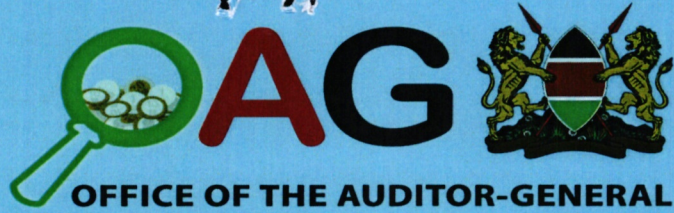


REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
PAPERS LAID

REPORT

DATE: 04 AUG 2021

DAY:
Wednesday

PARLIAMENT
OF KENYA
LIBRARY

TABLED
BY:

Majority Whip

OF

CLERK-AT
THE TABLE:

Getrude Chebet

THE AUDITOR-GENERAL

ON

**SCHOOL EQUIPMENT PRODUCTION
UNIT**

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

11



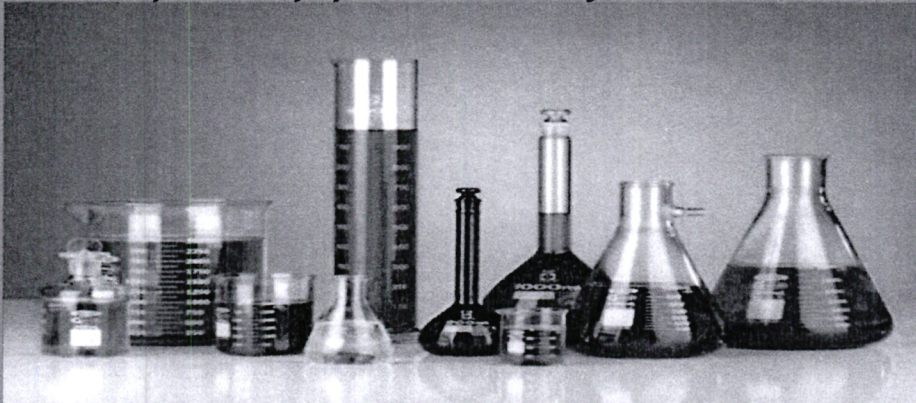


SCHOOL EQUIPMENT PRODUCTION UNIT
Annual Reports and Financial statements
For the year ended 30 June, 2019



SCHOOL EQUIPMENT PRODUCTION UNIT

"Makers of science equipment and teaching aids"

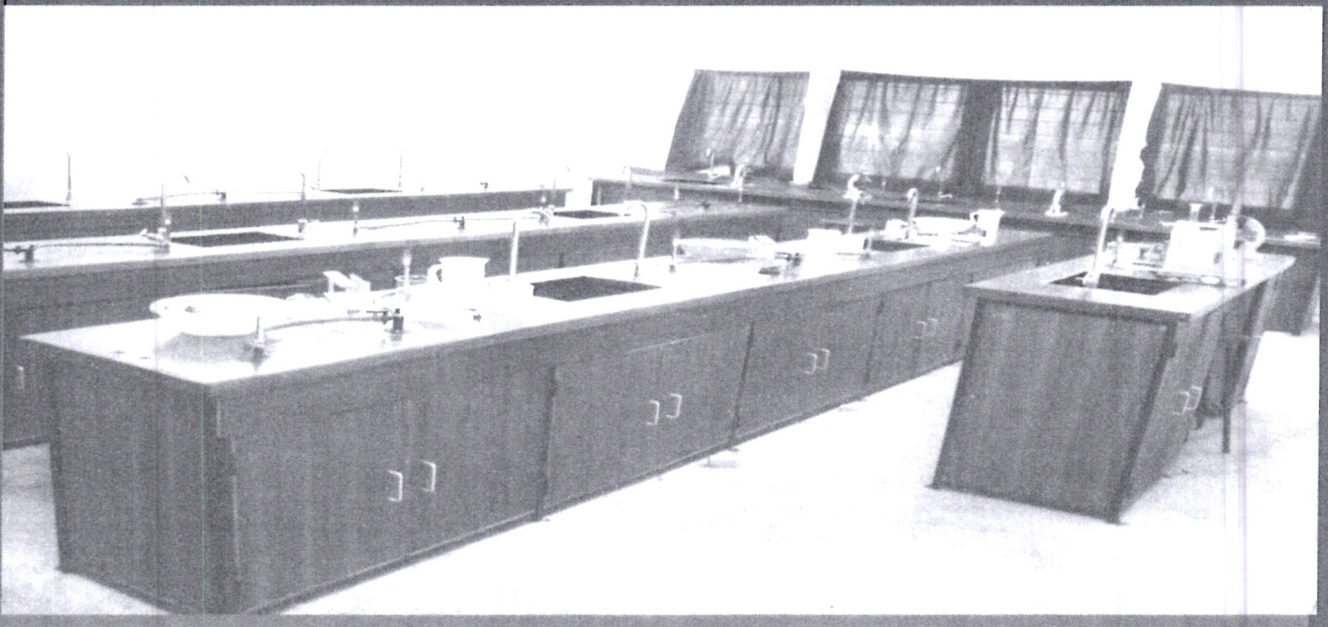


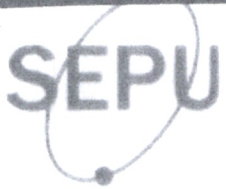
ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2019

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





SCHOOL EQUIPMENT PRODUCTION UNIT
Annual Reports and Financial statements
For the year ended 30 June, 2019

VISION

To be the leading provider of quality

Science teaching and learning

Materials in the region

MISSION

To promote standards and quality
of science education by producing
Innovative and competitively priced
Equipment and materials
Educational institutions

CORE VALUES

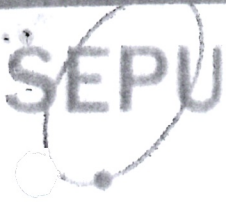
Quality

Professionalism

Integrity

Fairness

Innovation & Creativity



SCHOOL EQUIPMENT PRODUCTION UNIT
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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 Eastern and Central Africa 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 year were as follows:

- | | | |
|----------------------------|--|---------------------------|
| 1) Dr. Julius Ouma Jwan | Kenya Institute of Curriculum Development | - Chairman |
| 2) Mr. Dickson L. Ole Keis | School Equipment Production Unit | - Chief Executive Officer |
| 3) Mrs. Teresia Nyawira | National Commission for Science, Technology & Innovation | - Member |
| 4) Mr. Solomon Ngahu | National Treasury & Planning | - Member |
| 5) Mrs. Truphena Kirongo | Ministry of Education | - Member |
| 6) Mrs. Hilda Joyce Omwoyo | Kenya Technical Teachers College | - Member |



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KEY ENTITY INFORMATION

Corporate Information

Board of Directors

Chairman Board of Directors
Managing Director/ Secretary to the Board

Registered Office

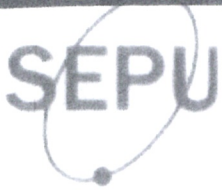
SEPU Headquarters, University of Nairobi,
Kenya Science Campus,
Ngong Road,
P.O. Box 25140-00603,
Nairobi, Kenya.

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.



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Our Auditor

The Auditor General,
Anniversary Towers
University Way
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



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BOARD OF DIRECTORS

1. Dr. Julius Ouma Jwan



The Chief Executive Officer, Kenya Institute of Curriculum Development, Chairman

Dr. Julius Jwan, year of birth 1965. He holds a PhD Degree in Educational Leadership & Management from the UK. He holds three masters degrees: a Master of Science (MSc) Degree in Educational Research Methods from the UK; a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master of Philosophy (MPhil) Degree in Linguistics from Moi University – Kenya, where he also graduated with a Bachelor of Education Degree.

He was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). Before joining the Commission, he was a lecturer at Moi University, School of Human Resource Development for over thirteen years – rising from the position of Tutorial Fellow to Senior Lecturer. Prior to that he was a teacher at a Secondary School in Homa-bay County and Kaimosi Teachers' College for cumulative five years.

Dr. Jwan has attended several fellowships and short courses including: Procurement and Tendering Processes; and Senior Management Course for Public Officers (both in Kenya); Education for Sustainable Peace (Germany); Enhancing Governance and Financial Administration in Africa (Botswana); Transitional Justice and Governance in Africa (South Africa); Reconciliation as Process and Practice (Sweden); Democratic Governance for Development in Africa (Uganda), among others.

2. Mr. Dickson L. Ole Keis

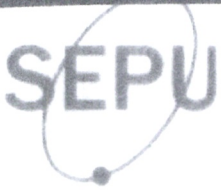
Managing Director

Mr. Dickson L. Ole Keis Mr. Dickson L. Ole Keis, year of birth 1958. He holds a Masters degree in Education Management, Policy and Curriculum studies from Kenyatta University and a Bachelors Degree in Arts from the University of Nairobi. He has served in the following Districts as a District Education Officer; Trans Mara, Turkana and Kilifi. He has also served as a County Director of Education in Kilifi County and Regional Coordinator of Education in Coast Region.



He also served as a Chief Executive Officer for National Council for Nomadic Education in Kenya (NACONEK). He is the Managing Director – School Equipment Production Unit. He has visited the following Countries on Educational related assignments: Turkey, Bangladesh and Japan.

Managing Director with effect from 1st August, 2017



SCHOOL EQUIPMENT PRODUCTION UNIT Annual Reports and Financial statements For the year ended 30 June, 2019

3. Ms. Teresia Nyawira



Alternate to Director General, National Commission for Science and Technology Innovation

Ms. Teresia Nyawira was born in 1972. She has a Bachelor of Education (Science) and a Master of Science from Kenyatta University. She has undergone short course trainings in Research Ethics (UNESCO), Project Planning and Management (Capacity Africa), Senior Management Course and Strategic Leadership Development Programme (Kenya School of Government). She is currently pursuing a PhD in Molecular Medicine from Jomo Kenyatta University of Agriculture and Technology, and a Master of Art degree in Monitoring and Evaluation.

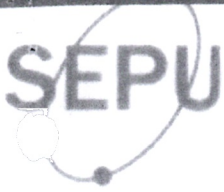
She has 14 years' experience of teaching sciences in both secondary and tertiary institution. For the last eight years, she has been involved in coordinating national programmes which include the Science Technology and Innovation research grant and the National Research Ethics programme. She is also well versed in policy formulation having participated in drafting several national policies and guidelines in research regulation.

4. FA CPA Solomon Thuo Ngahu

Alternate to Principal Secretary National Treasury

FA. CPA Solomon Ngahu, year of birth 1977. Pursuing PhD in Business administration (Finance Option) at JKUAT. He holds a Master's degree (MBA-Finance) from JKUAT, Master of Science Public Finance from University of London, Bachelor degree (Bcom)-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.





SCHOOL EQUIPMENT PRODUCTION UNIT Annual Reports and Financial statements For the year ended 30 June, 2019



5. Mrs. Truphena Kirongo

Alternate to Principal Secretary, State Department of Education,
Ministry of Education,

Mrs. Truphena Kirongo was born in 1962. She has a Bachelor of Education, a Master of Business Administration from Kenyatta University, Nairobi, Kenya and a Master of Education, Leadership and Management from Aga Khan University, Dar es Salaam, Tanzania. She has a work experience in Teaching service from 1986 - 1998 and in Civil Service as follows; Senior Education officer, Nandi District- 1998-

2001.

Deputy Municipal Education Officer, Mombasa Municipality-2001-2003

Municipal Education Officer, Mombasa Municipality- 2004- 2007

Assistant / Senior Assistant Director of Education, Directorate of Primary Education- 2007- 2016

Deputy Director of Education, Directorate of Secondary Education

Deputy Director of Education at Director General's office from 2018- to date

6. Mrs. Hilda Joyce Omwoyo

Principal Kenya Technical Teachers College

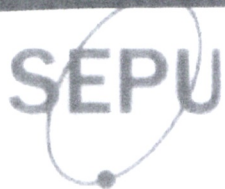
Mrs. Hilda Joyce Omwoyo was born in 1960. She is a teacher by profession. She has more than thirty years experience in teaching at both Secondary and college level. She has served as a graduate teacher of English and literature in English at Diploma college level, a lecturer, senior lecturer, principal lecturer, senior principal lecturer and senior principal. She is an experienced teacher trainer and a trainer of trainers in Arts, Science and Technical.

Mrs. Hilda has worked for several years worked as an administrator. She served both as a Deputy Head and Head of Department of English in Kenya Science Teachers College (KSTC) and in Kenya Technical Trainers College (KTTC). She also served as a member of the management team in KSTC and KTTC, Teaching Practice Coordinator,

Deputy Principal in charge of Academics for 6 years at KTTC. She is currently the Principal of Kenya Technical Trainers College (KTTC)

Mrs. Hilda is a writer of English Course Books. She has published books for Kenya, Tanzania, Zambia and Malawi. She has greatly been involved in the innovation club and implementation Competency Based Education Training. She has attended and participated in several National and International Conferences and courses in Kenya, Scotland, Nigeria, Uganda and Zambia. She has also visited England, South Africa, Tanzania, Uganda, and Rwanda for personal business.





SCHOOL EQUIPMENT PRODUCTION UNIT Annual Reports and Financial statements For the year ended 30 June, 2019

THE MANAGEMENT TEAM

1. Mr. Dickson L. Ole Keis

Managing Director



Mr. Dickson L. Ole Keis Mr. Dickson L. Ole Keis, year of birth 1958. He holds a Masters degree in Education Management, Policy and Curriculum studies from Kenyatta University and a Bachelors Degree in Arts from the University of Nairobi. He has served in the following Districts as a District Education Officer; Trans Mara, Turkana and Kilifi. He has also served as a County Director of Education in Kilifi County and Regional Coordinator of Education in Coast Region.

He also served as a Chief Executive Officer for National Council for Nomadic Education in Kenya (NACONEK). He is the Managing Director

– School Equipment Production Unit. He has visited the following Countries on Educational related assignments: Turkey, Bangladesh and Japan.

Managing Director with effect from 1st August, 2017

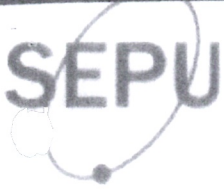
2. Mrs. Perpetua S. Wanaswa, OGW

Sales & Marketing Manager

Mrs. Perpetua Wanaswa, year of birth 1961. Pursuing PhD in Business Administration (Strategic Management option) at UON. She is a holder of (Masters Degree in Business Administration (Strategic Management option) from Daystar University. Bachelor of Business Administration (Finance and Accounting option) from Kenya Methodist University. CPA 1 and ACNC from Institute of Certified public Accountants, and Computer Application from Computer for Schools. Has offered services during the National Elections in Kenya in the year 2002 and 2007 as a Clerk and deputy Presiding Officer respectively in Nairobi County. She is a member of Board of Management for Kivaywa Secondary School, ICIFA and Kim Professional Studies. Has attended various seminars and workshops in various Institutions. Employed by SEPU as a Junior Clerk in Accounts Department and rose up the ranks of Head of Finance Department. In January 2010 was appointed the Acting Managing Director.



Awarded the order of the Grand Worrier of Kenya, (OGW) by His Excellency the President in 2013. For the outstanding performance. She is currently the Sales & Marketing Manager



SCHOOL EQUIPMENT PRODUCTION UNIT
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For the year ended 30 June, 2019

3.



CPA Salome Odek
 Ag. Head of Finance & Accounts

CPA Salome Odek, year of birth 1982.
 She holds Certified Public Accountant (CPA) K and a registered member of ICPAK.
 She holds a Degree in Bachelor of Commerce Finance Option from Kenyatta University.
 attended ESAAG Conference on Public Financial Management

Has Reforms (*Entebbe, Uganda*)
 Has attended ESAAG Conference on Enhancing the Effectiveness of Public Financial Management Systems (*Livingstone, Zambia*)
 She is a member of AWAK (Association of Women Accountants of Kenya)
 She is currently the Accountant at SEPU.

4. Mr. Philip Onyango

Production Manager

Mr Philip Onyango, year of birth 1976. He has a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University of Agriculture and Technology. He is currently pursuing a Degree in Project Planning and Management from the University of Nairobi. He is the Acting Production Manager at SEPU.



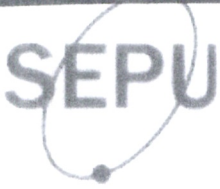
5. Ms Rachael Achieng Wanyanga

Human Resource Officer



Ms Rachael Achieng Wanyanga
 Miss. Rachael Achieng' Wanyanga, year of birth 1985.
 Holds a Higher Diploma in Human Resource Management and Industrial Relations (2006) from Technical University of Mombasa. Currently pursuing Degree in Bsc Human Resource Management at Moi University.
 Associate member of the Institute of Human Resource Management (IHRM)

She is currently the Human Resource Officer.



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Reports and Financial statements

For the year ended 30 June, 2019

CHAIRMAN'S STATEMENT

Introduction

On behalf of the Board of Directors of the School Equipment Production Unit (SEPU), I have tremendous honour and pleasure to announce another impressive year of record turnover contained in the Annual Reports and Financial Statements for the period ended 30th June, 2019. In this financial year, our gross revenue rose by 44.1%. During the year, the Unit was able to supply Primary Science Kits and mobile laboratories across the country among other products.

Brief highlight of the key activities during the year

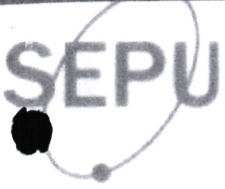
During the year under review, there were increased marketing activities in Counties and through partnerships with Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit got an opportunity to do presentations in County and Annual conferences. During these conferences the Unit was able to show case its product range and services.

The net loss during the current financial year 2018/2019 is Kshs. 18,840,675 compared to net loss of Kshs. 28,567,266 in 2017/2018 representing a decrease in net loss by 34%. Gross Revenue rose to Kshs. 52,241,430 compared to Kshs. 36,456,668 in 2017/2018 representing an increase of 44.1%.

During the year, the Unit developed its draft strategic plan covering the period 2019-2024. This plan will determine and guide the long term performance of the Unit. The 'Big Four' agenda especially manufacturing, will take 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

I am proud of what we have achieved this year. I am particularly proud of how we have turned our thinking and ambition to be a force for good into tangible business opportunities. We will continue to focus on a comprehensive agenda to build a sustainable business. The Unit has been committed to design, manufacture and distribute high quality science teaching and learning materials for learning institutions. The Unit has completed a workshop for spraying and painting redesigned its website and has also successfully reviewed the Human Resources Policies and Procedures Manual which is now being implemented. In addition, the Unit has started the process of developing Career Progression Guidelines which are in the process of implementation. The staff morale has been relatively high and the Unit intends to implement strategies that will continue to raise the staff morale.



SCHOOL EQUIPMENT PRODUCTION UNIT

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For the year ended 30 June, 2019

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, inadequate revenue allocation from the Government of Kenya, and lack of modern machines in the Production Unit. My Board is committed to ensure that resources are sourced from diversified sources to ensure the Unit achieves its targets over the next financial period.

Future outlook of the organization

The outlook for 2020 is favorable with the economic growth targeted at 23.7% 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.

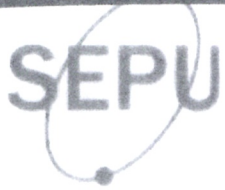
The Unit will support value addition and raise the manufacturing sector share of GDP. We envisage conducive operating environment even though the uncertainty related to the Curriculum review and its implementation may slow down sales. The Unit will continue with implementation of the Strategic Plan 2019-2024, 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.

Appreciation

The Unit appreciates the great financial support provided by the Government of Kenya, through the Parent Ministry, State Department of Early Learning and Basic Education, the Board of Directors for providing Strategic direction and leadership, the management team for their commitment to work as well as our Stakeholders, Business Partners and Clients for the business growth.

A handwritten signature in black ink, appearing to read 'H. O. O.', is written above a horizontal line.

Chairman Board of Director



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Reports and Financial statements

For the year ended 30 June, 2019

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 and the strategies developed are being implemented and 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

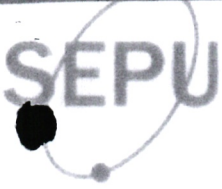
The Unit registered a loss of Kshs. 18,840,675 in the financial year 2018/2019 compared to a loss of Kshs. 28,567,266 in 2017/2018. In order to improve on the performance of the Unit, various strategies will be implemented such as advertising through the website and recruiting mainly sales people from different Counties who will work on commission and also advertise the products through different Medias to create awareness of the Unit's products.

The Unit is in the completion stage of upgrading Secondary School Science Kit. These products will be made accessible to all counties.

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). 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.



SCHOOL EQUIPMENT PRODUCTION UNIT Annual Reports and Financial statements For the year ended 30 June, 2019

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 2018/2019 (14th Cycle) 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 2018/2019.

Strategies for improving profits and reducing organizational losses:

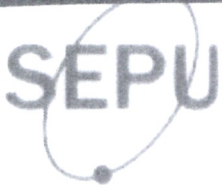
- 1) The Unit will uphold its Vision by ensuring that it becomes a leader in providing and supplying quality science teaching and learning materials in the region.
- 2) Finding new customers; the management has ensured that sales promotion and marketing of SEPU products to public schools, private schools 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 Parent Ministry, State Department of Early Learning and Basic Education by giving us 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.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

Managing Director



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Reports and Financial statements

For the year ended 30 June, 2019

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.

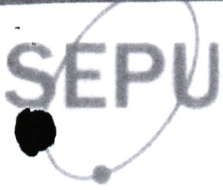
The Board

The Board of Directors is 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 | Area of expertise |
|-----------------------|---|
| 1) Dr. Julius O. Jwan | - Education, Leadership and Research Management |
| 2) Dickson L Ole Keis | - Education Management |
| 3) Teresia Nyawira | - Education and Science Policy |
| 4) Solomon Ngahu | - Finance and Accounting |
| 5) Truphena Kirongo | - Education Management |
| 6) Hilda Omwoyo | - Education Management |

The Board continues to offer oversight and review matters related to their duties including the Unit's strategy, financial performance, corporate governance, ensuring the 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 five (5) members: The Chairman, Representative of Principal Secretary, Ministry of Education, National Treasury, Chief Principal Kenya Technical Trainers College, Director General National Commission for Science and Technology Innovation, DG Inspectorate of State Corporations, and Managing Director, as per the Company Act Cap 486 of 1976 that established SEPU.



SCHOOL EQUIPMENT PRODUCTION UNIT

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For the year ended 30 June, 2019

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 except 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 AUDIT COMMITTEE

Members

| | | |
|--------------------|---|------------------------------|
| Teresia Nyawira | - | Chairperson |
| Truphena Kirongo | - | Member |
| Solomon Ngahu | - | Member |
| Dickson L Ole Keis | - | Managing Director/ Secretary |

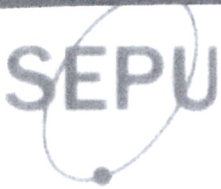
Role and function

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 Management Committee.

Attendance

Number of meetings scheduled for 2018/2019

| | | No. of meetings held. |
|--------------------|-------------------|-----------------------|
| Teresia Nyawira | Chairperson | 4 out of 4 |
| Solomon Ngahu | Member | 4 out of 4 |
| Truphena Kirongo | Member | 4 out of 4 |
| Dickson L Ole Keis | Managing Director | 4 out of 4 |



SCHOOL EQUIPMENT PRODUCTION UNIT Annual Reports and Financial statements For the year ended 30 June, 2019

BOARD FINANCE, GENERAL PURPOSES & HUMAN RESOURCE COMMITTEE

Members

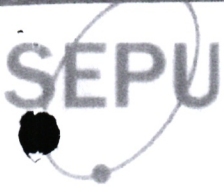
| | | |
|--------------------|---|------------------------------|
| Hilda Omwoyo | - | Chairperson |
| Solomon Ngahu | - | Member |
| Truphena Kirongo | - | Member |
| Dickson L Ole Keis | - | Managing Director/ Secretary |

Role and functions

The Finance and General Purpose 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 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.



SCHOOL EQUIPMENT PRODUCTION UNIT
Annual Reports and Financial statements
For the year ended 30 June, 2019

- 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 scheduled for 2018/2019

| | | No. of meetings held. |
|---------------------|------------------------------|------------------------------|
| Hilda Omwoyo | Chairperson | 5 out of 8 |
| Truphena Kirongo | Member | 8 out of 8 |
| Solomon Ngahu | Member | 8 out of 8 |
| Dickson L Ole Keis | Managing Director/ Secretary | 8 out of 8 |



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Reports and Financial statements

For the year ended 30 June, 2019

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Unit emphasizes on promoting positive social and environmental change on the community where it operate to uplift the standard of living. It is also committed to social, economic and environmental sustainability. There are initiatives that have been geared to promote the social responsibilities which include:-

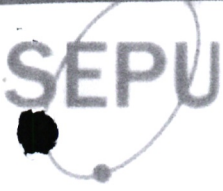
Our commitment to our stakeholders and improving quality of learning in schools is central to our corporate identity.

We 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.

Over the 2018/2019 financial year, we supported needy schools through partnerships with education related organizations' as indicated below;

- i.) SEPU donated 9 secondary science kits to 3 needy Schools in Murang'a County through Sportpesa Foundation.
- ii.) SEPU donated 9 secondary science kits to 3 needy Schools in Kisumu County through Sportpesa Foundation.
- iii.) During 2018/2019 financial year, SEPU donated 3 sets of Secondary Science Kits that is Biology, Physics and Chemistry to the following schools;
 - Ayiecho Nyatao Secondary School – Kisumu County
 - Nalepo Tae Gong Sec School – Kajiado County
 - Iembeni Secondary School – Kiambu County
- iv.) With 100% transition from Primary to Secondary Schools CSR for communities is key to enable access to quality education. By adopting CSR SEPU has helped needy Schools to bridge education gaps.
- v.) The Unit has maintained a clean environment by establishing a Committee who ensures that wastes are properly disposed off, to enable the environment around to be clean, secure, and sustainable as per the Environmental Management Coordination Act (EMCA).



SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Reports and Financial statements

For the year ended 30 June, 2019

REPORT OF THE BOARD OF DIRECTORS

The directors submit their report together with the audited financial statements for the Year ended 30th June 2019 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 earnings amounting to 12,695,780

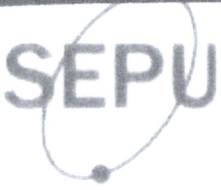
Auditors

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 Act 2015.

Directors

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

- | | | | |
|----|-------------------------|---|---------------------------|
| 1) | Dr. Julius Ouma Jwan | Kenya Institute of Curriculum Development | - Chairman |
| 2) | Mr. Dickson L. Ole Keis | School Equipment Production Unit | - Chief Executive Officer |
| 3) | Mrs. Teresia Nyawira | National Commission for Science, Technology & Innovation | - Member |
| 4) | Mr. Solomon Ngahu | National Treasury & Planning | - Member |
| 5) | Mrs. Truphena Kirongo | Ministry of Education | - Member |
| 6) | Mrs. Hilda Joyce Omwoyo | Kenya Technical Teachers College | - Member |



SCHOOL EQUIPMENT PRODUCTION UNIT
Annual Reports and Financial statements
For the year ended 30 June, 2019

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.

The financial statements were approved by the Board of directors on 30/9/ 2019 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'H. ...', is written above a horizontal line.

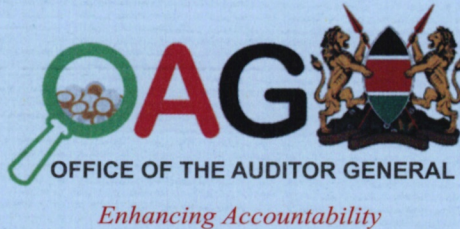
Chairman Board of Directors

A handwritten signature in black ink, appearing to be 'D. ...', is written above a horizontal line.

Managing Director/ Secretary to the Board

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2019

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

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of School Equipment Production Unit as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

Basis for Qualified Opinion

1. Receivables and Prepayments

As previously reported and as disclosed in Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.84,054,800 under receivables and prepayments. The balance includes trade receivables totalling to Kshs.33,942,817, out of which an amount of Kshs.22,621,361 has been outstanding for more than ten (10) years. Supporting documents for the amount were not provided for audit review. Further, the balance of Kshs.84,054,800 includes staff advances of Kshs.982,040, out of which an amount of Kshs.829,984 was in respect of staff advances due from deceased employees and those who had since left the Unit. Recoverability is therefore, doubtful.

The Management explained that a fire broke out in the Unit's Headquarters in 2007 and destroyed supporting schedules relating to receivables hindering recovery of the debtors

due to lack of evidence. Additional information indicated that the Management wrote to the parent Ministry in November, 2017 requesting for authority to write off the outstanding debts but lack of the relevant information and documentation has delayed the write off process.

In the circumstances, it has not been possible to confirm the validity, accuracy and full recoverability of the receivables and prepayments amount of Kshs.22,621,361.

2. Trade and Other Payables

As previously reported, the trade and other payables balance of Kshs.23,991,099 reflected in the statement of financial position includes trade payables of Kshs.8,239,115, out of which payables totalling to Kshs.7,209,565 has been outstanding for more than ten (10) years. Further, supporting documents for the payables totalling to Kshs.7,209,565 were not availed for audit review. The Management explained that the fire of 2007 in the Unit's Headquarters destroyed supporting schedules relating to the payables. The Management placed advertisements in the daily newspapers in November, 2016 requesting creditors to present documents supporting the services offered to the Unit but with little success. Further, the Management wrote to the Parent Ministry in November, 2019 for concurrence and approval by The National Treasury to write off the outstanding creditors. However, no such approval had been availed as at the date of this report.

In the circumstances, it has not been possible to confirm the validity and accuracy of the trade and other payables amount of Kshs.7,209,565.

3. Land

As disclosed in Note 14 to the financial statements, the property, plant and equipment balance of Kshs.93,350,238 reflected in the statement of financial position includes land at a cost of Kshs.63,000,000. The parcel of land identified as plot No. LR.209/14009 and measuring 5.1 hectares, is situated at Imara Daima Estate, Industrial Area and is registered under the Unit's name. Although the land was allocated to the Unit in 1996, the Unit has not been able to develop it due to subsequent invasion by informal settlers. Although Management has requested the National Land Commission to reclaim the land for development by evicting the informal settlers, progress made in this regard has not been disclosed.

In the circumstances, it has not been possible to ascertain the ownership status of the piece of land and to confirm that the property, plant and equipment balance of Kshs.93,350,238 is fairly stated.

4. Supply of School Equipment

As reported in the previous years, the Unit entered into a contract in the year 2006 with a local Company for the supply of various pieces of laboratory equipment, chemicals and teaching aids to 1,457 secondary schools across the Country, at a contract price of Kshs.226,772,450. According to records available, the Unit in 2008/2009 financial year

received an amount of Kshs.261,326,532 from the Ministry of Education for the purpose. The Unit used direct procurement and made an advance payment of Kshs.75,086,880 to the supplier.

Additional information indicates that the Ethics and Anti-Corruption Commission (EACC) intercepted and four (4) officers of the Unit were arraigned in court for not following procurement procedures. The case was concluded on 28 August, 2013 and the supplier was directed to surrender Kshs.70,000,000 to The National Treasury and pay an additional balance of Kshs.5,086,880 plus undetermined interest as a fine. Documentary evidence availed by Management confirmed that a refund of Kshs.70,000,000 was received by The National Treasury in 2013/2014 financial year leaving a balance of Kshs.5,086,880 and undetermined interest on the principal amount.

A review of the matter indicated that another judgement was entered in favour of the supplier on 7 December, 2017 for a sum of Kshs.150 million cost and interest. However, the Unit obtained stay of the judgement and orders pending hearing and determination of the intended appeal. However, there is no disclosure of the contingent liability in the financial statements.

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

Emphasis of Matter

Financial Performance

The statement of financial performance reflects a loss of Kshs.18,840,675 (2018: Kshs.28,567,266) thereby reducing the retained earnings from Kshs.31,536,455 to Kshs.12,695,780. The loss-making trend of the Unit, if not reversed, may wipe out the accumulated reserves.

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. I have determined that there are no Key Audit Matters to communicate in my report

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.93,000,000 and Kshs.73,692,327 respectively,

resulting to an under-funding of Kshs.19,307,673 or 21% of the budget. Similarly, the Unit incurred an expenditure of Kshs.64,882,110 against an approved budget of Kshs.63,770,000 resulting in an over-expenditure of Kshs.1,112,110. The under-funding and over-expenditure affected the planned activities of the Unit and may have impacted negatively on service delivery to the public.

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 matters 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.

Investment in Call Deposits

As disclosed in Note 18 to the financial statements, the statement of financial position reflects a balance of Kshs.22,231,649 representing investment in a call deposit at a local bank. This is contrary to The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills and/or Treasury Bonds directly through Central Bank of Kenya without intermediaries.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the 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, proper books of account have been kept by the Unit, so far as appears from my examination of those books; and,
- (iii) The Unit's financial statements are in agreement with the books of account.

Responsibilities of Management and those Charged with Governance

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

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

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

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

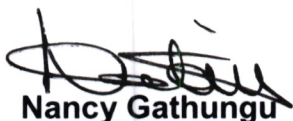
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Unit's ability to continue as a going concern or to sustain its services. 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 to continue as a going concern or to sustain its services.
- 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 control that are identified during the audit.

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi

05 July, 2021

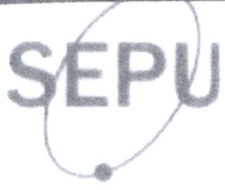


SCHOOL EQUIPMENT PRODUCTION UNIT
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For the year ended 30 June, 2019

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

| REVENUES | | 2019 | 2018 |
|---------------------------|--------------|---------------------|-----------------------|
| | Notes | Kshs | Kshs |
| Turnover | [2] | 52,241,430 | 36,456,668 |
| | | 52,241,430 | 36,456,668 |
| Less cost of Sales | [3] | (27,650,892) | (35,379,726)RE |
| Gross Profit | | 24,590,538 | 1,076,942 RE |
| Grants | [4a] | 19,700,000 | 30,000,000 |
| Investment income | [5] | 1,750,897 | 3,692,624 |
| Total Gross Income | | 46,041,435 | 34,769,566 |
| EXPENDITURE | | | |
| Establishment Expenses | [6] | (2,232,077) | (1,467,008) |
| Board Expenses | [7] | (3,995,080) | (2,358,542) |
| Staff Costs | [8] | (26,884,339) | (21,414,540) |
| Operating Expenses | [9] | (14,389,918) | (22,292,855) |
| Other Operating Expenses | [10] | (4,047,951) | (4,741,642) |
| Selling expenses | [11] | (13,180,648) | (10,945,233) |
| Finance Costs | [12] | (152,097) | (117,012) |
| Total Expenses | | (64,882,110) | (63,336,832) |
| Loss for the year | | (18,840,675) | (28,567,266) |
| Less Corporation Tax | | - | - |
| Loss for the year | | (18,840,675) | (28,567,266)RE |

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




SCHOOL EQUIPMENT PRODUCTION UNIT
Annual Reports and Financial statements
For the year ended 30 June, 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

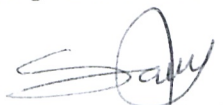
| ASSETS | NOTE | 2019 | 2018 |
|---|----------|--------------------|-----------------------|
| Non current assets | | Kshs | Kshs |
| Property, Plant & Equipment | [14] | 93,350,238 | 94,936,307 |
| | | 93,350,238 | 94,936,307 |
| Current assets | | | |
| Inventories | [15] | 17,400,012 | 23,615,545 RE |
| Receivables & Prepayments | [16] | 84,054,800 | 82,224,089 |
| Cash and bank balance | [17] | 2,536,288 | 17,653,281 |
| Investment (Call Deposit) | [18] | 22,231,649 | 40,906,354 |
| TOTAL ASSETS | | 219,572,987 | 259,335,576 RE |
| CAPITAL & RESERVES | | | |
| Retained Earnings | [19.i] | 12,695,780 | 31,536,455 RE |
| Revaluation Reserve | [19.ii] | 67,633,650 | 67,633,650 |
| Capital Reserves | [19.iii] | 71,085,064 | 71,085,064 |
| Deferred Special Grant | [19.iv] | 44,167,394 | 61,091,615 RE |
| | | | |
| TOTAL CAPITAL AND RESERVES | | 195,581,888 | 231,346,784 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade & other Payables | [20] | 23,991,099 | 27,988,792 |
| TOTAL CAPITAL RESERVES & LIABILITIES | | 219,572,987 | 259,335,576 |

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors on 30 / 09 2019 by:



Managing Director/ C.E.O

Name: DICKSON L. OLE KEIS



Ag. Head of Finance & Accounts

Name: SALOME A. ODEK

ICPAK M/NO: 21822



Chairman Board of Directors

Name DR. JULIUS OUMA JWAN

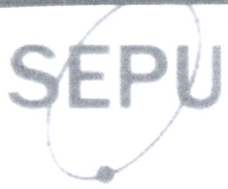
The significant accounting policies and the notes set out on pages 7 to 19 forms an integral part of these financial statements.



SCHOOL EQUIPMENT PRODUCTION UNIT
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

| | Retained earnings Kshs | Revaluation Reserves Kshs | Capital Reserves Kshs | Deferred Special Grant Kshs | Total Kshs |
|--|----------------------------|---------------------------|-----------------------|-----------------------------|----------------------------|
| Balance as at 01.07.2016 | 78,167,238 | 67,633,650 | 66,105,064 | 75,511,650 | 287,417,602 |
| Provision for Corporation tax (Adjusted) | | | | | - |
| Government Development Grant | - | - | 3,888,000 | (11,457,211) | (7,569,211) |
| Secondary school science kits | - | - | - | - | - |
| Loss for the period | (18,063,517) | - | - | - | (18,063,517) |
| Balance as at 30.06.2017 | 60,103,721 ^{RE} | 67,633,650 | 69,993,064 | 64,054,439 | 261,784,874 |
| | | | | | |
| | Retained earnings Kshs | Revaluation Reserves Kshs | Capital Reserves Kshs | Deferred Special Grant Kshs | Totals Kshs |
| Balance as at 01.07.2017 | 60,103,721 | 67,633,650 | 69,993,064 | 78,015,836 | 275,746,271 |
| Government Development Grant | - | - | 1,092,000 | - | 1,092,000 |
| Differed Special Grant Utilized | | | | (16,924,221) | (16,924,221) |
| Loss for the period | (28,567,266) ^{RE} | - | - | - | (28,567,266) ^{RE} |
| Balance as at 30.06.2018 | 31,536,455 | 67,633,650 | 71,085,064 | 61,091,615 | 231,346,784 |
| Balance as at 01.07.2018 | 31,536,455 | 67,633,650 | 71,085,064 | 61,091,615 | 231,346,784 |



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| | | | | | |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|--------------------|
| | | | | | |
| Government Development Grant | - | - | - | - | - |
| Differed Special Grant Utilized | - | - | - | (16,924,221) | (16,924,221) |
| | | | | | |
| Loss for the period | (18,840,675) | - | - | - | (18,840,675) |
| | | | | | |
| Balance as at 30.06.2019 | 12,695,780 | 67,633,650 | 71,085,064 | 44,167,394 | 195,581,888 |
| | | | | | |

NOTE: Restatements

RE denotes that balances have been restated.

- i.) **Restated Loss** - from negative Kshs 18,180,529 to negative Kshs. 28,567,266.
 - ii.) **Restated Cost of Sale** - From Kshs. 24,992,989 to Kshs. 35,379,726.
 - iii.) **Restated Retained Earnings** - From Kshs. 38,960,368 to Kshs. 31,536,455.

 - iv.) **Deferred special grant** - From Kshs. 64,054,435 to Kshs. 61,091,615
The restatement is due to Omission / error of exclusion of Kshs. 2,962,820 for 2017/2018.
 - v.) **Restated Inventories** - From Kshs. 34,002,282 to Kshs. 17,400,012
The restatement is due to adjustment made between physical and ledger balances of obsolete and expired stocks.
- Losses for the two (2) Years**
The Unit has continued to incur losses due to less funding of grants from the Ministry of Education.



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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

| | | 2019 | 2018 |
|---|--------------|---------------------|------------------------|
| | Notes | Kshs | Kshs |
| Loss before taxation | | (18,840,675) | (28,567,266) RE |
| Add Depreciation for the year | [14] | 1,586,069 | 1,264,057 |
| Cash flows from operating activities | | (17,254,606) | (27,303,209) |
| | | | |
| Less: Investment Income | | (1,750,897) | 3,692,624 |
| | | (19,005,503) | (23,610,585) |
| Changes in Working Capital | | | |
| Increase/(Decrease) in operating assets: | | | |
| Increase/ Decrease in Receivables & Prepayments | | (1,830,711) | (707,366) |
| Increase/ Decrease in Payables & Accruals | | 3,997,693 | 2,199,383 |
| Increase/(Decrease) in inventory | | 6,215,533 | 14,301,986 RE |
| | | 8,382,515 | 15,794,003 |
| Tax paid | | | |
| Net cash flows from operating activities | | (10,622,988) | (7,816,582) |
| | | | |
| Cash flows from Investing activities | | | |
| Purchase of Property plant & Equipment | [14] | (2,939,980) | (650,995) |
| Add: Investment income | [5] | 1,750,897 | 3,692,624 |
| Net Cash Generated from Investing activities | | (1,189,083) | 3,041,629 |
| | | | |
| Cash flows from Financing activities | | | |
| Increase/(Decrease) in Deferred Special Grant | | (21,979,627) | (6,957,487) RE |
| Development Grant | | - | 1,092,000 |
| Net Cash Generated from Financing activities | | (21,979,627) | (5,785,307) |
| | | | |
| Net increase/(decrease) in cash and cash equivalents | | (33,791,698) | (10,640,440) |
| Cash and cash equivalents at 1st July 2018 | | 58,559,635 | 69,200,075 |
| Cash and cash equivalents at 30 June, 2019 | [17 i.] | 24,767,937 | 58,559,635 |



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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|-------------------------------|-------------------|-------------------|-------------------|----------------------------|------------------------|
| | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 | 2018-2019 |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Revenue | | | | | |
| Sale of goods | 70,000,000 | 70,000,000 | 70,000,000 | 52,241,430 | 17,468,760 |
| Sale of services | - | - | - | - | - |
| Transfers from the Government | 20,000,000 | 20,000,000 | 20,000,000 | 19,700,000 | 300,000 |
| Donations in kind | - | - | - | - | - |
| Finance Income | 3,000,000 | 3,000,000 | 3,000,000 | 1,750,897 | 1,249,103 |
| Other income | - | - | - | - | - |
| Total income | 93,000,000 | 93,000,000 | 93,000,000 | 73,692,327 | 19,017,863 |
| Expenses | | | | | |
| Compensation of employees | 27,820,000 | 27,820,000 | 27,820,000 | 26,884,339 | 935,661 |
| Use of goods and services | - | - | - | - | - |
| Finance cost | 200,000 | 200,000 | 200,000 | 152,097 | 48,623 |
| Rent paid | - | - | - | - | - |
| Taxation paid | - | - | - | - | - |
| Other payments | 35,750,000 | 35,750,000 | 35,750,000 | 37,845,674 | (2,095,674) |
| Grants and subsidies paid | - | - | - | - | - |
| Total expenditure | 63,770,000 | 63,770,000 | 63,770,000 | 64,882,110 | (1,111,390) |
| Surplus for the period | 29,230,000 | 29,230,000 | 29,230,000 | 8,810,217 | 20,129,253 |



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NOTES TO THE FINANCIAL STATEMENTS

[1.] Summary of Significant accounting Policies

The principle 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.



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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

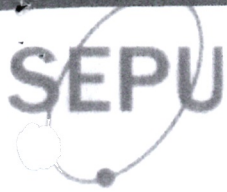
Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises the cost of raw materials and attributable production overheads appropriate to the location and condition of the stock at the balance sheet date. Stock consists of stock taking as at 30th June 2019.

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.



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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 2019 and 30th June 2018 is as shown below:

| | 30 June, 2019 | 30 June, 2018 |
|---------------------------|----------------------|----------------------|
| | Kshs. | Kshs. |
| Receivables & Prepayments | 84,054,800 | 82,224,089 |
| Cash and cash equivalent | 24,767,937 | 58,559,635 |

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 2019 and 30th June 2018 are as below:

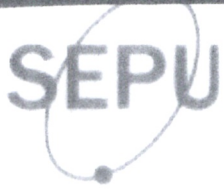
| | 30 June, 2019 | 30 June, 2018 |
|------------------------|----------------------|----------------------|
| | Kshs. | Kshs. |
| Trade & Other Payables | 23,991,099 | 27,988,792 |

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



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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:

| | 30/06/2019 | 30/06/2018 |
|-------------------|--------------------------|--------------------------|
| | Kshs | Kshs |
| Recurrent grant | 19,700,000 | 30,000,000 |
| Development grant | - | <u>1,092,000</u> |
| | <u>19,700,000</u> | <u>31,092,000</u> |

ii.) Directors Remuneration

| | | |
|------------------------------|-----------|-----------|
| Allowance and other expenses | 3,995,080 | 2,358,542 |
|------------------------------|-----------|-----------|

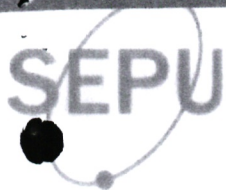
Contingencies

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 are the contingencies which exists within the unit;

Litigations -There exists litigations against the unit which are in progress and related to the following matters;

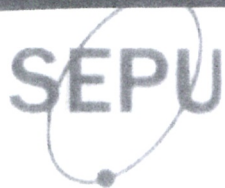
- i.) HCCC No. 110 of 2010
Vulcan Lab Equipment Vs School Equipment Production Unit and Kenya Anti- Corruption Commission.
- ii) Nairobi Industrial Court Case No.77 of 2014 Kenya engineering Workers Union VS SEPU.
- iii) Land encroached and the Unit is in the process of reclaiming the land



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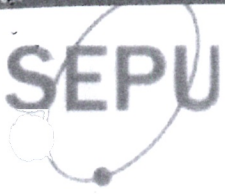
NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | Kshs | Kshs |
| [2] Turnover | | |
| Turnover for the year | 52,531,240 | 36,456,668 |
| Less sales Returns | <u>(289,810)</u> | <u>-</u> |
| Net Turnover | <u>52,241,430</u> | <u>36,456,668</u> |
| <p>The turnover for the current period went up compared to the previous period. In the previous period, SEPU had done sales and marketing of science kits in all the counties country wide.</p> | | |
| [3] Cost of Sales | | |
| Opening stock | 23,615,545 | 37,917,531 |
| Add-purchases | 21,435,359 | 21,077,740 |
| Less- closing Stock | <u>(17,400,012)</u> | <u>(23,615,545)</u> |
| | <u>27,650,892</u> | <u>35,379,726</u> |
| [4] Government Grants | | |
| a. Recurrent Grant | 19,700,000 | 30,000,000 |
| b. Development Grant | - | 1,092,000 |
| [5] Investment Income | | |
| Interest earned | <u>1,750,897</u> | <u>3,692,624</u> |
| | <u>1,750,897</u> | <u>3,692,624</u> |



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| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| [6] Establishment Expenses | | |
| Repairs & maintenance of Equipment & Building | 460,976 | 355,555 |
| Motor vehicle running expenses & repairs | 1,771,101 | 1,111,453 |
| | <u>2,232,077</u> | <u>1,467,008</u> |
| [7] Board Expenses | | |
| Sitting Allowance | 1,740,000 | 1,672,000 |
| Honoraria | 960,000 | 580,000 |
| Lunch & Snacks | 330,280 | 64,542 |
| Transport | 30,000 | 42,000 |
| Training | 934,800 | - |
| | - | - |
| | <u>3,995,080</u> | <u>2,358,542</u> |
| [8] Staff Costs | | |
| Salaries & wages | 23,436,115 | 18,907,190 |
| Staff welfare | 1,758,815 | 1,460,961 |
| Staff uniform | - | 130,625 |
| Leave travelling allowance | 136,000 | 156,960 |
| Pension Expenses- employer's contribution | 523,804 | 405,588 |
| Staff medical expense | 1,029,605 | 353,216 |
| Insurance premiums (Medical) | - | - |
| | <u>26,884,339</u> | <u>21,414,540</u> |
| [9] Operating Expenses | | |
| Telephone Expenses | 515,832 | 632,256 |
| Printing and stationery | 234,387 | 468,523 |
| Insurance premiums (Assets) | 182,237 | 241,815 |
| Travelling & subsistence (Local & Foreign) | 7,394,580 | 5,831,240 |
| Subscriptions and Donations | 175,900 | 100,000 |
| Office expenses | 3,572,199 | 2,644,275 |
| Training & recruitment | 553,935 | 822,890 |
| Building & Construction Expenses | - | 1,964,712 |
| Electricity & water | 447,925 | 355,307 |
| ISO Training Expenses | - | 259,874 |
| Secondary school science kit | 60,000 | 7,427,511 |
| IT Expenses | 410,350 | 893,000 |
| Security services | 495,573 | 457,452 |
| Team Building & End of Year Party | 347,000 | 194,000 |
| | <u>14,389,918</u> | <u>22,292,855</u> |



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| | 2019 Kshs | 2018 Kshs |
|--|---------------------|---------------------|
| [10] Other Operating Expenses | | |
| Audit fees | 661,897 | 350,000 |
| Professional & Legal fees | 1,799,985 | 969,483 |
| Depreciation Expense | 1,586,069 | 1,264,057 |
| Restructuring Expenses | - | 791,700 |
| Tax Expenses | - | 1,366,402 |
| | 4,047,951 | 4,741,642 |
| [11] Selling expenses | | |
| Advertising, sales promotion & marketing | 8,114,498 | 8,333,669 |
| Packaging materials (Stores Expenses) | 21,363 | 13,148 |
| Transport-Despatch & postage | 5,044,787 | 2,598,416 |
| | 13,180,648 | 10,945,233 |
| [12] Finance Costs | | |
| Bank charges | 152,097 | 117,012 |
| | 152,097 | 117,012 |
| [13] Corporation Tax | | |
| Loss for the year | (18,840,675) | (28,567,266) |
| Tax for the year (30%) | - | - |

N/B; In this financial year, corporation taxes were not paid due to losses.



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| [14] | 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 | | | | | | | |
| | Balance as at 01.07.2017 | 63,000,000 | 35,074,533 | 3,321,155 | 1,052,053 | 9,528,636 | 728,800 | 112,705,177 |
| | Additions | - | - | - | 372,995 | 39,500 | 238,500 | 650,995 |
| | Disposal | - | - | - | - | - | - | - |
| | Balance as at 30.06.2018 | 63,000,000 | 35,074,533 | 3,321,155 | 1,425,048 | 9,568,136 | 967,300 | 113,356,172 |
| | DEPRECIATION | | | | | | | |
| | Balance as at 01.07.2017 | - | 4,434,239 | 2,863,165 | 833,046 | 8,881,859 | 143,227 | 17,155,536 |
| | Charge for the year | - | 766,007 | 114,498 | 177,601 | 102,942 | 103,009 | 1,264,057 |
| | Balance as at 30.06.2018 | - | 5,200,246 | 2,977,663 | 1,010,647 | 8,984,801 | 246,236 | 18,419,593 |
| | NET BOOK VALUE | | | | | | | |
| | Balance as at 30.06.2018 | 63,000,000 | 29,874,287 | 343,493 | 414,401 | 583,062 | 721,064 | 94,936,307 |
| | Balance as at 30.06.2017 | 63,000,000 | 30,640,294 | 457,990 | 219,007 | 646,777 | 585,573 | 95,549,641 |

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| | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
|--------------------------|------------|------------|-----------|-----------|-----------|---------|--------------------|
| COST | | | | | | | |
| Balance as at 01.07.2018 | 63,000,000 | 35,074,533 | 3,321,155 | 1,425,048 | 9,568,136 | 967,300 | 113,356,172 |
| Additions | - | - | - | 146,950 | 2,328,520 | 464,510 | 2,939,980 |
| Balance as at 30.06.2019 | 63,000,000 | 35,074,533 | 3,321,155 | 1,425,048 | 9,568,136 | 967,300 | 116,296,152 |
| DEPRECIATION | | | | | | | |
| Balance as at 01.07.2018 | - | 5,200,246 | 2,977,663 | 1,010,647 | 8,984,801 | 246,236 | 18,419,593 |
| Charge for the year | - | 746,857 | 85,873 | 168,405 | 436,737 | 148,197 | 1,586,069 |
| Balance as at 30.06.2019 | - | 5,947,103 | 3,063,536 | 1,179,052 | 9,421,538 | 394,433 | 20,005,662 |
| NET BOOK VALUE | | | | | | | |
| Balance as at 30.06.2019 | 63,000,000 | 29,127,430 | 257,620 | 245,996 | 146,325 | 572,867 | 93,350,238 |
| Balance as at 30.06.2018 | 63,000,000 | 29,874,287 | 343,493 | 414,401 | 583,062 | 721,064 | 94,936,307 |



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

| | 2019 | 2018 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| [15] Inventories | | |
| Chemical Stocks | 824,860 | 1,408,115 |
| Equipment stocks | 12,379,034 | 18,853,693 |
| Workshop stocks | 4,196,118 | 3,353,737 |
| | 17,400,012 | 23,615,545 |
| [16] Receivables & Prepayments | | |
| Trade Receivables | 33,942,817 | 32,076,205 |
| Other Current Assets | | |
| Staff Advances | 982,040 | 1,017,941 |
| | 34,924,857 | 33,094,146 |
| Less Provision for doubtful debts | (25,956,938) | (25,956,938) |
| | 8,967,919 | 7,137,208 |
| Add Receivable from Ministry of Education | 75,086,881 | 75,086,881 |
| Total Net Debtors | 84,054,800 | 82,224,089 |
| The receivable from Ministry of Education represent the amount of down payment to Vulcan Lab Equipment. After the court ruling, the Kshs. 70,000,000 was transferred to National Treasury. | | |
| [17] Cash & Bank balances | | |
| Kenya Commercial Bank Limited | 2,350,773 | 17,264,981 |
| National Bank of Kenya Limited | 145,232 | 374,050 |
| Co - operative Bank (Haba na Haba) | 2,067 | - |
| Cash at Hand | 38,216 | 14,250 |
| | 2,536,288 | 17,653,281 |
| [17 i.] Cash and Cash Equivalents | | |
| Cash and Cash Equivalents consist of cash on hand, cash at bank and Investments. | | |
| Cash in hand and at bank | 2,536,288 | 17,653,281 |
| Investment (Call Deposit) (18) | 22,231,649 | 40,906,354 |
| Cash and Cash Equivalents | 24,767,937 | 58,559,635 |

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NOTES TO
THE FINANCIAL STATEMENTS (Continued)

| | 2019 Kshs | 2018 Kshs |
|---|----------------------------|----------------------------|
| [18] Investment (Call Deposit) | | |
| Co-operative Bank of Kenya Limited | 22,231,649 | 40,906,354 |
| | 22,231,649 | 40,906,354 |
| 19 i.) Retained Earnings | | |
| Retained Earnings | 31,536,455 | 60,103,721 |
| Loss | (18,840,675) | (28,567,266) |
| | 12,695,780 | 31,536,455 |
| ii.) Revaluation Reserve | | |
| Revaluation Reserve on land | 63,000,000 | 63,000,000 |
| Revaluation Reserve on Buildings | <u>4,633,650</u> | <u>4,633,650</u> |
| | <u>67,633,650</u> | <u>67,633,650</u> |
| iii.) Capital & Reserves | | |
| Opening balance | 71,085,064 | 69,993,064 |
| Government Development Grant | - | 1,092,000 |
| | 71,085,064 | 71,085,064 |
| The accumulated grants and loans received from/ or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976. | | |
| iv.) Deferred Special Grant | | |
| Opening balance | 61,091,615 | 61,091,615 |
| Development Grant utilized | (16,924,221) | - |
| | 44,167,394 | 61,091,615 |
| [20] Trade & Other Payables | | |
| Trade Payables | 8,239,115 | 12,071,248 |
| 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 |
| J.O Juma & Co. Advocates | - | 115,560 |
| Provision for Corporate tax | 11,681,848 | 11,681,848 |
| Nyamweya & Mamboleo Advocates | - | 50,000 |
| | 23,991,099 | 27,988,792 |

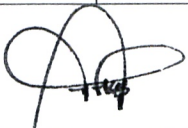


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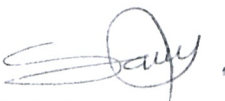
APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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 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. | Receivables and Prepayments | The long outstanding debts are waiting to be written off as the management seeks the authority from National Treasury. | Salome A. Odek Head of Finance & Accounts | In progress | 30 th June 2020 |
| 2. | Trade and Other Payables | The long outstanding trade and other payables are waiting to be written off as the management seeks the authority from National Treasury. | Salome A. Odek Head of Finance & Accounts | In progress | 30 th June 2020 |
| 3. | Land | Management written to Commissioner of Lands concerning land recovery. | Mr. Dickson L. Ole Keis Managing Director | In progress | 30 th June 2020 |
| 4. | Supply of School Equipment | The matter is still in court. It involves accounts receivable of Kshs. 75,086,881 | Mr. Dickson L. Ole Keis Managing Director | In progress | 30 th June 2020 |


Managing Director/ C.E.O

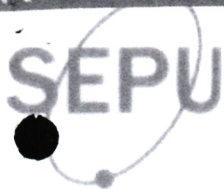
Date.....26/2/2020.....


Ag. Head of Finance & Accounts

Date.....26/2/2020.....


Chairman Board of Directors

Date....26/2/2020.....



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APPENDIX III: INTER- ENTITY TRANSFERS

| Break Down of Transfers From State Department of Early Learning & Basic Education (Ministry of Education) | | | | |
|---|-----------------------|--------------------------------|----------------------|---|
| FY 2018/2019 | | | | |
| a. Recurrent Grants | | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>FY to which the amounts relate</u> |
| | Kenya Commercial Bank | 22/08/2018 | 3,750,000.00 | 2018/2019 |
| | Kenya Commercial Bank | 07/12/2018 | 3,600,000.00 | 2018/2019 |
| | Kenya Commercial Bank | 29/01/2019 | 3,675,000.00 | 2018/2019 |
| | Kenya Commercial Bank | 16/05/2019 | 3,675,000.00 | 2018/2019 |
| | Kenya Commercial Bank | 09/07/2019 | 5,000,000.00 | 2018/2019 |
| | | Total | 19,700,000.00 | |
| 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.

Ag. Head of Finance & Accounts (SEPU)

Head of Accounting Unit

Ministry of Education

Date.....26/2/2020.....

Date.....26/2/2020.....

