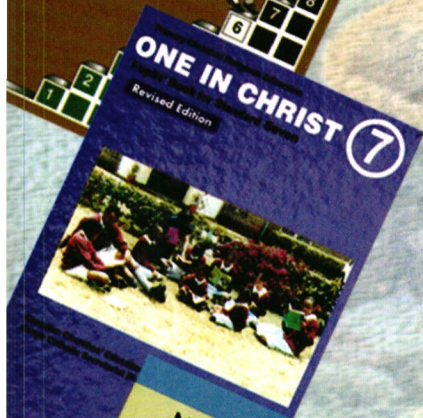
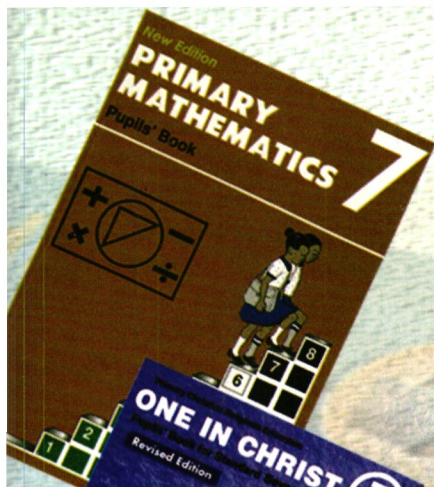


Annual Report and Accounts
for the Year Ended
30th June
2003



The Jomo Kenyatta Foundation



THE JOMO KENYATTA FOUNDATION



ANNUAL REPORT AND ACCOUNTS FOR THE YEAR ENDED 30th JUNE 2003

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BOARD OF DIRECTORS



*Prof. Asenath Jerotich Sigot
Chairperson*



*Prof. Francis Muthaura,
P.S. Office of the President
and Head of Public Service*



*Mr. Francis Z. K. Menjo
MD, Secretary to the Board*



*Prof. Karega Mutahi
PS, Min. of Education Sci. &
Technology*



*Mr. Joseph Magari
PS, Min. of Finance*



*Mr. Richard O. Wamwenje
Alternate to PS, Office of the President
and Head of Public Service*



*Mr. Gabriel M. Muita
Kenya Institute of Education*



*Amb. Peter K. Mathanjuki
Alternate to PS, Min. of Education
Sci. & Technology*



*Mr. Jason Akoyo
Alternate to PS, Min of Finance*



*Prof. Mohammed S. Rajab
Kenyatta University*

JKF MANAGEMENT



*Mr. F. Z. K. Menjo
Managing Director*



*Mr. Kakai S. Karani
Publishing Manager*



*Mr. Wilson Chirchir
Finance Manager*



*Mrs. Nancy Karimi
Marketing Coordinator*



*Mr. Stephen Aming'a
Company Secretary/HRAM*



*Mr. Leonard Wakhisi
Chief Internal Auditor*



*Mr. Joshua Ogendero
Production Manager*



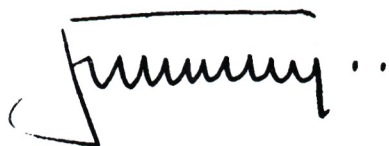
*Mr. Jimmy Chepkwony
Sales and Marketing Manager*

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 34th ANNUAL GENERAL MEETING of the Jomo Kenyatta Foundation will be held at the offices of the Foundation in Industrial Area, Enterprise Road, Nairobi on **Thursday 20th January 2005 at 10.00 a.m.**

1. The Secretary to read the Notice convening the 34th Annual General meeting.
2. To receive and confirm the minutes of the last AGM held on 18th December 2003
3. To receive and adopt the Chairperson's Report on the Foundations' operations for the year ended 30th June 2003.
4. To receive and adopt the Report of the Chief Executive on the Foundations' operations for the year ended 30th June 2003.
5. To receive, discuss and adopt the External Auditor's Report on the accounts of the Foundation for the year ended 30th June 2003.
6. To receive and adopt the JKF Directors' Report and the Company's Financial statements for the year ended 30th June 2003.
7. To appoint the Company's External Auditors for the year ended 30th June 2004 and authorize the Directors to fix the Auditors' remuneration.
8. To fix Directors fees, allowances and other remuneration for the year ended 30th June 2003 and authorize Management to seek government approval for their payment.
9. To transact any other ordinary business of the Company.

By order of the Board



E. Z. K. MENJO
MANAGING DIRECTOR/SECRETARY TO THE BOARD

NB: In accordance with Section 136(2) of the Companies Act (Cap 486), every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not be a member. A form is enclosed and should be returned to the secretary, P.O. Box 30533-00100, Nairobi to arrive not later than 48 hours before the meeting or any adjournment thereof.

CHAIRPERSON'S REPORT FOR THE YEAR ENDED 30TH JUNE 2003.

Once again, it gives me great pleasure to report on the activities and performance of the Jomo Kenyatta Foundation for the year ended 30th June 2003. Despite recording some minimal loss in this financial year, the position of JKF as a market leader remains undisputed. I must say that I am proud to be associated with the Foundation and wish to thank the Board, Management and entire staff for your contribution towards making the Company a success.



Performance:

Due to the drastic changes in the entire education sector, the book industry experienced a recession. This is, however, only in the short run as we expect tremendous improvement in the coming years once the Free Primary Education gains momentum.

Turnover fell from Kshs.347 million in the previous year to Kshs.284 million. The gross profit fell by about 24% from Ksh.182 million to Kshs.138 million. The operating expenses increased to Kshs.125 million from Kshs.108 million, a 16% rise. This is attributed to the signing of the Collective Bargaining Agreement (CBA) which awarded salary increments to the unionizable staff as from July 2002. As a result of the foregoing, the Foundation reported a loss of Kshs.123,408. I believe this scenario will be reversed in the coming year.

Capital Investment Challenges:

The introduction of Free Primary Education which, incidentally, coincided with the start of the curriculum change, came with a number of challenges. It dawned to JKF and the entire publishing industry that our press and publishing capacities were a far cry from the ideal capacity. There was an increased need for modernisation of the press and digitisation of the publishing department. These have been our top priority endeavours. Higher competition also called for more marketing, hence additional sales vans. All this investment was to ensure that the Foundation stays ahead of the competition and in touch with global trends. This capital investment is ongoing.

Organisational Challenges and Way Forward:

The implementation of the new curriculum and the Free Primary Education necessitated a lot of re-alignments and re-planning. We noted that our predictions as laid out in the five year strategic plan needed reviewing. A Board and Management workshop has, therefore, been scheduled for the coming year for mid-term strategic plan review. This will place the Foundation in a more strategic point to be able to defend our market share in the publishing industry.

We also recognise the current emphasis on governance in today's corporate world. Over the last two years, the Board has endeavored in ensuring that each of its members acquire the necessary skills in Corporate Governance and especially for a modern organisation like ours. It will be appreciated that it is due to this move that we can identify with many positive achievements in the Foundation today. The Board will continue to strive to enforce best practices in Corporate Governance.

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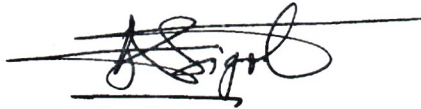
Management and Staff:

I wish to commend the entire management and staff for their tireless commitment to the Service of the Foundation and the Nation at large. In fact, this has earned the Foundation a reputation and admiration that other players in the industry covet. Let us all aspire to remain committed to ensure that the banner of the Foundation is hoisted higher and higher.

Directorate:

A number of the directors left while others joined us in this financial year. I register my appreciation to those who left for their service to the Foundation as I wish them greater success in their new assignments. I also take this opportunity to welcome the new members. To the entire Board, I say thank you for your continued dedication in offering guidance and support to the Management and Staff and for being available amidst your busy schedules.

Thank you.

A handwritten signature in black ink, appearing to read 'A. Sigot', is written over a horizontal line. The signature is stylized and cursive.

Prof. Asenath J. Sigot
Chairperson.

REPORT OF THE CHIEF EXECUTIVE FOR THE YEAR ENDED 30TH JUNE 2003

The 2002/2003 Financial Year was a successful one. The challenges that came with free Primary Education Program were addressed adequately.

The Corporation was not able to submit all books which had been prepared for Phase II to Kenya Institute of Education for vetting due to some technical hitches. Despite this setback the majority of those submitted were approved for use by the schools. A total of 47 titles were submitted in phase I and 46 titles in Phase II.



The sales in the year under review were fair, though lower compared to the previous year. The Corporation managed to realize sales worth Kshs. 284 million. The low sales were mainly due to late release of funds for the free primary education.

The change in curriculum rendered books from the old curriculum obsolete. This is a cost publishers will bear with each time there is a change in a national curriculum. The same will have no prospect of being sold again. This cost is reflected in the accounts as a provision for obsolete stock expense.

During the period under review, 150 students were awarded JKF scholarships. The total number of students on scholarship as at 30th June 2003 was 561. The Foundation spent Kshs 9.7 million for their fees within the financial year.

The Foundation monitors the performance of the sponsored students to ensure that only students who excel in their studies continue to receive sponsorship. I am happy to report that no student was discontinued during the current Financial Year.

The competition from other publishers is now stiff and the Foundation is positioning itself as the industry leader to take its rightful place. The business model for all the Foundation's operations places premium on efficiency as the corner stone. I am optimistic that we will stand ahead of competition in the many years to come.

The Foundation is also doing all in her capacity to widen the customer base by looking into new markets like Tanzania and the Comesa region together with expanding and enriching the products portfolio.

In conclusion, I wish to express my sincere thanks to the Board, Management and staff for their tremendous support and for making our vision and mission a reality.

A handwritten signature in black ink, appearing to read 'F. Z. K. Menjo'. The signature is written in a cursive style and is enclosed within a simple rectangular box.

F. Z. K. MENJO
MANAGING DIRECTOR/SECRETARY TO THE BOARD

DIRECTORS' REPORT
FOR THE YEAR ENDED 30TH JUNE, 2003

The Directors submit their report together with the audited accounts for the year ended 30th June, 2003.

1. PRINCIPAL ACTIVITIES

The Foundation publishes and prints school textbooks and other educational materials.

2. RESULTS

The results for the year are as shown on page 7.

3. APPROPRIATION OF PROFITS

The Foundation is a company limited by guarantee and in accordance with its memorandum and articles of association has set up a scholarship fund to assist in meeting the school fees needs of bright but needy students. During the year, 4.4 million was set aside for this purpose.

4. DIRECTORS

The Directors who served during the year were:-

Prof. Asenath Sigot

Mr. Francis Z. K. Menjo

Amb. Peter K. Mathanjuki

Mr. Jason Akoyo

Mr. Richard O. Wamwenje

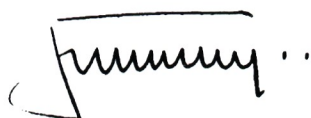
Mr. Gabriel M. Muita

Prof. Mohammed S. Rajab

5. AUDITORS

The Auditor General (Corporations) continues in office in accordance with the Audit and Exchequer Act.

By order of the Board



F. Z. K. MENJO
SECRETARY TO THE BOARD

**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE ACCOUNTS OF
THE JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE 2003.**

I have examined the financial statements of Jomo Kenyatta Foundation for the year ended 30 June 2003 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been maintained and the financial statements which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets, are in agreement therewith and comply with the Companies Act, (Cap 486).

1. TAX PENALTY

The Foundation paid tax penalty on both principal and interest amounting to Kshs.1,891,287.95 and Kshs.277,274.00 respectively as a result of having paid its employees taxable benefits without levying tax. The amount of Kshs. 1,891,287.95 was, however, charged as an expenditure to the income for the year instead of recovering the same from individual employees' salaries. The incorrect treatment of the tax penalty has, therefore, adversely affected the result of the Foundation's operations for the year.

2. IRREGULAR PAYMENT TO MEMBERS OF STAFF

The Foundation paid Kshs.890,000 as sitting allowances to its Managing Director and Members of staff who are employees of the Foundation contrary to Section 10(i) of the State Corporations Act (Cap 446). The Foundation was clearly in breach of the law.

Except for the foregoing reservations, in my opinion, the financial statements when read together with the notes thereon, present fairly the financial state of affairs of the Foundation as at 30 June 2003 and of its loss and cash flow for the year then ended.



**E.N. MWAI
CONTROLLER AND AUDITOR GENERAL**

Nairobi

28 July 2004

INCOME STATEMENT AS AT 30 JUNE 2003

		2003 Kshs.	2002 Kshs.
Turnover	1b	283,991,557	347,384,859
Cost of Sales	Appendix 1	<u>(148,927,792)</u>	<u>(169,820,172)</u>
Gross Profit		135,063,765	177,564,687
Other Operating Income	Appendix 3	<u>2,962,368</u>	<u>4,904,647</u>
		<u>138,026,133</u>	<u>182,469,334</u>
Distribution Expenses	Appendix 3	44,956,117	37,450,008
Administrative Expenses	Appendix 3	74,824,610	67,351,114
Other operating Expenses	Appendix 3	5,480,448	3,613,991
		<u>125,261,175</u>	<u>108,415,113</u>
Profit from Operations		12,764,958	74,054,221
Finance Costs	Appendix 3	<u>12,888,366</u>	<u>3,899,864</u>
Profit before tax		<u>(123,408)</u>	<u>70,154,357</u>
Taxation	1e	<u>-</u>	<u>-</u>
Net Profit/(Loss) for the year		<u>(123,408)</u>	<u>70,154,357</u>



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BALANCE SHEET AS AT 30 JUNE 2003

		2003 Kshs.	2002 Kshs.
ASSETS	Notes		
Non-current assets.	6 and 1c	139,897,799	<u>151,635,364</u>
Current Assets:			
Inventories	8 and 1d	186,349,086	102,549,508
Trade and other Receivables	9 and 1g	55,159,310	48,104,208
Cash and Cash equivalents	10	28,628,218	<u>31,764,832</u>
		<u>270,136,614</u>	<u>182,418,548</u>
Total Assets:		410,034,413	<u>334,053,912</u>
 EQUITY AND LIABILITIES			
Capital and Reserves:			
Capital Reserve	5	4,000,000	4,000,000
Revaluation Reserve		70,919,684	70,919,684
Retained Earnings		222,401,737	237,158,344
Scholarship Fund		9,879,433	<u>5,201,487</u>
		<u>307,200,854</u>	<u>317,279,515</u>
 Current Liabilities:			
Trade and other Payables	11	79,909,800	13,041,621
Borrowings	10	22,923,759	-
Provisions for Liabilities & charges	7		<u>3,732,776</u>
		<u>102,833,559</u>	<u>16,774,397</u>
TOTAL EQUITY AND LIABILITIES		410,034,413	<u>334,053,911</u>

The financial statements and notes thereof were approved by the Board of Directors on 23rd October 2003 and were signed on its behalf by:



(Director JKF)



(Director/Secretary JKF)

STATEMENT OF CHANGES IN EQUITY

	Capital Reserve Kshs	Revaluation Reserve Kshs	Retained Earnings Kshs	Scholarships Fund Kshs	Total Kshs
At 1st July, 2001	4,000,000	70,919,684	172,312,911	4,400,867	251,633,462
Prior year adjustment	-	-	2,691,076	-	2,691,076
Revaluation surplus	-	-	-	-	-
Transfer of excess depreciation	-	-	-	-	-
Net Profit for the year	-	-	70,154,357	-	70,154,357
Scholarships Appropriation	-	-	(8,000,000)	8,000,000	-
Scholarships Applied	-	-	-	(7,199,380)	(7,199,380)
At 30th June, 2002	4,000,000	70,919,684	237,158,344	5,201,487	317,279,515
At 1st July 2002	4,000,000	70,919,684	237,158,344	5,201,487	317,279,515
Prior year adjustment	-	-	(181,848)	-	(181,848)
Revaluation surplus	-	-	-	-	-
Transfer of excess depreciation	-	-	-	-	-
Net Profit for the year	-	-	(123,408)	-	(123,408)
Scholarships Appropriation	-	-	(14,451,351)	14,451,351	-
Scholarships Applied	-	-	-	(9,773,405)	(9,773,405)
At 30th June, 2003	4,000,000	70,919,684	222,401,737	9,879,433	307,200,854



CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30TH JUNE 2003

	Notes	2003	2002
Operating Activities			
Cash generated from operations	12	1,896,938	30,375,908
Prior year adjustment		(181,848)	
Scholarships paid		(9,773,405)	(7,199,380)
Net cash from operating activities		(8,058,315)	23,176,528
Investing Activities			
Purchase of property, plant & equipment	6	(13,925,352)	(25,906,588)
Interest Received		213,788	2,166,966
Net cash from Investing Activities		(13,711,564)	(23,739,622)
Financing Activities			
Repayments of Long-term borrowings		(4,290,494)	(4,552,039)
Net cash utilized in Financing Activities		(4,290,494)	(4,552,039)
Net increase/Decrease in cash & cash equivalents		(26,060,373)	(2,424,057)
Cash and cash equivalents as at 1st July	10	31,764,832	34,188,889
Cash and cash equivalents as at 30th June	10	5,704,459	31,764,832



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2003

1. ACCOUNTING POLICIES

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

(a) Basis of Preparation

The financial statements are prepared under the historical cost convention (as modified by the revaluation of certain property plant and equipment) and are in compliance with International Accounting Standards.

(b) Revenue Recognition

- (i) Sales are recognized upon delivery of goods and customer acceptance of the same, net of VAT and discounts.
- (ii) Interest is accounted for on receipt basis.

(c) Property Plant and Equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at market value, based on valuations by external independent valuers less subsequent depreciation. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve, all other decreases are charged to the profit and loss account.

Depreciation is calculated to write down the cost of each asset, or the revalued amount over its estimated useful life using the following basis and annual rates.

	METHOD	RATE
Leasehold land	straight line	lease period
Buildings	straight line	2%
Motor vehicles	reducing balance	25%
Computers	straight line	25%
Office furniture fittings & equipment	straight line	15%
Printing machines	straight line	12.5%

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining their operating profit. On disposal of revalued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

(d) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted-average-cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes

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NOTES TO THE FINANCIAL STATEMENTS (continued)

interest expense. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

(e) **Taxation**

The Foundation is exempted from income tax on all income through the income tax act (cap.470) section 13 and first schedule part 1. Its profits are applied for the payment of scholarships and /or retained to solidify the financial base.

(f) **Pension Obligations**

The company operates a defined contribution pension scheme for its permanent and pensionable employees. Jubilee Insurance Company Ltd. administers the scheme. The company's contributions to the defined contribution pension scheme are charged to the income statement in the year in which they relate.

(g) **Trade Receivables**

Trade receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Bad debts are written off in the year in which they are identified.

(h) **Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents, comprise cash In hand, deposits held at call with banks, and investments in Money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings in current liabilities.

(i) **Comparatives**

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the International Accounting Standards (1,2,7,8) which the company implemented in the previous year.

2. **OPERATING PROFIT**

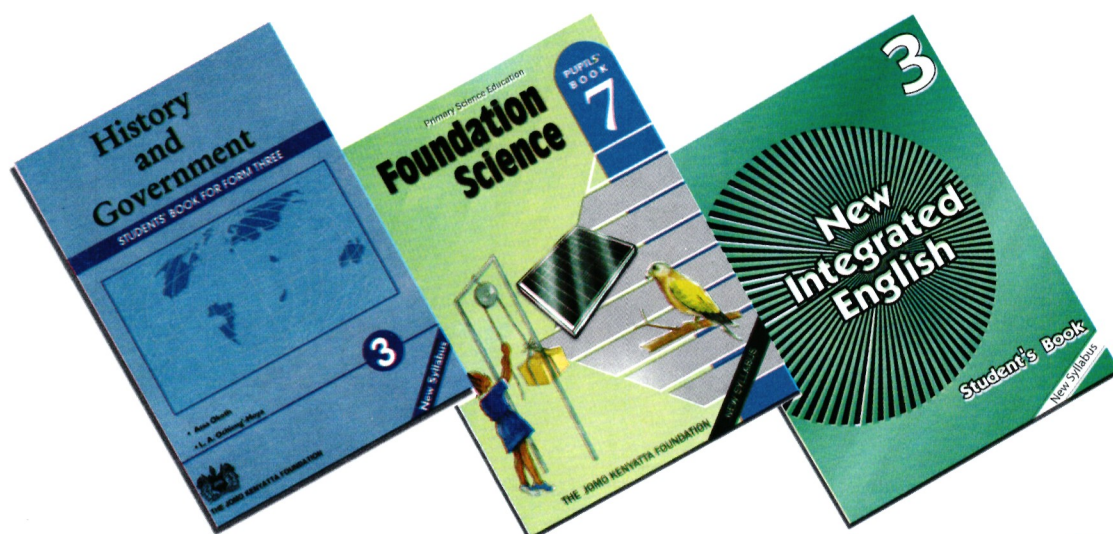
The following items have been charged in arriving at operating profit:

	2003	2002
	KShs	KShs
Depreciation on property, Plant & equipment	25,649,215	25,130,429
Staff costs	109,203,711	94,382,679
Auditors' Remuneration	250,000	250,000
Directors' Remuneration		
Fees	450,000	450,000
Other	3,484,708	1,902,219
Repairs & Maintenance	5,591,274	3,436,112
Gain /loss on disposal of property, Plant & equipment	(73,296)	-
Stock loss due to fire at Meru depot	1,361,231	-

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NOTES TO THE FINANCIAL STATEMENTS (continued)

	2003 Kshs	2002 Kshs
3. STAFF COSTS		
Salaries and Wages	105,066,729	91,104,022
Social Security costs	583,200	438,000
Pension costs - defined contribution plans	3,553,782	2,840,657
	<u>109,203,711</u>	<u>94,382,679</u>
The number of employees of the company at the year end:		
Full time	257	236
Part time	26	24
4. FINANCE COSTS		
Bad debts & Penalties	8,523,538	21,670
Bank charges & commissions	3,262,546	3,878,194
Bank borrowings	1,102,282	-
	<u>12,888,366</u>	<u>3,899,864</u>
5. CAPITAL RESERVE		
Initial Grant to set up the Foundation	4,000,000	4,000,000



NOTES TO THE FINANCIAL STATEMENTS (continued)

6. PROPERTY, PLANT & EQUIPMENT

	Leasehold land & buildings Kshs	Plant & machinery Kshs	Motor vehicles Kshs	Furniture Fittings & equipment. Kshs	Computers Kshs	Total Kshs
Cost or valuation						
at 1st July, 02	47,215,378	159,959,466	35,242,801	9,429,448	18,902,151	270,749,244
Additions	-	6,959,357	5,908,184	259,951	797,860	13,925,352
Surplus on revaluation	-	-	-	-	-	-
Disposals	-	-	(190,870)	-	-	(190,870)
At 30th June ,03	47,215,378	166,918,824	40,960,115	9,689,399	19,700,010	284,483,726
Depreciation						
at 1st July,02	9,795,848	65,522,293	22,442,182	6,475,473	14,870,084	119,105,880
On disposals	-	-	(169,166)	-	-	(169,166)
Charge for the year	961,050	17,868,015	4,333,910	568,945	1,917,295	25,649,215
Adjustment for revaluation	-	-	-	-	-	-
At 30th June 03	10,756,898	83,390,308	26,606,926	7,044,418	16,787,379	144,585,929
Net book Value						
At 30th June 03	36,458,482	83,528,515	14,353,189	2,644,	2,912,632	139,897,797
At 30th June 02	37,419,530	94,437,173	12,800,619	2,953,975	4,024,067	151,635,364

NOTES TO THE FINANCIAL STATEMENTS (continued)

External independent valuers last revalued Leasehold Land and buildings, plant and machinery in 1993. However, an immaterial portion of land and buildings (located along Kijabe Street) was not revalued at that time. Valuations were made on the basis of open market value. The book values of the property, plant and machinery were adjusted to the revaluation and the resultant surplus was credited to the revaluation reserve.

If the leasehold land and buildings and plant & machinery were stated on historical cost basis, the amounts would be as follows:-

	Cost Kshs	Accumulated Depreciation Kshs	Net Book Value Kshs
Leasehold Land & Buildings			
At 30.06.03	26,682,924	10,774,901	15,908,023
At 30.06.02	26,682,924	10,241,243	16,441,681
Plant & Machinery			
At 30.06.03	116,531,594	59,448,721	57,082,873
At 30.06.02	109,572,237	44,882,772	64,689,465

7. PROVISIONS FOR LIABILITIES AND CHARGES

	2003 Kshs	2002 Kshs
At 1st July	3,732,776	11,788,226
Charged to Income Statement	571,420	819,405
Utilized during the year	(3,732,776)	(8,874,855)
At 30th June	-	3,732,776
Less current portion	-	(3,732,776)
Non-current portion	<u>Nil</u>	<u>Nil</u>

The entire amount of provisions for liabilities is an amount due to Manugraph industries (India) for supplying the Web Newline machine (under plant & machinery). It is secured by a loan guarantee.

8. INVENTORIES

	2003 Kshs	2002 Kshs
Finished goods	165,041,076	77,652,578
Provision for old editions/obsolete stocks	(7,954,115)	-
Work-in -Progress	14,560,380	12,291,639
Raw materials and consumables	14,410,786	12,415,883
Packaging Materials	<u>290,959</u>	<u>189,608</u>
	<u>186,349,086</u>	<u>102,549,508</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

9. TRADE AND OTHER RECEIVABLES

	2003 Kshs	2002 Kshs
Trade Receivables	55,084,581	42,811,495
Less: Provisions for doubtful debts	(30,474,485)	(24,355,374)
Prepayments	275,254	427,970
Other Receivables	30,273,960	29,220,118
	<u>55,159,310</u>	<u>48,104,208</u>

10. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	28,628,218	1,387,552
Short - term bank deposits	-	30,377,260
	<u>28,628,218</u>	<u>31,764,832</u>

The weighted average effective interest rate on short-term bank deposits at year-end was 8% (2002-8%).

For the purpose of the cash flow statement, the year - end cash and cash equivalents comprise the following: -

	2003 Kshs	2002 Kshs
Cash and bank Balances	28,628,218	31,764,832
Bank overdraft	(22,923,759)	-
	<u>5,704,459</u>	<u>31,764,832</u>

11. TRADE AND OTHER PAYABLES

Trade Payables	71,167,188	6,392,772
Other Payables	8,742,612	6,648,849
	<u>79,909,800</u>	<u>13,041,621</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. CASH GENERATED FROM OPERATIONS

	2003	2002
	Kshs	Kshs
Reconciliation of profit before tax to cash generated from operation		
Profit before tax	(123,408)	70,154,357
<i>Adjustments for:</i>		
Depreciation (Note 6)	25,649,215	25,130,429
Loss/(profit) on sale of property, plant & equip.	-	-
Interest Income	(213,788)	(2,166,966)
Interest expense	571,420	819,405
<i>Changes in working Capital</i>		
Trade and other receivables	(7,055,102)	(5,467,879)
Inventories	(83,799,578)	(18,482,244)
Trade and other payables	66,868,179	(35,288,382)
Provisions for liabilities	-	(4,322,674)
Cash Generated from Operations	<u>1,896,938</u>	<u>30,375,908</u>

13. CORPORATE STATUS

The Foundation is a company limited by guarantee and does not have a share capital. The capital reserve represents the initial grant to set up the Foundation.

14. CURRENCY

These financial statements are presented in Kenya shillings (Kshs.).



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NOTES TO THE FINANCIAL STATEMENTS (continued)

Appendix 1

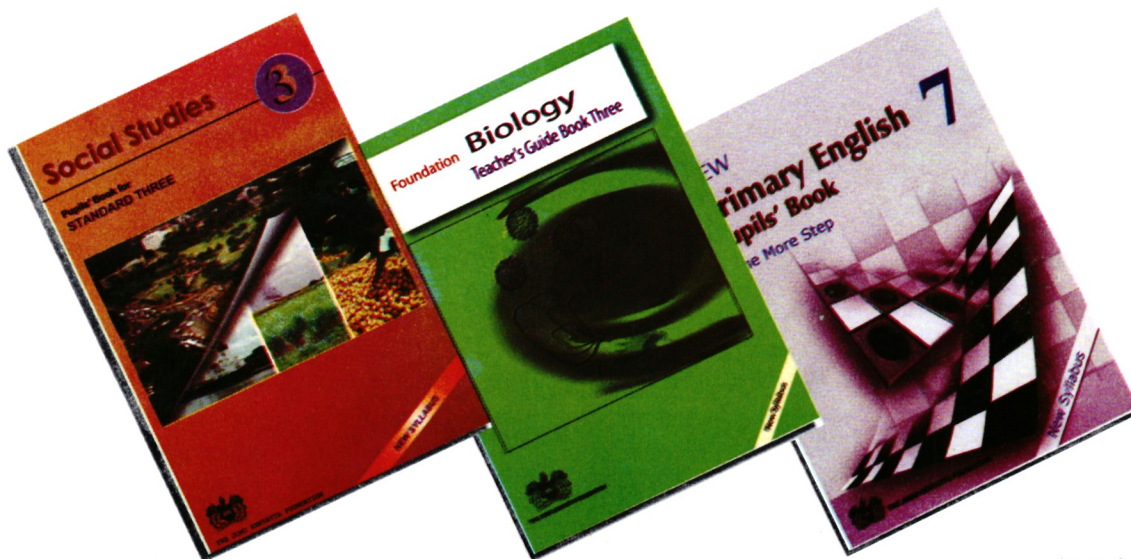
	2003 Kshs	2002 Kshs
1.0 Cost of sales		
Opening stock of finished goods	77,652,578	62,910,213
Cost of production (1.1)	193,783,651	182,107,584
Work firmed out	34,578,525	2,454,954
Closing stock of finished goods	(165,041,076)	(77,652,578)
Provision for old edition/obsolete stocks	7,954,115	-
	<u>148,927,792</u>	<u>169,820,172</u>
1.1 Cost of production		
Cost of raw materials consumed (1.2)	109,180,308	116,255,976
Production overheads	86,872,284	69,160,666
Opening work in progress	12,291,439	8,982,380
Closing work in progress	(14,560,380)	(12,291,439)
	<u>193,783,651</u>	<u>182,107,584</u>
1.2 Cost of raw materials consumed		
Opening stock	12,415,883	11,638,074
Purchases	111,175,211	117,033,785
Closing stock	(14,410,786)	(12,415,883)
	<u>9,180,308</u>	<u>116,255,976</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)

	Appendix 2	
	2003	2002
	Kshs	Kshs
Production overheads		
Staff salaries	21,710,561	18,827,660
Staff housing	19,771,250	18,860,333
Staff medical & welfare	5,347,883	4,419,438
Provident fund contribution	1,530,683	1,220,503
Staff training	5,000	80,000
Editorial charges	385,693	146,094
Library expenses	28,701	53,567
Product development expenses	13,227,876	4,493,598
Electricity & water	2,639,215	2,010,099
Machinery repairs & maintenance	3,443,839	1,054,080
Insurance	242,114	301,829
Depreciation plant & machinery	<u>18,539,069</u>	<u>17,693,465</u>
	<u>86,872,284</u>	<u>69,160,666</u>



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NOTES TO THE FINANCIAL STATEMENTS (continued)

Appendix 3

SCHEDULE OF OTHER OPERATING INCOME AND EXPENDITURE

	2003	2002
	Kshs	Kshs
Other operating income		
Interest	213,788	2,166,966
Rental income	405,399	882,163
Miscellaneous income	2,343,181	1,855,518
	<u>2,962,368</u>	<u>4,904,647</u>
Distribution Expenses		
Salaries & wages	11,055,765	7,559,989
Staff housing	9,306,020	8,395,756
Staff medical & welfare	2,111,359	2,644,165
Provident fund	827,396	659,731
Staff training	36,100	15,000
Vehicle running expenses	1,997,229	1,492,416
Travelling & subsistence	1,074,780	1,733,316
Marketing & sales promotion	5,840,284	3,988,423
Rent & rates	1,637,930	2,458,910
Electricity & water	118,828	505,285
Postage & telephone	1,588,772	1,381,608
Packing material	1,296,550	1,478,049
Depreciation	1,554,938	1,361,771
Royalties to authors	5,351,308	2,875,194
General expenses	124,818	52,867
Security	634,040	447,528
Standard Levy	400,000	400,000
	<u>44,956,117</u>	<u>37,450,008</u>
Administrative expenses		
Salaries & wages	23,651,444	17,260,084
Staff housing	19,571,289	20,200,200
Provident fund contribution	1,778,902	1,418,422
Staff medical & welfare	7,743,887	7,797,605
Staff training	331,890	2,265,880
Directors remuneration	3,944,708	2,362,219
Subscriptions	333,124	375,610
Printing & stationery	293,162	991,095
Postage & telephone expenses	2,482,881	2,442,710

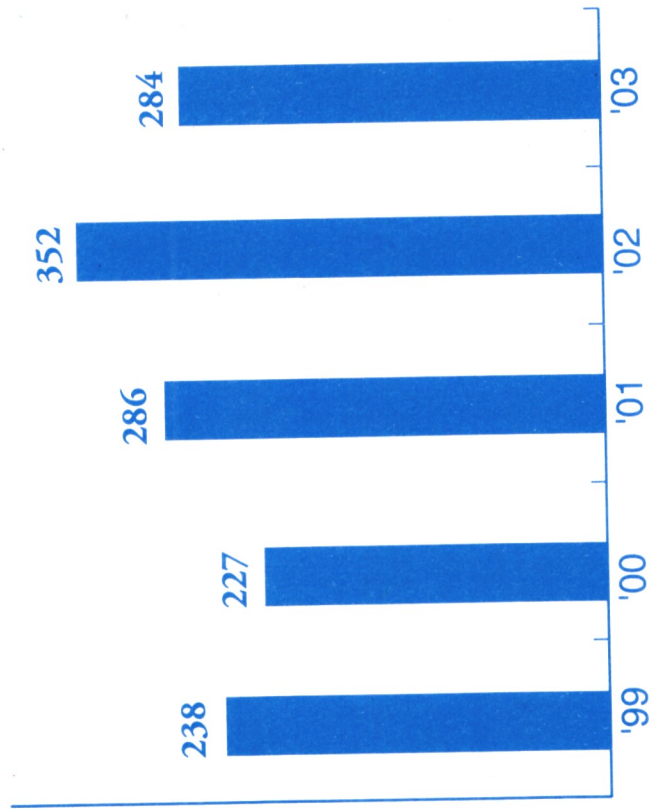
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NOTES TO THE FINANCIAL STATEMENTS (continued)

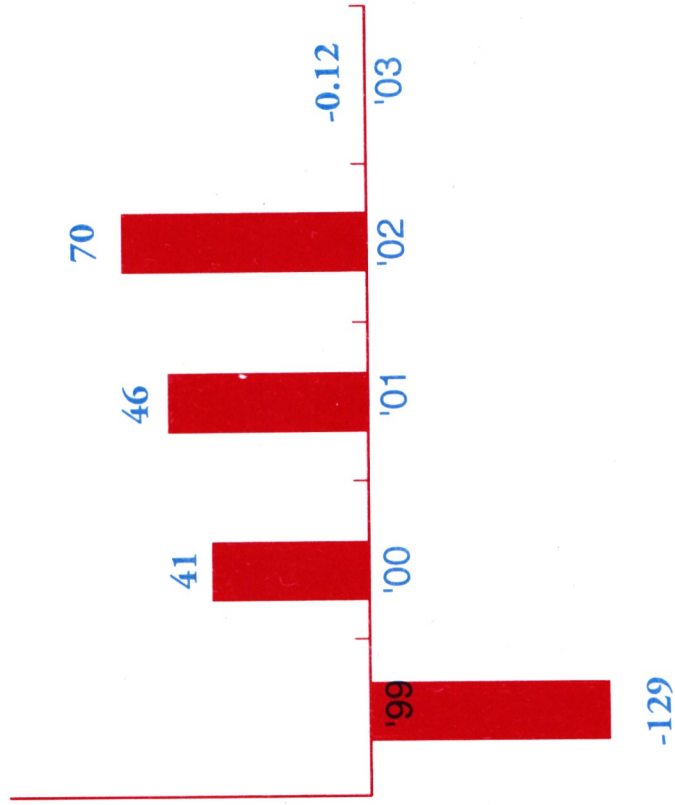
	2003	2002
	Kshs	Kshs
<i>Administrative expenses (continued)</i>		
Legal & professional fees	157,160	88,760
Audit fees	250,000	250,000
Vehicle running expenses	4,802,095	3,545,347
Staff travelling & accommodation	1,544,468	1,207,205
Depreciation	5,555,208	6,075,194
Computer expenses	1,715,549	237,565
General expenses	668,844	833,218
	<u>67,351,115</u>	<u>67,351,115</u>
 <i>Other operating expenses</i>		
Rent & rates	677,044	118,880
Light & water	1,011,153	910,076
Repairs & maintenance	521,141	1,001,013
Industrial training levy	87,600	49,000
Insurance	1,153,378	945,534
Security	500,245	433,895
Licenses	241,952	155,593
Gain / (loss) on disposal of non current assets	(73,296)	-
Stock loss	1,361,231	-
	<u>5,480,448</u>	<u>3,613,991</u>
 <i>Finance costs</i>		
Bank charges & commissions	3,793,408	3,058,789
Loan interest	165,546	819,405
Foreign exchange loss/gain	405,894	-
Bad debts	6,608,310	-
Penalties	1,915,228	21,670
	<u>12,888,366</u>	<u>3,899,864</u>

5 years Revenue & Profit

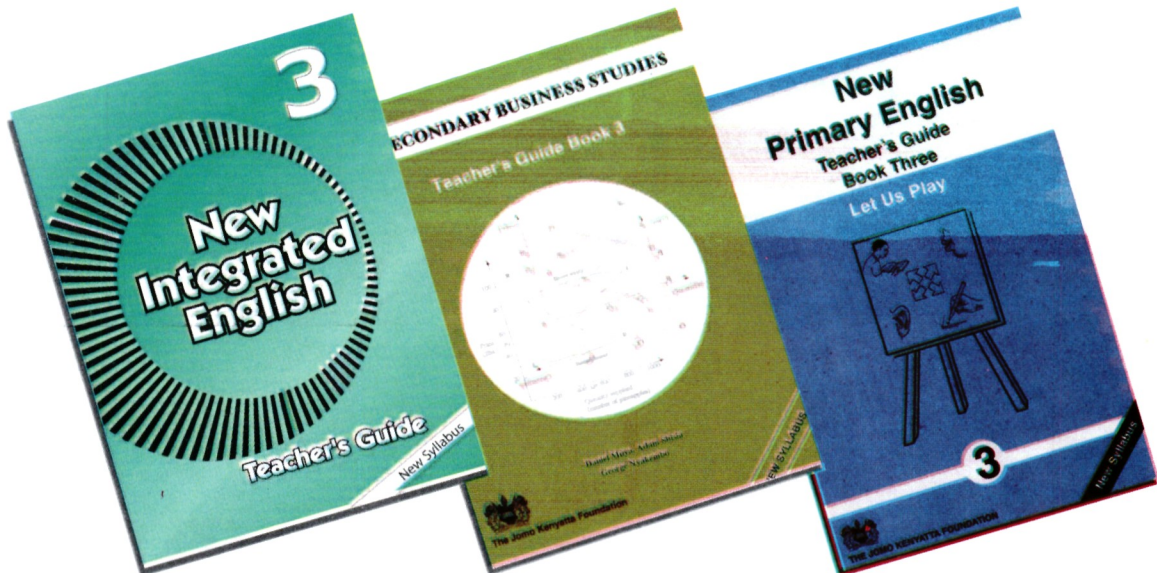
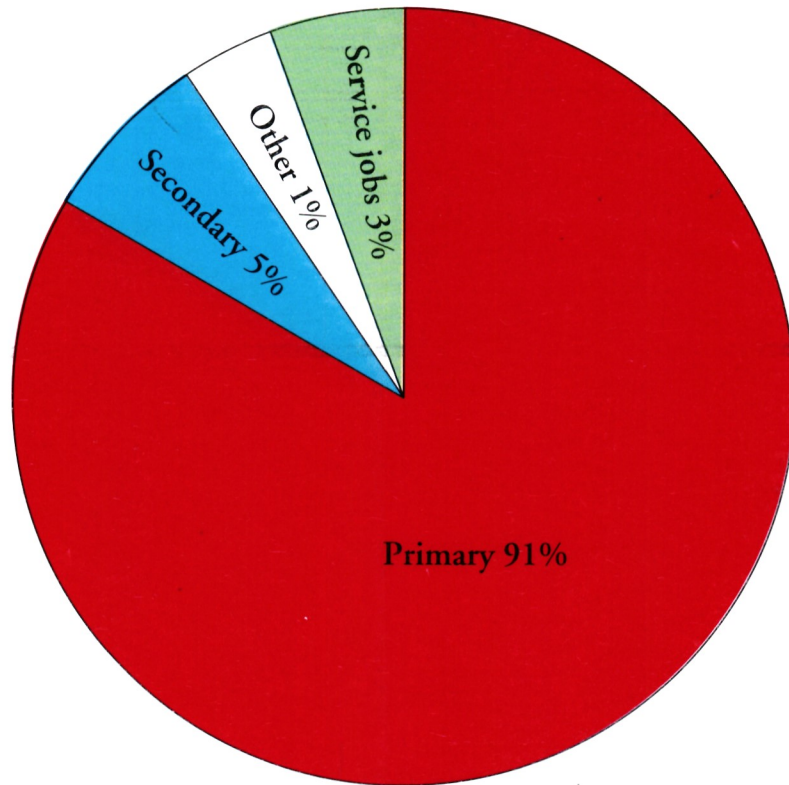
5 years Net revenues in million Kshs.



5 years Net profit in million Kshs.



Revenue by product Class



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