PAPER LAID
By Leader of majority Party, Hon Aden Duale on Tuesday

THE JOMO KENYATTA FOUNDATION

PARLIAMENT OF KENYA LIBRARY

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2015

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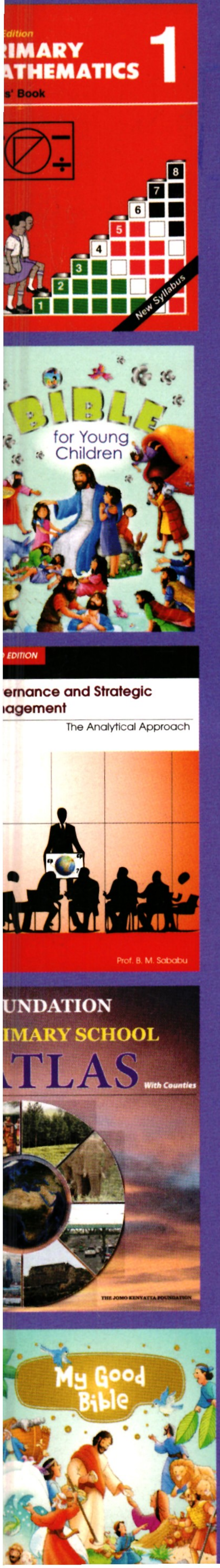


Supporting our Education

THE JOMO KENYATTA FOUNDATION

1966-2016

... supporting our education

MISSION

Development of Customer-Focused Publications and Scholarship Provision

VISION

An Enlightened and Empowerd Society

MOTTO

...supporting our education

PAPER LAID
By leader of majority party
Hon. Aden Duale
on tuesday, 2/8/2016

02 AUG 2016
PARLIAMENT OF KENYA LIBRARY

THE JOMO KENYATTA FOUNDATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 June, 2015

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

Contents

BOARD OF DIRECTORS

HON. WALTER NYAMBATI
Chairman- Appointed 17 April, 2015

MRS. ROSEMARY K. A BARASA
Ag. Managing Director/Secretary to the Board

MR. JOSEPH K. KINYUA,CBS
Chief of Staff and Head of Public Service

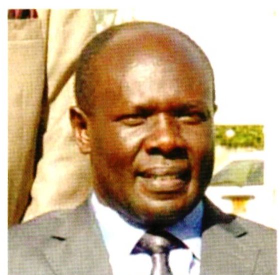
DR.KAMAU THUGGE,EBS
Principal Secretary, The National Treasury

DR. BELIO R. KIPSANG
Principal Secretary, Ministry of Education Science and Technology

PROF. ISAAC N. KIMENGI
Member

DR. MWIKALI MUGACHA
Member - Appointed 17 April 2015

MS. DOREEN KATHURE
Member - Appointed 17 April 2015



MR. SIMON WATENGA
Member - Appointed 17 April 2015

MR. HUDSON LIYAI
Member - Appointed 17 April 2015

MR. MOHAMMED JABANE
Alternate to Chief of Staff and Head of Public Service

MRS. MARGARET MURAGE
Alternate to Principal Secretary, Ministry of Education Science and Technology

MRS. TERESIA K. NYAKWEBA
Alternate to Principal Secretary, The National Treasury

1. Mr. Jacob K. Mwirigi, HSC - Chairman – Retired on 17 February, 2015
2. Mrs. Nancy W. Karimi, MBS - Managing Director/Secretary to the Board, Retired 25 August, 2014

JKF MANAGEMENT

MRS. ROSEMARY K. A. BARASA
Ag. Managing Director

MR. JOHN K. GITHIAKA
General Manager, Human Resource and Administration

MR. FREDRICK OYUGA
General Manager, Publishing, Research and Development

MR. ALEX G. WAGACHA
General Manager, Internal Audit and Risk Management

MR. BETHUEL ODUO
General Manager, Sales and Marketing

MR. DAVID K. MWANIKI
General Manager, Finance and ICT

MRS. NANCY W. KARIMI, MBS
Managing Director/ Secretary to the Board, Retired 25 August, 2014

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 46th ANNUAL GENERAL MEETING of The Jomo Kenyatta Foundation will be held at the offices of The Foundation in Industrial Area, Enterprise Road, Nairobi on 12 July, 2016 at 10.00 am.

AGENDA

The Secretary to read the Notice convening the 46th Annual General Meeting.

To receive and confirm the Minutes of the last Annual General Meeting held on 7 July, 2015

To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2015

To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June, 2015.

To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30 June, 2015.

To appoint the Company's External Auditors for the year ending 30 June, 2016 and fix their fees.

To fix Directors fees, allowances and other remunerations for the year ended 30 June, 2015 and authorize Management to seek Government approval for their payment.

To transact any other ordinary business of the Company according to regulations.

By order of the Board.

MRS. ROSEMARY K. A. BARASA

Ag. 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 needs to 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.

CHAIRMAN'S REPORT

Once again it is my pleasure to present the Annual Report and Financial Statements for The Jomo Kenyatta Foundation for the year ended 30 June, 2015.

Performance Review

The Company's turnover increased by about 13 million to Ksh. 591 million compared to the prior year's turnover of Ksh. 577 million. The turnover was however 16% below the budgeted level of Ksh. 702 million. The improved position led to a gross profit of Ksh. 321 million while operating profits stood at Ksh.326 million after factoring in other income. Overall the Foundation recorded a profit of Ksh. 86 million. This was way above the budgeted profit of Ksh. 34 million and 37 % increase from the prior year's profit of Ksh. 62 million. This was mainly attributable to the increased sales as indicated earlier and cost containment which saw only marginal increase in cost of sales and operating expenses when compared to the previous year

Performance Framework

The year under review represented the eleventh cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government. The Foundation has consistently improved over the last 4 years going by the scores. In the year ended 30 June, 2015, the Company's composite score was 2.6201 representing an improvement from that of June 2014 that was 2.7968. This score rated JKF's performance 'Very Good' and was mainly because of the profit realized during the year coupled with the achievement of most of the other non-financial targets.

Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship. During the year under review, The Foundation donated books valued at Ksh. 1.4 million to various schools in the country. This is in addition to Ksh. 37.4 million paid out to secondary schools as part of our scholarship scheme. JKF also participated and donated to other worthy courses, a few of which were, the Inua Dada Initiative, Cerebral Palsy Society of Kenya walk and visiting Angels of hope children's home in Kibera where we donated books and foodstuff. This was in addition to minding the environment by donating to Netfund and partnering with various schools in planting trees. The Foundation also partnered with our neighbour, Reuben Centre, in organising a VCT and counselling services for staff and the general public in the month November 2014.

Partnerships

Jomo Kenyatta Foundation has continued to partner with various Institutions and Forums on various matters. I will mention two of them here. Jomo Kenyatta Foundation Scholarships Beneficiaries Association (JKFSBA) though still at the formative stage, is sponsoring some students through our Scholarships programme. Goethe Institute co-sponsored the Maktaba Awards with The Jomo Kenyatta Foundation for the 5th year. This has seen many libraries across the country improve on service delivery as they compete for the Awards.

Staff Development

In ensuring a well trained staff and in a bid to improve service delivery and the quality of the Foundation products, the Foundation has continued to implement its capacity development policy. In the year under review the Company spent Ksh. 3.6 million on staff training at various professional and skills upgrading institutions. In addition, a number of staff members continued to be granted time off to pursue various professional and higher degree courses in fields related to their work.

Future Projection

There is still uncertainty on when the curriculum in Kenya will be changed. Though this may lead to some slow performance in the interim period, such a change would augur well for the publishing industry, hence for JKF, in the medium term. Curriculum change in Rwanda has already been set to commence in 2016 and JKF has embarked on publishing books for that market. This will provide another opportunity for JKF to increase its market share in Rwanda. The Foundation completed the mid-term review of its Strategic Plan for the period 2012 to 2017. This Strategic Plan is aligned to the country's strategies as envisioned in the Constitution of Kenya 2010 and Vision 2030 together with The Millenium Development Goals (MDGs). The Plan has strategies expected to support the two core functions of publishing and scholarships in a sustainable manner.

So far the Foundation has digitized standard 1 and 2 books to take advantage of the digital initiative being advocated by the Government. This is in addition to placing more books on e-platform especially in the reader's category. With the recently bought rights for children bibles and the development of the Atlas and Kamusi, which are at advanced stages, the future prospects can only be brighter.

Acknowledgement

On behalf of the Board, I would like to thank our customers, suppliers, staff and the Government through the Ministry of Education Science and Technology for their efforts that enabled the Company to carry out its business for the year under review.

My special thanks go to the Directors for providing diligent policy guidance and direction for the prudent management of the Company's affairs. I wish to pay tribute to our teachers and students, our ultimate customers for buying and using our books, School Principals and beneficiaries for being patient when the fees delayed due to liquidity hitches as well as the authors of the various publications that comprise the Company's core products.

I also wish to thank The Jomo Kenyatta Foundation Scholarship Beneficiaries Association (JKFSBA) mentioned above for their support in funding the scholarship programme. Above all, I thank God for seeing us through the year and look forward to a better future.

Thank you and God bless.

HON. WALTER NYAMBATI

CHAIRMAN OF THE BOARD

THE CHIEF EXECUTIVE'S REPORT

I take this opportunity to report on the performance of The Foundation for the twelve months ended 30 June, 2015.

Financial Performance

During the year under review the Foundation realized net sales amounting to Ksh. 591 million which Ksh. 13 million higher than sales achieved in the last financial year of Ksh.577 million but our cost of sales reduced by 5% from Ksh. 283 million to Ksh.270 million this led to the increase of gross profit by 9% from Ksh 293 million to Ksh. 321 million.

Operating profits increased to Ksh 326 million from Ksh 298 million in previous year primarily because of the increased sales during the year and reduced cost of sales in the year. Operating and finance costs increased by 1% from Ksh. 236 million in the year ended 30 June, 2014 to Ksh 239 million in the year under review. The net effect of these changes was a profit of Ksh. 85 million in that year compared to a profit of Ksh. 62 million in the previous year representing a 37% increase in profits.

Operating Environment

The Foundation's principal activities are, advancing education and alleviation of poverty. These activities are carried out through the core functions of publishing, scholarship provision and expansion of the revenue base through research and Development. A much broader interpretation of the Company's Memorandum and Articles of Association enables the Foundation to embrace new avenues of revenue generation.

Publishing

Over the years, The Foundation has continued to publish books and other instructional materials for all levels of formal education in Kenya as well as general readership. The Foundation has entered into new markets that offer promising prospects. We have rolled out more products for Early Childhood Development Education. There has been a gap in the market for these products, which we seek to fill.

In a bid to penetrate the East Africa Community market, The Foundation has continued to participate in international book publishing tenders floated by various governments in the region. Rwanda released its new competency-based curriculum in April, 2015 giving us an opportunity to develop materials in almost all subject areas at primary and secondary school levels. The tender has been floated and writing commenced in earnest. The materials are expected to be submitted for evaluation and approval within the next Financial Year.

In the year under review, one of the significant achievements of JKF was the conversion of additional children's readers into e-books in partnership with e-Kitabu at minimal cost. We also continued with our digital publishing program for lower primary course books in readiness for the laptop project. In addition, we developed an Atlas and continued with the development of a Kiswahili dictionary, Kamusi whose roll out is expected in September, 2015.

The JKF Scholarships Scheme

The JKF scholarship beneficiaries stood at 901 at the close of the financial year 2014/2015 where a total of Ksh. 37.2 Million was spent. Out of these beneficiaries, 49 were awarded scholarships in the year.

The revised JKF scholarship policy saw the Foundation conduct interviews and home visits during the award process in all counties for the first time. This enabled more transparency in the award process.

The JKF also launched the Scholarships website in support of the scholarship program and in line with the Strategic Plan.

Strategic Plan

The year under review was the third into the 3rd strategic plan for the five year period from July 2012 to July 2017. The strategic plan, spells out the Mission and Vision statements of the Foundation which correctly reflect the mandate of the organization of advancing education and alleviation of poverty.

In keeping with Strategic plan of expansion of products and markets and sourcing of independent funds for the scholarship scheme, the Foundation embarked in development of anchor products namely Atlas, Kamusi and children bibles The Foundation also reviewed the Balanced Score Card framework in an effort to improve performance management in which is key in the implementation of the Strategic plan.

Marketing Activities

The department's main objective is to ensure our goods reach the market through the designated channels of distribution. Our Sales and marketing team visits the educational institutions to create demand then ensure the outlets have enough of our stocks to service the created demand. Promotion of our products is done through various activities and events like displays and teacher workshops countrywide.

The regional markets like Rwanda and South Sudan which had in the previous year shown signs of emergence were still affected by factors beyond our control. The former by a shift in our policy and the latter by persistent political turmoil and uncertainty. This led to the closure of our Rwanda office and putting on hold our strategies for South Sudan

Locally, we ensured there was no shortage of stocks by planning ahead before the seasonal pressure on printers. We also ensured our key accounts countrywide were served earlier to satisfy the smaller customers. The introduction of high value products in the market which we are set to achieve will definitely contribute positively to our revenue.

Individually as a publishing house and in the industry in general, book piracy still remains our biggest challenge. The perpetrators are becoming bolder by the day. This has affected not only JKF but also many players. We shall continue engaging other stakeholders in fighting the vice.

Legal Risk Management

During the year ended 30 June, 2015, we reviewed one policy, the Gender Policy, to align it with the Constitution of Kenya 2010 with special recognition of Article 10 (2). With the same criteria, we formulated two policies i.e. Sexual and Gender-Based Violence; and E-Waste policy.

JKF fully complied with the statutory requirements of timely submitting reports to the various regulatory bodies.

We acquired the Mwongozo Code of Governance from the State Corporations Office and distributed them to the JKF Board of Directors and ensured signing of the said Code by all the Directors.

Staff Welfare and Development

JKF spent Ksh. 3.6 million in staff training programs during the year to develop the human capital. Our training and development mainly focused on areas notably competency based, promotion of National Values, PR communication strategy, Health & Safety, Alcohol and Drug Abuse, Advanced Excel and Corporate Governance.

We participated in various fora on staff welfare for purpose of motivating staff, namely team building activity at Sopa Lodge in Naivasha at a cost of Ksh. 965,155 and celebrating staff for long service awards. Also during the year under review staff were appraised based on 2014-2015 targets set at the beginning of financial year and those who met various targets were rewarded. However, those who failed to meet the agreed targets were sanctioned as per JKF Terms and Conditions of Service of 2013.

On vacant positions, we advertised the following positions: Managing Director, Manager Finance, Manager ICT, and Research & Development, Senior Science Editor and Assistant Editor (Humanities). The shortlisting and eventual interviews are underway.

Our outpatient medical scheme is self-funded, and managed by an insurance broker. In 2014/2015 JKF spent Ksh. 6.7 million in the scheme, compared to Ksh. 5.3 million spent in 2013/14. The insured inpatient scheme is managed by an underwriter who performed well to the satisfaction of the staff. The claims for the year stood at Ksh. 4.1 million against premium of Ksh. 4 million.

Other notable achievement for the human resource department included; reviewing terms and conditions of service, developing and implementation of Job Evaluation, implementation of open office plan and procurement of the work stations.

Internal Audit Department

The department is an independent review function that reports administratively to the Managing Director and functionally to the Board of Audit Committee. It is mandated to undertake independent risk based internal audits aimed at providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity.

In the year under review, the department carried out various audit assignments throughout the year as mandated by the Audit Charter, made appropriate recommendations and offered the requisite advice for the implementation of the recommended actions. As one of its roles, the department performed monitoring and evaluation of the goals, objectives and activities of the organizations strategic plan, and reported its findings to the management on a quarterly basis.

Internal Audit also contributes to the organization's governance process by evaluating and improving the process through ensuring that accomplishment of goals is monitored, accountability is ensured and values are preserved.

We thank God for a successful year and look forward for better results in the coming years.

May God bless you all.

MRS. ROSEMARY K.A. BARASA

Ag. MANAGING DIRECTOR

CORPORATE GOVERNANCE STATEMENT

The Jomo Kenyatta Foundation's Board of Directors is accountable to the shareholders for ensuring that The Foundation complies with the law, the highest standards of corporate governance and business ethics. During the year under review, The Foundation complied with the law and the principles of best practice for corporate governance in Kenya.

The Board of Directors

The Jomo Kenyatta Foundation was incorporated under the Companies Act as a company limited by guarantee on 2nd March 1966. The principal activity of The Foundation is to advance education and knowledge. The principal stakeholder, The Government of Kenya, provided the initial capital to establish The Foundation and appoints members to the Board to carry out the mandate.

The Board met 11 times during the financial year under review. Their performance is subject to a performance contract signed with The Ministry of Education that is reviewed every financial year. The Board is entitled to information on the operations of The Foundation, which is normally availed to the Board members in advance of scheduled Board meetings.

The Primary Responsibilities of the Board

The Board's primary responsibility is establishing the long-term goals of The Foundation and providing leadership to ensure that strategic objectives and plans are established to achieve those goals. The current strategic plan that covers five years from 2012 to 2017 was reviewed in June 2015.

Board Composition and Meetings

During the year under review, the Board was made up of thirteen members as listed in the Directors' Report. They included the Chairman, alternate directors representing Principal Secretaries from The Office of the President, The National Treasury, The Ministry of Education and The Managing Director, who is the secretary to the Board and the only Executive Director. However, the term of four members that ended in December 2013 rendered the Board to remain partially constituted for the rest of the period until 17th April 2015 when the full Board was constituted.

The Chairman of the Board is appointed by the President of the Republic of Kenya and serves for a period of 3 years. The non- executive directors are appointed by the Cabinet Secretary for Education and serve for a period of 3 years while The Managing Director is appointed by the Cabinet Secretary for Education on recommendation of the Board for a term of 3 years.

The Board delegates some of its responsibilities to Standing Committees, which operate within defined terms of reference. During the period under review, the Board had three Standing Committees as follows:

- Finance and General Purpose Committee
- Audit Committee
- Staff Welfare Committee

Finance and General Purpose Committee

The Finance and General Purpose Committee is made up of 6 non-executive Directors and the Managing Director. Senior Management staff attend the meetings on invitation. The Committee met once in the year under review after the full Board was constituted.

Audit Committee

The Audit Committee is composed of 6 non-executive Directors. The Internal Audit Manager is the secretary to the Committee. The Managing Director and other Senior Management staff attend the meetings on invitation. The Committee met twice in the year under review after the Board was constituted.

Staff Committee

The Staff Welfare Committee is composed of 7 non-executive Directors and The Managing Director. Senior Management staff attends the meetings on invitation. The Committee met once in the year under review after full Board was constituted.

Accountability and Audit

The Board usually presents a balanced and understandable assessment of The Foundation's financial position and prospects. The assessment is provided in the Chairman's statement and in the audited financial statements attached to this report.

The financial report produced complies with the International Financial Reporting Standards (IFRS) as recommended by the Institute of Certified Public Accountants of Kenya and also comply with the Kenya Companies Act (Cap 486) of the Laws of Kenya.

Stakeholder Relationships

The Foundation is a company limited by guarantee and has set up a Scholarship Fund to assist bright and needy students in public secondary schools pay fees in accordance with its Articles and Memorandum of Association.

The Board recognizes its responsibility to communicate to the stakeholders the performance of The Foundation towards achieving its mandate. This is done through the publication of its annual reports and financial statements, which are circulated to parliament and filed with the Registrar of Companies in addition to being displayed prominently at our premises.

The JKF Scholarship Programme

The Foundation's core business is the advancement of education and knowledge. As part of its mandate and responsibility to the society, the Foundation has been setting aside part of its income to pay school fees for bright-needy students in public secondary schools selected from all counties in Kenya. During the year under review, The Foundation spent Ksh. 26.4 million under its Scholarship Programme for this purpose. This programme has benefited more than 10,000 students since it was started in 1968.

Corporate Social Responsibility

The Foundation donates books as part of its Corporate Social Responsibility. During the year under review, The Foundation made book donations valued at Ksh. 1.4 million to various schools around the country. The Foundation also contributed a total of Ksh.304, 000 towards needy causes among them, the Mater Heart Run, Inua Dada Initiative, and Cerebral Palsy Society among others.

Compliance with the Law

The Board is satisfied that The Foundation has, to the best of their knowledge complied with all applicable laws and conducted its affairs in accordance with the Companies Act. The Foundation has not, to the knowledge of the Board been involved in any activity incompatible with national and international laws or any international treaty to which our country is a signatory.

Human Resource Development

The Foundation had a staff establishment of 119 employees as at 30 June, 2015 and has continued to support the training and development of staff through sponsorship to various colleges, courses and workshops. During the year under review the Company spent Ksh. 3.6 million on training of staff at various levels

Going Concern

The Board confirms that the Company has adequate resources to continue in business for the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

Future Prospects

The company's future prospects are high as indicated by the annual report from pages 19 to 53.

HON. WALTER NYAMBATI

CHAIRMAN OF THE BOARD

CORPORATE INFORMATION

INCORPORATION

The Jomo Kenyatta Foundation was incorporated under the Companies Act as a Company Limited by guarantee on 2nd March 1966.

DIRECTORS

Hon. Walter Nyambati	-	**Chairman- Appointed 17 April, 2015**
Mr. Jacob K. Mwirigi, HSC	-	**Chairman – Retired 17 February, 2015**
Mrs. Nancy W. Karimi,MBS	-	**Managing Director/Secretary to the Board Retired 25 August, 2014**
Mrs. Rosemary K. A. Barasa	-	**Ag. Managing Director/Secretary to the Board Appointed 25 August, 2014**
Mr. Joseph K. Kinyua,CBS	-	**Chief of Staff and Head of Public Service**
Dr.Kamau Thugge,EBS	-	**Principal Secretary, The National Treasury**
Dr. Belio R. Kipsang	-	**Principal Secretary, Ministry of Education Science and Technology**
Prof. Isaac N. Kimengi	-	**Member**
Dr. Mwikali Mugacha	-	**Member – Appointed 17 April, 2015**
Ms. Doreen Kathure	-	**Member - Appointed 17 April, 2015**
Mr. Simon Watenga	-	**Member - Appointed 17 April, 2015**
Mr. Hudson A. Liyai	-	**Member - Appointed 17 April, 2015**
Mr. Mohammed Jabane	-	**Alternate to Chief of Staff and Head of Public Service**
Mrs. Margaret Murage	-	**Alternate to Principal Secretary, Ministry of Education Science and Technology**
Mrs. Teresia K. Nyakweba	-	**Alternate to Principal Secretary, The National Treasury**

SECRETARY

Mrs. Rosemary K. A. Barasa

Ag. Managing Director and Secretary to the Board

P. O. Box 30533 – 00100

NAIROBI

REGISTERED OFFICE

The Jomo Kenyatta Foundation
Headquarters and Principal Offices
51 Enterprise Road, Industrial Area
P. O. Box 30533 – 00100
NAIROBI.

AUDITORS

The Auditor General
P. O. Box 30084 – 00100
NAIROBI.

PRINCIPAL BANKERS

Kenya Commercial Bank Limited
Moi Avenue Branch
P. O. Box 30081 – 00100
NAIROBI.

PRINCIPAL LEGAL ADVISORS

The Attorney General
State Law Office, Harambee Avenue
P.O. Box 40112- 00200
NAIROBI.

Rachier & Amollo Advocates
Mayfair Centre, 5th Floor, Ralph Bunche Road
P.O Box 55645-00200
NAIROBI.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2015.

1. The Principal Activities

The Foundation publishes school textbooks and other educational materials and provides scholarships to the bright and needy students in secondary schools in Kenya.

2. Results

The net profit for the year of Ksh. 86 million (2014: profit of Ksh.63 million) has been added to/deducted from retained earnings.

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, KSh. 26.4 million was utilized for this purpose.

4. Directors

The Directors who served during the year are as listed in the Corporate Information Section of this report page 3.

5. Auditors

The Auditor General is responsible for the statutory audit of the Foundation financial statements in accordance with Section 14 of the Public Audit Act, 2003. Section 39(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Mbaya and Associates were appointed to carry out the audit for the year ended 30 June 2015.

By order of the Board

ROSEMARY K.A. BARASA

Ag.SECRETARY TO THE BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Foundation, which give a true and fair view of the state of affairs of the Foundation at the end of the financial year and the operating results of the Foundation for that year. The Directors are also required to ensure that the Foundation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Foundation. The Directors are also responsible for safeguarding the assets of the Foundation.

The Directors are responsible for the preparation and presentation of the Foundation's financial statements, which give a true and fair view of the state of affairs of the Foundation for and as at the end of the financial year ended on 30 June, 2015. This responsibility includes:

(i) Maintaining adequate financial management arrangements and Ensuring that these continue to be effective throughout the reporting period;

(ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Foundation;

(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 misstatements, whether due to error or fraud;

(iv) Safeguarding the assets of the Foundation;

(v) Selecting and applying appropriate accounting policies; and

(vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Foundation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Foundation's financial statements give a true and fair view of the state of Foundation's transactions during the financial year ended 30 June, 2015, and of the Foundation's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Foundation, which have been relied upon in the preparation of the Foundation's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Foundation 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 Foundation's financial statements were approved by the Board on 21 September, 2015 and signed on its behalf by:

Director: ______________________

Managing Director: ______________________

REPUBLIC OF KENYA

OFFICE OF THE AUDITOR GENERAL

REPORT OF THE AUDITOR GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE 2015.

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Jomo Kenyatta Foundation set out on pages 5 to 29 which comprise the statement of financial position as at 30 June 2015, 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 signficant accounting policies and other explanatory information have been audited on my behalf by Mbaya & Associates, auditors appointed under section 39 of the Publc Audit Act, 2003. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all informaton and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Managements'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 13 of the Public Audit Act, 2003.

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 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 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 Foundation'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 audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30 June 2015, 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, Cap. 486 of the Laws of Kenya.

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 Foundation, so far as appears from my examination of those books; and,

iii. The Foundation's statement of financial position is in agreement with the books of account.

FCPA Edward R. O. Ouko, CBS

AUDITOR GENERAL

Nairobi

14th March 2016

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 June, 2015

	Notes	2015 Ksh'000	2014 Ksh'000
Turnover	2	591,075	577,572
Cost of Sales	3	(270,194)	(283,634)
Gross Profit		320,881	293,938
Interest Income	4a	1,009	397
Other Operating Income	4b	3,623	4,438
Total Revenue		**325,513**	**298,773**
Selling and Distribution Expenses	5	78,951	85,233
Administrative Expenses	6	144,132	135,890
Other Operating Expenses	7	16,240	15,590
Total Operating Expenses		**239,323**	**236,713**
Profit / (Loss) from Operations		86,190	62,060
Finance Income	8a	743	769
Finance Costs	8b	(1,228)	(493)
Net Profit / (Loss)		**85,705**	**62,335**

STATEMENT OF FINANCIAL POSITION
AS AT 30 June, 2015

	Notes	2015 Ksh'000	2014 Ksh'000 Restated
Non- Current Assets			
Plant, Property & Equipment	11	903,960	920,293
Intangible Assets	12	1,997	2,927
Total Non -Current Assets		**905,957**	**923,220**
Current Assets			
Inventories	13	120,826	167,121
Trade and Other Receivables	14	82,630	95,522
Cash and Cash Equivalents	15	62,540	12,807
Total Current Assets		265,996	275,450
Total Assets		**1,171,953**	**1,198,670**
EQUITIES AND LIABILITIES			
Capital and Reserves			
Capital Reserve	16	4,000	4,000
Revaluation Reserves	17	964,622	964,575
Retained Earnings	18	67,671	25,708
Scholarship Fund	19	17,325	0
Total Capital and Reserves		**1,053,618**	**994,282**
Current Liabilities			
Trade and Other Payables	20	118,335	204,388
Total Capital and Liabilities		**1,171,953**	**1,198,670**

The financial statements on pages 23 to 53 were authorised for issue by the Board of Directors on 21 September, 2015 and were signed on its behalf by:

.... Director

.... Director/Secretary

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 June, 2015

	Capital Reserve	Revaluation Reserve	Retained Earnings	Scholarships Fund	Total
	Ksh'000	**Ksh'000**	**Ksh'000**	**Ksh'000**	**Ksh'000**
As at 1 July 2013	4,000	317,887	50,469	(25,787)	346,569
Net Profit/(Loss) for the Year			62,335		62,335
Scholarships Appropriation			(87,637)	87,637	
Scholarships Applied				(61,850)	(61,850)
Surplus on Revaluation of Assets		646,688			646,688
Prior year adjustment			541		541
As at 30 June, 2014	**4,000**	**964,575**	**25,708**		**994,330**
As at 1 July 2014	**4,000**	964,575	**25,708**		**994,330**
Net Profit/(Loss) for the Year			85,704		85,704
Scholarships Appropriation			(43,741)	43,741	-
Scholarships Applied				(26,416)	(26,416)
Surplus on Revaluation of Assets on Disposal		47			47
As at 30 June, 2014	**4,000**	**964,622**	**67,671**	**17,325**	**1,053,619**

Capital Reserves:

Capital Reserves represent the initial seed money invested in the company on incorporation in 1966.

Revaluation reserves:

Revaluation reserves represent the increase in value of property plant and equipment arising from revaluation of Company assets. The valuation was carried out in June 2014, by Messers Joe Muriuki valuers.

Retained earnings:

Retained earnings are undistributed cumulative profits made by the company over the years. Prior year adjustment has been done due to over estimation of the provision for utilities expenses in the last financial year totalling Ksh.541 thousands.

Scholarship fund:

Scholarship fund account represents the unutilised balance of amount appropriated to the scholarship programme.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 June, 2015

	Notes	2015	2014
Cash flow from operating activities		**Ksh'000**	**Ksh'000**
Net Profit / (loss) for the year	7	85,705	62,335
Adjustments for:			
Depreciation	11	28,209	16,435
Amortization of Intangible Assets	12	929	652
(Profit)/Loss on sale of Non-Current Assets	4b	173	88
Changes in working Capital:			
Decrease/(increase) in:			
Trade and Other Receivables		12,892	26,492
Inventories		46,330	(57,464)
Increase/(decrease) in Trade and Other Payables		(86,592)	20,917
Cash Generated from Operations		**87,646**	**69,454**
Investing Activities			
Purchase of Property, Plant & Equipment	11	(9,532)	(2,767)
Purchase of Computers & Peripherals	11	(1,976)	(3,161)
Proceeds from sale of Fixed assets		11	109
Net cash from Investing Activities		**(11,497)**	**(5,819)**
Financing Activities			
Scholarship Applied		**(26,416)**	**(61,850)**
Net Increase/ (Decrease) in Cash & Cash Equivalents		49,733	1,785
Cash and Cash Equivalents as at 1 July, 2014		12,807	11,022
Cash and Cash Equivalents as at 30 June, 2015	15	**62,540**	**12,807**

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).
For the Kenyan Companies Act reporting purposes, in these financial statements the balance sheet is represented by/is equivalent to the statement of financial position and the profit and loss account is equivalent to the statement of profit or loss and other comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

Annual improvements to IFRS

The following new and revised IFRSs have been applied in the current year and had no material impact on the amounts reported in these financial statements.

IFRS 13 Fair Value Measurement	IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes additional disclosure requirements.
	IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Foundation has not made any new disclosures required by IFRS 13 for the 2012 comparative period The application of IFRS 13 has not had any impact on the amounts recognized in the financial statements as the Foundation does not have assets and liabilities at fair value

IFRS 13 Fair Value Measurement	The Foundation has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2Share-based Payment, leasing transactions that are within the scope of IAS17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes
Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)	The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Foundation are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. This amendment did not have any impact on the Foundation's financial statements as the Foundation did not restate its prior period financial statements

ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June, 2015

New and Amendments to standards	**Effective for annual periods beginning on or after**
IFRS 9 (2014)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January, 2017
Amendments to IAS 19 Defined Benefit Plans:Employee Contributions	1 July, 2014
Annual Improvements 2010-2012 Cycle	1 July, 2014
Annual Improvements 2011-2013 Cycle	1 July, 2014
Amendments to IAS 16 and IAS 38. Clarification of Acceptable Methods of Depreciation and Amortisation	1 January, 2016

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended June30, 2015

• IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of inequity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit2risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Foundation anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Foundation's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

• IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of Island in subsequent financial statements.

Note: Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

The directors of the Foundation do not anticipate that the application of the standard will have significant impact on the Foundation's financial statements

• IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.
The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts
- Recognise revenue when (or as) the entity satisfies a performance obligation.

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.
The directors of the Foundation do not anticipate that the application of the standard will have significant impact on the Foundation's financial statements

• Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The directors of the Foundation do not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Foundation's financial statements as the Foundation does not have any significant financial assets and financial liabilities that qualify for the offset.

• Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Amends IAS 36 Impairment of Assets to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and to introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

The directors of the Foundation do not anticipate that the application of these amendments to IAS 36 will have a significant impact on the Foundation's financial statements.

• Annual Improvements 2010-2012 Cycle

The annual improvements 2010-2012 cycle makes amendments to the following standards:

- IFRS 2 — Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'.
- IFRS 3 — Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.
- IFRS 8 — Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.
- IFRS 13 — Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).
- IAS 16 and IAS 38 — Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.
- IAS 24 — Clarify how payments to entities providing management services are to be disclosed.

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• Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 — Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 — Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2014. The directors of the Foundation do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Foundation's financial statements

(iv) Early adoption of standards

The Foundation did not early-adopt new or amended standards in 2015.

(b) Basis of Preparation

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRS). They are presented in Kenya Shillings, rounded to the nearest thousand (Ksh'000). The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below

(c) Revenue Recognition

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

a. Sales are recognized upon delivery of goods and customer acceptance of the same, net of VAT and discounts.
b. Interest is accounted for on receipt basis.

c. Rental income is recognised in the income statement as it accrues using the effective lease agreements
d. Other income is recognised as it accrues

(d) Property Plant and Equipment

All property, plant and equipment are initially recorded at cost and subsequently shown at market value, based on valuations by external independent valuer less subsequent 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 statement of comprehensive income.
Depreciation is calculated to write down the cost of each asset, or the re-valued amount over its estimated useful life using the following basis and annual rates.

Asset Category	Method	Rate
Leasehold land	straight-line	lease Period
Buildings	straight line	2%
Motor vehicles	reducing balance	25%
Computers & Intangibles	straight line	25%
Office furniture fittings & equipment	straight line	15%
Printing machine	straight line	12.5%

Lease hold land depreciated over 50 years lease period and free hold land is not depreciated. 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 re-valued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

(e) Intangible assets

All computer software programmes acquired that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the acquisition of identifiable computer software controlled by the company are recognised as intangible assets.
Amortisation is calculated using the straight line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

(f) 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 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.

The value of inventories is reviewed annually to determine whole or partial obsolescence due to factors such as curriculum change or slow movement of inventory.

The values of inventories affected by curriculum change are written down to nil and an estimate is made for slow moving inventories. The write down values are charged to the statement of comprehensive income.

(g) Taxation

The Foundation is exempted from income tax on all income through the Income Tax Act (cap.470) Section 13(10) and first schedule part 1. Its profits are applied for the payment of scholarships and /or retained to solidify the financial base.

(h) Post-employment benefit obligations

The company operates a defined contribution retirement benefits plan for its employees, the assets of which are held in a separate trustee administered scheme **managed by Jubilee** Insurance Company Ltd. A defined contribution plan is a plan
under which the company pays fixed contributions into a separate fund, and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. The company's contributions are charged to the statement of comprehensive income in the year to which they relate.

The Company and all its employees also contribute to the National Social Security Fund (NSSF), which is a national defined contribution scheme. 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 and is currently graduated per employee per month as per the new regulations.
The estimated monetary liability for employees' accrued annual leave and staff gratuity entitlement at the balance sheet date is recognized as an expense accrual.

(i) 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. Provision for doubtful debts is charged to statement of comprehensive income in the year they are identified. Bad debts are written off against the provision when they are determined to be unrecoverable.

(j) 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 under current liabilities.

(k) Risk Management

The Company is exposed to credit risk from account receivables arising from credit granted to customers. A Risk Management Committee has been set up to evaluate customers to be given credit facility. Credit limits are granted to customers depending on their turnover for prior years' sales, thereby ensuring that the company only deals with customers who have trading history with the company.

Additionally, large customers are required to provide bank guarantees to mitigate against default.

Liquidity risk is the risk that the company will encounter difficulty in meeting obligations associated with financial liabilities. The board has developed a risk management framework for the management of the company's short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

(l) Comparatives

Where necessary, comparatives have been adjusted to conform with changes in presentation in the current year.

2. Turnover:

	2015	2014
	Ksh'000	**Ksh'000**
Sales of Primary Titles	786,269	750,166
Sales of Sec. Titles	66,983	82,445
Sales of Tertiary Titles	4,363	4,537
Sales of General Titles	13,712	14,774
Sales of Service Jobs	9,981	2,588
Sales of E-Books	780	1,185
Gross Sales	882,088	855,695
Less Discounts	(291,013)	(278,123)
Net Sales	**591,075**	**577,572**

3. (a) Cost of Sales:

Cost of Sales Primary Titles	184,294	188,945
Cost of Sales Secondary Titles	19,119	26,372
Cost of Sales Tertiary Titles	1,091	1,241
Cost of Sales General Titles	3,053	3,358
Cost of Sales Adjustment	-	-
Cost of Sales Miscellaneous	(1,114)	(1,186)
Cost of Sales Service Job	2,340	1,592
Purchase Price Variance/Adjustments	8	467
Stock Obsolescence Provision	11,970	17,482
Production Overheads **(note 3b)**	49,433	45,363
Cost of Sales	**270,194**	**283,634**

3. (b) Production Overheads:

Staff Salaries	23,408	21,725
Staff Housing	6,648	6,560
Staff Medical & Welfare	1,897	1,588
Staff Training	702	676
Provident Fund Contribution	2,285	2,136
Product Development Expenses	12,552	10,658
Insurance	4	32
Depreciation Plant and Machinery	1,936	1,988
	49,433	**45,363**

4. Other Operating Income

(a) Interest Income

	2015	2014
	Ksh'000	Ksh'000
Interest from Call Deposit	918	291
Car Loan Interest	91	106
	1,009	**397**

(b) Other Operating Income

Rental Income	2,522	2,071
Profit/(Loss) on Sale of Fixed Assets	(173)	(88)
Miscellaneous Income	1,274	2,455
	3,623	**4,438**

5. Selling and Distribution Expenses:

Salaries & Wages	20,868	22,308
Staff Housing	6,366	5,839
Staff Medical & Welfare	2,628	2,504
Staff Training	-	271
Provident Fund	1,824	1,690
Vehicle Running Expenses	4,802	5,138
Staff Travelling & Accommodation	539	519
Marketing & Sales Promotion	17,294	22,031
Electricity & Water	183	256
Postage & Telephone	604	619
Packaging Material	353	79
Depreciation	8,138	6,881
Royalties to Authors	13,723	15,544
General Expenses	215	49
Security	1,014	1,105
Standard Levy	400	400
	78,951	**85,233**

6. Administrative Expenses:

	2015	2014
	Ksh'000	Ksh'000
Salaries & Wages	62,015	61,837
Staff Housing	18,757	19,690
Staff Medical & Welfare	12,266	10,560
Provident Fund Contribution	5,678	6,674
Staff Training	2,941	3,797
Directors Remuneration	4,857	4,257
Subscriptions	516	416
Printing & Stationery	1,803	2,269
Postage & Telephone Expenses	4,018	4,798
Legal & Professional Fees	1,576	1,816
Library Expenses	110	90
Audit Fees	690	772
Vehicle Running Expenses	3,323	3,006
Staff Travelling & Accomodation	3,323	2,296
Depreciation	19,056	8,325
General Expenses	-	4
Ground Cleaning & Maintenance	1,939	1,885
Provision for Bad Debts	319	2,126
Bank Charges & Commissions	773	1,092
Penalties	172	52
	144,132	**135,890**

7. Other Operating Expenses:

Rent & Rates	729	486
Light & Water	2,841	2,878
Repairs & Maintenance	4,591	5,669
Industrial Training Levy	59	72
Insurance	5,780	4,676
Security	1,829	1,380
Licenses	411	430
	16,240	**15,590**

8 (a) Finance Income:

	2015 Ksh'000	2014 Ksh'000
Foreign Exchange Gain	743	769

8 (b) Finance Costs

	2015 Ksh'000	2014 Ksh'000
Bank interest	1,228	493

9. Items Charged to Profit and Loss

The following items have been charged in arriving at Net profit/(loss):

	2015 Ksh'000	2014 Ksh'000
Depreciation on Property, Plant & Equipment (Note 11)	28,209	16,435
Amortization of Intangible assets	929	432
Staff Costs (Note 10)	166,396	163,110
Auditors' Remuneration (Note 6)	690	772
Directors' Remuneration: (Note 6)		
- Fees	900	900
- Other	3,957	3,357
Repairs & Maintenance	4,591	5,669
Provision for Bad and Doubtful debts	319	2,126
	205,991	**193,022**

10. Staff Costs:

	2015 Ksh'000	2014 Ksh'000
Salaries and Other Allowances	154,853	152,611
Compulsory Social Security Schemes	283	321
Other Pension Contributions	9,325	8,650
Leave Pay and Gratuity Provisions	1,935	1,528
	166,396	**163,110**

11. (a) Property, Plant & Equipment:

Cost or valuation:	Leasehold Land Ksh'000	Buildings Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Furniture Fittings & Office Equip. Ksh'000	Computers & Peripherals Ksh'000	Totals Ksh'000
As at 1 July, 2014	**85,000**	**798,000**	**5,079**	**23,500**	**6,252**	**4,691**	**922,522**
Additions	-	-	973	6,765	2,458	1,976	12,172
Disposals	-	-	(15)	-	(196)	-	(210)
As at 30 June, 2015	85,000	798,000	6,038	30,265	8,514	6,667	934,484
Depreciation:							
As at 1 July, 2014	-	1,594	78	490	79	99	2,340
Disposal	-	-	(2)	-	(24)	-	(26)
Charge for the year	-	19,120	815	5,753	1,188	1,333	28,209
As at 30 June, 2015	-	**20,714**	**891**	**6,242**	**1,244**	**1,432**	**30,523**
Net Book Value As at 30 June, 2015	**85,000**	**777,286**	**5,146**	**24,022**	**7,270**	**5,235**	**903,960**

The figure of depreciation charge for the year of Ksh.28, 209 excludes depreciation of Intangible assets of Ksh.929 which is reflected in note 12.

11. (b) Property, Plant & Equipment Movement Schedule:

Cost or valuation:	Leasehold Land Ksh'000	Buildings Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Furniture Fittings & Office Equip. Ksh'000	Computers & Peripherals Ksh'000	Totals Ksh'000
As at 1 July, 13	85,000	189,643	8,015	31,348	7,274	10,072	331,355
Additions	-	-	461	-	1,233	1,072	2,767
Disposals	-	-	(39)	-	(18)	(594)	(650)
Revaluation Surplus		632,861	1,313	8,082	2,287	2,145	646,688
As at 30 June, 14	**85,000**	**822,504**	**9,750**	**39,430**	**10,776**	**12,696**	**980,159**
Depreciation:							
As at 1 July, 13	-	18,811	3,853	11,330	3,517	6,370	43,880
Disposal	-	-	(18)	-	(8)	(463)	(489)
Charge for the year	-	7,284	961	5,057	997	2,135	16,435
As at 30 June, 14	-	**26,095**	**4,796**	**16,387**	**4,506**	**8,043**	**59,826**
Net Book Value As at 30 June, 14	**85,000**	**796,409**	**5,001**	**23,010**	**6,270**	**4,592**	**920,293**

Property Plant & Equipment were re-valued by an independent valuer in June 2014. Valuations were made on the basis of open market values. Book values for all asset categories have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves. Leasehold land included above represents two properties, one on Kijabe Street L.R No. 209/4360/18 on a 50 years lease effective 1st January 2001 the other one on Enterprise Road LR. No. 209/1127 on a 99 year lease effective 1st May 1997. The land rates applicable to the properties are Kshs. 95,000 and Kshs. 527,510 for the Kijabe Street and Enterprise Road respectively.

If the revalued asset categories were stated on historical cost basis, the amounts would be as follows

Property, Plant & Equipment

	Leasehold, Land & Building Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Computer & Peripheral Ksh'000	Furniture Fittings & Office Equip. Ksh'000	Totals Ksh'000
Cost as at 30 June, 2014	**34,326**	**9,137**	**43,666**	**20,624**	**8,506**	**116,259**
Accumulated Depreciation	18,141	8,920	41,625	19,105	4,526	92,316
Net Book Value 30 June, 2015	**16,185**	**217**	**2,041**	**1,519**	**3,980**	**23,943**
Cost at 30 June, 2015	**34,326**	**9,137**	**43,666**	20,624	**8,506**	**116,259**
Accumulated Depreciation	18,141	**8,920**	**41,625**	19,105	**4,526**	92,316
Net Book Value 30 June, 2015	**16,185**	**217**	**2,041**	**1,519**	**3,980**	**23,943**

12. Intangible Assets:

	2015	2014
Cost:	**Ksh'000**	**Ksh'000**
As at 1st July	10,453	7,292
Additions during the year	-	3,161
As at 30 June,	**10,453**	**10,453**
Amortisation:		
As at 1 July	7,527	6,875
Amortisation during the year	929	652
As at 30 June	**8,457**	**7,527**
Net Book Value:		
As at 30 June	**1,997**	**2,927**

The intangible assets comprise of Software purchased by the Foundation for use in its operations

13. Inventories:

Finished Goods	235,605	271,147
Consumables	1,840	2,062
	237,445	**273,209**
Obsolescence provision	(116,619)	(106,088)
	120,826	**167,121**

Obsolescence provision represents the cost of old edition stock held and determined to be unsalable and a general provision for slow moving stock. Kshs.12 million provision was made in the current financial year and obsolete books worth Kshs. 1.4 million were disposed of by way of donations.

14. Trade and other Receivables:

(a). Trade Receivables

	2015 Ksh'000	2014 Ksh'000
Total Trade Receivable(14b)	87,020	72,880
Prepayment and Other Receivables		
Deposits and prepayments	6,167	6,568
VAT recoverable	(7,765)	38,645
Staff receivables	6,419	4,795
Royalties Advances	5,652	3,600
Other receivables	5,496	6,840
Gross Trade and other Receivables	**102,989**	**115,995**
Less: Provision for doubtful debts	(20,358)	(20,473)
Total Trade Receivables	**82,631**	**95,522**

(b). Gross Trade receivable

Total Trade Receivable	87,020	72,880
Less: Provision for doubtful debts	(14,017)	(14,132)
Net Trade payables	**73,003**	**58,748**

At 30 June 2015, the ageing analysis of the gross trade receivables was as follows:

Less than 30 days	27,854	15,565
Between 30 and 60 days	15,218	7,021
Between 61 and 90 days	3,142	1,221
Between 91 and 120 days	787	2,902
Over 120 days	40,019	46,171
Gross Trade and other Receivables	**87,020**	**72,880**

Current trade receivables represent balances that are within the credit period of 30 days. Other balances apart from those provided for in the accounts are considered recoverable and are primarily delayed because of non-release of funds by the Ministry of Education for the Free Primary Education (FPE) and Free Day Secondary Education (FDSE). Some of these delayed balances are supported by post-dated cheques and bank guarantees held against them. A general provision is made of 10% of the trade receivable amount with an yearly review for under or over provision.

15. Cash and Cash Equivalents

	2015	2014
	Ksh'000	**Ksh'000**
Cash at Bank	62,443	12,542
Cash in Hand	97	265
Total cash & Bank balance	**62,540**	**12,807**

The facility approved by the Board of Directors was a composite of KShs. 30 million (KShs. 30 million at June 2014). The facility is secured by a charge of KShs. 50 million on our properties on L.R. No. 209/11277 on Enterprises Road. The overdraft is necessary to fund operations during the low sales season that normally runs from the months of April to September. This facility was utilized in the year at 17% interest.

16. Capital Reserve:

Initial Grant to set up The Foundation	**4,000**	**4,000**

Capital Reserves represent the initial seed money invested in the company on incorporation in 1966.

17. Revaluation reserves:

Revaluation reserves represent the increase in value of property plant and equipment arising from revaluation of Company assets. The valuation was carried out in June 2014.

18. Retained earnings:

Retained earnings are undistributed cumulative profits made by the company over the years. Prior year adjustment has been done due to over estimation of the provision for utilities expenses in the last financial year totalling Ksh.541 thousands.

19. Scholarship fund:

Scholarship fund account represents the unutilised balance of amount appropriated to the scholarship programme.

20. Trade and Other Payables:

	2015	2014
	Ksh'000	**Ksh'000**
Trade Payables	81,618	164,388
Other Payables	36,717	40,000
	118,335	**204,388**

Other payables include provision for royalties to authors of Ksh.18.6 million (2013/2014 - Ksh.20.2 million). The provision is calculated as a percentage of sales for titles that are subject to royalty and are payable during the following financial year. Also included in the other payables is an amount of Ksh. 7.5 million for statutory deductions that had not been paid by the year end. The comparative figure for the year 2014 has been adjusted with Ksh. 540 from Ksh. 40,540 to Ksh. 40,000 to cater for over provision of the utilities expenses.

21. Related Party Disclosures

Government of Kenya

The Government of Kenya is the principal shareholder of the Foundation, holding 100% of the Foundation equity interest and through the Ministry of Education Science and Technology, approves the authority for the Foundation to incur long-term debts which are guaranteed by the Foundation's assets.

There were no other Foundation's transactions involving the Government of Kenya.

(a) Staff loans

The company operates a company car loan scheme for all employees. The cars are registered in joint names of the company and the employees as security for the car loans. The interest income earned on staff loans in the year amounted to Ksh. 91,623 (2014 – Ksh. 105,958).

The distribution of the loans is as follows;

	2015	2014
	Ksh'000	Ksh'000
Due from key management	818,460	669,615
Due from other staff	130,000	200,000
	948,460	**869,615**

(b) Key management Compensation

Salaries and other benefits	20,933	25,586

(c) Director's Remuneration

Fees for services as directors	900	900
Other emoluments	3,957	3,375
	4,857	**4,275**

22. Financial Risk Management

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management

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Risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides principles for overall risk management

(a) Market Risk

Foreign exchange risk

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed on the basis that the company receives its revenue at exchange rates which would guarantee a similar amount upon translation as would have been received at the date of transaction hence providing a material degree of effective internal hedging.

(b) Credit Risk

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties.

The amount that best represents the company's maximum exposure to credit risk as at 30 June,2015 and 30 June, 2014 is as shown below:

30 June, 2015	Neither past due nor impaired Ksh'000	Past due but not impaired Ksh'000	Impaired Ksh'000	Total Ksh'000
Trade receivables	46,214	26,789	14,017	87,020
Due from related parties	948	-	-	948
Other Receivables	9,629	-	6,341	15,970
Bank balances	62,540	-	-	62,540
	119,331	**26,789**	**20,358**	**166,478**

The amount that best represents the company's maximum exposure to credit risk as at 30 June, 2014 is as shown:

30 June, 2014	Neither past due nor impaired Ksh'000	Past due but not impaired Ksh'000	Impaired Ksh'000	Total Ksh'000
Trade Receivables	26,709	32,039	14,132	72,880
Other Receivables	35,904	-	6,341	42,245
Due from related party	870	-	-	870
Bank balances (including short-term deposits)	12,869	-	-	12,869
	76,352	**32,039**	**20,473**	**128,864**

Bank balances are held with credible financial institutions and are fully performing. Trade receivables are due from customers with good credit rating.

(c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, maintaining banking facilities and by continuously monitoring forecast and actual cash flows.

The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Ksh'000	Between 1- 3 months Ksh'000	Over 3 months Ksh'000	Total Ksh'000
At 30 June, 2015:				
Trade payables	20,811	18,279	42,528	81,618
	20,811	18,279	**42,528**	**81,618**
At 30 June, 2014:				
Trade payables	16,911	37,155	110,322	164,388
	16,911	**37,155**	**110,322**	**164,388**

23. Capital Commitments:

	2015	2014
	Ksh'000	**Ksh'000**
Amounts authorised	25,574	37,572
Less: Amounts incurred	11,705	5,929
	13,869	**31,643**

The Foundation shelved purchase of some budgeted capital items to enable us utilise the available cash for main operations.

24. Incorporation Status:

The Foundation is a company limited by guarantee domiciled in Kenya and incorporated under the Companies Act and does not have a share capital. The capital reserve represents the initial grant by the Government to set up the Foundation.

QUALITY POLICY

The Jomo Kenyatta Foundation (JKF) is committed to provide and sustain high quality Publishing and Scholarship services by operating a Quality Management System in accordance with ISO 9001:2008 International Standard.

This policy is anchored on the following:

Communication

At JKF we are committed to communicating the strategic direction and achievements to our stakeholders in order to share and move together towards our vision for the future .

Customers

At JKF we are committed to providing our customers with quality Publications and Scholarships to increase education opportunities among the bright, needy secondary school students.

Quality improvement

At JKF we are committed to improvement as a basis for strengthening our competitive position and for improving product quality and service standards .

People support

At JKF we are committed to developing our staff through encouragement of talent and creation of a conducive environment for continuous learning to enable them deliver quality service and be responsible citizens.

Good Corporate Governance

At JKF we are committed to ensuring that business is conducted in a transparent and ethical manne r. We will maintain a culture of respect to all irrespective of gender or cultural differences.

This policy forms the basis of our core values and quality objectives. It is communicated throughout the Organization and it will be reviewed at regular intervals in line with the business trends and requirements of the Quality Management Standards.

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... supporting our education