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REPORT

OF

THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY
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ON

SCHOOL EQUIPMENT PRODUCTION UNIT

FOR THE YEAR ENDED
30 JUNE, 2025

OFFICE OF THE AUDITOR GENERAL
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SEPU

SEPU
School Equipment Production Unit

ANNUAL REPORT AND FINANCIAL STATEMENTS

30TH JUNE
2025







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

"Providers of Quality Science Equipment and Learning Materials"

SCHOOL EQUIPMENT PRODUCTION UNIT

ABOUT SEPU

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

VISION

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

CORE VALUES

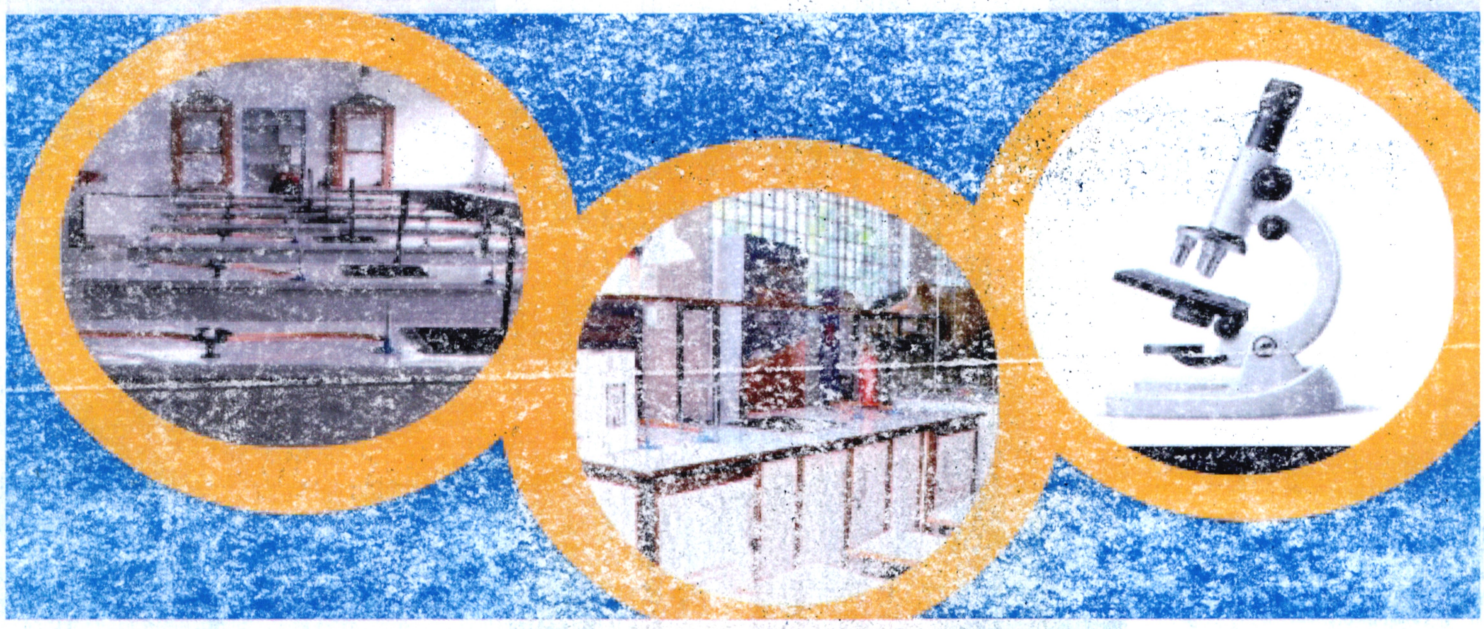
Professionalism,Quality, Innovativeness,Team Spirit,Integrity,Fairness.

MISSION

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

TAGLINE

Providers of Quality Science Equipment and Learning Materials



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1. Acronyms and Definitions of Terms

A: Acronyms and Abbreviations

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

GoK	Government of Kenya
ICT	Information and Communication Technology
KICD	Kenya Institute for Curriculum Development
JSS	Junior Secondary School
KEPSHA	Kenya Primary Schools Headteachers Association
KSSHA	Kenya Secondary Schools Heads Association
KEPSA	Kenya Private Schools Association
KPEEL	Kenya Primary Equity in Early Learning
KNEC	Kenya National Examination Council
MOE	Ministry of Education
NGOs	Non-Governmental Organisations
RBA	Retirement Benefits Authority
SAGA	Semi-Autonomous Government Agency
TVET	Technical and Vocational Education and Training
TOR	Terms of Reference
AWAK	Association of Women Accountants of Kenya
SLIMC	School Learning and Instructional Materials Centre
KEC	Kenya Education Cloud
ESG	Environmental, Social and Governance
CSR	Corporate Social Responsibilities
KRA	Kenya Revenue Authority
VAT	Value Added Tax
IAS	International Accounting Standards
FY	Financial Year

EMCA	Environmental Management Coordination Act

B: Definition of Terms

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

Comparative Year- Means the prior period (FY 2023/ 2024).

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

2. Key Entity Information

a. Background information

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

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

b. Principal Activities

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

c. Directors

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

	Name	Name of Institution	Responsibility	Date of Appointment	Term expiry date
1.	Dr. Patrick M. Kiliku	Independent	Chairman of the Board	28/10/2021	27/10/2024
2.	Ms.Dorcas Kimwetich	Independent	Member	28/10/2021	27/10/2024
3.	Mr. Justus Kingirwa Kiunga	Independent	Member	28/10/2021	27/10/2024
4.	Mr. Andrew G. Nyakundi	Independent	Member	28/10/2021	27/10/2024
5.	Mr. Hassan Sheikh Mohamed	Independent	Member	28/10/2021	27/10/2024
6.	FA CPA Solomon Ngahu, PhD	Alternate Director to the PS, National Treasury	Member	09/02/2022	08/02/2025
7.	Mr. Lawrence Karuntimi	Alternate Director to the PS, State Department for Basic Education, Ministry of Education	Member	29/03/2022	28/03/2025
8.	Dr. Robert G. Ndegwa	Alternate Director to the PS, State Department for Basic Education, Ministry of Education	Member	06/06/2024	05/05/2027
9.	Prof. Charles Ong'ondo	C.E.O Kenya Institute of Curriculum Development	Member	09/02/2022	08/02/2025

10.	Dr. Johnstone Ochuma	Alternate Director to the C.E.O (KICD)	Member	28/09/2023	27/09/2025
11.	Prof. Walter Oyawa	C.E.O National Commission for Science, Technology & Innovation	Member	09/02/2022	08/02/2025
12.	Mr. Edwin Murimi	Rep. of Inspector General State Corporations	Member		
13.	Dr. Joel Mabonga	Managing Director/ Chief Executive Officer	Secretary to the Board	23/09/2022	22/09/2027

New Board Appointments

No.	Name	Name Of Institution	Responsibility	Date of Appointment	Term Expiry Date
1	Hon. Elisha K Busienei	Independent	Chairman of the Board	08/11/2024	07/11/2027
2	Ms. Qarmar Mohamed	Independent	Member	15/11/2024	14/11/2027
3	Mr. Justus Kiunga	Independent	Member	22/11/2024	21/11/2027
4	Ms. Hernia Okiro	Independent	Member	22/11/2024	21/11/2027
5	Ms. Dorcas Kimwetich	Independent	Member	22/11/2024	21/11/2027

Key Entity Information (continued)

d. 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.

e. 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,

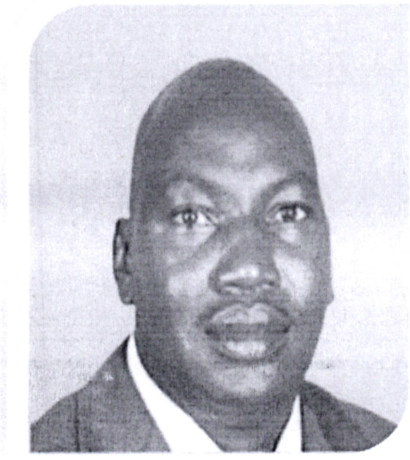
Nairobi, Kenya.

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

3. The Board of Directors

1. Hon. Elisha K. Busienei

Chairman



Hon. Elisha Kipkorir Busienei, born in 1972, holds a Bachelor's degree in Development Studies from Mount Kenya University and a Diploma in Public Administration from Moi University (Chepkoilel University College). He also pursued a Certificate in County Governance from Jomo Kenyatta University of Agriculture and Technology. A civic leader and entrepreneur with extensive experience in public administration, governance, and strategic development, Hon. Busienei has held key positions, including Director of the Kenya Water Towers Agency and the Lake Basin Development Authority. In these roles, he led initiatives in environmental conservation, strategic planning, and policy oversight. From 2007 to 2012, he served as the Ward Administrator for Eldoret Municipal, and from 2013 to 2017, he was a Member of Parliament, where he actively contributed to legislative development and served on the Defence and Foreign Relations Committee. His academic background and leadership skills are recognized for fostering community development, sustainable resource management, and effective problem-solving. Currently, he serves as the Chairman of the Board of Directors of SEPU, where he is an Independent Board Member.

2. Dorcas Kimwetich



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

3. Justus Kiunga



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

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

4. Ms. Qamar Mohamed

Ms. Qamar Mohamed, year of birth

born in 1989, holds a Bachelor of Science degree in Business Management and Public Policy from Aston University, Birmingham, UK. A governance professional with a strong foundation in strategic planning, risk management, and financial oversight, she has built a career marked by leadership in both public service and nonprofit sectors.



With experience that includes program management at Birmingham City Council and a long-standing role in early childhood education at Jervoise in Birmingham, she has consistently demonstrated a commitment to operational excellence, policy implementation, and stakeholder engagement. Her work has involved managing complex programs, ensuring regulatory compliance, and promoting efficient service delivery in diverse environments.

Fluent in Swahili, Somali, English, and Dutch, she brings a global perspective and cultural fluency to her leadership approach contributes to governance, strategic direction, and financial accountability. She is an Independent Member of the Board of Directors.

5.Ms. Herina A. Okiro



Ms. Herina Anyango Okiro, born in 1970, holds a Master of Business Administration (MBA) in Strategic Management from the University of Nairobi (2004) and a Bachelor of Education from Moi University (1991). She is an experienced educator with over 10 years of service as a Head of Department. In 2012, she achieved significant professional milestones, including a Certification in Corporate Governance and a Training Course for Directors (CCG). Training as an Organization Performance Index (OPI) Champion at the Kenya Institute of Management (KIM). Her extensive experience and qualifications underscore her leadership, strategic management, and organizational performance expertise. She is an Independent Board Member.

6. Prof. CPA FA Solomon Thuo Ngahu, PhD



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

7. Dr. Johnstone Ochuma



Johnstone Ochuma, year of birth 1969. He holds PhD in Education (Educational Communication Technology) from the University of Nairobi. He earned a Master's Degree in Education (Technology Education) from Moi University specializing in Mechanical Engineering (Automotive Engineering Option) and Educational Communication Technology. He holds a Bachelor's Degree in Technology Education from Moi University, with a focus on Mechanical Engineering and Applied Mechanics. Additionally, he completed a Diploma in Technical Education at Kenya Technical Teachers College, specializing in Mechanical Engineering (Automotive Option), as well as various certifications from Thika Technical Training Institute in Automotive Engineering. His professional experience includes serving as a Senior Lecturer at Kisumu Polytechnic. He also worked as a Motor Mechanic at Kenya Airways and Thika Motor Dealers. He has furthered his training by attending GTZ seminars on teaching aids and educational technology methods, as well as participating in syllabus writing and review for TIVET at K.I. E in 2008. He is the representative of the Chief Executive Officer/Director of the Kenya Institute of Curriculum Development **(KICD).**

8. Prof. Walter O. Oyawa



Prof. Walter Odhiambo Oyawa was born in 1965. He holds a PhD in Civil Engineering (Structural Engineering), MSc in Civil Engineering (Structural Engineering), and a Bachelor's 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 the Institution of Engineers of Kenya (IEK). Financial Management (Budgeting and Procurement) Certificate of attendance by Kenya Institute of Management (KIM). Leadership and Management Capacity Development Training at KIM Certificate of Environmental Impact Assessment and Environmental Audit course, JKUAT, Kenya.

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

9. Dr. Robert Kennedy Gichuhi Ndegwa



Dr. Robert Kennedy Gichuhi Ndegwa was born on 4th March 1970 in Muran'ga County. He holds PhD in Business Administration from the University of Nairobi Specialization in Strategic Management and a Master of Business Administration from the University of Nairobi. Dr. Ndegwa pursued a Bachelor of Education, specializing in Chemistry and Mathematics. He currently works at the Ministry of Education, State Department for Basic Education, Directorate of Policy Partnerships and East African Community Affairs as a Director of Education and Deputy Head of the Directorate. His leadership skills have been practically applied in the following capacities: Serving as an executive panel at the National Skills Sector Committee and Standing Technical Committee member at South-South and Triangular Cooperation. He worked in the following institutions: TVET Curriculum Development Assessment and Certification Council (TVET CDACC) and Bishop Gatimu Ngandu Girls High School (Head of Science Department). He also holds a Certificate in Senior Leadership Development Programme, Kenya School of Government, a Certificate in Senior Management Course, Kenya School of Government, Advanced Certificate in Technical Education for the Attainment of Millenium Development Goals, NITTTR, Chennai, India. Dr. Ndegwa is also a member of the Kenya Institute of Management.

10. Dr. Joel Mabonga
Chief Executive Officer/ Secretary to the Board



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

4. Key Management Team

1. Dr. Joel Mabonga

Chief Executive Officer/ Managing Director



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

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

2. CPA Salome Odek

Head of Finance & Accounts



CPA Salome A. Odek, born in 1982, holds a Master of Business Administration (MBA) in Finance from the University of Nairobi. She also earned a Bachelor of Commerce degree with a Finance specialization from Kenyatta University and is a Certified Public Accountant (CPA) K. As a registered member of the Institute of Certified Public Accountants of Kenya (ICPAK), she has an extensive background in finance. CPA Salome served as the Acting Chief Executive Officer (CEO) of SEPU from February 9, 2022, to July 26, 2022. She has participated in several trainings, including the Public Financial Management Reforms course by ESAAG in Entebbe, Uganda, the Enhancing the Effectiveness of Public Financial Management Systems course by ESAAG in Livingstone, Zambia, and the Rethinking Public Financial Management course by ESAAG in Namibia. Additionally, she is a member of the Association of Women Accountants of Kenya (AWAK) and has also successfully completed the Strategic Leadership Development Programme (SLDP) at the Kenya School of Government.

3. Mr. Philip Onyango

Principal Production Manager



Mr. Philip Onyango, born in 1976, holds a Bachelor's degree in Technology with a specialization in Mechanical Engineering Technology from the Technical University of Kenya. He also earned a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University of Agriculture and Technology.

4. Mr. Allan Weche

Sales and Marketing Manager



Mr. Allan Weche, year of birth 1982. He holds a Bachelor of Commerce (Marketing Option) from Mount Kenya University and an Advanced Diploma in Sales Management and Marketing from the Institute of Commercial Management (UK). In addition to his formal qualifications, Mr. Weche holds five Single Subject Diplomas in Marketing Management, Customer Service, Management Theory and Practice, Buyer Behaviour and Consumerism, and Information Technology for Marketing Management from the Institute of Commercial Management (UK). He is a registered member of the Marketing Society of Kenya (MSK)

5. Ms. Laura Naitu

Supply Chain Management Officer



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

6. Mrs. Nancy Jepkemboi Kibogong

Internal Auditor



Ms. Nancy Jepkemboi Kibogong, year of birth 1988. She holds a Master of Science in Finance (MSc Finance) from the University of Nairobi and a Bachelor of Commerce (Accounting option) from Egerton University. She is actively pursuing her CPA Intermediate level certification. A member of the Institute of Internal Auditors (IIA)Kenya, in good standing. She is committed to continuous professional development. Her recent training includes: 'Tools and Techniques for Internal Auditors' (IIA Kenya, Global Internal Audit Standards (GIAS) Master class and transition from IPPF (IIA Kenya), Combined Assurance Framework Online sensitization forum, Board Induction Training on Leadership, Governance, and Coordination of Committee meetings, and six-week Online Leadership and Senior management course. Her professional experience includes five years in Operations (Front and Back Office) at Family Bank Limited. Before joining SEPU, she contributed to the Internal Audit Department for one year at the Kenya Film Classification Board. Currently serving as Internal Auditor, SEPU and Secretary, Audit and Risk Committee.

7. Ms. Teresa J. Korir

Human Resource Officer



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

5. Fiduciary Management

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

No.	Designation	Name
1.	Managing Director/ Chief Executive Officer	Dr. Joel Mabonga
2.	Head of Finance & Accounts	CPA Salome Odek
3.	Production Manager	Mr. Philip Onyango
4.	Head of Sales and Marketing	Mr. Allan Weche
5.	Head of Procurement	Ms Laura Naitu
6.	Head of Internal Audit	Mrs. Nancy Kibogong
7.	Head of Human Resources	Ms Teresa J. Korir

6. Fiduciary Oversight Arrangements

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

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

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

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

7. Chairman's Statement

Introduction

On behalf of the SEPU Board of Directors, I am honoured to present the Annual Report and Financial Statements for the year ended 30 June 2025. The year under review brought both challenges and opportunities. Actual sales for the year amounted to Kshs 101,129,846, representing a slight decline of 0.93% compared to the previous year's sales of Kshs. 102,075,846. The performance fell short of the final budgeted target of Kshs. 115,000,000 by Kshs 13,870,154, a 12.06% short fall mainly due to reduced school orders. This shortfall was effectively offset by deferred income of Kshs 9,140,000, which helped bridge the gap and maintain revenue expectations. Our long-standing partnerships in the education sector and recurrent grants provided further support for operational stability. Guided by our 2023–2027 Strategic Plan, we remained focused on our mission to be the leading provider of quality science teaching and learning materials in the region.

Brief Highlights of Key Activities during the year

During the year, we advanced initiatives in product development, sustainable practices, quality assurance, staff training, and market analysis. We strengthened governance frameworks, enhanced operational efficiency, and invested in targeted capacity-building programmes based on skills gap assessments. Our marketing engagements with key education associations were intensified, reinforcing our market presence and aligning our products with evolving curriculum needs, particularly under the Competency-Based Education (CBE) framework.

Successes Consolidated

Despite a challenging operating environment, the Unit demonstrated resilience by developing and implementing departmental policies that improved efficiency and accountability. Staff morale was strengthened through training programmes, fostering innovation and service excellence. Every piece of equipment we design is guided by the vision of classrooms where learners actively engage, develop problem-solving skills, and are prepared to thrive in a CBE-driven education system.

Challenges Faced:

Key constraints included inadequate space for expansion, obsolete machinery, and limited development funding, which have restricted our production capacity and slowed modernization efforts. Encouragingly, the Government is reviewing our funding needs to support facility upgrades and capacity expansion.

Future Outlook

The 2025/2026 outlook remains positive, supported by the Government's Bottom-Up Economic Transformation Agenda (BETA) and projected economic growth. We plan to transition to the School Learning and Instructional Materials Centre (SLIMC), expanding our mandate to include textbook procurement, digital resources, and curriculum support. Science kits will be upgraded to align fully with CBE requirements, while our Quality

Management System will be strengthened to meet performance targets. Human capital development will remain central to our strategy, ensuring innovation, productivity, and excellence in service delivery.

Appreciation

I extend heartfelt appreciation to the Government of Kenya, the Ministry of Education, the State Department of Basic Education, our Board, management, staff, stakeholders, and clients for their steadfast support and trust. Together, we will continue to innovate, grow, and contribute meaningfully to Kenya's education transformation journey.



Chairman Board of Directors

8. Report of the Managing Director

Introduction

In the Financial year 2024-2025, the Unit has demonstrated unwavering commitment and effectiveness across all departments. Our focus on achieving strong results has been evident through several key initiatives. Notably, we successfully developed and implemented various policies across all the departments. Additionally, our dedication to improving operational efficiency was further underscored by the creation of a robust ICT policy, which aligns with our strategic goals and supports our digital transformation efforts. These accomplishments reflect our ongoing commitment to excellence and our proactive approach to addressing both current and future challenges.

Business Review

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

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

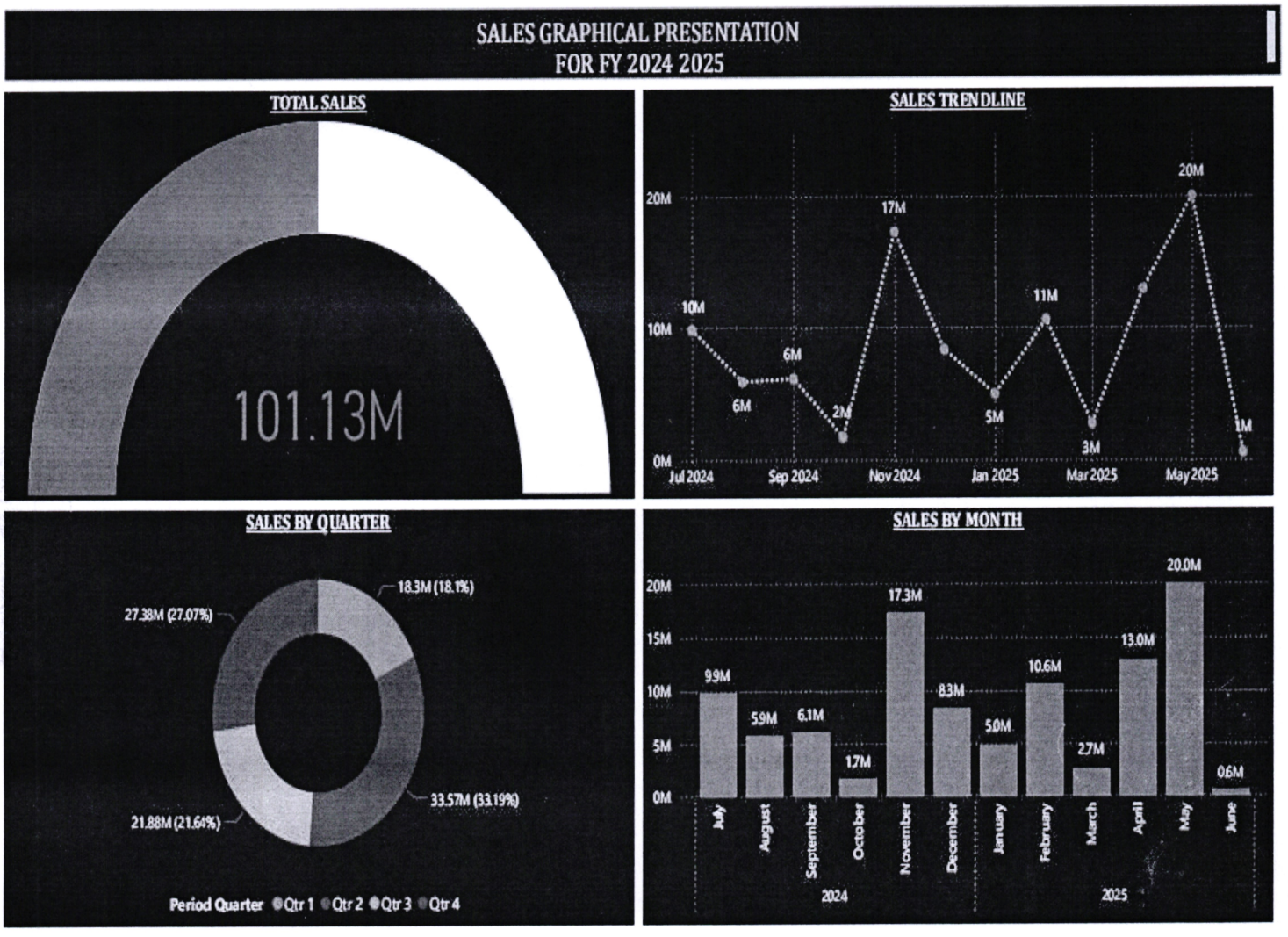
Performance Review

The Unit recorded a loss of Kshs 41,14 in the financial year 2024/2025, compared to a profit of Kshs 12,507,153 in 2023/2024. To address this downturn and enhance performance, the Unit will implement targeted strategies, including comprehensive advertising across multiple media platforms and the recruitment of proactive, commission-based sales personnel from various counties. Additionally, we will strengthen stakeholder

engagement and increase visibility through participation in school activities, such as sponsoring items for the Kenya Music Festival.

Despite the financial challenges faced, the Unit remains committed to improving internal operations, expanding revenue streams, and executing the set strategies effectively. Guided by sound leadership and strategic focus, we are confident in restoring financial stability, ensuring long-term economic sustainability, and contributing meaningfully to the country's growth.

Sales Performance Overview at a Glance



Performance Contract and Approved Budgets

In the financial year 2024/2025, SEPU entered into a negotiated performance contract with the Government of Kenya, establishing targets aligned with the Strategic Plan 2023–2027 and the Fourth Medium-Term Plan (MTP IV) 2023–2027, as well as the approved budgets. This alignment ensures that the set targets directly support the strategic objectives outlined in the Strategic Plan, thereby facilitating the achievement of the organization's broader goals for the year.

Strategies for improving revenue and service delivery:

1. Upholding the Unit's Vision: The Unit remains committed to becoming a leader in providing and supplying high-quality science teaching and learning materials within the region.

2. Expanding the Customer Base: Management is intensifying sales promotion and marketing efforts targeting public schools, private schools, non-profit organizations, and other institutions to drive revenue growth.

3. Reviewing the Pricing Structure: The Unit is undertaking a comprehensive review of its product and service pricing to ensure accuracy, competitiveness, and cost-effectiveness.

4. Enhancing Inventory Management: Efforts are underway to streamline inventory control to improve cash flow, minimize capital tied up in slow-moving stock, and mitigate potential losses arising from expired or obsolete inventory.

5. Strengthening Collaboration and Partnerships: The Unit will foster strategic collaborations and partnerships with stakeholders, industry players, and development partners to leverage expertise, share resources, enhance innovation, and expand market reach.

Appreciation

We sincerely appreciate our Board of Directors for their exemplary strategic leadership and vision, our management team and staff for their unwavering commitment and teamwork, and our customers for their continued trust and support of our products and initiatives. We also extend our gratitude to all stakeholders, particularly the Ministry of Education and the State Department of Early Learning and Basic Education, for their generous grants and confidence in our mission. As we look ahead, we remain committed to strengthening these partnerships, enhancing our operations, and delivering greater value to all our stakeholders.

Managing Director

9. Statement of Performance against Predetermined Objectives for FY 2024/25

Under Section 81 Subsection 2(f) of the Public Finance Management Act, 2012 requires the Accounting Officer to include in the financial statement a statement of the national government entity's performance against predetermined objectives.

The Unit has seven strategic pillars in its 2023–2027 Strategic Plan. These strategic pillars guide the preparation of annual work plans and form the basis for quarterly and annual performance assessments.

SEPU's Strategic Pillars (2023–2027) are as follows;

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

Assessment of SEPU's performance against its annual work plan is undertaken quarterly. In the year under review, the Unit achieved notable results across its strategic pillars, as outlined below.

Performance Summary Table – FY 2024/25

Strategic Pillar/Theme/ Issues	Objective	Key Performance Indicators	Activities	Achievements
Enhancement of Educational Infrastructure	Ensure adequate provision of institutional furniture to schools	Number of furniture units produced and supplied	Production and supply of desks, chairs, and related furniture	Target: 4,160 pcs; Achieved: 4,439 pcs (106% of target
Improving Quality of Education through Practical Tools	Provide mobile laboratories to increase access to practical science education	Number of mobile laboratories produced and supplied	Design, fabrication, and delivery of mobile laboratories to schools	Target: 100 units; Achieved: 161 units (161% of target)

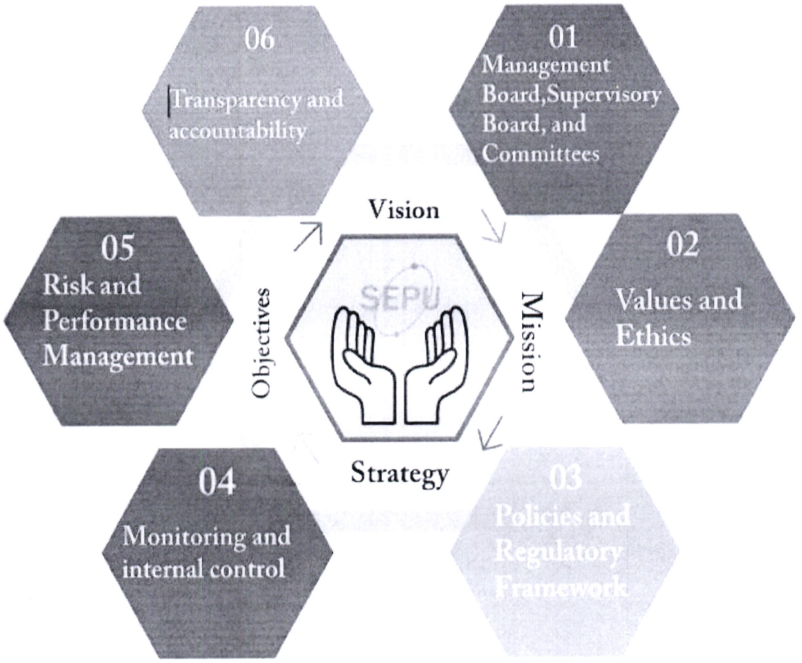
Ensuring Equal Access to Learning Resources	Equip schools with science kits to enhance hands-on learning	Number of science kits produced and supplied	Production, packaging, and delivery of complete science kits	Target: 130 kits; Achieved: 318 kits (245% of target)
Sales and Market Expansion	Increase sales of STEM-related equipment and materials	Total sales revenue generated	Market engagement, exhibitions, stakeholder outreach	Target: Kshs. 115M; Achieved: Kshs. 101M (88% of target)
Capacity Building	Enhance staff skills to deliver on SEPU's mandate	Number of staff trained in technical and soft skills	Training workshops, peer learning, benchmarking	Technical and administrative staff trained in 3 capacity development programmes
Governance, Planning & Compliance	Strengthen governance, compliance, and communication	Compliance reports, stakeholder engagement activities	Development of compliance manuals, stakeholder forums	Compliance maintained with all statutory reporting requirements; stakeholder engagement improved

Key Observations

- **Exceeded production targets** for institutional furniture, mobile laboratories, and science kits, contributing significantly to the enhancement of STEM education in Kenya.
- **Sales revenue** fell slightly short of the target (88%), primarily due to budgetary constraints in some client institutions and delays in procurement processes.
- **Capacity-building** efforts improved staff competence in modern production techniques and customer engagement.
- **Governance and compliance** remained robust, ensuring adherence to statutory requirements and effective stakeholder communication.

Link to Performance Contracts: SEPU's achievements are directly tied to the performance contracts signed by management and staff, with targets cascaded from the Strategic Plan into departmental work plans. Regular monitoring ensured alignment between planned activities, budget allocations, and actual outputs.

10. Corporate Governance Statement



The Management

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

The Board

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

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

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

S/No.	Name	Design	Date Of Current Appointment (Dd/Mm/Yyy)	Duration (Yrs)	Date Of Birth (Dd/Mm/ Yyy)	Gender	Pwd	Ethnicity
1.	Hon. Elisha K. Busienei	Chairperson	08/11/2024	3	05/12/1972	M	NO	Kalenjin
2.	Ms. Dorcas Kimwetich	Member	22/11/2024	3	24/01/1972	F	NO	Kalenjin
3.	Prof. Walter Oyawa	Member	09/02/2022	3	23/08/1965	M	NO	Luo
4.	Prof. Solomon Ngahu	Member	09/02/2022	3	21/04/1977	M	NO	Kikuyu
5.	Dr. Robert G. Ndegwa	Member	06/06/2024	3	03/04/1970	M	NO	Kikuyu
6.	Ms. Qamar Mohamed	Member	15/11/2024	3	10/03/1989	F	NO	Swahili
7.	Ms. Herina Okiro	Member	22/11/2024	3	16/05/1970	F	NO	Luo
8.	Mr. Justus Kiunga	Member	22/11/2024	3	04/07/1986	M	NO	Meru
9.	Dr. Johnstone Ochuma	Member	28/09/2023	3	16/06/1969	M	NO	Luo
10.	Mr. Edwin Murimi	Member	9/02/2022	3	15/11/1976	M	NO	Meru

The role of Chairman and Managing Director.

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

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

Board Evaluation and Performance

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

Board Remuneration

During the year, the Board of Directors received a total remuneration of Kshs 10,981,491, comprising sitting allowances and reimbursable expenses, in line with approved government guidelines.

Board Succession Plan

The Board will put in place a succession plan for both the Board and the Management, and review the same regularly.

Communication Policy

In line with the Mwongozo Code of Governance, the Company maintains a communication policy that ensures the timely, accurate, and transparent dissemination of information to all stakeholders, thereby fostering accountability and stakeholder confidence.

Governance Audit:

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

Board Committee

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

The Audit & Risk Committee Attendance

Number of meetings held during FY;2024/2025 From 1st July 2024 to 27th October 2024

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

Number of meetings held during FY;2024/2025 From 28th October 2025 to 30th June 2025

Name	Position	No. of meetings held.
Justus Kiunga	Chairperson	3 out of 3
Ms. Herina Okiro	Member	2 out of 3
Prof. CPA FA Solomon Ngahu, PhD	Member	3 out of 3
Ms. Qamar Mohamed	Member	3 out of 3
Dr. Robert Ndegwa	Member	2 out of 3

Board Finance, Human Resource & General Purposes Committee Members' Attendance

Number of meetings held during FY;2024/2025From 1st July 2024 to 27th October 2024

Name	Position	No. of meetings held.
Hassan Sheikh Mohamed	Chairperson	2 out of 2
Dr. Johnstone Ochuma	Member	2 out of 2
Prof. CPA FA Solomon Ngahu, PhD	Member	2 out of 2
Prof. Walter Oyawa	Member	2 out of 2
Dr. Joel Mabonga PhD	Managing Director/CEO	2 out of 2

Number of meetings held during FY; 2024/2025 from 28th October 2024 to 30th June 2025

Name	Position	No. of meetings held.
Ms. Dorcas Kimwetich	Chairperson	2 out of 2
Prof. CPA FA Solomon Ngahu, PhD	Member	2 out of 2
Prof. Walter Oyawa	Member	2 out of 2
Dr. Johnstone Ochuma	Member	2 out of 2
Ms. Qarmar Mohamed	Member	2 out of 2
Dr. Joel Mabonga, PhD	Managing Director/CEO	2 out of 2

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

Board Technical & Research Committee Members' Attendance

Number of meetings held during FY;2024/2025 From 1st July 2024 to 27th October 2024

Name	Position	No. of meetings held.
Ms. Dorcas Kimwetich	Chairperson	1 out of 1
Justus Kiunga	Member	1 out of 1
Dr. Johnstone Ochuma	Member	1 out of 1
Dr. Joel Mabonga	Managing Director/ CEO	1 out of 1

Number of meetings held during FY;2024/2025 From 28th October 2024 to 30th June 2025

Name	Position	No. of meetings held.
Ms. Herina Okiro	Chairperson	2 out of 2
Ms. Dorcas Kimwetich	Member	2 out of 2
Justus Kiunga	Member	2 out of 2
Dr. Gichuhi Ndegwa	Member	2 out of 2
Dr. Joel Mabonga	Managing Director/ CEO	2 out of 2

Full Board

Attendance

Number of meetings held during 2024/2025 from 27th October 2024 to 30th June 2025

Name	Position	No. of meetings held.
Hon. Elisha K Busienei	Chairperson	4 out of 4
Ms. Dorcas Kimwetich	Member	4 out of 4
Dr. Robert Ndegwa	Member	3 out of 4
Prof. CPA FA Solomon Ngahu, PhD	Member	4 out of 4
Mr. Justus Kingirwa Kiunga	Member	4 out of 4
Dr. Johnstone Ochuma	Member	4 out of 4
Prof. Walter Oyawa	Member	4 out of 4
Ms Qamar Mohamed	Member	4 out of 4
Ms. Herina Okiro	Member	4 out of 4
Dr. Joel Mabonga	Managing Director/ CEO	4 out of 4

Number Board and Committee meetings, dates and attendance during 2024/2025

	Meeting	Day of the Week	Date	Time
1	**Full Board Meeting**	Friday	12.07.2024	9.00 a.m
		Monday	14.10.2024	9.00 a.m
		Thursday	24.10.2024	9.00 a.m
		Tuesday	03.12.2024	9.00 a.m
		Tuesday	14.01.2025	9.00 a.m
		Wednesday	29.01.2025	9.00 a.m
		Monday	14.04.2025	9.00 a.m
2	**Finance, Human Resource & General Purposes Committee**	Thursday	11.07.2024	9.00 a.m
		Friday	11.10.2024	9.00 a.m
		Monday	13.01.2025	9.00 a.m
		Thursday	10.04.2025	9.00 a.m
3	**Technical & Research Committee**	Wednesday	09.10.2024	9.00 a.m
		Friday	10.01.2025	9.00 a.m
		Wednesday	09.04.2025	9.00 a.m
4	**Audit& Risk Committee**	Tuesday	08.10.2024	9.00 a.m
		Thursday	09.01.2025	9.00 a.m
		Tuesday	08.04.2025	9.00 a.m
		Friday	11.04.2025	9.00 a.m

NOTE: There were special board meetings that were attended by some board members to address issues that needed immediate attention and discussions as follows: The signing of the Performance contract and Engagement meetings with the Parent Ministry on matters affecting the organization.

11. Management Discussion and Analysis

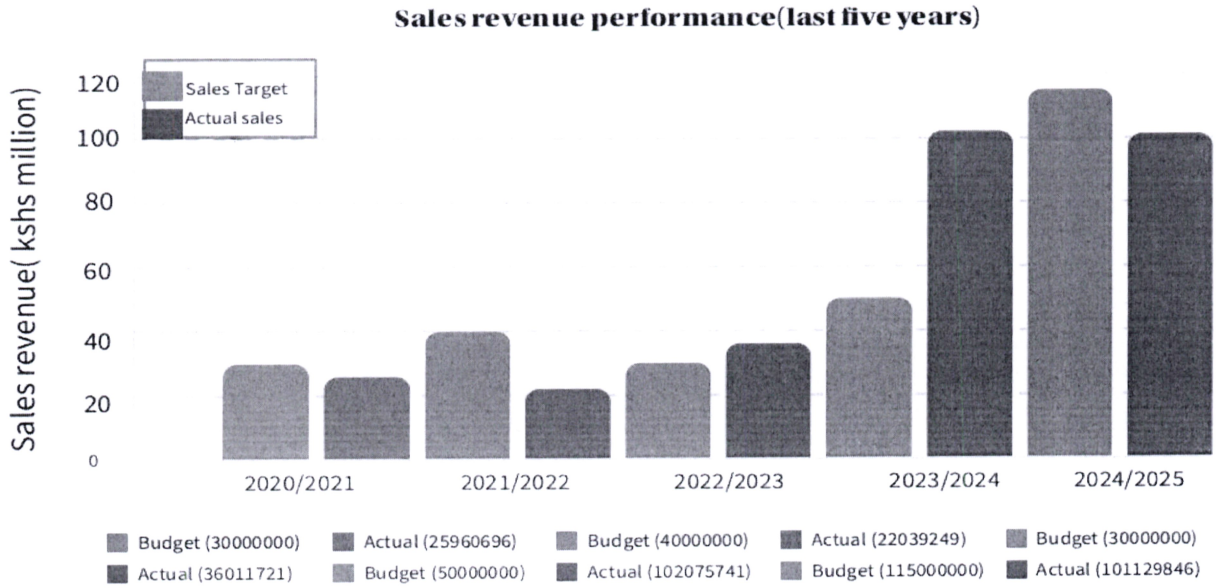
Operational and Financial Performance

For the year under review, the Unit recorded a net loss of Kshs 40.1 million, reflecting a decline in overall financial performance compared to the previous year. Sales revenue decreased slightly from Kshs 102 million to Kshs 101 million, largely due to subdued market conditions in the education sector.

In response, the Unit has intensified targeted marketing and sales strategies aimed at increasing visibility and market penetration within educational institutions. These initiatives are expected to enhance sales performance and restore profitability in the medium term.

Sales Revenue Performance (Kshs Million) – Last Five Years

Financial Year	Sales Target	Actual Sales	Variance	% Achievement
2024/25	115,000,000	101,129,846	-13,870,154	87.9%
2023/24	50,000,000	102,075,741	52,075,741	204.2%
2022/23	30,000,000	36,011,721	6,011,721	120%
2021/22	40,000,000	22,039,249	-17,960,751	55.1%
2020/21	30,000,000	25,960,696	-4,039,304	86.5%



Operational and financial performance review

Expenditure Analysis

Financial Year	Expenditure (Kshs.)	Growth (%)
2020/21	58,801,281	–
2021/22	66,725,080	**13.5%**
2022/23	91,972,152	**37.8%**
2023/24	135,497,353	**47.3%**
2024/25	186,787,073	**37.8%**

Expenditure increased consistently over the five-year period, rising by 217.6% from FY 2020/21 to FY 2024/25. The growth was mainly attributed to expanded production activities, increased personnel-related costs, and higher depreciation expenses arising from the revaluation of assets to reflect their current fair values.

Profit/(Loss) Trend

Financial Year	Profit/(Loss)	Profit Margin (% of Revenue)
2020/21	4,142,754	**15.96%**
2021/22	55,828,219	**253.3%**
2022/23	16,613,788	**46.1%**
2023/24	12,507,153	**12.3%**
2024/25	(40,161,324)	**(41.2%)**

The Unit recorded fluctuating profitability over the years. The exceptional performance in FY 2021/22 was driven by high-margin orders and efficient cost control. However, profitability declined in FY 2024/25 due to a steep rise in costs, particularly raw materials, insurance, and maintenance, resulting in an overall loss margin of 41.2%.

Strategic Objectives

The Unit's core strategic objectives remain focused on:

1. Marketing and supplying laboratory chemicals, equipment, and materials for inclusive STEM education.
2. Modernizing the production line through investment in advanced machinery.
3. Promoting the adoption of emerging technologies in educational equipment production.
4. Manufacturing and supplying physical and visual aids for STEM subjects.
5. Fostering innovation and research in STEM educational materials.
6. Collaborating with stakeholders for capacity-building and improved STEM adoption.
7. Enhancing market share and brand visibility through targeted promotion.
8. Improving customer experience and corporate image via CSR initiatives.
9. Strengthening staff competencies for superior service delivery.

Key Projects and Investments

During the year, the Unit:

- Expanded its product range to include mobile laboratory solutions for junior schools.
- The Unit installed 6 laboratories in various learning institutions.
- Procured two computers to increase efficiency.

Major Risks and Mitigation

	Risk Factor	Impact	Mitigation Strategy
1	Budgetary cuts in the education sector	Reduced sales orders	Diversify the market to private institutions and regional exports
2	Competition from low-cost imports	Price pressure	Differentiate through quality, warranties i.e repairs or replacement of the products that fail to meet certain quality standards, and after-sales service.
3	Delayed payments from institutions/ schools	Cash flow strain	Strengthen debt collection processes and negotiate better credit terms

Compliance with Statutory Requirements

The Unit endeavours to comply with all statutory and regulatory obligations. As at year-end, the following arrears existed as a result of assessment carried out within the institution during the financial year, the management is committed to clear the arrears:

- Income Tax: Kshs 15,826,749
- NSSF: Kshs 1,681,729

Sector and Economic Review

The Kenyan economy grew at an estimated 5.5% in the year, with education sector funding increasing modestly. However, delays in disbursements to public institutions and competing budget priorities affected procurement timelines for laboratory and teaching equipment.

Future Outlook

Management is optimistic that ongoing marketing campaigns, the introduction of Mobile laboratories, Science kits, and expansion into the East African regional market will boost revenue. Digital marketing will be intensified to capture younger demographics in decision-making roles within schools and colleges.

12. Environmental and Sustainability Reporting

The Unit emphasizes promoting positive social and environmental change within the communities where it operates to uplift living standards. It remains committed to advancing social, economic, governance, and environmental sustainability as part of its long-term strategic goals.

Sustainability Strategy and Profile

The Unit's sustainability strategy for the financial year 2024/2025 underscores its commitment to environmental stewardship, social responsibility, and strong governance (ESG). This approach places stakeholders at the centre of operations, focuses on delivering results responsibly, and fosters partnerships with schools and institutions that share a passion for protecting the planet. The Unit recognizes that sustainability is not only a moral obligation but also a driver of institutional resilience and competitiveness. Key initiatives undertaken during the year included:

1. **Social Responsibility (CSR Activities):** The Unit implemented several community-focused initiatives aimed at promoting education, social welfare, and environmental awareness.

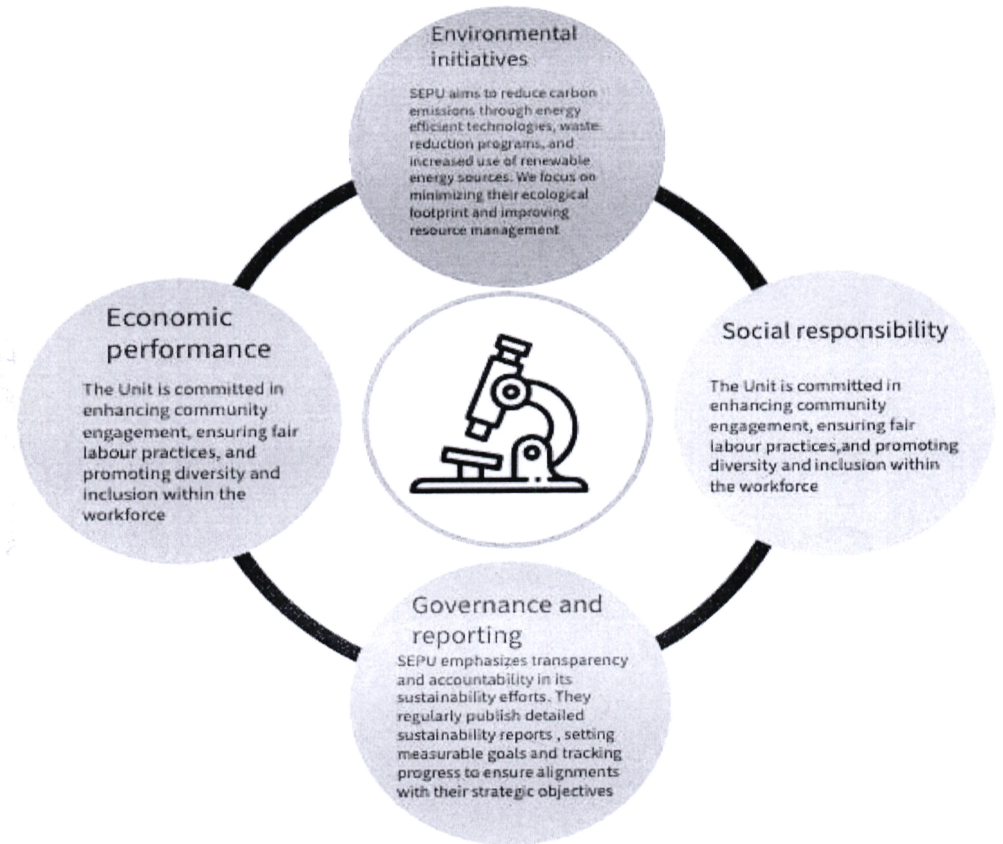
   Notable activities included:

   i. **Support to educational institutions** through the donation of school equipment and materials to enhance practical learning and training.
   ii. **Tree planting and environmental clean-up drives** in collaboration with local schools and community groups, contributing to climate action and cleaner surroundings.
   iii. **Employee volunteer and wellness programmes** promoting staff engagement, teamwork, and wellbeing.

   These CSR efforts had a measurable positive impact on the community by improving access to educational resources, promoting environmental conservation, and strengthening the Unit's relationship with key stakeholders.

2. **Economic Performance:**
   Sustainability principles were embedded in the Unit's operations to support financial growth while upholding integrity and accountability. Investments in sustainable technologies and prudent resource management enhanced operational efficiency and reduced waste.
3. **Governance and Reporting:**
   The Unit continued to uphold transparency and accountability through regular sustainability performance reporting and compliance with ethical and regulatory standards. Governance frameworks were strengthened to ensure effective oversight of environmental and social initiatives.

4. **Environmental Initiatives:**
   The Unit pursued efforts to reduce its environmental footprint by adopting energy-efficient technologies, implementing waste reduction and recycling programs, and promoting the use of renewable energy sources. These measures contributed to improved resource management and long-term ecological sustainability.



The focus for 2024/2025 is likely to involve scaling up these initiatives, strengthening stakeholder engagement, and aligning with global sustainability standards and frameworks.

In line with the Presidential Directive to grow 15 billion trees by 2032, SEPU conducted a tree planting exercise at Gatoori Primary School in Manyatta Constituency Embu County, successfully completing the second and final phase of its 6,000-seedling target by 30th June 2025.



1. Environmental Performance

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

2. Employee Welfare

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

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

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

3. Market Place Practices

(a) Responsible Competition Practices

SEPU is committed to responsible and ethical competition within the education sector. The Unit ensures that qualified personnel, with expertise in all three science subjects, are engaged in the production and supply of quality learning materials and equipment to schools. These products are delivered on time and in accordance with established quality standards.

The procurement department strictly adheres to approved procedures and regulations when sourcing raw materials and finished products, ensuring fairness and value for money. All client complaints are recorded in a dedicated register, and prompt corrective action is taken by the responsible officer to ensure client satisfaction.

Additionally, SEPU maintains open communication and healthy relationships with its competitors, fostering trust and integrity in the marketplace.

(b) Responsible Supply Chain and supplier relations.

The Unit is committed to delivering high-quality products and services to customers while upholding the highest standards of ethical business conduct. This includes full compliance with all applicable laws and regulations governing learning activities, as well as accountability for quality, reliability, health, safety, and environmental stewardship.

To achieve this, the Unit emphasizes robust supplier relationship management practices. Procurement officers adopt strategic approaches to purchasing, identify and engage critical partners, mitigate supply chain risks, and enhance overall efficiency and profitability. These practices ensure a reliable and sustainable supply chain aligned with the Unit's operational and ethical objectives.

(c) Responsible Marketing and Advertisement

SEPU markets and advertises its products through various forums. For instance, through Education magazines, face-to-face visits to schools, distribution of brochures with pictures of products and services offered and attending annual conferences i.e Kenya Secondary Schools Heads Association, Kenya Primary Schools Heads Association and Kenya Private Schools Association in which the Unit gets the opportunity to do presentations of its product range and services and sensitize the 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 at different stages in their production, use and disposal. The Unit sees to it that those involved in producing and selling products have a shared responsibility to ensure that those products or materials are managed in a way that reduces their impact, throughout their lifecycle, on the environment and human health and safety. This approach focuses on the product itself, and everyone involved in the lifespan of the product is called upon to take responsibility for reducing its environmental, health, and safety impacts.

4. Community Engagements

Our commitment to stakeholders is to improve the quality of learning in schools as they are central to our corporate identity. The Unit always endeavours to have a positive impact on society by improving the way teaching is done, especially the application of learning and teaching aids in STEM-related subjects. Our CSR programme focuses on education as a key enabler of society's transformation.

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

13. Report of the Board of Directors

The Directors submit their report together with the audited financial statements for the Year ended 30th June 2025, which disclose the state of affairs of the Company.

i.) Principal activities

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

ii.) Results

The results of the entity for the year ended 30th June 2025 are set out on page 1. Below is a summary of the profit or loss made during the year.

The results for the financial year show a net loss before tax of Kshs 41,140,984, compared to a net profit of Kshs 12,507,153 reported in the previous financial year. The decline in performance was mainly due to increased operating and staff-related expenses, coupled with higher depreciation charges arising from the revaluation of assets undertaken during the year.

Despite the downturn, the entity maintained stable revenue levels, demonstrating resilience in its operations. Management remains committed to enhancing efficiency, strengthening cost control measures, and improving productivity to restore profitability in the coming financial year.

iii.) Dividends

The Unit has not recommended any dividend remittance to the National Treasury for the financial year ended 30th June 2025. This decision reflects the Unit's financial performance during the year, in which a loss was recorded, and aligns with the principles of prudent public financial management. The Unit remains committed to restoring profitability and contributing to national revenue in future periods.

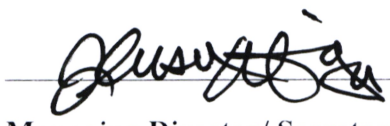
iv.) Directors

The members of the Board of Directors who served during the year are shown on page vi. In accordance with the Regulation of the Unit's Articles of Association.

v.) 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.

By Order of the Board



Managing Director/ Secretary to the Board

14. Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and the provisions of the Companies Act (Cap 486, Laws of Kenya) require the Directors to prepare financial statements in respect of the company which give a true and fair view of the state of affairs of the Unit at the end of the financial year or period and of its operating results for that year or period. The Directors are also required to ensure that the entity keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Unit and to safeguard the assets of the Unit.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity as at the end of the financial year ended 30th June 2025. This responsibility includes:

i. Maintaining adequate financial management arrangements and ensuring that these remain effective throughout the reporting period;
ii. Maintaining proper accounting records that disclose, with reasonable accuracy, the financial position of the entity at any given time;
iii. Designing, implementing, and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatement, whether due to fraud or error;
iv. Safeguarding the assets of the entity;
v. Selecting and applying appropriate accounting policies; and
vi. Making accounting estimates that are reasonable and prudent in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with the International Financial Reporting Standards (IFRS) and in the manner required by the Public Finance Management Act, 2012 and the Companies Act (Cap 486, Laws of Kenya).

The Directors are of the opinion that the Unit's financial statements give a true and fair view of the results of its operations for the financial year ended 30th June 2025, and of its financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Unit, which have been relied upon in the preparation of the financial statements, as well as the adequacy of the systems of internal financial control.

Statement of Directors' Responsibilities (Continued)

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern and are satisfied that it is appropriate to adopt the going concern basis in preparing the financial statements.

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

Approval of the financial statements

The Unit's financial statements were approved by the Board of Directors on 29/08/2025 and signed on its behalf by:

Hon. Elisha K. Busienei

Chairman Board of Directors

Dr. Joel Mabonga

Managing Director/ Secretary to the Board

REPUBLIC OF KENYA

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REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE, 2025

PREAMBLE

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

A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;

B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the School Equipment Production Unit set out on pages 1 to 34, which comprise the statement of financial position as at 30 June, 2025, 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 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in the Statement of Cash Flows

Review of the statement of cash flows revealed the following misstatements;

i. The statement reflects prior year operating outflows of Kshs.135,497,353 which varies with the operating outflows of Kshs.27,664,536 reflected in the audited financial statements, resulting to unexplained variance of Kshs.107,832,817;

ii. The statement reflects prior year net increase in cash and cash equivalents amounting to Kshs.6,546,963 instead of the re-casted amount of Kshs.84,407,398, resulting to a variance of Kshs.77,860,435 which was not explained or reconciled;

iii. Note 26 to the financial statements reflects cash used in operations for the prior year amounting to Kshs.29,241,046 while the re-casted amount is Kshs.9,319,243, resulting to unreconciled variance of Kshs.19,921,803.

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

2. Anomalies in Presentation and Disclosures of the Financial Statements

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

i. Review of the statement of comparison of budget and actual amounts revealed material adjustments between the original and final budgets as shown below; -

Item	Original Budget (Kshs)	Adjustments (Kshs)	Final Budget (Kshs)
Sale of goods	66,130,000	48,870,000	115,000,000
Transfers from Government	130,000,000	10,000,000	120,000,000

However, Management did not provide Notes to the financial statements to explain significant adjustments to the original budget as per the requirement of Section 81 of the Public Finance Management Act, 2012;

ii. Further, Management did not provide explanatory Notes to the financial statements on significant variances between final budget and actual amounts as per requirement of Section 81 of the Public Finance Management Act, 2012 on the following components; -

Component	Final Budget (Kshs.)	Actual Amounts (Kshs.)	Variance (Kshs.)	Percentage utilization
Compensation of employees	61,556,000	77,837,696	16,281,696	126
Other payments	148,022,000	82,186,355	65,835,645	56
Capital expenditure	11,995,000	1,586,000	10,409,000	13

iii. The statement of comparison of budget and actual amounts reflects final revenue budget of Kshs.235,000,000 against an expenditure budget of Kshs.221,995,000, resulting to a deficit budget of Kshs.13,005,000. This was contrary to Regulation 33(e) of the Public Finance Management (National Government) Regulations, 2015 which provides that the total budgeted revenue shall cover total budgeted expenditure;

iv. The ageing analysis of trade and other payables disclosed in Note 25(a) to the financial statements reflects total trade and other payables balance of Kshs.21,650,186. However, the statement of financial position reflects trade and other payables balance of Kshs.53,532,547, resulting to unexplained variance of Kshs.31,882,361;

v. The ageing analysis of trade and other payables disclosed in Note 25(a) reflects prior year total trade and other payables balance of Kshs.7,209,566. However, the statement of financial position reflects prior year trade and other payables balance of Kshs.12,760,205, resulting to unexplained variance of Kshs.5,550,639;

vi. Management did not disclose for each class of provision, the carrying amount at the beginning and at the end of the period, additional provisions made, amounts used, unused amounts reversed and increase during the period in the discounted amount arising from the passage of time as provided in the reporting template;

vii. No explanatory Note on financial risk management was disclosed;

viii. Ageing analysis on receivables disclosed in Note 19 to the financial statements is indicated in days instead of years as follows; less than one year, between one to two years, two to three years and over three years;

ix. The statement of performance against predetermined objectives was not supported by a report on the achievements disclosed in the statement;

x. The governance audit report on those charged with governance was not provided for audit review;

xi. The reconciliation of tax expense/credit to the expected tax based on accounting profit was not disclosed;

xii. Note 15(a) to the financial statements reflects other operating expenses as per cash flows of Kshs.350,000. However, re-computation yielded Kshs.1,883,261, resulting to unexplained variance of Kshs.1,533,261;

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

3. Encroachment on the Unit's Land

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.687,623,700 as disclosed in Note 16 to the financial statements. Included in the balance is land parcel revalued at Kshs.630,000,000 situated at Industrial Area, Nairobi allocated to the Unit in 1996. However, the land parcel is yet to be developed due to encroachment by informal settlers. Management has however sought assistance from the National Land Commission in order to develop the land. As at the time of audit in October, 2025, no response had been received to indicate the progress made in reclaiming the land parcel.

In the circumstances, the ownership and fair statement of the property, plant and equipment balance of Kshs.687,623,700 could not be confirmed.

4. Misstatement of Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.2,820,476 as disclosed in Note 17 to the financial statements after amortization charge of Kshs.1,208,776 for the year under review. Although the software included installation of eleven (11) modules, it was observed that only two (2) modules had been partially implemented as at 30 June, 2025. Amortization of software which is not fully operationalized is contrary to Paragraph 96 of International Public Sector Accounting Standard 31 which states that, 'amortization shall begin when the asset is available for use i.e, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management'.

In the circumstances, the accuracy and completeness of the intangible assets balance of Kshs.2,820,476 could not be confirmed.

5. Unsupported Long Outstanding Trade Receivables

As previously reported, the statement of financial position reflects receivables and prepayments balance of Kshs.132,940,819 which includes gross trade receivables balance of Kshs.53,854,538 and other current assets balance of Kshs.5,692,650, all totalling Kshs.59,652,938, and a receivables balance of Kshs.75,086,881 from the Ministry of Education-State Department for Basic Education as disclosed in Note 19 to the financial statements. Included in Kshs.59,652,938 is trade receivables and staff advances balance of Kshs.54,964,522, out of which a balance of Kshs.31,325,112 or 57% has been outstanding for more than eleven (11) years. However, no supporting documents were provided for audit review. Further, the balance of Kshs.75,086,881 due from the Ministry of Education - State Department for Basic Education has been outstanding since financial year 2018/2019 but not reflected as a payable in the State Department's financial statements for the year ended 30 June, 2025. Further, the staff

advances balance of Kshs.1,109,984 disclosed in Note 19 includes Kshs.840,484 or 76% relating to staff advances due from employees who have since left the Unit while others are deceased.

In addition, Note 19 to the financial statements reflects provision for bad and doubtful debts balance of Kshs.1,799,001 which represents a decrease of Kshs.30,605,662 from the balance reported in the previous year of Kshs.32,404,673. However, the decrease was not credited in the statement of profit or loss and other comprehensive income. No documentary evidence or explanation was provided for the material adjustment of the provisions for bad and doubtful debts. Management has, however, indicated that a fire broke out at the Company's Headquarters in 2007 and destroyed supporting schedules relating to receivables. As a result, recovery of debtors has been affected by lack of evidence.

In the circumstances, the accuracy and full recovery of the receivables and prepayments balance of Kshs.132,940,819 could not be confirmed.

6. Unsupported Long Outstanding Trade and Other Payables

As previously reported, the statement of financial position reflects trade and other payables balance of Kshs.53,532,547 as disclosed in Note 25 to the financial statements. Included in Kshs.53,532,547 is a balance of Kshs.7,209,566 which has been outstanding for between seventeen (17) years and twenty-nine (29) years and whose supporting documentation was not provided for audit. Management explained that the supporting schedules were destroyed by fire which broke out in the Company's Headquarters in 2007. Management had also placed advertisement in the daily newspapers in November, 2016 to inform relevant creditors to present documents supporting the services offered to the Company but with little success. Further, the balance includes retirement benefits and gratuity for pension scheme of Kshs.816,066 and Kshs.1,404,070 respectively with no movement over the last four (4) years. In addition, the Unit failed to pay Ksh.1,681,729 to National Social Security Fund without reasonable cause.

In the circumstances, the accuracy, and fair statement of the trade and other payables balance of Kshs.53,532,547 could not be confirmed.

7. Deferred Special Grant

As previously reported, the statement of financial position reflects deferred special grant balance of Kshs.44,167,394 as disclosed in Note 24 to the financial statements which has been in the books for over five (5) years. Management has not explained why the grant has remained deferred for over a long time.

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

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 the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.235,000,000 and Kshs.145,092,488 respectively, resulting to an under-funding of Kshs.89,907,512 (or 38%) of the budget. Similarly, the Unit spent Kshs.187,819,473 against an approved budget of Kshs.221,995,000, resulting to an under-absorption of Kshs.34,175,527 (or 15%) of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the effect of the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the prior year's audit report, several issues were raised under the Report on Financial Statements, Lawfulness and Effectiveness in Use of Public Resources, and Effectiveness of Internal Controls, Risk Management and Governance, respectively. Review of the status during audit of the Unit in 2024/2025 revealed that the matters detailed in Appendix I remained unresolved.

Other Information

The Management is responsible for the Other Information set out on pages vi to xlv which comprise of Key Entity Information and Management, Board of Directors, Key Management Team, Chairman's Statement, Report of the Managing Director, Statement of Performance against Predetermined Objectives, for financial year 2024/2025 Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Directors and Statement of Directors' Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the company's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit

or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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

1. Delayed Implementation of Enterprise Resource Planning System

The statement of financial position reflects intangible assets balance of Kshs.2,820,476 as disclosed in Note 17 to the financial statements. Review of procurement records revealed that the Unit entered into a contract on 9 June, 2023 with a vendor to provide Enterprise Resource Planning (ERP) system at a contract sum of Kshs.3,786,200 with a contract period of six (6) months ending 06 December, 2023. However, at the time of audit in October, 2025, the system had not been fully implemented as only two (2) modules out of the required eleven (11) had been partially implemented, resulting to twenty-two (22) months' delay and no contract extensions were provided for audit. This was contrary to Section 139(2A) of the Public Procurement and Asset Disposal Act, 2015 which provides that, an accounting officer of a procuring entity, on the recommendation of an evaluation committee or as prescribed in the signed contract agreement, may approve the request for the extension of the contract period, which request shall be accompanied by a letter from the tenderer making justifications for such extension.

In the circumstances, value for money has not been achieved on the software costing Kshs.3,786,200 and Management was in breach of the law.

2. Failure to Deduct and Remit Public Procurement Capacity Building Levy

During the year under review, Management procured goods, works and services costing Kshs.72,833,727 but did not deduct and remit the public procurement capacity building levy totalling Kshs.21,850 (0.03% of Kshs.72,833,727). Further, the penalty of 5% of the outstanding levy amounts remains unpaid.

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

3. Nugatory Expenditure

Records provided for audit indicated that the Unit Management signed an agreement with Kenya Revenue Authority on 29 August, 2024 to pay outstanding taxes (PAYE) amounting to Kshs.30,064,545. Included in this balance is nugatory expenditure in the form of interest and penalties on outstanding taxes amounting to Kshs.14,045,053.

In the circumstances, the Unit has not obtained value for money on avoidable interest and penalties totalling Kshs.14,045,053.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require 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 comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of 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 governance were not effective.

Basis for Conclusion

1. Understaffing of the Unit

The statement of profit or loss and other comprehensive income reflects staff costs of Kshs.77,837,696 as disclosed in Note 10 to the financial statements. However, the staff establishment list provided for audit indicated staff-in-post of forty-nine (49) against an approved establishment of one hundred and twelve (112), resulting to understaffing of sixty-three (63) as at 30 June, 2025.

In the circumstances, service delivery by the Unit is negatively affected

2. Failure to Dispose Inventories

The statement of financial position reflects inventories balance of Kshs.31,244,909 as disclosed in Note 18 to the financial statements. As disclosed in the Note, the balance excludes stocks valued at Kshs.156,244 which were earmarked for disposal. However, the stocks had not been disposed as at 30 June, 2025.

In the circumstances, the internal controls on stocks management are weak.

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

Conclusion

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

i. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit;

ii. The information given in the Directors' report on pages xlii to xliii is consistent with the financial statements;

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

Responsibilities of Management and Board of Directors

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

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

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

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

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

and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

11 November, 2025

Appendix I: Unresolved Prior Year Matters

1. Inaccuracies in the Statement of Cash Flows The statement of cash flows reflects net increase in cash and cash equivalents amounting to Kshs.6,546,963 instead of the re-casted amount of negative Kshs.25,009,527 resulting to a variance of Kshs.31,556,490 which was not explained or reconciled.
2. Inaccuracies in the Property, Plant and Equipment Balance The statement of financial position reflects property, plant and equipment balance of Kshs.698,226,438 as disclosed in Note 13 to the financial statements. However, re cast of the balances in the Note revealed various errors.
3. Expired Inventories As previously reported, the statement of financial position reflects inventories balances of Kshs.35,434,442 as disclosed in Note 15 to the financial statements which includes chemical inventories worth Kshs.3,231,840. However, included in Kshs.3,231,840 is chemical inventories balance of Kshs.67,429 which had expired but not written off.
4. Budgetary Control and Performance The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.180,000,000 and Kshs.231,975,741 respectively, resulting to an overcollection of Kshs.52,175,741 (or 29%) of the budget. Similarly, the Unit spent Kshs.136,633,166 against an approved budget of Kshs.182,823,000, resulting to an under-absorption of Kshs.46,189,834 (or 25%) of the budget.
5. Anomalies in Presentation and Disclosures of the Financial Statements Review of the annual report and financial statements revealed the following presentation anomalies; i. Management did not prepare a reconciliation of actual amounts on a comparable basis and actual amounts in the financial statements, identifying basis for differences, contrary to the reporting template requirement that "where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation"; ii. The amounts and balances in the statement of comparison of budget and actual amounts could not be traced in the budget;

iii. The statement of comparison of budget and actual amounts reflects percentages of budget utilizations which are erroneous as follows;

a. The percentages utilization on sales of goods is 204% instead of 104%;

b. The percentages utilization on transfers from government is 99% instead of 0.077%;
c. The percentage utilization on total income is 129% instead of 29%;
d. The percentage utilization on compensation of employees is 149% instead of 49%;
e. The percentage utilization on finance cost is 85% instead of 15%;
f. The percentage utilization on employee costs is 97% instead of 2%;
g. The percentage utilization on other payments is 148% instead of 48;

iv. Capital expenditures for the purchases of property, plant and equipment and intangible assets of Kshs.7,115,510 and Kshs.4,955,480 presented in the statement of cash flows respectively were not disclosed in the statement of comparison of budget and actual amounts;

v. The statement of cash flows was prepared using indirect method instead of direct method as prescribed;

vi. Note to the financial statements showing how the operating profit was arrived at was not provided;

vii. The reconciliation Note on cash generated from operations was not provided;

viii. Accounting policies on trade and other receivables, taxation, intangible assets, trade and other payables, provision for doubtful debts, provision for staff leave and budget information were not disclosed;

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

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

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

6. Procurement Plan Lacking Mandatory Details

The statement of profit or loss and other comprehensive income reflects total expenses of Kshs.135,497,353. Review of the approved annual procurement plan revealed that the plan did not include a schedule of the planned delivery and implementation or

completion dates for all goods, works, or services required, contrary to Regulation 41(1)(b) of the Public Procurement and Asset Disposal Regulations, 2020 which provides that the annual consolidated procurement plan for each procuring entity shall

include a schedule of the planned delivery, implementation or completion dates for all goods, works, or services required.

7. Unsupported Contract Variation

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

8. Un-surrendered Excess Receipts

The statement of comparison of budget and actual amounts reflects actual sale of goods and budget amounts of Kshs.102,075,741 and Kshs.50,000,000 respectively, resulting to excess revenue amounting to Kshs.52,075,741 and which was not surrendered to the National Treasury. This was contrary to Regulation 117(1)(2) of the Public Finance Management (National Government) Regulations, 2015 which requires the Accounting Officer to surrender unutilized resources to the National Treasury and the National Treasury shall ensure that the funds are re-voted for the project in the following financial year in order to continue the implementation of the project.

9. Weaknesses in Inventories Controls and Stores Management

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

i. Lack of ledger or bin cards as well as reconciliation of stocks to ascertain stock movement.

ii. Lack of policy on management of stock levels such as re-order levels to prevent wastage, losses, stock outs and unprofitable lock-up of funds.

iii. No segregation of duties in main stores whereby the officer receiving either finished or raw materials is the same officer issuing or dispatching the same.

16. Statement of Profit/Loss and Other Comprehensive Income for the Year Ended 30th June 2025

REVENUES		2024/2025	2023/2024
	Notes	Kshs	Kshs
Turnover	[6]	101,129,846	102,075,741
		101,129,846	**102,075,741**
Less cost of Sales	[7]	(76,037,358)	(78,611,027)
Gross Profit		**25,092,488**	**23,464,714**
Grants	[8]	120,000,000	129,900,000
Total Gross Income		**145,092,488**	**153,364,714**
EXPENDITURE			
Operating Expenses	[9]	(69,920,412)	(38,051,291)
Staff Costs	[10]	(77,837,696)	(62,015,410)
Selling & Distribution	[11]	(9,943,505)	(10,033,036)
Finance Costs	[12]	(414,226)	(341,531)
Establishment Expenses	[13]	(7,364,448)	(6,100,264)
Board Expenses	[14]	(10,981,491)	(10,740,460)
Other Operating Expenses	[15]	(8,792,034)	(8,215,361)
Total Expenses		**(185,253,812)**	**(135,497,353)**
Loss/ Profit for the year		**-40,161,324**	**17,867,361**
Less Corporation Tax		-	**(5,360,208)**
Net Loss/ Profit for the year		**-40,161,324**	**12,507,153**

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Managing Director/ C.E.O
DR. JOEL MABONGA

.....
Head of Finance & Accounts
SALOME A. ODEK (ICPAK M/NO: 21822)

.....
Chairman Board of Directors
HON. ELISHA K. BUSIENEI

17.Statement of Financial Position as at 30 June 2025

ASSETS	NOTE	2024/2025	2023/2024
Non-current assets		**Kshs**	**Kshs**
Property, Plant & Equipment	[16]	687,623,700	698,226,438
Intangible Assets	[17]	2,820,476	4,029,252
		690,444,176	**702,255,690**
Current assets			
Inventories	[18]	31,244,909	35,434,442
Receivables & Prepayments	[19]	132,940,819	95,583,832
Cash and bank balance	[20]	9,434,835	29,779,756
		173,620,562	**160,798,030**
TOTAL ASSETS		**864,064,738**	**863,053,720**
CAPITAL & RESERVES			
Retained Earnings	[21]	40,352,028	80,113,352
Revaluation Reserve	[22]	654,927,705	654,927,705
Capital Reserves	[23]	71,085,064	71,085,064
Deferred Special Grant	[24]	44,167,394	44,167,394
TOTAL CAPITAL AND RESERVES		**810,532,191**	**850,293,515**
LIABILITIES			
Current Liabilities			
Trade & other Payables	[25]	53,532,547	12,760,205
TOTAL CAPITAL RESERVES & LIABILITIES		**864,064,738**	**863,053,720**

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors on 29 / 08/ 2025 by:

Chairman Board of Directors
Hon. Elisha K. Busienei

Managing Director/ C.E.O
Dr. Joel Mabonga

18. Statement of Changes in Equity for the Year Ended 30 June 2025

	Retained earnings Kshs	Revaluation Reserves Kshs	Capital Reserves Kshs	Deferred Special Grant Kshs	Total Kshs
Balance as at 01.07.2022	**50,992,411**	**67,633,650**	**71,085,064**	**44,167,394**	**233,878,519**
Profit for the period	16,613,788	-	-	-	16,613,788
Balance as at 30.06.2023	**67,606,199**	**67,633,650**	**71,085,064**	**44,167,394**	**250,492,307**
Balance as at 01.07.2023	**67,606,199**	**67,633,650**	**71,085,064**	**44,167,394**	**250,492,307**
Revaluation Gain	-	587,294,055	-	-	587,294,055
Profit for the period	12,507,153	-	-	-	12,507,153
Balance as at 30.06.2024	**80,113,352**	**654,927,705**	**71,085,064**	**44,167,394**	**850,293,515**
Balance as at 01.07.2024	**80,113,352**	**654,927,705**	**71,085,064**	**44,167,394**	**850,293,515**
Dividend to National Treasury	(550,000)	-	-	-	**(550,000)**
Profit/Loss for the period	(40,161,324)	-	-	-	**(40,161,324)**
Prior year adjustment (Overprovision of Dividends)	950,000	-	-	-	**950,000**
Balance as at 30.06.2025	**40,352,028**	**654,927,705**	**71,085,064**	**44,167,394**	**810,532,191**

19. Statement of Cash Flows for the Year Ended 30 June 2025

	Notes	2024/2025 Kshs	2023/2024 Kshs
Cash generated from operating activities			
Receipts			
Sales Revenue	[6]	25,092,488	102,075,741
Grants (MoE)	[8]	120,000,000	129,900,000
Total Receipts		**145,092,488**	**231,975,741**
Payments			
Operating Expenses	9 (a)	55,706,179	38,051,291
Staff Costs	10 (a)	79,513,561	62,015,410
Selling expenses	[11]	9,943,505	10,033,036
Finance Costs	[12]	414,226	341,531
Establishment Expenses	[13]	7,364,448	6,100,264
Board Expenses	[14]	10,981,491	10,740,460
Other Operating Expenses	15 (a)	350,000	8,215,361
Total Payments		**164,273,409**	**135,497,353**
Net cash flows from Operating activities		**(19,180,921)**	**96,478,388**
Cash flows from Investing activities			
Purchase of Property plant & Equipment	[16]	(1,586,000)	(7,115,510)
Acquisition of Intangible Assets	[17]	-	(4,955,480)
Net Cash outflow from Investing activities		**(1,586,000)**	**(12,070,990)**
Cash flows from Financing activities			
Dividend to National Treasury		(550,000)	-
Net Cash outflow from Financing activities		**(550,000)**	-
Net increase/(decrease) in cash and cash equivalents		(20,344,921)	6,546,963
Cash and cash equivalents at 1st July, 2024		**29,779,756**	**23,232,793**
Cash and cash equivalents at 30 June, 2025	[20]	**9,434,835**	**29,779,756**

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Managing Director/ C.E.O

DR. JOEL MABONGA

.....
Chairman Board of Directors

HON. ELISHA K. BUSIENEI

20. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2025

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Performance difference	% of Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Budget carryovers		**29,779,756**	**29,779,756**	**29,779,756**		
Receipts						
Sale of goods	66,130,000	48,870,000	115,000,000	25,092,488	89,907,512	22%
Sale of services	-	-	-	-	-	
Transfers from the Govt.	130,000,000	(10,000,000)	120,000,000	120,000,000	-	100%
Finance Income	-	-	-	-	-	-
Total receipts	**196,130,000**	**38,870,000**	**235,000,000**	**145,092,488**	**89,907,512**	**62%**
Payments						
Compensation of employees	58,500,000	3,056,000	61,556,000	77,837,696	-16,281,696	126%
Use of goods & services	-	-	-	-	-	-
Finance cost	400,000	22,000	422,000	414,226	7,774	98%
Rent paid	-	-	-	-	-	-
Taxation paid	-	-	-	25,795,196	-25,795,196	-
Other Payments	136,046,000	11,976,000	148,022,000	82,186,355	65,835,645	56%
Total expenditure	**194,946,000**	**15,054,000**	**210,000,000**	**186,233,473**	**23,766,527**	89%
Capital expenditure	**30,575,000**	**(18,580,000)**	**11,995,000**	**1,586,000**	**10,409,000**	13%
Surplus for the period				-15,810,361		

Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	**-15,810,361**
Taxation paid	25,795,196
Dividends to National treasury	(550,000)
Closing Cash and Cash Equivalent as per the statement of Cash flows	**9,434,835**

NOTE:

Sales Revenue: The initial sales revenue budget was set at KSh 66,130,000, but this figure was revised to a final budget of KSh 115,000,000 due to anticipated increase in customer orders. Actual sales for the year amounted to KSh 101,129,846, falling short of the final budget by KSh 13,870,154. However, this shortfall was effectively compensated by deferred income of KSh 9,140,000, which helped bridge the gap. As a result, while actual sales did not fully match the final budget, the overall financial performance remained strong, with the deferred income helping to meet revenue expectations. This demonstrates the company's ability to manage its income streams and mitigate shortfalls through strategic financial management.

Taxation paid; During the financial year, the Company incurred tax expenses amounting to Kshs. 25,795,196, which were not included in the original or revised budget. This variance arose due to changes in tax law, unexpected taxable income and prior underestimation of tax liability. The Company will consider incorporating tax estimates in future budget planning processes to improve financial accuracy.

21. Notes to the Financial Statements

1. General Information

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

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

2. Statement of Compliance and Basis of Preparation

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

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

i. *New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.*

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7	The amendments specify: i. when a financial liability settled using an electronic payment system can be deemed to be discharged before the settlement date. ii. how to assess the contractual cash flow characteristics of financial assets with contingent features when the nature of the contingent event does not relate directly to changes in basic lending risks and costs; and iii. new or amended disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features that do not relate directly to basic lending risks and costs.	1 January 2026

The Directors have assessed the applicable standards and amendments. Based on their assessment of the impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.

Title	Description	Effective Date
IFRS 18 Presentation and Disclosure in Financial Statements	The objective of IFRS 18 is to set out requirements for the presentation and disclosure of information in general purpose financial statements (financial statements) to help ensure they provide relevant information that faithfully represents an entity's assets, liabilities, equity, income and expenses.	The new standard is effective for annual periods beginning on or after January 1, 2027. Earlier application is permitted.
IFRS 19 Subsidiaries without Public Accountability	IFRS 19 Subsidiaries without Public Accountability: Disclosures IFRS 19 Subsidiaries without Public Accountability: Disclosures was issued in May 2024. IFRS 19 permits some subsidiaries to apply IFRS Accounting Standards with reduced disclosure requirements. These entities apply the requirements in other IFRS Accounting Standards except for their disclosure requirements. Instead, these entities apply the requirements in IFRS 19	An entity may elect to apply this Standard for reporting periods beginning on or after 1 January2027.Earlier application is permitted.

The Board of Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of the application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

4. **Summary of Accounting Policies**

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

a) Revenue recognition

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

i) **Revenue from the sale of goods and services** is recognized in the year in which the Unit delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
ii) **Grants from the National Government** are recognized in the year in which the Unit receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that have been acquired using such funds.
iii) **Other income** is recognized as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.
Certain categories of property, plant and equipment are subsequently carried at revalued amounts, being their fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

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

d) 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:

Item	Rates
Buildings	2.5%
Machinery & Equipment	15%
Motor vehicles	25%
Computers & Accessories	30%
Furniture and Fittings	12.5%

d) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives . The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

e) Amortisation and impairment of intangible assets

Amortization is calculated on a straight-line basis over the estimated useful life of the intangible asset. All intangible assets are reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

f) Inventories

Stock and work in progress are stated at the lower of cost and net realisable value. Cost comprises the cost of raw materials and attributable to production overheads appropriate to the location and condition of the stock at the balance sheet date. Stock consists of stock-taking as at 30th June 2025.

g) Trade and other receivables

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

i) Taxation

i) Current income tax

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

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

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

ii) Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

J) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at Kenya Commercial Bank, Co-operative Bank and National Bank of Kenya at the end of the reporting period.

k) Trade and other payables

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

l) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2024. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time.

m) Provision for staff leave pay

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

n) Exchange rate differences

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

o) Budget information

The original budget for FY 2024/2025 was approved by the Board on 26th January, 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with approval from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of Cash flows has been presented under section 20 of these financial statements.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets

c) Provisions

Provisions for bad debts were raised and management determined an estimate based on the information available. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

6. Revenue from contracts with customers

Description	2024/2025	2023/2024
	Kshs	Kshs
Sales of Goods	101,129,846	102,075,741
Total	**101,129,846**	**102,075,741**

7. Cost of Sales

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost of sales on goods	76,037,358	78,611,027
Total	**76,037,358**	**78,611,027**

8. Grants from the National Government

Description	2024/2025	2023/2024
	Kshs	Kshs
Recurrent grants received	120,000,000	129,900,000
Total	**120,000,000**	**129,900,000**

9. Operating Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Telephone & faxes	965,973	1,019,799
Printing and stationery	4,059,710	3,570,448
Insurance premiums (General)	544,422	839,300
Local Travelling & subsistence	18,187,880	15,264,409
Subscriptions and Donations	179,870	212,450
Office expenses	2,389,922	4,511,260
Training & recruitment	1,808,580	1,896,174
Electricity & water	896,490	951,099
Hospitality/ Staff Welfare	3,173,051	1,629,797
Tax Expenses	25,795,196	-
IT Expenses	3,730,958	5,856,493
Security services	981,948	919,862
Team Building & End of Year Party	1,068,100	1,130,200
Contracted cleaning services	844,104	-
Land Master Plan Expenses (Imara Daima Land)	3,156,667	-
Upgrading of Science Kit Expenses	2,137,541	250,000
Total	**69,920,412**	**38,051,291**

9 (a) Reconciliation of Operating Expenses in P&L and Cash Flow

Operating expense as per P&L	**69,920,412**
Less: Increase in Deffered Income (Unearned revenue)	(9,140,000)
Add: Decrease in Accrued Audit Fees	350,000
Less: Increase in Provision for Corporate tax payable	(15,826,749)
Less: Increase in Income Tax Arrears payable	(2,313,334)
Less: Increase in University of Nairobi Enterprises payable	(1,681,729)
Less: Decrease in Inventory	(4,189,533)
Less: Increase in trade and other payables	(14,440,621)
Add: Decrease in corporate tax payable	1,480,503
Add: Increase in Trade Receivables	4,535,327
Add: Increase in Prepaid general insurance	272,211
Add: Increase in Prepaid Local Travel	117,500
Add: Decrease in Provision for doubtful debts	26,622,192
Operating expense as per cash flow	**55,706,179**

10. Staff Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Salaries & wages	62,577,667	53,452,572
Staff uniform	122,850	-
Leave travelling allowance	824,607	192,000
Pension Expenses- employer	3,138,645	2,354,886
Medical expenses	-	120,153
Insurance premiums (Medical)	11,173,927	5,895,799
Total	**77,837,696**	**62,015,410**

10 (a) Reconciliation of Staff Costs in P&L and Cash Flow

Staff cost as per P&L	**77,837,696**
Less: Increase in Accrued Salaries payable	(150,412)
Add: Increase in Prepaid medical insurance	1,722,194
Add: Increase in Staff Advances	104,083
Staff costs as per cashflow	**79,513,561**

10 (b) The average number of employees at the end of the year was:

Description	2024/2025	2023/2024
Permanent employees – management	7	8
Permanent employees – unionisable	54	25
Temporary and contracted employees	17	39
Total	**78**	**72**

11. **Selling and Distribution Costs**

Description	2024/2025	2023/2024
	Kshs	Kshs
Advertising, sales promotion & marketing	2,988,215	4,694,164
Packing materials (Stores Expenses)	75,900	21,640
Transport-Dispatch & postage	6,879,389	5,317,232
Total	**9,943,505**	**10,033,036**

12. Finance Costs

Description	2024/2025	2023/2024
	Kshs	Kshs
Bank charges	414,226	341,531
Total	**414,226**	**341,531**

13. Establishment Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Repairs & maintenance of Equipment & Building	269,071	300,450
Motor vehicle running expenses & Repairs	7,095,377	5,799,814
Total	**7,364,448**	**6,100,264**

14. Board Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Sitting Allowance	3,620,000	3,120,000
Subsistence Allowance	2,730,000	2,912,200
Honoraria	960,000	960,000
Lunch & Snacks	250,000	214,000
Transport	2,801,491	2,633,560
Airtime	60,000	60,000
Training	560,000	840,700
Total	**10,981,491**	**10,740,460**

15. Other Operating Expenses

Description	2024/2025	2023/2024
	Kshs	Kshs
Audit fees	350,000	350,000
Professional & Legal fees	-	450,711
Amortization Expenses	1,208,776	926,228
Depreciation Expenses	7,233,258	6,488,422
Total	**8,792,034**	**8,215,361**

15 (a) Reconciliation of Other Operating Expenses in P&L and Cash Flow

Other operating expenses as per P&L	**10,325,295**
Less: Depreciation & Amortization	(8,442,034)
Other operating expenses as per Cashflow	**350,000.00**

16. Property, Plant and 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 01.07.2023	**63,000,000**	**26,322,105**	**16,316,237**	**2,205,184**	**1,778,691**	**683,078**	**110,305,295**
Revaluation Adjustments	567,000,000	9,809,395	5,233,763	696,916	3,250,809	1,303,172	**587,294,055**
Additions	-	-	-	1,397,036	440,000	322,994	**2,160,030**
Balance as at 30.06.2024	**630,000,000**	**36,131,500**	**21,550,000**	**4,299,136**	**5,469,500**	**2,309,244**	**699,759,380**
Additions	-	-	-	1,586,000	-	-	**1,586,000**
Disposals		-	-	-	-	-	-
Balance as at 30.06.2025	**630,000,000**	**36,131,500**	**21,550,000**	**5,885,136**	**5,469,500**	**2,309,244**	**701,345,380**
Depreciation and Impairment							
Balance as at 01.07.2023	-	-	-	-	-	-	-
Depreciation	-	707,100	4,340,747	937,008	377,528	126,039	**6,488,422**
Balance as at 30.06.2024	-	**707,100**	**4,340,747**	**937,008**	**377,528**	**126,039**	**6,488,422**
Depreciation	-	885,610	4,302,313	1,008,638	763,796	272,901	**7,233,258**
Disposals	-	-	-	-	-	-	-
Balance as at 30.06.2025	-	**1,592,710**	**8,643,060**	**1,945,646**	**1,141,324**	**398,940**	**13,721,680**
NET BOOK VALUE							
Balance as at 30.06.2024	**630,000,000**	**35,424,400**	**17,209,253**	**3,362,128**	**5,091,972**	**2,183,205**	**693,270,958**
Balance as at 30.06.2025	**630,000,000**	**34,538,790**	**12,906,940**	**3,939,490**	**4,328,176**	**1,910,304**	**687,623,700**

i. The Unit conducted a revaluation of its Property, Plant and Equipment through a contracted service during the year ended 30th June 2024, on 18th April 2024. The adoption of the revaluation amounts was considered from the date of revaluation.

ii. The revaluation of assets was done by the University of Nairobi Enterprises.

iii. **Methodology on Revaluation of Assets**

The valuation of assets was prepared in compliance with the current International Valuation Standards [IVS], the International Financial Reporting Standards [IFRS], and the Kenyan valuation standards (the Institution of Surveyors of Kenya [ISK] –The Valuers Handbook, 2020). In preparing the Revaluation Report, a physical inspection and verification of the items was conducted to ascertain the nature, use, condition and unexhausted/remaining life of each asset.

iv. Assumptions Used in Valuation

a. The assets were valued on the basis of *Fair Value* in accordance with International Financial Reporting Standard (IFRS 13) – Fair Value Measurement and the International Valuation Standards (IVS), as adopted by the Institution of Surveyors of Kenya (ISK).
b. The effective date of valuation was 18th April 2024, and the revalued amounts were adopted from that date.
c. Going Concern Assumption - The valuation was carried out on the assumption that the Unit will continue to operate as a going concern for the foreseeable future.
d. Market Conditions - The values reflect market conditions prevailing as at the valuation date and assume that no significant changes have occurred in the economic or regulatory environment subsequent to that date.
e. It was assumed that all assets were in reasonable working condition, unless otherwise stated during physical verification, and that maintenance has been carried out in accordance with standard industry practice.
f. It was assumed that the Unit has good and marketable title to all the assets, free from any encumbrances or undisclosed charges.
g. The assets were assumed to be fit for their intended use and to provide economic benefits consistent with their current utilization.
h. The remaining useful lives of the assets were estimated based on their physical condition, age, and usage, as determined during inspection.
i. Assets that were fully depreciated, obsolete, or no longer in use were identified during the physical verification exercise, and their *carrying amounts were written off* from the books prior to the adoption of the revaluation figures.
j. It was assumed that no significant events affecting the value of the assets occurred between the valuation date and the date of adoption of the revaluation results.

17. Intangible Assets

Description	2024/2025	2023/2024
	Kshs	Kshs
Cost		
At 1st July	4,029,252	-
Additions	-	4,955,480
Disposals	-	-
At 30th June	**4,029,252**	**4,955,480**
Amortization	4,029,252	
At 1st July		4,955,480
Charge for the year	(1,208,776)	-926,228
Impairment loss	-	-
Net Book Value as at 30th June	**2,820,476**	**4,029,252**

18. Inventories

Description	2024/2025	2023/2024
	Kshs	Kshs
Chemical Stocks	2,288,717	3,231,840
Equipment stock	14,825,161	17,709,939
Work shop stocks	10,404,614	12,257,244
Work in progress	3,726,417	2,235,419
Total	**31,244,909**	**35,434,442**

NOTE: Expired Chemicals and Obsolete Stocks:

The balance of Chemical stocks as of the reporting period excludes an amount of Kshs 59,717 representing expired chemical stock, Equipment stock excludes obsolete inventory due for disposal valued at Kshs. 56,927, and Workshop stock excludes obsolete inventory due for disposal valued at Kshs. 39,600. This totals to Kshs. 156,244.

	2024/2025		2023/2024
19. Receivables & Prepayments	**Kshs**		**Kshs**
Trade Receivables	53,854,538		49,319,211
Other Current Assets			
Prepaid Medical Insurance Prepaid	4,298,705		2,576,511
General Insurance Prepaid	272,211		-
Local Travel	117,500		-
Staff Advances	1,109,984		1,005,901
	59,652,938		**52,901,623**
Less Provision for doubtful debts	(1,799,001)		(32,404,673)
	53,870,458		**20,496,951**
Add Receivable from the Ministry of Education	75,086,881		75,086,881
Total Net Debtors	**132,940,819**		**95,583,832**
Ageing Analysis of Trade Receivables			
Less than 30 Days	**11,725,511**		**1,731,043**
Between 30 and 60 Days	**1,949,112**		**693,764**
Between 61 and 90 Days	**85,572**		**1,375,642**
Between 91 and 120 Days	**117,000**		**15,000,481**
Over 120 Days	**39,977,343**		**30,518,281**
Total	**53,854,538**		**49,319,211**
20. Cash & Bank balances			
Kenya Commercial Bank Limited	4,759,772		19,627,583
National Bank of Kenya Limited	357,411		567,391
Co-operative Bank of Kenya	4,310,118		9,533,168
Cash at Hand	7,535		51,614
Cash and Cash Equivalents	**9,434,835**		**29,779,756**

		2024/2025	2023/2024
		Kshs	Kshs
[21]	**Retained Earnings**		
	Retained Earnings b/f	80,113,352	67,606,199
	Dividend to National Treasury	(550,000)	-
	Prior year Adjustment on Dividend to National Treasury	950,000	-
	Net Profit for the year	(40,161,324)	12,507,153
	Retained Earnings c/f	**40,352,028**	**80,113,352**
[22]	**Revaluation Reserve**		
	Revaluation Reserve b/f	67,633,650	67,633,650
	Revaluation Surplus on land	567,000,000	567,000,000
	Revaluation Surplus on Buildings	9,809,395	9,809,395
	Revaluation Surplus on Motor Vehicles	5,233,763	5,233,763
	Revaluation Surplus on Computer &Accessories	696,916	696,916
	Revaluation Surplus on machinery & equipment	3,250,809	3,250,809
	Revaluation Surplus on furniture & fittings	1,303,172	1,303,172
		654,927,705	**654,927,705**
[23]	**Capital & Reserves**		
	Opening balance	71,085,064	71,085,064
	Government Development Grant	-	-
		71,085,064	**71,085,064**
[24]	**Deferred Special Grant**	**44,167,394**	**44,167,394**
[25]	**Trade & Other Payables**		
	Trade Payables	21,650,187	7,209,566
	Deferred Income (Unearned revenue)	9,140,000	-
	Accrued Audit Fees	-	350,000
	Accrued Salaries	150,412	-
	Retirement benefits (pensions)	816,066	816,066
	Provision for Dividend to National Treasury	550,000	1,500,000
	Gratuity for Pension Scheme	1,404,070	1,404,070
	Provision for Corporate tax	-	1,480,503
	Income Tax Arrears	15,826,749	-
	University of Nairobi Enterprises	2,313,334	-
	NSSF Arrears	1,681,729	-
		53,532,547	**12,760,205**

25 (a) Ageing Analysis for Trade Payables

	2024/2025	% of the total	2023/2024	% of the total
Under one year	14,440,621	67	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	7,209,566	33	7,209,566	100.00%
Total	**21,650,187**		**7,209,566**	

26. Notes to the Statement of Cash Flows

Description	**2024-2025**	**2023-2024**
	Kshs	**Kshs**
(a) Reconciliation Of Operating Profit/(Loss) To Cash Generated From/ (Used In) Operations		
Profit or Loss before tax	(40,161,324)	12,507,153
Depreciation	7,233,258	6,488,422
Amortization	1,208,776	926,228
Prior year adjustment (overprovision of dividends)	950,000	-
Operating Profit/(Loss) before Working Capital changes	-30,769,290	19,921,803
(Increase)/Decrease in Inventories	4,189,533	(4,475,232)
(Increase)/Decrease in Trade and Other Receivables	-33,373,507	(20,787,590)
Increase/(Decrease) in Trade and Other Payables	40,772,342	(3,978,224)
Cash Generated from/(used in) operations	**-19,180,921**	**(29,241,046)**

26 (b) Reconciliation of Cash Flows from Operating Activities (Direct Method)

Particulars	Current FY;2024/25 (Kshs)	Audited FY 2023/24 (Kshs)	Variance (Kshs.)
Net Cash Flows from Operating Activities	(135,497,353)	(12,938,537)	(122,558,816)

NOTE:
The Statement of Cash Flows for the year ended 30th June 2025 has been prepared using the **Direct Method**, in compliance with **IAS 7 – Statement of Cash Flows**. In prior years, the Unit applied the **Indirect Method**. The transition to the direct method resulted in variations in the classification and treatment of certain items.

The variance of **Kshs. 122,558,816** between the current and prior year primarily arose from:
i. Misclassification of certain transactions between operating and other activities;
ii. Inclusion of non-cash adjustments (e.g., accruals and provisions) in the current presentation; and
iii. The change in presentation method from indirect to direct, leading to timing and format differences.

27. Related Party Disclosures

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

Transactions with related parties

Description	2024/2025 Kshs	2023/2024 Kshs
a) Purchases from related parties		
Purchases of electricity from KPLC	756,801	864,698
Purchase of water from govt service providers	139,689	86,401
Training and conference fees paid to Govt. Agencies	1,808,580	1,896,174
Bank charges paid to govt commercial banks	414,226	341,531
Total	**3,119,296**	**3,188,804**
b) Grants from the government		
Grants from national govt	120,000,000	129,900,000
Donations in kind	107,500	212,450
Total	**120,107,500**	**130,112,450**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	62,577,667	53,452,572
Payments for goods and services	72,461,825	38,051,291
Total	**91,503,863**	**91,503,863**
d) Key management compensation		
Directors' emoluments	10,981,491	10,740,460
Compensation to key management	16,079,325	16,318,419
Total	**27,060,816**	**27,058,879**

28. Contingencies

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

a) Imara Daima Land in the Industrial Area encroached by squatters

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

b) Litigation - Supreme Court Case on Vulcan Lab

Vulcan Lab Ltd. On 13th April 2023, appealed to the Supreme Court for review of the ruling of the court of appeal at Nairobi dated 16th April 2021. The Supreme Court accepted the appeal.
SEPU was also informed of the Vulcan Supreme Court appeal notice by Korongo & co Advocates on 12th/06/2023. On 4th July 2023, the matter came up before the Supreme Court for directions and was set for further mention on 21st July 2023.

c) Petition Against Eviction from Imara Daima SEPU Land

The School Equipment Production Unit (SEPU) was a respondent in a petition (Case No. ELCLPET/E091/2024) filed at the Environment and Land Court, Milimani Law Courts, challenging the eviction of individuals from SEPU's Imara Daima land. The petitioners had alleged that their removal from the property would violate their rights, while SEPU maintained legal ownership and its intention to reclaim the land for its intended use. The case was heard on 4th December 2024, and the outcome of the court process remains pending. An adverse ruling could result in loss.

29. Disclosure notes

(a) Deferred Income

As at the reporting date, the deferred income balance amounted to **KSh 9,140,000**. This represents sales proceeds that was received in advance for goods and services that had not been delivered or rendered by the end of the financial year. The revenue will be recognized in the subsequent period when the related goods are delivered and/or services are performed in accordance with the entity's revenue recognition policy.

(b) Prepaid medical insurance

The entity entered into a medical insurance contract covering the period from **1 November 2024 to 31 October 2025** at a total cost of **KShs 12,896,121**. For the financial year ended 30 June 2025, the portion of the insurance relating to the eight months from November 2024 to June 2025, amounting to **KShs 8,597,416**, was recognized as an expense. The remaining portion, amounting to **KShs 4,298,705** and relating to the four months from July to October 2025, has been recognized as a prepayment in the statement of financial position and will be expensed in the subsequent financial year when the coverage period occurs.

(c) Prepaid general insurance

The entity entered into a general insurance contract covering the period from **1 November 2024 to 31 October 2025** at a total cost of **KShs 816,633**. For the financial year ended 30 June 2025, the portion of the insurance relating to the eight months from November 2024 to June 2025, amounting to **KShs 544,422**, was recognized as an expense. The remaining portion, amounting to **KShs 272,211** and relating to the four months from July to October 2025, has been recognized as a prepayment in the statement of financial position and will be expensed in the subsequent financial year when the coverage period occurs.

(d) Prepaid local travel

On **28th June 2025**, the entity paid a total of **KSh 117,500** to two officers in respect of local travel planned for the subsequent financial year. Since the travel had not occurred by the reporting date, the full amount has been recognized as a prepayment in the statement of financial position and will be expensed in the next financial year when the related travel takes place.

(e) Accrued Salary

As at **30 June 2025**, accrued salaries amounting to **KSh 150,412** relate to **two employees** who had been interdicted during the year and subsequently had their interdiction lifted. These amounts represent compensation earned during the interdiction period, which had not been paid by the reporting date. The liability is recognized in the statement of financial position and will be settled in accordance with the applicable employment terms and regulations.

f) Master Plan Expenses - Land located at Imara Daima

During the financial year ended 30th June 2025, the Unit incurred expenditures amounting to Kshs 3,156,667 relating to the preparation and development of a master plan for a parcel of land intended for future development. However, the land in question is currently subject to a legal dispute and has been encroached upon by unauthorized occupants (squatters). Due to these circumstances, the Company does not currently have full control or access to the land, which has delayed the planned development activities. In accordance with IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets, expenditures can only be capitalized when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. Given the current uncertainty over the Company's ability to gain control of the land and realize the benefits of the master plan, the related costs do not meet the recognition criteria for capitalization. As such, the master plan expenses have been expensed in the profit or loss for the year, in line with the principles of prudent financial reporting. The Company will continue to assess the situation and, should conditions change to allow for capitalization, will account for future related expenditures in accordance with applicable IFRS standards.

22. Appendices

Appendix 1: Implementation Status of Auditor-General's Prior year recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
1.	Encroachment on the Unit's Land	The management made significant progress in reclaiming the land parcel; however, on 21st November 2024, a petition against SEPU was registered in the Environment and Lands Court of Kenya (ELCLPET/E091/2024) opposing the impending eviction of illegal settlers at Imara Daima.	Not resolved In progress	30th June 2026
2.	Receivables and Prepayments	The Unit is seeking approval from the National Treasury, through the Ministry of Education, to write off long-outstanding trade receivables. In parallel, the Debt Management Policy has been developed to enhance future receivables management and recovery efforts.	Not resolved In progress	30th June 2026
3.	Trade and Other Payables	The Unit is in the process of seeking approval from the National Treasury to write off long-outstanding trade and other payables, signaling a move toward cleaner financial reporting and improved accountability. Concurrently, a creditors' policy has been developed to guide future obligations and ensure consistent, transparent management of payables.	Not resolved In progress	30th June 2026
4.	Expired Inventories	Expired and obsolete inventory was successfully identified, and an Assets and Disposal Committee was appointed to	Resolved	-

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
		oversee the process. While disposal is still pending, appropriate action has been initiated in line with regulatory procedures to ensure the issue is resolved promptly and transparently.		
5.	Budgetary Control and Performance	Management has implemented corrective measures to strengthen budgetary control and enhance performance monitoring. These actions have led to improved compliance with financial plans and ensured efficient resource utilization. The issue has been fully resolved, reflecting the institution's commitment to sound fiscal management.	Resolved	-
6.	Inaccuracies in the Statement of Cash Flows	The errors identified in the classification of cash flows have been corrected and the statement aligned with IFRS requirements.	Resolved	-
7.	Inaccuracies in the Property, Plant and Equipment Balance	The discrepancies noted in the PPE schedule were reviewed and corrected. Updated asset registers have been maintained.	Resolved	-
8.	Unsupported Revaluation of Asset	The revaluation exercise was reviewed, and supporting valuation reports from certified valuers have been provided.	Resolved	-
9.	Deferred Special Grant	The deferred special grant has been appropriately disclosed and recognized as per IFRS requirements.	Resolved	-
10.	Unsupported Long Outstanding Trade Receivables	Reconciliation of trade receivables was undertaken and supporting schedules provided to auditors.	Resolved	-

Reference No. on the external audit Report	Issue / Observations from the Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe:
11.	Anomalies in Presentation of the Financial Statements	The financial statements have been restated and reformatted in accordance with IFRS presentation and disclosure requirements.	Resolved	-
12.	Procurement Plan Lacking Mandatory Details	The procurement plan has been updated to include all mandatory details as required by the Public Procurement and Asset Disposal Act.	Resolved	-
13.	Unsupported Excess Receipts	All receipts have been verified and reconciled to bank statements, with appropriate documentation provided for audit verification.	Resolved	-
14.	Understaffing of the Unit	The organization has been earmarked for institutional reforms; therefore, recruitment is not possible at the moment. The matter will be addressed once the reforms are concluded.	Not Resolved/ Pending	30th June 2026

Dr. Joel Mabonga

Managing Director/ Secretary to the Board

Date...04/11/2025.....

APPENDIX II: INTER-ENTITY TRANSFERS

Transferring Entity: State Department for Basic Education (Ministry of Education)

Beneficiary Entity: School Equipment Production Unit

Confirmation of amounts received by School Equipment Production Unit as at 30th June 2025

Reference Number	Date Received	Recurrent (A)	Development (B)	Total (A+B)	Remarks
FT24232F33HX	20/08/2024	10,000,000	-	10,000,000	Received
FT24257435QW	13/09/2024	10,000,000	-	10,000,000	Received
FT24297VL0VO	23/10/2024	10,000,000	-	10,000,000	Received
FT24323JXR8M	18/11/2024	10,000,000	-	10,000,000	Received
FT24352FK86R	17/12/2024	10,000,000	-	10,000,000	Received
FT25003HQ4Q1	03/01/2025	10,000,000	-	10,000,000	Received
FT250441GR64	13/02/2025	10,000,000	-	10,000,000	Received
FT25073YWVZS	14/03/2025	10,000,000	-	10,000,000	Received
FT25098Y1PT3	08/04/2025	10,000,000	-	10,000,000	Received
FT251291TXHF	09/05/2025	10,000,000	-	10,000,000	Received
FT251689GGND	17/06/2025	10,000,000	-	10,000,000	Received
FT25182524YW	01/07/2025	10,000,000	-	10,000,000	Received
		120,000,000		**120,000,000**	

The above amounts have been communicated to and reconciled with the parent Ministry. I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounting Unit - Ministry of Education

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

Head of Finance & Accounts - SEPU

Name SALOME ODEK Sign..... Date 15/07/2025

SCHOOL EQUIPMENT PRODUCTION UNIT

APPENDIX II: INTER-ENTITY TRANSFERS

Transferring Entity: State Department for Basic Education (Ministry of Education)
Beneficiary Entity: School Equipment Production Unit

Confirmation of amounts received by School Equipment Production Unit as at 30th June 2025

Reference Number	Date Received	Recurrent (A)	Development (B)	Total (A+B)	Remarks
FT24232F33HX	20/08/2024	10,000,000	-	10,000,000	Received
FT24257435QW	13/09/2024	10,000,000	-	10,000,000	Received
FT24297VL0VO	23/10/2024	10,000,000	-	10,000,000	Received
FT24323JXR8M	18/11/2024	10,000,000	-	10,000,000	Received
FT24352FK86R	17/12/2024	10,000,000	-	10,000,000	Received
FT25003HQ4Q1	03/01/2025	10,000,000	-	10,000,000	Received
FT250441GR64	13/02/2025	10,000,000	-	10,000,000	Received
FT25073YWVZS	14/03/2025	10,000,000	-	10,000,000	Received
FT25098Y1PT3	08/04/2025	10,000,000	-	10,000,000	Received
FT251291TXHF	09/05/2025	10,000,000	-	10,000,000	Received
FT251689GGND	17/06/2025	10,000,000	-	10,000,000	Received
FT25182524YW	01/07/2025	10,000,000	-	10,000,000	Received
		120,000,000		**120,000,000**	

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

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

Head of Accounting Unit - Ministry of Education

Name: Emilio Mukina ..... Sign: ..... Date: 15/7/2025

Head of Finance & Accounts - SEPU SALOME ODEK 15/07/20

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Please address all correspondences to the Managing Director