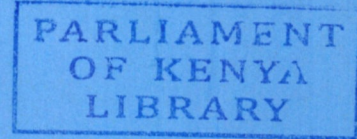


THE NATIONAL ASSEMBLY

DATE: 20 JUN 2023 Tuesday

Tabled By:	Hon. Owen Baya, MP Deputy leader, Majority
Clerk-at-Table:	Inzofu Mwale

**REPORT**



**OF**

**THE AUDITOR-GENERAL**

**ON**

**SCHOOL EQUIPMENT PRODUCTION UNIT**

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



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

22 MAY 2023

RECEIVED

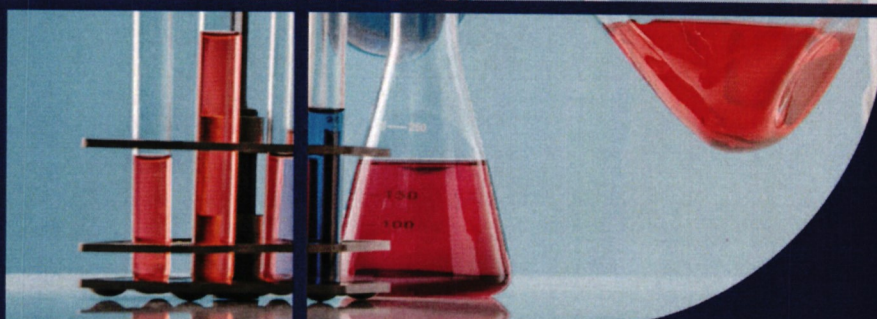
## School Equipment Production Unit

# ANNUAL REPORT AND FINANCIAL STATEMENT

30TH JUNE

# 2022

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



*"Makers of Science Equipment and Teaching Aids"*

**2022**

### **Vision**



To be the leading provider of quality Science teaching and learning Materials in the region

### **Mission**



To promote standard and quality of science education by producing innovative and competitively priced Equipment and materials for Educational institutions.

### **Core Values**



Quality  
Professionalism  
Integrity  
Fairness  
Innovation & Creativity



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## 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 to learning institutions. Its vision is to be the leading provider of quality science teaching and learning materials in the Region. The main mission of SEPU is to ensure high quality production and distribution of specialized science teaching and learning materials for educational institutions.

The management of the company is governed by the Companies Act of Kenya, 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 company.

### Principal Activities

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

### Directors

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

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

## **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 University of Dar es Salaam, Tanzania, a Master of Philosophy Degree in Linguistics, a Bachelor's degree in Education from Moi University Eldoret.

Training on Data Analysis, EdQual Language and Literacy Project in the University of Bristol. UK. Awarded an Interuniversity Council of East Africa University Academic Staff Mobility Programme at the 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.

**He is an Independent Board Chairperson.**

### **2. Dorcas Kimwetich**

Ms. Dorcas Kimwetich, year of birth 1972. She holds Master's Degree in Business Administration & Management- (Marketing option and Education) from Day Star University. She Worked in the Petroleum Industry for the past 17 years as a marketer, Astute business lady in hospitality and director of Rorok Victory Academy.



**She is an Independent Board Member.**

**3. Justus Kiunga**



Mr. Justus Kiunga, year of birth 1986. He is currently pursuing a Masters of Law at the University of Nairobi. He holds a Bachelor of Laws degree from the University of Nairobi, 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.

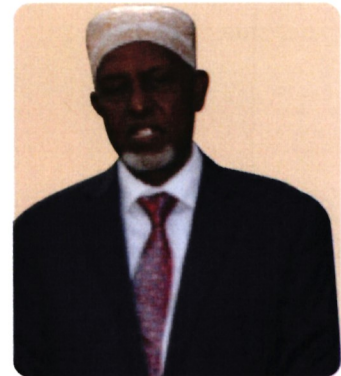
He is the Managing Partner at Kiunga Kingirwa & Co. Advocates based at Westlands, Nairobi Kenya. The firm's interest is on Education Law, Civil, Commercial, Land and Public Interest Litigation generally. He is an Independent Board Member.

**He is an Independent Board Member.**

**4. Hassan S. Mohamed**

Mr. Hassan S. Mohamed, year of birth 1958. He holds Masters Degree of arts in economic and social studies – development administration Management option from University of Manchester, UK. Post graduate 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 is an Independent Board Member.**

**5. Andrew G. Nyakundi**



Mr. Andrew G. Nyakundi, year of birth 1960. He holds Bachelor of Arts (Education) 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 is an Independent Board Member.**

**6. FA CPA Dr. Solomon Thuo Ngahu**

FA CPA Dr. Solomon Ngahu, year of birth 1977. He holds PhD in Business administration (Finance Option) from JKUAT, a Masters degree (MBA-Finance) from JKUAT, Master of Science Public Finance from University of London, Bachelor degree (B com)-First Class Honors from JKUAT, 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. He is also a committee member – Public Policy & Governance of ICPAK, Members Service Committee - ICIFA, Member of Professional Development and Education Committee of APSEA.



**Representative Cabinet Secretary, National Treasury**

**7. Prof. Charles Ong'ondo**



Prof. Charles Ochieng' Ong'ondo was born in 1964. He holds a PhD in English Language,a Masters Degree in Philosophy . 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, Department of Curriculum Instruction and Education Media (CIEM) . He is currently the Chief Executive Officer/Director, Kenya Institute Curriculum Development (KICD).

**Chief Executive Officer/Director, Kenya Institute of Curriculum Development(KICD).**

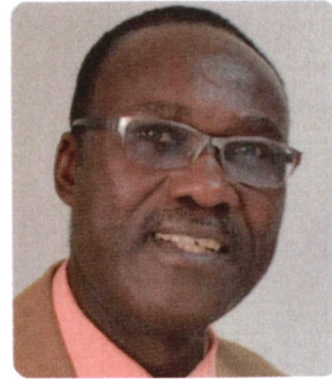
**8. Prof. Walter O. Oyawa**

Prof. Walter Odhiambo Oyawa was born in 1965. He holds a PhD in Civil Engineering (Structural Engineering), MSc Civil Engineering (Structural Engineering), and Bachelors 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.



**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 Early Learning & Basic Education**

## **10.CPA Salome Odek**

### **Secretary to the Board**

Salome A. Odek was born in 1982. She is currently pursuing a Masters Degree of Business Administration (MBA) 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.

She 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)



*Appointed as Acting Managing Director from 9<sup>th</sup> February, 2022.*

## **MANAGEMENT TEAM**

### **1. CPA Salome Odek**

#### **Ag. Managing Director**



Salome A. Odek was born in 1982. She is currently pursuing a Masters Degree of Business Administration (MBA) 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.

She 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)

*Appointed as Acting Managing Director from 9<sup>th</sup> February, 2022.*

### **2. 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 Technical University of Kenya.

He has a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University of Agriculture and Technology.



**3. 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 Institute of Commercial Management (UK).

**4. Mr. Nicholas Mzuri**

**Accountant**

Mr. Nicholas Mzuri, year of birth 1986. He holds Certified Public Accountants Part II. Currently pursuing CPA Part III.



**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 Institute of Commercial Management.

**6. Mrs. Nancy Jepkemboi Kibogong**

**Internal Auditor**

Mrs. Nancy Jepkemboi Kibogong, year of birth 1988. She holds a Degree in Bachelor of commerce (accounting option) from Egerton University and CPA part I. Currently pursuing CPA part II. She has worked in the banking sector before particularly Family Bank Limited for five years. Prior to joining SEPU, she was working at Kenya Film Classification Board as an Internal Auditor.



## **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 2022.

The sales revenue has decreased by 15.11% as the market continued with its subdued performance due to less orders received from schools. The Unit was privileged to receive recurrent grants which boosted the Gross income. Inline 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 reduced marketing activities due to moderated school calendar especially on 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 2021/2022 is Kshs. 56,032,603 compared to net profit of Kshs. 2,445,032 in 2020/2021 representing an increase in profit by 100%. Gross Income increased from Kshs. 62,003,416 to Kshs. 146,476,675 in 2021/2022 representing an increase in Gross Income by 100%.

The Unit implements its draft strategic plan covering the period 2019-2024. This plan determines and guides on the long-term performance of the Unit. The ‘Big Four’ agenda especially manufacturing takes a center stage in the strategic plan as the Unit plays a big role in ensuring 100% transition in secondary schools through manufacturing of educational scientific equipment to schools which will accelerate attainment of Vision 2030.

### **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 Resources Instruments and Career Progression Guidelines which are yet to be approved by the relevant Authorities. The staff morale has been relatively high due to motivation through

salary increment and promotions. The Unit intends to implement strategies that will continue to raise the staff morale.

### **Challenges**

The Unit is faced by a few challenges which have the potential to impede 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**

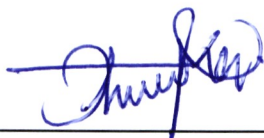
The outlook for 2023 is favorable with the economic growth targeted at 36% and with the 'Big Four Agenda' the Unit will position itself as a driver of the manufacturing agenda. The Unit intends to manufacture science equipment and materials for both Primary and Secondary schools to meet the demand of the 100% transition and Competency Based Curriculum.

The Unit will support value addition and raise the manufacturing sector share of GDP. We envisage conducive operating environment by upgrading the contents of science kit to support the Competency Based Curriculum to meet its requirement. The Unit will continue with implementation of the Strategic Plan 2019-2024, 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.

### **Appreciation**

The Unit appreciates the great financial support provided by the Government of Kenya, through Ministry of Education, State Department of Early Learning and Basic Education, the Board of Directors for providing Strategic direction and leadership, the management team and 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 for resources to ensure the Unit achieves its targets over the next financial year inline with its strategic plan.



**Chairman Board of Directors**

## **REPORT OF THE MANAGING DIRECTOR**

### **Introduction**

The year under review indicates that the School Equipment Production Unit (SEPU) has maintained a strong drive for result across all its departments. During the year under review, the Unit finalized its current strategic plan and the strategies developed are being implemented that will yield positive results which will increase the revenue over the next few years.

In recognition of the critical role played by motivated staff, we continue to invest in human capital development and improvement of the terms and conditions for employees. This will help us to attract and retain highly performing human capital.

### **Performance Review**

The Unit registered a profit of Kshs. 55,828,219 in the financial year 2021/2022 compared to a profit of Kshs. 4,142,754 in 2020/2021. In order to improve on the performance of the Unit, various strategies will be implemented such as advertising through the website and recruiting mainly sales people from different Counties who will work on commission and also advertise the products through different Medias to create awareness of the Unit's products.

Even though the Unit has been facing financial challenges, we are determined to improve on 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 contribute to the Country's growth.

### **Business Review**

The Unit continues to grow its product portfolio in different segments through partnership with the Centre for Mathematics, Science & Technology of Education in Africa (CEMASTEA) and Technical and Vocational Education and Training (TVET) to support the teaching of Science, Technology, Engineering, and Mathematics (STEM) subjects and Competency Based Curriculum (CBC). This partnership will ensure improvement in the production, modification and marketing of its science equipment and materials through workshops and seminars for teachers. This will also be extended to other regions. Being a Government Agency, which manufactures and supplies science equipment, SEPU has had major achievements in the era of devolution as it has marketed its products through the County Governments and National Government.

The Unit has continued to implement the Government policy toward 30% orders to the Youth, Women and Persons with Disability.

### **Performance Contract and Approved Budgets**

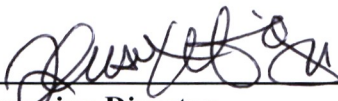
SEPU entered into a negotiated performance contract for 2022/2023 with the Government of Kenya by setting targets in line with Strategic Plan 2019-2024, second medium term 2019-2024 and the approved budgets for the financial Year 2021/2022.

### **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 making organizations among others is done to enhance 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 to avoid losses that might arise as a result of expired or obsolete stock.

### **Appreciation**

The Unit acknowledges the support provided by the Government of Kenya, through the Ministry of Education, State Department of Early Learning and Basic Education by providing us with grants which have made the Unit to continue improving on its operations. We appreciate the Board of Directors for providing Strategic direction and leadership and finally the Management and all staff for working tirelessly to be where we are as well as our Stakeholders and Business Partners including our clients for the business growth. Going forward, the Management is committed to continue with marketing of SEPU products to ensure the Unit achieves its targets over the next financial year inline with its strategic plan.



**Managing Director**

## CORPORATE GOVERNANCE STATEMENT

The Board of Management implements effective governance through processes and policies linked to the core value and ethics as stated in the code of ethics which was revised based on Leadership and integrity Act 2012. Corporate governance is a key element contributing to School Equipment Production Unit 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 areas of expertise of the Directors are as follows:

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

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, Representative of 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.

**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, the Chairperson to the Board on overall Board interactions and conduct of business, meetings and evaluation of Managing Director.

**Board Committee**

The Board has in place three principal committees to ensure 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;

**Board Audit Committee Members**

Hassan Sheikh Mohamed	-	<b>Chairperson</b>
FA CPA Dr.Solomon Ngahu	-	Member
Prof. Walter Oyawa	-	Member
Andrew G. Nyakundi	-	Member
Edwin Murimi	-	Rep. of Inspector General State Corporations

**Role and function**

The Audit Committee is responsible for continually evaluating the effectiveness of the internal control system and receives reports from the finance function on a quarterly basis. It reviews aspects relevant to governance, internal control procedures, risk management and internal audit. It also reviews external Auditor's report and Management responses. The Internal Audit functions reports directly to the Full Board through the Board Audit Committee.

**Attendance**

Number of meetings held during 2021/2022

<b>Name</b>	<b>Position</b>	<b>No. of meetings held.</b>
Hassan Sheikh Mohamed	<b>Chairperson</b>	2 out of 4
FA CPA Dr.Solomon Ngahu	Member	2 out of 4

Prof. Walter Oyawa	Member	2 out of 4
Andrew G. Nyakundi	Member	2 out of 4

**Board Finance, Human Resource & General Purposes Committee Members**

Dorcas Kimwetich	-	<b>Chairperson</b>
FA CPA Dr.Solomon Ngahu	-	Member
Justus Kingirwa Kiunga	-	Member
Lawrence Karuntimi	-	Member
CPA Salome A. Odek	-	Ag. Managing Director/ Secretary
Edwin Murimi	-	Rep. of Inspector General State Corporations

**Role and functions Finance and General Purposes Committee**

The Finance and General Purposes Committee plays a vital role in assuring the integrity of the Financial Statements before they are reviewed and approved by the Full Board. It reviews and recommends for approval of the quarterly and annual accounts. It also undertakes the monitoring and evaluation of the implementation of strategies, policies, management performance criteria and business plans on a regular basis; ensuring the adequate resources is employed to realize the goals and objectives of the Unit. It is also charged with the role of considering the Unit's annual and supplementary budgets and recommending them to the Board for approval. The Committee assesses the adequacy and effectiveness of the internal controls and financial management procedures and overall compliance with financial regulations.

**Role and functions of Human Resource Committee**

- i. Ensure effective Human Resource policies and strategies that support the Unit's Values, Vision, Mission and aspirations.
- ii. Review and where significant, report to the Board best practices, trends, new technologies and current emerging public policy issues in human resource matters including but not limited to Occupational Health and Safety.
- iii. Ensure the review of the position description of the Managing Director and the Board Chair's performance against corporate and personal objectives.
- iv. Carry out any other related initiatives as may be necessary or desirable to enhance Board performance, including but not limited to Board learning and development.
- v. Annually review the total compensation guidelines and philosophies covering salary, bonus, long term incentives and benefits for Management and the Unit's staff, and review the market comparator groups.
- vi. Review at least annually, and recommend to the Board for approval, the Managing Director compensation, based on the evaluation of the Managing Directors performance in light of corporate

- and individual objectives. Periodically review and recommend to the Board of approval, the Board's Chair total compensation package.
- vii. Assess the learning and development needs of SEPU's Directors and staff and recommend learning opportunities which can be used by them to meet their needs for development.
  - viii. Handle disciplinary cases.
  - ix. Review terms of services for staff.
  - x. Review and recommend changes in remuneration for Delegates and Directors.
  - xi. Carry out Recruitment and Selection.

**Attendance**

Number of meetings held during 2021/2022

<b>Name</b>	<b>Position</b>	<b>No. of meetings held.</b>
Dorcas Kimwetich	<b>Chairperson</b>	3 out of 4
Lawrence Karuntimi	Member	3 out of 4
FA CPA Dr.Solomon Ngahu	Member	4 out of 4
Justus Kingirwa Kiunga	Member	3 out of 4
CPA Salome A. Odek	Managing Director/ Secretary	3 out of 4

**NOTE: There were other special committee meetings that were attended by the previous board members prior to the appointment of the current committee members.**

**Board Technical & Research Committee Members**

Andrew G. Nyakundi	-	<b>Chairperson</b>
Prof. Charles Ong'ondo	-	Member
Prof. Walter Oyawa	-	Member
Lawrence Karuntimi	-	Member
CPA Salome A. Odek	-	Ag. Managing Director/ Secretary
Edwin Murimi	-	Rep. of Inspector General State Corporations

**Role and function**

The Board Technical & Research Committee is responsible for Improvements in Production level using modern technology and machinery for sustainability, Research on how the Unit can be involved in the ongoing CBC Education Review and TVET, Research on market expansion for SEPU products. Upgrading of Science kits and aligning them to CBC curriculum (Grade 1-6 and Junior Secondary), proposals to expand production workshops, dealing with issues of reclaiming the Organization's allocated land. Research on promotion of corporate reputation among others.

**Attendance**

Number of meetings held during 2021/2022

<b>Name</b>	<b>Position</b>	<b>No. of meetings held.</b>
Andrew G. Nyakundi	<b>Chairperson</b>	1 out of 4
Prof. Charles Ong'ondo	Member	1 out of 4
Prof. Walter Oyawa	Member	1 out of 4
Lawrence Karuntimi	Member	1 out of 4
CPA Salome A. Odek	Managing Director/ Secretary	1 out of 4

**Full Board****Attendance**

Number of meetings held during 2021/2022

<b>Name</b>	<b>Position</b>	<b>No. of meetings held.</b>
Patrick M. Kiliku	<b>Chairperson</b>	
Dorcas Kimwetich	Member	4 out of 4
Lawrence Karuntimi	Member	4 out of 4
FA CPA Dr.Solomon Ngahu	Member	4 out of 4
Justus Kingirwa Kiunga	Member	4 out of 4
Prof. Charles Ong'ondo	Member	4 out of 4
Prof. Walter Oyawa	Member	4 out of 4
Andrew G. Nyakundi	Member	4 out of 4
Hassan Sheikh Mohamed	Member	4 out of 4
Edwin Murimi	Member Rep. of Inspector General State Corporations	4 out of 4
CPA Salome A. Odek	Managing Director/ Secretary	4 out of 4

## **CORPORATE SOCIAL RESPONSIBILITY STATEMENT / SUSTAINABILITY REPORTING**

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

### **Sustainability strategy and profile**

The Unit focuses its sustainability efforts on addressing environmental, social and governance (ESG) issues, including implementing strong environmental stewardship, putting stakeholders at the center of everything we do and achieving results the right way. These commitments reflect our culture of operational excellence, high ethical standards, strict capital discipline and transparent risk management. They also demonstrate our intent to lead responsibly in any environment by ensuring waste minimization or reduction and proper disposal of wastes.

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030, keeping in mind the specific priorities of the School Equipment Production Unit. It will also pay special attention to implementation of Post COVID – 19 Recovery strategies and Plans.

### **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 undertake their operational responsibilities without impediment or conflict as follows; -

- Polices 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 ensures 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 endeavor to deliver high quality products and services to our customers, and who share our commitment to business conduct that not only complies with all applicable laws and regulations governing their learning activities, but which 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, 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 opportunity to do presentations of its product range and services and sensitize the practicing 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 of 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 on 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 up responsibility to reduce its environmental, health, and safety impacts.

## **5. Community Engagements**

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

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

During financial year 2021/2022, the Unit supported needy schools through partnerships with education stakeholders as indicated below;

- Donation of (16 sets) of School Science kits and assorted chemicals to 4 Secondary Schools in Baringo South Constituency. (Meisori Secondary School, Eldume Secondary School, N'gamba Secondary School, Salabani Secondary School).
  - Donation of School Science Kits (9 Sets) to NG.Cmboseli Lewis Secondary School, ILtlal Secondary School, Lenkitem Secondary School)
  - Donation of (3 sets) of school science kits and assorted chemical sand apparatus to 1 secondary in Nairobi County (Woodley Boys Secondary School)
- i.) With 100% transition from Primary to Secondary Schools CSR for communities is key to enable access to quality education by adopting CSR.
- ii.) The Unit has maintained a clean environment by establishing a committee that ensures waste is properly disposed off 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 2022 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 dividends.

### Reserves

The Board of Directors proposes to carry forward the balance of the retained profit amounting to Kshs. 40,253,748

### 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:

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

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

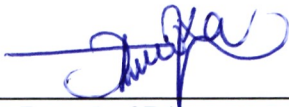
The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the Operating results of the Company for that year. It also requires the Directors to ensure 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.

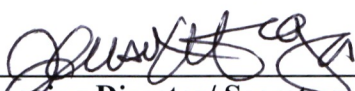
Nothing has come to the attention of the directors to indicate that the Company will not remain a going concern for at least twelve months from the date of this statement.

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

The financial statements were approved by the Board of directors on 28/09/2022 and signed on its behalf by:

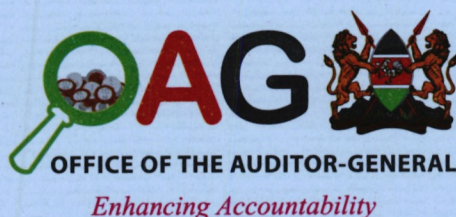


\_\_\_\_\_  
**Chairman Board of Directors**



\_\_\_\_\_  
**Managing Director/ Secretary to the Board**

# REPUBLIC OF KENYA



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Website: www.oagkenya.go.ke

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

## **REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2022**

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### PREAMBLE

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

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

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

I have audited the accompanying financial statements of School Equipment Production Unit set out on pages 1 to 15, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

## **Basis for Qualified Opinion**

### **1.0 Encroachment on the Unit's Land**

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.92,559,569 as disclosed in Note 13 to the financial statements. Included in the balance is historical cost of a parcel of land of Kshs.63,000,000 which is situated at Industrial Area, Nairobi and registered under the Unit's name. However, although, the land was allocated to the Unit in 1996, it has not developed it due to encroachment by informal settlers. Management has, however, sought for assistance from the National Land Commission in order to develop the land. No response has been provided to indicate progress made by the end of the year under review.

In the circumstances, the rightful ownership to the parcel of land with historical cost of Kshs.63,000,000 as at 30 June, 2022 could not be confirmed.

### **2.0 Unsupported and Unconfirmed Cash and Bank Balance**

The statement of financial position reflects a balance of Kshs.55,945,819 in respect of cash and bank as disclosed in Note 16 to the financial statements. However, the KCB bank account cashbook and the corresponding bank reconciliations were not provided for audit.

In the circumstances, the accuracy and fair statement of cash and bank balance of Kshs.55,945,819 as at 30 June, 2022 could not be confirmed.

### **3.0 Unsupported Long Outstanding Trade Receivables**

The statement of financial position reflects a balance of Kshs.75,191,172 in respect of receivables and prepayments as disclosed in Note 15 to the financial statements, which includes trade receivables and staff advances amounting to Kshs.29,620,931 out of which a balance of Kshs.22,680,639 or 77% have been outstanding for more than ten (10) years. However, no supporting documents were provided for the audit. Further analysis of records revealed that an amount of Kshs.75,086,881 was due from the Ministry of Education, State Department for Early Learning and Basic Education and has been outstanding since the financial year 2018/2019 but the same was not reflected as a pending bill in the State Department's financial statements for the year ended 30 June, 2022.

In addition, the balance also includes staff advances balance of Kshs.896,784 out of which Kshs.840,484 or 94% relate to staff advances due from employees who have since left the service while others are deceased. Management has, however, indicated that a fire broke out at the Unit's Headquarters in 2007 and destroyed supporting schedules relating to receivables. As a result, the recoverability of debtors has been affected by lack of evidence. Although a provision for bad and doubtful debts of Kshs.31,170,132 has been provided which represents an increase of Kshs.2,331,744 from the amount reported in the previous year balance of Kshs.28,838,388, the amount appears insufficient.

In the circumstances, the accuracy, recoverability and fair statement of receivables and prepayments balance of Kshs.75,191,172 as at 30 June, 2022 could not be confirmed.

#### **4.0 Unsupported Long Outstanding Trade and Other Payables**

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.13,596,817 as disclosed in Note 22 to the financial statements. The balance includes trade payables balance of Kshs.7,655,467 out of which Kshs.7,209,566 or 94% has been outstanding for periods exceeding fourteen (14) years and whose supporting documents were not provided for audit. Management indicated that a fire broke out in the Unit's Headquarters in 2007 and destroyed supporting schedules relating to the account's payables. Management had also placed an advertisement in the daily newspapers in November, 2016 to inform relevant creditors to present documents supporting the services offered to the Unit but with little success.

Further, the balance includes balances of accrued audit fees, retirement benefits (pensions), provision for the dividend to The National Treasury, gratuity for the pension scheme, National Social Security Funds (Penalty) and provision for corporate tax of Kshs.350,000, Kshs.816,066, Kshs.1,500,000, Kshs.1,404,070, Kshs.320,000 and Kshs.1,480,503 respectively which had no movement over the last twenty-four (24) months. Further, non-payment of the amount due may lead to litigations and payment of penalties.

In the circumstances, accuracy, the presentation, disclosure and fair statement of the trade and other payables balance of Kshs.13,596,817 as at 30 June, 2022 could not be confirmed.

#### **5.0 Misclassification of Expenditure**

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.13,762,178 in respect of operating expenses as disclosed in Note 8 to the financial statements which includes an amount of Kshs.1,722,728 in respect of IT expenses. Included in the IT expenditure is an amount of Kshs.1,564,136 in respect of purchase of iPads for Board of Directors and Management. The expenditure was wrongly charged under operating expenses instead of being classified as a capital expenditure.

In the circumstances, the operating expenses is misstated by Kshs.1,564,136.

The audit was conducted in accordance with the International Standards of 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.

#### **Key Audit Matters**

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

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

#### **Conclusion**

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

## **Basis for Conclusion**

### **Lack of Disposal Committee**

The statement of financial position reflects a balance of Kshs.23,775,777 in respect of inventories as disclosed in Note 14 to the financial statements. During the year under review, the Unit disposed expired chemical stock worth Kshs.5,984,941. However, there was no Disposal Committee in place to oversee the disposal process as at the time. This was contrary to Section 163(1) of the Public Procurement and Asset Disposal Act, 2015 which states that an Accounting Officer shall establish a Disposal Committee as and when prescribed for the purpose of disposal of unserviceable, obsolete, obsolescent, or surplus stores, equipment or assets. Further, the quantities of the disposed stock could not be confirmed due to lack of bin cards.

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

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Poor Inventory Control and Stores Management**

The statement of financial position reflects a balance of Kshs.23,775,777 in respect of inventories as disclosed in Note 14 to the financial statements. Examination of the inventory management system in place revealed the following weaknesses:

- i. Poor stores record keeping, lack of ledgers/bin cards as well as reconciliation of stocks and therefore, stock movement could not be ascertained;
- ii. There was no policy in place on how to manage stock levels such as maximum, minimum quantities and re-order levels to ensure no wastages, losses, stock out and unprofitable lock-up of funds; and,
- iii. There was no segregation of duties in main stores, officer receiving goods either finished or raw materials is the same officer issuing or dispatching.

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

## **2.0 Lack of an Automated Accounting System**

The audit observed that the Unit does not have either an automated accounting system, an ICT Committee or an ICT Policy. There may be loss of revenue due to lack of a proper accounting system and lack of accountability of funds since there is no electronic trail of expenditure. This is contrary to Section 4 (4.4) of the National ICT Policy Guidelines, 2020 on public service delivery which states that the ICT Policy requires all arms of the government to build, deploy, operate and manage locally built back-end and front-end systems to deliver services

In the circumstances, the effectiveness of internal controls systems and risk management in the Unit could not be confirmed.

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

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

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. In my opinion, adequate accounting records have been kept by the Unit, so far as appears from the examination of those records; and,
- iii. The Company's financial statements are in agreement with the accounting records and returns.

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

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

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

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

The Board of Directors is responsible for overseeing the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Unit's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Unit to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Unit to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

07 June, 2023

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

		2022	2021
REVENUES	Notes	Kshs	Kshs
Turnover	[2]	22,039,249	25,945,296
		<b>22,039,249</b>	<b>25,945,296</b>
Less cost of Sales	[3]	(15,459,570.00)	(18,857,281.00)
<b>Gross Profit</b>		<b>6,579,679</b>	<b>7,088,015</b>
Grants	[4]	139,900,000	54,900,000
		<b>146,479,679</b>	<b>61,988,015</b>
<b>EXPENDITURE</b>			
Establishment Expenses	[5]	(1,205,710.00)	(1,322,003.00)
Board Expenses	[6]	(5,468,652.00)	(1,679,393.00)
Staff Costs	[7]	(29,478,667.00)	(28,620,275.00)
Operating Expenses	[8]	(13,762,178.00)	(9,187,795.00)
Other Operating Expenses	[9]	(1,607,148.00)	(2,854,443.00)
Selling expenses	[10]	(15,061,023.00)	(15,061,023.00)
Finance Costs	[11]	(141,702.00)	(76,349.00)
<b>Total Expenses</b>		<b>(66,725,080.00)</b>	<b>(58,801,281.00)</b>
<b>Loss/ Profit for the year</b>		<b>79,754,599</b>	<b>3,186,734</b>
Less Corporation Tax	[12]	(23,926,379.70)	956,020.20
<b>Net Loss/ Profit for the year</b>		<b>55,828,219</b>	<b>4,142,754</b>

.....  
CPA SALOME ODEK  
FINANCE OFFICER

.....  
DR. JOEL MABONGA  
MANAGING DIRECTOR


.....  
DR. PATRICK K. MUSYOKA  
BOARD CHAIRMAN


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

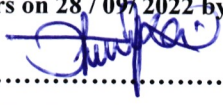
**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

ASSETS	NOTE	2022	2021
<b>Non current assets</b>		<b>Kshs</b>	<b>Kshs</b>
Property, Plant & Equipment	[13]	92,559,569	93,757,921
		<b>92,559,569</b>	<b>93,757,921</b>
<b>Current assets</b>			
Inventories	[14]	23,778,776	14,190,502
Receivables & Prepayments	[15]	75,191,172	78,668,548
Cash and bank balance	[16]	55,945,819	4,877,059
Investment (Call Deposit)	[17]		155,070
		<b>154,915,767</b>	<b>97,891,179</b>
<b>TOTAL ASSETS</b>		<b>247,475,336</b>	<b>191,649,100</b>
<b>CAPITAL &amp; RESERVES</b>			
Retained Earnings	[18]	50,992,411	(4,835,808)
Revaluation Reserve	[19]	67,633,650	67,633,650
Capital Reserves	[20]	71,085,064	71,085,064
Deferred Special Grant	[21]	44,167,394	44,167,394
<b>TOTAL CAPITAL AND RESERVES</b>		<b>233,878,519</b>	<b>178,050,300</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade & other Payables	[22]	13,596,817	13,598,800
<b>TOTAL CAPITAL RESERVES &amp; LIABILITIES</b>		<b>247,475,336</b>	<b>191,649,100</b>

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors on 28 / 09 / 2022 by:

  
 .....  
**CPA SALOME ODEK**  
**FINANCE OFFICER**

  
 .....  
**DR. JOEL MABONGA**  
**MANAGING DIRECTOR**

  
 .....  
**DR. PATRICK K. MUSYOKA**  
**BOARD CHAIRMAN**

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

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

	Retained earnings Kshs	Revaluation Reserves Kshs	Capital Reserves Kshs	Deferred Special Grant Kshs	Total Kshs
<b>Balance as at 01.07.2019</b>	12,695,780	67,633,650	71,085,064	44,167,394	195,581,888
Provision for Corporation tax (Adjusted)	-	-	-	-	-
Government Development Grant	-	-	-	-	-
Differed Special Grant Utilized	-	-	-	-	-
Loss for the period	(30,919,667.00)	-	-	-	(30,919,667)
<b>Balance as at 30.06.2020</b>	<b>(18,223,887.00)</b>	<b>67,633,650</b>	<b>71,085,064</b>	<b>44,167,394</b>	<b>164,662,221</b>
<b>Balance as at 01.07.2020</b>	<b>(18,223,887)</b>	<b>67,633,650</b>	<b>71,085,064</b>	<b>44,167,394</b>	<b>164,662,221</b>
Government Development Grant	-	-	-	-	-
Differed Special Grant Utilized	-	-	-	-	-
Provision for corporation tax (Adjusted)	10,201,345	-	-	-	10,201,345
Profit for the period	3,186,734	-	-	-	3,186,734
<b>Balance as at 30.06.2021</b>	<b>(4,835,808)</b>	<b>67,633,650</b>	<b>71,085,064</b>	<b>44,167,394</b>	<b>178,050,300</b>
<b>Balance as at 01.07.2021</b>	<b>(4,835,808)</b>	<b>67,633,650</b>	<b>71,085,064</b>	<b>44,167,394</b>	<b>178,050,300</b>
Government Development Grant	-	-	-	-	-
Differed Special Grant Utilized	-	-	-	-	-
Profit/Loss for the period	55,828,219	-	-	-	55,828,219
<b>Balance as at 30.06.2022</b>	<b>50,992,411</b>	<b>67,633,650</b>	<b>71,085,064</b>	<b>44,167,394</b>	<b>233,878,519</b>

**NOTE:**

**Capital reserve represents:**

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

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

		2022	2021
	Notes	Kshs	Kshs
<b>Profit /Loss before taxation</b>		79,754,599	3,186,734
Add Depreciation for the year	[13]	1,198,350	1,333,568
<b>Cash flows from operating activities</b>		<b>80,952,949</b>	<b>4,520,302</b>
Less: Investment Income		-	-
		<b>80,952,949</b>	<b>4,520,302</b>
<b>Changes in Working Capital</b>			
<b>Increase/(Decrease) in operating assets:</b>			
Increase/ Decrease in Receivables & Prepayments		10,838,755	(641,820)
Increase/ Decrease in Payables & Accruals		(231,272)	(6,250,364)
Increase/(Decrease) in inventory		(9,588,274)	857,803
		<b>1,019,209</b>	<b>(6,034,381)</b>
<b>Tax paid</b>			
<b>Net cash flows from operating activities</b>		<b>81,972,158</b>	<b>(1,514,079)</b>
<b>Cash flows from Investing activities</b>			
Purchase of Property plant & Equipment	[14]	-	-
Add: Investment income		-	-
<b>Net Cash Generated from Investing activities</b>		-	-
<b>Cash flows from Financing activities</b>			
Increase/(Decrease) in Deferred Special Grant		-	86,804.00
<b>Development Grant</b>		-	-
<b>Net Cash Generated from Financing activities</b>		-	<b>86,804.00</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		50,912,790	(1,427,275)
<b>Cash and cash equivalents at 1st July 2021</b>		<b>5,033,029</b>	<b>6,459,404</b>
<b>Cash and cash equivalents at 30 June, 2022</b>	[16 i.]	<b>55,945,819</b>	<b>5,032,129</b>

.....  
CPA SALOME ODEK  
FINANCE OFFICER

.....  
DR. JOEL MABONGA  
MANAGING DIRECTOR

.....  
DR. PATRICK K. MUSYOKA  
BOARD CHAIRMAN

## **NOTES TO THE FINANCIAL STATEMENTS**

### **[1.] Summary of Significant 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.

#### **Statement of compliance**

The financial statements have been prepared in accordance with and comply with international Financial Reporting Standards (IFRS) for Small and Medium Sized Entities.

#### **Critical Judgements and Estimates**

In the process of applying the IFRS for SME, 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

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention basis of accounting. The principal accounting policies adopted remain unchanged from previous year and are set out below:

#### **Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognized at fair value of consideration received or expected to be received in the ordinary course of the company's activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the company's activities as described below;

- i) **Revenue from the sale of goods and services** is recognized in the year in which the company delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognized in the year in which the company actually receives such grants. Grants for development projects are treated as deferred income as per IAS 20.

#### **Currency**

The accounts are prepared in Kenya shillings (Kshs) which is the official currency of the republic of Kenya.

#### **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.

**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%

**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 call with banks.

**Other Reserves**

The Capital reserves represents 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 30<sup>th</sup> June 2022.

**Comparatives**

Comparative figures have been recorded to conform to changes in presentation in the current period.

**Financial risk management objectives and policies**

The company's activities expose it to a variety of financial risks, which involves receivables, payables and cash and cash equivalents. The company's overall risk management programme focuses on the unpredictable conditions by 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 30<sup>th</sup> June 2022 and 30<sup>th</sup> June 2021 is as shown below:

	<b>30 June, 2022</b> Kshs.	<b>30 June, 2021</b> Kshs.
Receivables & Prepayments	75,191,172	78,668,548
Cash and cash equivalent	55,945,819	5,033,029

**Revenue recognition**

Revenue is recognized only when the unit has substantially completed a revenue generation process that is revenue is recorded when it is earned.

**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 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 30th June 2022 and 30th June 2021 are as below:

	<b>30 June, 2022</b> Kshs.	<b>30 June, 2021</b> Kshs.
Trade & Other Payables	13,596,817	13,598,800

**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 deposit because of changes in market interest rates

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

**v) Currency risk**

Currency risk arises on financial instruments that are denominated in foreign currency. SEPU has no trade receivables, nor trade payables, nor borrowings which are denominated in foreign currency as at the reporting date.

**Related Party Disclosures**

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

**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:

	<b>30/06/2022</b>	<b>30/06/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Recurrent grant	139,900,000	54,900,000
Development grant	=	=
	<b><u>139,900,000</u></b>	<b><u>54,900,000</u></b>

**ii.) Directors Remuneration**

Allowance and other expenses	5,468,652	1,679,393
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**Contingencies**

The unit does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements. Contingent liabilities are assessed by the unit 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 at 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 to 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 matter is being addressed by the Chairman National Land Commission on behalf of SEPU.

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

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>[2] Turnover</b>		
Turnover for the year	22,039,249	25,945,296
Less sales Returns	-	-
<b>Net Turnover</b>	<b>22,039,249</b>	<b>25,945,296</b>
<b>[3] Cost of Sales</b>		
Opening stock	14,190,503	15,048,305
Add-purchases	25,047,849	17,999,478
Less- closing Stock	(23,778,776)	(14,190,502)
	<b>15,459,576</b>	<b>18,857,281</b>
<b>[4] Government Grants</b>		
<b>a</b> Recurrent Grant	139,900,000	54,900,000
<b>b</b> Development Grant	-	-

	2022 Kshs	2021 Kshs
<b>[5] Establishment Expenses</b>		
Repairs & maintenance of Equipment & Building	42,625	370,623
Motor vehicle running expenses & repairs	1,163,085	951,380
	<b>1,205,710</b>	<b>1,322,003</b>
<b>[6] Board Expenses</b>		
Sitting Allowance	2,180,000	900,000
Subsistence Allowance	1,450,000	
Honoraria	400,000	-
Lunch & Snacks	228,292	375,393
Transport	822,360	143,000
Airtime	28,000	
Training	360,000	261,000.00
	<b>5,468,652</b>	<b>1,679,393</b>
<b>[7] Staff Costs</b>		
Salaries & wages	28,102,465	25,868,533
Staff welfare	-	1,909,510
Staff uniform	-	-
Leave travelling allowance	246,000	146,000
Pension Expenses- employer	1,126,012	696,232
Staff medical expense	4,200	-
Insurance premiums (Medical)	-	-
	<b>29,478,677</b>	<b>28,620,275</b>
<b>[8] Operating Expenses</b>		
Telephone & faxes	633,749	484,660
Printing and stationery	576,863	538,586
Insurance premiums (General)	78,050	61,023
Local Travelling & subsistence	3,513,320	2,833,800
Subscriptions and Donations	55,850	61,850
Office expenses	3,075,891	2,904,563
Training & recruitment	1,047,273	596,300
Electricity & water	415,665	489,870
Hospitality	1,789,245	-
IT Expenses	1,722,728	375,483
Security services	577,544	625,660
Team Building & End of Year Party	276,000	216,000
	<b>13,762,178</b>	<b>9,187,795</b>

	2022 Kshs	2021 Kshs
<b>[9] Other Operating Expenses</b>		
Audit fees	350,000	350,000
Professional & Legal fees	-	1,170,875
Depreciation Expense	1,198,350	1,333,568
	<b>1,548,350</b>	<b>2,854,443</b>
<b>[10] Selling expenses</b>		
Advertising,sales promotion & marketing	7,510,989	12,873,807
Packing materials (Stores Expenses)	33,025	35,740
Transport-Despatch & postage	6,891,624	2,151,476
	<b>14,435,638</b>	<b>15,061,023</b>
<b>[11] Finance Costs</b>		
Bank charges	141,702	76,349
		<b>76,349</b>
<b>[12] CorporationTax</b>		
<b>Profit for the year</b>	<b>79,754,599</b>	<b>3,186,734</b>
Tax for the year (30%)	<b>(23,926,380)</b>	<b>956,020.20</b>

**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.
<b>COST</b>	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600
Balance as at 01.07.2020							
Additions	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-
Balance as at 30.06.2021	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600
<b>DEPRECIATION</b>							
Balance as at 01.07.2020	-	6,675,289	3,127,941	1,387,971	9,792,806	524,106	21,508,113
Charge for the year	-	709,981	48,304	146,243	315,578	113,463	1,333,568
Balance as at 30.06.2021	-	7,385,270	3,176,245	1,534,214	10,108,384	637,569	22,841,681
<b>NET BOOK VALUE</b>							
Balance as at 30.06.2020	63,000,000	28,399,244	193,214	487,475	2,103,850	907,704	95,091,487
Balance as at 30.06.2021	63,000,000	27,689,263	144,911	341,233	1,788,273	794,241	93,757,919

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

**2022**

	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>COST</b>							
Balance as at 01.07.2020	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600
Additions	-	-	-	-	-	-	-
Balance as at 30.06.2021	63,000,000	35,074,533	3,321,155	1,875,446	11,896,656	1,431,810	116,599,600
<b>DEPRECIATION</b>							
Balance as at 01.07.2021	-	7,385,270	3,176,245	1,534,214	10,108,384	637,569	22,841,681
Charge for the year	-	692,232	36,228	102,370	268,241	99,280	1,198,350
Balance as at 30.06.2022	-	8,077,502	3,212,472	1,636,583	10,376,624	736,849	24,040,031
<b>NET BOOK VALUE</b>							
Balance as at 30.06.2021	63,000,000	27,689,263	147,911	341,233	1,788,273	794,241	93,757,919
Balance as at 30.06.2022	63,000,000	26,997,031	108,683	238,863	1,520,032	694,961	92,559,569



NOTES TO THE FINANCIAL STATEMENTS (Continued)

**SCHOOL EQUIPMENT PRODUCTION UNIT  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE,2022**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	2022 Kshs	2021 Kshs
<b>[14] Inventories</b>		
Chemical Stocks	931,300	1,059,554
Equipment stock	20,329,406	9,460,381
Work shop stocks	1,999,770	2,793,027
Work in progress	518,300	877,540
	<b>23,778,776</b>	<b>14,190,502</b>
<b>[15] Receivables &amp; Prepayments</b>		
Trade Receivables	29,620,931	31,418,694
<b>Other Current Assets</b>		
Staff Advances	896,784	1,001,361
	<b>30,517,715</b>	<b>32,420,055</b>
Less Provision for doubtful debts	(30,413,424)	(28,838,388)
	<b>104,291</b>	<b>3,581,667</b>
Add Receivable from Ministry of Education	75,086,881	75,086,881
<b>Total Net Debtors</b>	<b>75,191,172</b>	<b>78,668,548</b>
<b>[16] Cash &amp; Bank balances</b>		
Kenya Commercial Bank Limited	55,490,608	4,773,188
National Bank of Kenya Limited	265,977	100,971
Co-operative Bank(Haba na Haba	-	-
Cash at Hand	33,624	2,900
	<b>55,790,209</b>	<b>4,877,059</b>
<b>Cash and Cash Equivalents</b>		
Cash and Cash Equivalents consists of cash on hand, cash at bank and Investments.		
Cash in hand and at bank	55,790,209	4,877,059
Investment ( Call Deposit) ( 18 )	155,610	155,970
<b>Cash and Cash Equivalents</b>	<b>55,945,819</b>	<b>5,033,029</b>

**SCHOOL EQUIPMENT PRODUCTION UNIT ANNUAL REPORT & FINANCIAL STATEMENTS 2021**

	2022 Kshs	2021 Kshs
<b>[17] Investment ( Call Deposit)</b>		
Co-operative Bank of Kenya Limited	155,610	155,970
	<b>155,610</b>	<b>155,970</b>
<b>[18] Retained Earnings /(losses)</b>		
Retained Earnings / (losses)	80,046,576	(18,223,887)
Provision for Corporation tax (Adjusted)		10,201,345
<b>Surplus/Deficit</b>	<b>80,046,576</b>	<b>3,186,734</b>
		<b>(4,835,808)</b>
<b>[19] Revaluation Reserve</b>		
Revaluation Reserve on land	63,000,000	63,000,000
Revaluation Reserve on Buildings	4,633,650	4,633,650
	<b>67,633,650</b>	<b>67,633,650</b>
<b>[20] Capital &amp; Reserves</b>		
<b>Opening balance</b>	71,085,064	71,085,064
Government Development Grant		
	<b>71,085,064</b>	<b>71,085,064</b>
<b>[21] Deferred Special Grant</b>		
<b>Opening balance</b>	44,167,394	44,167,394
	<b>44,167,394</b>	<b>44,167,394</b>
<b>[22] Trade &amp; Other Payables</b>		
Trade Payables	7,655,467	7,657,450
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
National Social Security Funds (Penalty - FY;2004)	320,000	320,000
Provision for Corporate tax	1,480,503	1,480,503.00
M. Korongo & Advocates	70,711	70,711.00
	<b>13,596,817</b>	<b>13,598,800.00</b>

**SCHOOL EQUIPMENT PRODUCTION UNIT  
TRIAL BALANCE  
FOR THE YEAR ENDED 30TH JUNE 2022**

		<b>DEBIT</b>	<b>CREDIT</b>
		<b>(KSHS)</b>	<b>(KSHS)</b>
1	LAND	63,000,000	
2	BUILDINGS	26,997,031	
3	MACHINERY & EQUIPMENT	1,520,032	
4	MOTOR VEHICLE / CYCLE	108,683	
5	COMPUTERS & ACCESSORIES	238,863	
6	FURNITURE & FITTINGS	694,961	
7	INVENTORY	23,778,776	
8	PURCHASES	25,047,849	
9	TRADE DEBTORS	29,620,931	
10	INVESTMENT	155,610	
11	PREPAID LABORATORY EQUIPMENT	75,086,881	
12	STAFF ADVANCE	896,784	
13	PROVISION FOR DOUBTFUL DEBTS	30,413,424	
14	CASH IN HAND	33,624	
15	BANK ACCOUNT -NBK	265,977	
16	BANK ACCOUNT -KCB	55,490,608	
17	RETAINED PROFIT		50,992,411
18	CAPITAL AND OTHER RESERVE		71,085,064
19	DEFERRED SPECIAL GRANT		44,167,394
20	REVALUATION RESERVES		67,633,650
21	TRADE CREDITORS		7,655,467
22	RETIREMENT BENEFITS (PENSIONS)		816,066
23	M.KORONGO & ADVOCATES		70,711
24	PROVISION FOR DIVIDEND TO N. TREASURY		1,500,000
25	NSSF PENALTY(FY;2004)		320,000
26	GRATUITY FOR PENSION SCHEME		1,404,070
27	PROVISION FOR CORPORATION TAX		1,480,503
28	PROVISION FOR CORPORATION TAXADJUSTED PRIOR (YEAR)	10,201,345	
29	ACCRUED AUDIT FEES		350,000
30	SALES		22,039,249
31	GRANTS- RECURRENT		139,900,000
32	REPAIRS & MAINTENANCE OF EQUIPMENT & BUILDING	42,625	
33	MOTOR VEHICLE RUNNING EXPENSES & REPAIRS	1,163,085	

34	SITTING ALLOWANCE	2,180,000	
35	LUNCH & SNACKS	228,292	
36	TRANSPORT	822,360	
37	SUBSISTENCE ALLOWANCE	1,450,000	
38	TRAINING	360,000	
39	HONORARIA	400,000	
40	AIRTIME	28,000	
41	SALARIES & WAGES	28,102,465	
42	HOSPITALITY	1,789,245	
43	STAFF UNIFORM	-	
44	LEAVE TRAVELLING ALLOWANCE	246,000	
45	PENSION EXPENSES- EMPLOYER	1,126,012	
46	STAFF MEDICAL EXPENSE	4,200	
47	INSURANCE PREMIUMS (MEDICAL)	-	
48	TELEPHONE & FAXES	633,749	
49	PRINTING AND STATIONERY	576,863	
50	INSURANCE PREMIUMS (GENERAL)	78,050	
51	LOCAL TRAVELLING & SUBSISTENCE	3,513,320	
52	SUBSCRIPTIONS AND DONATIONS	55,850	
53	OFFICE EXPENSES	3,075,891	
54	TRAINING & RECRUITMENT	1,047,273	
55	ELECTRICITY & WATER	415,665	
56	SECONDARY SCHOOL SCIENCE KIT	-	
57	IT EXPENSES	1,722,728	
58	SECURITY SERVICES	577,544	
59	TEAM BUILDING & END OF YEAR PARTY	276,000	
60	PROVISION FOR AUDIT FEES	350,000	
61	PROFESSIONAL & LEGAL FEES	-	
62	DEPRECIATION EXPENSE	1,198,350	
63	ADVERTISING, SALES PROMOTION & MARKETING	7,510,989	
64	PACKING MATERIALS (STORES EXPENSES)	33,025	
65	TRANSPORT-DESPATCH & POSTAGE	6,713,923	
66	BANK CHARGES	141,702	
	<b>TOTAL</b>	<b>409,414,585.00</b>	<b>409,414,585.00</b>