

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 APR 2023	DAY: TUESDAY
TABLED BY: Hon. Kimani Ichungwaho, MP Leader of Majority Party	THE AUDITOR-GENERAL
CLEAR AT THE TABLE: Inzofu Mwale	

REPORT

OF

THE AUDITOR-GENERAL

ON

DEKUT ENTERPRISES COMPANY

FOR THE YEAR  
ENDED 30 JUNE, 2022

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**DEKUT ENTERPRISES COMPANY**  
**ANNUAL REPORTS AND FINANCIAL**  
**STATEMENTS**

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

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**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

# DEKUT ENTERPRISES COMPANY

## Annual Reports and Financial Statements for the year ended June 30, 2022

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**DEKUT ENTERPRISES COMPANY**  
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**I. KEY ENTITY INFORMATION**

**a) Background information**

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

**b) Principal Activities**

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

**c) Directors**

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

1. Prof. Eng. Paul N. Kioni	Chairman	Appointed on 4 <sup>th</sup> June 2018
2. Prof. Esther Magiri	Director	Appointed on 30 <sup>th</sup> Oct 2019
3. Mr. Abraham Mwangi	Director	Appointed on 30 <sup>th</sup> Oct 2019
4. Dr. Paul Sang	Managing Director	Appointed on 20 <sup>th</sup> July 2018

**d) Corporate Secretary**

Mr. John Gitibi Rukioyah  
Private Bag-10143, Dedan Kimathi,  
Nyeri

**e) Registered Office**

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

**f) Corporate Headquarters**

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

**g) Corporate Contacts**

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

**DEKUT ENTERPRISES COMPANY**

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**h) Corporate Bankers**

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

**i) Independent Auditors**

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

**j) Principal Legal Advisers**

The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

## DEKUT ENTERPRISES COMPANY

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#### II. THE BOARD OF DIRECTORS

	<p><b>Prof. Eng. P. N. Kioni – Chairman, DeKUTES Board of Directors</b> Prof. P. Ndirangu Kioni is serving as the first Vice-Chancellor of Dedan Kimathi University of Technology (DeKUT) following its upgrading to a fully-fledged University by award of Charter on 14<sup>th</sup> December 2012. He was at Cambridge University, England, where he got a Doctor of Philosophy degree, in 1994. He took his undergraduate studies at the University of Nairobi (UoN), where he obtained First Class honours, Bachelor of Science degree in Mechanical Engineering in 1988, along the way winning the General Motors Prize for the top student, a position he had maintained every year throughout the programme. After leaving UoN, he worked as a Plant Engineer at Unilever Kenya Limited, formerly East Africa Industries Ltd, where he obtained his first experiential training in engineering before proceeding for further studies in 1990. He was born in 1966</p>
	<p><b>Prof. Esther N. Magiri – Director</b> Prof. Esther Nkirote Magiri is currently serving as Deputy Vice Chancellor (Administration and Finance). She attended Tel Aviv University, Israel for her postdoctoral studies, having graduated with a Ph.D degree in applied Molecular Biology in Plant Pathology from ZheJiang University, PR, China. Before this, she had graduated with MSc in Biochemistry and BSc. (Biochemistry major and Zoology minor) from University of Nairobi. She is an associate member of Kenya Institute of Management (KIM). She was born in 1966</p>
	<p><b>Mr. Abraham Mwangi – Director</b> He is currently serving as the Acting Finance Officer at Dedan Kimathi University of Technology. Mr. Mwangi holds a Masters Degree in Business Administration (Finance) and a Bachelors degree in Business Administration. He is a registered member of ICPAK. He has headed various sections in the Finance Department and has as a result gained a wealth of experience in the planning, organising and controlling of the financial functions. He was instrumental in the formation of the staff Sacco (KIMTECH). He is still in the Sacco's leadership; he has also served in the DeKUT staff retirement scheme as an elected trustee. He was born in 1978</p>
	<p><b>Dr. Paul Sang – Ag. Managing Director</b> Dr. Paul Sang is serving as the first Managing Director of DeKUT Enterprises Company following its operationalization in July 2018. He was at Louisiana State University (LSU), USA where he got a Doctor of Philosophy degree, in 2014. He took his undergraduate studies at the Egerton University, where he obtained Bachelor of Education (Science) degree in Mathematics and Chemistry in 2001. Upon Graduation from Egerton University, Paul worked with Fellowship of Christian Unions (FOCUS) for one year as a short term staff before proceeding to Teachers Service Commission where he was deployed to Kapkeben Secondary School, Eldoret as a teacher. He served in different positions including as Deputy Principal where he helped convert the school from the last in the District to a performing school. He exited Secondary school teaching and proceeded for study leave to pursue higher studies in Chemistry. Paul emerged among the top in his class at LSU attracting several outstanding awards in research and teaching. Paul joined the Department Chemistry, Dedan Kimathi University in 2015. He served in various positions in the Department including the Chair of the Chemistry Department where he spearheaded Detergent production as an IGU converting it to a profitable venture. Dr. Sang was then appointed to set up and run DeKUT Enterprises Company, a position he has served in diligently to date. He was born in 1975</p>

**DEKUT ENTERPRISES COMPANY**




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**John Gitibi Rukioyah - Company Secretary**

John Rukioyah is currently serving as the Company Secretary. He holds a Bachelor of Laws (LL.B) from Moi University and Postgraduate Diploma in Law from Kenya School of Law. John Rukioyah is an Advocate of the high court of Kenya. He was born in 1984

**III. MANAGEMENT TEAM**

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

## **DEKUT ENTERPRISES COMPANY**

### **Annual Reports and Financial Statements for the year ended June 30, 2022**

#### **IV. CHAIRMAN'S STATEMENT**



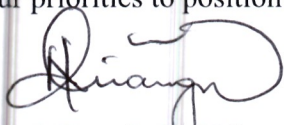
On behalf of the Board, I take this opportunity to present the DeKUTES Annual Report and Financial Statements for the 2021/2022 FY. DEKUT Enterprises Company continued to register remarkable progress in its pursuit to be a provider of choice in consultancy, training and production of quality products. In the year under review, significant progress was realized in the increase in consultancy, sale of equipment and production of branded apparels. The significant increase in turnover is attributable to the design, manufacture and sale of innovative products and consultancy compared to the last financial year.

The Company has continued working closely with development partners in the pursuit to realize its strategic objectives. These include the County Government of Nyeri, County Government of Laikipia, Government Ministries and Parastatals. This partnership has resulted into development of collaborations framework which outlines the mutual benefits for institutions involved.

DeKUTES through provision of consultancy services creates an avenue for University staff to utilize their knowledge and skills towards Kenya's and the region's economic development. Further, the Company sought to continuously provide quality and innovative products and services, increase revenue generation and market share while maintaining outstanding customer service.

During the financial year, the unrelenting support received from the County Governments, government ministers and agencies, private sectors, university departments and centers has enabled the Company to increase its financial performance in a tremendous way.

Looking ahead, we will continue to reinvent our businesses, invest in new areas of growth and realign our priorities to position the company as a business that is fit for the future.

A handwritten signature in black ink, appearing to read 'P. N. Ndirangu Kioni'. The signature is fluid and cursive.

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

**DEKUT ENTERPRISES COMPANY**

**Annual Reports and Financial Statements for the year ended June 30, 2022**

**V. REPORT OF THE MANAGING DIRECTOR**



I am delighted to report yet another annual financial performance of the company for the period ended 30<sup>th</sup> June 2022. The company's performance has remained stable despite the challenges experienced in the first quarter of our operations due to Covid 19 restrictions. Our customers have continued to enjoy quality services and products.

During the year we managed turnover of **KShs. 36,025,891** while profit before amounted to **KShs . 4,883,263**. The Company's revenue largely depended on conferences, consultancy and sale of equipment which were designed, manufactured, tested before delivery and installed at the client's location. This has been made possible through the collaboration with various institutes, centers and department within the University.

I take this opportunity to sincerely thank the Board of Directors for their strategic and policy guidance during the concluded financial year 2021/2022. The management and entire staff members of DeKUTES has continued to discharge their mandate with commitment and dedication and I thank them all with confidence that we have all the skills necessary to manage the significant opportunities and challenges that lie before us.

My heartfelt gratitude go to University Council, County Government of Nyeri, County Government of Laikipia, Government agencies and parastatals, University staff and students, our development partners and other institutions who supported us financially or otherwise. I also take this opportunity to thank all those not named above but have given us moral as well as material support. It is through your contributions that we have reached where we are and we encourage you to continue supporting us even in the future.

**Dr. Paul Sang**  
**MANAGING DIRECTOR, DeKUTES**

## DEKUT ENTERPRISES COMPANY

### Annual Reports and Financial Statements for the year ended June 30, 2022

#### VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR 2021/2022 FY

##### Performance during the year 2021/2022 financial year

Performance during the 2021/2022 financial year resulted to revenue of KShs. **36,025,891** and a profit before tax of **KShs. 4,883,263**. The divisions that contributed to this result were as follows: DeKUT Coffee KShs. 1,144,368; yoghurt KShs. 1,315,685; detergent KShs. 1,031,888; retail products KShs. 257,211; Fashion and Design sales KShs. 2,862,982; conferences KShs. 15,013,757; sale of equipment KShs. 12,000,000; Consultancy & Short courses KShs. 2,400,000. The cost of sales amounted to KShs. 21,468,844, administration cost KShs. 10,004,611 while selling and distribution amounted to KShs. 97,736.

The Company invested in immovable assets which included Banquet Seats at a cost of KShs. 327,586 and Branded tents at a cost of 278,400 in order to ensure that Conferences are well facilitated. In compliance with the new VAT guidelines the company purchased an upgraded POS ESD machine at a cost of 129,310.

##### DeKUTES Strategic Pillars

DeKUTES has four strategic pillars and objectives which governs its operations. These strategic pillars are as follows:

Pillar 1: To create a platform for commercialization of innovations emanating from the University that provides solutions to societal problems.

Pillar 2: To maximize returns and create value for the shareholder.

Pillar 3: To catalyse transformation of society

Pillar 4: To act as a centre for business development

DeKUTES develops its annual work plans based on the above four pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The company achieved its performance targets set for the 2021/2022 FY period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1:	To create a platform for commercialization of innovations emanating from the University that provides solutions to societal problems.	<ul style="list-style-type: none"><li>• Consultancies &amp; Training</li><li>• Commercialized products</li></ul>	<ul style="list-style-type: none"><li>• Bid and offer consultancy and training</li><li>• Sale of products</li></ul>	<ul style="list-style-type: none"><li>• Pre-qualified to provide consultancy county government of Nyeri</li><li>• Fashion and Design sales KShs. 2,862,982; conferences KShs. 15,013,757; sale of equipment KShs. 12,000,000;</li></ul>

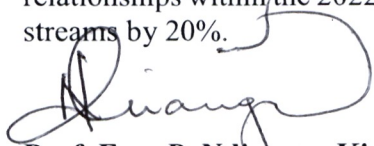
**DEKUT ENTERPRISES COMPANY**

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				Consultancies KShs. 2,400,000.
Pillar 2:	To maximize returns and create value for the shareholder.	<ul style="list-style-type: none"> <li>Increased revenue and profitability</li> </ul>	<ul style="list-style-type: none"> <li>Product diversification</li> </ul>	<ul style="list-style-type: none"> <li>Fabricated a commercial maize drier for County Government of Laikipia</li> <li>Realized revenue of KShs. <b>36,025,891</b> with a profit before tax of KShs 4,883,263</li> </ul>
Pillar 3:	To catalyse transformation of society.	<ul style="list-style-type: none"> <li>Capacity building</li> <li>Mentorship and coaching</li> <li>Corporate responsibility</li> </ul>	<ul style="list-style-type: none"> <li>Capacity building activities</li> <li>CSR</li> </ul>	<ul style="list-style-type: none"> <li>Provided face masks and sanitizers to Nyaribo Primary and secondary school as part of CSR</li> <li>Supported university endowment fund</li> </ul>
Pillar 4:	To act as a centre for business development	<ul style="list-style-type: none"> <li>Business plans</li> <li>Partnerships and strategic alliance</li> </ul>	<ul style="list-style-type: none"> <li>Develop business plan</li> <li>Joint venture undertakings</li> </ul>	<ul style="list-style-type: none"> <li>Fashion and Design business plan was developed.</li> <li>JVs established                             <ul style="list-style-type: none"> <li>MKU and KU</li> <li>Mwireri engineering workshop</li> </ul> </li> </ul>

**Projections for 2022/2023 FY**

The Company commits to continually provide quality and innovative products and services, increase its revenue generation, implement effective marketing strategies and maintain outstanding stakeholder relationships within the 2022/2023 financial year. The objective is to increase net income on all revenue streams by 20%.



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

## DEKUT ENTERPRISES COMPANY

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#### VII. CORPORATE GOVERNANCE STATEMENT

##### **Corporate Governance:**

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

##### **The Board of Directors:**

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

##### **Composition of Board:**

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

##### **Board Meetings:**

The Board of Directors meets once every quarter and a summary of meeting attendance is as indicated below

Name of the director	Scheduled Meeting	Meeting attended
1. Prof. Eng. Paul N. Kioni	4	4
2. Prof. Esther Magiri	4	4
3. Mr. Abraham Mwangi	4	4
4. Dr. Paul Sang	4	4

##### **Directors' Benefits:**

In the current financial year, no Director received or became entitled to receive any benefit other than amounts received under employment contracts for executive directors.

##### **Conflict of Interest:**

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

##### **Annual General Meeting**

The company intend to hold annual general meeting after receipt of the Audited annual financial statements.

**DEKUT ENTERPRISES COMPANY**

**Annual Reports and Financial Statements for the year ended June 30, 2022**

**Board Evaluation**

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

## DEKUT ENTERPRISES COMPANY

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#### VIII. MANAGEMENT DISCUSSION AND ANALYSIS

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

The year 2021/2022 gave the company an opportunity to design, manufacture and install maize drier (fabricated equipment) at a cost of 12 million. In addition, conferences increased after the removal of COVID-19 containment measures which had affected business operations in the 2020/2021. The company also embarked on various consultancy services through strategic alliances, joint venture and partnership with University Departments and other institutions. This is meant to bring synergy as well as create avenue for collaborations among the institutions.

#### 1.0 Revenue Divisions Performance

##### Revenue Divisions Performance

During the year 2021/2022 the company sales revenue amounted to KSh. **36,025,891** compared to KShs. **12,972,814** generated in the year 2020/2021. The significant increase in revenue is a result of sale of a fabricated equipment worth 12 million, increased conferences and Consultancies.

Revenue Divisions	Year 2021/2022	Year 2020/2021
Coffee sales	1,144,368	798,928
Yoghurt sales	1,315,685	1,147,448
Detergents sales	1,031,888	2,946,885
Merchandise Sales	257,211	120,866
Fashion and Design Sales	2,862,982	3,675,287
Conferences	15,013,757	3,756,200
Equipment sales	12,000,000	52,500
Consultancy & Short courses	2,400,000	474,700
<b>Total Revenue</b>	<b>36,025,891</b>	<b>12,972,814</b>

#### 1.1 Major Risks Facing the Organisation

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

##### Liquidity risks

This is the risk that the company is unable to meet its obligations when they fall due as a result of sudden and potentially protracted increase in cash outflows. These outflows could be principally through increase of general wages through industrial action and court award, inflationary pressure,

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currency depletion or unexpected operational, maintenance costs due to an Act of God. The company manages this risk by properly maintaining stringent cashflow management and adherence to the budget. A contingent account is in place to mitigate some of the factors.

#### **Operational risk**

This is a risk attributable to direct impacts resulting from human factors, inadequate or failed internal processes and systems or external events. Operational risks are inherent in the company business activities and are typical of any company. Losses from operational risks of small significance are expected to occur and are accepted as part of normal course of service delivery. Those of material significance are rated and mitigation measures put in place.

#### **Market risk**

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

#### **1.2 Compliance with Statutory Requirements**

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

**IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

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

***i) Sustainability strategy and profile -***

In order to remain afloat despite the challenges brought about by COVID-19 pandemic, DeKUTES key priority was to focus on the four strategic objectives which include: to create a platform for commercialization of innovations emanating from the university that provides solutions to societal problems, to maximize returns and create value for the shareholder, to catalyse transformation of society and act as a centre for business development. Some of these objectives were achieved as outlined

During the year 2021/2022, the company established sale of equipment as a revenue divisions which is treated as Income Generating Units among existing revenue divisions. The goal is to expand business lines as well as create innovative products through design and assembly in order to address various challenges through mechanisation and automation. Each revenue division is treated as a cost center and is expected to be financially self-sustainable. The company will ensure continuous compliance with legal and regulatory framework.

***ii) Environmental performance***

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

***iii) Employee welfare***

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

***iv) Market place practices-***

DeKUTES undertake feasibility studies and market surveys before development and introduction of the product in the market. The company have embraced the following marketing strategies to create awareness and sell its products and services; personal selling, networking, online marketing and

## **DEKUT ENTERPRISES COMPANY**

### **Annual Reports and Financial Statements for the year ended June 30, 2022**

strategic alliance. In order to gain competitive advantage the company has embarked on product differentiation, market penetration and product development

#### **v) Corporate Social Responsibility / Community Engagements**

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

- a) Donated 1,000 facemasks and 40 L sanitizer to Nyaribo Primary and secondary schools to combat covid 19 pandemic
- b) Contributed Ksh. 50,000 to the University Endowment fund for assisting needy students.

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****X. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the *entity's* affairs.

**i) Principal activities**

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

**ii) Results**

The results of the entity for the year ended June 30, 2022 are set out on page 1 *and the comparative figures for the year 2021-2022 and 2020-2021*. Below is summary of the profit or loss made during the year.

	<b>2021-2022</b>	<b>2020-2021.</b>
	Kshs	Kshs
Profit (Loss) before taxation	4,883,263	832,507
Income tax charge	(1,614,997)	0
<b>Profit (Loss) after taxation</b>	<b>3,268,266</b>	<b>832,507</b>

**iii) Dividends**

The company declares no dividend

**iv) Directors**

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

**v) Auditors**

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

By Order of the Board

Name: **John Gitibi Rukioyah** Signature  Date 13<sup>th</sup> July 2022

Corporate Secretary/Secretary to the Board

**XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and *section 635 of the Companies Act 2015* require the Directors to prepare financial statements in respect of that Company, which give a true and fair view of the state of affairs of the Company at the end of the financial year/period and the operating results of the Company for that year/period. The Directors are also required to ensure that the Company keeps proper accounting records which disclose with reasonable accuracy the financial position of the Company. The Directors are also responsible for safeguarding the assets of the Company.

The Directors are responsible for the preparation and presentation of the Company's financial statements, which give a true and fair view of the state of affairs of the Company for and as at the end of the financial year (period) ended on June 30, 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 Company; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Company's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the Companies Act 2015.

**DEKUT ENTERPRISES COMPANY**

**Annual Reports and Financial Statements for the year ended June 30, 2022**

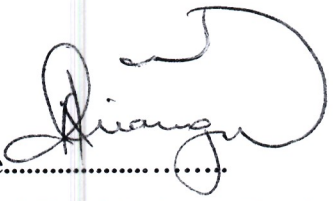
STATEMENT OF DIRECTORS' RESPONSIBILITIES (Continued)

The Directors are of the opinion that the Company's financial statements give a true and fair view of the state of Company's transactions during the financial year ended June 30, 2022, and of the Company's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Company, which have been relied upon in the preparation of the Company's financial statements as well as the adequacy of the systems of internal financial control.


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

**Approval of the financial statements**

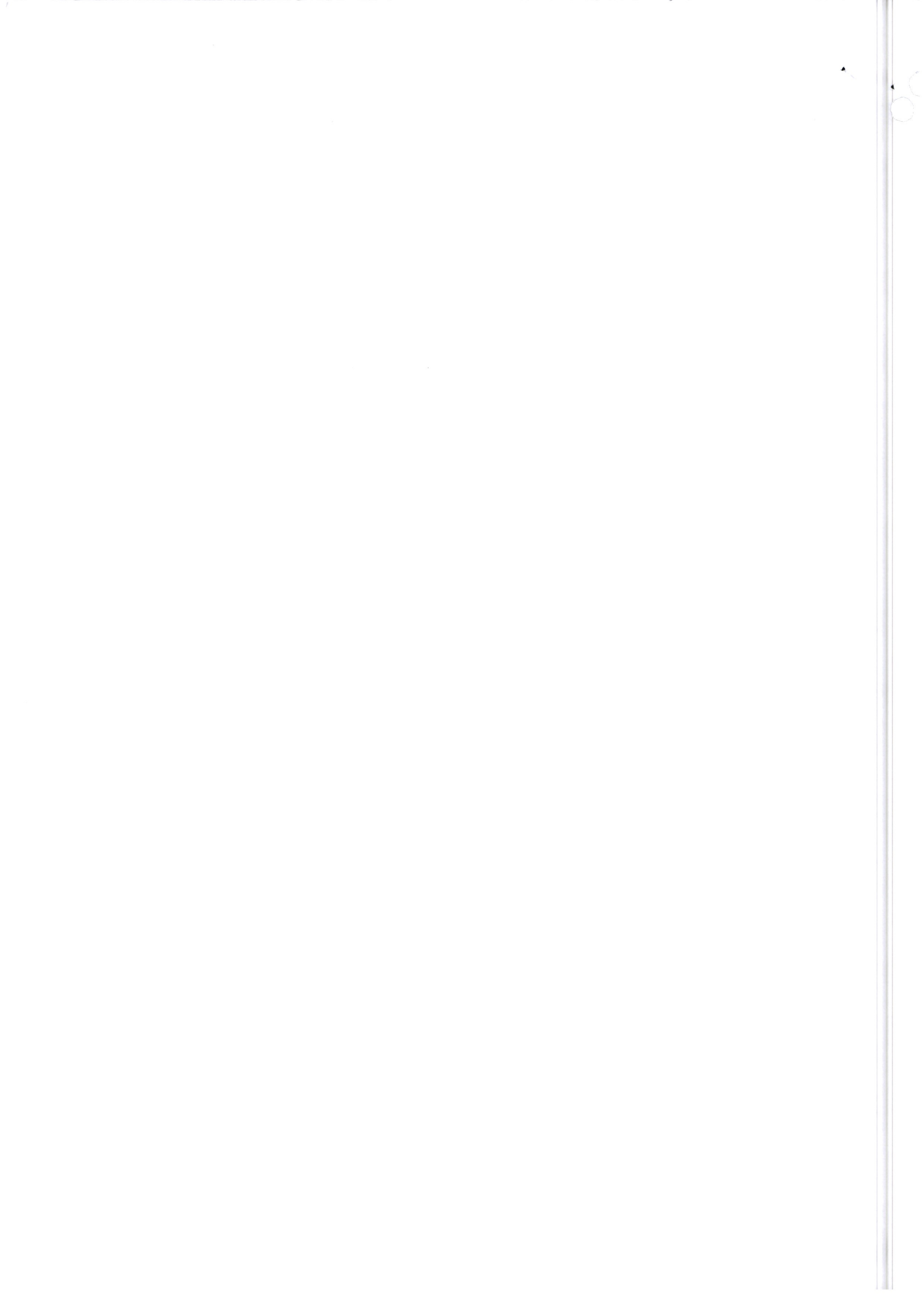
The Company's financial statements were approved by the Board on 13th July 2022 and signed on its behalf by:

Signature.....

**Name: Prof. Eng P.Ndirangu Kioni  
Chairperson of the Board**

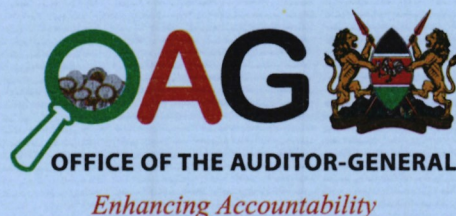
Signature.....

**Name: Dr. Paul Sang  
Managing Director**



# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON DEKUT ENTERPRISES COMPANY FOR THE YEAR ENDED 30 JUNE, 2022**

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### **PREAMBLE**

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

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

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

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

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

#### **Opinion**

I have audited the accompanying financial statements of Dekut Enterprises Company set out on pages 1 to 57, which comprise of the statement of financial position as at

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*Report of the Auditor-General on Dekut Enterprises Company for the year ended 30 June, 2022*

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

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Dekut Enterprises Company as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015, and the Public Finance Management Act, 2012.

### **Basis for Opinion**

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

### **Key Audit Matters**

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

### **Other Information**

The Directors are responsible for the other information. The other information comprises Key Entity Information, 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. The other information does not include the financial statements and my auditor's report thereon.

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter 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**

#### **Lack of a Strategic Plan**

Review of the Company records and internal control systems revealed that the Company does not have a strategic plan. This is contrary to Regulation 32 (5) of the Public Finance Management (National Governments) Regulations, 2015 which provides that all budget proposals shall be supported by the national government entity's strategic plan.

In the circumstances, the effectiveness and adequacy of the Company's strategic objectives and priorities for the year under review 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 control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of my audit;
- (ii) In my opinion, adequate accounting records have been kept by the Company, so far as appears from the examination of those records; and

- (iii) The Company's statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and the Board of Directors**

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

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

The 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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

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

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

In addition to the audit of financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit an audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Managements' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- 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 controls 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

01 March, 2023

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****XIII. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022.**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	6	36,025,891	12,972,814
Cost of sales	7	(21,468,844)	(7,484,147)
Gross profit		<b>14,557,047</b>	<b>5,488,667</b>
<b>Other Income</b>			
Finance income	9	277,647	329,160
Royalty	10	450,915	293,104
Other gains/(losses)-decrease in provision	10	0	103,466
<b>TOTAL REVENUES</b>		<b>15,285,610</b>	<b>6,214,397</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	12	10,304,611	5,323,764
Selling and Distribution Costs	13	97,736	58,127
<b>TOTAL OPERATING EXPENSES</b>		<b>10,402,347</b>	<b>5,381,891</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>4,883,263</b>	<b>832,507</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	<b>16</b>	<b>1,614,997</b>	<b>0</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>3,268,266</b>	<b>832,507</b>

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****XIV. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	19	4,687,475	4,525,581
Intangible assets	20	33,332	50,000
<b>Total Non-Current Assets</b>		<b>4,720,807</b>	<b>4,575,581</b>
<b>Current Assets</b>			
Inventories	26	5,209,990	3,882,987
Trade and other receivables	27(a)	31,568,338	2,548,243
Short-term deposits	29	0	6,044,992
Bank and cash balances	30	3,460,107	3,646,009
Total Current Assets		40,238,435	16,112,230
<b>TOTAL ASSETS</b>		<b>44,959,243</b>	<b>20,697,812</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital	31	200,000	200,000
Retained earnings	34	5,576,746	2,308,480
<b>Capital and Reserves</b>		<b>5,776,746</b>	<b>2,508,480</b>
<b>Current Liabilities</b>			
Trade and other payables	38	37,567,500	18,189,332
Tax payable	16	1,614,997	0
<b>Total Current Liabilities</b>		<b>39,182,497</b>	<b>18,189,332</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>44,959,243</b>	<b>20,697,812</b>

The financial statements were approved by the Board on 13<sup>th</sup> July 2022 and signed on its behalf by:



Managing Director

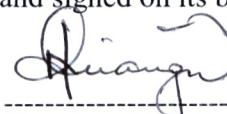
**Dr. Paul Sang**



Assistant Accountant

**Joseph K Mungai**

**ICPAK M/NO: 24915**



Chairman of the Board

**Prof. Eng P. Ndirangu Kioni**

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements**  
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**XV. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022**

	notes	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital/Development Grants/Fund	Total
As at July 1, 2021		200,000	0	0	2,308,480	0	0	2,508,480
Profit for the year		0	0	0	3,268,266	0	0	3,268,266
As at June 30, 2022		200,000	0	0	5,576,746	0	0	5,776,746
As at July 1, 2020		200,000	0	0	1,475,973	0	0	1,675,973
Profit for the year		0	0	0	832,507	0	0	832,507
As at June 30, 2021		200,000	0	0	2,308,480	0	0	2,508,480

**DEKUT ENTERPRISES COMPANY**  
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**For the year ended June 30, 2022**

**XVI. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM/(USED IN) OPERATIONS</b>	42	(5,323,650)	4,535,814
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>(5,323,650)</b>	<b>4,535,814</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	19	(907,244)	(3,455,562)
<b>NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>		<b>(6,230,894)</b>	<b>(3,455,532)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issues of new share capital			0
<b>NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES</b>			<b>0</b>
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(6,230,894)</b>	<b>1,080,252</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>9,691,001</b>	<b>8,610,749</b>
Effects of foreign exchanges rate fluctuations			0
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>30</b>	<b>3,460,107</b>	<b>9,691,001</b>

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2022**

**XVII. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2022**

	Approved budget	Adjustments	Revised Approved Budget	Actual comparable basis FY	Performance difference	% of utilisation
	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue	30,050,000	(10,600,000)	19,450,000	18,612,134	837,866	95.69
Sale of goods	8,500,000	10,000,000	18,500,000	17,413,757	1,086,243	94.13
Sale of services	200,000	-	200,000	277,647	(77,647)	138.82
Interest Income	350,000	-	350,000	450,915	(100,915)	128.83
Other income- royalty	39,100,000	(600,000)	38,500,000	36,754,454	1,745,546	95.47
Total income	27,444,462	(5,234,493)	22,209,969	21,468,844	741,125	96.66
Cost of Sales	11,655,538	4,634,493	16,290,031	15,285,610	1,004,421	
Gross profit			0		-	
Expenses	7,676,667	3,860,000	11,536,667	10,304,611	1,232,056	89.32
Administration expenses	200,000	(95,000)	105,000	97,736	7,264	93.08
Selling and distribution	7,876,667	3,765,000	11,641,667	10,402,347	1,239,320	89.35
Total expenditure	3,778,871	869,493	4,648,364	4,883,263	(234,899)	105.05
Surplus for the period						

*Note: PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available.*

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

*However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.*

- (i) The Revenue target was almost achieved as compared to the revised budget, but this was after evaluation of the business activities for the period of three quarters prior and there was a need for budget revision to a more realisable target.*
- (ii) From the above variations in terms of % utilisation, there were no major deviation of the actuals from the revised budget, except for the other incomes( royalty) was estimated based on the net amount instead of the gross amount while the monthly interest from collection account was not considered.*
- (iii) For the administration, selling and distribution costs, during the year the operating costs were at the minimum thus favourable to the company.*

## **XVIII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. General Information**

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

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

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the entity's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 19.

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

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

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

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

- i. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

*(The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements. Or the following has been assessed to be significant for the company and has been addressed as follows....)*

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements (Continued)**

**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 30 June 2022.*

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity 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, 2023. Earlier application is permitted.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their <b>material</b> accounting policy information rather than their <b>significant</b> accounting policies	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

**DEKUT ENTERPRISES COMPANY**

**Annual Reports and Financial Statements for the year ended June 30, 2022**

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities	The amendments are effective for annual reporting periods beginning

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022**

<b>Title</b>	<b>Description</b>	<b>Effective Date</b>
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted
	distinguish changes in accounting policies from changes in accounting estimates.	on or after January 1, 2023. Early adoption 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 application of the above, they do not expect that there will be a significant impact on the company's financial statements).*

**iii. Early adoption of standards**

*(The entity) did not early – adopt any new or amended standards in year 2021-2022.*

NOTES TO THE FINANCIAL STATEMENTS (Continues)

4. Summary of Significant Accounting Policies

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

a) **Revenue recognition**

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

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

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

**Summary of Significant Accounting Policies**

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Summary of Significant Accounting Policies****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 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:

Freehold Land	Nil
Buildings and civil works	25 years or the unexpired lease period
Plant and machinery	12.5 years
Motor vehicles, including motor cycles	4 years
Computers and related equipment	3 years
Office equipment, furniture and fittings	12.5 years

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.

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

**Summary of Significant Accounting Policies**

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

**f) Amortization and impairment of intangible assets**

Amortization 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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Summary of Significant Accounting Policies****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 the entity 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 the entity 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.

**i) Fixed interest investments (bonds)**

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

**j) Quoted investments**

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

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

**Summary of Significant Accounting Policies**

**k) Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities that are not quoted in the Securities Exchange.

**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. 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 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.

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

**Summary of Significant Accounting Policies**

**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 the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

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

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.

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

**Summary of Significant Accounting Policies**

**Deferred Tax**

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.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****Summary of Significant Accounting Policies****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 authorized 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 amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including

premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized 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 amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

**t) Retirement benefit obligations**

The entity does not operate a defined contribution scheme for the employees since the Company does not pay its employees directly since they are on secondment from the university and so the appointing authority ensures compliance to all the terms and conditions as agreed between the employer and the employee and also ensure compliance to the existing labour and taxation laws. However the company has one temporally employee whose monthly contributions are submitted to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

**u) Provision for staff leave pay**

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

**v) Exchange rate differences**

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

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

**Summary of Significant Accounting Policies**

**w) Budget information**

The original budget for FY 2020-2021 was approved by the Company board of Directors. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.

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

**a) Service concession arrangements**

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

**b) Comparative figures**

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

**c) 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, 2022.

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

State all judgements, estimates and assumptions made:

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

**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. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

**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 the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

**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 20.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Provision for bad debts is made in full where a debt is deemed uncollectible whereas a general provision of 5% is made on the total debtors.

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

**6. Revenue**

	2021/2022	2020/2021
	Kshs	Kshs
Sales of goods	21,583,847	9,490,345
Sales of services	19,815,958	4,846,294
Less: value added tax on gross sales	5,373,914	(1,363,825)
<b>Total</b>	<b>36,025,891</b>	<b>12,972,814</b>

*[Revenues for the year under review increased significantly due to increased Conferences, consultancies and sale of fabricated equipment]*

**7. Cost of Sales**

	2021/2022	2020/2021
	Kshs	Kshs
Cost of sales on goods	13,598,186	5,922,279
Cost of sales on services	7,870,659	1,561,868
<b>Total</b>	<b>21,468,845</b>	<b>7,484,147</b>

**8. Grants from National Government**

	2021/2022	2020/2021
	Kshs	Kshs
Recurrent grants received	0	0
Capital grants realized (see note below)	0	0
In Kind contributions/ donations	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

## 9. Finance Income

	2021/2022	2020/2021
Description	Kshs	Kshs
Interest from commercial banks and financial institutions	277,647	329,160
<b>Total</b>	<b>277,647</b>	<b>329,160</b>

*[Income earned from the short term deposits invested during the year]*

## 10. Other Income

	2021/2022	2020/2021
Description	Kshs	Kshs
Royalty	450,915	293,104
Decrease in bad debt provision	0	103,466
<b>Total</b>	<b>450,915</b>	<b>396,570</b>

## 11. Other Gains and Losses

	2021-2022	2020-2021
Description	Kshs	Kshs
<b>Total</b>	<b>0</b>	<b>0</b>

## 12. Administration Costs

	2021/2022	2020/2021
Description	Kshs	Kshs
Office welfare	3,150	16,595
Travelling and accommodation	182,877	25,530
Telephone expenses	23,417	43,166
Printing & stationery	59,098	58,029
Subscription to Microsoft	208,972	204,384
Entertainment expenses	11,935	4,080
Licenses/fees/levies	87,228	83,000
Internet connections materials	0	0
Bank charges and commissions	21,852	26,178
Repairs and maintenance	10,714	648,026
Asset tagging & Barcoding	0	0
Depreciation	68,024	94,537
Staff Management Costs	4,268,606	4,065,938

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	2021/2022	2020/2021
Description	Kshs	Kshs
Corporate Social Responsibility	85,600	38,000
Seminars & workshops expenses	10,000	0
consultancy Expenses	3,235,766	10,050
Bad debts Provision -Specific	200,000	0
Bad debts Provision -General	1,527,373	0
Auditors Fee-Provision	300,000	0
Fee/levies	0	6,250
<b>Total</b>	<b>10,304,612</b>	<b>5,323,763</b>

**12 b Staff Costs**

Description	2021/2022	2020/2021
	Kshs	Kshs
Salaries and allowances of permanent employees	0	0
Wages of temporary employees	0	0
Medical insurance schemes	0	0
Employer's contributions to national social security schemes	0	0
Employer's contributions to pension scheme	0	0
Leave pay	0	0
Gratuity provisions	0	0
Fringe Benefit tax	0	0
Staff welfare		
<b>Total</b>	<b>0</b>	<b>0</b>
<b>The average number of employees at the end of the year was:</b>		
Permanent employees – Management	0	0
Permanent employees – Unionisable	0	0
Temporary and contracted employees	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)****13. Selling and distribution costs**

	2021/2022	2020/2021
Description	Kshs	Kshs
Amortization on Software	16,667	16,666
Staff Management Costs	0	0
Publicity material	0	0
Exhibitions	16,254	7,153
Depreciation	64,815	34,308
<b>Total</b>	<b>97,736</b>	<b>58,127</b>

**14. Finance Costs**

	2021-2022	2020-2021
Description	Kshs	Kshs
Interest expense on loans	0	0
Interest expense on Bank overdrafts	0	0
Interest on Lease liabilities	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**15. Operating profit/ (loss)**

	2021/2022	2020/2021
	Kshs	Kshs
<b>The operating profit/(loss) is arrived at after charging/(crediting):</b>		
Staff costs (note 12b)		0
Staff Management costs	4,259,857	4,065,938
Depreciation of property, plant and equipment	745,350	717,724
Amortization of intangible assets	16,667	16,667
Provision for bad and doubtful debts	1,861,491	334,118
Auditors' remuneration - current year provision	0	0
Interest receivable	0	0
<b>Total</b>	<b>6,883,365</b>	<b>5,134,447</b>

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

**16. Income Tax Expense/(Credit)**

**(a) Current taxation**

	2021/2022	2020/2021
	Kshs	Kshs
Current taxation based on the adjusted profit for the year at 30%	1,975,049	0
Current tax: prior year under/(over) provision	(360,052)	0
<b>Total</b>	<b>1,614,997</b>	<b>0</b>

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

	2021/2022	2020/2021
	Kshs	Kshs
Profit before taxation	4,883,263	832,507
Tax at the applicable tax rate of 30%	1,614,997	249,563
Current tax	0	0
Tax effects of expenses not deductible for tax purposes	0	0
Tax effects of specific provision( bad debt)	0	0
Tax effects of excess capital allowances over depreciation/amortization	0	0
<b>Total</b>	<b>1,614,997</b>	<b>0</b>

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

**17. Earnings Per Share**

The earnings per share is calculated by dividing the profit after tax of by the average number of ordinary shares in issue during the year. There were not dilutive or potentially dilutive ordinary share as at the reporting date.

**18. Dividend Per Share**

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

**DEKUT ENTERPRISES COMPANY**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. Property, Plant and Equipment**

	2022	Plant and machinery	Office equipment	Computers & related equipment	furniture & fittings	Total
COST At July 1, 2021	4,442,016		353,495	477,446	373,276	5,646,233
Additions	77,120		373,228	129,310	327,586	907,244
<b>At June 30, 2022</b>	4,519,136		726,723	606,756	700,862	6,553,477
<b>DEPRECIATION</b>						
At July 1, 2021	692,249		94,316	228,202	105,885	1,120,652
Charge for the year	478,361		79,051	113,566	74,372	745,350
	1,170,610		173,367	341,768	180,257	1,866,002
<b>NET BOOK VALUE At June 30, 2022</b>	3,348,526		553,356	264,988	520,605	4,687,475
<b>2021</b>		Plant and machinery	Office equipment,	Computers & related equipment	furniture & fittings	Total
<b>COST OR VALUATION</b>						
As at 1 July 2020	1,252,546		353,495	295,837	288,793	2,190,671
Additions	3,189,470		0	181,609	84,483	3,455,562
<b>As at 30th June 2021</b>	4,442,016		353,495	477,446	373,276	5,646,233
<b>DEPRECIATION</b>						
At July 1, 2020	156,568		57,290	121,383	67,686	402,927
Charge for the year	535,681		37,026	106,819	38,199	717,724
<b>As at 30th June 2021</b>	692,249		94,316	228,202	105,885	1,120,651
<b>NET BOOK VALUE At June 30, 2020</b>	3,749,767		259,179	249,244	267,391	4,525,581

**DEKUT ENTERPRISES COMPANY**

Annual Reports and Financial Statements for the year ended June 30, 2022

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****20. Intangible Assets**

	2021/2022	2020/2021
	Kshs	Kshs
<b>COST</b>		
At July 1	83,333	83,333
Additions	0	0
<b>At June 30</b>	<b>83,333</b>	<b>83,333</b>
<b>AMORTISATION</b>		
At July 1	33,333	16,666
Charge for the year	16,667	16,667
<b>At June 30</b>	<b>50,000</b>	<b>33,333</b>
<b>NET BOOK VALUE</b>		
At June 30	<b>33,332</b>	<b>50,000</b>

*[Intangible asset constitute the Point Of Sale software used ate the shop]*

**21. Investment Property**

Description	2021-2022	2020-2021
	Kshs	Kshs
Opening Valuation	0	0
Movements During The Year	0	0

**22. Right-of-use assets**

Description	Buildings	Plant	Equipment	Total
	Kshs	Kshs	Kshs	Kshs
Cost	0	0	0	0
Accumulated Depreciation	0	0	0	0
<b>Carrying Amount</b>				
As At 30 June 2022	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
As At 30 June 2021	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

**23. Fixed Interest Investments**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Central Bank of Kenya 12.5% 15-Year Infrastructure Bond	0	0
Corporate Bond (Give Details)	0	0
Corporate Bond (Give Details)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

**24. Quoted Investments**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>B/f Valuation</b>	<b>0</b>	<b>0</b>

**25. Unquoted Investments**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Cost		
At July 1	0	0
At June 30	0	0
Impairment	0	0
At July 1	0	0
At June 30	0	0
<b>Net Book Value</b>	<b>0</b>	<b>0</b>

**DEKUT ENTERPRISES COMPANY**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****26. Inventories**

	2021/2022	2020/2021
	Kshs	Kshs
<b>Raw Materials</b>		
Coffee	1,075,871	761,082
Detergent	738,817	796,321
Yoghurt	1,021,796	52,001
Equipment Production	0	0
<b>Work in Progress</b>	0	
Equipment production	1,920,715	1,860,910
	0	
<b>Finished Goods</b>	0	
Coffee	0	4,347
Detergent	0	0
Yoghurt	0	0
Fashion and Design	316,032	194,880
Assorted Merchandise	136,759	213,446
<b>Total</b>	<b>5,209,990</b>	<b>3,882,987</b>

**27 (a) Trade Receivables**

	2021/2022	2020/2021
	Kshs	Kshs
Gross trade receivables	33,429,830	2,882,361
Provision for doubtful receivables	(1,861,491)	(334,118)
	31,568,338	2,548,243
<b>At June 30, the ageing analysis of the gross trade receivables was as follows:</b>		
Less than 30 days	10,774,464	20,525
Between 30 and 60 days	3,557,418	821,616
Between 61 and 90 days	431,124	247,727
Between 91 and 120 days	14,523,970	328,930
Over 120 days	4,142,854	1,463,563
	0	
<b>Total</b>	<b>33,429,830</b>	<b>2,882,361</b>

*[Majority of the above debtors are performing, while the over 120 days include the carried forward from last year]*

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

**27 (b) Reconciliation of Impairment Allowance for Trade Receivables**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

**27 (c) Staff Receivables**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross staff loans and advances	0	0
Provision for impairment loss	0	0
Net staff loans	0	0
Less: Amounts due within one year	0	0
Amounts due after one year	0	0

**27 (d) Reconciliation of Impairment Allowance for Staff Receivables**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year	0	0
Additional provisions during the year	0	0
Recovered during the year	0	0
Written off during the year	0	0
At the end of the year	0	0

**DEKUT ENTERPRISES COMPANY**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)****28. Tax Recoverable**

	2021/2022	2020/2021
	Kshs	Kshs
<b>At beginning of the year</b>	<b>(199,729)</b>	<b>231,831</b>
Income tax charge for the year (note 14)	1,975,049	0
Under/(over) provision in prior year/s (note 14)	0	0
Income tax paid during the year	(160,323)	(431,110)
<b>At end of the year</b>	<b>1,614,997</b>	<b>(199,729)</b>

**29. Short Term Deposits**

	2021/2022	2020/2021
	Kshs	Kshs
<b>Other commercial banks</b>		
Consolidated bank	0	6,044,992

**30. Bank and Cash Balances**

	2021/2022	2020/2021
	Kshs	Kshs
Cash at bank	3,420,457	9,687,477
Cash in hand	25,200	380
Mpesa cash balance	1,703	3,144
Petty cash	12,747	0
<b>Total</b>	<b>3,460,107</b>	<b>9,691,001</b>

*The bulk of the cash at bank was held at Consolidated Bank of Kenya, the entity's main bankers.*

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

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

		2021/2022	2020/2021
Financial institution	Account number	KShs	KShs
<b>a) Current account</b>			
Consolidated Bank	10061202000162	883,981	2,587,976
Consolidated Bank collection	10061211000010	2,536,476	1,054,509
<b>b) Others</b>		0	
Cash in hand		25,200	380
M pesa		1,703	3,144
Petty cash		12,747	0
<b>Total</b>		<b>3,460,107</b>	<b>3,646,009</b>
<b>c) On - call deposits</b>			
Consolidated Bank	10061101000242	0	6,044,992
<b>Sub- total</b>		<b>3,460,107</b>	<b>6,044,992</b>
<b>Grand total</b>		<b>3,460,107</b>	<b>9,691,001</b>

**31. Ordinary Share Capital**

	2021/2022	2020/2021
	KShs	KShs
<b>Authorized:</b>		
ordinary shares of KShs par value each	0	0
Capital reserves	200,000	200,000
<b>Issued and fully paid:</b>		
ordinary shares of KShs par value each	0	0

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

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

**32. Revaluation Reserve**

The revaluation reserve relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax to retained earnings. Revaluation surpluses are not distributable.

**33. Fair Value Adjustment Reserve**

The fair value adjustment reserve arises on the revaluation of available-for-sale financial assets, principally the marketable securities. When a financial asset is sold, the portion of the reserve that relates to that asset is reduced from the fair value adjustment reserve and is recognised in profit or loss. Where a financial asset is impaired, the portion of the reserve that relates to that asset is recognised in profit or loss.

**34. Retained Earnings**

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

Description	2021-2022
	Kshs
<b>As at July 1, 2021</b>	<b>2,308,480</b>
Profit for the year	3,268,266
<b>As at June 30, 2022</b>	<b>5,576,746</b>
<b>As at July 1, 2020</b>	<b>1,475,973</b>
Profit for the year	832,507
<b>As at June 30, 2021</b>	<b>2,308,480</b>

**DEKUT ENTERPRISES COMPANY**

Annual Reports and Financial Statements for the year ended June 30, 2022

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****35. Borrowings**

Description	2021-2022	2020-2021
	Kshs	Kshs
a) External borrowings		
Balance at end of the year	0	0
b) Domestic borrowings	0	0
Balance at end of the year	0	0
Balance at end of the period- domestic and external borrowings c = a+b	0	0

**Notes to the Financial Statements (Continued)**

Description	2021-2022	2020-2021
	Kshs	Kshs
Short term borrowings (Current Portion)	0	0
Long term borrowings	0	0
Total	0	0

**36. Deferred Tax Liability**

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

	2021/2022	2020/2021
	KShs	KShs
Accelerated capital allowances	0	0
Unrealised exchange gains/(losses)	0	0
Revaluation surplus	0	0
Tax losses carried forward	(0)	(0)
Provisions for liabilities and charges	(0)	(0)
Net deferred tax liability	0	0

**37. Lease Liability**

Description	2021-2022	2020-2021
	KShs	KShs
<b>At the start of the year</b>	0	0
Paid during the year	0	0
<b>At end of the year</b>	0	0

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)****38. Trade and Other Payables**

	<b>2021/2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>Kshs</b>
Trade payables	37,567,500	15,958,915
Accrued expenses	0	0
Retention/ contract monies	0	0
Other payables	0	2,230,417
<b>Total</b>	<b>37,567,500</b>	<b>18,189,332</b>

**39. Retirement Benefit Obligations**

<b>Description</b>	<b>Defined benefit plan</b>	<b>Post-employment medical benefits</b>	<b>Other Benefits</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Current benefit obligation	0	0	0	0	0
Non-current benefit obligation	0	0	0	0	0
<b>Total employee benefits obligation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**DEKUT ENTERPRISES COMPANY**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****40. Provisions**

<b>Description</b>	<b>Long service leave</b>	<b>Bonus Provision</b>	<b>Gratuity provisions</b>	<b>Other Provisions</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Balance at the beginning of the year	0	0	0	0	0
Additional provisions	0	0	0	0	0
Provision utilised	0	0	0	0	0
Change due to discount and time value for money	0	0	0	0	0
Less: current portion	0	0	0	0	0
Balance at the end of the year	0	0	0	0	0

**41. Dividends Payable**

The balance of dividends payable relates to unclaimed dividends, payable to different shareholders.

The balances are analysed in annual amount below.

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
At the beginning of the year	0	0
Additional declared during the year	0	0
Paid during the year	0	0
Balance at end of the year	0	0

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****42. Notes to The Statement of Cash Flows**

	<b>2021/2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>Kshs</b>
Operating profit/(loss)	3,928,112	832,507
Depreciation	745,350	717,724
Amortisation	16,667	16,667
Operating profit/(loss) before working capital changes	4,690,129	1,566,897
(Increase)/decrease in inventories	(1,327,004)	1,491,214
(Increase)/decrease in trade and other receivables	(29,020,096)	1,965,862
Increase/(decrease) in trade and other payables	20,398,520	488,159
Cash generated from/(used in) operations	(5,323,650)	4,535,814
<b>(b) Analysis of cash and cash equivalents</b>		
Short term deposits	0	6,044,992
Cash at bank	3,420,457	3,642,485
Cash in hand	25,200	380
M-pesa	1,703	3,144
Petty cash	12,747	0
<b>Balance at end of the year</b>	<b>3,460,107</b>	<b>9,691,001</b>

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

**43. Related Party Disclosures**

**Government of Kenya**

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

Other related parties include:

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

**Transactions with related parties**

	2021/2022	2020-2021
	KShs	Kshs
<b>a) Sales to related parties</b>		
Sales of goods to the university	6,047,917	2,019,194
Sale of services to the university	0	471,343
<b>Total</b>	<b>6,047,917</b>	<b>2,490,537</b>
<b>b) Grants from the Government</b>		
Grants from National Govt	0	0
Grants from County Government	0	0
Donations in kind	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for employees	4,107,514	3,990,266
<b>Total</b>	<b>4,107,514</b>	<b>3,990,266</b>
<b>d) Key management compensation</b>		
Managing Director compensation	2,400,000	2,400,000
Compensation to key management	1,707,514	1,590,266
<b>Total</b>	<b>4,107,514</b>	<b>3,990,266</b>

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)****44. Capital Commitments**

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

	2021/2022	2020-2021
	KShs	Kshs
Amounts authorized and contracted for	0	0
Amounts authorizes but not contracted for	0	0
Less: Amounts included in Work in progress	0	(0)
	0	0

*[Provide short appropriate explanations as necessary]*

**45. Contingent Assets and Liabilities****Contingent Assets**

	2021/2022	2020-2021
	KShs	Kshs
<b>Contingent assets</b>		
Insurance reimbursements	0	0
Assets arising from determination of court cases	0	0
Reimbursable indemnities and guarantees	0	0
Receivables from other government entities	0	0
Others (Specify)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

*(Give details)*

**Contingent Liabilities**

	2021/2022	2020-2021
	KShs	Kshs
<b>Contingent liabilities</b>	0	0
Court case 0 against the entity	0	0
Bank guarantees in favour of subsidiary	0	0
Contingent liabilities arising from contracts including PPPs	0	0
Others (Specify)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

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

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

**46. 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:

**DEKUT ENTERPRISES COMPANY**

Annual Reports and Financial Statements for the year ended June 30, 2022

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

	<b>Total amount Kshs</b>	<b>Fully performing Kshs</b>	<b>Past due Kshs</b>	<b>Impaired Kshs</b>
<b>At 30 JUNE 2022</b>				
Receivables from exchange transactions	33,429,830	33,429,830	0	1,861,491
Receivables from non-exchange transactions	0	0	0	0
Bank balances	3,420,457	3,420,457	0	0
<b>Total</b>	<b>36,850,287</b>	<b>36,850,287</b>	<b>0</b>	<b>1,861,491</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions	2,548,242	2,548,242	0	334,118
Receivables from non-exchange transactions	0	0	0	0
Bank balances	9,691,001	9,691,001	0	0
<b>Total</b>	<b>12,573,988</b>	<b>12,573,988</b>	<b>0</b>	<b>334,118</b>

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

**Credit Risk (Continued)**

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

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

**ii) Liquidity risk management**

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

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 JUNE 2022</b>				
Trade payables	13,091,613	1,403,700	23,072,187	37,567,500
Provisions		0		0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>13,091,613</b>	<b>1,403,700</b>	<b>23,072,187</b>	<b>37,567,500</b>
<b>At 30 June 2020</b>				
Trade payables	630,079	997,633	16,561,620	18,189,332
Provisions		0		0
Deferred income	0	0	0	0
Employee benefit obligation	0	0	0	0
<b>Total</b>	<b>630,079</b>	<b>997,633</b>	<b>16,561,620</b>	<b>18,189,332</b>

**(iii) Market risk**

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

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

**DEKUT ENTERPRISES COMPANY**  
**Annual Reports and Financial Statements for the year ended June 30, 2022**

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

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

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

**a) Foreign currency risk**

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

**(iii) Market risk (Continued)**

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 JUNE 2022</b>			
<b>Financial assets</b>			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
<b>Financial Liabilities</b>			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

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

**DEKUT ENTERPRISES COMPANY**

Annual Reports and Financial Statements for the year ended June 30, 2022

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2022</b>			
<b>Financial assets</b>			
Investments	0	0	0
Cash	0	0	0
Debtors	0	0	0
<b>Financial Liabilities</b>			
Trade and other payables	0	0	0
Borrowings	0	0	0
Net foreign currency asset/(liability)	<b>0</b>	<b>0</b>	<b>0</b>

**b) Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	Kshs	Kshs	Kshs
<b>2021</b>			
Euro	10%	0	0
USD	10%	0	0
<b>2020</b>			
Euro	10%	0	0
USD	10%	0	0

**c) Interest rate risk**

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

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#### 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

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

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

#### 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:

- 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. The *entity* considers relevant and observable market prices in its valuations where possible.

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

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

<b>At 30 JUNE 2022</b>	<b>Level 1 Kshs</b>	<b>Level 2 Kshs</b>	<b>Level 3 Kshs</b>	<b>Total Kshs</b>
<b>Financial Assets</b>				
Quoted equity investments	0	0	0	0
<b>Non- financial Assets</b>				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0
<b>At 30 June 2020</b>				
<b>Financial Assets</b>				
Quoted equity investments	0	0	0	0
<b>Non- financial Assets</b>				
Investment property	0	0	0	0
Land and buildings	0	0	0	0
	0	0	0	0

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

***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.

**DEKUT ENTERPRISES COMPANY****Annual Reports and Financial Statements for the year ended June 30, 2022****NOTES TO THE FINANCIAL STATEMENTS (Continued)****iv). Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	<b>2021/2022</b>	<b>2020-2021</b>
	<b>KShs</b>	<b>Kshs</b>
Revaluation reserve	0	0
Retained earnings	3,928,112	2,307,848
Capital reserve	200,000	200,0000
	0	
<b>Total funds</b>	<b>4,128,112</b>	<b>2,496,648</b>
Total borrowings	37,567,500	18,189,964
Less: cash and bank balances	3,460,107	9,691,001
Net debt/(excess cash and cash equivalents)	34,107,393	8,498,963
<b>Gearing</b>	<b>826%</b>	<b>340%</b>

**47. Incorporation**

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

**48. Events After The Reporting Period**

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

**49. Currency**

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

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**APPENDICES**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
1	Inaccuracies in the financial statements	<p>(NB: the referenced notes in the previous audit report has since changed after the just concluded audit for the year 2021-2022 that we correctly amend the notes by its correct number</p> <p>The figure for the administrative cost is correct having considered depreciation for the office assets only amounting to KShs. 94,537, amortization of the software of nil amount since the figure of KShs. 16,667 was reclassified to the selling and distribution costs in Note 13.</p> <p>In addition the amount of provision for doubtful debts was not expensed during the year since it was a decrease in the provision of Kshs.103,466 from previous year and thus was captured as income in the statement of profit and loss and other comprehensive income, Note 10 other income.</p> <p><b>Further to the above</b></p> <ul style="list-style-type: none"> <li><b>Note 19 PPE</b></li> </ul> <p>Depreciation amounting Kshs.717,724, represents total depreciation charge for the year. However this depreciation was allocated as follows</p> <p>Cost of sales- KShs. 588,879 Note 7</p>	Resolved	Done

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	<p>Administrative costs- Kshs. 94,537 Note 12  Selling and distribution costs- Kshs. 34,308 Note 13</p> <ul style="list-style-type: none"> <li>• <b>Note 20 intangible assets</b></li> </ul> <p>An amount of Kshs.16,667 relates to amortization of software relating to selling and distribution costs as per Note 13</p> <ul style="list-style-type: none"> <li>• <b>Note 27 Trade and other receivables</b></li> </ul> <p>An amount of Kshs 334,118 shows the provision for bad and doubtful debts for the year a decrease of Kshs. 103,466 from the previous year 2019/2020 Kshs. 437,584.</p>	
<p>2</p> <p>Presentation and disclosures of the financial statements</p>	<p>As indicated in the financial statements year ended June 30 2021 Appendix 1: progress on follow up of auditor recommendations Page 50 the Company's Management had not received the final Auditor's report for the financial year 2019/2020 hence no comments were made and thus left blank. However, during the year ended 30 June 2020 there were audit observations on Basis for Qualified opinion, Emphasis of Matter and Report on Lawfulness and Effectiveness in use of Public Resources and we do hereby submit the following:</p> <p><b>Unconfirmed comparative balances</b></p> <p>The Company submitted its first full financial statements for the year 2019/2020 for audit. However the Company had operated for four months during the year 2018/2019 and separate accounts for the period were prepared and submitted together with the full financial statements for the year 2019/2020 but they were</p>	<p>To be resolved during FY 2021/2022 audit</p> <p>Resolved</p>

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		<p>not incorporated as part of the audit during the year then ended. We wish to resubmit the accounts administratively for confirmation as the true comparative figures during the year.</p> <p><b>Emphasis of matter- provision for bad debt and doubtful receivables</b></p> <p>On the issue regarding bad debt amounting to Kshs. 200,000 and current status of the investigation is that the issue has not yet been concluded and no recovery has been made to date.</p> <p><b>Report on Lawfulness and Effectiveness in use of public Resources-Basis for Conclusion</b></p> <p><b>Non-compliant Board of Directors</b></p> <p>Reported that the composition of the Board was not compliant with the Mwongozo Code since the Company secretary was not a Certified Public Secretary. We wish to state that the Board is in the process of addressing the issue to ensure we comply with the Mwongozo Code.</p>	<p>Not resolved</p>	<p>To be resolved during FY 2021/2022 audit</p>
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**DEKUT ENTERPRISES COMPANY**  
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The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.


**Guidance Notes:**

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

  
.....

**Managing Director**  
**Dr. Paul Sang**

Date: 23/9/2022..... 2022

  
.....

**Chairman of the Board**  
**Prof. Eng P. Ndirangu Kioni**

Date: 23/9/2022..... 2022

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**APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

**Projects**

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

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

**Status of Projects completion**

(No Project was undertaken by DeKUTES)

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

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**APPENDIX III: INTER-ENTITY TRANSFERS**

<b>ENTITY NAME:</b>				
Break down of Transfers from the State Department of 0				
FY 2020/21				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
a.	Recurrent Grants	Total	0	
b.	Development Grants	<u>Bank Statement Date</u> Total	<u>Amount (KShs)</u> 0	<u>Indicate the FY to which the amounts relate</u>
c.	Direct Payments	<u>Bank Statement Date</u> Total	<u>Amount (KShs)</u> 0	<u>Indicate the FY to which the amounts relate</u>
d.	Donor Receipts	<u>Bank Statement Date</u> Total	<u>Amount (KShs)</u> 0	<u>Indicate the FY to which the amounts relate</u>

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

Finance Manager  
XXX entity

Head of Accounting Unit  
xxx Ministry

Sign -----

Sign-----

*(DeKUTES does not receive any transfers from state department)*

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**APPENDIX IV: TRANSFERS FROM OTHER GOVERNMENT ENTITIES**

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

*(DeKUTES does not receive any transfers from other government entities)*

**DEKUT ENTERPRISES COMPANY**  
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**APPENDIX V- INTER-ENTITY CONFIRMATION LETTER**

*[Insert your Letterhead]*

*[Insert name of beneficiary entity]*

*[Insert Address]*

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2022 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary entity] as at 30 <sup>th</sup> June 2022							
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)	Amount Received by [beneficiary entity] (Kshs) as at 30 <sup>th</sup> June 2021 (E)	Differences (Kshs) (F)=(D-E)
<b>Total</b>							

In confirm that the amounts shown above are correct as of the date indicated.

**Head of Accountants department of beneficiary entity:**

Name ..... Sign ..... Date .....

*No inter entities to confirm during the year*

**DEKUT ENTERPRISES COMPANY**  
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**APPENDIX VI: REPORTING OF CLIMATE RELEVANT EXPENDITURES**

Name of the Organization  
 Telephone Number  
 Email Address  
 Name of CEO/MD/Head

Name and contact details of contact person (in case of any clarifications) .....

Project Name	Project Description	Project Objectives	Project Activities	Source Of Funds				Implementing Partners
				Q1	Q2	Q3	Q4	

*There were no climate relevant expenditures to report during the year*

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**APPENDIX VII: DISASTER EXPENDITURE REPORTING TEMPLATE**

Date:										
Entity										
Period to which this report refers (FY)	Year	Quarter								
Name of Reporting Officer										
Contact details of the reporting officer:	Email	Telephone								
Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII				
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments				

*There were no disaster expenditure to report during the year*

