,831,170	44%
Repairs and Maintenance	2,220,000		2,220,000	978,593	44%
Purchase of Assets	20,990,000		20,990,000	3,796,134	18%
DEVELOPMENT EXPENDITURE					
Borehole Drilling	500,000		500,000	150,000	30%
Digital centre setup cost	0		0	0	
TOTAL EXPENDITURE	178,250,600		178,250,600	87,625,002	49%
SURPLUS/(DEFICIT) FOR THE PERIOD	33,549,400		33,549,400	(11,278,630)	

Revenue underperformed at 36%, mainly due to slow client uptake. The sale of goods reached 49%. Expenditure was contained at 49%, driven by cost controls. Compensation hit 79%. Low spending on goods, services (44%), and assets (18%) further reduced costs. Development projects saw minimal execution. Despite savings, the revenue shortfall led to a deficit of Ksh. 11.28 million against a projected surplus

21. Notes to the Financial Statements

1. General Information

The company is established by and derives its authority and accountability from the Company's Act. TUMEL is wholly owned by the Technical University of Mombasa and is domiciled in Kenya. For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position, and the profit or 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 judgment in the process of applying the TUMEL's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of TUMEL, and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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Annual Report and Financial Statements for the year ended June 30, 2025

3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30th June 2025.

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for TUMEL to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: <ul style="list-style-type: none"> i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs. 	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.



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Application of New and Revised International Financial Reporting Standards (IFRS)

ii. *New and amended standards and interpretations in issue but not yet effective in the year ended June 30, 2025.*

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial Statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general-purpose financial statements to help ensure they provide relevant information that faithfully represents TUMEL's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	TUMEL may elect to apply this Standard for reporting periods beginning on or after 1 January 2027. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii. **Early adoption of standards**

TUMEL did not early adopt any new or amended standards in the financial year.



4. Summary of Accounting Policies

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

a) Revenue recognition

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

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

b) In-kind contributions

In-kind contributions are donations that are made to TUMEL in the form of actual goods and/or services other 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, TUMEL includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

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

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

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

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

Item	Years	Rates
Freehold Land	Nil	
Buildings and civil works	50 years or the unexpired lease period	2%
Plant and machinery	8 years	12.55
Motor vehicles, including motorcycles	8 years	12.5%
Computers and related equipment	3 years	33.3%
Office equipment, furniture and fittings	8 years	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.

e) Intangible assets

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

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prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

f) Amortisation and impairment of intangible assets

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

g) Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise. An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right of Use Asset

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

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

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 through profit or loss (FVTPL).

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

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

n) Taxation

i. Current income tax

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

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the

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Annual Report and Financial Statements for the year ended June 30, 2025

amount are those that are enacted or substantively enacted, at the reporting date in the area where TUMEL operates and generates taxable income.

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

o) Deferred tax

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

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

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

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



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p) **Borrowing costs**

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

q) **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.

r) **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 on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

s) **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 TUMEL or not, less any payments made to the suppliers.

t) Retirement benefit obligations

The company contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at a maximum of Kshs.1080 per employee per month.

u) Provision for staff leave pay

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

v) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which TUMEL 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.

w) Budget information

The original budget for FY2024/2025 was approved by the TUMEL Board on 24th June 2024. 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 TUMEL upon receiving the respective approvals in order to conclude the final budget. Accordingly, TUMEL did not record additional appropriations on the FY 2024/2025 budget.

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

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Annual Report and Financial Statements for the year ended June 30, 2025

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 Note 20 of these financial statements.

x) Service concession arrangements

TUMEL 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, TUMEL 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, TUMEL also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

y) Comparative figures

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

z) 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, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the TUMEL'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.

As at 30th June 2025, the Company is involved in the following legal matters whose outcomes remain uncertain. Accordingly, no provision has been made in the financial statements. However, disclosure is made in compliance with the requirements of IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*:



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Case Reference	Parties Involved	Nature of Claim	Status
MCELRC E602 of 2024	<i>Flora Muthoni Nyoro v. TUMEL</i>	Constructive dismissal, unpaid benefits, and damages under the Employment Act, 2007	Ongoing – Mention on 22 July 2025
MCERLC E494 of 2024	<i>Caroline Muhache Musembi v. TUMEL</i>	Alleged unlawful and unfair termination	Ongoing – Hearing on 28 July 2025
MCERLC E494 of 2024	<i>Fred Ogallo v. TUMEL</i>	Unfair contract non-renewal contrary to HR procedures	Ongoing – Objection hearing on 12 August 2025
HCCOMMA E018 of 2024	<i>TUMEL v. Milmar Marketing & Management</i>	Lease payment dispute; Milmar claims Ksh.725,000 plus interest and costs	Ongoing – Directions on 13 October 2025

Management continues to monitor the progress of these matters in consultation with legal counsel. Based on current legal advice, the outcomes are not expected to result in material liabilities beyond the disclosed estimates.

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. TUMEL 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 TUMEL. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

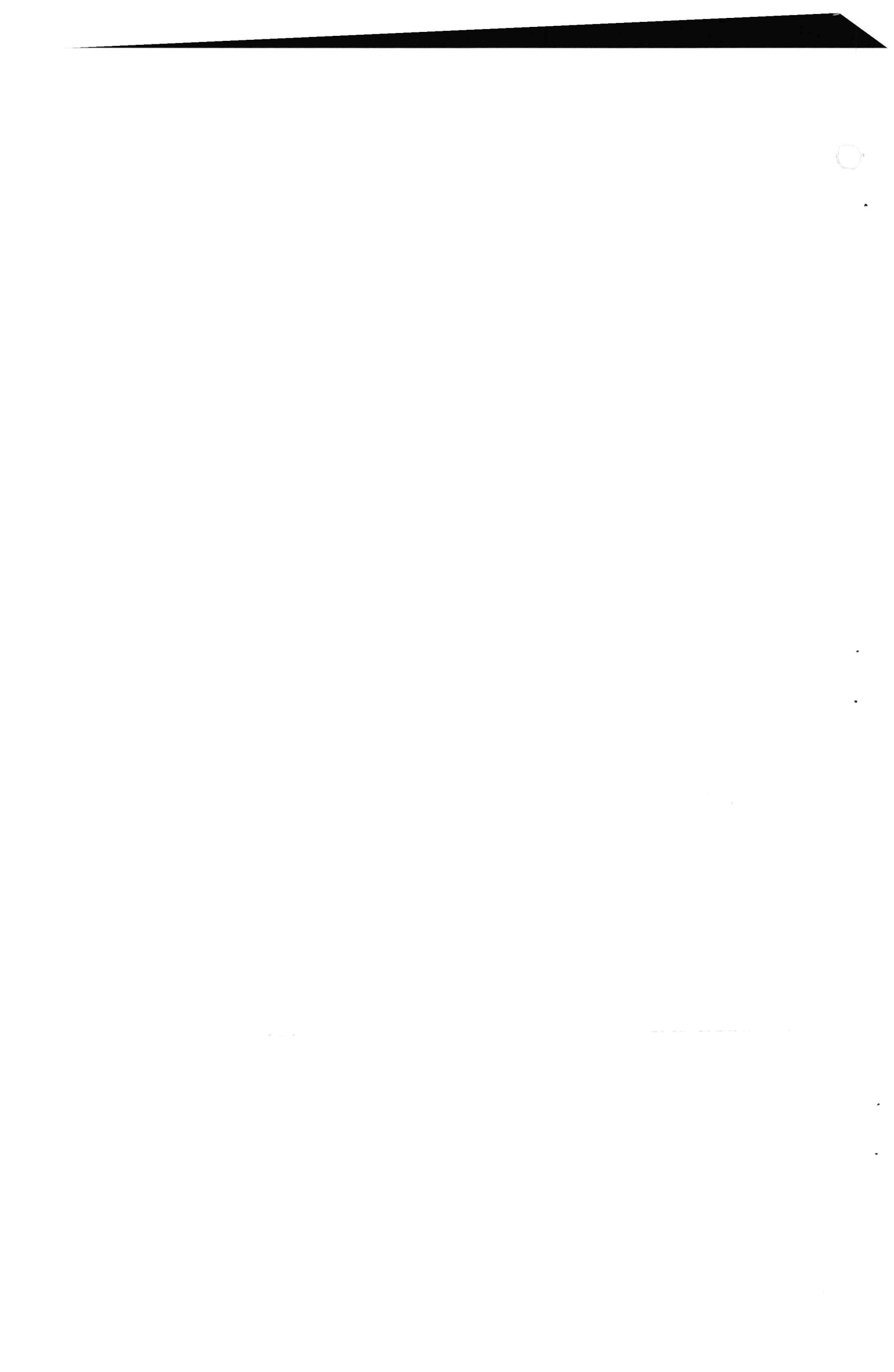
- The condition of the asset based on the assessment of experts employed by TUMEL
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 25.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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



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Notes to the Financial Statements (Continues)

6. Revenue from Operations

DEPARTMENT	2024/2025	2023/2024
	Kshs	Kshs
Consultancy	-	44,777,243
Cleaning and Fumigation	18,970,161	19,053,809
Hotel and Conference	34,048,610	43,143,484
Training and Capacity Building	11,101,119	10,908,369
Digital Centre	441,754	792,858
TUMAQUA	11,601,522	10,239,421
Total	76,163,165	128,915,184

Total revenue declined sharply from Kshs 128.92 million in 2023/2024 to Kshs 76.16 million in 2024/2025, mainly due to the complete drop in consultancy income and a 21% decline in hotel and conference revenue. Modest reductions in cleaning, fumigation, and digital centre revenues also contributed. Gains in TUMAQUA and stable training income partially cushioned the drop.

7. Cost of Sales

	2024/2025	2023/2024
	Kshs	Kshs
Opening Stock	1,338,972	1,346,221
Purchases	18,914,116	19,603,971
Direct Cost;		
Other Kitchen items	132,304	52,890
Training	3,556,666	5,497,208
Consultancy	-	36,691,253
Cooking Gas & Fuel	989,658	1,002,793
Closing Stock	(1,717,377)	(1,338,972)
Cost of Sales	23,214,339	62,855,363.55

Cost of sales dropped significantly from Kshs 62.86 million in 2023/2024 to Kshs 23.2 million in 2024/2025, mainly due to the elimination of consultancy costs and a reduction in training expenses. Other cost items remained relatively stable, with minimal changes in stock and kitchen-related expenses.

8. Other Income

	2024/2025	2023/2024
	Kshs	Kshs
Reduction in Provision for Bad Debt	-	550,060
Other Income	0	329,548
TOTAL	0	879,608

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9. Administration Costs

	2024/2025	2023/2024
	Kshs	Kshs
Staff costs (note (9a))	32,869,105	35,314,970
Bank charges	91,085	118,750
Depreciation & Software Amortization expense	3,317,195	2,967,545.54
Office expense & Stationery	1,025,247	339,819
Board of Directors allowances	4,385,525	1,917,750
Permits and Licences	336,805	268,925
Advertising and promotion, sales commission	528,741	774,002
Staff Travelling & Subsistence	3,619,410	4,151,760
Dues and Subscriptions to professional bodies	48,700	58,000
Newspaper Subscription	30,680	58,440
Electricity and Lighting	1,136,143	1,722,041
Levies & Commission	0	300,424
Internet Expenses and Computer repairs, website	354,579	475,619
Publishing & Printing Services	45,590	10,000
Maintenance and Repairs	978,593	1,582,941
Miscellaneous	139,939	26,765
Transport Costs	247,168	1,276,570
Hire of transport	2,584,136	1,532,223
Hire of Conference & Accommodation Facility	561,789	554,361
Audit fees	290,000	290,000
Strategic Plan & Policy documents	0	124,000
CSR	54,526	0
Telephone Charges	6,940	71,265
Contracted Professional Services	1,372,000	530,000
Rent and rates	2,043,172	1,687,500
Staff training and development	245,800	117,000
Postage and delivery	7,665	0
Consultancy Expenses	3,559,350	600,100
Legal dues/Fees,	149,000	48,600
Borehole Drilling Expense	150,000	185,000
Environmental Audit	69,600	122,741
Tree cutting and logging	0.00	30,000
Total	60,248,483	57,257,111.54

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9(a) Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries and Wages	28,861,032	31,270,924
Housing Levy Employer Contribution	423,652	336,020
NSSF-Employer Contribution	1,371,930	1,044,455
Gratuity Expenses	1,717,870	2,178,301
Staff Welfare	345,000	362,000
NITA Levy	52,100	0
Staff Meals Allowances	90,520	123,270
Telephone Allowance	7,000	0
Leave pay	0	0
Gratuity provisions	0	0
Fringe benefit tax	0	0
Total	32,869,105	35,314,970
The average number of employees at the end of the year was:		
Temporary and contracted employees	86	84
Total	86	84

10. Non-Operating Expenses

	2024/2025	2023/2024
	Kshs	Kshs
Interest, Fine, and Penalties	182,840.00	22,686

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11. Property, Plant and Equipment

Description	Plant and machinery	Computers & related equipment	Office equipment, furniture & fittings	Capital Work in Progress	Total
Depreciation rate	12.5%	33.3%	12.5%		
	Kshs	Kshs	Kshs		
Cost					
As at July 1, 2023	6,129,450	3,592,310	2,388,987	0	12,110,748
Additions	781,121	1,694,549	0	0	2,475,670.00
Disposals	0	0	0	0	0
As at June 30, 2024	6,928,571	5,286,859	2,388,988	0	14,586,418
As at July 1, 2024	6,928,571	5,286,859	2,388,988	0	14,604,418
Additions	1,511,049	0	698,999	1,351,965	3,562,013
As at June 30, 2025	8,439,620	5,286,859	3,087,987	1,351,965	18,166,431
Depreciation & Impairment					
As at July 1, 2023	2,943,180	1,039,003	247,890	0	4,230,073.03
Depreciation	840,349	1,517,016	298,623	0	2,655,050.74
Impairment	0	0	0	0	
As at June 30, 2024	3,783,529	2,556,019	546,513	0	6,885,124
As at July 1, 2024	3,783,529	2,556,019	546,513	0	6,886,061
Depreciation	964,275	1,102,146	206,358	0	2,272,780
As at June 30, 2025	4,747,804	3,658,165	752,871	0	9,158,841
As at June 30, 2024	3,145,042	2,730,840	1,842,475		7,701,295
As at June 30, 2025	3,691,816	1,628,694	2,335,116	1,351,965	9,007,591

Capital Work in Progress relates to the ongoing chicken project in TUM - Kwale Campus

12. Intangible Assets

	2024/2025	2023/2024
COST	Kshs	Kshs
At July 1 2024	2,909,148	509,198
Impaired – Tally Prime	(196,798)	-
Additions - Goodwill	210,000	2,399,950
At June 30 2025	2,922,350	2,909,148
Amortization		
At July 1 2024	344,878	182,383
Charge for the year	690,558	162,495
At June 30 2025	1,035,436	344,878
Net Book Value at June 30 2025	1,886,914	2,564,270

The intangible assets comprises of Tally System (impaired), HP Proliant Micro Server, Biometric clocking system and ERPNext business solution.

13. Right-of-use assets

Description	Buildings
	Kshs
Cost	
As At 1 July 2023	0
Additions	6,000,000
As At 30 June 2024	6,000,000
Additions	0
As At 30 June 2025	6,000,000
Accumulated Depreciation	
As at 1 July 2023	0
Charge For the Year	150,000
As at 30 June 2024	150,000
Charge for the Year	150,000
As at 30 June 2025	300,000
Carrying Amount	
As at 30 June 2024	5,850,000
As At 30 June 2025	5,700,000

The Company has leased the building from TUM

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Technical University of Mombasa Enterprises Ltd

Annual Report and Financial Statements for the year Ended June 30, 2025

14. Inventories

	2024/2025	2023/2024
	Kshs	Kshs
Cleaning Inventory	191,094.08	341,409
Hotel Inventory	179,153.00	321,969
General Office Inventory	414,547.60	0.00
Water Production Inventory	932,582.50	675,594
Total	1,717,377.18	1,338,972

14.b

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	1,338,972	1,346,221
Additional Inventory during the year	20,414,483	20,652,405
Inventory consumed through P&L	20,036,078	20,659,654
Inventory consumed in making of other assets	0	0
Written off during the year	0	0
Others specify	0	0
At the end of the year	1,717,377	1,338,972

15. Trade and Other Receivables

	2024/2025	2023/2024
	Kshs	Kshs
Trade Receivables	29,787,395	44,686,229
Prepaid Expenses	729,460	3,200
Staff Imprest, Surcharge & Advances	82,707	879,407
Trade And Other Receivables	30,599,561	45,568,836

15 (a) Trade Receivables

Description	2024/2025	2023/2024
	Kshs	Kshs
Trade Receivables	29,787,395	44,686,229
Aging analysis of gross Trade Receivables		
Less than 30 Days	8,087,492	20,756,374
Between 30 and 60 Days	4,793,033	18,287,301
Between 61 and 90 Days	1,741,380	1,374,916
Between 91 and 120 Days	891,680	1,384,389
Over 120 Days	14,273,809	2,883,248
Total	29,787,395	44,686,229

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The above contains the details of trade receivables for the financial years 2024/2025 and 2023/2024. It also includes an aging analysis categorizing receivables by periods (less than 30 days, 30-60 days, etc.) for both years.

16. Bank and Cash Balances

	2024/2025	2023/2024
	Kshs	Kshs
Kenya Commercial Bank	114,375	187,655
National Bank of Kenya	1,716,695	212,918
Petty Cash	21,485	0
Total	1,852,555	400,573

The bulk of the cash at the bank was held at the National Bank of Kenya and the Kenya Commercial Bank, TUMEL's main bankers

Description		2024/2025	2023/2024
Financial institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank	1274205239	114,375	187,655
National Bank of Kenya	01020074230400	1,716,695	212,918
Sub- Total		1,831,070	400,573
b) On - Call Deposits			
Other Commercial banks		0	0
Sub- Total		0	0
c) Fixed Deposits Account			
Other Commercial banks		0	0
Sub- Total		0	0
d) Others (Petty Cash)			
Cash in transit		0	0
Cash in hand		21,485	0
Mobile money account		0	0
Sub- Total		21,485	0
Grand Total		1,852,555	400,573

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17. Ordinary Share Capital

	2024/2025	2023/2024
	Kshs	Kshs
Ordinary share capital 1000shares @100	100,000	100,000
Shareholder contribution	4,900,000	4,900,000
Total	5,000,000	5,000,000

18. 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.

19. 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.

20. Retained Earnings

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

	2024/2025	2023/2024
	Kshs	Kshs
Retained Earnings b/f	18,373,592	14,602,619
Profit (Loss) for the Year	(7,482,496)	6,949,835
Prior Year Adjustments	(29,383)	0
Declared Dividend	0	(3,178,862.23)
Retained Earnings	10,861,613	18,373,592

In accordance with IAS 8, management identified immaterial prior-period posting/classification errors within receivable and payable subledgers. Based on materiality (per IAS 1), the items were corrected in the current period through the prior-year adjustments, clearing and transferred within equity, resulting in a net decrease of KShs 29,383 in retained earnings. Comparatives were not restated.



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

21. Trade and Other Payables

	2024/2025	2023/2024
	Kshs	Kshs
Trade Payables	15,490,802	15,385,254
Gratuity Payable	1,778,260	1,237,508
Duties & Taxes	3,853,500	4,119,276
Payroll Liabilities	3,371,321	3,643,546
Employer Contribution Payable	1,263,812	0
Others	666,357	867,000
TOTAL	26,424,052	25,252,583

22. Aging Analysis for Trade Payables

Description	2024/2025	% of the total	2023/2024	% of the total
Under one year	15,490,802	100%	15,385,254	100%
1-2 years	0	0%	0	0%
2-3 years	0	0%	0	0%
Over 3 years	0	0%	0	0%
Total	15,490,802		15,385,254	

23. Retirement Benefit Obligations

TUMEL contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. TUMEL's obligation under the scheme is limited to specific contributions legislated from time to time. Employees contribute 50% while employers contribute 50%. Employer contributions are recognized as expenses in the statement of financial performance within the period they are incurred.

24. Provisions

Description	Other Provisions
	Kshs
Balance at the beginning of the year	6,985,203
Additional provisions	499,671
Provision utilized	(6,985,203)
Balance at the end of the year	499,671

The provision relates to direct Training Expenses

25. Dividends Payable

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

Description	2024/2025	2023/2024
	Kshs	Kshs
At the beginning of the year	5,221,614	2,042,752
Additional declared during the year	0	3,178,862
Paid during the year	0	0
Balance at end of the year	5,221,614	5,255,650
Ageing analysis:		
Under one year	0	3,178,862
1-2 years	5,221,614	2,042,752
Total	5,221,614	5,221,614

Dividends payable to ordinary shareholders amount to Ksh.5,255,649.95 while dividends payable to preference shareholders amount to nil.

26. Income Tax Payable

	2024/2025	2023/2024
	Kshs	Kshs.
Tax@30%	2,756,950	3,692,919

Part of the tax liability was settled during the year through part payments, instalment tax payments, and withholding tax credits, which will be offset against the final tax due upon reconciliation with the annual return

27. Related Party Disclosures

Government of Kenya

TUM is the principal shareholder of TUMEL, holding 100% of TUMEL's equity interest. TUM has provided full guarantees to all long-term lenders of TUMEL, both domestic and external.

Other related parties include:

- i) Key Management
- ii) Board of Directors

Transactions with related parties

Description	2024/2025	2023/2024
	Kshs	Kshs
a) Sales to related parties		
Others (TUM)	29,674,427	32,826,329
Total	29,674,427	32,826,329
b) Purchases from related parties		
Purchases of electricity from KPLC	1,136,143	1,722,041
Rent expenses paid to govt agencies	2,043,172	1,687,500
Training and conference fees paid to the government Agencies	807,589	671,361
County Government Permits and Licences	336,805	268,925
Subscriptions to professional bodies (IHRM, ICPAK, KISM, EBK etc)	48,700	58,000
TUM Transport Costs	247,168	1,347,835
OAG Audit fees	290,000	290,000
Total	4,909,577	6,045,662
c) Key management compensation		
Directors' emoluments	4,385,525	1,917,750
Compensation to key management	8,599,603	9,239,519
Total	12,985,128	11,157,269

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28. Financial Risk Management

The TUMEL's activities expose it to a variety of financial risks, including credit and liquidity risks and the 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

TUMEL is exposed to credit risk, which is the risk of financial loss if counterparties fail to meet their contractual obligations. This exposure arises primarily from deposits with banks, cash and cash equivalents, and trade and other receivables.

In accordance with IFRS 9, the Company applies the simplified expected credit loss (ECL) model to measure impairment on trade receivables. The model requires lifetime ECL recognition from initial recognition of the receivable, with provision rates determined by aging of outstanding debts in line with the Company's Financial Management Policy (5% for debts aged 8 months–1 year, 50% for 1–2 years, and 100% beyond 2 years).

However, the Company's receivables in the delinquently impaired category are predominantly due from ministries, departments, and agencies (MDAs) of the Government of Kenya. These are considered to have insignificant credit risk, as the Government of Kenya does not default on its obligations and does not go bankrupt. Consequently, no provision for impairment has been recognised as at June 30, 2025.

The carrying amount of trade and other receivables, therefore, approximates their fair value and represents the Company's maximum exposure to credit risk at the reporting date.

i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the TUMEL's directors, who have built an appropriate liquidity risk management framework for the management of the TUMEL's short, medium and long-term funding and liquidity management requirements. TUMEL 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.

(iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by TUMEL on an ongoing basis, evaluating and testing 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 rates, equity prices and foreign exchange rates which will affect TUMEL'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 TUMEL's exposure to market risks or the manner in which it manages and measures the risk.

a) Foreign currency risk

TUMEL 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 TUMEL's foreign currency-denominated monetary assets and monetary liabilities at the end of the reporting period is as follows:

TUMEL manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting expected sales proceeds and matching them with expected payments.

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 Kenyan shilling appreciated with all other variables held constant.

c) Interest rate risk

Interest rate risk is the risk that the TUMEL's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits.



This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

i) Management of interest rate risk

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

ii) Sensitivity analysis

TUMEL 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.

iii) Fair value of financial assets and liabilities

a) *Financial instruments measured at fair value*

Determination of fair value and fair value 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 TUMEL's market assumptions. These two types of inputs have created the following fair value hierarchy:

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

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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iv) Capital Risk Management

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

Description	2024/2025	2023/2024
	Kshs	Kshs
Revaluation reserve	0	0
Retained earnings	10,861,714	18,373,592
Capital reserve	5,000,000	5,000,000
Total Funds (Equity)	15,861,714	23,373,592
Total Borrowings	0	0
Less: Cash and Bank balances	(1,852,555)	(400,573)
Net Debt / (Excess Cash & Cash Equivalent)	(1,852,555)	(400,573)
Gearing	(11.68%)	(1.71%)

Gearing is calculated as net debt (borrowings less cash and cash equivalents) divided by total funds (equity). The entity maintained a net cash position in both periods; therefore, gearing is effectively nil (2024/25: -11.68%; 2023/24: -1.71%). If borrowings are incurred in future periods, gearing will be presented on a positive basis.

29. Incorporation

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

30. Events after the Reporting Period

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

Appendices

Appendix 1: Implementation Status of Auditor-General Prior Year Recommendations

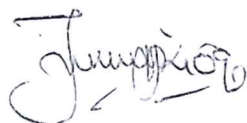
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Ref. No.	Issue / Observations	Management comments	Status:	Timeframe
1 (i) & (ii)	Unexplained Variances	Management acknowledges the unexplained differences noted between the reported and re-cast balances. A reconciliation exercise was undertaken, and corrections were made where necessary to align financial records with IFRS and PFM standards.	Resolved	N/A
2	Trade & Other Receivable			
2.1	Long Outstanding Trade Receivables	Management initiated follow-up actions on the outstanding receivables, including formal demand notices. Accounts over 120 days will be reviewed for provisioning or write-off in line with the debt policy.	Resolved	N/A
2.2	Unreconciled Variance with Debtor Records	TUMEL engaged TUM Finance Office to reconcile inter-entity balances. Any differences were corrected and documented in the board-approved financials.	Resolved	N/A
3	Unconfirmed Dividends Payable	Board minutes and dividend schedules are available	Resolved	N/A
4	Unsupported Inventory and Other Payables	Verification of stock sheets, payroll records, and gratuity schedules was done. Missing supporting documents were explained, and necessary adjusting entries were made.	Resolved	N/A
5	Irregular Engagement of Consultants	Management notes the audit observation and formalized consultant procurement. The Finance and Procurement units jointly review and regularize contracts for compliance.	Resolved	N/A



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Ref. No.	Issue / Observations	Management comments	Status:	Timeframe
1	Budgeting Control and Performance	Underperformance was mainly due to delayed disbursements and project execution lags. Steps are being taken to improve budget absorption through tighter monitoring and periodic reviews.	Resolved	N/A
2	Presentation Anomalies in Financial Statements	Management revised the report format to comply with the Public Sector Accounting Standards Board template. The corrected structure was adopted.	Resolved	N/A
3	Weak Internal Controls in Accounting for Revenue	Duplicate invoices and contracts were being reviewed and corrected, and credit note procedures were enforced moving forward.	Resolved	N/A



Bernard Nyakundi

Managing Director

Date:.....