

The Jomo Kenyatta Foundation

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30TH JUNE 2010



MISSION

To advance education and knowledge through competitive publishing and provision of scholarships

VISION

To be the top publishing house in Eastern Africa and a leading scholarship provider in Kenya

MOTTO

Supporting your Education



ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2010



THE JOMO KENYATTA FOUNDATION

P.O. Box 30533 - 00100 Nairobi, Kenya

51 Enterprise Road, Industrial Area,

Tel: 557222/2329987/2330002/2330003/6536200/1/2,

Mobile: 0723-286993, 0723-969793, 0735-339135

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BOARD OF DIRECTORS

	<p>Mr. Jacob K. Mwirigi - Chairman. Appointed - 31st October 2008</p>		<p>Dr. Leah N. Wanjama - Member</p>
	<p>Amb. Francis K. Muthaura - Permanent Secretary, Office of the President, Secretary to the Cabinet and Head of Public Service</p>		<p>Mr. Harry Njoroge - Member</p>
	<p>Mr. Mohammed Jabane - Alternate to Permanent Secretary, Office of the President, Secretary to the Cabinet and Head of Public Service</p>		<p>Mr. Julius Mburugu - Member</p>
	<p>Prof. Karega Mutahi - Permanent Secretary, Ministry of Education</p>		<p>Mr. Simon Ole Kingi - Member</p>
	<p>Mr. Kimathi M'Nkanata - Alternate to Permanent Secretary, Ministry of Education</p>		<p>Mr. Muhidin M. Sheikh - Member</p>
	<p>Mr. Joseph Kinyua - Permanent Secretary, Ministry of Finance</p>		<p>Mrs. Nancy W. Karimi, MBS - Managing Director/Secretary to the Board</p>
	<p>Mr. Dominic Ndewa - Alternate to Permanent Secretary, Ministry of Finance</p>		

JKF MANAGEMENT

	Mrs. Nancy W. Karimi, MBS - Managing Director		Mr. Stephen P. M. Aming'a - Company Secretary
	Mr. Justin Njiru - Human Resource and Administration Manager		Mr. Carylus O. Odiango - Finance Manager
	Mr. Fredrick Oyuga - Publishing Manager		Mr. Bethuel O. Oduo - Marketing Manager

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st ANNUAL GENERAL MEETING of The Jomo Kenyatta Foundation will be held at the offices of The Foundation in Industrial Area, 51 Enterprise Road, Nairobi on 24th March 2011. at 10.00 am

AGENDA

1. The Secretary to read the Notice convening the 41st Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 18th February 2010.
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30th June 2010.
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30th June 2010.
5. To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30th June 2010.
6. To appoint the Company's External Auditors for the year ending 30th June 2011 and fix their fees.
7. To fix Directors fees, allowances and other remunerations for the year ended 30th June 2010 and authorize Management to seek Government approval for their payment.
8. To transact any other ordinary business of the Company.

By order of the Board.



MRS. NANCY W. KARIMI, MBS

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



It gives me pleasure to present the Annual Report and Financial Statements for The Jomo Kenyatta Foundation for the year ended 30th June 2010.

Performance Review

The Company's turnover decreased by 19% from Kshs. 402million in the prior year to Kshs. 327 million in the year under review. The turnover was 21% below the budgeted level of Kshs. 415 million. The gross profit of Kshs. 151 million was below budget by 24% while operating profits, at KShs.158 million was 23% below budget.

The low performance was because of the hard economic situation facing the country, rising inflation and the fact that the Government did not release all the funds for the free primary and secondary education to the extent that was anticipated. Overall the Company recorded a loss of Kshs. 26.7 million. This was below the revised budgeted profit of Kshs. 7 million and 36% below the prior year's loss of Kshs. 19.7 million.

Performance Framework

The year under review represented the sixth year of operation of performance contract signed between the Board and the Government. In the evaluation results for the year ended 30th June 2009 released in March 2010 , the Company's composite score was 3.5999 representing a decline from that of June 2008 that was 2.0793. The score which rated the company performance as fair was as a result of decline in company profitability that contributes to 50% of the rating, occasioned by reduction in funding for the purchase of instructional material under the Free Primary Education.

Staff Development

In line with the Company's commitment to staff development and in a bid to improve service delivery and the quality of the Company's products, during the year under review, the Company spent Kshs. 1.5 million in sponsoring its staff for training at various professional and skills upgrading institutions. In addition, a number of staff members are still pursuing various professional and higher degree courses in fields related to their work.

Future Projection

Even though the Company made a loss of Kshs. 26.7 million in the year under review, the outlook for the future is bright and we project profits over the next 5 years. The Company launched its revised strategic plan for the period 2007 to 2012 in October 2007 and conducted a mid term review of the same in August 2010 to align it to the country strategies as envisioned in Kenya Vision 2030. The new plan has formulated strategies expected to support the two core functions of publishing and scholarships in a sustainable manner.

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 Kshs. 6.1 million to various schools in the country. This is in addition to Kshs. 47 million paid out to secondary schools as part of our scholarship scheme.



MD, Mrs. Nancy Karimi, MBS (right), and Board Chairman, Mr. Jacob Mwirigi (holding cheque) with students during the presentation of the 2010 scholarship cheque.

Acknowledgement

On behalf of the Board, I would like to thank our customers, suppliers, the Government and staff of The Jomo Kenyatta Foundation for their efforts that enabled the Company to successfully 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 scholars for buying and using our books as well as the authors of the various publications that comprise the Company's core products. Above all, I thank God for seeing us through the difficult year and look forward to a better year.

Thank you and God bless.

A handwritten signature in black ink, appearing to read 'J. Mwirigi'.

**MR. JACOB K. MWIRIGI, HSC
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 30th June 2010.

Financial Performance:

Turnover decreased from KShs.402 million in the year ended June 2009 to Kshs. 327 million in the current year representing a 19% drop. Operating profits reduced from Kshs 196 million to Kshs 158 million primarily because of low sales realized in the year occasioned by the hard economic situation facing the country, rising inflation and the delay in the release of free primary and free secondary funds.

Operating expenses decreased by 13% from Kshs. 210 million in the year ended 30 June 2009 to Kshs 183 million in the current year. The net effect of these changes resulted in a loss of Kshs 26.7 million in the current year compared with a loss of Kshs. 19.7 million in June 2009 representing a 36% fall in profits.

Operating Environment:

The Foundation's principal activity is advancing education and relief of poverty and distress of public. These activities are carried out through the two core functions of publishing and scholarship.

The scholarship programme that currently sponsors 1,256 students in public secondary schools is due to be reviewed in view of declining profitability and expanding administrative boundaries that have rendered the current criteria of sponsoring one girl and one boy per district untenable. We have also set up alumni of former scholarship beneficiaries to assist us in mobilizing funding and establishment of partnerships with other grant givers.

Publishing

Over the years, The Foundation has taken pride in publishing books that have become household names. The Company publishes books and other instructional materials for all levels of formal education in Kenya as well as general readership.

Our publishing programme is majorly driven by the introduction of Free Primary Education in 2003 and Free Secondary Education in 2008. Even though we have continued to develop relevant products for these market segments, The JKF's market share has declined due to stiff competition. The declining trend is a challenge that can only be overcome by improved customer care, enhanced product quality as well as product and market diversification.

It is against this background that The Foundation has embarked on new markets judged to offer excellent economic prospects. This is particularly in the area of pre-school where we have developed products to address Early Childhood Development Education. Our focus has also been on the development of instructional materials for Life Skills Education which is one of the newly introduced curriculum for schools.

In order to penetrate the East and Central Africa market, The Foundation has ventured into partnerships with foreign publishers through the buying of publishing rights. This method of manuscript acquisition

has significantly reduced our manuscript development overheads and turnaround time by almost 50%. So far, we have been licensed to publish four international titles for children. In the year under review, we had a number of our publications approved for use in Rwanda schools. These include primary mathematics course books for Grades 1-3, an assortment of readers and secondary school wall charts.

The JKF Scholarships Scheme:

The JKF Scholarships scheme has been growing stronger year-on-year as evidenced by the increase of the number of needy students sponsored by the Foundation in various secondary schools across the country. In 2009 the Foundation had 1,020 students under sponsorship while in the current year (2010), the number increased to 1,288 students. We increased the number of students under sponsorship by 268 students compared to 2009, despite the harsh economic environment in the just concluded financial year.

In the just concluded year, we implemented a computerised system which has assisted us in expediting various scholarships activities. Capturing applicants' data, selecting the eligible candidates and tracking of the students' fees payment are some of the functions that the system has enabled us to undertake with considerable ease. The computerised system (known as the Scholarships Management System), has not only enabled us to enhance our efficiency in managing the scholarships function, but also streamlined our records which hitherto, has been a huge challenge.

Strategic Plan:

During the year under review the foundation continued implementation of the 2007-2012 strategic plan that was revised during a mid term review in August 2010. The thrust of the revised strategic plan is development of new products, expansion of our market share, Improvement of our KIE book approval rating, improvement of our profitability and sustainability of the scholarship programme.

Marketing Activities

In view of the uncertain and unpredictable local business environment, the foundation took the initiative to open up new markets in the region. Some of our titles were approved for use in Rwanda schools paving way for future business in the country. We also intend to diversify by developing new products that would be attractive to the regional markets.

Restructuring

As part of our strategy to streamline our distribution process, The Foundation closed down all five up country Book Distribution Centres in June 2009 and changed the distribution method to be in line with the rest of the industry. All our upcountry customers will now be served from our Kijabe BDC. The closure of the BDCs also led to inevitable lay off of 32 staff members at a one off cost of Kshs 8.4 million. The Foundation had requested for tax exemption on the terminal dues for the retrenched staff which we received in May 2010 and the final dues were fully settled in June 2010.

Staff Welfare and Development

During the year under review, we scaled down some of the staff training programs that had been planned at the beginning of the year due to the decreased revenues. The Foundation spent Kshs. 1.5 million in

staff training programs during the year, compared to the budgeted figure of Kshs.5 million. We were able to rope in various partners in the industry as well as a number of service providers who trained our staff at subsidized rates and on a number of occasions free of charge.

Our out-patient medical scheme is self-funded, and managed by an insurance broker. In 2009/10 we spent Kshs. 3.5 million in the scheme, compared to Kshs. 5 million spent in 2008/09. The in-patient scheme (which is insured) also did well as the claims experience for the year stood at Kshs. 2.1 million against a premium of Kshs. 4 million. The reduced expenditure was largely attributed to the introduction of medical scheme rules at the beginning of the year as well as continuous health education offered on quarterly intervals by our medical scheme underwriter.

Internal Audit Department

During the financial year under review, department submitted nine audit reports covering various activities within the foundation these activities were selected based on the risk assessment and to ensure the department focuses its available resources in efficient and effective way.

The department also introduced the monitoring and evaluation of activities within the organization so as to capture the progress and achievement of the foundation's objectives and to be in line with the strategic plan.

Corporate Social Responsibility

The Foundation engages in various activities as apart of its Corporate Social Responsibility. Among the activities is the donation of books. During the year under review The Foundation made book donations valued at Kshs 6.1 million to various schools around the country and contributed Kshs 100,000 towards the Mater Heart Run sponsoring 10 staff members participation in the event.

I wish to thank the Board for giving me their full support and for their much-valued advice, which has helped in reshaping the organization. The groundwork has been laid and we look forward to recapturing our place as the market leader. I also thank the entire management and staff for their contribution in ensuring that The Foundation remained steadfast even in the face of stiff competition.

May God bless you all.



MRS. NANCY W. KARIMI, MBS
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 has 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 principle activity of The Foundation was to promote the enhancement of knowledge and information. 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 7 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 was launched in October 2007 revised in August 2010 and covers five years from 2007 to 2012.

Board Composition and Meetings.

During the year under review, the Board was composed of thirteen members as listed in the Directors' Report. They included The Chairman, alternate directors representing permanent secretaries from The Office of the President, The Ministry of Finance and The Ministry of Education and The Managing Director, who is the secretary to the Board and the only Executive Director.

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 Minister for Education and serve a period of 3 years and The Managing Director is appointed by The Minister for Education on recommendation by the Board.

The Board delegates some of its responsibilities to standing committees, which operate within defined terms of reference laid down by the Board. 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 composed of 6 non-executive directors and The Managing Director. 3 Senior Management staff attend the meetings on invitation. The Committee met 6 times in the year under review.

Audit Committee:

The Audit Committee is composed of 4 non-executive directors, The Managing Director and The Chief Internal Auditor. 2 Senior Management staff attend the meetings on invitation. The Committee met 4 times in the year under review.

Staff Committee:

The Staff Welfare Committee is composed of 5 non-executive directors and The Managing Director and 2 Senior Management staff. The Committee met 3 times in the year under review.

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 financial reporting standards recommended by the Institute of Certified Public Accountants of Kenya and also comply with the Kenya companies Act (Cap 486).

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 schools 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 their stated objectives. 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 in our premises.

The JKF Scholarship Programme

The Foundations core business is the advancement of education and knowledge. As part of its responsibility to the society The Foundation has been setting aside part of its income to pay school fees to bright needy students in public secondary schools selected from all districts in Kenya. During the year under review,

The Foundation set aside Kshs. 51 million under its Scholarship Programme for this purpose. This programme has benefited more than 20,000 students since it was started in 1968.

Corporate Social Responsibility

The Foundation donates books as apart of its Corporate Social Responsibility. During the year under review The Foundation made book donations valued at Kshs. 6.1 million to various schools around the country and contributed Kshs.100,000 towards the Mater Heart Run sponsoring 10 staff members participation in the event.



The JKF staff who took part in the Mater Heart Run.

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 the national laws or any international treaty to which our country is a signatory.

Human Resource Development:

The Foundation has a staff establishment of 120 employees as at 30 June 2010 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 Kshs.1.5 million on training of staff at a various levels.

Future Prospects:

The annual report highlights the company’s future prospects in pages 1 to 18.

**MR. JACOB K. MWIRIGI, HSC
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:

- | | | | |
|-----|--------------------------|---|--|
| 1. | Mr. Jacob K. Mwirigi | - | Chairman |
| 2. | Amb. Francis K. Muthaura | - | Permanent Secretary, Office of the President, Secretary to the Cabinet and Head of Public Service. |
| 3. | Mr. Mohamed A. Jabane | - | Alternate to Permanent Secretary, Office of the President Secretary to the Cabinet and Head of Public Service. |
| 4. | Prof. Karega Mutahi | - | Permanent Secretary, Ministry of Education |
| 5. | Mr. Kimathi M’Nkanata | - | Alternate to Permanent Secretary, Ministry of Education |
| 6. | Mr. Joseph Kinyua | - | Permanent Secretary, Ministry of Finance |
| 7. | Mr. Dominic Ndewa | - | Alternate to Permanent Secretary Ministry of Finance |
| 8. | Dr. Leah N. Wanjama | - | Member |
| 9. | Mr. Harry Njoroge | - | Member |
| 10. | Mr. Julius Mburugu | - | Member |
| 11. | Mr. Simon M. Ole Kingi | - | Member |
| 12. | Mr. Muhidin M. Sheikh | - | Member |
| 13. | Mrs. Nancy W. Karimi | - | Managing Director/Secretary to the Board |

SECRETARY:

Mrs. Nancy W. Karimi, MBS

Managing Director and Secretary to the Board

P. O. Box 30533 – 00100

NAIROBI.

REGISTERED OFFICE:

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

AUDITORS:

Controller and Auditor General
Kenya National Audit Office
P. O. Box 30084 – 00100
NAIROBI.

PRINCIPAL BANKERS:

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

LEGAL ADVISORS:

Kinyanjui & Njau Co. Advocates
Mpaka Road, Westlands
P. O. Box 49045 – 00100
NAIROBI.

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30th June 2010.

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 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, Kshs. 47 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 1.

5. **Auditors:**

The Controller and Auditor General continues in office in accordance with the Public Audit Act, 2003.

By order of the Board



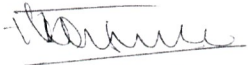
MRS. NANCY W. KARIMI, MBS
SECRETARY TO THE BOARD

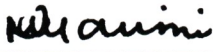
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

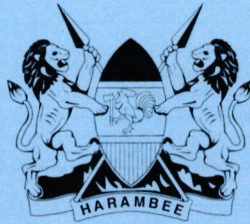
The Directors accept the responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and the requirements of The Companies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

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

Director: 

Managing Director: 

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE 2010

I have audited the accompanying financial statements of Jomo Kenyatta Foundation set out at pages 7 to 23, which comprise the Statement of Financial Position as at 30 June 2010, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

Responsibility of the Auditor General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view of obtaining 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 assessments of the risks of material misstatement in the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. 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 statement.

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

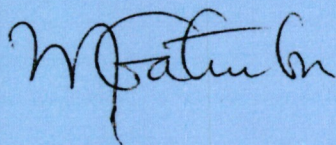
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Foundation as at 30 June 2010, and its financial performance and cash flows for the year then ended, in accordance with the International Financial Reporting Standards and comply with the Companies Act, Cap 486 of the Laws of Kenya.

Report on Other Legal Requirements

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

- (i) In my opinion, proper books of account have been kept by the Company, so far as appears from my examination of those books; and,
- (ii) The Company's statement of financial position is in agreement with the books of account.



A. S. M. GATUMBU
AUDITOR GENERAL

Nairobi

7 January 2011

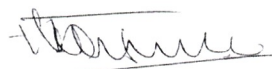
STATEMENT OF INCOME


		2010	2009
	Notes	Kshs'000	Kshs'000
Turnover	2	327,466	402,430
Cost of Sales		(175,743)	(208,651)
Gross Profit		151,724	193,778
Other Operating Income	3	6,756	2,705
Operating Profits		158,480	196,484
Distribution Expenses		62,831	72,567
Administrative Expenses		107,378	117,027
Other Operating Expenses		13,019	20,435
Total Operating Expenses		183,228	210,029
Profit / (Loss) from Operations		(24,748)	(13,545)
Finance Costs	4	(2,032)	(6,177)
Net Profit / (Loss)	5	(26,780)	(19,722)

STATEMENT OF FINANCIAL POSITION

		2010	2009
ASSETS	Notes	Kshs'000	Kshs'000
Non-current assets			
Plant, property & Equipment	8	298,046	157,119
Intangible assets	9	1,330	1,942
		299,376	159,061
Current Assets			
Inventories	10	150,360	158,774
Trade and Other Receivables	11	75,256	50,727
Cash and Cash equivalents	12	13,977	43,715
		239,593	253,217
TOTAL ASSETS		538,969	412,278
 LIABILITIES AND CAPITAL			
Capital and Reserves			
Capital Reserve		4,000	4,000
Revaluation Reserves		315,978	169,309
Retained Earnings		109,848	186,419
Scholarship Fund		5,828	1,527
		435,654	361,255
Current Liabilities			
Trade and Other Payables	13	102,460	51,023
Bank Overdraft	12	856	
		103,316	51,023
TOTAL LIABILITIES AND CAPITAL		538,969	412,278

The financial statements and notes thereof were approved for issue by the Directors on 14th October, 2010 and were signed on its behalf by:

.....  Director

.....  Director/Secretary

STATEMENT OF CHANGES IN EQUITY

	Capital Reserve Kshs'000	Revaluation Reserve Kshs'000	Retained Earnings Kshs'000	Scholarships Fund Kshs'000	Total Kshs'000
As at 1st July 2008	4,000	173,372	232,037	3,991	414,401
Net Profit for the Year			(19,722)		(19,722)
Scholarships Appropriation			(30,960)	30,960	-
Scholarships Applied				(33,424)	(33,424)
Revaluation of Fixed Assets		(5,063)	5,063		-
As at 30 June 2009	4,000	169,309	186,419	1,527	361,255
As at 1st July 2009	4,000	169,309	186,419	1,527	361,255
Net Profit for the Year			(26,780)		(26,780)
Scholarships Appropriation			(51,000)	51,000	-
Scholarships Applied				(46,699)	(46,699)
Revaluation of Fixed Assets		146,669	1,209		147,878
As at 30 June 2010	4,000	315,978	109,848	5,828	435,654

STATEMENT OF CASHFLOWS

		2010	2009
	Notes	Kshs'000	Kshs'000
Operating Activities			
Cash Generated from operations	14	20,831	61,544
Scholarships Applied		(46,699)	(33,424)
Net cash from operating activities		(25,868)	28,120
Investing Activities			
Purchase of Property, Plant & Equipment	8	(5,386)	(8,739)
Purchase of software	9	(390)	
Proceeds from Sale of Property, Plant & Equip.		1,050	6,114
Net cash from Investing Activities		(4,726)	(2,625)
Net Increase/ (Decrease) in Cash & Cash Equivalents		(30,594)	25,495
Cash and Cash Equivalents as at 1st July 2009		43,715	18,221
Cash and Cash Equivalents as at 30th June 2010	12	13,121	43,715

NOTES TO THE FINANCIAL STATEMENTS

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 and are in compliance with International Financial Reporting 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 and subsequently shown at market value, based on valuations by external independent valuers 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 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 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 re-valued assets, amounts in the revaluation reserve relating to that asset are transferred to the retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

(d) Intangible assets

Intangible assets comprise the cost of acquired computer software programmes. Expenditure on acquired computer software programmes are capitalised and amortised using the straight line method over their estimated useful lives, generally not exceeding four years. The carrying amount of these assets are reviewed annually and adjusted for impairment where it is considered necessary. Intangible assets are not revalued.

(e) 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 profit and loss account.

(f) 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.

(g) Retirement Benefit Obligations

The company operates a defined contribution pension scheme for its permanent and pensionable employees. Jubilee Insurance Company Ltd. administers the scheme. The company also contributes to the statutory National Social Security Fund. This obligation is limited to a specified contribution per employee which is currently to a maximum of Ksh. 200 per employee per month. The company's contributions to the defined contribution pension schemes are charged to the income statement in the year in which they relate.

(h) 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.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Turnover:

	2010	2009
	Kshs'000	Kshs'000
Sales of Primary Titles	359,143	504,416
Sales of Sec. Titles	60,509	55,063
Sales of Tertiary Titles	5,198	4,242
Sales of General Titles	9,453	10,600
Sales of Service Jobs	33,606	3,582
	<hr/>	<hr/>
Gross Sales	467,909	577,903
Less Discounts	(140,443)	(175,474)
Net Sales	<hr/> 327,466 <hr/>	<hr/> 402,430 <hr/>

3. Other operating income

Interest	460	872
Rental Income	1,464	1,348
Gain on Sale of Fixed Assets	83	-
Miscellaneous Income	4,749	485
	<hr/>	<hr/>
	6,756	2,705
	<hr/>	<hr/>

4. Finance Costs:

Bank Charges & Commissions	2,032	1,279
Bad Debts expense	-	4,898
	<hr/>	<hr/>
	2,032	6,177
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**5. Net Profit:**

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

	2010	2009
	Kshs'000	Kshs'000
Depreciation on Property, Plant & Equipment	11,306	11,568
Amortization of Intangible assets	1,001	848
Staff Costs	138,238	139,931
Auditors' Remuneration	350	350
Directors' Remuneration:		
- Fees	675	750
- Other	4,868	6,024
Repairs & Maintenance	3,966	5,166
(Gain) Loss on Disposal of Non-Current Assets	(17)	3,409
Restructuring Costs	-	8,448
	160,387	176,494

6. Staff Costs:

Salaries	129,218	132,721
Social Security Costs	309	374
Pension costs - Defined Contribution Plans	8,711	6,836
	138,238	139,931

7. Capital Reserve:

Initial Grant to set up The Foundation	4,000	4,000
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Property, Plant & Equipment:

	Leasehold Lands	Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Office Equip.	Computers & Peripherals	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cost of valuation as at 1 st July 09	26,000	98,500	27,829	28,468	13,129	10,126	204,052
Additions	-	-	42	4,982	43	320	5,286
Revaluations	59,000	83,500	(17,830)	(12,885)	(6,441)	(5,194)	100,250
Disposals	-	-	(3,981)	(2,465)	(709)	-	(7,155)
As 30 th June 10	85,000	182,000	6,060	18,100	6,022	5,252	302,433
Depreciation as at 1 st July 09	-	8,859	9,938	12,514	9,533	6,089	46,933
Revaluations	-	(11,567)	(5,646)	(15,005)	(8,719)	(6,792)	(47,729)
Disposal	-	-	(3,980)	(1,537)	(605)	-	(6,122)
Charge for the year	-	3,207	976	4,404	659	2,060	11,306
As at 30 th June 10	-	499	1,287	375	868	1,356	4,385
NBV 30 th June 10	85,000	181,501	4,773	17,725	5,154	3,896	298,046
NBV 30 th June 09	26,000	89,641	17,891	15,955,	3,596	4,037	157,119

Property Plant & Equipment were re-valued by an independent valuer in April 2010. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Cost	Accumulated Depreciation	Net Book Value
		2010	2009
	Kshs'000	Kshs'000	Kshs'000
Leasehold Land & Buildings			
At 30.06. 10	26,683	15,235	11,448
At 30.06.09	26,683	15,801	10,882
Plant & Machinery			
At 30.06.10	53,272	50,314	2,958
At 30.06.09	76,043	75,901	142
Motor Vehicle			
At 30.06.10	38,721	25,590	13,130
At 30.06.09	47,671	30,505	17,166
Computers & Peripherals			
At 30.06.10	14,399	12,343	2,056
At 30.06.09	17,304	15,959	1,345
Furniture, Fixtures & Fittings			
At 30.06.10	7,061	2,195	4,866
At 30.06.09	13,129	9,533	3,596

9. Intangible Assets:

COST

Opening balance	5,901	5,231
Additions during the year	<u>390</u>	<u>670</u>
Closing balance	6,291	5,901

AMORTISATION

Opening balance	3,960	3,111
Amortization for the year	<u>1,001</u>	<u>848</u>
Closing balance	4,961	3,959

NET BOOK VALUE	<u>1,330</u>	<u>1,942</u>
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**10. Inventories:**

	2010	2009
	Kshs'000	Kshs'000
Finished Goods	202,707	206,284
Consumables	1,590	3,602
	204,297	209,886
Obsolescence provision	(53,937)	(51,112)
	150,360	158,774

Obsolescence provision represents the cost of old edition stock held at 30 June 2009 and a general provision for obsolescence. Kshs.7.7 million provision was made in the current financial year and obsolete books worth Kshs. 4.8 million were disposed of by way of donation and destruction of faulty copies and charged against the provision account.

11. Trade and other Receivables:

Trade Receivables	74,128	50,508
Prepayments & Other Receivables	27,559	30,142
	101,687	80,650
Less: Provisions for Doubtful Debts	(26,431)	(29,923)
	75,256	50,727

Bad debts provision represent the balance held at 30 June 09 and Kshs 3.5 million recovered from the previous provisions.

12. Cash and Cash Equivalents

Cash and Bank Balances	13,977	33,715
Short term deposits	-	10,000
	13,977	43,715
Bank Overdraft	(856)	-
Total cash & Bank balance	13,121	43,715

The facility approved by the Board of Directors was Kshs. 30 million (Kshs.30 million at June 2009) made of overdraft of Kshs 20 million and guarantees of Kshs 10 million. The facility is secured by a charge on our properties on L.R. No 209/11277 on Enterprises Road of Kshs 50 million. 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 a 17% interest.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Trade and other payables:

	2010	2009
	Kshs'000	Kshs'000
Trade Payable	62,546	11,953
Other Payables	39,914	39,070
	102,460	51,023

Other payables include provision for royalties to authors of Kshs.10.9 million (2008/2009 - Kshs.13.2million). The provision is calculated as a percentage of sales for titles that are subject to royalty and are payable during the following financial year.

14. Cash Generated from Operations:

Reconciliation of profit before tax to cash generated from operation

Profit / (loss) before tax	(26,780)	(19,722)
Adjustments for:		
Depreciation (Note 8)	11,306	11,568
Amortization of Intangible assets (Note 9)	1,001	848
Loss/(profit) on sale of Property, Plant & Equip.	(17)	3,409
Changes in working Capital		
Trade and Other Receivables	(24,529)	17,100
Inventories	8,414	68,524
Trade and Other Payables	51,437	(20,183)
Cash Generated from Operations	20,831	61,544

15. 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.

16. Currency:

These financial statements are presented in Kenya shillings thousands (Kshs'000)

Appendix 1

	2010 Kshs'000	2009 Kshs'000
Turnover:		
Sales of Primary Titles	359,143	504,416
Sales of Sec. Titles	60,509	55,063
Sales of Tertiary Titles	5,198	4,242
Sales of General Titles	9,453	10,600
Obsolete Stock Sales	-	-
Sales of Service Jobs	33,606	3,582
	<hr/>	<hr/>
Gross Sales	467,909	577,903
Less Discounts	(140,443)	(175,474)
	<hr/>	<hr/>
Net Sales	327,466	402,430
Cost of Sales:		
Cost of Sales Primary Titles	90,211	145,844
Cost of Sales Secondary Titles	17,775	16,936
Cost of Sales Tertiary Titles	1,180	1,119
Cost of Sales General Titles	2,281	2,627
Cost of Sales Adjustment	(339)	(3,415)
Cost of Sales miscellaneous	53	60
Cost of Sales Service Job	19,839	2,609
Purchase Price Variance/Adjustments	(765)	1,684
Stock Obsolescence Provision	8,217	6,003
Add Production Overheads	37,290	35,185
	<hr/>	<hr/>
Cost of Sales	175,743	208,651

Appendix 2

Production Overheads:

	2010	2009
	Kshs'000	Kshs'000
Staff Salaries	17,666	14,777
Staff Housing	6,847	7,301
Staff Medical & Welfare	1,595	1,878
Staff Training	256	112
Provident Fund Contribution	1,857	1,389
Product Development Expenses	9,109	9,728
Electricity & Water	(40)	-
	37,290	35,185

Appendix 3

	2010 Kshs'000	2009 Kshs'000
Other Operating Income:		
Interest	460	872
Rental Income	1,464	1,348
Gain on Sale of Fixed Assets	83	-
Miscellaneous Income	4,749	485
	<u>6,756</u>	<u>2,705</u>
 Distribution Expenses:		
Salaries & Wages	19,885	20,815
Staff Housing	7,355	9,957
Staff Medical & Welfare	1,708	6,123
Staff Training	386	1,052
Provident Fund	1,683	1,929
Vehicle Running Expenses	3,155	3,871
Staff Travelling & Accommodation	350	1,213
Marketing & Sales Promotion	9,991	7,446
Rent & Rates	99	2,992
Electricity & Water	146	262
Postage & Telephone	532	984
Packaging Material	403	430
Depreciation	4,519	3,952
Royalties to Authors	11,078	9,152
General Expenses	54	141
Security	1,088	1,850
Standard Levy	400	400
	<u>62,831</u>	<u>72,567</u>

Appendix 4

	2010	2009
	Kshs'000	Kshs'000
Administrative Expense:		
Salaries & Wages	46,726	42,936
Staff Housing	17,549	19,278
Staff Medical & Welfare	9,886	9,657
Provident Fund Contribution	5,480	3,892
Staff Training	816	2,953
Directors Remuneration	5,543	6,774
Subscriptions	492	424
Printing & Stationery	2,379	3,242
Postage & Telephone Expenses	2,234	2,773
Legal & Professional Fees	4,385	2,312
Library Expenses	166	84
Audit Fees	350	350
Vehicle Running Expenses	2,460	2,433
Staff Travelling & Accommodation	1,009	2,640
Depreciation	7,788	8,464
General Expenses	113	369
Retrenchment Costs	-	8,448
	107,378	117,027

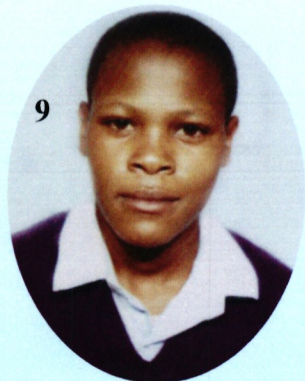
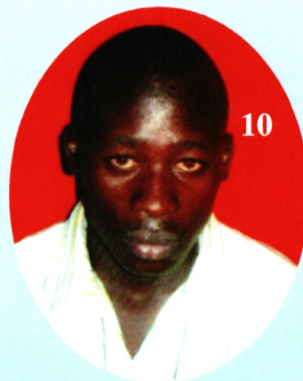
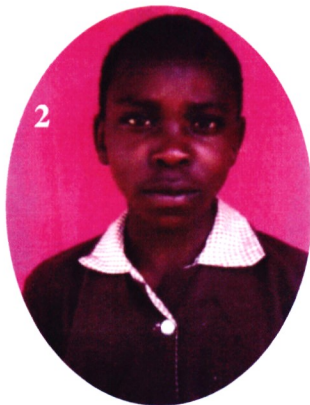
Appendix 5

	2010 Kshs'000	2009 Kshs'000
Other operating expenses:		
Rent & Rates	360	280
Light & Water	1,849	1,553
Repairs & Maintenance	4,718	5,166
Industrial Training Levy	59	93
Insurance	4,486	4,043
Security	1,333	1,168
Licenses	215	459
(Gain)/Loss on disposal on Non Current Assets	-	7,673
	13,018	20,435

Finance costs:

Bank Charges & Commissions	846	1,279
Provision for Bad & doubtful Debts	1,186	4,898
	2,032	6,177

Some of the JKF scholarship beneficiaries



1. **Kiprotich Elly Kipkoech**
Mang'u School
2. **Jesang Angela**
St. Joseph Girls Chepterit
3. **Rahma Mohammed Ahmed**
Precious Blood Kilungu
4. **Harun Osman**
Mandera Secondary School
5. **Koki Mutua**
Buru Buru Girls
6. **Zairano Mathew**
Tarasaa High School
7. **Tindi Solomon Owango**
Agoro Sare
8. **Aisha Issa Abubakar**
Lamu Girls
9. **Nyangau Lydia**
Kereri Girls High School
10. **Kisa Emmanuel Simotwo**
Musingu Boys



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