

REPUBLIC OF KENYA



Enhancing Accountability



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TABLED OF	Deputy Leader of the Majority Party
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THE AUDITOR-GENERAL

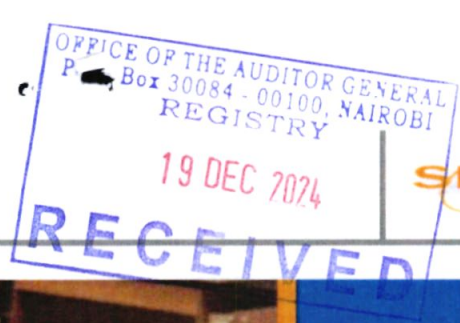
ON

SCHOOL EQUIPMENT PRODUCTION UNIT

**FOR THE YEAR ENDED
30 JUNE, 2024**



**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT & FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2024**



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report & Financial Statements 30th June 2024

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

"PRoviders of Quality Science Equipment and Learning Materials"

ABOUT SEPU

SEPU is a state corporation established to design, manufacture, supply, and distribute STEM materials and apparatus for educational institutions.

VISION

A society with Scientific Habits of Mind, Skills and Practices driven by modern Science Equipment

MISSION

To provide quality equipment and materials required in teaching and learning STEM for sustainable development.

TAGLINE

Providers of Quality Science Equipment and Learning Materials.

CORE VALUES

Professionalism, Quality, Innovativeness, Team Spirit, Integrity, Fairness.



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Acronyms, Abbreviations and Definitions of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
OCOB	Office of the Controller of Budget
OAG	Office of the Auditor General
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
SAGAs	Semi-Autonomous Government Agencies
SEPU	School Equipment Production Unit
NACOSTI	National Commission for Science, Technology & Innovation
CEMASTEА	Centre for Mathematics, Science and Technology Education in Africa
KICD	Kenya Institute of Curriculum Development
BETA	Bottom-up Economic Transformation Agenda
BOD	Board of Directors
CBC	Competency-Based Curriculum
STEM	Science, Technology, Engineering and Mathematics

MIS	Management Information System
ERP	Enterprise resource planning
GAAP	Generally Accepted Accounting Procedures
GDP	Gross Domestic Product
GoK	Government of Kenya
ICT	Information and Communication Technology
KICD	Kenya Institute for Curriculum Development
JSS	Junior Secondary School
KEPSHA	Kenya Primary Schools Headteachers Association
KSSHA	Kenya Secondary Schools Heads Association
KEPSA	Kenya Private Schools Association
KPEEL	Kenya Primary Equity in Early Learning
KNEC	Kenya National Examination Council
MOE	Ministry of Education
NGOs	Non-Governmental Organisations
RBA	Retirement Benefits Authority
SAGA	Semi-Autonomous Government Agency
TVET	Technical and Vocational Education and Training
TOR	Terms of Reference
AWAK	Association of Women Accountants of Kenya
SLIMC	School Learning and Instructional Materials Centre
KEC	Kenya Education Cloud
ESG	Environmental, Social and Governance

CSR	Corporate Social Responsibilities
KRA	Kenya Revenue Authority
VAT	Value Added Tax
IAS	International Accounting Standards
FY	Financial Year
EMCA	Environmental Management Coordination Act

B: Definition of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization

Comparative Year- Means the prior period (FY 2022/ 2023).

Contingent Liability- Refers to a liability that may occur depending on the outcome of an uncertain future event. Contingent liabilities are recorded if the contingency is likely and the amount of the liability can be reasonably estimated. The liability may be disclosed in a footnote on the financial statements.

Key Entity Information

Background information

School Equipment Production Unit is a State Corporation under the Ministry of Education. It was established as a state corporation under the Companies Act (Cap 486) in December 1976. SEPU is mandated to produce scientific equipment and learning materials for learning institutions. Its vision is a society with scientific habits of mind, skills and practices driven by modern science equipment. The main mission of SEPU is to provide quality equipment and materials required in teaching and learning STEM for sustainable development.

The Unit's management is governed by the Companies Act of Kenya and the State Corporations Act among other relevant Acts. School Equipment Production Unit has a board of directors which is charged with the overall mandate of the Unit.

Principal Activities

The principal activity of the Unit is the production and distribution of specialized science teaching and learning materials for educational institutions.

Directors

The Directors who served the Unit during the financial year were as follows:

Name	Name of Institution	Responsibility	Date of appointment	Term expiry date
1. Dr. Patrick M. Kiliku	Independent	Chairman of the Board	28/10/2021	27/10/2024
2. Ms. Dorcas Kimwetich	Independent	Member	28/10/2021	27/10/2024
3. Mr. Justus Kingirwa Kiunga	Independent	Member	28/10/2021	27/10/2024
4. Mr. Andrew G. Nyakundi	Independent	Member	28/10/2021	27/10/2024
5. Mr. Hassan Sheikh Mohamed	Independent	Member	28/10/2021	27/10/2024
6. FA CPA Solomon Ngahu, PhD	Alternate Director to the PS, National Treasury	Member	09/02/2022	08/02/2025
7. Mr. Lawrence Karuntimi	Alternate Director to the PS, State Department for Basic Education, Ministry of Education	Member	29/03/2022	28/03/2025
8. Dr. Robert G. Ndegwa	Alternate Director to the PS, State Department for Basic Education, Ministry of Education			
9. Prof. Charles Ong'ondo	C.E.O Kenya Institute of Curriculum Development	Member	09/02/2022	08/02/2025

**SCHOOL EQUIPMENT PRODUCTION UNIT
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10. Dr. Johnstone Ochuma	Alternate Director to the C.E.O (KICD)	Member		
11. Prof. Walter Oyawa	C.E.O National Commission for Science, Technology & Innovation	Member	09/02/2022	08/02/2025
12. Mr. Edwin Murimi	Rep. of Inspector General State Corporations	Member		
13. Dr. Joel Mabonga	Managing Director/ Chief Executive Officer	Secretary to the Board	23/09/2022	22/09/2027

KEY ENTITY INFORMATION

Corporate Information

Board of Directors

Chairman Board of Directors
Managing Director/ Secretary to the Board

Registered Office

SEPU Headquarters, University of Nairobi,
Kenya Science Campus,
Ngong Road,
P.O. Box 25140-00603,
Nairobi, Kenya.

Corporate Bankers

National Bank of Kenya Limited,
Harambee Avenue Branch,
P.o Box 41862,
Nairobi, Kenya.

Kenya Commercial Bank Limited.
Milimani Branch,
P.O. Box 69695,
Nairobi, Kenya.

Co-operative Bank of Kenya Limited,
Haille Selassie Avenue,
P.O. Box 48231-00100,
Nairobi, Kenya.

Our Auditor

The Auditor General,
The Office of Auditor General,
Anniversary Towers
P.O. Box 30084-00100,
Nairobi.

Principal Legal Advisors

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

Board of Directors

1. Dr. Patrick K. Musyoka

Chairman



Dr. Patrick K. Musyoka, year of birth 1970. He holds PhD in Linguistics from the University of Dar es Salaam, Tanzania, a Master of Philosophy Degree in Linguistics, and a Bachelor's degree in Education from Moi University Eldoret. Training on Data Analysis, EdQual Language and Literacy Project at the University of Bristol, The UK. Awarded an Interuniversity Council of East Africa University Academic Staff Mobility Programme at St. John's University Tanzania as a Senior Lecturer of English, Linguistics and Communication. Received an Award in Interuniversity Council of East Africa nomination for the EAC Interuniversity Council of East Africa University Academic Staff Mobility Programme at the University of Dar es Salaam, Tanzania as a Senior Lecturer of English, Linguistics and Communication.

2. Dorcas Kimwetich

Ms. Dorcas Kimwetich, year of birth 1972. She holds a Master's Degree in Strategic Management (University of Nairobi), a Bachelor's Degree in Education, Business Administration & Management (Marketing option) from Day Star University. She worked as a manager commercial and reseller in the Petroleum Industry (Lake Oil Ltd) for the past 17 years, Business analyst and handling export business, Reseller and Territory Manager at the National Oil Corporation of Kenya. Astute business lady in hospitality and director of Rorok Victory Academy. She is currently a member of the County Public Service Board. Currently works at the County Government of Elgeyo Marakwet, she serves on the Board of the School Equipment Production Unit (SEPU), as an Independent Director. She was a chair of the Finance, Human Resource and General Purposes Committee from 1st July 2023 – 15th February 2024. She is currently the chair of the Technical and Research Committee from 16th February to date.



3. Justus Kiunga



Mr. Justus Kiunga, year of birth 1986. He is currently pursuing a Masters' Degree in Law at the University of Nairobi. He holds a Bachelor of Laws degree from the University of Nairobi and a Postgraduate Diploma in Law from the Kenya School of Law. An advocate of the high court of Kenya. He is also an associate member of the Chartered Institute of Arbitrators - Kenya Chapter.

He is the Managing Partner at Kiunga Kingirwa & Co. Advocates based at Westlands, Nairobi Kenya. The firm's interest is in Education Law, Civil, Commercial, Land and Public Interest Litigation generally. He is an Independent Board Member.

4. Hassan S. Mohamed

Mr. Hassan S. Mohamed, year of birth 1958. He holds a Masters Degree in arts in economic and social studies – development administration Management option from the University of Manchester, UK. Postgraduate diploma in public administration and management - developing Countries option from Glasgow Caledonian University, UK (then, Glasgow Polytechnic), Diploma in range management from Egerton University (then, Egerton College). Awarded the Order of the Grand Warrior of Kenya (OGW) in 2009 by the President of the Republic of Kenya for establishing and replicating Peace Committees. He serves on the Board of the School Equipment Production Unit (SEPU), as an Independent Director. He was a chair of the Audit and Risk Committee from 1st July 2023 – 15th February 2024. He is currently the chair of the Finance, Human Resource and General Purposes Committee from 16th February to date.



5. Andrew G. Nyakundi



Mr. Andrew G. Nyakundi, year of birth 1960. He holds a Bachelor of Arts (Education) in Geography and Economics from Kenyatta University.

Training on Education Management, SMASSE Management Workshop, Workshop on Effective Performance Management by TSC, KESSHA Annual Conferences, ICP International Conference in Auckland (New Zealand), Toronto Canada, ACP International Conference: Kampala-2008, Lesotho Maseru, Kigali Rwanda, Mombasa, Guidance and Counselling Skills, Trauma, Disaster & Conflict Management. He serves on the Board of the School Equipment Production Unit (SEPU), as an Independent Director. He was a chair of the Technical and Research Committee from 1st July 2023 – 15th February 2024. He is currently the chair of the Audit and Risk Committee from 16th February to date.

6. Prof. CPA FA Solomon Thuo Ngahu, PhD

FA CPA Dr. Solomon Ngahu, year of birth 1977. He holds PhD in Business administration (Finance Option) from JKUAT, a Masters's degree (MBA-Finance) from JKUAT, a Master of Science in Public Finance from the University of London, currently pursuing a Masters of Arts in Economics (India), a Bachelor's degree (B com)-First Class Honors from JKUA, ESAMI: Preparation and Interpretation of Financial Statements, IMF; Government Financial Statistics Harmonization for EAC-Kigali Rwanda, IMF; Credit Management: Certified Credit Management Professional (CCP)K, Pedagogy Training; Overview to learning Process and Methodology-JKUAT, HIV & AIDS Mainstreaming Course, National Aids Control Council, Induction Training on Government Operations(GTI-Mombasa). Holds three Single Subject Diploma: Accounting Purchasing & Cost Control (ICM)UK, Project Management (ICM) UK and Auditing & Taxation (ICM)UK. Finance & Banking; Certified Investment & Security Analyst (CISA) K, Administration; Certified Public Secretary (CPS) K, Certified Public Accountant (CPA) K. He is a member of ICPAK, ICIFA, APSEA and KIM professional bodies and Strategic Leadership Development Programme (SLDP), KSG. He is also a committee member – of the Public Policy & Governance of ICPAK, the Members Service Committee - ICIFA, Member of Professional Development and Education Committee of APSEA. **Representative Principal Secretary, National Treasury**

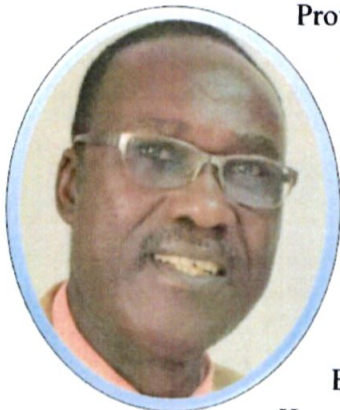


7. Prof. Charles Ong'ondo



Prof. Charles Ochieng' Ong'ondo was born in 1964. He holds a PhD in English Language and a Masters Degree in Philosophy in Educational Commonwealth and Technology, a Bachelor's degree in Education Arts (English language/Literature) and a Diploma in Education. Corporate Governance and Board Competency & Audit Training. He is a member of the International Association of Teachers of English as a Foreign Language (IATEFL). Founder member and official – Kenya Association of English Language Educators and Researchers (ASELER). He is an Associate Professor in English Language Teacher Education, the Department of Curriculum Instruction and Education Media (CIEM). Prof. Ong'ondo is currently the Chief Executive Officer/Director, of the Kenya Institute of Curriculum Development (**KICD**).

8. Prof. Walter O. Oyawa



Prof. Walter Odhiambo Oyawa was born in 1965. He holds a PhD in Civil Engineering (Structural Engineering), MSc Civil Engineering (Structural Engineering), and Bachelor Degree in Civil Engineering. Executive Masters of Business Administration (EMBA), at JKUAT, Nairobi, Kenya. Certificate in Corporate Governance course for Directors, by the Centre for Corporate Governance, Nairobi, Kenya. Project Management Certificate of Attendance by Institution of Engineers of Kenya (IEK). Financial Management (Budgeting and Procurement) Certificate of attendance by Kenya Institute of Management (KIM). Leadership and Management Capacity Development Training at KIM Certificate of Environmental Impact Assessment and Environmental Audit course, JKUAT, Kenya.

Prof. Oyawa is currently the Chief Executive Officer/Director, National Commission for Science, Technology and Innovation (**NACOSTI**).

9. Mr. Lawrence Karuntimi



Lawrence Kirimi Karuntimi was born in 1967. He holds a Masters Degree of Education in Leadership and Education Management and a Bachelor of Education (Arts). Advanced Project Management – ESAMI, Strategic Leadership Development Programme, Senior Management Course for Public Servants, QMS Internal Auditor: Quality Management Systems, Training on Performance Management, Training on Education Management Information System (EMIS), Induction for Quality Assurance and Standards Officers, Certificate in School Management, Certificate of Proficiency in Computer Operation and Various other Seminars and Training. He is currently the Deputy Director of Education, Directorate of Secondary Education.

Representative Principal Secretary, State Department for Basic Education

10. Dr. Joel Mabonga

Chief Executive Officer/ Secretary to the Board

Dr. Joel Mabonga was born in 1966. He holds a Doctor of Philosophy in Management of Education change from Kenyatta University, a Master of Philosophy Educational Administration from Moi University and a Bachelor's degree in Education from Kenyatta University, besides other corporate governance courses. He has served the nation in various capacities including Chief Executive Officer (CEO), Independent Police Oversight Authority (IPOA), Senior Deputy Director, Corporate Services, Kenya Institute of Curriculum Development, Director-Voter Education and partnership at the Independent Electoral and Boundaries Commission (IEBC), Chief Manager at the Kenya Institute of Management (KIM) and a lecturer at Kenyatta University. His exemplary performance saw him win the prestigious 2017 Ombudsman award for effective Public Service Delivery while serving as Chief Executive Officer (CEO), IPOA. Dr. Mabonga has attended several Managerial and Leadership courses Nationally and Internationally.



Dr. Mabonga is currently the Chief Executive Officer/ Director SEPU

Key Management Team

1. Dr. Joel Mabonga

Chief Executive Officer/ Secretary to the Board



Dr. Joel Mabonga was born in 1966. He holds a Doctor of Philosophy in Management of Education change from Kenyatta University, a Master of Philosophy Educational Administration from Moi University and a Bachelor's degree in Education from Kenyatta University, besides other corporate governance courses. He has served the nation in various capacities including Chief Executive Officer (CEO), Independent Police Oversight Authority (IPOA), Senior Deputy Director, Corporate Services, Kenya Institute of Curriculum Development, Director-Voter Education and partnership at the Independent Electoral and Boundaries Commission (IEBC), Chief Manager at the Kenya Institute of Management (KIM) and a lecturer at Kenyatta University. His exemplary performance saw him win the prestigious 2017 Ombudsman Award for effective Public Service Delivery while serving as Chief Executive Officer (CEO), IPOA. Dr. Mabonga has attended several Managerial and Leadership courses Nationally and Internationally.

Dr. Mabonga is currently the Chief Executive Officer/ Director SEPU

2. CPA Salome Odek

Principal Accountant/ Head of Finance & Accounts

Salome A. Odek was born in 1982. She is currently pursuing a Masters' Degree in Business Administration (MBA-Finance) at the University of Nairobi. Holds a Degree in Bachelor of Commerce Finance Option from Kenyatta University and Certified Public Accountant (CPA) K. She is a registered member of ICPAK in good standing. She served as Ag. Chief Executive Officer (CEO), SEPU from 9th February 2022 to 26th July 2022. CPA Salome has undertaken Training on Public Financial Management Reforms by ESAAG (*Entebbe, Uganda*). Training on Enhancing the Effectiveness of Public Financial Management Systems by ESAAG (*Livingstone, Zambia*). Training on Rethinking Public Financial Management by ESAAG (*Namibia*)



She is a member of AWAK (Association of Women Accountants of Kenya)

3. Mr. Philip Onyango

Principal Production Manager



Mr. Philip Onyango, year of birth 1976. He is currently pursuing a Degree in Bachelor of Technology (Mechanical Engineering Technology) from the Technical University of Kenya. He has a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University of Agriculture and Technology.

4. Mr. Allan Weche

Sales and Marketing Manager

Mr. Allan Weche, year of birth 1982. He holds a Bachelor of Commerce (Marketing Option) from Mount Kenya University and an Advanced Diploma in Sales Management and Marketing from the Institute of Commercial Management (UK).



5. Mr. Nicky Ronoh

Procurement Officer



Mr. Nicky Cheruiyot Ronoh, year of birth 1985. He has a Degree in Bachelor of Business Management from Moi University and a Diploma in Business Administration from the Institute of Commercial Management.

From 1st July 2023 to December 2023

6. Ms. Laura Naitu

Supply Chain Management Officer

Ms. Laura Naitu, year of birth 1998. She holds a Bachelor's Degree in Procurement and Logistics and a Diploma in Procurement and Logistics from Kabarak University. She is also a registered member of the Kenya Institute of Supplies Management.

From 1st January 2024 to Date



7. Ms. Nancy Jepkemboi Kibogong

Internal Auditor



Ms. Nancy Jepkemboi Kibogong, year of birth 1988. She is currently pursuing a Masters' degree of Science in Finance and Accounting at the University of Nairobi, She holds a Degree in Bachelor of Commerce (Accounting option) from Egerton University, has attained CPA part I. Currently pursuing CPA part II. She has worked in the banking sector before, particularly Family Bank Limited for five years. Before joining SEPU, she worked as an Internal Auditor at the Kenya Film Classification Board. She is a registered member of the Institute of Internal Auditors Kenya (IIA Kenya).

8. Ms. Teresa J. Korir

Human Resource Officer



Ms. Teresa J. Korir, year of birth 1980. Holds a Diploma in Human Resource and Management from Kisii University. She is currently pursuing a Bachelor of Human Resource Management degree from St. Paul's University. She is a member of The Institute of Human Resource Management. (IHRM).

Fiduciary Management

The key management personnel who held office during the financial year under review and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Managing Director/ Chief Executive Officer	Dr. Joel Mabonga
2.	Head of Finance	CPA Salome Odek
3.	Production Manager	Mr. Philip Onyango
4.	Head of Sales and Marketing	Mr. Allan Weche
5.	Head of Procurement	Mr. Nicky Ronoh
6.	Head of Internal Audit	Mrs. Nancy Kibogong

Fiduciary Oversight Arrangements

Fiduciary duty requires board members to stay objective, unselfish, responsible, honest, trustworthy, and efficient. Board members, as stewards of public trust, must always act for the good of the organization, rather than for the benefit of themselves.

The Board of Directors is responsible for providing overall leadership through oversight, review, and guidance in addition to setting the strategic and policy direction.

The Board has in place three principal committees to ensure the effective discharge of its fiduciary responsibility to the Unit as follows;

- Audit and Risk Committee
- Finance, Human Resource & General Purposes Committee
- Technical & Research Committee

Chairman's Statement

Introduction

On behalf of the SEPU Board of Directors, I am honoured to present to you the Annual Report and Financial Statements of School Equipment Production Unit (SEPU) for the Financial Year ended 30 June 2024.

The sales revenue has increased by an impressive 183.45%, driven primarily by a substantial rise in orders from schools. This growth reflects our successful efforts in building strong partnerships within the education sector, allowing us to better meet the needs of our clients. As we continue to enhance our offerings and strengthen these relationships, we are optimistic about sustaining this positive trend in the future.

The Unit also received recurrent grants, which significantly boosted its gross income. In line with our Corporate Strategic Plan, the year under review saw us focus on activities aimed at advancing the organization for the realization of our Vision. As the leading provider of quality science teaching and learning materials in the region, we focus on promoting the abilities and potential of learners by designing and producing the materials that promote STEM & CBC curriculum for learners.

Brief highlight of the key activities during the year

During the year under review, there were increased marketing activities due to the moderated school calendar, especially in partnerships with Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit gets an opportunity to conduct marketing activities even though this did not materialize.

The net profit during the current financial year 2023/2024 is Kshs. 12,507,153 compared to a net profit of Kshs. 16,613,788 in 2022/2023 representing a decrease in profit by 24.72%. Gross Income increased from Kshs. 115,706,134 to Kshs. 153,364,714 in 2023/2024 representing an increase in Gross Income by 32.5%.

The Unit implements its strategic plan covering the period 2023-2027. This plan determines and guides the long-term performance of the Unit. In support of the government's agenda, The Bottom-up Economic Transformation Agenda (BETA), SEPU will focus on implementing the following key areas;

1. **Product Development:** Review and refine existing designs for school equipment, ensuring they meet educational needs and safety standards.
2. **Resource Allocation:** Identify and allocate necessary materials and resources for efficient production.
3. **Sustainability Practices:** Incorporate eco-friendly materials and processes to reduce environmental impact.
4. **Collaboration:** Foster partnerships with educational institutions for feedback and to align products with curriculum requirements.
5. **Quality Control:** Establish and maintain quality assurance protocols to ensure all products meet set standards.

6. **Training and Support:** Develop training programs for staff to enhance production skills and knowledge of new technologies.
7. **Market Analysis:** Conduct research on trends and demands in school equipment to stay competitive.
8. **Feedback Mechanism:** Implement a system for collecting feedback from learning institutions to inform product improvements and innovation.

This agenda aims to enhance efficiency, quality, and relevance in the production of school equipment and materials.

Successes consolidated

Despite the challenges experienced by the Unit, it continues to focus on a comprehensive agenda to build a sustainable business as a recovery strategy. The Unit has been committed to design, manufacture and distribute high-quality science teaching and learning materials for learning institutions. The Unit has developed the Human Resource Instruments and Career Progression Guidelines which are being implemented. The staff morale has been relatively high due to motivation through salary increments and promotions. The Unit continues to implement strategies that will raise the staff morale.

Challenges

The Unit is faced with a few challenges which have the potential to impede the timely realization of its strategic goals. Some of these challenges include inadequate space for expansion and lack of modern machines in the Production Department. There has been inadequate funding but the Government is reconsidering funding the Unit to meet the Unit's optimal production level.

Future outlook of the organization

The future outlook for 2024/2025 is favourable with the economic growth targeted at 32.26% and with the 'Bottom-Up Economic Transformation Agenda' the Unit will position itself as a driver of the manufacturing agenda. The Unit intends to manufacture science equipment and materials for both Primary and Secondary schools to meet the demand for the 100% transition and Competency Based Curriculum, Procure and Distribute textbooks, Training Publishers, Procurement of digital resources hosted in Kenya Education Cloud (KEC), Formulation of Guidelines on textbooks and support materials.

The Unit will support value addition and raise the manufacturing sector's share of GDP. We envisage a conducive operating environment by upgrading the contents of the science kit to support the Competency-Based Curriculum to meet its requirements. The Unit will continue with the implementation of the Strategic Plan 2023-2027, Quality Management System and Performance Contracts based on sound leadership, prudent financial management, innovation, creativity and team spirit. Towards enhancing the institutional Human Resource capital, the Unit will conduct capacity building for employees within their area of specialization.

The CBC curriculum presents huge opportunities for the Unit especially the design and manufacture of STEM (Science Technology Engineering and Mathematics) materials for both early years, Junior Secondary school and Senior Secondary School.

The Unit aspires to change its name to SLIMC (School Learning and Instructional Materials Centre). This follows a recommendation by Prof. Munavu led Presidential Working Party on Education Reforms which adds to SEPU's Mandate the following;

- Training of Publishers
- Procurement of Digital resources hosted in Kenya Education Cloud (KEC).
- Procurement and Distribution of Textbooks and other learning support materials.
- Formulation of Guidelines on Textbooks and support materials.

Appreciation

The Unit appreciates the great financial support provided by the Government of Kenya, through the Ministry of Education, the State Department of Basic Education, the Board of Directors for providing Strategic direction and leadership, the management team and the entire staff for their commitment to work as well as our Stakeholders, Business Partners and Clients for the business growth. Going forward, the Board is committed to continue sourcing resources to ensure the Unit achieves its targets over the next financial year in line with its strategic plan.

A handwritten signature in blue ink, consisting of several overlapping loops and lines, positioned above a horizontal line.

Chairman Board of Directors

Report of the Managing Director

Introduction

In the Financial year 2023-2024, the Unit has demonstrated unwavering commitment and effectiveness across all departments. Our focus on achieving strong results has been evident through several key initiatives. Notably, we successfully developed and implemented a comprehensive Finance and Procedures Manual, and Debtors and Creditors Management policy, ensuring enhanced financial management and accountability. Additionally, our dedication to improving operational efficiency was further underscored by the creation of a robust ICT policy, which aligns with our strategic goals and supports our digital transformation efforts. These accomplishments reflect our ongoing commitment to excellence and our proactive approach to addressing both current and future challenges.

Business Review

The Unit has enhanced the supply of science equipment and materials, supporting STEM education and the Competency-Based Curriculum (CBC) in schools. Our product range includes assorted laboratory equipment and materials and a diverse selection of institutional furniture designed to meet the needs of educational institutions. These include desks, chairs, and laboratory benches tailored to support effective learning environments. SEPU continues to grow its product portfolio in different segments through partnerships with the Centre for Mathematics, Science & Technology of Education in Africa (CEMASTEA) and Technical and Vocational Education and Training (TVET). Our collaboration with the National Government Constituency Development Fund (NG-CDF) has expanded the distribution of our products, including institutional furniture, to underserved areas, enhancing the learning environment in these regions. Partnering with the Kenya Secondary Schools Heads Association (KESSHA), the Kenya Primary Schools Heads Association (KEPSHA) and the Kenya Private Schools Association (KPSA) has facilitated the integration of our institutional furniture into school environments, improving student comfort and learning outcomes it has also ensured that schools have access to quality science equipment, materials, and institutional furniture, meeting their specific requirements and supporting their educational goals. We regularly review and update our product offerings to ensure they meet the latest educational standards and institutional needs.

SEPU remains committed to supporting government policies and initiatives: We have actively implemented the policy requiring 30% of procurement orders to be allocated to youth, women, and persons with disabilities. This approach supports inclusivity and diversifies our supplier base, ensuring equitable opportunities across our supply chain.

Performance Review

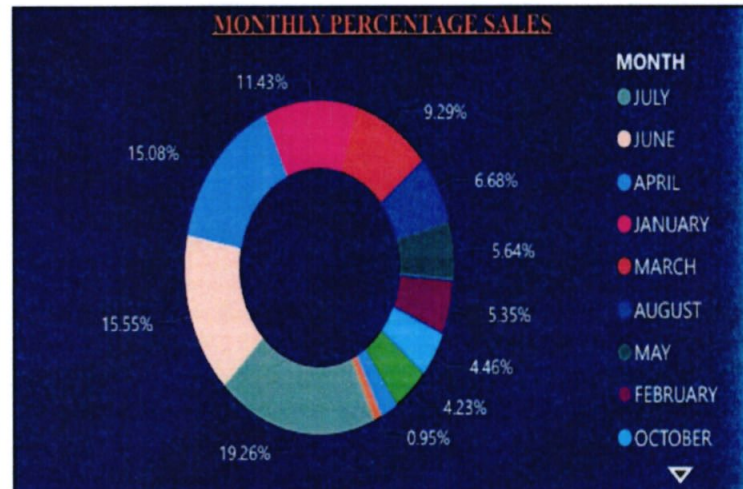
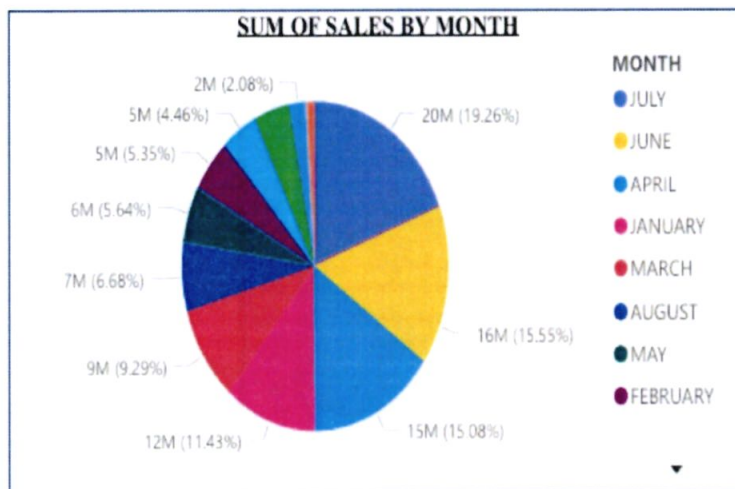
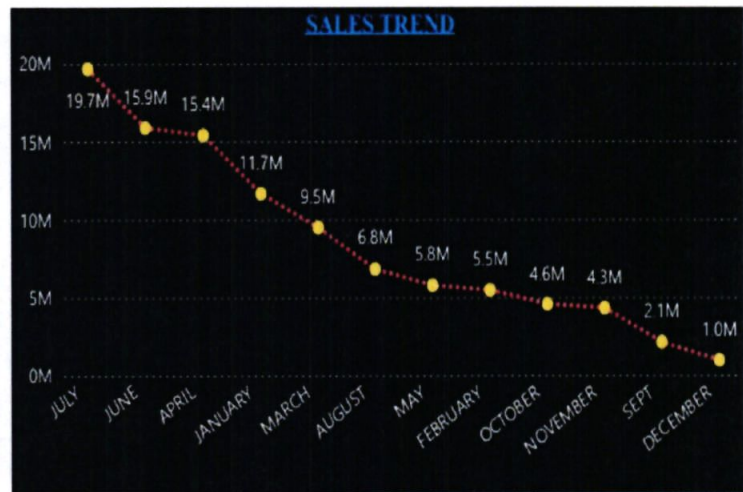
The Unit registered a profit of Kshs 12,507,153 in the financial year 2023/2024 compared to a profit of Kshs. 16,613,788 in 2022/2023. To improve the performance of the Unit, various strategies will be implemented such as comprehensive advertising through different platforms/media and recruiting mainly pro-active salespeople

from different Counties who will work on a commission basis. Stakeholder engagements and Publicity of the Unit through participation in School activities, for example, sponsoring articles in the Kenya Music Festival.

Even though the Unit has been facing financial challenges, we are determined to improve internal operations and generate revenue through effective strategies that have been set. These will be enhanced through sound leadership so that the Unit remains economically viable and contributes to the Country's growth.

Overview Performance at a Glance (From highest to lowest)

Overview Performance at a glance



Performance Contract and Approved Budgets

SEPU entered into a negotiated performance contract for 2023/2024 with the Government of Kenya by setting targets in line with Strategic Plan 2023-2027, the fourth Medium Term Plan (MTP IV) 2023-2027 and the approved budgets. This was to ensure that the targets were directly linked to the strategic objectives outlined in the Strategic Plan 2023 – 2027. This alignment helps in achieving the broader goals set for the organization in the FY;2023 – 2024.

Strategies for improving revenue and service delivery:

- 1) The Unit will uphold its Vision by ensuring that it becomes a leader in providing and supplying quality science teaching and learning materials in the region.
- 2) Finding new customers; the management has ensured that sales promotion and marketing of SEPU products to public schools, private schools and non-profit organizations among others is done to enhance the increase in revenue.
- 3) Reviewing current pricing structure; the Unit is in the process of reviewing the correct prices and costing of products and services accordingly.
- 4) Enhancing Inventory Management; the management is currently engaged in streamlining the business through control of inventory to improve cash flow, avoid money tied in slow-moving Inventory and avoid losses that might arise as a result of expired or obsolete stock.

Appreciation

In conclusion, I take this opportunity to express my heartfelt gratitude to our stakeholders, the Ministry of Education, State Department of Early Learning and Basic Education for providing us with grants. Your support is a significant endorsement of our mission and a critical enabler of our operational enhancements. We also wish to acknowledge the Board of Directors for their exemplary strategic direction and leadership. Your vision and guidance have been invaluable in navigating our path and achieving our goals. The strategic insights and oversight you provide are fundamental to our success. To our dedicated management team and staff, your hard work, commitment, and teamwork have been the backbone of our achievements. Each member's contribution is deeply appreciated and has played a crucial role in reaching our milestones. I also wish to recognize the role played by our customers, who continue to support our various initiatives and take up our various product offerings. They remain a crucial stakeholder without whom we would not have achieved our set objectives and financial goals.



Managing Director

Statement of Performance against Predetermined Objectives for the FY; 2023/24

SEPU Performance for the year under review.

Under Section 81, Subsection 2(f) of the PFM Act, 2012, accounting officers are required to include a statement in the financial reports regarding the performance of national government entities against predetermined objectives.

The Unit outlined seven strategic objectives in its 2023-2027 strategic plan as follows;

1. Design, manufacture, and produce equipment and materials for inclusive STEM education in schools and colleges.
2. Increase sales of equipment and materials essential for STEM education.
3. Enhance human capital capacity to effectively fulfil SEPU's mandate.
4. Improve infrastructure and ensure efficient administrative services.
5. Strengthen quality management, research, monitoring, evaluation, and learning.
6. Optimize financial resource mobilization and management.
7. Strengthen planning, communication, governance, and compliance.

Achievements

For the financial year under review, SEPU set a sales target of Kshs 50 million and successfully achieved Kshs 102 million.

Performance Overview: SEPU's Core Mandate Achievements

In alignment with SEPU's mandate to enhance educational resources, the organization set specific production targets for institutional furniture, mobile laboratories, and school science kits for the financial year.

Objectives and Achievements

Strategic Pillar	Objective	Key performance indicators	Target	Achievements
Enhancement of Educational infrastructure	To ensure adequate provision of Institutional Furniture schools	Institutional Furniture	2,250 pcs	2,921 pcs
Improving the quality of education through proper tools	To provide mobile laboratories to increase access to practical science education	Mobile Laboratories	65 pcs	118 pcs
Ensuring equal access to resources such as science kits and laboratories.	Equip schools with science kits to enhance hands-on learning experiences in science subjects.	School Science Kits	120 kits	678 kits

Corporate Governance Statement



The Management

The Management implements effective governance through processes and policies linked to the core values and ethics as stated in the code of ethics which was revised based on the Leadership and Integrity Act 2012. Corporate governance is a key element contributing to the School Equipment Production Unit's business success.

The Board

The Board of Directors are responsible for providing overall leadership through oversight, review and guidance in addition to setting the strategic and policy direction. It is the primary decision-making organ for all policy matters of the Unit. The Board is endowed with the appropriate knowledge and experience to perform its duties effectively.

The Board continues to offer oversight and review matters related to their duties including the Unit's strategy, financial performance, corporate governance, ensuring maintenance of sound internal control system and risk management framework, delegation and monitoring of the authority for expenditure and commitments.

Board Composition. The Board has nine (9) members: The Chairman, Independent members, a Representative of the Principal Secretary, Ministry of Education, National Treasury, Director General National Commission for Science and Technology Innovation, Chief Executive Officer (KICD) and Managing Director as per the Company Act Cap 486 of 1976 that established SEPU.

The role of Chairman and Managing Director.

The separate roles of the Chairman/ Chairperson and Chief Executive Officer are clearly defined in the Board Charter as well as for the strategic direction and general policy guidance. The Board has delegated the conduct of the day-to-day business to the Chief Executive Officer.

Induction Process for New Directors: New Board members undergo a structured induction process that provides them with a comprehensive understanding of the Unit's governance policies, strategic objectives, and operational priorities. This ensures that new members are equipped to contribute effectively to Board discussions and decision-making.

Board Evaluation and Performance

The Annual Board Evaluation has been conducted. The purpose of Annual Evaluation is to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director and the chairperson to the board on overall board interactions conduct of business meetings and evaluation of the managing director.

Governance Audit: An annual internal governance audit is conducted to assess the effectiveness of the Unit's governance practices, risk management strategies, and internal controls. This audit ensures that the Unit's governance processes are aligned with regulatory standards and best practices.

Board Committee

The Board has in place three principal committees to ensure the effective discharge of its duties. These operate within well-defined terms of reference which are reviewed regularly to ensure compliance with requirements as well as relevance to business strategy. The committees report to the Full Board on all duties assigned. During the period under review, the committees in place included the Board Audit Committee, Technical & Research Committee & Board Finance, Human Resource & General Purposes Committee as follows;

The Audit & Risk Committee Attendance

Number of meetings held during FY;2023/2024 From 1st July 2023 to 15th February 2024

Name	Position	No. of meetings held.
Mr. Hassan Sheikh Mohamed	Chairperson	3 out of 3
FA CPASolomon Ngahu, PhD	Member	2 out of 3
Prof. Walter Oyawa	Member	3 out of 3
Mr. Andrew G. Nyakundi	Member	3 out of 3

Number of meetings held during FY;2023/2024 From 16th February 2024 to 30th June 2024

Name	Position	No. of meetings held.
Mr. Andrew G. Nyakundi	Chairperson	1 out of 1
FA CPA Solomon Ngahu, PhD	Member	1 out of 1
Mr. Justus Kiunga	Member	1 out of 1
Dr. Robert Ndegwa	Member	1 out of 1

N/B = Mr. Lawrence Karuntimi was replaced by Dr Robert Ndegwa in the Month of April 2024

Board Finance, Human Resource & General Purposes Committee Members Attendance

Number of meetings held during FY;2023/2024 From 1st July 2023 to 15th February 2024

Name	Position	No. of meetings held.
Ms. Dorcas Kimwetich	Chairperson	3 out of 3
Mr. Lawrence Karuntimi	Member	2 out of 3
FA CPA Solomon Ngahu, PhD	Member	3 out of 3
Mr. Justus Kingirwa Kiunga	Member	3 out of 3
Dr. Joel Mabonga	Managing Director/ CEO	3 out of 3

Number of meetings held during FY;2023/2024 From 16th February 2024 to 30th June 2024

Name	Position	No. of meetings held.
Mr. Hassan Sheikh Mohamed	Chairperson	1 out of 1
Prof. Walter Oyawa	Member	0 out of 1
FA CPA Solomon Ngahu, PhD	Member	1 out of 1
Prof. Charles Ong'ondo/ Dr. Johnstone Ochuma	Member	1 out of 1
Dr. Joel Mabonga	Managing Director/ CEO	1 out of 1

N/B = Dr. Johnstone Ochuma is an Alternate Director to the CEO/Director of KICD

Board Technical & Research Committee Members Attendance

Number of meetings held during FY;2023/2024 From 1st July 2023 to 15th February 2024

Name	Position	No. of meetings held.
Mr. Andrew G. Nyakundi	Chairperson	3 out of 3
Prof. Charles Ong'ondo/ Dr. Johnstone Ochuma	Member	3 out of 3
Prof. Walter Oyawa	Member	3 out of 3
Mr. Lawrence Karuntimi	Member	3 out of 3
Dr. Joel Mabonga	Managing Director/ CEO	3 out of 3

Number of meetings held during FY;2023/2024 From 16th February 2024 to 30th June 2024

Name	Position	No. of meetings held.
Ms. Dorcas Kimwetich	Chairperson	1 out of 1
Prof. Charles Ong'ondo/ Dr. Johnstone Ochuma	Member	1 out of 1
Mr. Justus Kiunga	Member	1 out of 1
Dr. Robert Ndegwa	Member	1 out of 1
Dr. Joel Mabonga	Managing Director/ CEO	1 out of 1

Full Board

Attendance

Number of meetings held during 2023/2024

Name	Position	No. of meetings held.
Dr. Patrick M. Kiliku	Chairperson	5 out of 5
Ms. Dorcas Kimwetich	Member	5 out of 5
Mr. Lawrence Karuntimi / Dr. Robert Ndegwa	Member	3 out of 5
FA CPA Dr.Solomon Ngahu	Member	4 out of 5
Mr. Justus Kingirwa Kiunga	Member	5 out of 5
Prof. Charles Ong'ondo/ Dr. Johnstone Ochuma	Member	3 out of 5
Prof. Walter Oyawa	Member	3 out of 5
Mr. Andrew G. Nyakundi	Member	5 out of 5
Mr. Hassan Sheikh Mohamed	Member	5 out of 5
Dr. Joel Mabonga	Managing Director/ CEO	5 out of 5

Special Meeting Attendance

Number of meetings held during 2023/2024

Name	Position	No. of meetings held.
Dr. Patrick M. Kiliku	Chairperson	1
Ms. Dorcas Kimwetich	Member	1
Mr. Andrew G. Nyakundi	Member	1
Mr. Hassan Sheikh Mohamed	Member	1
Mr. Justus Kiunga	Member	1
FA CPA Dr.Solomon Ngahu	Member	1
Prof. Charles Ong'ondo/ Dr. Johnstone Ochuma	Member	1

NOTE: There were special board meetings that were attended by some board members to address issues that needed immediate attention and discussions as follows;

The signing of the Performance contract, and Engagement meetings with the Parent Ministry on matters affecting the organization.

Management Discussion and Analysis

The Unit's Operational and Financial Performance

For the year under review, the Unit reported a profit of Kshs. 12.5 million, demonstrating a significant improvement in financial performance. Sales revenue increased substantially from Kshs. 36 million to Kshs. 102 million. The Unit has been actively implementing targeted marketing and sales strategies aimed at raising awareness within educational institutions, which are expected to further enhance sales and profitability. These efforts are driven by the following performance criteria and strategic initiatives:

Performance Criteria & Strategies

Strategic Objectives

The Unit has outlined the following key objectives to support its growth trajectory:

- i. Market and sell laboratory chemicals, equipment, and materials essential for inclusive STEM education in schools and colleges.
- ii. Modernize the production line by investing in state-of-the-art machinery to enhance operational efficiency.
- iii. Promote the adoption of emerging technologies in the production of educational equipment and materials, aligning with national development goals for the advancement of science and technology education.
- iv. Manufacture and supply equipment and materials critical for inclusive STEM education in schools and colleges.
- v. Develop and supply physical and visual aids that support the effective teaching and learning of STEM subjects.
- vi. Foster innovation, research, and creativity in the development of STEM educational materials.
- vii. Collaborate with academic institutions and other stakeholders in capacity-building initiatives aimed at enhancing the use of STEM equipment.
- viii. Enhance the market share by promoting the Unit's products, services, and brand through various platforms.
- ix. Improve customer experience and strengthen relationships to drive growth in market share.
- x. Establish and maintain a strong presence in mainstream and social media to enhance visibility.
- xi. Implement Corporate Social Responsibility (CSR) programs to improve corporate image and contribute to community development.
- xii. Continuously monitor and respond to market trends through ongoing market surveillance.
- xiii. Invest in the development of staff competencies to ensure superior service delivery.

Planned Activities to Achieve Projected Sales Revenue

The Unit has outlined several initiatives to achieve its projected sales revenue targets:

- i. Promote and distribute integrated science kits and mobile laboratories to primary, junior and secondary schools.
- iii. Market and supply institutional furniture, laboratory chemicals, glassware, and apparatus to schools.
- iv. Facilitate the conversion of classrooms into fully equipped laboratories in schools.
- v. Market and sell to educational institutions.
- vi. Invest in modern production machinery to enhance the Unit's manufacturing capacity.
- vii. Participate in regional and national exhibitions, including events organized by KEPSHA, KESSHA, and KEPSA, to showcase the Unit's products and services.
- viii. Conduct regular market research to understand evolving market needs and customer preferences.
- ix. Collaborate with relevant government agencies to promote the adoption of emerging STEM teaching technologies among educators.
- x. Review and refine the customer service delivery charter to ensure high levels of satisfaction.
- xi. Conduct sales promotions by visiting schools and colleges across various counties.
- xii. Activate and maintain the Unit's social media presence (Facebook, Twitter, YouTube, TikTok, etc.) to engage a broader audience and build brand recognition.
- xiii. Participate in CSR activities to improve brand visibility and corporate reputation.

Communication Strategy and Public Awareness

To enhance communication and public awareness, the Unit has implemented the following initiatives:

- i. Redesigned the Unit's website to improve corporate appeal, integrate customer feedback mechanisms, and incorporate e-commerce functionality to streamline product sales.
- ii. Established an ICT and Corporate Communications department to oversee and manage the Unit's online presence and update stakeholders on ongoing activities.

In addition, several branding initiatives have been introduced to improve the Unit's corporate image:

- a. Distributed branded corporate T-shirts and shirts to staff for regular use, reinforcing brand identity.
- b. Branded all products and materials produced by the Unit with its logo and corporate identity.
- c. Introduced branded career bags and customized cartons for packaging customers' goods.
- d. Enhanced vehicle branding to increase brand visibility and serve as an advertising tool.

Further, the Unit is in the process of establishing strategic collaborations with leading media houses such as Nation Media Group (Daily Nation) and Radio Africa Group

Environmental and Sustainability Reporting

The Unit emphasizes promoting positive social and environmental change in the community where it operates to uplift the standard of living. It is also committed to social, economic, governance and environmental sustainability.

Sustainability strategy and profile

The Unit sustainability strategy and profile for the financial year 2023/2024 reflect a commitment to environmental stewardship, social responsibility and governance (ESG) issues, including implementing strong environmental stewardship, putting stakeholders at the Centre of everything we do and achieving results in the right way. The Unit took pride in partnering with schools that are passionate about protecting the planet.

The Unit undertook Corporate Social Responsibilities which also gives the Unit a business competitive edge as follows;

- 1. Social Responsibility:** SEPU is committed to enhancing community engagement, ensuring fair labour practices, and promoting diversity and inclusion within the workforce.
- 2. Economic Performance:** The Unit integrates sustainability into its core business operations, striving to achieve financial growth while upholding ethical standards. This includes investing in sustainable technologies and practices that not only benefit the environment but also enhance operational efficiency and profitability.
- 3. Governance and Reporting:** The Unit emphasizes transparency and accountability in its sustainability efforts. They regularly publish detailed sustainability reports, setting measurable goals and tracking progress to ensure alignment with their strategic objectives.
- 4. Environmental Initiatives:** The Unit aims to reduce carbon emissions through energy-efficient technologies, waste reduction programs, and increased use of renewable energy sources. We focus on minimizing their ecological footprint and improving resource management.



The focus for 2023/2024 is likely to involve scaling up these initiatives, strengthening stakeholder engagement, and aligning with global sustainability standards and frameworks.

SEPU team planted 1,500 (one thousand five hundred) trees on 23rd February 2024 at Kanyanjara Secondary School, Sigona Ward in Kikuyu, Kiambu County



1. Environmental Performance

SEPU pursue innovations that improve environmental performance across the production operations. This commitment to sustainability is built into the way we manage our work. Our Operational Excellence Management System establishes standards and objectives that extend from the organization level to the stakeholders, allowing our businesses to focus on the localized risks and potential environmental issues at specific operating locations. We also ensure that our employees benefit from healthier and safer working conditions.

2. Employee Welfare

The Human Resources Policy and Procedures Manual is a set of guidelines designed to assist all SEPU staff in undertaking their operational responsibilities without impediment or conflict as follows; -

- Policies and Procedures for Attendance
- Employee Conduct
- Use of Company Property
- Harassment and Discrimination
- Health and Safety
- Communication and expenses among others.

SEPU is guided by the Occupational Safety and Health Act (2007). The Unit's goal in Occupational Safety and Health is to proactively take preventive measures to assure employees and other stakeholders of a safe and good working environment, free of accidents injuries and ill-health.

3. Market Place Practices

(a) Responsible Competition Practices

SEPU ensures expertise in all the fields when dealing with learning institutions.

The Unit has qualified personnel in the three science subjects, who ensure that the right equipment and materials are produced and supplied to schools. Quality products are distributed to schools when required.

The procurement department follows the procurement procedures and regulations during the sourcing of raw materials and finished products, and those goods are purchased at fair prices for SEPU, in case of any complaints from clients, it is recorded in a register and action is taken by the relevant officer who ensures that the client is satisfied with the action taken on his or her complain. A good relationship and communication is maintained between SEPU and her competitors and trust is ensured.

(b) Responsible Supply Chain and supplier relations.

As a Unit, we endeavour to deliver high-quality products and services to our customers, who share our commitment to business conduct that not only complies with all applicable laws and regulations governing their learning activities but also conforms to high ethical standards and accountability for quality, reliability, health, safety and the environment.

The discipline of supplier relationship management is observed by the Unit to help procurement officers identify critical partners, take strategic approaches to purchasing, insulate their supply chains from risk, and increase profitability.

(c) Responsible Marketing and Advertisement

SEPU markets and advertises its products through various forums. For instance, through Education magazines, face-to-face visits to schools, distribution of brochures with pictures of products and services offered and attending annual conferences i.e Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit gets the opportunity to do presentations of its product range and services and sensitize the practising teachers on the latest products in the market recommended to be used in schools.

(d) Product Stewardship

SEPU ensures an approach to managing the environmental impacts of different scientific products and materials and at different stages in their production, use and disposal. The Unit sees to it that those involved in producing and selling products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their lifecycle, on the environment and human health and safety. This approach focuses on the product itself, and everyone involved in the lifespan of the product is called upon to take responsibility for reducing its environmental, health, and safety impacts.

5. Community Engagements

Our commitment to stakeholders is to improve the quality of learning in schools as they are central to our corporate identity. The Unit always endeavors to have a positive impact on society by improving the way teaching is done especially the application of learning and teaching aids in STEM-related subjects.

Our CSR programme focuses on education as a key enabler of society's transformation.

The Unit has maintained a clean environment by establishing a committee that ensures waste is properly disposed of to enable the environment around to be clean, secure, and sustainable as per the Environmental Management Coordination Act (EMCA).

Report of the Board of Directors

The Directors submit their report together with the audited financial statements for the Year ended 30th June 2024 which disclose the state of affairs of the Company.

Principal activities

The principal activities of the company are Designing, Producing and Selling science educational equipment and Chemicals.

Results

The results of the company are shown on page 1

The Company's Article of Association prohibits payment of dividend

Reserves

The Board of Directors proposes to carry forward the balance of the retained earnings amounting to Kshs. 80,113,352 into the Unit's reserves.

Auditors

The Auditor General is responsible for the statutory audit of the Unit in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

Directors

The Directors who served the company during the year were as follows:

Name	Name of Institution	Responsibility
1.Dr. Patrick M. Kiliku	Independent	Chairman of the Board
2.Ms. Dorcas Kimwetich	Independent	Member
3.Mr. Justus Kingirwa Kiunga	Independent	Member
4.Mr. Andrew G. Nyakundi	Independent	Member
5.Mr. Hassan Sheikh Mohamed	Independent	Member
6.FA CPA Solomon Ngahu,PhD	Rep. PS, National Treasury	Member
7.Mr. Lawrence Karuntimi	Rep. PS, Ministry of Education, Early Learning & Basic Education	Member
Dr. Robert Ndegwa		
8.Prof. Charles Ong'ondo	Rep. Kenya Institute of Curriculum Development	Member
Dr. Johnstone Ochuma		
9.Prof. Walter Oyawa	Rep. National Commission for Science, Technology & Innovation	Member
10.Mr. Edwin Murimi	Rep. of Inspector General State Corporations	Member
11.Dr. Joel Mabonga	Managing Director/ Chief Executive Officer	Secretary to the Board

Statement of Directors' Responsibilities

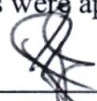
The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Operating results of the Company for that year. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company.

The Directors accept responsibility for the annual financial statements that have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in Conformity with International accounting standards and the requirements of the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

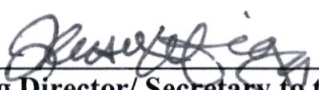
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

Approval of the financial statements

The financial statements were approved by the Board of directors on 30/09/2024 and signed on its behalf by:



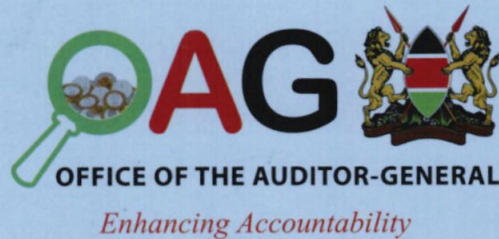
Chairman Board of Directors



Managing Director/ Secretary to the Board

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the School Equipment Production Unit set out on pages 1 to 24, which comprise the statement of financial

position as at 30 June, 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of School Equipment Production Unit as at 30 June, 2024, 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 Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net increase in cash and cash equivalents amounting to Kshs.6,546,963 instead of the re-casted amount of negative Kshs.25,009,527 resulting to a variance of Kshs.31,556,490 which was not explained or reconciled.

In the circumstances, the accuracy and completeness of the statement of cash flows could not be confirmed.

2. Inaccuracies in the Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.698,226,438 as disclosed in Note 13 to the financial statements. However, re cast of the balances in the Note revealed the following errors;

Description	Amount as per Financial Statements (Kshs)	Re-casted Amounts (Kshs)	Variance (Kshs)
Net Book Value on Buildings	35,432,575	26,680,147	8,752,428
Net Book Value on Motor Vehicles	17,252,867	8,601,649	8,651,218
Net Book Value on Computers and Accessories	8,240,589	5,658,927	2,581,662
Net Book Value on Machinery and Equipment	5,110,426	5,580,085	469,659

Net Book Value on Furniture and Fittings	2,189,981	1,355,549	834,432
Total Net Book Value	698,226,438	666,716,187	31,510,251

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.698,226,438 could not be confirmed.

3. Encroachment on the Unit's Land

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.698,226,438 as disclosed in Note 13 to the financial statements. Included in the balance is land parcel revalued at Kshs.630,000,000 situated at Industrial Area, Nairobi allocated to the Unit in 1996. However, the land parcel is yet to be developed due to encroachment by informal settlers. Management has however sought assistance from the National Land Commission in order to develop the land. No response has been provided to indicate the progress made in reclaiming the land parcel by the end of the year.

In the circumstances, ownership and fair statement of the property, plant and equipment balance of Kshs.698,226,438 could not be confirmed.

4. Unsupported Revaluation of Asset

The statement of financial position reflects property, plant and equipment balance of Kshs.698,226,438 as disclosed in Note 13 to the financial statements. Included in the balance is revaluation surplus of Kshs.587,294,055. However, the depreciation at the time of revaluation was not disclosed. In addition, a schedule showing the date of purchase of the assets and the depreciation charges and journals to support the revaluation were not provided for audit.

In the circumstances, the accuracy and fair valuation of the property, plant and equipment balance of Kshs.698,226,438 could not be confirmed.

5. Unsupported Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects receivables and prepayments balance of Kshs.95,583,832 as disclosed in Note 16 to the financial statements. This balance includes trade receivables and staff advances amounting to Kshs.49,319,211, out of which a balance of Kshs.31,325,112 or 64% have been outstanding for more than ten (10) years (doubtful debt). However, no supporting documents were provided for audit review. Further, analysis of records revealed that a balance of Kshs.75,086,881 was due from the Ministry of Education - State Department for Basic Education and has been outstanding since financial year 2018/2019 but the same was not reflected as a pending bill (payables) in the State Department's financial statements for the year ended 30 June, 2024. Further, the receivables and prepayments balance of Kshs.49,319,211 includes staff advances balance of Kshs.1,005,901, out of which Kshs.840,484 or 70% relate to staff advances due from employees who have since

left the service while others are deceased. In addition, Note 16 to the financial statements reflects provision for bad and doubtful debts balance of Kshs.32,404,673 which represents an increase of Kshs.30,382,669 from the amount reported in the previous year balance of Kshs.2,022,004. However, the increase of Kshs.30,382,669 was not charged in the profit or loss and other comprehensive income or documentary evidence and explanation provided for the material adjustment of the provisions for bad and doubtful debt. Management has, however, indicated that a fire broke out at the Company's Headquarters in 2007 and destroyed supporting schedules relating to receivables. As a result, recovery of debtors has been affected by lack of evidence.

In the circumstances, the accuracy and full recovery of the receivables and prepayments balance of Kshs.95,583,832 could not be confirmed.

6. Unsupported Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position reflects trade and other payables of Kshs.12,760,205 as disclosed in Note 22 in the financial statements. Included in Kshs.12,760,205 is a balance of Kshs.7,209,566 in respect of trade payables which have been outstanding for between sixteen(16) years and twenty-eight (28) years and whose supporting documentation was not provided as it was destroyed by fire according to management. Management indicated that a fire broke out in the Company's Headquarters in 2007 and destroyed supporting schedules relating to the accounts payable. Management had also placed advertisement in the daily newspapers in November, 2016 to inform relevant creditors to present documents supporting the services offered to the Company but with little success. Further, the balance includes accrued retirement benefits (pensions), provision for dividend to the National Treasury, gratuity for pension scheme, and provision for corporate tax of Kshs.816,066, Kshs.1,500,000, Kshs.1,404,070 and Kshs.1,480,503 respectively but there have been no movement over the last thirty-six (36) months.

In the circumstances, the accuracy, and fair statement of the trade and other payables balance of Kshs.12,760,205 could not be confirmed.

7. Deferred Special Grant

As previously reported, the statement of financial position reflects deferred special grant balance of Kshs.44,167,394 as disclosed in Note 21 to the financial statements which has been in the books for over three (3) years. Management has not explained why the grant has remained deferred for over a long time.

In the circumstances, the accuracy, presentation and disclosure of the deferred special grant balance of Kshs.44,167,394 could not be confirmed.

8. Expired Inventories

As previously reported, the statement of financial position reflects inventories balances of Kshs.35,434,442 as disclosed in Note 15 to the financial statements which includes

chemical inventories worth Kshs.3,231,840. However, included in Kshs.3,231,840 is chemical inventories balance of Kshs.67,429 which had expired but not written off.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.35,434,442 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.180,000,000 and Kshs.231,975,741 respectively, resulting to an overcollection of Kshs.52,175,741 (or 29%) of the budget. Similarly, the Unit spent Kshs.136,633,166 against an approved budget of Kshs.182,823,000, resulting to an under-absorption of Kshs.46,189,834 (or 25%) of the budget.

In the circumstances, the under-absorption affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management had not resolved the issues or given any explanations for failure to implement the recommendations as at 30 June, 2024.

Other Information

The Management is responsible for the Other Information set out on pages vi to xxxviii which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, for financial year 2023/2024 Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

1. Anomalies in Presentation of the Financial Statements

Review of the annual report and financial statements revealed the following presentation anomalies;

- i. Management did not prepare a reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements, identifying basis for differences, contrary to the reporting template requirement that "where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation";
- ii. The amounts and balances in the statement of comparison of budget and actual amounts could not be traced in the budget as shown in the table below;

Item	Statement Of Comparison of Budget (Kshs.)	Approved Budget Figures (Kshs.)	Variance (Kshs)
Compensation of employees	43,233,000	42,524,000	709,000
Capital expenditure	0	23,806,000	23,806,000
Directors allowances	0	10,700,000	10,700,000
Other payments	139,190,000	180,000,000	40,810,000

- iii. The statement of comparison of budget and actual amounts reflects percentages of budget utilizations which are erroneous as follows;
- a. The percentages utilization on sales of goods is 204% instead of 104%;
 - b. The percentages utilization on transfers from government is 99% instead of 0.077%;
 - c. The percentage utilization on total income is 129% instead of 29%;
 - d. The percentage utilization on compensation of employees is 149% instead of 49%;
 - e. The percentage utilization on finance cost is 85% instead of 15%;
 - f. The percentage utilization on employee costs is 97% instead of 2%;
 - g. The percentage utilization on other payments is 148% instead of 48%;
- iv. Capital expenditures for the purchases of property, plant and equipment and intangible assets of Kshs.7,115,510 and Kshs.4,955,480 presented in the statement of cash flows respectively were not disclosed in the statement of comparison of budget and actual amounts;
- v. The statement of cash flows was prepared using indirect method instead of direct method as prescribed;
- vi. Note to the financial statements showing how the operating profit was arrived at was not provided;
- vii. The reconciliation Note on cash generated from operations was not provided;
- viii. Accounting policies on trade and other receivables, taxation, intangible assets, trade and other payables, provision for doubtful debts, provision for staff leave and budget information were not disclosed;

ix. Non-disclosures upon revaluation of the following information:

- whether an independent valuer was involved,
- the methods and significant assumptions applied in estimating the assets' fair values and
- the extent to which the assets' fair values were determined directly by reference to observable prices in an active market or recent market transactions in arm's length terms, or were estimated using other valuation techniques.

In the circumstances, the annual report and financial statements are not in compliance with the approved reporting template.

2. Procurement Plan Lacking Mandatory Details

The statement of profit or loss and other comprehensive income reflects total expenses of Kshs.135,497,353. Review of the approved annual procurement plan revealed that the plan did not include a schedule of the planned delivery and implementation or completion dates for all goods, works, or services required, contrary to Regulation 41(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the annual consolidated procurement plan for each procuring entity shall include a schedule of the planned delivery, implementation or completion dates for all goods, works, or services required.

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

3. Unsupported Contract Variation

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.62,015,410 as disclosed in Note 7 to the financial statements. Included in the amount is Kshs.5,895,799 for insurance premiums (medical). However, review of the insurance contract documents revealed that Management renewed its contract with an insurance company on 12 October, 2023 on the provision of inpatient and outpatient medical services at a contract sum of Kshs.8,472,310 which was an increase of Kshs.972,310 from the Kshs.7,500,000 charged before the renewal. However, no justification was provided for the increase in contract sum from Kshs.7,500,000 to Kshs.8,472,310.

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

4. Un-surrendered Excess Receipts

The statement of comparison of budget and actual amounts reflects actual sale of goods and budget amounts of Kshs.102,075,741 and Kshs.50,000,000 respectively, resulting to

excess revenue amounting to Kshs.52,075,741 and which was not surrendered to the National Treasury. This was contrary to Regulation 117(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to surrender unutilized resources to the National Treasury and the National Treasury shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project.

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

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 Governance were not effective.

Basis for Conclusion

1. Weaknesses in Inventories Controls and Stores Management

The statement of financial position reflects a balance of Kshs.35,434,442 in respect of inventories as disclosed in Note 15 to the financial statements. However, review of the inventories management controls in place revealed the following weaknesses;

- i. Lack of ledger or bin cards as well as reconciliation of stocks to ascertain stock movement.
- ii. Lack of policy on management of stock levels such as re-order levels to prevent wastage, losses, stock outs and unprofitable lock-up of funds.
- iii. No segregation of duties in main stores whereby the officer receiving either finished or raw materials is the same officer issuing or dispatching the same.

In the circumstances, the existence of an effective inventories management internal control system to safeguard losses, wastage, and theft of stocks could not be confirmed.

2. Understaffing of the Unit

The statement of profit or loss and other comprehensive income reflects staff costs amount of Kshs.62,015,410 as disclosed in Note 7 to the financial statements. Further, the staff establishment list provided for audit revealed staff-in-post of forty-nine (49) against an approved establishment of one hundred and twelve (112), resulting to understaffing of sixty-three (63).

In the circumstances, the efficiency and effectiveness of service delivery is negatively affected.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and 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 Kenya Companies Act, 2015, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. The information given in the Directors' report on pages vi to xxxviii is consistent with the financial statements;

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

Responsibilities of Management and Board of Directors

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements

comply with the authorities which govern them and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


27 December, 2024

Statement of Profit and Loss and Other Comprehensive Income for the Year Ended 30 June 2024

REVENUES		2023/2024	2022/2023
	Notes	Kshs	Kshs
Turnover	[2]	102,075,741	36,011,721
		102,075,741	36,011,721
Less cost of Sales	[3]	(78,611,027)	(15,110,687)
Gross Profit		23,464,714	20,901,034
Grants	[4]	129,900,000	94,805,100
Total Gross Income		153,364,714	115,706,134
EXPENDITURE			
Establishment Expenses	[5]	(6,100,264)	(2,848,363)
Board Expenses	[6]	(10,740,460)	(13,325,156)
Staff Costs	[7]	(62,015,410)	(41,733,009)
Operating Expenses	[8]	(38,051,291)	(22,874,755)
Other Operating Expenses	[9]	(8,215,361)	(8,126,471)
Selling expenses	[10]	(10,033,036)	(2,841,745)
Finance Costs	[11]	(341,531)	(222,653)
Total Expenses		(135,497,353)	(91,972,152)
Loss/ Profit for the year		17,867,361	23,733,982
Less Corporation Tax	[12]	(5,360,208)	(7,120,195)
Net Loss/ Profit for the year		12,507,153	16,613,788


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Managing Director/ C.E.O


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Head of Finance & Accounts


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Chairman Board of Directors

DR. JOEL MABONGA

SALOME A. ODEK (ICPAK M/NO: 21822)

DR. PATRICK K. MUSYOKA

The significant accounting policies and the notes set out on pages 7 to 19 form an integral part of these financial statements.

Statement of Financial Position as at 30 June 2024

ASSETS	NOTE	2023/2024		2022/2023
Non-current assets		Kshs		Kshs
Property, Plant & Equipment	[13]	698,226,438		110,305,296
Intangible Assets	[14]	4,029,252		-
		702,255,690		110,305,296
Current assets				
Inventories	[15]	35,434,442		30,959,210
Receivables & Prepayments	[16]	95,583,832		102,804,148
Cash and bank balance	[17]	29,779,756		23,232,793
		<u>160,798,030</u>		<u>156,996,151</u>
TOTAL ASSETS		863,053,720		267,301,447
CAPITAL & RESERVES				
Retained Earnings	[18]	80,113,352		67,606,199
Revaluation Reserve	[19]	654,927,705		67,633,650
Capital Reserves	[20]	71,085,064		71,085,064
Deferred Special Grant	[21]	44,167,394		44,167,394
TOTAL CAPITAL AND RESERVES		850,293,515		250,492,307
LIABILITIES				
Current Liabilities				
Trade & other Payables	[22]	12,760,205		16,809,140
TOTAL CAPITAL RESERVES & LIABILITIES		863,053,720		267,301,447

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors on 30 / 09/ 2024 by:

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 Managing Director/ C.E.O

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 Head of Finance & Accounts

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 Chairman Board of Directors

DR. JOEL MABONGA SALOME A. ODEK (ICPAK M/NO: 21822) DR. PATRICK K. MUSYOKA

The significant accounting policies and the notes set out on pages 7 to 19 form an integral part of these financial statements.

Statement of Changes In Equity for the Year Ended 30 June 2024

	Retained earnings	Revaluation Reserves	Capital Reserves	Deferred	Total
	Kshs	Kshs	Kshs	Special Grant	
					Kshs
Balance as at 01.07.2021	(4,835,808)	67,633,650	71,085,064	44,167,394	178,050,300
Government Development Grant	-	-	-	-	-
Differed Special Grant Utilized	-	-	-	-	-
Profit for the period	55,828,219	-	-	-	55,828,219
Balance as at 30.06.2022	50,992,411	67,633,650	71,085,064	44,167,394	233,878,519
Balance as at 01.07.2022	50,992,411	67,633,650	71,085,064	44,167,394	233,878,519
Government Development Grant	-	-	-	-	-
Differed Special Grant Utilized	-	-	-	-	-
Profit for the period	16,613,788	-	-	-	16,613,788
Balance as at 30.06.2023	67,606,199	67,633,650	71,085,064	44,167,394	250,492,307
Balance as at 01.07.2023	67,606,199	67,633,650	71,085,064	44,167,394	250,492,307
Government Development Grant	-	-	-	-	-
Revaluation Gain	-	587,294,055	-	-	587,294,055
Profit/Loss for the period	12,507,153	-	-	-	12,507,153
Balance as at 30.06.2024	80,113,352	654,927,705	71,085,064	44,167,394	850,293,515

Revaluation Reserves:

The Unit conducted a revaluation of its property, plant, and equipment on 4th May 2024, within the financial year ending on 30th June 2024. The revaluation date falls within the reporting period, ensuring that the fair values of the assets are reflected accurately in the financial statements as of the year-end. The revaluation resulted in a surplus of Kshs. 587,294,055, which has been recognized in the revaluation reserve.

Retained Earnings: During the year under review, the Unit recorded a profit of Kshs. 12,507,153.

Statement of Cash Flows for the Year Ended 30 June 2024

		2023/2024	2022/2023
	Notes	Kshs	Kshs
Profit /Loss before taxation		12,507,153	23,733,982
Add Depreciation for the year	[13]	6,488,422	7,470,221
Cash flows from operating activities		18,995,575	31,204,203
Less: Investment Income		-	-
		18,995,575	31,204,203
Changes in Working Capital			
Increase/(Decrease) in operating assets:			
Increase/ Decrease in Receivables & Prepayments		-23,409,945	778,444
Increase/ Decrease in Payables & Accruals		-4,048,935	3,212,323
Increase/(Decrease) in inventory		-4,475,232	-7,180,434
		-31,934,112	-3,189,667
Tax paid			
Net cash flows from operating activities		-12,938,537	27,664,536
Cash flows from Investing activities			
Purchase of Property plant & Equipment	[13]	-7,115,510	-25,215,946
Acquisition of Intangible Assets	[14]	-4,955,480	-
Add: Investment income		-	-
Net Cash Generated from Investing activities		-12,070,990	-25,215,946
Cash flows from Financing activities			
Increase/(Decrease) in Deferred Special Grant		-	-
Development Grant		-	-
Net Cash Generated from Financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		6,546,963	-32,713,026
Cash and cash equivalents at 1st July, 2023		23,232,793	55,945,819
Cash and cash equivalents at 30 June, 2024	[17]	29,779,756	23,232,793

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 Managing Director/ C.E.O

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 Head of Finance & Accounts

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 Chairman Board of Directors

DR. JOEL MABONGA SALOME A. ODEK (ICPAK M/NO: 21822) DR. PATRICK K. MUSYOKA

Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% Variance	Performance Variance
	2023-2024	2023-2024	2023-2024	2023-2024	2023-2024		
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%	
Sale of goods	40,000,000	10,000,000	50,000,000	102,075,741	52,075,741	104.15	Effects of more orders received
Sale of services	-	-	-	-	-	-	
Transfers from the Govt.	130,000,000	-	130,000,000	129,900,000	100,000	0.077	Budget undercuts
Finance Income	-	-	-	-	-	-	
Total income	170,000,000	10,000,000	180,000,000	231,975,741	52,175,741	28.99	Positive variance due to effects of more orders received.
Expenses							
Compensation of employees	40,390,000	2,843,000	43,233,000	64,549,921	-21,316,921	-49.31	The Unit engaged more casual employees during the KPEEL project.
Use of goods & services	-	-	-	-	-	-	
Finance cost	300,000	100,000	400,000	341,531	58,469	14.62	Overprovision of finance costs.
Rent paid	-	-	-	-	-	-	



	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% Variance	Performance Variance
Taxation paid	-	-	-	-	-	-	
Other Payments	129,190,000	10,000,000	139,190,000	71,741,714	67,448,286	48.46	
Grants and subsidies paid	-	-	-	-	-	-	
Total expenditure	169,880,000	12,943,000	182,823,000	136,633,166	46,189,834	25.26	
Surplus for the period	120,000	-2,943,000	-2,823,000	95,342,575	5,985,907	-212.04	Effects of the Supplementary Budget

Note:

Windfall Project Impact on Sales Revenue: The variance in actual sales is primarily due to a windfall project that unexpectedly boosted sales revenue. This project was not anticipated during the budget preparation process and thus was not factored into the original or final sales projections. As a result, the actual sales significantly exceeded the budgeted amounts, contributing to the positive variance.

Salary Increase and Engagement of Casual Employees:

The variance between the final budgeted compensation for employees (Kshs. 48,677,000) and the actual amount (Kshs. 64,549,921) is due to the increased workforce requirements during the KPEEL project. The project necessitated the engagement of additional casual employees, which led to higher-than-expected labour costs. This increase in staffing levels was essential to meet the demands of the project but was not fully anticipated in the final budget.

Finance Cost / Bank Charges:

The variance between the final budget and actual finance costs is primarily due to an over-provision of finance costs in the budget. The finance cost budget was initially set higher, anticipating greater financing needs. However, the actual financing arrangements and costs were more favourable, leading to a lower-than-expected expenditure. The Management acknowledges the material variances noted and is committed to providing more detailed explanations for specific categories, particularly where significant deviations have occurred. Moving forward, we will ensure that budget projections are more closely aligned with actual operational requirements and that any unforeseen events, such as windfall projects, are factored into future budgeting processes to enhance accuracy.

Notes to the Financial Statements

1. General Information

School Equipment Production Unit is a State Corporation under the Ministry of Education. It was established as a state corporation under the Companies Act (Cap 486) in December 1976. SEPU is mandated to produce scientific equipment and learning materials for learning institutions. Its vision is a society with scientific habits of mind, skills and practices driven by modern science equipment. The main mission of SEPU is to provide quality equipment and materials required in teaching and learning STEM for sustainable development.

The Unit's management is governed by the Companies Act of Kenya and the State Corporations Act among other relevant Acts. School Equipment Production Unit has a board of directors which is charged with the overall mandate of the Unit.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement of re-valued amounts of certain items of property, plant and equipment. It requires management to exercise judgment 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. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Unit and all values are rounded off to the nearest Kenya shillings. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

Summary of Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below: These policies have been consistently applied to all years presented unless otherwise stated.

a.) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognized in the year in which the Unit delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from the National Government** are recognized in the year in which the Unit 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 have been acquired using such funds.
- iii) **Other income** is recognized as it accrues.

NOTES TO THE FINANCIAL STATEMENTS

Summary of Accounting Policies

Accounting period

The Company prepares its accounts for 12 months period ending 30th June every year

Country of incorporation and registered office

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

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 revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

Depreciation

Fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated on reducing balance method to write off the cost (carrying values) of each asset to their residual values over their estimated useful lives as follows:

Depreciation rates applicable

Buildings	2.5%
Motor Vehicles	25%
Computers & Accessories	30%
Machinery & Equipment	15%
Furniture & Fittings	12.5%

Amortisation and impairment of intangible assets

Amortization is calculated on a 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 recognized so that the asset is written down immediately to its estimated recoverable amount.

Amortization rates applicable

Intangible Assets	30%
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Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash-in-hand balances and deposits held at calls with banks.

Other Reserves

The Capital reserves represent the accumulated grants and loans received from/or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976 and after incorporation.

Inventories

Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises the cost of raw materials and attributable to production overheads appropriate to the location and condition of the stock at the balance sheet date. Stock consists of stock-taking as at 30th June 2024.

Comparative figures

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

Provisions

Provisions for bad debts were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 16.

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.

Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, which involve receivables, payables and cash and cash equivalents. The company's overall risk management programme focuses on the unpredictable conditions of the unit which seeks to minimise potential adverse effects on its financial performance.

i.) Credit risk

This is a risk of financial loss to the company whereby a customer of a financial instrument fails to meet its contractual obligations, and arises mainly from the company's receivables with the customers.

The amount that best represents the company's maximum exposure to credit risk as at 30th June 2024 and 30th June 2023 is as shown below:

	30 June, 2024	30 June, 2023
	Kshs.	Kshs.
Receivables & Prepayments	95,583,832	102,804,148
Cash and cash equivalent	29,779,756	23,232,793

ii.) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The unit implements prudent liquidity risk management which involves maintaining sufficient cash to meet the company's obligations.

The unit has been experiencing financial problems which have not enabled it to maintain adequate cash balances in the bank.

The amount of trade and other payables of the unit as of 30th June 2024 and 30th June 2023 are as below:

	30 June, 2024 Kshs.	30 June, 2023 Kshs.
Trade & Other Payables	12,760,205	16,809,140

iii.) Market risk

Market risk is the risk that the value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises three types of risks; currency risk, interest rate risk and other price risk.

iv.) Interest rate risk

SEPU's interest rate risk arises from short-term bank deposits or investment on-call deposits because of changes in market interest rates

v) Currency risk

Currency risk arises on financial instruments that are denominated in foreign currency. SEPU has no trade receivables, trade payables, or borrowings which are denominated in foreign currency as at the reporting date.

Critical Judgements and Estimates

In the process of applying the IFRS for SMEs, the directors are required to use certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on the directors' best knowledge of current events and actions and other factors including expectations of future events that are believed to be reasonable under the circumstances, although actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (Continued.)

i.) Government of Kenya

The government of Kenya is a related party to the unit as it provides the unit with various grants including; Recurrent grant and Development grant as below:

	30/06/2024	30/06/2023
	Kshs	Kshs
Recurrent grant	129,900,000	94,805,100
Development grant	=	=
	<u>129,900,000</u>	<u>94,805,100</u>

ii.) Directors Remuneration

Allowance and other expenses	10,740,460	13,325,156
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Contingencies

The unit does not recognise a contingent liability but discloses details of any contingencies in the notes to the financial statements. The unit assesses contingent liabilities to ensure that the provisions are made after the contingency is valued.

The following is the contingency which exists within the unit that is in progress;

i.) Imara Daima Land in Industrial Area encroached by squatters

SEPU was allocated land by the Government of Kenya that has not been developed as a result of financial challenges. This resulted in the land being encroached by squatters. Efforts to evict them have been fruitless as the squatters have resisted to be evicted. The Management of SEPU is in the process of reclaiming the land as the Chairman National Land Commission is addressing the matter on behalf of SEPU.

ii.) Litigation - Supreme Court Case on Vulcan Lab

Vulcan Lab Ltd. On 13th April 2023, appealed to the Supreme Court for review of the ruling of the court of appeal at Nairobi dated 16th April 2021. The Supreme Court accepted the appeal.

SEPU was also informed of the Vulcan supreme court appeal notice by Korongo & co Advocates on 12th/06/2023. On 4th July 2023, the matter came up before the Supreme Court for directions and was set for further mention on 21st July 2023.

iii.) Petition Against Eviction from Imara Daima SEPU Land

As of 21st November 2024, SEPU is facing a petition registered in the Environment and Land Court of Kenya (ELCLPET/E091/2024) regarding the potential eviction from Imara Daima SEPU land. The petitioners are contesting the eviction, and the matter is scheduled for a court hearing on 4th December 2024. The outcome of this case may result in a contingent liability, dependent on the final court ruling. Legal representation is being sought, and SEPU is in the process of recruiting a legal officer to handle the case. The resolution of this matter may have financial implications, which will be disclosed upon conclusion.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024 Kshs	2022/2023 Kshs
[2] Turnover		
Turnover for the year	102,189,591	36,041,271
Less sales Returns	<u>-113,850</u>	-29,550
Net Turnover	102,075,741	36,011,721
[3] Cost of Sales		
Opening stock	30,959,210	23,778,776
Add-purchases	83,086,259	22,291,121
Less- closing Stock	<u>-35,434,442</u>	-30,959,210
	78,611,027	15,110,687
[4] Government Grants		
a Recurrent Grant	129,900,000	94,805,100
b Development Grant	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024	2022/2023
[5] Establishment Expenses	Kshs	Kshs
Repairs & maintenance of Equipment & Building	300,450	141,921
Motor vehicle running expenses & Repairs	5,799,814	2,706,442
	6,100,264	2,848,363
[6] Board Expenses		
Sitting Allowance	3,120,000	4,560,000
Subsistence Allowance	2,912,200	3,402,526
Honoraria	960,000	960,000
Lunch & Snacks	214,000	276,000
Transport	2,633,560	3,406,630
Airtime	60,000	60,000
Training	840,700	660,000
	<u>10,740,460</u>	<u>13,325,156</u>
[7] Staff Costs		
Salaries & wages	53,452,572	31,601,592
Staff uniform	-	56,167
Leave travelling allowance	192,000	204,000
Pension Expenses- employer	2,354,886	2,155,000
Medical expenses	120,153	
Insurance premiums (Medical)	5,895,799	7,500,000
Baggage allowance	-	16,250
	62,015,410	<u>41,733,009</u>
[8] Operating Expenses		
Telephone & faxes	1,019,799	549,793
Printing and stationery	3,570,448	635,703
Insurance premiums (General)	839,300	554,029
Local Travelling & subsistence	15,264,409	9,428,792
Subscriptions and Donations	212,450	82,951
Office expenses	4,511,260	3,833,707
Training & recruitment	1,896,174	1,651,650
Electricity & water	951,099	595,224
Hospitality/ Staff Welfare	1,629,797	929,807
IT Expenses	5,856,493	792,345
Security services	919,862	795,904
Team Building & End of Year Party	1,130,200	557,926
Strategic Plan	-	1,682,049
Upgrading of Science Kit Expenses	<u>250,000</u>	<u>784,875</u>
	38,051,291	22,874,755

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024 Kshs	2022/2023 Kshs
[9] Other Operating Expenses		
Audit fees	350,000	656,250
Professional & Legal fees	450,711	-
Amortization Expenses	926,228	-
Depreciation Expenses	6,488,422	<u>7,470,221</u>
	8,215,361	8,126,471
[10] Selling expenses		
Advertising, sales promotion & marketing	4,694,164	1,948,008
Packing materials (Stores Expenses)	21,640	259,769
Transport-Dispatch & postage	5,317,232	<u>633,968</u>
	10,033,036	2,841,745
[11] Finance Costs		
Bank charges	341,531	222,653
	341,531	222,653
[12] Corporation Tax		
Profit for the year	17,867,361	23,733,982
Tax for the year (30%)	-5,360,208	-7,120,195

[13] PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Motor vehicles	Computers & Accessories	Machinery & Equipment	Furniture & Fittings	TOTAL
		2.50%	25%	30%	15%	12.50%	
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600
Balance as at 01.07.2022							
Additions	-	-	21,646,300	7,788,416	572,546	85,700	30,092,962
Disposal	-	-	-	-	-	-	-
Balance as at 30.06.2023	63,000,000	35,074,533	24,967,455	9,663,862	12,469,202	1,517,510	146,692,562
DEPRECIATION							
Balance as at 01.07.2022	-	8,077,502	3,212,472	1,636,583	10,376,624	736,849	24,040,030
Charge for the year	-	674,926	5,438,746	945,079	313,887	97,583	7,470,221
Balance as at 30.06.2023		8,752,428	8,651,218	2,581,662	10,690,511	834,432	31,510,251
NET BOOK VALUE							
Balance as at 30.06.2022	63,000,000	26,997,031	108,683	238,863	1,520,032	694,961	92,559,570
Balance as at 30.06.2023	63,000,000	26,322,105	16,316,237	2,205,184	1,778,691	683,078	110,305,295

[13] PROPERTY, PLANT & EQUIPMENT

	Land	Buildings	Motor vehicles	Computers & Accessories	Machinery & Equipment	Furniture & Fittings	TOTAL
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
COST							
Balance as at 01.07.2023	63,000,000	26,322,105	16,316,237	2,205,184	1,778,691	683,078	110,305,295.00
Revaluation surplus	567,000,000	9,809,395	5,233,763	696,916	3,250,809	1,303,172	587,294,055.00
Additions	-	-	-	6,352,516	440,000	322,994	7,115,510.00
Balance as at 30.06.2024	630,000,000	36,131,500	21,550,000	9,254,616	5,469,500	2,309,244	704,714,860.00
DEPRECIATION							
Balance as at 01.07.2023	-	8,752,428	8,651,218	2,581,662	10,690,511	834,432	31,510,251
Charge for the year	-	698,925	4,297,133	1,014,027	359,074	119,263	6,488,422
Balance as at 30.06.2024	-	9,451,353	12,948,351	3,595,689	11,049,585	953,695	37,998,673
NET BOOK VALUE							
Balance as at 30.06.2023	63,000,000	26,322,105	16,316,237	2,205,184	1,778,691	683,078	110,305,295

[13] PROPERTY, PLANT & EQUIPMENT

		Land	Buildings	Motor vehicles	Computers & Accessories	Machinery & Equipment	Furniture & Fittings	TOTAL
								-
	Balance as at 30.06.2024	630,000,000	35,432,575	17,252,867	8,240,589	5,110,426	2,189,981	698,226,438

Note:

- i. The Unit conducted a revaluation of its Property, Plant and Equipment through a contracted service during the year ended 30th June 2024.
- ii. The Unit engaged an Independent valuer, University of Nairobi Enterprise Services, to carry out the valuation of Assets.
- iii. The revaluation resulted in a surplus of Kshs—587,294,055, which has been recognized in the revaluation reserve.
- iv. The revalued amounts are considered to be the new cost basis for the assets, and the accumulated depreciation as of the revaluation date has been eliminated against the gross carrying amount of the assets.
- v. The additions under Property, Plant and Equipment include; computers and accessories, machinery and furniture & fittings of Kshs. 7,115,510. The Unit engaged an Independent valuer, University of Nairobi Enterprise Services, to carry out the valuation of Assets.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024	2022/2023
	Kshs	Kshs
[14] Intangible Assets		
At 1st July	-	-
Additions	4,955,480	-
Disposals	-	-
At 30th June	4,955,480	-
Amortization		
At 1st July	4,955,480	-
Charge for the year	-926,228	-
Impairment loss	-	-
Net Book Value as at 30th June	<u>4,029,252</u>	<u>-</u>

Amortization expense was calculated based on the cost of the asset, amortization rate and the period of use within the financial period.

The assets include; ERP software acquired on 18/07/2023 at Kshs. 3,786,200 and E-board Management software acquired on 16/02/2024 at a cost of Kshs. 1,169,280.

[15] Inventories		
Chemical Stocks	3,231,840	1,103,488
Equipment stock	17,709,939	23,290,920
Work shop stocks	12,257,244	5,939,442
Work in progress	2,235,419	625,360
Total	35,434,442	30,959,210

NOTE; Expired Chemicals and Obsolete Stock:

The balance of chemical stocks as of the reporting period excludes an amount of Kshs 10,502.83 representing expired chemical stock and equipment stock excludes obsolete inventory due for disposal valued at Kshs. 56,927. This totals to Kshs. 67,429.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

[16] Receivables & Prepayments

Trade Receivables	49,319,211	28,531,621
Other Current Assets		
Prepaid Medical Insurance	2,576,511	-
Staff Advances	1,005,901	1,207,650
	52,901,623	29,739,271
Less Provision for doubtful debts	-32,404,673	-2,022,004
	20,496,951	27,717,267
 Add Receivable from the Ministry of Education	 75,086,881	 75,086,881
Total Net Debtors	<u>95,583,832</u>	102,804,148
Ageing Analysis of Trade Receivables		
Less than 30 Days	-	-
Between 30 and 60 Days	-	-
Between 61 and 90 Days	-	-
Between 91 and 120 Days	-	-
Over 120 Days	-	-
Total	49,319,211	28,531,621

[17] Cash & Bank balances

Kenya Commercial Bank Limited	19,627,583	2,698,963
National Bank of Kenya Limited	567,391	795,475
Co-operative Bank of Kenya	9,533,168	19,699,361
Cash at Hand	51,614	38,994
	29,779,756	23,232,793

Cash and Cash Equivalents

Cash and Cash Equivalents consist of cash on hand, cash at the bank and Investments.

Cash in hand and at the bank	29,779,756	23,232,793
Investment (Call Deposit) (18)	-	-

Cash and Cash Equivalents	29,779,756	23,232,793
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023/2024	2022/2023
	Kshs	Kshs
[18] Retained Earnings		
Retained Earnings b/f	67,606,199	50,992,411
Net Profit for the year	<u>12,507,153</u>	16,613,788
Retained Earnings c/f	<u>80,113,352</u>	67,606,199
[19] Revaluation Reserve		
Revaluation Reserve b/f	67,633,650	67,633,650
Revaluation Surplus on land	567,000,000	-
Revaluation Surplus on Buildings	9,809,395	-
Revaluation Surplus on Motor vehicles	5,233,763	-
Revaluation Surplus on Computer & Accessories	696,916	-
Revaluation Surplus on machinery & equipment	3,250,809	-
Revaluation Surplus on furniture & fittings	1,303,172	-
	654,927,705	67,633,650
[20] Capital & Reserves		
Opening balance	71,085,064	71,085,064
Government Development Grant	-	-
	<u>71,085,064</u>	71,085,064
[21] Deferred Special Grant		
Opening balance	44,167,394	<u>44,167,394</u>
	<u>44,167,394</u>	<u>44,167,394</u>
[22] Trade & Other Payables		
Trade Payables	7,209,566	11,187,790
Accrued Audit Fees	350,000	350,000
Retirement benefits (pensions)	816,066	816,066
Provision for Dividend to National Treasury	1,500,000	1,500,000
Gratuity for Pension Scheme	1,404,070	1,404,070
Provision for Corporate tax	1,480,503	1,480,503
M. Korongo & Advocates	-	<u>70,711</u>
	12,760,205	16,809,140

NOTES TO THE FINANCIAL STATEMENTS (Continued)

[23] Related Party Disclosures

The unit regards a related party as a person with the ability to exert control individually or jointly or to exercise significant influence over the unit or vice versa.

Transactions with related parties

Description	2023/2024	2022/2023
	Kshs	Kshs
a) Sales to related parties		
Sales of electricity to govt agencies	-	-
Rent income from govt. agencies	-	-
Water sales to govt. agencies	-	-
Interest income from govt commercial banks	-	-
Interest income from bills and bonds	-	-
Others (<i>specify</i>)	-	-
Total	-	-
b) Purchases from related parties		
Purchases of electricity from KPLC	864,698.00	517,553.00
Purchase of water from govt service providers	86,401.00	77,691.00
Rent expenses paid to govt agencies	-	-
Training and conference fees paid to govt. Agencies	1,896,174.00	1,651,650.00
Bank charges paid to govt commercial banks	341,531.00	222,653.00
Interest expense to investments by other govt. Entities	-	-
Others (<i>specify</i>)	-	-
Total	3,188,804.00	2,469,547.00

c) Grants from the government		
Grants from national govt	129,900,000.00	94,805,100.00
Grants from county government	-	-
Donations in kind	212,450.00	82,951.00
Total	130,112,450.00	94,888,051.00
d) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	53,452,572.00	31,601,592.00
Payments for goods and services	38,051,291.00	22,874,755.00
Total	91,503,863.00	54,476,347.00
e) Key management compensation		
Directors' emoluments	10,740,460.00	13,325,156.00
Compensation to key management	16,318,419.00	9,591,872.00
Total	27,058,879.00	22,917,028.00

[24] Aging Analysis for Trade and other Payables

	2024	% of the total	2023	% of the total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	12,760,205	75	16,809,140	70.63
Total	12,760,205		16,809,140	

Appendices

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Encroachment on Unit's Land	Management has written to the Commissioner of Lands and Principal Secretary Ministry of Education concerning land recovery.	Dr. Joel Mabonga Managing Director	Not resolved In progress	30 th June 2025
2.	Receivables and Prepayments	<ul style="list-style-type: none"> The long outstanding debts are waiting to be written off as the management seeks authority from the National Treasury. Debtors' policy has been developed. 	Dr. Joel Mabonga Managing Director	Not resolved In progress	30 th June 2025
3.	Trade and Other Payables	<ul style="list-style-type: none"> The long outstanding trade and other payables are waiting to be written off as the management seeks authority from the National Treasury. Debtors' policy has been developed. 	Dr. Joel Mabonga Managing Director	Not resolved In progress	30 th June 2025
4.	Unsupported and Unconfirmed cash and Bank Balance	The Unit has resolved this issue.	Salome A. Odek Head of Finance & Accounts	Resolved	-

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
5.	Misclassification of expenditure	The Unit has resolved this issue.	Dr. Joel Mabonga Managing Director	Resolved	-
6.	Lack of Disposal Committee	The Unit has resolved this issue.	Dr. Joel Mabonga Managing Director	Resolved	-
7.	Poor inventory control and store management	The management has deployed the right staff to the store department and ensures that internal controls are followed.	Dr. Joel Mabonga Managing Director	Resolved	-
8.	Lack of an Automated accounting system	The management has taken the initiative to automate the organization to improve efficiency and minimize errors during operations. <ul style="list-style-type: none"> Installation of the ERP system is in progress. 	Dr. Joel Mabonga Managing Director	Resolved	-

Managing Director/ C.E. O

Head of Finance & Accounts

Chairman Board of Directors

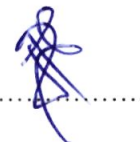
Sign



Sign



Sign



Date.....30/9/2024

Date.....30/9/2024

Date....30/9/2024

APPENDIX III: INTER-ENTITY TRANSFERS

Break Down of Transfers from State Department for Basic Education (Ministry of Education)				
FY 2023/2024				
a. Recurrent Grants		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Kenya Commercial Bank	08/08/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	14/09/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	19/10/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	15/11/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	07/12/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	03/01/2023	10,825,000.00	2023/2024
	Kenya Commercial Bank	15/02/2024	9,575,000.00	2023/2024
	Kenya Commercial Bank	12/03/2024	9,575,000.00	2023/2024
	Kenya Commercial Bank	15/04/2024	9,575,000.00	2023/2024
	Kenya Commercial Bank	08/05/2024	12,075,000.00	2023/2024
	Kenya Commercial Bank	14/06/2024	12,075,000.00	2023/2024
	Kenya Commercial Bank	28/06/2024	12,075,000.00	2023/2024
		Total	129,900,000.00	
b. Development Grants		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>FY to which the amounts relate</u>
	Kenya Commercial Bank	-	-	-
		Total	-	-

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

Head of Finance & Accounts (SEPU)

Sign. 

Date.....30/9/2024

Head of Accounting Unit Ministry of Education

Sign. 

Date....30/9/2024