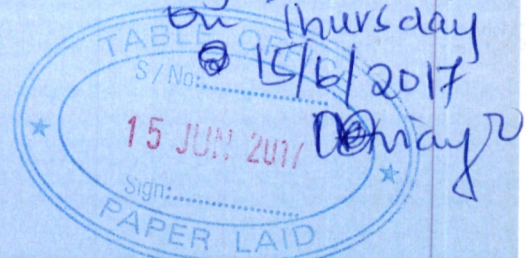
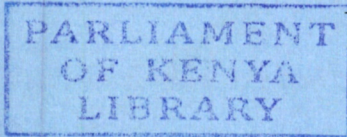


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT



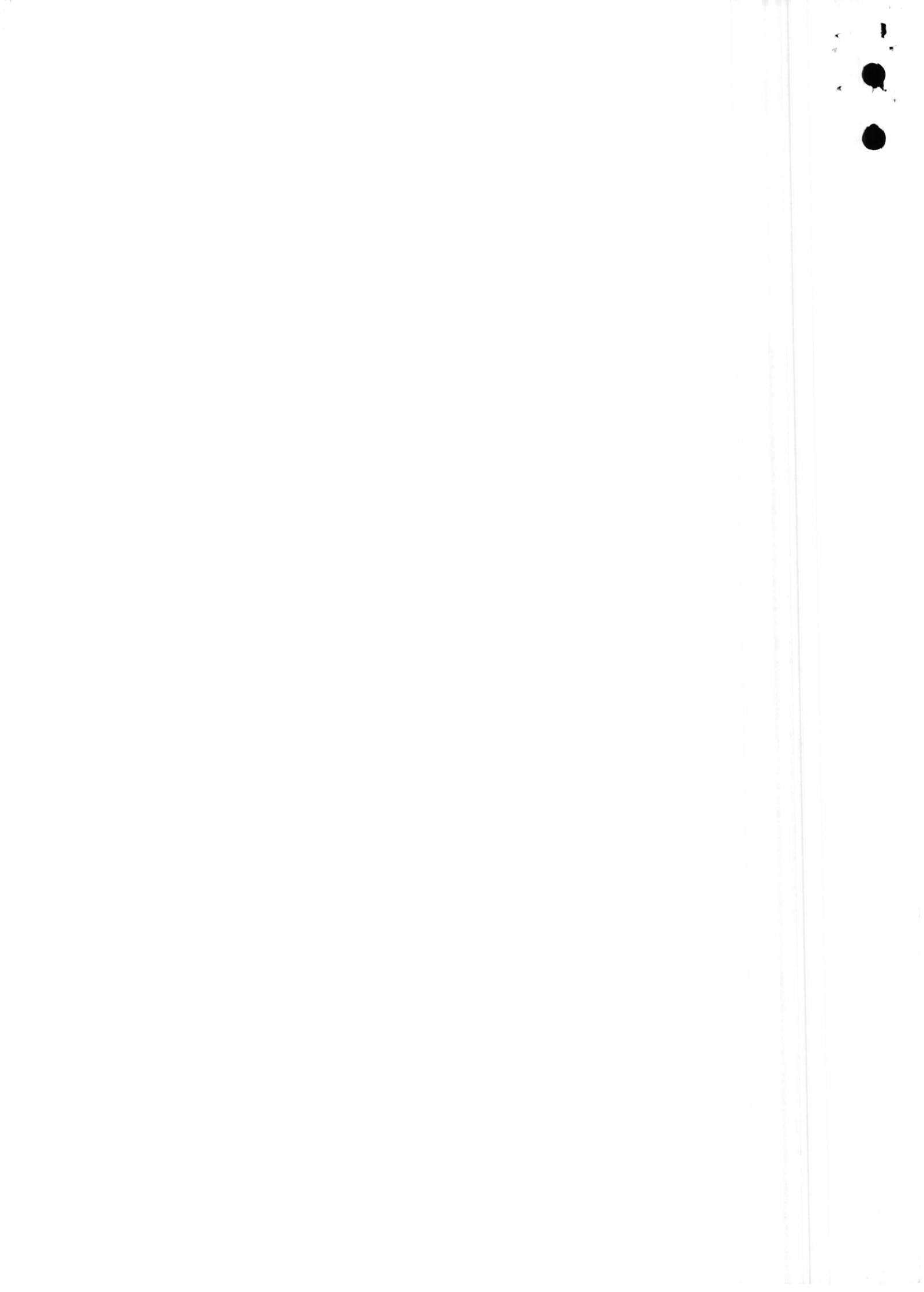
OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
SCHOOL EQUIPMENT PRODUCTION
UNIT**

**FOR THE YEAR ENDED
30 JUNE 2016**



SCHOOL EQUIPMENT PRODUCTION UNIT

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2016

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



SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016
A company limited by guarantee and not having share capital


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SCHOOL EQUIPMENT PRODUCTION UNIT PRODUCTION UNIT




Annual Report and Financial Statements For the year ended 30 June, 2016

THE BOARD OF MANAGEMENT

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p data-bbox="76 640 373 674">1. Dr. Julius Ouma Jwan</p>  <p data-bbox="102 1155 469 1267">The Chief Executive Officer, Kenya Institute of Curriculum Development,</p> <p data-bbox="102 1312 225 1346">Chairman</p>	<p data-bbox="584 640 863 674">Dr. Julius Ouma Jwan</p> <p data-bbox="584 719 1501 1043">Dr. Julius Jwan, year of birth 1965. He holds a PhD Degree in Educational Leadership & Management from the UK. He holds three masters degrees: a Master of Science (MSc) Degree in Educational Research Methods from the UK; a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master of Philosophy (MPhil) Degree in Linguistics from Moi University – Kenya, where he also graduated with a Bachelor of Education Degree.</p> <p data-bbox="584 1122 1501 1402">He was the Director – Programmes and Technical Services at the National Cohesion and Integration Commission (NCIC). Before joining the Commission, he was a lecturer at Moi University, School of Human Resource Development for over thirteen years – rising from the position of Tutorial Fellow to Senior Lecturer. Prior to that he was a teacher at a Secondary School in Homa-bay County and Kaimosi Teachers' College for cumulative five years.</p> <p data-bbox="584 1458 1501 1783">DrJwan has attended several fellowships and short courses including: <i>Procurement and Tendering Processes</i>; and <i>Senior Management Course for Public Officers</i> (both in Kenya); <i>Education for Sustainable Peace</i> (Germany); <i>Enhancing Governance and Financial Administration in Africa</i> (Botswana); <i>Transitional Justice and Governance in Africa</i> (South Africa); <i>Reconciliation as Process and Practice</i> (Sweden); <i>Democratic Governance for Development in Africa</i> (Uganda), among others.</p>

<p>2. Mrs. Perpetua S. Wanaswa,OGW</p>  <p>Managing Director</p>	<p>Mrs. Perpetua S. Wanaswa, OGW</p> <p>Mrs. Perpetua Wanaswa, year of birth 1961. Pursuing PhD in Business Administration (Strategic Management option) at UON. She is a holder of (Masters degree in Business Administration (Strategic Management option) from Daystar University. Bachelor of Business Administration (Finance and Accounting option) from Kenya Methodist University. CPA 1 and ACNC from Institute of Certified public Accountants, and Computer Application from Computer for Schools. Has offered services during the National Elections in Kenya in the year 2002 and 2007 as a Clerk and deputy Presiding Officer respectively in Nairobi County.</p> <p>Has attended various seminars and workshops in various Institutions. Employed by SEPU as a Junior Clerk in Accounts Department and rose up the ranks of Head of Finance Department. In January 2010 was appointed the Acting Managing Director to date.</p> <p>Awarded the order of the Grand Worrier of Kenya, (OGW) by His Excellency the President in 2013. For the outstanding performance.</p>
<p>3. Mr. Robert Masese</p>  <p>Alternate to Principal Secretary, State Dept. of Education, Ministry of Education, Science and Technology</p>	<p>Mr. Robert Masese</p> <p>Mr. Robert Masese, year of birth 1956. He holds a masters degree in Education Management From University of Nairobi and Bachelor of Education (science) from the University.</p> <p>He is currently the Director of Secondary and Tertiary Education, Science and Technology prior to the current position he served as a teacher and Principal in several Secondary Schools and a Technical Training Institute</p> <p>He represents the Ministry of Education, Science and Technology, as stipulated by the School Equipment Production Unit (SEPU) Act. A member of Finance and human Resource Committee of the Board.</p>
<p>4. Mr. Jamleck Maina</p>	<p>Mr. Jamleck Maina</p> <p>Mr. Jamleck Maina Kinyua, year of birth 1960. He is currently the Principal of Kenya Technical Teachers College on job group R since 19th December 2014.</p> <p>He has participated in Technical Education Conferences, African Commonwealth Association of Polytechnics in Africa (CAPA)</p> <p>Currently he is the Nairobi Regional KATTI Secretary.</p> <p>He has previously been promoted to various job groups rising from L to R. In 2011, he was appointed chief principle in job group R.</p> <p>He has also participated in Kenya Association of Technical Training</p>

THE MANAGEMENT TEAM

<p>1. Mr. Philip Onyango</p>  <p>Assistant Production Manager</p>	<p>Mr. Philip Onyango</p> <p>Mr Philip Onyango, year of birth 1976. He has a Diploma in Mechanical Engineering (Production Option) from Jomo Kenyatta University Of Agriculture and Technology. He is currently pursuing a Degree in Project Planning and Management from the University of Nairobi. He is the Production Assistant at SEPU.</p>
<p>2. Mr. Allan Akwabi Weche</p>  <p>Assistant Sales Representative.</p>	<p>Mr. Allan Akwabi Weche</p> <p>Mr. Allan Akwabi Weche, year of birth 1982. He holds a Higher Diploma in Sales Management and Market from The Institute of Commercial Management UK and currently pursuing a Bachelor of Commerce degree at Mount Kenya University.</p> <p>Aggressive Sales Representative with exceptionally strong professional networking skills. Adept at identifying growing opportunities.</p> <p>Worked with executive team to redesign the website to help bring in more leads. He is currently the Sales Representative.</p>
<p>3. Mrs. Salome Odek</p>  <p>Assistant Accountant</p>	<p>Mrs. Salome Odek</p> <p>Mrs. Salome Odek, year of birth 1982. She is a holder of Certified Public Accountant (CPA) part III. She is currently pursuing degree in Bachelor of Commerce finance option from Kenyatta University. She is currently the Assistant Accountant, School Equipment Production Unit.</p>

2. Miss Rachael Achieng Wanyanga



Human Resource Officer

Miss Rachael Achieng Wanyanga

Miss. Rachael Achieng' Wanyanga, year of birth 1985.

Holds a Higher Diploma in Human Resource Management and Industrial Relations (2006) from Technical University of Mombasa

Currently pursuing Degree in Bsc Human Resource Management at Moi University.

Associate member of the Institute of Human Resource Management (IHRM)

She is currently the Human Resource Officer.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

CHAIRMAN'S STATEMENT

It is with great pleasure and honor that I on behalf of the Board of Management announce another impressive year of record turnover and profitability of School Equipment Production Unit (SEPU) contained in the Annual reports and statements for the period ended 30th June, 2016.

OPERATING ENVIRONMENT

During the year under the review the manufacturing and supply of science equipment and materials faced some challenges including the increase of prices of raw materials and the finished products. However the Unit managed to supply Secondary Science Kits to 730 Secondary schools in the 47 Counties.

STRATEGIC POSITIONING

The Unit continues to implement strategic objectives in accordance with the reviewed strategic plan 2014-2018. So far we have achieved and surpassed most targets set within the plan. We also plan to continue and ensure high quality production and distribution of specialized science teaching and learning materials for educational institutions, establish mechanisms to increase market share by 10% annually and penetrate the regional market, enhance the institutional Human Resource Management capacity, enhance internal organizational process for improved operational efficiency and enhance financial sustainability through modification and innovation of our products and comparing with those from other organizations e.g private sectors to make them cheaper and affordable to the learning institutions, and to ensure that the Stake Holders value is maximized.

OVERVIEW OF FINANCIAL RESULTS

The profit before taxation during the current financial year 2015/2016 is Kshs. 13,584,972 compared to Kshs. 58,891,231 in 2014/2015 representing a decrease of 77%. Gross Revenue is Kshs. 38,925,317 Million compared to Kshs. 75,855,409 in 2015 representing a decrease of 49%. The year had opportunities where the Primary Science Kit and Secondary Science Kits were sold in the Counties but this had also challenges e.g. transportation of the products to remote places of Kilifi and Malindi County although the supply will improve the performance of Science in learning Institutions especially in the Coast Province.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

FUTURE PROSPECTS

The outlook for 2016 is favorable with the economic growth targeted at 5.8% and with major infrastructural projects such as the construction of the Standard gauge railway, additional electricity generation projects, and food security irrigation projects, improvement of security infrastructure, roads expansion and expansion of airports among others being rolled out. We envisage a conducive operating environment even through the uncertainty related to the Curriculum review and its implementation may lead to slow down sales. The Unit will continue with implementation of the revised Strategic Plan 2014-2018 and Performance Contracts based on sound leadership, prudent financial management, innovation, creativity and team spirit.



Chairman Board of Directors

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

REPORT OF THE CHIEF EXECUTIVE OFFICER

INTRODUCTION

The year under review has maintained a strong drive for result across all Department of the Unit. The strategies that have been developed are being implemented and will yield positive results which will increase the revenue in the next few years to come.

We continue to enhance the staff competence, attraction and retention by investing in Human Capital Development and improvement of the terms and conditions for employees. This is evidenced by high staff morale and commitments towards excellence performance.

PERFORMANCE REVIEW

The Unit registered a profit before tax of Kshs. 19,407,103 in the financial year 2015/2016 compared to Kshs. 58,891,231 in 2014/2015. In order to improve on the performance of the Unit, various strategies will be implemented e.g. advertising through the website and recruiting mainly sales men from different Counties who will work on commission and also advertising the products through different medias to create awareness of the Unit's products.

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

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

BUSINESS REVIEW

The Unit continues to grow its products' portfolio in different segments through partnership with Centre of Mathematics, Science & Technology of Education in Africa (CEMASTEA) to ensure improvement in its production, modification and marketing of its science equipment and materials through workshops and seminars for teachers. This will be extended to other Countries.

SEPU being a Government Agency which manufacture and supply science equipment has had major achievements in the era of devolution as it has marketed its products through the County Government.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

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

The Unit has had good business with NGO's e.g. Build Africa, KimseYok Mu Dermegi which sponsors learning institutions with science equipment and materials.

PERFORMANCE CONTRACT AND ISO CERTIFICATION

SEPU entered into a negotiated performance contract for 2015/2016 (12th Cycle) with the Government of Kenya by setting targets in line with revised Strategic Plan 2014-2018 , second medium term 2014-2018 and the approved budgets .

Achieving most of the set targets for the year under review as evidenced by performance contract evaluation in August, 2015. This is due to the commitment of the Unit's Board of Management and staff to continually improve performance and productivity. As a team we are positive in moving SEPU to better performance in all areas in the years ahead for more successes.

The Unit embrace the best practice by committing to ISO 9001-2008 quality Management and improving process and systems.

Appreciation

The Unit has continued to improve in all its operations every year as a result of the great support provided by the Government of Kenya, through our Parent Ministry, the Ministry of Education, Science and Technology. The Board of Management who have provided Strategic direction and leadership. The Management staffs who have worked tirelessly to be where we are, and our Stakeholders and Business Partners including our Clients for the business growth.



Chief Executive Officer

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

STATEMENT OF CORPORATE GOVERNANCE

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

The Board

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

Name		Area of expertise
Dr. Julius O. Jwan	-	Administration and Education
Robert Masese	-	Administration and Education
Teresia Nyawira	-	Administration and Education
Jamleck Maina	-	Administration and Education
Solomon Ngahu	-	Finance and Accounting
Perpetua S.Wanaswa, OGW	-	Accounting and Administration

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

Board Composition.

The Board has five (5) members: The Chairperson, Principal Secretary, Ministry of Education, Science and Technology and National Council and two (2) Directors representing various Government agencies as per the company Act Cap 486 of 1976 that established SEPU and a Managing Director.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

The role of Chairman and Chief Executive Officer.

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

Board Evaluation and Performance

The Board has conducted the Annual Evaluation to assess its effectiveness in discharging its mandate. The process entails a self- Evaluation for each Director, evaluation of the Chairperson to the Board on overall Board interactions and conduct of business meetings and evaluation of Chief Executive Officer.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

BOARD AUDIT COMMITTEE

Members

Teresia Nyawira	-	Chairperson
Robert Masese	-	Member
Dr. Julius O. Jwan	-	Member
Perpetua S.Wanaswa, OGW	-	Managing Director

Role and function

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

Attendance

Number of meetings scheduled for 2015/2016 5

TeresiaNyawira	- Chairperson	3/5
Robert Masese	- Member	2/5
Dr. Julius O. Jwan	- Member	0/5
Perpetua S.Wanaswa,OGW	- Managing Director	5/5

BOARD FINANCE & GENERAL PURPOSES COMMITTEE

Member

Jamleck Maina	-	Chairman
Solomon Ngahu	-	Member
Dr. Julius O. Jwan	-	Member
Perpetua S.Wanaswa, OGW	-	Managing Director

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

Finance and General Purposes Committee

Role and functions

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

Attendance

Number of meetings scheduled for 2015/2016 5

Jamleck Maina	-Chairman	2/5
Solomon Ngahu	-Member	4/5
Dr. Julius O. Jwan	-Member	0/5
Perpetua S.Wanaswa,OGW	-Managing Director	5/5

BOARD HUMAN RESOURCE COMMITTEE

Member

Jamleck Maina	-	Chairman
Robert Masese	-	Member
Dr. Julius O. Jwan	-	Member
Perpetua S.Wanaswa, OGW	-	Managing Director

Role and functions

- Ensure effective human resource policies and strategies that support the Unit's Values, Vision, Mission and aspirations.
- Review and where significant, report to the Board best practices, trends, new technologies and current emerging public policy issues in human resource matters including but not limited to Occupational Health and Safety.

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

- Ensure the review of the position description of the Managing Director and the Board Chair's performance against corporate and personal objectives.
- Carry out any other related initiatives as may be necessary or desirable to enhance Board performance, including but not limited to Board learning and development.
- Annually review the total compensation guidelines and philosophies covering salary, bonus, long term incentives and benefits for Management and the Unit's staff, and review the market comparator groups.
- Review at least annually, and recommend to the Board for approval, the Managing Director compensation, based on the evaluation of the Managing Directors performance in light of corporate and individual objectives. Periodically review and recommend to the Board of approval, the Board's Chair total compensation package.
- Assess the learning and development needs of SEPU's Directors and staff and recommend learning opportunities which can be used by them to meet their needs for development.
- Handle disciplinary cases.
- Review terms of services.
- Review and recommend changes in remuneration for Delegates and Directors.
- Carry out Recruitment and Selection.

Attendance

Number of meetings scheduled for 2015/2016

5

Jamleck Maina	- Chairman	2/5
Robert Masese	- Member	0/5
Dr. Julius O. Jwan	- Member	0/5
Perpetua S. Wanaswa,OGW	- Managing Director	5/5

SCHOOL EQUIPMENT PRODUCTION UNIT

Annual Report and Financial Statements For the year ended 30 June, 2016

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

SOCIAL RESPONSIBILITY

The Unit emphasizes on promoting positive social and environmental change on the community where it operate to uplift the standard of living.

The Unit is committed to social, economic and environmental sustainability. There are initiatives that have been geared to promote the social responsibilities which include:-

- The Unit donates a primary Science Kit to at least one to schools during functions. This promotes the learning of science to young learners.
- The Unit donates three (3) Secondary Schools kits during the Secondary Schools Science Congress every year to improve learning of Science subjects in schools. The Science equipment donated are used in the science laboratories.
- The Unit recognizes that employees are the most important assets of the Unit and has come up with internal social responsibility where one is encouraged to develop some savings to improve their standard of living by initiating different welfare programs for employees and are encouraged to develop themselves by giving them permission to leave early and attend evening classes.
- The Unit has maintained a clean environment by establishing Committee to ensure that the environment around is clean secure, and sustainable as per the Environmental Management Coordination Act (EMCA).

The Unit has put measures to mitigate against environmental degradation by planting trees, grass and flowers in the compound and someone has been contracted to ensure survival of the planted vegetation

- The Unit donates some equipment and chemicals to schools before they expire.

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

Report of the Board of Directors

The directors submit their report together with the audited financial statements for the Year ended 30th June 2016 which disclose the state of affairs of the company.

PRINCIPLE ACTIVITY

The Principle activity of the company is Designing, Producing and selling science educational equipment.

RESULTS

The results of the company are shown on page 1

The Company's Article of Association prohibits payment of dividends.

RESERVES

The Directors propose to carry forward the balance of the retained profit amounting to 13,584,972

DIRECTORS

The Directors who served during the year were:

1) Dr. Julius Ouma Jwan	Kenya Institute of Curriculum Development	-Chairman
2) Mr. Jamleck Maina	Kenya Technical Teachers College	-Member
3) Mr. Robert Masese	Ministry of Education, Science & Technology	-Member
4) Mrs. Teresia Nyawira	National Commission for Science, Technology and Innovation	-Member
5) Mr. Solomon Ngahu	National Treasury	-Member
6) Mrs. Perpetua S. Wanaswa, OGW	School Equipment Production unit	-Managing Director

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

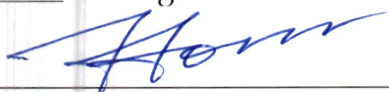
Statement of Directors Responsibilities

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

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

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

The financial statements were approved by the Board of directors on 30th day of Sept, 2016 and signed on its behalf by:



_____)
Chairman Board of Directors



_____)
Managing Director/ Secretary to the Board

Date: 06 Day of April 2017



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON SCHOOL EQUIPMENT PRODUCTION UNIT FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of School Equipment Production Unit set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 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.

Management's Responsibility for the Financial Statements

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

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

Report of the Auditor-General on the Financial Statements of School Equipment Production Unit for the year ended 30 June 2016

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Unit's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

Basis for Qualified Opinion

1. Receivables and Prepayments

As previously reported, the receivables and prepayments balance of Kshs.91,630,056 as at 30 June 2016, includes debts totalling to Kshs.29,671,868 out of which debts amounting to Kshs.26,969,377 have been outstanding for more than seven (7) years and whose recoverability is doubtful. Further, the figure of Kshs.29,671,868 also includes Kshs.835,984 in respect of staff advances due from deceased employees and those who have since left the Unit and whose recoverability is doubtful. The provision for bad and doubtful debts of Kshs.19,669,732 made in these financial statements appears inadequate.

In the circumstances, it has not been possible to confirm that the receivables and prepayments balance of Kshs.91,630,056 as at 30 June, 2016 is fairly stated.

2. Trade and Other Payables

As reported in 2014/2015, the trade and other payables balance of Kshs.27,062,491 as at 30 June 2016 includes liabilities totalling to Kshs.15,797,474 out of which Kshs.9,689,303 have been outstanding for more than seven (7) years and whose supporting documents were not availed for audit review. In the circumstances, it has not been possible to confirm the accuracy and validity of the trade and other payables balance of Kshs.27,062,491 as at 30 June 2016.

3. Land

As previous reported, the property, plant and equipment balance of Kshs.92,261,554 as at 30 June 2016 includes land at a cost of Kshs.63,000,000. The piece of Land identified as plot No. LR.209/14009, measuring 5.1 hectares, is situated at Imara Daima Estate, Industrial Area and is registered under the Unit's name. However, although the land was allocated to the Unit in 1996, the Unit has not been able to develop it due to subsequent invasion by squatters. Although the management is aware of the invasion by squatters, no evidence of action being taken to protect the piece of land was availed for audit review and the land had not been repossessed as at 30 June 2016.

In the circumstances, it has not been possible to ascertain the ownership status of the piece of land and to confirm that the property, plant and equipment balance of Kshs.92,261,554 as at 30 June 2016 is fairly stated.

4. Supply of School Equipment

As reported in the previous years, the Unit entered into a contract in the year 2006 with a local Company for the supply of various pieces of laboratory equipment, chemicals and teaching aids to 1,457 secondary schools across the country, at a contract price of Kshs.226,772,450. According to records available, the Unit in 2008/2009 financial year received an amount of Kshs.261,326,532 from the parent Ministry of Education for the purpose. However, and despite availability of other suitable methods, the Unit used direct procurement to identify the supplier, besides making an advance payment of Kshs.75,086,880 to the supplier.

Additional information indicates that the officials of the Ethics and Anti-Corruption Commission intercepted the funds immediately after the advance payment was made and various officers of the Unit have since been arraigned in a Court of Law and charged over the contract. Although the management has availed evidence that the Supplier made a refund of Kshs.70,000,000 to the National Treasury in 2013/2014 financial year leaving balance of Kshs.5,086,880 plus undetermined interest which has not been remitted to the Unit as at the date of this report.

Further, and as previously indicated under the Statement of changes in equity, out of the Kshs.261,326,532 received from the parent Ministry, for acquiring laboratory equipment, chemicals and teaching aids, Kshs.40,044,282 was paid to the Kenya Revenue Authority to cover tax arrears and penalties. It was therefore not possible to ascertain whether the amount Kshs.261, 326,532 was expended as appropriated.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of School Equipment Production Unit as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Companies Act 2015.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- (i) I have obtained all the information and explanations which, to the best of my knowledge and belief were necessary for the purpose of the audit;
- (ii) In my opinion, proper books of account have been kept by the Unit, so far as appears from my examination of those books; and,

- (iii) The Unit's statement of financial position and statement of comprehensive income are in agreement with the books of account.

FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

17 May 2017

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

Statement of Comprehensive Income

	Notes	30 June 2016 Kshs	30 June 2015 Kshs
Turnover	[2]	45,160,027	119,234,363
		45,160,027	119,234,363
Less cost of Sales	[3]	(6,234,710)	(43,387,954)
Gross Profit		38,925,317	75,855,409
Grants	[4]	15,000,000	10,000,000
Investment income	[5]	7,780,825	10,264,495
Total Gross Income		61,706,142	96,119,904
EXPENDITURE			
Establishment Expenses	[6]	(1,203,390)	(1,308,443)
Board Expenses	[7]	(3,494,153)	(3,300,127)
Staff Costs	[8]	(18,348,046)	(20,012,894)
Operating Expenses	[9]	(5,953,427)	(6,333,143)
Other Operating Expenses	[10]	(10,799,922)	(4,008,288)
Selling expenses	[11]	(2,432,485)	(2,097,547)
Finance Costs	[12]	(67,615)	(168,231)
Total Expenses		(42,299,039)	(37,228,673)
Profit for the year		19,407,103	58,891,231
Less Corporation Tax	[13]	(5,822,131)	-
Profit for the year		13,584,972	58,891,231

The significant accounting policies and the notes set out on pages 6 to 13 forms an integral part of these financial statements.

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

Statement of Financial Position

ASSETS	NOTE	30 June 2016	30 June 2015
		Kshs	Kshs
Non current assets			
Property, Plant & Equipment	[14]	92,261,554	89,055,420
		92,261,554	89,055,420
Current assets			
Inventories	[15]	40,451,746	35,467,092
Receivables & Prepayments	[16]	91,630,056	86,718,228
Cash and bank balance	[17]	14,805,443	1,954,026
Investment (Call Deposit)	[18]	75,331,294	116,707,662
		222,218,539	240,847,008
TOTAL ASSETS		314,480,093	329,902,428
CAPITAL & RESERVES			
Retained Earnings / (losses)	[19.i]	78,167,238	64,582,266
Revaluation Reserve	[19.ii]	67,633,650	67,633,650
Capital Reserves	[19.iii]	66,105,064	64,161,064
Deferred Special Grant	[19.iv]	75,511,650	110,853,510
		287,417,602	307,230,490
TOTAL CAPITAL AND RESERVES		287,417,602	307,230,490
LIABILITIES			
Current Liabilities			
Trade & other Payables	[20]	27,062,491	22,671,938
		27,062,491	22,671,938
TOTAL CAPITAL RESERVES & LIABILITIES		314,480,093	329,902,428

The financial statements were approved by the Board of Directors on 30th day of Sept, 2016

and were signed on its behalf by:



Chairman Board of Directors



Managing Director/ Secretary to the Board

The significant accounting policies and the notes set out on pages 6 to 14 forms an integral part of these financial statements.

SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016

Statement of Changes in Equity

	Retained earnings Kshs	Revaluation Reserves Kshs	Capital Reserves Kshs	Deffered Special Grant Kshs	Total Kshs
Balance as at 01.07.2014	7,163,055	67,633,650	59,301,064	221,282,250	348,216,964
Government Development Grant	-	-	4,860,000	-	4,860,000
Secondary school science kits	-	-	-	(110,428,740)	(110,428,740)
Gratuity for Pension Restatement	(1,472,020)	-	-	-	(1,472,020)
Surplus/(Deficit) for the period	58,891,231	-	-	-	-
Balance as at 30.06.2015 (Restated)	64,582,266	67,633,650	64,161,064	110,853,510	307,230,490
	Retained earnings Kshs	Revaluation Reserves Kshs	Capital Reserves Kshs	Deffered Special Grant Kshs	Totals Kshs
Balance as at 01.07.2015 (Restated)	64,582,266	67,633,650	64,161,064	110,853,510	307,230,490
Government Development Grant	-	-	1,944,000	(35,341,860)	(33,397,860)
Amortization of revalued building	-	-	-	-	-
Surplus/(Deficit) for the period	13,584,972	-	-	-	13,584,972
Balance as at 30.06.2016	78,167,238	67,633,650	66,105,064	75,511,650	287,417,602

Capital reserve represents:

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

***Retained Earnings**

Retained Earnings has been restated by Kshs. 1,472,020 being the omission in financial statement for the previous years. This represents the pension that was not paid to the employees before the implementation of the pension scheme in October 1996..

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

Statement of Cash Flows

	Notes	30 June 2016 Kshs	30 June 2015 Kshs
Profit/loss before taxation		13,584,972	58,891,231
Add Depreciation for the year	[14]	1,071,366	1,020,936
Cash flows from operating activities		14,656,338	59,912,167
Less: Investment Income		(7,780,825)	(10,264,495)
		6,875,513	49,647,672
Changes in Working Capital			
Increase/(Decrease) in operating assets:			
Increase/ Decrease in Receivables & Prepayments		(4,911,828)	718,063
Increase/ Decrease in Payables & Accruals		5,862,573	6,904,615
Increase/(Decrease) in inventory		(4,984,654)	(15,240,855)
		(4,033,910)	(7,618,177)
Tax paid		-	-
Net cash flows from operating activities		2,841,604	42,029,495
Cash flows from Investing activities			
Purchase of Property plant & Equipment	[14]	(5,749,520)	(4,630,820)
Add: Investment income	[5]	7,780,825	10,264,495
Net Cash Generated from Investing activities		2,031,305	5,633,675
Cash flows from Financing activities			
Increase/(Decrease) in Deferred Special Grant		(35,341,860)	(110,428,740)
Increase/(Decrease) in Capital Reserve		1,944,000	4,860,000
Net Cash Generated from Financing activities		(33,397,860)	(105,568,740)
Net increase/(decrease) in cash and cash equivalents		(28,524,951)	(57,905,570)
Cash and cash equivalents at 1st July 2015		118,661,688	176,567,258
Cash and cash equivalents at 30 June, 2016	[17 i.]	90,136,737	118,661,688

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant accounting Policies

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

Statement of compliance

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

Critical Judgements and Estimates

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

Basis of accounting

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

Currency

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

Accounting period

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

Country of incorporation and registered office

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

Depreciation

Fixed assets are stated at historical cost less accumulated depreciation.

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

Depreciation rates applicable

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

Cash and cash equivalents

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

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Other Reserves

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

Inventories

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

Stock consists of stock taking as at 30th June 2016.

Comparatives

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

Financial risk management objectives and policies

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

i.) Credit risk

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

The amount that best represents the company's maximum exposure to credit risk as at 30th June 2016 and 30th June 2015 is as shown below:

	30 June, 2016	30 June, 2015
	Kshs.	Kshs.
Receivables & Prepayments	91,630,056	86,718,228
Cash and cash equivalent	90,136,737	118,661,688
	181,766,963	205,379,916

ii.) Liquidity risk

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

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

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

The amount of trade and other payables of the unit as 30th June 2016 and 30th June 2015 are as below:

	30 June, 2016	30 June, 2015
	Kshs.	Kshs.
Trade & Other Payables	27,062,491	21,199,918

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Related Party Disclosures

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

i.) Government of Kenya

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

	30 June, 2016	30 June, 2015
	Kshs	Kshs
Recurrent grant	15,000,000	10,000,000
Development grant	1,944,000	4,860,000
	<u>16,944,000</u>	<u>14,860,000</u>

ii.) Directors Remuneration

Allowance and other expenses	3,494,153	3,300,127
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Contingencies

The unit does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements. Contingent liabilities are assessed by the unit to ensure that the provision are made after the contingency is valued.

The following are the contingencies which exists within the unit;

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

i.) Case No. 2 of 2010 on an Investigating officer from Ethics & Anti- Corruption Commission Vs Benson Anyona and Others.

The case was ruled on 28th August, 2013, but the officers appealed as advised by Teachers Service Commission (TSC), reference is made to the letter dated 23rd June 2014.

ii.) HCCC No. 110 of 2010

Vulcan Lab Equipment Vs School Equipment Production Unit and Kenya Anti- Corruption Commission case No. 77 of 2014.

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	<u>30 June 2016</u> Kshs	<u>30 June 2015</u> Kshs
[2] Turnover		
Turnover for the year	45,177,377	119,243,363
Less sales Returns	(17,350)	-
Net Turnover	<u>45,160,027</u>	<u>119,243,363</u>
<p>The reduction in turnover to Kshs.45,160,027 from Kshs.119,243,363 in 2014/15 was a result of a special project for Kshs.146,195,370 from the Ministry of Education Science and Technology for production of science kits for secondary schools in all the counties countrywide. During the project implementation, a procurement issue arose and the matter became a subject of a court process. The balance of the funds was placed in a fixed deposit pending the determination of the case. In 2014/15 the project was revived and the funds in the fixed deposit was withdrawn for project implementation hence the huge turn over in 2014/2015 which spilled over to 2015/2016 when the project was completed.</p>		
[3] Cost of Sales		
Opening stock	35,467,092	20,226,237
Add-purchases	11,219,364	58,628,809
Less- closing Stock	(40,451,746)	(35,467,092)
	<u>6,234,710</u>	<u>43,387,954</u>
[4] Government Grants		
a Recurrent Grant	15,000,000	10,000,000
b Development Grant	1,944,000	4,860,000
	<u>16,944,000</u>	<u>14,860,000</u>
[5] Investment Income		
Interest earned	7,780,825	10,264,495
	<u>7,780,825</u>	<u>10,264,495</u>

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016**

SCHEDULE OF EXPENDITURE

	30 June 2016	30 June 2015
	Kshs	Kshs
[6] Establishment Expenses		
Repairs & maintenance of Equipment & Building	867,310	734,951
Motor vehicle running expenses & repairs	336,080	573,492
	1,203,390	1,308,443
[7] Board Expenses		
Sitting Allowance	1,720,000	2,060,000
Honoraria	960,000	640,000
Lunch & Snacks	270,278	600,127
Travelling	243,875	-
Training	300,000	-
	3,494,153	3,300,127
[8] Staff Costs		
Salaries & wages	14,082,506	15,969,407
Staff welfare	1,579,967	1,510,495
Staff uniform	-	253,467
Leave travelling allowance	146,000	110,000
Pension Expenses- employer	477,605	510,913
Staff medical expense	25,158	207,935
Insurance premiums (Medical)	2,036,810	1,450,677
	18,348,046	20,012,894
[9] Operating Expenses		
Telephone & faxes	239,051	233,336
Printing and stationery	185,376	350,809
Insurance premiums (General)	410,234	296,431
Local Travelling & subsistence	706,238	64,745
Subscriptions and Donations	60,000	36,200
Office expenses	2,215,005	1,448,020
Training & recruitment	404,380	481,847
Entertainment Expenses	18,000	6,000
Electricity & water	299,593	432,632
Iso Training Expenses	258,122	-
Secondary school science kit	278,484	2,228,835
IT Expenses	382,800	366,403
Security services	496,144	387,885
	5,953,427	6,333,143

**OOO EQUIPMENT PRODUCTION UNIT
 ANNUAL REPORT AND FINANCIAL STATEMENTS
 FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2016**

SCHEDULE OF EXPENDITURE (CONT.)

	<u>30th June 2016</u> Kshs	<u>30th June 2015</u> Kshs
Other Operating Expenses		
Audit fees	330,000	737,655
Professional & Legal fees	1,257,606	2,249,697
Depreciation Expense	1,071,366	1,020,936
Tax Expenses	8,140,950	-
	<u>10,799,922</u>	<u>4,008,288</u>
Selling expenses		
Advertising, sales promotion & marketing	1,709,603	991,463
Packing materials (Stores Expenses)	27,583	44,654
Transport-Despatch & postage	695,299	1,061,430
	<u>2,432,485</u>	<u>2,097,547</u>
Finance Costs		
Bank charges	67,615	168,231
	<u>67,615</u>	<u>168,231</u>
Corporation Tax		
Profit for the year	19,407,103	-
Tax for the year (30%)	(5,822,131)	-

SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

[14] PROPERTY, PLANT & EQUIPMENT

	Land	Buildings 2.50%	Motor vehicles 25%	Computers & Accessories 30%	Machinery & Equipment 15%	Furniture & Fittings 12.50%	TOTAL
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST							
Balance as at 01.07.2014	63,000,000	22,079,865	3,321,155	662,510	9,167,152	160,600	98,391,282
Additions	-	4,287,093	-	289,543	54,184	-	4,630,820
Disposal	-	-	-	-	-	-	-
Balance as at 30.06.2015	63,000,000	26,366,958	3,321,155	952,053	9,221,336	160,600	103,022,102
DEPRECIATION							
Balance as at 01.07.2014	-	1,540,827	2,235,547	551,019	8,598,278	20,075	12,945,746
Charge for the year	-	567,064	271,402	75,509	89,395	17,566	1,020,936
Balance as at 30.06.2015	-	2,107,891	2,506,949	626,528	8,687,673	37,641	13,966,682
NET BOOK VALUE							
Balance as at 30.06.2015	63,000,000	22,079,865	3,321,155	662,510	9,167,152	160,600	98,391,282
Balance as at 30.06.2014	63,000,000	20,539,038	1,085,608	111,491	568,874	140,525	85,445,536
COST							
Balance as at 01.07.2015	63,000,000	26,366,958	3,321,155	952,053	9,221,336	160,600	103,022,102
Additions	-	4,860,000	-	100,000	-	210,000	5,170,000
Balance as at 30.06.2016	63,000,000	31,226,958	3,321,155	1,052,053	9,221,336	370,600	108,192,102
DEPRECIATION							
Balance as at 01.07.2015	-	3,000,391	2,506,949	626,528	8,687,673	37,641	14,859,182
Charge for the year	-	653,174	203,552	112,658	80,049	21,933	1,071,366
Balance as at 30.06.2016	-	3,653,565	2,710,501	739,186	8,767,722	59,574	15,930,548
NET BOOK VALUE							
Balance as at 30.06.2016	63,000,000	27,573,393	610,654	312,867	453,614	311,026	92,261,554
Balance as at 30.06.2015	63,000,000	24,259,067	814,206	325,525	533,663	122,959	89,055,420

Note:

- i) Buildings constructed on land leased to the company from University of Nairobi Kenya Science campus at a peppercon rental.
- ii) Additions under computers and accessories represents 2 laptop computers.
- iii) Additions under furniture represents staff room chairs acquired during the financial year.
- iv) Additional building represents new staff room completed during the financial year.

**SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE,2016**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	<u>30 June 2016</u> Kshs	<u>30 June 2015</u> Kshs
[15] Inventories		
Chemical Stocks	8,594,572	8,209,537
Equipment stock	26,772,906	22,030,715
Work shop stocks	3,162,190	3,902,273
	<u>38,529,668</u>	<u>34,142,525</u>
Work in progress	1,922,078	1,324,567
	<u>40,451,746</u>	<u>35,467,092</u>
[16] Receivables & Prepayments		
Trade Receivables	29,671,868	27,574,165
Other Current Assets		
Government grant	5,694,000	-
Staff Advances	847,040	877,634
	<u>36,212,908</u>	<u>28,451,799</u>
Less Provision for doubtful debts	(19,669,732)	(16,820,452)
	<u>16,543,175</u>	<u>11,631,347</u>
Add Receivable from Treasury	75,086,881	75,086,881
Total Net Debtors	<u>91,630,056</u>	<u>86,718,228</u>
<p>The receivable from Treasury represent the amount of down payment to Vulcan Lab Equipment. After the court ruling, the Kshs. 75,086,881 was transferred to National Treasury. Government grant under other receivables represents Grant allocation for the unit for the financial period 2015/2016 but was received in July 2016.</p>		
[17] Cash & Bank balances		
Kenya Commercial Bank Limited	5,450,999	1,473,930
National Bank of Kenya Limited	9,319,156	451,520
Cash at Hand	35,288	28,576
	<u>14,805,443</u>	<u>1,954,026</u>
[17 i.] Cash and Cash Equivalents		
Cash and Cash Equivalents consists of cash on hand, cash at bank and Investments.		
Cash in hand and at bank	14,805,443	1,954,026
Investment (Call Deposit) (18)	75,331,294	116,707,662
Cash and Cash Equivalents	<u>90,136,737</u>	<u>118,661,688</u>

SCHOOL EQUIPMENT PRODUCTION UNIT
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE, 2016

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

	<u>30 June 2016</u> Kshs	<u>30 June 2015</u> Kshs
[18] Investment (Call Deposit)		
Co-operative Bank of Kenya Limited	75,331,294	116,707,662
	<u>75,331,294</u>	<u>116,707,662</u>
19 i.) Retained Earnings /(losses)		
Restated Opening balance	64,582,266	7,163,055
Gratuity for Pension Scheme (Prior year Adjustment)	-	(1,472,020)
Surplus/ Deficit	13,584,972	58,891,231
	<u>78,167,238</u>	<u>64,582,266</u>
ii.) Revaluation Reserve		
Revaluation Reserve on land	63,000,000	63,000,000
Revaluation Reserve on Buildings	4,633,650	4,633,650
	<u>67,633,650</u>	<u>67,633,650</u>
iii.) Capital & Reserves	<u>Kshs</u>	<u>Kshs</u>
Opening balance	64,161,064	59,301,064
Government Development Grant	1,944,000	4,860,000
	<u>66,105,064</u>	<u>64,161,064</u>
The accumulated grants and loans received from/ or through the Kenya Government net of accumulated trading losses prior to incorporation in 1976.		
iv.) Deferred Special Grant		
Opening balance	110,853,510	110,853,510
Development Grant utilized	(35,341,860)	-
	<u>75,511,650</u>	<u>110,853,510</u>
[20] Trade & Other Payables		
Trade Payables	15,797,474	16,431,096
Accrued Audit Fees	350,000	1,394,000
Accrued Advertisement expenses	-	133,047
KAP M Enterprises- Retention	-	428,709
Retirement benefits (pensions)	934,866	1,113,066
Provision for Dividend to National Treasury	1,500,000	1,000,000
Start General Contractors	486,000	-
Gratuity for Pension Scheme	1,472,020	1,472,020
M. Korongo & Co. Advocates	700,000	700,000
Provision for Corporate tax	5,822,131	-
	<u>27,062,491</u>	<u>22,671,938</u>

