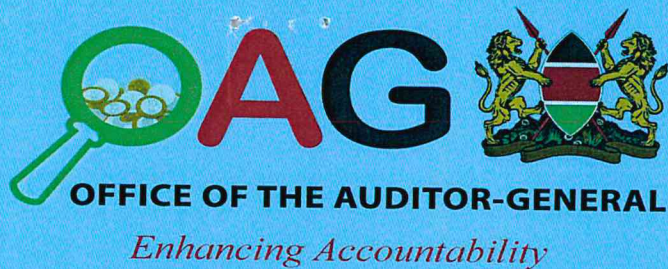


REPUBLIC OF KENYA



**REPORT** THE NATIONAL ASSEMBLY  
PART II

**DATE:** 13 OCT 2021

**DAY:**

WED

**OF**

**TABLED  
BY:**

M. KATHI

**CLERK-AT  
THE-TABLE:**

S. KATHI

**THE AUDITOR-GENERAL**

**ON**

**TECHNICAL UNIVERSITY OF MOMBASA  
ENTERPRISES LIMITED**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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**TUM ENTERPRISES LTD**

**ANNUAL REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDING  
JUNE 30, 2019**

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







# **TUM ENTERPRISE LIMITED**

## **Annual Reports and Financial Statements For the year ended June 30, 2019**

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## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **KEY ENTITY INFORMATION**

##### **a) Background Information**

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

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

To expand its revenue base, TUMEL has increased its business portfolio by taking up the management of the TUM's hospitality centre which has a capacity of 40 beds and conference facilities.

The hotel services offered here have become handy particularly to government institutions and Non-Governmental organizations that have found them to be cost effective.

##### **b) Principal Activities.**

The principal activities of the entity are

Consultancy and Training

Provision of cleaning and landscaping services

Management of TUM Hotel and Conferencing

Sale of Pure drinking water-TUMAQUA

Identification of Other Income Generating Activities.





## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **c) Directors**

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

1.	Dr.Robert O Arunga	Chairman
2.	Dr.Francis Bwire	Member
3.	Arc.Alfred Mango	Member
4.	Ms.Alice mwololo	Member
5.	Dr.Joseph Bwire	Member
6.	Prof.Laila Uweso Abubakar	Secretary to the Board
7.	Prof.Joseph Ouma Rasowo	Member
8.	Dr.Paul Njihia Gichuhi	Member
8.	Ms.Serah Esendi Okumu	Member
9.	Dickson Abira Omolo	Member

#### **d) Registered Office**

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

#### **e) Corporate Headquarters**

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

#### **f) Corporate Contacts**

Telephone: (254) 721144845  
E-mail: [tumel@tum.ac.ke](mailto:tumel@tum.ac.ke)

#### **g) Corporate Bankers**

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





**TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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**h) Independent Auditors**

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

**g) Principal Legal Adviser**

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





## **TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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### **THE BOARD OF DIRECTORS**



**DR. ROBERT.O. ARUNGA**

Dr Robert Arunga has a PhD in Food Science (Lipids Analysis), Postgraduate studies Biochemistry and B.A. Chemistry, Biology, Maths.  
Chairperson of the Board



**DR. FRANCIS JOSEPH BWIRE**

Dr. Francis Joseph Bwire has a PhD in Business Administration (strategic Management), Master of Business Administration (Finance) and BA, Economics.

Member of the Board



## TUM ENTERPRISE LIMITED

### Annual Reports and Financial Statements For the year ended June 30, 2019



ARC. ALFRED MANGO

Arc. Mango has a MSc. in Architecture  
Higher diploma in Mechanical Engineering  
Diploma in Mechanical Engineering.  
He is a member of the Board of registration of  
Architecture and quantity surveyors  
(BORAQS).

He is a council member of Architecture  
chapter.

Chief Executive Officer of Arch point  
consulting Architects.

Member of the Board



MS. ALICE MWOLOLO

Ms Mwololo holds an M.A. and B.A. in  
Economics and a PGD in Development  
Planning from the University of Nairobi.  
Currently a Chief Economist in the Budget,  
Fiscal and Economic Affairs Directorate at the  
National Treasury.

She is specialized in trade and regional  
integration policy and has wide experience in  
negotiations and implementation of the East  
African Community Customs Union and the  
Common Market Protocol. She previously  
worked in the Ministry of Planning and  
National Development as an Economist in  
rural development.

Member of the Board



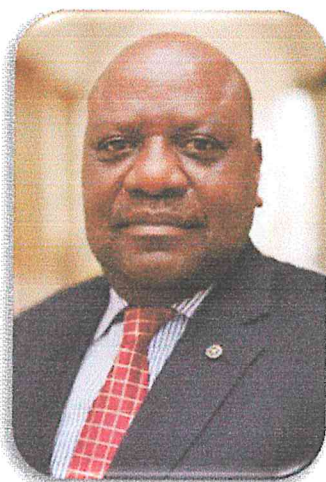
**TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**



**PROF. LAILA UWESO ABUBAKAR**

Prof Laila Uweso Abubakar has a PhD in Bio Chemistry  
Masters of science in Biochemistry & Chemistry and a Bachelor of Science (Biochemistry & Chemistry).  
Secretary to the Board



**PROF. JOSEPH OUMA RASOWO**

Prof. Joseph Ouma Rasowo has PhD in Aquatic Ecology/ Aquaculture, MSc in Marine Ecology & Aquaculture, MBA in Strategic Management, BSc in Botany/ Zoology.

Member of the Board





## TUM ENTERPRISE LIMITED

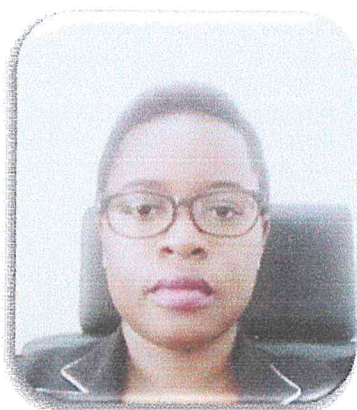
### Annual Reports and Financial Statements For the year ended June 30, 2019



DR. PAUL NJIHIA GICHUHI

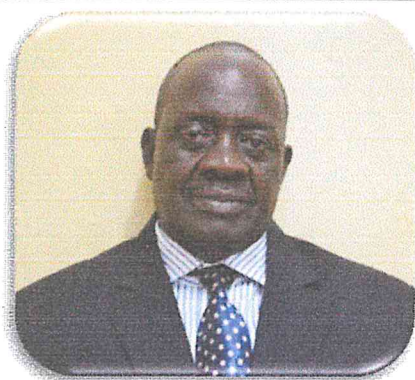
Dr. Gichuhi Paul Njihia has PhD in Pharmaceutical Synthetic Chemistry, MSc in Analytical Chemistry, BSc. in Chemistry.

Member of the Board



MS SERAH ESENDI OKUMU

Advocate of the High Court  
Master of Laws(LLM)degree university of kwazulu Natal-South Africa.  
Bachelor of Laws(LLB) Catholic University of Eastern Africa.  
Practicing Advocate and Member of Law Society of Kenya.  
Member Mombasa Law Society  
Legal Officer Technical University Of Mombasa.  
Member of the Board



DICKSON ABIRA OMOLO

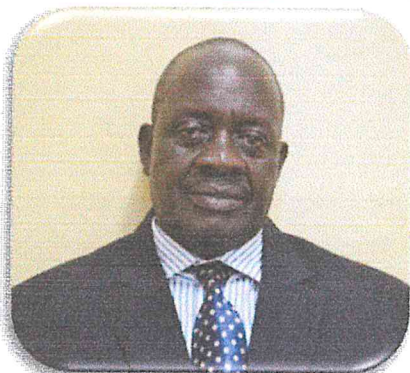
Master of Business  
Administration(HRM)Kenyatta University  
Bachelor of Business  
Administration(Management) University of Eastern Africa Baraton  
Diploma in Logistics and Transport Management-CILT UK  
Certificate in Logistics and Transport Management CILT-UK  
Diploma in Education-Mombasa Polytechnic  
Member IHRM.  
Ag. Managing Director-TUM Enterprises Ltd  
Member of the Board



## TUM ENTERPRISE LIMITED

### Annual Reports and Financial Statements For the year ended June 30, 2019

#### MANAGEMENT TEAM



DICKSON ABIRA OMOLO

Master of Business  
Administration(HRM)Kenyatta University  
Bachelor of Business  
Administration(Management) University of  
Eastern Africa Baraton  
Diploma in Logistics and Transport  
Management-CILT UK  
Certificate in Logistics and Transport  
Management CILT-UK  
Diploma in Education-Mombasa Polytechnic  
Member IHRM.  
Ag.Managing Director-TUM Enterprises Ltd



EMMA YEGON

Bachelor Of Business Administration-  
Accounting Option.  
Maseno University  
CPA(K)  
Member Of ICPAK  
Accountant-TUM Enterprises Ltd



MOUSTAPHA LEKISHON

Bachelor Of Business Administration Swiss  
Management College  
Diploma Front Office Operations &  
Management  
Hotel Manager-TUM Hotel and Conference  
centre



SALIM AHMED

MSc. Procurement And Contract Management.  
JKUAT  
Bachelor Of Commerce- Transport & Logistics  
Technical University Of Mombasa  
Member KISM  
Procurement Officer-TUM Enterprises Ltd





## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **CHAIRMAN'S STATEMENT**

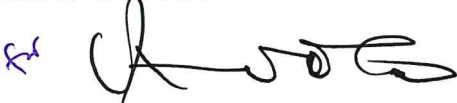
TUM Enterprises Limited (TUMEL) has passed through several transitional levels. The various phases it has undergone so far reflect the various opportunities available in the growth of businesses in Kenya.

The BOD looks forward to increased revenue from its diverse revenue streams. Consultancy services has also seen an increase in operations with the latest TVET contract being a major boost.

TUMEL has also taken up the management of TUM hotel and conferencing centre and is positive in the turning around of the Hotel.

TUMELs revenue has also grown more than two fold and is optimistic of more growth evewn in the coming year. The company is looking forward to leverage its risk by insuring most of its properties and taking only calculated and informed investment decisions.

Chairman to the Board

Sign.....  
25/11/2019





## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **REPORT OF THE CHIEF EXECUTIVE OFFICER**

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

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

To expand its revenue base, TUMEL has increased its business portfolio by taking up the management of the TUM's hospitality centre, which has a capacity of 40 beds and conference facilities.

The hotel services offered here have become handy particularly to government institutions and Non-Governmental organizations that have found them to be cost effective.

TUMEL is also processing and bottling water, both for the university and the surrounding market segment. In addition, it is also offering Cleaning Services for organizations.

Managing Director



Sign.....

25/11/2019



## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **CORPORATE GOVERNANCE STATEMENT**

TUM Enterprises Limited, a public Company in Kenya, is committed to undertake its affairs in a responsible and transparent manner. The institution takes recognition of the various stakeholders, the funding agencies, and the regulations thereto, relating to its obligations as provided in the Articles, and the Company's Act. For the 2019 financial year, the institution has complied with all the provisions set out in the Company's Act, 2012, as far as they relate to the Organization.

The functions and responsibilities of the BOD are as provided for in the Memorandum of Association. These responsibilities relate to the proper conduct of Entity business, policy development, strategic planning and monitoring effectiveness

The BOD is committed in ensuring financial sustainability; enhancing the customer experience; and viability of its investment decisions.

The entity has managed its budgets well, increased the infrastructure facilities, developed new market driven programmes and key areas of strength are Consultancy, Cleaning Services and Water processing.

The day-to-day management of the organization is vested on the Managing Director and Management Team. The functions of the Management team and Managing Director are as provided in the memorandum of association and the Articles. Meetings of the Management team include Regular, Board of management, Special and Extraordinary meetings.



## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **MANAGEMENT DISCUSSION AND ANALYSIS**

In the financial year ended 30th June 2019, TUM Enterprises Limited received from its operations for recurrent expenditure revenue. This supported employees' salaries and other expenditure.

TUM Enterprises Limited strives to comply with all statutory requirements. All payments for taxes deducted from staff salaries and suppliers, pension, NHIF contributions and NSSF are always remitted on time to the relevant authorities. At the end of this financial period, some payments were still outstanding but they were settled in the succeeding month and within the stipulated period.

TUMEL like any other institution is exposed to a variety of risks associated with day to day operations. The management is targeting to ensure that all debtors have nil balance by putting in place controls such as debtors aging lists to caution the growing list. Credit risk also arises from cash and cash equivalents and deposits. Currently the entity does not have significant concentration of credit risks as it deals with only well established and reputable financial institutions.





# **TUM ENTERPRISE LIMITED**

## **Annual Reports and Financial Statements For the year ended June 30, 2019**

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### **REPORT OF THE DIRECTORS**

The Board is required to prepare financial statements, which give a true and fair view of the state of affairs of TUMEL at the end of 30 June 2019

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019, which show the state of the entity's affairs.

### **Principal activities**

The principal activities of the entity are;

- Consultancy and Training
- Sale of Pure Drinking Water-TUMAQUA
- Management of Tum Hotel and Conferencing
- Cleaning Services

### **Results**

The results of the entity for the year ended June 30, 2019 are set out, below is summary of the profit or loss made during the year.

### **Dividends**

Subject to the approval of the shareholders, the Directors recommend no payment of a first and final dividend for the year.

### **Directors**

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

### **Auditors**

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

By Order of the Board

Corporate Secretary  
Nairobi  
Date:.....



25/11/2019



# **TUM ENTERPRISE LIMITED**

## **Annual Reports and Financial Statements For the year ended June 30, 2019**

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### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

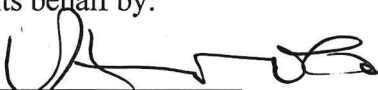
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and the company's Act) The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.


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

### **Approval of the financial statements**

The entity's financial statements were approved by the Board on 25/11/2019 and signed on its behalf by:

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

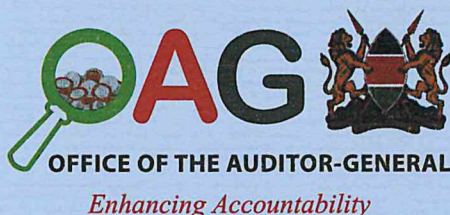
  
\_\_\_\_\_  
Director





# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON TECHNICAL UNIVERSITY OF MOMBASA ENTERPRISES LIMITED FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Technical University of Mombasa Enterprises Limited set out on pages 1 to 17, which comprise the statement of financial position as at 30 June, 2019, statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Technical University of Mombasa Enterprises Limited as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Companies Act, 2015 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Presentation and Inaccuracies of the Financial Statements**

The statement of financial position reflects a balance of Kshs.8,064,118 under trade and other payables which, as disclosed in Note 14 to the financial statements, includes an amount of Kshs.1,067,000 relating to audit fee payable. However, the unpaid audit fees for financial years 2013/2014 to 2017/ 2018 totalled to Kshs.1,200,000 resulting in an unexplained variance of Kshs.133,000. Further, the statement of changes in equity has been presented for only one year. This is contrary to Paragraph 38 of International Accounting Standard No.1 – Presentation of Financial Statements which requires comparative information to be disclosed in respect of the previous period for all amounts reported in the financial statements.

In addition, the financial statements presented for audit include a summary statement of appropriation instead of the statement of comparison of budget and actual amounts.

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*Report of the Auditor-General on Technical University of Mombasa Enterprises Limited for the year ended 30 June, 2019*



Under the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be confirmed.

## **2. Unreconciled Variance in Bank and Cash Balance**

The statement of financial position reflects bank and cash balances of Kshs.198,669 which, as disclosed in Note 8 to the financial statements, included a balance of Kshs.137,537 for a bank account held at local bank. However, the June, 2019 bank reconciliation statement reflected a reconciled cash book balance of Kshs.115,334, resulting to an unexplained and unreconciled variance of Kshs.83,335.

Under the circumstances, the accuracy and completeness of the reported bank and cash balances of Kshs.198,669 could not be confirmed.

## **3. Unsupported Loan - Technical University of Mombasa**

The statement of financial position reflects a loan balance of Kshs.4,000,000 from Technical University of Mombasa. However, the loan agreement detailing the purpose, and terms and conditions of the loan together with the approval of the loan by the Board was not provided for audit review.

Consequently, the accuracy, completeness and legality of the loan balance of Kshs.4,000,000 could not be ascertained.

## **4. Undisclosed Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment with a net book value of Kshs.2,115,989 which, as disclosed in Note 7 to the financial statements, comprised of a water bottling plant and computers valued at Kshs.2,016,372 and Kshs.99,617, respectively. However, excluded from the property, plant and equipment balance of Kshs.2,115,989 is an undetermined value of hotel and conference buildings leased to the Company by the Technical University of Mombasa. Further, the lease agreement provided for audit did not disclose the duration of the lease, lease rental payments and other terms and conditions of the lease.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.2,115,989 and the Company's compliance with the terms and conditions of the lease could not be ascertained.

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

## **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.

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

### **Conclusion**

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

### **Basis for Conclusion**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and 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 the audit;



- ii. In my opinion, proper books of accounts have been kept by the Company, so far as appears from my examination of those books; and,
- iii. The Company's financial statements are in agreement with the books of account.

### **Responsibilities of Management and those Charged with Governance**

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 determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk Management and overall governance.

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

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

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

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

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

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance review is planned and performed to express a conclusion with limited assurance as to 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 in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. The nature, timing and extent of the compliance work is limited compared to that designed to express an opinion with reasonable assurance on the financial statements.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion.

- My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Company to cease 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 the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**28 September, 2021**

**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements****For the year ended June 30, 2019****STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
		Kshs	Kshs
<b>REVENUES</b>			
Revenue	3	27,687,911	2,307,053
Cost of sales	4	(3,517,498)	(1,545,796)
Gross profit		<b>24,170,413</b>	<b>761,257</b>
<b>OPERATING EXPENSES</b>			
Administration Costs	5	15,703,050	2,942,065
Audit fees	6	1,000,000	-
<b>TOTAL OPERATING EXPENSES</b>		<b>16,703,050</b>	<b>2,942,065</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>		<b>7,467,365</b>	<b>(2,180,808)</b>
<b>INCOME TAX EXPENSE/(CREDIT)</b>	7	(2,240,209)	-
<b>PROFIT/(LOSS) AFTER TAXATION</b>		<b>5,227,155</b>	<b>(2,180,808)</b>



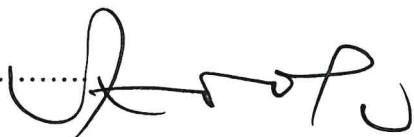
**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements  
For the year ended June 30, 2019****STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2019	2018
		Kshs	Kshs
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	2,115,989	2,304,425
<b>Total Non-Current Assets</b>		<b>2,115,989</b>	<b>2,304,425</b>
<b>Current Assets</b>			
Bank and Cash balances	9	198,669	3,500,994
Trade and other receivables	10	18,598,301	551,581
		<b>18,796,970</b>	<b>4,052,575</b>
<b>Total Assets</b>		<b>20,912,959</b>	<b>6,357,000</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary share capital(100,000)	11		
Shareholder's contribution	12	5,000,000	5,000,000
Retained earnings	13	3,848,841	(1,378,313)
<b>Capital and Reserves</b>		<b>8,848,841</b>	<b>3,621,687</b>
<b>Long term liabilities</b>			
TUM Loan	14	4,000,000	-
<b>Total long term liabilities</b>		<b>4,000,000</b>	<b>-</b>
<b>Current Liabilities</b>			
Audit fees Payables	15	1,067,000	67,000
Trade Payables	16	6,997,118	2,668,313
<b>Total Current Liabilities</b>		<b>8,064,118</b>	<b>2,735,313</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>20,912,959</b>	<b>6,357,000</b>

The financial statements were approved by the Board on 25/11/2019 and signed on its behalf by:

Managing Director  
Name:

Sign.....



Member of the Board  
Name: Paul Njirja

Sign.....





**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements****For the year ended June 30, 2019**

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**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019**

	<b>Ordinary share capital</b>	<b>Share Holders contribution</b>	<b>Retained earnings</b>	<b>Total</b>
<b>At July 1, 2018</b>	-	<b>5,000,000</b>	<b>(1,378,313)</b>	<b>3,621,687</b>
Additions	-		-	
Profit/(Loss)	-		5,227,155	5,227,155
<b>At June 30, 2019</b>	-	<b>5,000,000</b>	<b>3,848,841</b>	<b>8,848,841</b>





**TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Kshs	2018 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations		5,227,155	(2,180,808)
Depreciation	8	330,746	329,204
Increase in Receivables	10	(18,046,720)	(229,490)
Decrease in Trade Payables	16	5,328,803	1,240,908
Net cash generated from/(used in) operating activities		(7,160,016)	(840,186)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		-	-
Net cash generated from/(used in) financing activities	14	4,000,000	
cash flows from investing activities		-	-
water processing plant		-	-
Net cash generated from/(used in) investing activities		(142,308)	-
<b>INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	9	(3,302,324)	(840,186)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	9	3,500,994	4,341,180
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	9	198,669	3,500,994



**TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**SUMMARY STATEMENT OF APPROPRIATION:**

Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c= a+b	Actual on Comparable Basis d	Budget Utilization Difference e=d-c	% of Utilisation Difference to Final Budget f=e/c%
<b>REVENUE</b>						
Income from Consultancy Service	20,000,000		20,000,000	27,687,911	7,687,911	38
<b>Total Income</b>	<b>20,000,000</b>	<b>0</b>	<b>20,000,000</b>	<b>27,687,911</b>	<b>7,687,911</b>	<b>38</b>
<b>EXPENDITURE</b>						
Administration Expenses	16,000,000	8,000,000	24,000,000	15,667,043	(8,332,957)	35
Cost of Sales	2,000,000		2,000,000	3,517,498	1,517,498	76
Audit Fees	1,000,000		1,000,000	1,000,000	0	0
Corporate Tax	1,000,000		1,000,000	2,240,209	1,240,209	124
<b>Total Expenditure</b>	<b>20,000,000</b>	<b>8,000,000</b>	<b>28,000,000</b>	<b>22,424,750</b>	<b>(5,572,250)</b>	<b>20</b>
<b>Surplus for the Period</b>	<b>0</b>	<b>(8,000,000)</b>	<b>(8,000,000)</b>	<b>5,263,161</b>	<b>2,115,661</b>	



# **TUM ENTERPRISE LIMITED**

## **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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### **NOTES TO THE FINANCIAL STATEMENTS**

#### **1. GENERAL INFORMATION**

TUMEL is established by and derives its authority and accountability from The Company's Act. The entity is wholly owned by the Technical University of Mombasa and is domiciled in Kenya.

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

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

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

##### **a) Property, plant and equipment**

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

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





## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

#### **b) Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs 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:

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

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

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

#### **c) Intangible assets**

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

#### **d) Amortisation and impairment of intangible assets**

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

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



## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements For the year ended June 30, 2019**

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#### **e) Investment property**

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

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

#### **f) Finance and operating leases**

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

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

#### **g) Trade and other receivables**

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

#### **h) Taxation**

##### **Current income tax**

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



**n) Taxation (Continued)**

**Current income tax (Continued)**

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

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

**Deferred tax**

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

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

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

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



## **TUM ENTERPRISE LIMITED**

### **Annual Reports and Financial Statements**

**For the year ended June 30, 2019**

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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.

#### **i) Cash and cash equivalents**

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

#### **j) Borrowings**

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

#### **k) Trade and other payables**

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





**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements  
For the year ended June 30, 2019****3.REVENUE**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
GIZ	-	2,072,153
Kemri-welcome Trust	-	234,900
Tumel Cleaning services	8,549,926	-
Tum Hotel and Conferencing	19,015,435	-
Tum Aqua	122,550	-
<b>Total</b>	<b>27,687,911</b>	<b>2,307,053</b>

**4 COST OF SALES**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Consultancy Facilitation Expenses	128,792	167,700
Consultants charges	-	1,285,158
Water Testing and Analysis	2,750	92,938
Cleaning Materials	1,287,781	-
Food Purchases	1,536,589	-
Housekeeping items	142,174	-
Water Bottles and stickers	419,412	-
<b>Total</b>	<b>3,517,498</b>	<b>1,545,796</b>

**5 ADMINISTRATION COSTS**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank charges	23,745	11,038
Depreciation expense	330,746	329,204
Stationery	383,022	1,025
Board of directors allowances	847,000	360,000
Meals	39,550	3,000
Office expense	25,986	58,200
Permits and Licences	34,050	45,050
Permits and Licences-TUMAQUA	160,572	-
Advertising and promotion	-	10,000
Travelling & subsistence	1,094,300	654,300
Fuel and gas	201,530	-
Dues and Subscriptions	15,587	-
Electricity and Lighting	12,750	-
Entertainment	17,100	-



**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements****For the year ended June 30, 2019**

Rental of Equipment	18,250	-
Levies and penalties	687,258	20,000
Garbage Collection	3,000	-
Internet Expenses	2,500	-
Pest Control and Fumigation	8,120	-
Printing and Photocopy	10,452	248
Maintenance and Repairs-water plant	139,775	-
Maintenance and Repairs-Tum Hotel and Conferencing	12,250	1,450,000
Salaries and Wages	11,495,487	-
Telephone Expenses	17,740	-
Transport	24,640	-
Water	31,960	-
NSSF-Employer Contribution	11,080	-
Accommodation Allowance	54,600	-
<b>Total</b>	<b>15,703,050</b>	<b>2,942,065</b>

**6. AUDIT FEES**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Audit fee FY2018/2019	1,000,000	-
	<b>1,000,000</b>	-

**7. INCOME TAX EXPENSE/ (CREDIT)**

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

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Profit before taxation	7,467,365	(2,180,808)
Tax at the applicable tax rate of 30%	(2,240,209)	-
<b>PROFIT AFTER TAX</b>	<b>5,227,155</b>	-



**TUM ENTERPRISE LIMITED**

**Annual Reports and Financial Statements  
For the year ended June 30, 2019**

**8 PROPERTY, PLANT AND EQUIPMENT**

<b>2019</b>	<b>WATER BOTTLING PLANT</b>	<b>Computers &amp; related equipment</b>	<b>Office equipment, furniture &amp; fittings</b>	<b>Capital work in progress</b>	<b>Total</b>
<b>COST OR VALUATION</b>					
At July 1, 2018	3,472,870	-	-	-	3,472,870
Additions	-	142,340	-	-	142,310
Transfers	-	-	-	-	-
Disposals	-	-	-	-	-
<b>At June 30, 2019</b>	<b>3,472,870</b>	<b>142,340</b>	<b>-</b>	<b>-</b>	<b>3,615,180</b>
<b>DEPRECIATION</b>					
At July 1, 2018	1,168,445	-	-	-	(1,168,445)
Charge for the year	(288,053)	(42,693)	-	-	(330,746)
Impairment loss	-	-	-	-	-
Eliminated on disposal	-	-	-	-	-
<b>At June 30, 2019</b>	<b>(1,456,498)</b>	<b>(42,693)</b>	<b>-</b>	<b>-</b>	<b>(1,499,191)</b>
<b>NET BOOK VALUE At June 30, 2018</b>	<b>2,016,372</b>	<b>99,617</b>	<b>-</b>	<b>-</b>	<b>2,115,989</b>

		<b>Normal annual depreciation charge</b>
	<b>Cost or valuation</b>	
WATER BOTTLING PLANT	3,472,870	3,472,870
Computers and related equipment	99,617	42,693
Office equipment, furniture and fittings	-	-
<b>TOTAL</b>	<b>3,615,180</b>	<b>3,615,180</b>





**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements  
For the year ended June 30, 2019**

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**9. BANK AND CASH BALANCES**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
National Bank of Kenya	137,537	3,405,137
Petty Cash	61,132	95,857
	<b>198,669</b>	<b>3,500,994</b>

**10. TRADE RECEIVABLES**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Tourism Fund	322,091	322,019
GIZ	133,767	133,767
Kemri Welcome Trust	224,154	10,125
VAT held	-	85,598
ICT Ajira	804,300	-
Kenha	1,305,500	-
Portreitz MTC	139,400	-
School Based students-TUM	9,096,600	-
Water and Hotel services-TUM	1,763,955	-
Cleaning services-TUM	4,429,144	-
VAT Withheld	379,390	-
<b>TOTAL</b>	<b>18,598,301</b>	<b>551,581</b>

**11 SHARE CAPITAL**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Share capital 1000 shares @100 not paid up	-	-



**TUM ENTERPRISE LIMITED****Annual Reports and Financial Statements****For the year ended June 30, 2019****12. SHAREHOLDERS CONTRIBUTION**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Shareholders contribution	5,000,000	5,000,000
	<b>5,000,000</b>	<b>5,000,000</b>

**13. RETAINED EARNINGS**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Retained Earnings	5,227,155	(1,378,313)
	<b>5,227,155</b>	<b>(1,378,313)</b>

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.

**14 .TUM LOAN**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Loan Advanced	4,000,000	-
	<b>4,000,000</b>	<b>-</b>

**15 .AUDIT FEES PAYABLE**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Audit fees Payable	1,067,000	67,000
	<b>1,067,000</b>	<b>67,000</b>

**16. TRADE PAYABLES**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Corporate Tax Payable	3,576,617	1,336,407
Total VAT Payable	2,213,668	(32,902)
Prepaid Short courses	365,000	123,500
Board of Directors Allowances-accrued	400	400
PAYE Payable	36,000	(209,092)
Mwashua Construction Ltd	763,008	1,450,000
Customer Deposits	42,425	-
	<b>6,997,118</b>	<b>2,668,313</b>



## **17. FINANCIAL RISK MANAGEMENT**

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

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

### **(i) Credit risk**

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

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

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

### **(ii) Market risk**

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

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

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





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#### **iii) Fair value of financial assets and liabilities**

##### **a) Financial instruments measured at fair value**

###### **Determination of fair value and fair values hierarchy**

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

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

#### **18. INCORPORATION**

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

#### **19. EVENTS AFTER THE REPORTING PERIOD**

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

#### **20. CURRENCY**

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

