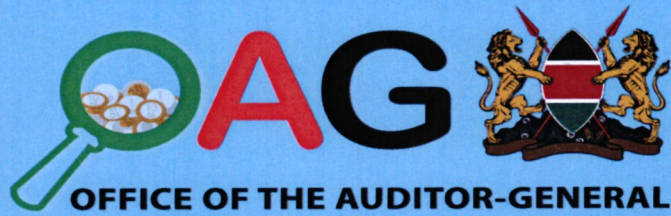


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 13 JUN 2023	DAY: Tuesday
TABLED BY: OF	Hon. Owen Baka (Deputy Majority Leader)
CLERK AT THE TABLE:	Inzeju Mwale

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**TECHNICAL UNIVERSITY OF MOMBASA
ENTERPRISES LIMITED**

**FOR THE YEAR ENDED
30 JUNE, 2022**



TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LTD

ANNUAL REPORTS AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2022**

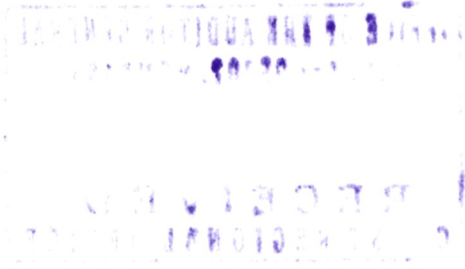
**Prepared in accordance with the Accrual Basis of Accounting Method under the
International Financial Reporting Standards (IFRS)**



Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022





Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

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KEY ENTITY INFORMATION

a. Background Information

Technical University of Mombasa Enterprises Limited (TUMEL) was established in 2013 as a commercial wing of the University. Its primary role is to help the university mobilize resources through Research, Consultancy and Short-term training to improve quality and capacity of staff for the community, private and public organizations.

TUMEL has successfully conducted consultancy services for both National and County Governments, private sectors, Non-Governmental Organizations as well as International Organizations.

b. Principal Activities.

The principal activities of the entity are

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

c. Directors

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

1.	Mr. Stanley Kagera	Member
2.	Dr. Gift Kimonge	Member
3.	Ms. Jane Wanjiku Mbagi	Member
4.	Prof. Laila Uweso Abubakar	Member
5.	Prof. Joseph Ouma Rasowo	Member
6.	Dr. Samson Kitheka	Member
7.	Ms. Serah Esendi Okumu	Member
8.	Mr. Bernard Nyakundi Isaac	Board Secretary

NOTE:

The Temporary Chairperson of the Board was Appointed by Members every time a Board Meeting took place from the time the substantive Chairman's term ended.

d. Registered Office

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

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

e. Corporate Headquarters

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

f. Corporate Contacts

Telephone: (254) 716 772 140

E-mail: managingdirector@tumel.co.ke, tumel@tum.ac.ke

g. Corporate Bankers

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

h. Independent Auditors

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

i. Principal Legal Adviser

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

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022


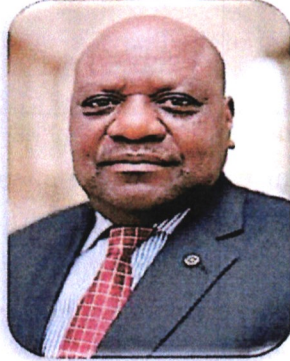

THE BOARD OF DIRECTORS

 <p>MS. JANE MBAGI MUTUA</p>	<p>Ms Jane Mbagi Mutua holds a Master in Education (M. ED) and a Bachelor of Education (B. ED) from Kenyatta University, currently she is the Director Programme Development and Quality (PDQ) at Save the Children Tanzania. She specializes in programme management (design, implementation and monitoring and evaluation), Business Development, Advocacy Campaign and Communications. She is an accomplished educationist, researcher and development practitioner.</p> <p>A Member of the Board.</p>
 <p>DR. GIFT KIMONGE</p>	<p>Dr. Gift Kimonge Doctor of Philosophy (Finance)- Kenyatta University. Master of Business Administration, Finance Option-Kenyatta University. Bachelor of Education (Arts), Economics/ Business Studies Option-Egerton University Member of Institute of Internal Auditors (IIA), Kenya Chapter Member of Institute of Certified Public Accountants of Kenya (ICPAK) Member of the board</p>

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

 <p>PROF. LAILA UWESO ABUBAKAR</p>	<p>Prof Laila Uweso Abubakar has a PhD in Bio Chemistry Masters of science in Biochemistry & Chemistry and a Bachelor of Science (Biochemistry & Chemistry). Member to the Board</p>
 <p>PROF. JOSEPH OUMA RASOWO</p>	<p>Prof. Joseph Ouma Rasowo has PhD in Aquatic Ecology/ Aquaculture, MSc in Marine Ecology & Aquaculture, MBA in Strategic Management, BSc in Botany/ Zoology. Member of the Board</p>
 <p>MR. STANLEY KAGERA</p>	<p>M. A in economic policy from Makerere university and a B.A from Kenyatta University. Attended many competence-oriented courses and workshops locally and abroad in Statistics, M&E, Public Private partnerships, labour productivity measurement among others. Worked as an Economist across Government with duties including budget preparation, project preparation and implementation, Data collection and Analysis and preparation of different technical papers, policies and plans. Member of the Board</p>

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

 <p>MS SERAH ESENDI OKUMU</p>	<p>Advocate of the High Court Master of Laws (LLM) degree university of Kwazulu Natal-South Africa. Bachelor of Laws (LLB) Catholic University of Eastern Africa. Practicing Advocate and Member of Law Society of Kenya. Member Mombasa Law Society Legal Officer Technical University of Mombasa. Member of the Board</p>
 <p>DR. SAMSON KITHEKA</p>	<p>Dr. Samson Kitheka has PhD in Business Administration (Procurement and Supply Chain Management) JKUAT Master in Business Administration (Procurement and Supply Chain Management) – The University of Nairobi Bachelor of Business Management-Masinde Muliro University of Science and Technology Member of KISM Member of the Board</p>
 <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 Engineers Board of Kenya and Member of Institution of Engineers of Kenya (IEK) Board Secretary</p>

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

MANAGEMENT TEAM

 <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 Engineers Board of Kenya and Member of Institution of Engineers of Kenya (IEK)</p> <p>Managing Director</p>
 <p>MR. LEONARD KIPNGENO KORIR</p>	<p>Bachelor of Commerce (Banking and Finance)</p> <p>Member of Institute of Certified Public Accountants of Kenya (ICPAK)</p> <p>Member of Institute of Internal Auditors (IIA), Kenya Chapter</p> <p>Accountant</p>
 <p>MS. FATUMA AHMED KHAMIS</p>	<p>Masters 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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 <p>MR. PHILEMON ONG'ALO OMUTITI</p>	<p>Diploma in purchasing and supplies management- Kenya Institute of Management</p> <p>Associate in Procurement and Supply of Kenya (APS- K) I</p> <p>Member of Kenya Institute of Supplies Management (KISM)</p> <p>Ag. Procurement Officer</p>
 <p>MS. ESTHER KITHEKA</p>	<p>Diploma in Travel & Tourism</p> <p>Ag. Hotel and Conference Manager</p>

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

CHAIRMAN'S STATEMENT

Technical University of Mombasa Enterprises Limited (TUMEL) has passed through several transitional levels. The various phases it has undergone so far reflect the various opportunities available in the growth of businesses in Kenya.

The Board of Directors looks forward to increased revenue from its diverse incoming generating activities. Capacity building and professional training services has also seen an increase in operations with the latest engagements with State Government Agencies, County Governments and Non-Governmental Organizations.

The company is reinventing the TUM Hotel and Conference Facility to ensure the facility meets and exceeds customers' expectations to become more visible and attractive. This is expected to positively increase the revenue generated in the coming financial years.

TUMEL's revenue has slightly reduced as compared to the previous financial year and is optimistic of more growth even in the coming years. The company is looking forward to leverage its risk by insuring most of its properties and taking only calculated and informed investment decisions.

Chairman to the Board

Sign. 

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

REPORT OF THE MANAGING DIRECTOR

Technical University of Mombasa Enterprises Limited (TUMEL) was established in 2013 as a commercial wing of the University. Its primary role is to help the university mobilize resources through research, consultancy and trainings to improve quality and capacity of staff for the community, private and public organizations.

TUMEL has successfully conducted consultancy services for both National and County Governments, Private Sectors, Non-Governmental Organizations as well as International Organizations.

To expand its revenue base, TUMEL has increased its business portfolio by taking up the management of the TUM's hospitality centre, which has a capacity of 40 beds and conference facilities. The hotel services offered here have become handy particularly to government institutions and non-governmental organizations that have found them to be strategically placed and its cost effectiveness.

TUMEL is also processing and bottling water, both for the university and the surrounding market segment. In addition, it is also offering cleaning, fumigation and disinfection services for organizations.

The company is in the process of developing business plans to open new revenue streams including but not limited to; security services, digital centre, dairy and poultry farming, yogurt processing and introduce value addition for her products.

Managing Director

Sign.....

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

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

Technical University of Mombasa Enterprises Limited has seven (7) strategic key focus areas and objectives within the current Strategic Plan for the FY 2021/2022 to 2025/2026. These strategic key focus areas are as follows:

1. Corporate Governance
2. Financial Sustainability
3. Business Consultancy
4. TUMEL Hotel & Conferencing
5. Cleaning Disinfection and Fumigation Services
6. Human Capital Development
7. Water Processing and Distribution

Technical University of Mombasa Enterprises Limited develops its annual work plans based on the above Seven (7) strategic key focus areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Technical University of Mombasa Enterprises Limited achieved its performance targets set for the FY 2021-2022 period for its Seven (7) strategic key focus areas, as indicated in the table below:

Strategic Key Focus Areas	Objective	Key Performance Indicators	Activities	Achievements
Corporate Governance	To restructure TUMEL Board.	New Board	Recruitment of new Board Members	In progress
	Review of management policies	All policies have been aligned to the new strategic plan	Development and approval of policies	New policies were developed and approved
	Establish and strengthen the office of Sales and Marketing	Established office.	Recruitment of Sales and Marketing Officer	Increased visibility of TUMEL
Financial Sustainability	Expand revenue	New business streams	Set up the digital centre, security	Operationalised the digital centre

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

	Streams		firm, poultry and dairy farm	
Business Consultancy	Increase on the Provision of Consultancy Services	Several bids submitted	To place for bids	1. successfully bided the KEMSFED project in a joint venture 2. EASTRIP was shortlisted and submitted the Technical and Financial Proposals 3. ODeL Projects have been shortlisted for the next stage
		Desk officer recruited	To introduce and engage the services of a desk officer to identify any call for bids from the newspapers and websites	More bids have been identified and submitted
	Expand on Training and Capacity Building	Number of registered courses with NITA and OSH	To register with NITA and OSH	Registered more courses with NITA. Registered with OSH
TUMEL Hotel & Conferencing	Position the hotel as a Two-Star Hotel	Improved customer satisfaction	To repair and maintain the hotel and conference facility to improve its ambience	Ongoing repair of hotel & conferencing and repaired old guest house
Cleaning Disinfection and Fumigation Services	Generate annual revenue of at least Kes 22 million	Satisfied customers	To market cleaning, disinfection and fumigation services to get new clients	A happy and satisfied client
Human Capital Development	Attract, motivate and retain a competent workforce	Competent workforce	To recruit approved positions competitively	Attractive remuneration package
Water Processing and Distribution	To generate annual revenue of at least 4 million	Increased revenue	To enhance ease of accessibility to TUMAQUA	Revenue of 7 million generated

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

CORPORATE GOVERNANCE STATEMENT

Technical University of Mombasa Enterprises Limited, a public Company in Kenya, is committed to undertake its affairs in a responsible and transparent manner. The institution takes recognition of the various stakeholders, the funding agencies, and the regulations thereto, relating to its obligations as provided in the Articles of Association, and the Company's Act. For the 2021/2022 financial year, the institution has complied with all the provisions set out in the Company's Act, 2012, as far as they relate to the Company.

The functions and responsibilities of the Board of Directors (BOD) are as provided for in the Memorandum of Association. These responsibilities relate to the proper conduct of Entity business, policy development, strategic planning and monitoring effectiveness. The BOD is committed in ensuring financial sustainability; enhancing the customer experience; and viability of its investment decisions.

The entity has managed its budgets well, increased the infrastructure facilities, developed new market driven programmes and key areas of strength are Consultancy, Capacity Building Trainings, Water processing and distribution, Hotel & Conference Services, Cleaning, Fumigation and Disinfection Services

The day-to-day management of the organization is vested on the Managing Director and Management Team. The functions of the Management team and Managing Director are as provided in the Memorandum of Association and the Articles.

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Technical University of Mombasa Enterprises Ltd (TUMEL) operation has remained balanced in the past four quarters of the FY2021/2022 with only few challenges being experienced. The company has been focused on meeting its budgetary targets, customer satisfaction and strategic obligation.

TUMEL has been meeting its obligations as they fall due, e.g., suppliers are paid on time, statutory obligations are remitted in a timely manner. The company is up-to-date in payment of taxes with tax compliance being valid through 21st August 2023.

In the midst of the pandemic, TUMEL has maintained its resilience in a competitive market and we look forward to being more innovative in fast changing world to catch up with current market trends in order to have competitive edge.

We have continuously submitted relevant proposals on consultancy services. Also, the company has tendered for; cleaning, fumigation and sanitation services, conferencing and accommodation services and supply and delivery of water to various state departments, agencies and donor funded organization in a bid to meet our targets in the strategic plan.

As a Company we have managed to submit bids including but not limited to; Ministry of Education, Ministry of ICT, Innovation and Youth Affairs, Kenya Marine Fisheries and Social – Economic Development (KEMFSED), Kenya School of Government, Kenya Association of Manufacturers (KAM), Lamu County Assembly and other Coastal Region County Assembly, NITA among others.

general, although we were able to bring more customers onboard, we encountered operational challenges like the unforeseen increase of doing business due to the impact of COVID 19, increase in fuel prices which led to most of the products we use in our business increasing, thus affecting our revenues. We failed to recognise the effects of the changing business environment and although we tried to adjust our prices for services and goods we sell to our customers, it turned out to be insufficient to ensure we do not make losses. This has been a lesson to us as we are now prepared to handle this type of challenges to ensure we do not find ourselves in precarious position.



Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

Another challenge we encountered in the just ended financial year is cost control. As a company we need to tighten our controls to ensure we are not making losses through unnecessary wastage especially in the restaurant and cleaning, disinfection and fumigation services.

The company had its fair share of negative economic impact that were caused by a myriad of challenges that affected our country and the world in general. Covid - 19 ravaged all sectors of the economy and the company suffered heavily in her business wings due to the restrictions that were set by the Ministry of Health and the Governments. Our revenue reduced from Kes. 88,877,421.30 to Kes. 68,134,819.26, this were occasioned by low uptake in our consultancy services. TUM Hotel and Conferencing revenue increased to Kes. 29,889,717.46 from Kes. 9,515,192.17 in the previous financial year. TUMAQUA revenue increased to Kes. 7,087,079.68 from Kes. 1,815,376.96 in the previous financial year. Direct costs remained steadily the same. The indirect cost rose by Kes. 6 million, major contributor being the increase in salaries and wages as result of new salary structure and recruitment of personnel and uninterrupted year circle as opposed to prior Covid-19 financial year when most staff were on unpaid leaves. The company fixed asset base rose to Kes. 4,539,840.22 from Kes. 2,088,704.11 in the previous financial year.

The business environment is stabilizing even amid looming electioneering period. As we enter the new financial year, our main target is to bring all our stakeholders on board to ensure no one is left behind. Operation wise we expect to provide excellent services and products to all our customers. Cost cutting measures on our operations will be tightened to ensure no wastages. An elaborate strategy will be put in place to come up with ways of marketing our services and products and become more visible thus be able to expand our revenue base. At the same time, the company is finalizing on preparing the business plans to enable her expand on the income generating units.

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

TUMEL exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile -

TUMEL enjoys a strategic standpoint being subsidiary to government entity. With the reliable expertise from the University, the company easily has edge advantage in the region. The company has formed consortium with other entities to reap the benefits that comes with it.

ii) Environmental performance

TUMEL is NEMA compliant with up-to-date environmental audit from certified firm. The company has tried to ensure there is adequate waste management in the hotel and affluence in water plant are safely disposed. The major setback has been treatment of waste and recycling.

iii) Employee welfare

TUMEL Human Resource and Procedure Manual Policy which in line with the Labour Relations Act, 2007 stipulates fair employment process based on merit. The recruitment process give emphasis on fair employment procedures. An advert is widely shared to ensure the process is as transparent as possible. The company has inhouse training for its staff, career progression, promotions, yearly appraisal and bonus reward. Staff are insured with WIBA and are registered and compliant with Occupational Safety and Health Act of 2007, (OSHA)

iv) Market place practices-

The company adhere to the following practices in the Market place:

a) Responsible competition practice.

TUMEL has zero tolerance to corruption as outlined in its Anti-Corruption and Whistle Blowing policies. The company competes fairly in all spheres with its competitors from tender application and market base expansion.

b) Responsible Supply chain and supplier relations

TUMEL adheres to Public Procurement and Asset Disposal Act, its Regulations and Public Finance Management Act and its regulations. The company has not been debarred by the Public Procurement Regulatory Authority as it honours its contractual obligations and prompt payment to suppliers as per its Financial Management policy.



Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

c) Responsible marketing and advertisement

The company maintain ethical marketing practices.

d) Product stewardship

The company safeguard consumer rights and interests.

Corporate Social Responsibility/Community Engagements

TUMEL participates in Corporate Social Responsibility by cleaning the neighbourhood and employment of locals which has improved hygiene and reduce unemployment for the youths. The company has visited various children homes donated food items.



Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

REPORT OF THE DIRECTORS

The Board is required to prepare financial statements, which give a true and fair view of the state of affairs of TUMEL at the end of each financial year. The Directors submit their report together with the audited financial statements for the year ended June 30th 2022, which show the state of the entity's affairs.

Principal activities

The principal activities of the entity are:

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

Results

The results of the entity for the year ended June 30th, 2022 are set out. Below is summary of the profit or loss made during the year.

Dividends

Subject to the approval of the shareholders, the TUMEL Board of Directors recommend non-payment of dividend for the year ended June 30th 2022.

Directors

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

Auditors

The Auditor-General is responsible for the statutory audit of the TUMEL in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2019.

By Order of the Board

Board Secretary

Mombasa

Date..... 7/3/2023

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30th, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the company's Act). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of the entity's transactions during the financial year ended June 30th 2022, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

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



Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

Approval of the Financial Statements

The entity's financial statements were approved by the Board on 25/10/2022 and signed on its behalf by:

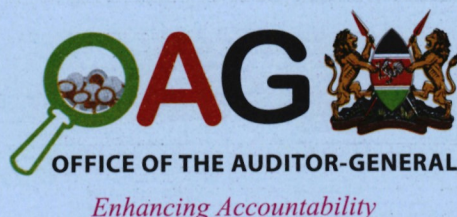
Chairman

Director

Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Technical University of Mombasa Enterprises Limited set out on pages 1 to 27, which comprise of the statement

of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Technical University of Mombasa Enterprises Limited as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Banking and Duplicated Receipts

The statement of profit and loss and other comprehensive income and Note 3 to the financial statements reflect revenue amount of Kshs.68,054,295 which includes Technical University of Mombasa (TUM) hotel and conferencing revenue of Kshs.29,981,319, out of which Kshs.6,338,450 were cash receipts. Although, the ledger balance in support of the cash balance for the period between 1 to 31 October, 2021 reflected a total of Kshs.266,127, audit analysis of the cash collections for the same period reflected total cash collections of Kshs.99,129. No explanation was provided for the variance of Kshs.166,998 between the collections and amount recorded in the ledger.

Review of the ledger in support of the hotel and conferencing revenue revealed that receipts totalling Kshs.77,380 were duplicated. No explanation was provided for this anomaly.

In addition, bank deposit slips provided for audit review were not matched with the approved daily cash and cheque receipt register and Management had not maintained a counter receipt book register for issuance and receipt of receipt books thus making it impossible to confirm their accountability.

In the circumstances, the accuracy and completeness of the hotel and conferencing revenue of Kshs.29,981,319 for the year ended 30 June, 2022 could not be confirmed.

2. Undisclosed Consultancy Facilitation Expense

The statement of profit and loss and other comprehensive income and Note 4 to the financial statements for the year ended 30 June, 2022 reflect cost of sales amounting to Kshs.33,874,952 which include consultancy facilitation expense of Kshs.15,151,691. However, payments totalling Kshs.6,785,126 were not included in the ledger in support of the expenses.

In the circumstances, the accuracy and completeness of the consultancy facilitation expense of Kshs.15,151,691 for the year ended 30 June, 2022 could not be confirmed.

3. Trade and Other Receivable Balances

3.1 Unexplained Variances in Related Party Transactions

The statement of financial position as at 30 June, 2022 and Note 13 to the financial statements reflect a balance of Kshs.34,726,670 in relation to trade and other receivables which includes an amount of Kshs.17,694,999 as receivables from Technical University of Mombasa (TUM) comprising of school based students, hotel services, cleaning services and water sales (TUM-AQUA) of Kshs.470,250, Kshs.8,397,999, Kshs.8,484,000 and Kshs.342,750 respectively. However, the audited financial statements for TUM as at 30 June, 2022 indicate a balance payable to the Company of Kshs.4,662,457 resulting to an unexplained variance of Kshs.13,032,542.

3.2 Unsupported Trade and Other Receivables

The statement of financial position as at 30 June, 2022 and Note 13 to the financial statements reflect trade and other receivables net balance of Kshs.34,726,670 after provision for bad and doubtful receivables of Kshs.6,004,780. However, the supporting schedules for receivables amounting to Kshs.19,810,759 and details or breakdown of how the provision for bad and doubtful receivables of Kshs.6,004,780 was determined were not provided for audit review.

In the circumstances, the accuracy and completeness of the trade and other receivables balance of Kshs.34,726,669 could not be confirmed.

4. Unexplained Variances and Unsupported Bank and Cash Balances

The statement of financial position and Note 11 to the financial statements reflect bank and cash balances of Kshs.1,024,456 which include an amount of Kshs.834,919 held in a local bank. However, the cashbook provided for audit review indicated a balance of Kshs.854,739 thereby resulting to a variance of Kshs.19,820. Further, the bank reconciliation statement as at 30 June, 2022 reflected a cashbook balance of Kshs.873,625 resulting to a variance of Kshs.38,706 as compared to the financial statements balance. No explanation or reconciliation was provided for the variances between the three sets of records that should normally be the same.

Further, the bank confirmation certificate in support of the bank balance of Kshs.834,919, the Board of Survey certificate in support of the cash balance of Kshs.21,850 and, bank reconciliation statements, cashbook and bank confirmation certificate for the bank balance of Kshs.167,687 were not provided for audit review.

In the circumstances, the accuracy and completeness of the bank and cash balances of Kshs.1,024,456 could not be confirmed.

5. Unsupported Inventory Balance

The statement of financial position and Note 12 to the financial statements indicates an inventory balance of Kshs.3,287,441. However, the stock count sheets as at 30 June, 2022 in support of the balance were not provided for audit review.

In the circumstances, the accuracy and completeness of the inventory balance of Kshs.3,287,441 as at 30 June, 2022 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 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 receipts on comparable basis of Kshs.99,000,000 and Kshs.70,134,725 respectively resulting to an under realization of Kshs.28,865,276 (or 29%) of the budget. Similarly, the Company expended Kshs.66,757,050 against an approved budget of Kshs.95,700,000 resulting to an under-expenditure of Kshs.28,942,950 (or 30%) of the budget.

In the circumstances, under realization of receipts and under expenditure may have affected negatively the planned activities of the Company.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2022. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for 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 overall governance were not effective.

Basis for Conclusion

1. Incomplete Asset Register

The statement of financial position as at 30 June, 2022 reflect total non-current assets balance of Kshs.4,539,840 and as disclosed in Notes 9 and 10 to the financial statements. However, the asset register provided had no assets information on; type and description of each asset, acquisition cost of the asset, supplier details, date of purchase, estimated useful life, physical location of the asset and the person allocated, asset condition, and asset tag number identification.

In the circumstances, the Company's assets are at risk of loss.

2. Inconsistencies of Articles of Association and Board Charter on Composition of Board

Review of the Articles of Association revealed that the Company was incorporated on 07 August, 2013. However, the Articles of Association and the Board Charter are inconsistent on Board composition, as indicated below;

Issue	Articles of Association	Board Charter
Chairman of the Board	Clause 19 (a): The Board shall comprise of the Chairman of the University Council who shall also be the Chairman of the Company	Paragraph 2.2 (i): A Chairperson of the Board appointed by the TUM University Council (known as the "Council") Chairperson from one of its independent members appointed under section 36(1)(d) of the Universities Act, 2012
The Principal Secretary, State Department for Industrialization, Ministry of Industrialization, Trade and	Not provided for	Paragraph 2.2 (ii): The Principal Secretary, State Department for Industrialization, Ministry of

Issue	Articles of Association	Board Charter
Enterprise Development Representative		Industrialization, Trade and Enterprise Development
Directors	Clause 19(b): The Board shall comprise of two members of the University Council appointed under Section 36(1) of the University Act, 2012	Paragraph 2.2(iv): Four (4) Directors not being employees of State Corporations who shall be appointed by the Council

In the circumstances, conflict between the Article of Association and the Board Charter may adversely affect the governance of the Company.

3. Long Outstanding Trade and Other Payables

The statement of financial position as at 30 June, 2022 and Note 18 to the financial statements reflect trade and other payables of Kshs.18,349,262. The trend analysis for the last three financial years however raises doubt as to the Company's ability to settle its obligations as illustrated in the table below;

Year	Amount (Kshs.)
2019	8,064,118
2020	13,009,988
2021	10,083,680
2022	18,349,262

Non-settlement of liabilities as and when they fall due may lead to interest and penalties and the Company's liquidity risk management could not be confirmed for the year ended 30 June, 2022.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenyan 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 my audit;
- (ii) In my opinion, proper books of account have been kept by the Company, so far as appears from the examination of those books;
- (iii) The Company's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 overall governance.

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

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

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

The Board of Directors is 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

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

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

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

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

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

28 April, 2023

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
REVENUES			
Revenue	3	68,054,295.11	88,877,421.30
Cost of sales	4 & 5	(33,874,952.89)	(33,617,533.32)
Gross profit		34,179,342.22	55,259,887.98
Other Income	6	2,080,430.45	0.00
TOTAL REVENUES		36,259,772.67	55,259,887.98
OPERATING EXPENSES			
Administration Costs	7	(41,707,600.31)	(35,452,336.12)
TOTAL OPERATING EXPENSES		(41,707,600.31)	(35,452,336.12)
Non-Operating Expenses	8	(40,980.00)	(142,355.21)
TOTAL NON-OPERATING EXPENSES		(40,980.00)	(142,355.21)
PROFIT/(LOSS) BEFORE TAXATION		(5,488,807.64)	19,665,196.65
INCOME TAX EXPENSE/(CREDIT)	19	0.00	(6,196,436.97)
PROFIT/(LOSS) AFTER TAXATION		(5,488,807.64)	13,468,759.68

Technical University of Mombasa Enterprises Limited**Annual Reports and Financial Statements****For the year ended June 30, 2022****STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2022**

	Note	2021/2022	2020/2021
		Kshs	Kshs
ASSETS			
Non-Current Assets			
Property, plant and equipment	9	4,416,431.26	1,900,189.44
Intangible Asset	10	123,408.96	188,514.67
Total Non-Current Assets		4,539,840.22	2,088,704.11
Current Assets			
Bank and Cash balances	11	1,024,455.63	13,590,615.00
Inventory	12	3,287,440.92	1,705,360.69
Trade and other receivables	13	34,726,669.96	33,553,229.68
Total Current Assets		39,038,566.51	48,849,205.61
TOTAL ASSETS		43,578,406.73	50,937,909.72
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Shares	14	100,000.00	100,000.00
Shareholder's contribution	14	4,900,000.00	4,900,000.00
Retained earnings	15	22,335,152.66	8,866,392.98
Profit/(Loss) for the year		(5,488,807.64)	13,468,759.68
Dividend Declared		(4,040,627.90)	0.00
Capital and Reserves		17,805,717.12	27,335,152.66
Long term liabilities			
TUM Borrowing	16	200,000.00	2,000,000.00
Total long-term liabilities		200,000.00	2,000,000.00
Current Liabilities			
Trade and Other Payables	17	18,349,261.71	10,083,680.09
Provisions	18	3,182,800.00	5,322,640.00
Dividend Payable		4,040,627.90	0.00


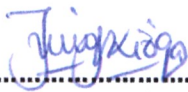

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

Tax Payable	19	0.00	6,196,436.97
Total Current Liabilities		25,572,689.61	21,602,757.06
TOTAL EQUITY AND LIABILITIES		43,659,876.73	50,937,909.72

The entity's financial statements were approved by the Board on 25/10/2022 and signed on its behalf by:

Signature 	Signature 	Signature 
Name <u>Prof. F. Kibera</u>	Name <u>Bernard Nyakundi</u>	Name <u>Leonard Kosi</u>
Chairperson of the Board	Accounting Officer	Head of Finance (ICPAK M/NO: 25611)

Technical University of Mombasa Enterprises Limited
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For the year ended June 30, 2022

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2022

	Note	Ordinary share capital	Share Holders contribution	Retained earnings	Total
At July 1, 2020		100,000.00	4,900,000.00	3,898,772.00	8,898,772.00
Additions	20	0.00	0.00	4,967,620.78	4,967,620.78
Profit / (Loss) for 2020/21				13,468,759.68	13,468,759.68
At June 30, 2021		100,000.00	4,900,000.00	22,335,152.46	27,335,152.46
At July 1, 2021		100,000.00	4,900,000.00	22,335,152.46	27,335,152.46
Profit / (Loss) for 2021/2022				(5,488,807.64)	(5,488,807.64)
Dividend - Prior year				(4,040,627.90)	(4,040,627.9)
At June 30, 2022		100,000	4,900,000	12,805,716.92	17,805,717.12

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021
		Kshs	Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/ (used in) operations		(5,488,807.64)	13,468,759.68
Add: Depreciation & Amortization	9 & 10	693,154.89	358,826.05
Decrease/(Increase) in Inventory	12	(1,582,080.23)	705,924.31
Decrease/(Increase) in Trade Receivables & Other Receivables	13	(1,173,440.28)	(13,576,604.88)
(Decrease)/Increase in Trade Payables & Other Payables	17	2,069,144.65	8,592,769.06
(Decrease)/Increase in Provisions	18	(2,139,840.00)	
Net cash generated from/ (used in) operating activities		(7,621,868.61)	9,549,674.22
CASH FLOWS FROM INVESTING ACTIVITIES			
Less: Purchase of Fixed Assets	9	(3,144,291.00)	(341,048.00)
Net cash generated from/ (used in) investing activities		(3,144,291.00)	(341,048.00)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase/(Decrease) in Retained Earnings	20	0.00	4,967,620.78
Increase (Decrease) in Long-Term Liabilities: TUM Loan	16	(1,800,000.00)	(2000,000.00)
Net cash generated from/ (used in) financing activities		(1,800,000.00)	2,967,620.78
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	11	13,590,615.00	1,414,368.00
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	11	1,024,455.63	13,590,615.00

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

STATEMENT OF COMPARISON OF BUDGET FOR THE YEAR:

	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% of Utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
REVENUE	KSHS	KSHS	KSHS	KSHS	KSHS	%
Sale of goods	4,000,000.00	3,000,000.00	7,000,000.00	7,087,079.68	87,079.68	1.24%
Sale of services	117,000,000.00	-25,000,000.00	92,000,000.00	61,047,739.58	(30,952,260.42)	(33.64%)
Other Income	0.00	0.00	0.00	2,137,222.45	2,137,222.45	0%
TOTAL INCOME	121,000,000	(22,000,000.00)	99,000,000	70,134,725.56	(28,727,958.29)	(32.40%)
EXPENDITURE						
Compensation to employees	26,320,000.00	1,590,000.00	24,730,000.00	3,893,287.11	836,712.89	3.38%
Use of goods and services	67,370,000.00	6,050,000.00	61,320,000.00	40,110,906.50	21,209,093.50	34.59%
Rent paid	1,500,000.00	0.00	1,500,000.00	1,200,000.00	300,000.00	20%
Other payments	7,550,000.00	-600,000.00	8,150,000.00	1,552,856.00	6,597,144.00	17.38%
TOTAL EXPENDITURE	102,740,000	7,040,000	95,700,000	66,757,049.61	28,942,950.39	75.35%
SURPLUS/(DEFICIT) FOR THE PERIOD	18,260,000.00	(14,960,000.00)	3,300,000	(3,377,675.95)	(57,670,909)	

Technical University of Mombasa Enterprises Limited

Annual Reports and Financial Statements

For the year ended June 30, 2022

NOTES TO THE FINANCIAL STATEMENTS

i. GENERAL INFORMATION

TUMEL is established by and derives its authority and accountability from The Company's Act. The entity 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 and loss account by the statement of profit or loss and other comprehensive income in these financial statements

ii. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies.

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

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

a) Property, plant and equipment

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

Technical University of Mombasa Enterprises Limited

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For the year ended June 30, 2022

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

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

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

b) 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 installation

Depreciation on property, plant and equipment is recognised 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 are:

Computers	30%
furniture and fittings and related equipment	12.5%
Water Processing Plant	12.5%

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

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

Technical University of Mombasa Enterprises Limited

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c) Intangible assets

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

d) Amortisation and impairment of intangible assets

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

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

e) Investment property

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

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

f) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

Technical University of Mombasa Enterprises Limited

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All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

g) Trade and other receivables

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

h) Taxation

Current income tax

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

n) Taxation (Continued)

Current income tax (Continued)

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

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

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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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.

i) 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.

j) Borrowings

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

k) Trade and other payables

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

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3. REVENUE

DEPARTMENT	2021/2022	2020/2021
	Kshs	Kshs
TUMEL CONSULTANCY	13,958,022.04	61,366,689.21
TUMEL CLEANING	17,200,000.08	16,180,162.96
TUM HOTEL AND CONFERENCING	29,981,319.06	9,515,192.17
TUM AQUA	6,914,953.93	1,815,376.96
Total	68,054,295.11	88,877,421.30

4. COST OF SALES

	2021/2022	2020/2021
	Kshs	Kshs
Consultancy Facilitation Expense	15,151,691.23	25,598,106.00
Cleaning Items & Materials	2,333,636.26	1,105,883.58
Foodstuff	7,033,895.62	3,529,433.15
Hire of Tables	8,500.00	106,004.77
Cooking Gas & Fuel	738,710.00	400,000.00
Housekeeping items	1,421,895.00	895,510.00
Water Production Cost	6,394,677.93	1,805,009.19
Kitchenware	447,352.07	80,441.40
Office materials and stationeries	344,594.78	97,145.23
Total	33,874,952.89	33,617,533.32

5. COST OF SALES COMPONENTS (COMPUTATIONS)

	Note	2021/2022	2020/2021
		Kshs	Kshs
Opening Stock	10	1,705,360.69	2,411,285.00
Purchases		19,566,631.89	6,913,503.01
Direct Cost;			
Consultancy		15,151,691.23	25,598,106.00
Cooking Gas & Fuel		738,710.00	400,000.00
Closing Stock	10	(3,287,440.92)	(1,705,360.69)
Cost of Sales	5	33,874,952.89	33,617,533.32

Technical University of Mombasa Enterprises Limited**Annual Reports and Financial Statements****For the year ended June 30, 2022****6. OTHER INCOME**

	2021/2022	2020/2021
	Kshs	Kshs
Reduction in Provision for Bad Debt	1,776,410.45	0.00
Staff Surcharge	304,020.00	0.00
TOTAL	2,080,430.45	0.0

7. ADMINISTRATION COSTS

	2021/2022	2020/2021
	Kshs	Kshs
Bank charges	67,211.58	32,144.10
Depreciation & Software Amortization expense	693,154.89	358,826.05
Stationery	141,024.30	333,979.43
Board of Directors' allowances	2,528,200.00	1,931,197.00
Staff Meals Allowances	98,523.15	25,500.00
Office expense	91,114.60	175,808.00
Permits and Licences	179,725.00	214,414.00
Advertising and promotion	263,344.00	69,250.00
Staff Travelling & Subsistence	1,212,000.00	721,360.00
Dues and Subscriptions to professional bodies	28,200.00	47,753.00
Newspaper Subscription	90,840.00	77,820.00
Electricity and Lighting	846,315.00	979,831.00
Levies & Commission	468,802.00	55,059.00
Sanitary Services	27,400.00	38,500.00
Internet Expenses	132,680.00	149,655.00
Official Entertainment	98,256.07	0.00
Publishing & Printing Services	346,085.00	137,445.00
Maintenance and Repairs	2,554,041.42	795,468.88
WIBA Insurance	242,731.64	380,439.00
General Insurance Expense	0.00	59,440.00
Salaries and Wages	23,229,808.46	16,387,534.25
Telephone Expenses	11,310.00	2,000.00
Transport and fares	230,176.00	137,740.00
Hire of transport	914,400.00	0.00

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Hire of Conference & Accommodation Facility	610,850.00	0.00
Audit fees	858,000.00	749,000.00
Strategic Plan & Policy documents	782,900.00	602,904.12
Extraneous Duties Allowance	320,000.00	236,240.00
Refunds	0.00	7,400.00
Water Bowser Expenses	56,500.00	11,000.00
NSSF-Employer Contribution	91,740.00	53,000.00
Contracted Professional Services	195,010.00	560,700.00
Pension Expense	134,568.00	217,760.00
Rent and rates	1,200,000.00	1,200,000.00
Staff training and development	938,560.00	177,180.00
Postage and delivery	6,880.00	11,563.00
Consultancy Expenses	1,750,000.00	733,234.42
Bad Debt Provision Expense	0.00	7,781,190.87
Borehole Drilling Expense	228,000.00	0.00
Total	41,707,600.31	35,452,336.12

NOTE: The significant difference for various line expenses in the comparative financial statement is as explained in the table hereunder;

S/N.	Description	Explanation
i.	Bank charges	Increased number of tender bond security
ii.	Depreciation & Software Amortization expense	Increase in fixed asset base
iii.	Staff Travelling & Subsistence	Increase in the submission of proposals and tenders, travelling for negotiation meetings, signing of business agreements and empowerment of staff through capacity building and training.
iv.	Advertising and promotion	Advert for vacant positions in the company through MyGov of Kes. 240,000
v.	Levies & Commission	Increase in catering levy as a result of growth in hotel revenue
vi.	Publishing & Printing Services	Printing of policy documents, proposals, tenders and Tracer Study Project final reports
vii.	Maintenance and Repairs	Repair of hotel and conferencing facility and the old guest house
viii.	Salaries and Wages	In the year 2020/2021 staff were sent on compulsory leave due to hotel closure as a result of Covid-19 and

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		cleaning contract lapse. In 2019/2020 salaries and wages was Kes. 26.9 million.
ix.	Hire of transport	Transportation of water and Fisheries students
x.	Hire of Conference & Accommodation Facility	Outsourcing of accommodation services & hire of conference for policy formulation & heightened proposal development writing.
xi.	Audit fees	Payment for extraordinary forensic audit
xii.	Staff training and development	Inhouse and CPD training for staff to enhance competency
xiii.	Consultancy Expenses	Increase in proposals and tender writing
xiv.	Borehole Drilling Expense	Drilling and dredging of hotel and conference facility borehole

8. NON-OPERATING EXPENSES

	2021/2022	2020/2021
	Kshs	Kshs
Interest, Fine and Penalties	40,980.00	142,355.21

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9. PROPERTY, PLANT AND EQUIPMENT

	Water Bottling Plant & Other Machinery	Computers Related Equipment	Office Equipment, Furniture & Fittings	Total
COST OR VALUATION				
At July 1, 2021	3,472,870.00	257,360.00	358,499.16	4,088,729.16
Additions	746,448.28	1,102,510.00	1,295,332.72	3,144,291.00
At June 30, 2022	4,219,318.28	1,359,870.00	1,653,831.88	7,233,020.16
DEPRECIATION				
At July 1, 2021	1,980,661.18	189,042.07	18,836.47	2,188,539.72
Charge for the year	295,855.48	262,748.22	69,445.48	628,049.18
At June 30, 2022	2,276,516.66	451,790.29	88,281.95	2,816,588.90
NET BOOK VALUE At June 30, 2022	1,942,801.62	908,079.71	1,565,549.93	4,416,431.26

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10. INTANGIBLE ASSETS

	2021/2022	2020/2021
	Kshs	Kshs
COST		
At July 1 2021	196,798.00	0.00
Additions	0.00	196,798.00
At June 30	196,798.00	196,798.00
Amortization		
At July 1	8,283.33	0.00
Charge for the year	65,105.71	8,283.33
At June 30 2022	73,389.04	
Net Book Value at June 30 2022	123,408.96	188,514.67

11. BANK AND CASH BALANCES

	2021/2022	2020/2021
	Kshs	Kshs
National Bank of Kenya	834,919.00	13,421,884.00
Kenya Commercial Bank	167,686.63	167,486.00
Petty Cash	21,850.00	1,245.00
Total	1,024,455.63	13,590,615.00

12. INVENTORY

	2021/2022	2020/2021
	Kshs	Kshs
Cleaning items and Materials	335,429.36	547,638.22
Foodstuff	1,067,298.67	229,693.38
Kitchenware items	57,545.20	353,704.27
Office material and Stationery	84,542.04	61,631.81
Water production materials	882,420.65	417,214.99
Housekeeping items	860,205.00	95,478.02
Total	3,287,440.92	1,705,360.69

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13. TRADE RECEIVABLES & OTHER RECEIVABLES

	2021/2022	2020/2021
	Kshs	Kshs
Kilifi County	0.00	168,370.10
Mombasa County	262,500.00	262,500.00
Jumuiya Za Pwani	0.00	7,500.00
TUM HOTEL TO KSG	357,500.00	331,000.00
Kudheha	2,565.00	2,565.00
Ministry Of Agriculture	34,100.00	34,100.00
Mombasa Water	153,621.00	153,621.00
TSC	0.00	255,800.00
School Based Students-TUM	470,250.00	807,920.00
TUM Hotel Services-TUM	8,397,999.13	10,950,353.22
Cleaning Services-TUM	8,484,000.01	9,293,155.84
TUM Hotel -TUMEL	0.00	193,629.22
Petty Cash Unaccounted	0.00	158,863.60
Zoggori Sacco	9,650.01	9,650.01
TUM AQUA-TUM	342,750.00	555,590.56
Tum Alumni Association	3,500.00	3,500.00
BIOSAFETY APPEAL BOARD	0.00	164,300.00
TUMAQUA TO KSG	1,959,552.00	699,840.00
PORTUGUESE EMBASSY	0.00	655,200.00
KISE	36,000.00	36,000.00
KALRO	0.00	774,000.00
TVET-MINISTRY OF EDUCATION	15,396,477.00	15,396,477.00
KENFREIGHT LTD	124,410.00	46,685.00
KEMSFED	0.00	208,800.00
Prepaid Expenses	143,052.00	15,000.00
Staff Salary Advance	150,000.00	150,000.00
TUMSA	8,850.00	0.00
RTI International	207,000.00	0.00
Pweza Fisheries	160,800.00	0.00
President's Award Kenya	455,000.00	0.00

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Our Lady Mother of Africa	30,000.00	0.00
NEST Kenya 360	197,000.00	0.00
KRA	49,680.00	0.00
KPRL	129,360.00	0.00
KENHA	1,762,850.00	0.00
CAJ	252,000.00	0.00
Alliance Francaise	64,600.00	0.00
Internal Debtors	108,443.00	0.00
Staff Loan Surcharge	109,940.00	0.00
Tax Recoverable	868,001.23	0.00
Gross Trade and Other Receivables	40,731,450.38	41,334,420.55
Provision for Bad and Doubtful Receivable	(6,004,780.42)	(7,781,190.87)
Trade and Other Receivables	34,726,669.96	33,553,229.68

Provision for doubtful debt as at reporting date is **Ksh. 6,004,780.42** which is deducted from gross amount. Generally accepted accounting principles require that companies present accounts receivable balances net of the allowance for doubtful accounts. This means the company must reduce the asset it holds for balances owed to the company by an estimate of the balances that it deems it will be able to collect.

14. SHAREHOLDERS CONTRIBUTION

	2021/2022	2020/2021
	Kshs	Kshs
Ordinary share capital 1000shares @100	100,000.00	100,000.00
Shareholder contribution	4,900,000.00	4,900,000.00
Total	5,000,000.00	5,000,000.00

15. RETAINED EARNINGS

	2021/2022	2020/2021
	Kshs	Kshs
Retained Earnings b/f	8,866,392.98	2,341,718.00
Profit for the Prior Year	13,468,759.68	1,557,053.00
Adjustments for the year	0.00	4,967,620.78
Retained Earnings	22,335,152.66	8,866,392.98

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

16. TUM BORROWING

	2021/2022	2020/2021
	Kshs	Kshs
Loan Advanced	200,000.00	2,000,000.00
Total	200,000.00	2,000,000.00

17. TRADE & OTHER PAYABLES

	2021/2022	2020/2021
	Kshs	Kshs
BELSHEI AGENCIES	0.00	36,400.00
BETRIC KENYA LTD	0.00	39,300.00
COSMAY ENTERPRISES	63,000.00	0.00
DANYAR DARYEL BUTCHERY	146,770.00	0.00
ELVA GENERAL SERVICES	0.00	28,000.00
ELYSHA ENTERPRISE	53,322.00	138,950.80
FASTOWN E.A. LTD	0.00	149,075.00
FIFTY PLUS SOLUTIONS LTD	164,565.00	0.00
HIPERJOO ENTERPRISES LRD	0.00	36,000.00
INOCHEM LTD	0.00	91,640.00
JALARAM PLASTICS	15,564.00	15,564.00
JOMINYIKH ENTERPRISES LTD	0.00	127,000.00
KI VENTURES	138,000.00	0.00
KONGOLEE ENTERPRISES	24,180.00	0.00
LUCILE AGENCIES	0.00	38,440.00
LUQRADHI AGENCIES	628,860.00	44,940.00
MAJIKO SERVICES	0.00	14,500.00
MAULL DAN GENERAL SUPPLIES	196,260.00	0.00
MILMAR MARKETING AND MARKETING	984,472.00	270,270.00
MIYOSQUIN CHEMICALS	49,800.00	47,500.00
MWIALLY ENTERPRISES	9,250.00	9,250.00
OFFICE OF THE AUDITOR GENERAL	2,030,000.00	0.00

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PAKWANG INVESTMENTS	7,400.00	0.00
PRINCETELL ENTERPRISES	115,500.00	0.00
TVET	0.00	15,500.00
NISHA PRINTERS LTD	0.00	68,800.00
ORIAN GENERAL GREEN GROCERS	0.00	56,370.00
PATAN VOICE MEDIA LTD	0.00	22,400.00
ROTANDA ENTERPRISES	1,600.00	0.00
SAFEPAK LTD	271,488.00	0.00
SAFETEC SOLUTION LTD	301,600.00	0.00
SITRACT ENTERPRISES	413,736.00	135,570.00
SUPAKREATIVE ENTERPRISES LTD	0.00	3,722.00
TONONOKA MEAT SUPPLY LTD	0.00	173,050.00
TREGAC ENTERPRISES LTD	65,000.00	272,948.00
TRICEPTS SOLUTIONS	0.00	62,850.00
TUM CONFERENCE	10,000.00	0.00
TUM ELECTRICITY	260,582.00	157,742.00
TUM TRANSPORT	146,800.00	0.00
VECTORCARE LTD	0.00	11,000.00
USHAGO MERCHANTS LTD	98,450.00	0.00
VEG CIRCLE	130,285.00	0.00
Audit fee Payable	0.00	2,000,000.00
Prepaid Short courses	503,500.00	503,500.00
Board of Directors Allowances-accrued	0.00	15,000.00
Customer advance deposits	36,675.00	53,675.80
Net Pay Control Account	0.00	3,167.30
NSSF	5,000.00	2,200.00
NHIF	62,500.00	11,700.00
PAYE - Staff	140,359.45	160,516.00
PAY - Board	201,000.00	0.00
PAYE - Other	696,005.57	0.00
Training Levy deduction	0.00	10,889.00
TVET Consultancy	0.00	15,500.00
UASU deduction	16,023.40	10,885.00
VAT Control Account	1,825,689.14	5,012,034.39

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Mwalimu Sacco	0.00	24,415.00
TUM Benevolent deduction	2,200.00	1,600.00
Pension Control Account	123,083.00	65,332.00
Sanlam Control Account	0.00	671.00
Withholding Tax Control Account	114,427.15	125,814.70
Rent Payable	300,000.00	0.00
Unearned Revenue - Fisheries	7,940,055.00	0.00
KISM Payable	56,260.00	0.00
TOTAL	18,349,261.71	10,083,680.09

18. PROVISIONS

	2021/2022	2020/2021
	Kshs	Kshs
Provision for TVET Consultants Expense	1,330,660.00	5,322,640.00
Provision for the purchase of Food Stuff	428,990.00	0.00
Provision for the purchase of Furniture & Fixtures	297,800.00	0.00
Provision for the Maintenance of Computers, Printers, Software, email & website	53,650.00	0.00
Commitment for the purchase of Office Equipment	530,600.00	0.00
Provision for the hire of Conference Facility	34,500.00	0.00
Provision for the External Audit Fees	290,000.00	0.00
Provision for the Internal Audit Fees	95,000.00	0.00
Provision for Publishing and Printings Services	114,800.00	0.00
Provision for the purchase of Cleaning & Sanitation Materials	6,800.00	0.00
TOTAL	3,182,800.00	5,322,640.00

19. TAX PAYABLE

		2021/2022	2020/2021
		Kshs	Kshs.
Profit before tax		0.00	19,665,196.65
	Add: Depreciation	0.00	350,542.72
	Amortization	0.00	8,283.33
	Interest Fines & Penalties	0.00	142,355.21
	Less: Investment deduction	0.00	(149,060.78)

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	Total	0.00	20,009,033.80
Tax@30%		0.00	6,196,436.97

20. ADJUSTMENTS TO RETAIN EARNING 2020/2021

		2021/2022	2020/2021
		Kshs	Kshs.
i	VAT Payable	0.00	1,355,505.78
ii	Corporate Tax Payable	0.00	3,576,615.58
iii.	Purchase of QuickBooks Software	0.00	35,499.42
	TOTAL	0.00	4,967,620.78

- i. KRA offered TUMEL VAT remission for part of the tax arrears liability after negotiation. Then the company pay less tax.
- ii. A corporate tax liability carried forward from the previous financial year was a journal entry passed not based on profit earned. The company has no corporate tax liability.

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21. FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

(i) Credit risk

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

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

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

(ii) Market risk

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

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Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by the Board) and for the day-to-day implementation of those policies.

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

iii) Fair value of financial assets and liabilities

a) Financial instruments measured at fair value

Determination of fair value and fair values hierarchy

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

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

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22. INCORPORATION

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

23. EVENTS AFTER THE REPORTING PERIOD

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

24. CURRENCY

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