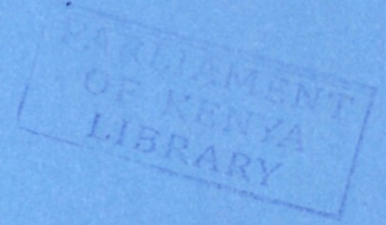


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 05 MAR 2024 DAY: TUESDAY

Hon Owen Baya, MP
Deputy Leader, Majority Party

Luizfu mwale

OF

THE AUDITOR-GENERAL

ON

JOMO KENYATTA FOUNDATION

**FOR THE YEAR ENDED
30 JUNE, 2023**



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00 00 NAIROBI
KENYA
12 JAN 2024
RECEIVED

THE JOMO KENYATTA FOUNDATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2023

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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 05 MAR 2024 | DAY: <input type="text"/> |
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Prepared in accordance with the International Financial Reporting Standards (IFRS)



*The Jomo Kenyatta Foundation Annual Report and Financial Statements for the year
June, 2023*



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1. Acronyms and Glossary of Terms

| | |
|--------|----------------------------------------------------|
| IFRS | International Financial Reporting Standards |
| MD | Managing Director |
| NT | National Treasury |
| PFM | Public Finance Management. |
| PSASB | Public Sector Accounting Standards Board |
| KICD | Kenya Institute of Curriculum Development |
| MoE | Ministry of Education |
| GoK | Government of Kenya |
| BETA | Bottom Up Economic Transformative Agenda |
| MTPIV | Medium Term Program (IV) |
| KPEELP | Kenya Primary Education Equity in Learning Program |



2. KEY ENTITY INFORMATION

Background Information

The Jomo Kenyatta Foundation was established under the Companies Act as a Company Limited by guarantee on 2nd March 1966. At cabinet level, the Cabinet Secretary for Ministry of Education is responsible for the general policy and strategic direction of the Foundation. The Foundation is domiciled in Kenya.

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.

| VISION | | CORE VALUES | | | MISSION |
|-------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| An educated, empowered and inclusive society | | | | | Provision of scholarships, customer-focused publications and printing solutions |
| Professionalism | Integrity | Fairness | Innovativeness | Teamwork | Responsiveness |
| We uphold impeccable professional standards in our work while adhering to ethical principles in service delivery. | We endeavour to be honest and transparent in our dealings with our stakeholders. We will remain accountable to our stakeholders for our actions and decisions. | We are committed to impartiality in dealing with all our stakeholders. | We believe in creativity and continuous improvement of our processes and services /products. Thus, we are open to new ideas and methods that would have a positive impact on our service delivery | We value the diversity in our human capital and endeavor to provide an environment that nurtures integration and synergy. | We endeavour to respond promptly and positively to issues affecting our customers and stakeholders. |



*The Jomo Kenyatta Foundation Annual Report and Financial Statement
year ended 30 June, 2023*

SECRETARY

Mr. David K. Mwaniki
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.

PRINCIPAL BANKER

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

NAIROBI.

INDEPENDENT AUDITORS

The Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P. O. Box 30084 – 00100

NAIROBI.

PRINCIPAL LEGAL ADVISORS

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



THE BOARD OF DIRECTORS

The Directors who served the entity during the year/period were as follows



1. Hon. Mrs. Rose Waruhiu, EBS, OGW- Chairperson- **Appointed July 2022**
2. Mr David K. Mwaniki - Managing Director/ Secretary to the Board
3. Mr. Mohammed Jabane, MBS - Alternate to Head of Public Service
4. Mr. Samuel W. Wambugu - Alternate to Cabinet Secretary, The National Treasury
5. Mr. Moses Karati - Alternate to Principal Secretary, Ministry of Education
6. Mr. Ambaka J.Kilinga - Member - **Appointed May 2023**
7. Mrs. Lily Kipesa - Member - **Appointed May 2023**
8. Mrs. Rael Kigen - Member- **Appointed May 2023**
9. Mr. John Kamuiru - Member - **Appointed June 2023**
10. Mr. Dennis Makobu - Member - Retired July 2022
11. Mr. Nathaniel Kasoro - Member - Retired May 2023
12. Mrs. Stella W. Samboja - Member- Retired May 2023
13. Mrs. Mercy Gathu - Member - Retired May 2023

The below were represented in Board by their respective alternate directors as indicated above.


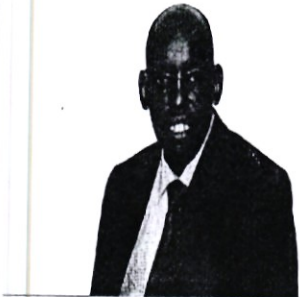
- 1) Mr. Felix K.Koskei, EGH - Chief of Staff and Head of Public Service
- 2) Mr. Njuguna Ndung'u, CBS - Cabinet Secretary, The National Treasury
- 3) Dr. Belio R. Kipsang (PhD), CBS - Principal Secretary, Ministry of Education- (State Department of Basis Education)



3. THE BOARD OF DIRECTORS

| SN | Directors | Details |
|----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. |  <p data-bbox="592 857 884 965">HON. MRS. ROSE WARUHIU, EBS, OGW- Chairperson</p> | <p data-bbox="943 454 1592 528">Hon. Mrs. Rose Waruhiu (Born 1946) was appointed to the Board of Jomo Kenyatta Foundation on 28th June 2023.</p> <p data-bbox="943 557 1592 745">She holds a Postgraduate Certificate in Management Education from the University of Manchester and a (Economics) degree from Makerere University College. She is a Fellow at the Institute of Politics, Kennedy School of Government and Harvard University.</p> <p data-bbox="943 775 1592 887">In her consultation work she has undertaken assistance in policy formulation and documentation, public management, development, planning and advocacy.</p> <p data-bbox="943 916 1592 1140">Hon. Mrs. Waruhiu has also served as a Member of the National Assembly and the East Africa Legislative Council. In addition she has served in different capacities including Kenya Revenue Authority, Kenya Post Bank, Kenya National Hospital, the National Museums of Kenya and as a member of the Council of the Jomo Kenyatta University of Science and Technology.</p> <p data-bbox="943 1169 1592 1317">She has held leadership positions in the Women's and Civil Society serving as Chair/Convener of several organizations and was once elected Chair of the University Women's Council and Vice Chair of National Council of Women.</p> |
| 2. |  <p data-bbox="549 1823 863 1897">Prof. Njuguna Ndung'u, CBS</p> | <p data-bbox="935 1350 1592 1686">Prof. Njuguna Ndung'u is the Cabinet Secretary, Planning & Economic Planning appointed on September 27, 2022. In his current appointment, Prof. Ndung'u was serving as the Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network for policy makers, trainers, students, universities, policy makers and resource persons. He is an associate professor of Economics at the University of Nairobi, Kenya and former Governor of Kenya.</p> <p data-bbox="935 1715 1592 2060">Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Praeger Institute, School of Government, Oxford University, Director of the Center for Policy Studies at AERC, Program specialist at IDRC and Team I Lead for modelling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in economics from the University of Gothenburg, Sweden. He is a Member of Brookings Institution, Initiative, Member of the Advisory Committee of the National Council for Financial Inclusion, that coordinates financial inclusion.</p> |






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|----|-------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | Africa, Asia and Latin America, and Senior Advisor for the UNCDF based Better Than Cash Alliance. |
| 3. |  Hon. Felix Koskei | <p>Hon. Felix Koskei is Chief of Staff and Head of Public Service. Mr. Koskei holds a Master of Business Administration with a specialty in strategic management from the University of Nairobi and a Bachelor of Science degree from the same institution. His specialty in Purchasing and Supplies began in 1999 with a foundation in CIPS and later a Graduate Diploma in CIPS in 2000.</p> <p>Prior to his appointment, he was the Cabinet Secretary, Ministry of Agriculture. He has vast knowledge in procurement issues and has made significant contributions in the development of purchasing and supplies practices in the Country.</p> <p>Hon Koskei has been in the procurement position of several state corporations including; Kenya Anti -Corruption Commission, Kenya Civil Aviation Authority Kenya National Highways Authority, Telkom Kenya Ltd</p> |
| 4. |  Dr. Belio R. Kipsang (PhD), CBS | <p>Dr. Belio is a holder of PhD degree in Education (Educational Administration and Planning from The Catholic University of Eastern Africa. He also holds a Master of Arts degree in Economics and a Bachelors (Honours) degree in Education (Business and Economics), both from the University of Nairobi. He was the immediate Chief Executive Officer Coffee Trust fund before his appointment. Previously he worked at the Higher Education Loans Board as the Head of Operations in charge of Lending and Recovery departments. Dr. Kipsang is a trained Certified Fraud Examiner and an Associate member of Association of Certified Fraud Examiners (MCFE-UK) and also a member, Institute of Directors of Kenya.</p> <p>As the Principal Secretary for Basic education, Dr. Belio has been the lead advisor to the Presidential Working Party on Education Reform (PWPER) appointed by the president on 30th September, 2022.</p> |






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|----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 5. |  Mr. Joab Ambaka Kilanga - Appointed on 31st May, 2023 | <p>Mr. Joab Kilanga (Born 1962) holds an Executive Education Leadership and policy Management diploma and Bachelor of Education in Economics and Business from Jomo Kenyatta University. In addition he has Certificate in Leadership from Kenya School of Government.</p> <p>He has a wealth of experience in transformation management best practices having served in public positions for more than two decades. He has also served in County Assembly in various capacities recently in Nairobi County Assembly.</p> |
| 6. |  Lily Kipsha - Appointed on 31st May, 2023 | <p>Ms. Lily Kipsha (Born 1974) is a Corporate and Business Development professional with long standing track record in relationship building and management. She holds a Master of Business Administration from United States International University (USIU) and a Diploma in Business Administration (Marketing) from Jomo Kenyatta University and a Diploma in Sales & Marketing from Nairobi.</p> <p>She is a Certified Sustainable Development Goal Specialist from Amani Institute. She brings a wide knowledge in sustainability, risk and portfolio management having completed professional courses in this area including the Moot Training.</p> |
| 7. |  Ms. Rael J. Kigen - Appointed on 31st May, 2023 | <p>Ms. Kigen (Born 1961) holds a Master of Business Administration (M.B.A.) Finance Option from Moi University, Bachelor of Science (Finance) from University Of Nairobi. She has worked in the banking industry having worked for Commercial Bank. Rael is respected leader with extensive experience in organizing and leading community initiatives in the field of management and brings a vast knowledge in the field of management.</p> |






| | | |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 8. |  <p>John Maina Kamuiru, Appointed on 9th June, 2023</p> | <p>Mr. John Kamuiru (Born 1958) is a highly experienced and accomplished educator with a passion for fostering academic growth and development. He has a solid background in teaching and education leadership having worked with Teacher Service Commission. He has served as both a Primary School Head and Curriculum Support officer.</p> <p>Mr. Maina has attended several trainings on Corporate Governance, Information Technology and School management. He brings a wide knowledge on education matters.</p> |
| 9. |  <p>Mrs. Mercy Wanjiru Gathu - Member Retired May 2023</p> | <p>Mrs. Gathu (Born 1955) holds a Certificate in Counseling from Amani Counseling Institute, Diploma in Theology from Presbyterian Church of East Africa and Teacher's Training Certificate from Kagumo Teacher's Training College. She has vast experience in leadership including in the political, legislative and teaching arena. She has served as a Member of the Kajiado County Assembly and has also invested her time in conflict resolution by volunteering to work with the National Alliance.</p> |
| 10. |  <p>Mrs. Stella W. Samboja - Member Retired May 2023</p> | <p>Mrs. Stella Samboja (Born 1977) holds Bachelor of Arts in Communication-Public Relations and Masters of Arts in Women, Leadership and Governance in Africa. She is the immediate former Taita Taveta County First Lady. She has a huge wealth of experience in championing leadership activities at County government level specifically on the medical front, Women empowerment programmes and environmental related initiatives. She was instrumental in spearheading the successful launch and implementation of Cancer Center at the county which has resulted in early screening, treatment and management of hundreds of cancer cases.</p> |





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| 11. |  Amb. Dennis Makobu, Member - Retired July 2022 | <p>Amb. Makobu (Born 1983) is a successful entrepreneur with a Bachelor of Commerce Degree from Egerton University. He has developed communication aptitude and over ten years of experience working in public and private sectors. He is currently the Head of Mission to Belgium and the Founder and Managing Director of Officer Pick and Go Limited, a successful retail chain that has supported over 300 small businesses. He brings on board a wealth of experience in running start-up businesses leveraging technology.</p> |
| 12. |  Mr. Nathaniel Kasaro Sinkeet, Member – Retired May 2023 | <p>Mr. Sinkeet (Born 1966) holds a Bachelor of Business Administration in Human Resource from The East African University of Science and Technology, Human Resource from Kenya College, and a Diploma in Computerized Accounts from Techmond College. He has vast experience in leadership and management in political and legislative arenas, having served as a Member of Parliament for Kajiado County Assembly and served on various committees in that capacity.</p> |
| 13. |  Mr. A. Mohammed Jabane, MBS–Retired May 2023 | <p>Mr. Jabane (Born 1974) is the Alternate to Chief Executive Officer of Public Service in JKF's Board of Directors as stipulated in the Memorandum of Understanding. He holds an M.A. in International Relations from the University of Nairobi and a B.A in Political Science from the University of Nairobi. Currently, he is the Director of Administration in the Cabinet Affairs Office. He has attended Strategic Management Development Programme (SLDP) at KSG and several courses in Management, Leadership, Corporate Governance and Public Administration Strategy both locally and abroad. Mr. Jabane has been involved in various state corporations like KEFRI, KWS, NMC, KWS, KWS Archives, KBC and KVDA. He has also served in several task forces and commissions. He has a wide experience in public government and field administration.</p> |






| | | |
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| 14. |  Mr. Samuel W. Wambugu, Alternate to CS, The National Treasury | <p>Mr. Wambugu (Born 1969) is the Director Planning, Macro and Fiscal Affairs Department at The National Treasury. He holds an M.A in Economic Policy Management from Makerere University, Uganda and B.A in Economics from University of Nairobi. He is currently undertaking a PHD in Economics at Kenyatta University. Mr. Wambugu has attended Strategic Leadership Development Programme (SLDP) at KSG and several other courses in Management, Leadership, Finance and Strategy both locally and abroad. He has undertaken trainings on Corporate Governance under Mwongozo facilitated by ICS and SCAC</p> |
| 15. |  Mr. Moses Karati, Alternate for PS, Ministry of Education | <p>Mr. Karati (Born 1963) and holds a Master of Education from University of Nairobi and B. Ed (Hons) from Kenyatta University. He brings to the table a wealth of 34 years' experience in the education sector, 27 of which he has spent serving at the Ministry of Education in various capacities. He is currently a Deputy Director of Education at the Ministry of Education Headquarters. He has also served as County Director of Education in different counties. Mr. Karati has attended the Strategic Leadership Development Programme (SLDP) and the Senior Management Course (SMC) at the Kenya School of Government</p> |
| 16. |  Mr. David K. Mwaniki, Managing Director | <p>Mr. David Mwaniki (Born 1974) is the Managing Director and the Secretary to the Board. He holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa, MA in Leadership from Pan African University and ACCA II. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard. He joined the Foundation in November 1997. He was appointed to the position of Managing Director in October 2021.</p> |





4. KEY MANAGEMENT TEAM

| | | Details |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 |  <p>Mr. David Mwaniki, Managing Director</p> <p>Bachelor of Commerce degree (Accounting option), MBA, MA in Leadership, ACCA II, Certificate in Strategic Leadership Development Program, Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard.</p> | <p>He is responsible for the running of the affairs to ensure the mission is achieved and the efficiency of the organization is realized. He is a member of the Board and represents the Foundation for partnerships.</p> |
| 2 |  <p>John Githiaka, GM, HR & Administration</p> <p>Masters of Business Administration (MBA) and Bachelors of Arts (Government & Public Administration). Diploma in Human Resources Management, Strategic Leadership Development Program. Certified ISO 9001:2008 Series, Lead Auditor. Member of The Institute of Human Resources Management and Kenya Institute of Management.</p> | <p>He is in charge of Human Resources full administration of the Foundation.</p> |

| | | |
|-----------------------------------------------------------------------------|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>14.</p> |  | <p>Mr. Wambugu (Born 1969) is the Director Planning, Macro and Fiscal Affairs Department at The National Treasury. He holds an M.A in Economic Policy Management from Makerere University, Uganda and B.A in Economics from University of Nairobi. He is currently undertaking a PHD in Economics at Kenyatta University. Mr. Wambugu has attended Strategic Leadership Development Programme (SLDP) at KSG and several other courses in Management, Leadership, Finance and Strategy both locally and abroad. He has undertaken trainings on Corporate Governance under Mwongozo facilitated by ICS and SCAC</p> |
| <p>Mr. Samuel W. Wambugu, Alternate to CS, The National Treasury</p> |  | <p>Mr. Karati (Born 1963) and holds a Master of Education from University of Nairobi and B. Ed (Hons) from Kenyatta University. He brings to the table a wealth of 34 years' experience in the education sector, 27 of which he has spent serving at the Ministry of Education in various capacities. He is currently a Deputy Director of Education at the Ministry of Education Headquarters. He has also served as County Director of Education in different counties. Mr. Karati has attended the Strategic Leadership Development Programme (SLDP) and the Senior Management Course (SMC) at the Kenya School of Government</p> |
| <p>Mr. Moses Karati, Alternate for PS, Ministry of Education</p> |  | <p>Mr. David Mwaniki (Born 1974) is the Managing Director and the Secretary to the Board. He holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa, MA in Leadership from Pan African University and ACCA II. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard. He joined the Foundation in November 1997. He was appointed to the position of Managing Director in October 2021.</p> |
| <p>16.</p> | <p>Mr. David K. Mwaniki, Managing Director</p> | |



4. KEY MANAGEMENT TEAM

| | | Details |
|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 |  <p>Mr. David Mwaniki, Managing Director</p> <p>Bachelor of Commerce degree (Accounting option), MBA, MA in Leadership, ACCA II, Certificate in Strategic Leadership Development Program, Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard.</p> | <p>He is responsible for the running of the affairs to ensure the mission is achieved with the efficiency of the organization is realized. He is a member of the Board and represents the Foundation for partnerships with other organizations.</p> |
| 2 |  <p>John Githiaka, GM, HR & Administration</p> <p>Masters of Business Administration (MBA) and Bachelors of Arts (Government & Public Administration). Diploma in Human Resources Management, Strategic Leadership Development Program. Certified ISO 9001:2008 Series, Lead Auditor. Member of The Institute of Human Resources Management and Kenya Institute of Management.</p> | <p>He is in charge of the Human Resources function for the Foundation.</p> |



Ms. Bernadette W. Karari, Programmes Manager – Scholarships

8

Master of Business Administration, Bachelor of Commerce Degree ,Higher Diploma in Marketing (CIM UK), Project Management from Kenya School of Government, Monitoring and Evaluation from Kenya Institute of Management and QMS Lead Auditor from (UKAS) Bureau Veritas. She is a member of Kenya Association of Fundraising Professionals.

She is responsible for Scholarships administration and fund raising function.



Deputy Company Secretary and Head of Legal Affairs - Resigned December 2022

9

Master of Laws (LL.M.) ,Bachelor of Laws (LL.B.), Certified Public Secretary (CPS), Post-graduate Diploma in law from the Kenya School of Law and was admitted as an advocate of the High Court of Kenya in 2012.

She is a member of the Law Society of Kenya, the Institute of Certified Secretaries and the Women on Boards Network.

She is responsible for corpor Foundation



5. CHAIRPERSON'S STATEMENT

As the Foundation concludes another year, I am pleased to present the Annual report which documents the accomplishments and the challenges we faced during the Financial Year 2022/2023.

Business Review

The Foundation continued to carry out its two mandate of publishing and provision of scholarships to bright but needy students. The publishing industry has experienced a good share of uncertainties in the last few years and also became quite competitive. As noted on the Managing Director's report, the Company's financial performance in 2023 drastically reduced from that of prior year. Lack of any Government orders meant that the Public schools segment was largely locked out for Jomo Kenyatta Foundation leaving her to compete with other publishers on the very small private schools market.

Financial Highlights

The Foundation realised a reduced gross revenue of Kshs. 121 million in the year which in turn reduced the bottom line to a loss of Kshs. 286.6 million from a loss of Kshs.173.4 million the previous year.

The year under review represented the 19th cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government. JKF is looking forward to a GOOD rating once the evaluation is carried out.

Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship and endeavours to collaborate with like minds in the society. During the year under review, The Foundation donated books valued at Kshs. 3 million to various schools and institutions in the country. This is in addition to Kshs. 6.3 million paid out as school fees being part of our scholarship program.

Partnerships

Jomo Kenyatta Foundation has continued to collaborate with various Institutions and Forums on various matters. Of worth noting is Jomo Kenyatta Foundation Scholarships Beneficiaries Association (JKFSBA). Though still at the formative stage, JKFSBA is sponsoring some students through our Scholarships programme. Rotaract Club of Nairobi Central has supplied sanitary towels to girls in our scholarship programme, while East Africa Philanthropic Network (EAPN) has continued to offer training and advice on scholarship matters. The Foundation has also embarked on establishing partnerships with both private and public institutions to explore ways of raising funds to enhance and support the scholarship programme to increase the number of beneficiaries.



Organization Restructuring

The Government through MoE has undertaken a wide range of policy and institutional reforms in the recent past with a view to improving performance and enhancing service delivery in the education sector.

The Taskforce on Presidential Working Party on Education Reform (PWPER) has recommended the establishment of Kenya Basic Education Bursary and Scholarship Council as a successor to The Jomo Kenyatta Foundation. As a pilot program, the Foundation was awarded the first cohort of 3,000 students to administer through the Elimu Scholarship programme.

Strategic Plan Formulation

The current Strategic Plan 2019/2023 ended in the year under review and with the proposed material change in the operations and functions of the Foundation there is strategic intent to formulate a new Strategic Plan for the next five years. This will incorporate the new roles as a Council and also align the plans with the new Government "BETA" Priority areas and MTP IV.

Acknowledgement

On behalf of the Board, I would like to thank our customers, suppliers, staff and through the Ministry of Education, other Government agencies like The National Treasury, State Corporation Advisory Committee, Kenya Institute of Curriculum Development and Development Partners specifically the World Bank and Global Partnership for Education for their efforts and advice that enabled the Company to carry out its business for the year under review. My special thanks go to the entire Board of Directors for providing diligent policy guidance and direction for the prudent management of the Company's affairs. I wish to pay tribute to 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 greater future.

Thank you and God bless.

A handwritten signature in black ink, appearing to read 'Rose Waruhiu', is written over a light blue horizontal line.

HON. MRS. ROSE WARUHIU, EBS, OGW

CHAIRPERSON



6. REPORT OF CHIEF EXECUTIVE OFFICER

I take this opportunity to report the performance of The Foundation for the twelve months ended 30th June 2023.

Financial Performance

In FY 2022/2023, the Foundation realized gross revenue amounting to Kshss. 121 million, which was 68% lower than revenue realized in prior year of Kshss.373 million. The development of new titles for the CBC curriculum and the change in the books distribution model has affected our cost of sales, which reduced by 24% from Kshs.181 million to Kshss.136 million. The resultant net effect was a gross loss of Kshss. 18.6 million from a profit of Kshss. 192 million in prior year a 110% decrease.

Operating income reduced from Kshss. 203 million in previous year to Kshss. 73 million in the year under review whereas operating expenses reduced slightly from Kshss. 375 million in the year ended 30 June 2022 to Kshss. 354 million in the current year. The net result of these changes was a loss of Kshss. 286.6 million in the year under review compared to a loss of Kshss. 173.4 million in previous year.

Operating Environment

The Foundation's principal mandate has remained as Advancing education and Alleviation of poverty. These activities are carried out through the core functions of publishing and scholarship provision driven by expansion of the revenue base through research and Development. The book industry being a liberalized market is highly competitive. JKF has endeavored to have and maintain its fair share of the market and look into other income generating activities.

As part of the education sector reforms, the GoK rolled out the Competency Based Curriculum (CBC) in phases, changed to one book per subject policy and reviewed the books distribution model and adopted the direct acquisition from publishers. All these changes and others in the wider public sector posed challenges while at the same time offering opportunities for the Foundation.

The Government of Kenya (GOK) through the Ministry of Education (MoE) has undertaken a wide range of policy and institutional reforms in the recent past with a view to improving performance and enhancing service delivery in the education sector.



The Taskforce on Education Reforms “Presidential Working Party” has recommended for the establishment of Kenya Basic Education Bursary and Scholarship Council which will succeed the Foundation. This has already taken effect and the Foundation has been awarded the first cohort of 3,000 students to administer through the Elimu Scholarship programme. This is in line with the government development agenda and priority areas as outlined in the Kenya Vision 2030, Medium Term Plan (MTP III), Government Priority Areas and Sustainable Development Goals (SDGs).

Publishing, Research and Development

In the 2022/2023 Financial Year, the Department continued to deliver on its mandate of publishing quality books and other instructional materials for all levels of education in Kenya, including tertiary and general readership. New products for the new Competency-Based Curriculum (CBC) were rolled out for Grade 7 in the various learning areas. The digital press continued to attract customers in the service jobs sector, thereby boosting revenue.

JKF partners with various e-platforms for e-sales namely Worldreader, e-Kitabu and Snapplify. Minimal growth in revenue was registered on these platforms mainly due to free e-book distribution by the vendors occasioned by the Covid-19 pandemic.

The JKF Scholarships Scheme

The JKF scholarship beneficiaries stood at 430 at the close of the financial year 2022/2023. Further the Foundation provided lunch to fifty two day-scholars in the country. In the year, a total of Kshss. 6.3 million was appropriated to pay fees in addition to provision of personal effects to all beneficiaries and lunch to our day-scholars. Within the year follow-up and mentorship to the beneficiaries was carried out in the last half, it continued through their parents and/or guardians mobile phones.

In the year, the Foundation was allocated 3,000 beneficiaries for scholarship award under Ministry of Education Elimu Scholarship. The students were selected from 45 Counties and the students are in school. The students are under the Kenya Primary Education Equity in Learning Programme (KPEELP) funded by the World Bank. The Scholarship caters for all basic needs for the learner to complete secondary education.



Marketing Activities

The Foundation undertakes marketing activities purposely to create awareness about our products and services, to create demand hence generate revenue. The demand is created through a mixture of Pull and Push strategies. The marketing team visits educational institutions to display and market to the teachers as purchase influencers, who then recommend to learners to buy from various outlets. Promotion of our products is done through various forms including advertisement in main stream media, social media, as well as exhibitions in teacher workshops and events countrywide. The Foundation also introduced the quantity discounts offers to move our books as we plan to undertake the new role of Bursaries and Scholarship management.

The new book distribution model adopted by the government has however exposed the publishing industry to very stiff and cutthroat competition. In this model, the government procures only one textbook per subject from one publisher for supply to public schools based on the highest quality and the lowest prices offered. This has led to reduced approval rate and margins where a book is not selected for supply to public schools.

Additionally, book piracy remains one of the biggest challenges at times eating close to 30% of many Publishers' revenue. In partnership with The Kenya Copyright Board, JKF shall continue putting in place the necessary measures and engaging other stakeholders in the fight against the vice.

Legal Framework

In the year under review, the legal department has executed several legal instruments including leases, contracts and agreements. The department also ensured that the Company continued to fully comply with all the legal and statutory requirements while conducting its business operations.

With the new development on Bursaries and Scholarship administration its expected there will be many changes in the legal frameworks of the Foundation and the department will come in handy to develop new policies and legal structures in collaboration with the Ministry and Attorney General Office.



Staff Welfare and Development

JKF participated in various forum on staff welfare for purposes of motivating staff. This is together with effecting annual salary increments as they fall due. During the year under review, staff were appraised based on 2022-2023 targets set at the beginning of the financial year. However, those who failed to meet the agreed targets were sanctioned as per reviewed JKF Terms and Conditions of Service of 2017. In the year 4 staff were dismissed on disciplinary grounds. Sedgwick Insurance Brokers and Jubilee Insurance were contracted to provide comprehensive medical cover for both outpatient and inpatient respectively.

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 internal audits aimed at providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity. The department is also charged with coordination of Risk Management process and maintenance of the organization's Risk Register.

In the year under review, the department carried out various audit assignments as per the approved annual audit plan, made appropriate recommendations and offered the requisite advice for the implementation of the recommended actions. Internal Audit is also a key pillar to the organization's corporate governance process, through evaluation and improvement of risk management, continuous improvement of internal controls, ensuring accountability, monitoring accomplishment of organization strategic goals and maintenance of corporate values.

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

May God bless you.

A handwritten signature in black ink, appearing to read 'David K. Mwaniki', is positioned above the printed name.

MR. DAVID K. MWANIKI

MANAGING DIRECTOR/SECRETARY TO THE BOARD



7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/23

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

Jomo Kenyatta Foundation has 5 strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

- Pillar 1: Scholarships
- Pillar 2: Business Development
- Pillar 3: Quality products & Services
- Pillar 4: Operational Efficiency
- Pillar 5: Organizational Capacity

Jomo Kenyatta Foundation develops its annual work plans based on the above five pillars. Assessment of the Board’s performance against its annual work plan is done on a quarterly basis. The Jomo Kenyatta Foundation achieved its performance targets set for the FY 2022/2023 period for its five strategic pillars, as indicated in the diagram below:

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Achievements |
|----------------------|-----------------------------------------------------------------------------------|----------------------------------------------------------|-----------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|
| Scholarships | To increase scholarship beneficiaries from 400 in 2018 to 5000 by 2023 | Allocate at least 35% of JKF profit to scholarship fund. | Strengthen fundraising to support increased scholarship beneficiaries | Increased in the number of scholarship beneficiaries from 117 to 3,000 under the Elimu Scholarship |
| | | Provide lunch for scholarship beneficiaries | Engage alumni in fund raising | |
| Business Development | To increase revenue from Kshs 492 Million p.a in 2018 to Kshs 1.7 billion by 2023 | Increased revenue from sale of books. | Diversify markets, target government, and Counties segment. | Revenue achieved in the year Kshs 121 million |



The Jomo Kenyatta Foundation Annual Report and Financial Statements for the year ended 30 June, 2023

| | | | | |
|-------------------------------|--------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|
| | To increase customer satisfaction from 74% in 2018 to 85% by 2023 | Review sales and credit policies | Review JKF pricing model | Design and implementation of an interactive website |
| Quality products and services | To publish customer focused educational materials To provide quality editorial and printing solutions | Attraction and retention of competent authors. Enhance KICD and other curriculum development agencies approval rating | Publish for the CBC curriculum for various levels including primary, secondary levels Acquisition of state of the art digital printing press. | Publishing of Grade 7 books under the new curriculum Royalties worth Kshs 3 million provided for in the financial year. |
| Operational Efficiency | To reduce operational costs to total turnover ratio from 92% in 2019 to 80% by 2023 | Implement new business processes, policies and procedures | Train staff on ISO 9001: 2015 An upgraded website with e-learning capacity in place | ISO audits done and certification in place. Leverage on technology JKF uses ERP for operations |
| Organizational Capacity | To attract and retain productive workforce To promote good corporate image | Review staff performance management system (PMS) and automate Business continuity | Enhance staff capacity and development Develop a business continuity and recovery policy and plan | An updated and automated PMS in place Motivated & productive staff Policy and plan in place |



8. CORPORATE GOVERNANCE STATEMENT

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 of Management implements effective governance through processes and policies intertwined with the core values and ethics as espoused in the Code of Ethics, which was revised, based on the Leadership and Integrity Act, 2012. The Board and Management undertook trainings on corporate governance, induction and strategic planning in the financial year 2023. Corporate governance is a key element contributing to Foundation sustainable business success and is highly regarded at the Foundation.

THE BOARD

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

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

Board Composition

The Board has Nine (8) members; the Chairperson, six independent directors and three directors representing various governmental agencies and the Managing Director. Mrs. Hon. Mrs. Rose Waruhiu (BOD Chairperson) was appointed in July 2022. The Board meets the 30% gender equity threshold for gender equity.



Role of the Chairperson and Chief Executive Officer

The separate roles of the Chairperson and the Chief Executive Officer are clearly defined in the Board Charter, which was approved by the Board. Except for the strategic direction and general policy guidance, the Board has delegated the conduct of the day-to-day business to the Chief Executive Officer.

Succession Planning

The Foundation has an established succession plan geared to ensuring continuation of business operations at all levels of the Board and Management. The terms of the members of the Board of Management are scheduled to end at different times.

Board Evaluation and Performance

The Foundation conducts an annual evaluation to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director, evaluation of the Chair to the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer.

Board Meetings and Attendance

The full Board meets on a quarterly basis and has a formal schedule of matters to be discussed. The directors receive appropriate and timely reports to facilitate informed deliberations and decision-making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing and openness in communication. The Board has an opportunity to meet with all the staff on annual basis in December.

Board Committees

The Board has three standing committees with specific delegated authorities and terms of reference. These are Board Audit Committee, the Board Finance and General Purpose Committee and Board Staff Committee. The Board Committees meets once on quarterly basis. The respective Committee Chairmen present their reports to the full board at the quarterly basis. The details of these committee and memberships are highlighted below.

Board Staff Committee



The committee is responsible for matters concerning the human capital that includes, consideration of terms and conditions of service, organizational structure, employee remuneration, appointment of employees at management level and above, handling management staff disciplinary cases, preparing the employees in the Foundation for the desired changes in working styles, attitudes and ethics among others.

Board Finance and General Purpose

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

Board Audit Committee

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

The Board Term of Service

The Board members serves for a term of three years and are eligible for re-appointment for one further term. These members were appointed by their nominating institutions and gazetted in the Kenya Gazette by the Cabinet Secretary, MoE for a term of three years. The Principal Secretaries alternates are nominated by their respective Ministries/ Department.



Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 30 June 2023:

| | Name | Status No. of Meetings | BOD/SPECIAL BOD MEETING | BAC | BSC | FGPC |
|----|------------------------|----------------------------------------------|-------------------------------|-----|-----|------|
| 1 | Hon. Mrs. Rose Waruhiu | Chairperson Appointed July 2022 | 9 | - | - | - |
| 2 | Mr. Ambaka J.Kilinga | Chairperson Appointed May 2023 | 1 | - | - | - |
| 3 | Mrs. Lilly Kipesa | Director- Appointed May 2023 | 1 | - | - | - |
| 4 | Mrs. Rael Kigen | Appointed May 2023 | 1 | - | - | - |
| 5 | Mr. John Kamuiru | Appointed June 2023 | 1 | - | - | - |
| 6 | Mr. Samuel Wambugu | Alt. Director Treasury | 10 | 4 | 3 | 3 |
| 7 | Mr. Mohammed Jabane | Alt. Director OP | 4 | 3 | 1 | |
| 8 | Stella Samboja | Director Retired May 2023 | 10 | | 3 | 2 |
| 9 | Mercy Gathu | Director Retired May 2023 | 10 | 5 | | 3 |
| 10 | Dennis makobu | Chair FGPC. Director Retired July 2022 | - | - | - | 1 |
| 11 | Moses Karati | Alt. Director MOE | 11 | 5 | 3 | 3 |
| 12 | Nathaniel Sankeet | Director Retired May 2023 | 9 | 5 | 3 | - |

BOD - Full Board

BAC- Board Audit Committee

BSC-Board Staff Committee

FGPC- Finance and General Purpose



Staff Remuneration

Staff remuneration is based on the sustained performance by the employees and is subject to the approval of the Board and the Salaries and Remuneration Commission and the budget. Year-end rewards and benefits are commensurate to the overall performance for the Foundation in monetary terms. The Foundation undertakes a comprehensive annual staff appraisal against their pre-agreed targets and objects and this informs the individual performance and contribution to the company performance and achievement of the overall goals.

Conflict of Interest

The directors and employees have a fiduciary duty to make a full and fair disclosure of all matters that could reasonably be expected to impair the objectivity or interfere with the execution of their duties to the Foundation. They are required to absent themselves from discussion or decisions on those matters, unless resolved otherwise by the remaining members of the Board.

Directors' Remuneration

The Foundation pays members of the Board such taxable sitting allowance as may be approved by the Cabinet Secretary for Education, Science and Technology, following guidelines from the State Corporations Advisory Committee and Salaries and Remuneration Commission. The sitting allowance is payable when a member attends meetings of the Board or Committees and when on official duty in and outside the Country. The Chairman of the Board is paid honoraria as approved by the Government on monthly basis. The payment of sitting, travelling and lunch allowance is also based on the approved rates by the Government of Kenya. The Foundation does not grant personal loans or guarantees to directors.

Internal Controls

The Board is committed to establishing and monitoring a risk management framework and to controlling its business and financial activities with a view to maximizing profitable business opportunities and ensuring compliance with legal and regulatory requirements. The Board assesses the effectiveness of the Foundation internal control systems on a quarterly basis.



Directors Induction and Development

Upon appointment, directors are provided with information regarding their roles and responsibilities to various stakeholders, all pertinent information about the Foundation and its operations, as well as information on their statutory obligations particularly in view of the fact that the Foundation is a Government entity. In addition to the induction information provided, opportunity for training in corporate governance as well as emerging trends that have an impact on the business of the Foundation is provided for all directors.

Communicating with Stakeholders

The Board aims to ensure that stakeholders who include the Government, Suppliers, Scholarship Beneficiaries, Authors, Customers, and Development Partners are informed of all material information relating to the Company by communicating to them through:

- Continuous disclosure reporting;
- Its annual reports; and
- Media releases and other publications on the Foundation website.

In addition, the Company provides other information about itself and its governance via its website www.jkf.co.ke

Procurement

Since JKF is a Public Entity under the law, JKF adheres to the Public Procurement and Asset Disposal Act, 2015 together with Regulations under the Act.

Going Concern

The Board confirms that the company has adequate resources to continue in business in the future. Based on this reason, the Board continues to adopt the going concern basis when preparing the financial statements.

A handwritten signature in black ink, appearing to read 'Rose Waruhiu', is written over a horizontal line.

**HON. MRS. ROSE WARUHIU, EBS, OGW
CHAIRPERSON**



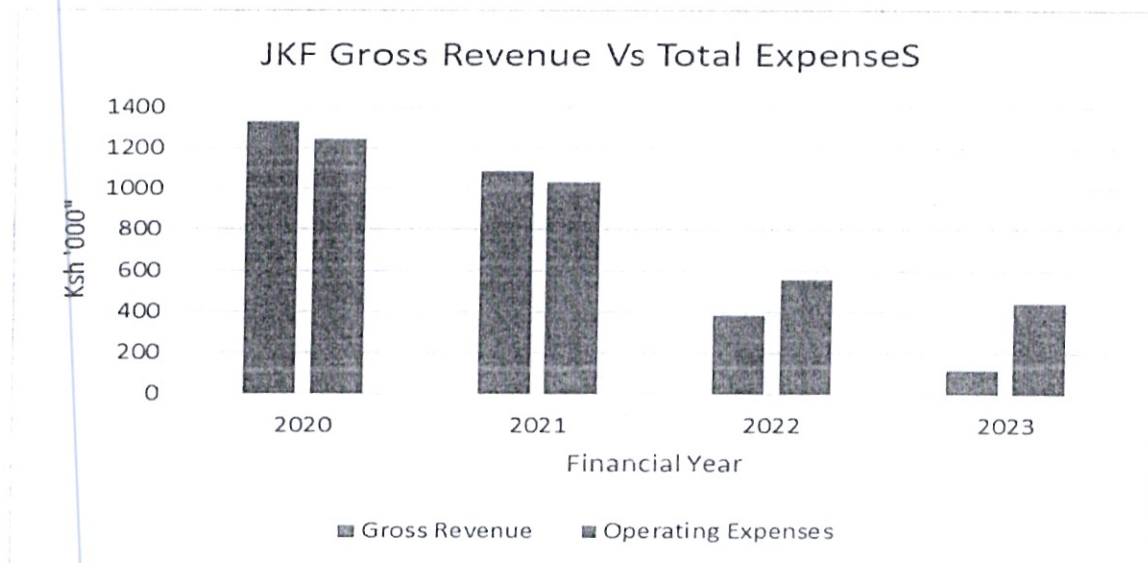
9. MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

There has been a decline in sales revenue in the last two years due to lower sales in Government Sector as JKF was not awarded any title during the year under review. The reduced revenue resulted into a loss as indicated below.

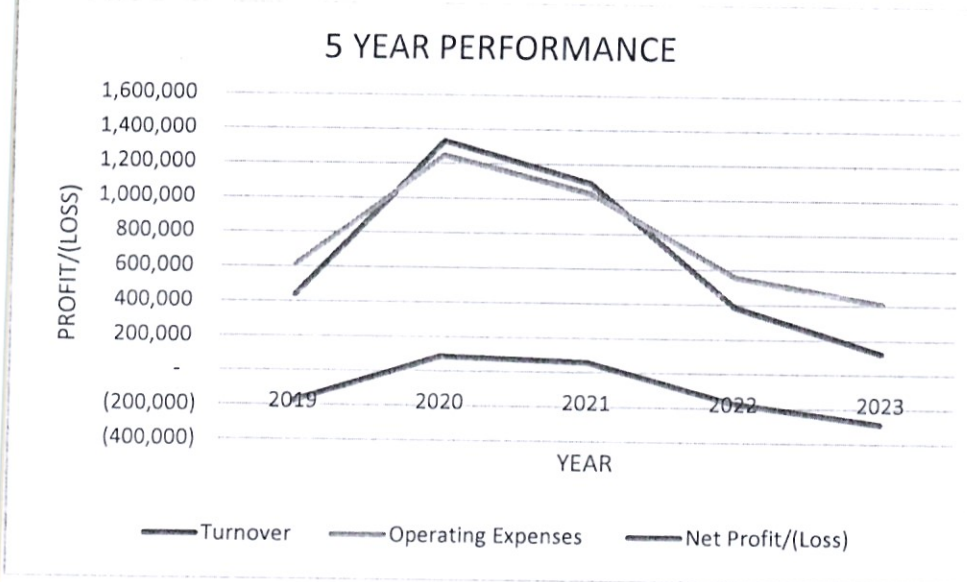
| SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2023 | | | | | |
|---------------------------------------------------------|-------------|-------------|-----------|---------|-------|
| Year | 2023 | 2022 | Change | Change% | Trend |
| | Kshss.'000' | Kshss.'000' | | | |
| Turnover | 118,004 | 372,849 | (254,845) | -68% | ↓ |
| Operating Profits | 73,418 | 202,800 | (129,382) | -64% | ↓ |
| Operating Expenses | 360,020 | 376,155 | (16,135) | -4% | ⊖ |
| Net Loss | (286,602) | (173,355) | (113,247) | 65% | ⊖ |

Overall financial performance has been on a steady decline reducing gross revenue from Kshss.1.3 Billion in FY 2020 to Kshss.121 million in FY 2023. During the same period, the recurrent expenditure has also steadily reduced though at a lower rate from Kshss.482 million FY 2020 to Kshss.325 million FY 2023. as indicated in the figure below.



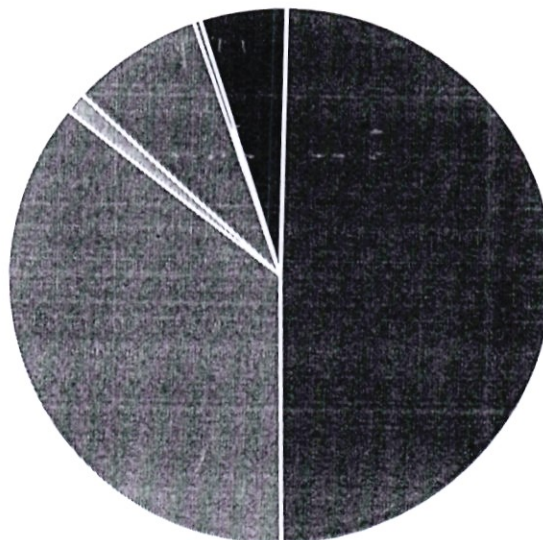


The five year Performance from 2019 to 2023 on Gross Revenue, Operating Expenses and Net Profit/ (Loss)



Representation of Sales per product class for the year ended June 2023.

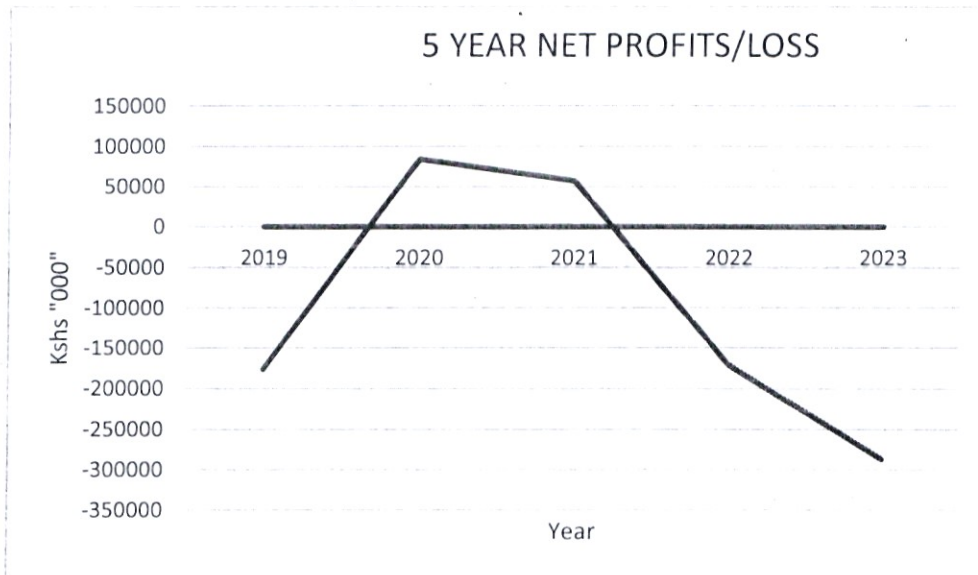
SALES BY PRODUCT CLASS



- Sales of Primary Titles
- Sales of Sec Titles
- Sales of ECDE Titles
- Sales of Tertiary Titles
- Sales of General Titles
- Sales of E-Books
- Sales of Service Jobs



FIVE-YEAR NET PROFIT PERFORMANCE.



SECTION A

The entity's operational and financial performance

The cumulative revenue for the year ended 30th June 2023 was Kshs. 121 million compared to the previous year revenue of Kshs. 384 million. The major factor on this reduction was JKF was not awarded any titles for Government projects on CBC Grade 7 greatly affecting the revenues as there were minimal sales was made in the open market. In the current periods the Foundation mostly relies on Government sales.

The Foundation as a result recorded a cumulative net operating loss of Kshs.286.6 million, compared to the previous year loss of Kshs. 173.4million for the same period. Since the introduction of the One book policy by the Government and suspension of text book capitation to public schools that formed about 80% of our market the management plans and controls the expenditure to ensure we meet our daily working capital awaiting payments from the Ministry of Education through KICD.



The Foundation has also embarked on other grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. The operationalization of digital press has also boosted the service jobs income where we have realized a revenue of Kshs.6 million in the year. The Foundation reviewed Strategic Plan 2018/2023 comes to an end in this year. We are in the process of formulating a new Strategic Plan with the sole purpose of identifying more strategies to reverse the trend and counter the changes in market dynamics as a result of change in government policies. In addition there is expected material shift in our operations after the recommendation by the Presidential Task Force on Education to establish Bursaries and Scholarship Council which will succeed the Foundation. The new Strategic plan will be aligned to these new policy guidelines and selected priority areas of the New Administration under the “BETA” initiative. This will in effect force the Foundation to scaledown on the book publishing and concentrate on the administration of Scholarships and Bursaries. In the year under review the Foundation was awarded the 1st cohort of 3,000 scholars who were selected in January and currently in various high schools. The scholars are fully catered for by the government through KPEELP programme funded by World Bank

SECTION B

Entity's compliance with statutory requirements

The Company adheres to the Corporate Governance Guidelines issued by the Capital Markets Authority in Kenya to ensure compliance with the principles of Corporate Governance. As a State Corporation, JKF is also governed under the Mwongozo guidelines. In addition, the Company endeavor's to fulfil its legal obligations in line with its principal mandate. All statutory deductions are effected and are remitted to the relevant agencies as per the Act and as they fall due. However as at the end of the period the Foundation had not fully complied with remittance of all statutory obligations due to cashflow challenges being experienced due to low sales revenues.



SECTION C

Key projects and investment decisions the entity is planning/implementing

The company has diversified its provision of both printed and digital content in line with the market trends. The Foundation plans to review formulate the 2023/20238 strategic plan in FY 2023/2024 which will act as a guide in growing the revenue streams and align it to government Agenda and the expected revised mandate. The Board of Directors are optimistic that the Company will revert to its growth momentum as the new strategic plan under formualtion is implemented in the coming financial years. One of the strategies was to enhance the digital printing press to augment the printing of service jobs which is already in place.

SECTION D

Major risks facing the entity

Risk management is carried out by the Finance and Audit 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. However, where the transactions are denominated in dollars, the payment is received through a dollar account.

b) **Credit Risk**

Credit risk arises from cash and cash equivalents as well as trade receivables and balances due from related parties. To reduce the risk, bank balances are held with credible financial institutions and are fully performing. Trade receivables are due from customers with good credit rating where those with large amounts on credit provide bank guarantee on the debt advanced.



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, continuously monitoring cash projections and actual cash flows while maintaining an overdraft banking facility. In the year under review the Foundation is under pressure to meet its current financial obligation including staff emoluments obligation. In mitigation the Foundation has requested the Government through the MoE for financial aid which is under consideration.

SECTION E

Material arrears in statutory/financial obligations

Due to cashflow challenges the Foundation is in arrears in terms of staff statutory deductions and contributions in addition to other financing obligations owed to other suppliers. The Foundation operates a Staff Provident Fund managed by Jubilee Insurance Company and all the deductions (both employee and employer) are promptly remitted on the following month following the month of deduction subject to availability of funds. Currently, JKF does not have any loan facility with any financial institution but utilizes an approved overdraft facility with KCB bank which is active as of now.

SECTION F

The entity's financial probity and serious governance issues

The Foundation has no financial improbity as at end of the June. There are no major adverse issues mentioned by the auditor or any other regulatory body.



10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Foundation is currently aligning its strategic plan to the MTP III of Vision 2030 which defines its CSR statement.

SUSTAINABILITY STRATEGY AND PROFILE.

The Sustainability Report for FY 2022/2023 is organized to reflect the financial, economic, social and environment achievements that the Foundation has delivered on and to show where our sustainability efforts are now focused in terms of priority.

Budgets.

The National Treasury prepared and implemented the Medium-Term Expenditure Framework (MTEF) by involving stakeholders in the entire budgetary cycle as provided for in the PFM Act, 2012. The Foundation submits its programme-based budgets reports to the National Treasury through MoE as per the budgetary timelines.

The current approved budget realization over the period are not sufficient to allow the Foundation to undertake all its core activities. Engagements with the MoE & the National Treasury will be sustained to ensure adequate funding for planned activities.

The World Bank programmes through the MOE have been directly committed in conducting scholarship activities.

Financial Reports.

The Foundation ensured that financial discipline was exercised throughout the period under review. As a State Corporation, the Foundation reports its financial performance to the National Treasury through MoE by submitting quarterly reports in the following month after the stated Quarter. The annual audited financial statements are submitted to Parliament through the Public Investment Committee.

Performance Contract Management.

The Foundation adheres to the performance contract management as per the government policy through the Ministry of Education (MoE). It reports its performance to the Performance Contracting Department by submitting quarterly reports. The Foundation scored a composite score of 3.4237 in the Performance Contract evaluation of the FY 2022/2023 which is equivalent to score of "Good". This was conducted online and disseminated through the Report on Evaluation of Performance of Ministries, State Corporations and Tertiary Institutions for FY 2019/2020.

The Foundation attained ISO 9001:2015 certification through the Kenya Bureau of Standards (KEBS) on 8th February 2020. The Quality Management System (QMS) has been maintained through regular internal audits and surveillance audits. Through the implementation of the QMS requirements, the Foundation has achieved enhanced efficiency and effectiveness in its operations and at the same time meeting the customer expectations.



ENVIRONMENTAL PERFORMANCE

The Foundation remains keen on compliance with the Occupational Safety and Health Act 2007. This is achieved through continuous sensitization on safety in addition to initiatives to optimize workplace ergonomics and productivity.

Environmental Polices.

These include compliance to the Occupational Safety and Health Act 2007.

Occupational Safety and Health.

Polices were developed for Prevention and management of accidents and occupational diseases. The Foundation complies with the Workman Compensation Act and ensure the staff members are adequately insured from industrial accidents.

EMPLOYEE WELFARE

The Foundation continues to attract and maintain competent staff through competitive means to enable us to realize our objectives. The employees are remunerated with compensation and benefits as guided by the Salary Remuneration Commission (SRC).

Recruitment of Staff members.

The Foundation complies with the Government Circulars on equal opportunities when conducting recruitment and promotions respectively for various positions in line with the Presidential initiatives on national values.

The Foundation maintains a competitive hiring process, may it be through internal or external advertisement based on the required threshold. The Foundation gender ratio is well above the two thirds required by the Constitution of Kenya and other related laws and regulations. The employee management and engagement is undertaken on a quarterly basis.

We undertake sensitization session, to the employees and their families in relation to employee health and wellness stress management, Breast Cancer awareness. Gender mainstreaming, offer free voluntary HIV/AIDS counseling and testing among other programs.

MARKET PLACE PRACTICES

i) Responsible competition practice

The Foundation does its business within the parameters of ethics and values. The Foundation is compliant and has ensured that non-competitive practices are completely eliminated from all its transactions. The Foundation adheres and promotes anticorruption practices, responsible political environment, fair competition and respect for the competitors in the publishing and printing industry.

ii) Responsible Supply Chain and supplier relations



The Foundation being a commercial state corporation and driven by the need to obtain value for money, engages in competitive tendering as per the provisions of the Public Procurement and Disposal Act, 2015 and its attendant regulations of 2022. The suppliers are treated fairly and payments are made based on the aging of the invoice. The contracts for suppliers are honored based on the delivery of the goods and services in question.

iii) Responsible marketing and advertisement

The Foundation being a trading state corporation ascribes to fair, ethical trade and marketing practices. Foundation does not engage in trade and marketing practices that jeopardize the interest of organizations or competitors.

iv) Product stewardship

Mainly the Foundation publishes and prints education and knowledge materials, which are of high quality and ensure that the consumer rights are safeguarded. The Foundation also offers competitive print solutions to Government and private firm, and individuals.

CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS

We recognize that we exist to serve our customer's/citizens. We operate in a unique and dynamic business environment, where customers have remained central to organization growth and sustainability. It is therefore critical for the Foundation to direct its communications and engagement programs to effectively address different needs and expectations of the stakeholder.

The book donation has continued to make remarkable and valuable contribution in ensuring access to educational materials and improving quality for the disadvantaged schools in all corners of the Country. Books donated are used to stock the libraries and hence uplifting the reading culture

We have also undertaken sponsorships of seminars, conferences, workshops for such stakeholders as the Ministry of Education (conferences requiring pooled resources), Kenya Primary Schools Heads Association (KEPSHA), Kenya Primary School Head Association (KESSHA), Kenya Private Schools Association (KPSA), among others.



11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the JKF affairs.

i) The Principal Activities

The Principal Activities of Foundation are publishing of school textbooks and other educational materials and providing scholarships to the bright and needy students in secondary schools in Kenya.

ii) Results

The results for the year ended June 30, 2023 are set out on page 1.

The net loss for the year is Kshs. 286.6 million (2022: Loss of Kshs.173.4 million).

iii) 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. 6.3 million was utilized for this purpose.

iv) Directors

The Directors who served during the year are as listed in the Key Entity Information Section of this report Page vii.

v) Auditors

The Auditor - General is responsible for the statutory audit of the Foundation in accordance with Article 229 of the Constitution of Kenya 2010 and the Public Audit Act 2015

By order of the Board

MR. DAVID K. MWANIKI

MANAGING DIRECTOR/SECRETARY TO THE BOARD



12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the Companies Act 2015, require the Directors to prepare financial statements in respect of the Foundation, which give a true and fair view of the state of affairs 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 June 30, 2023. 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, 2012 and the Companies Act, 2015 .

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 June 30,



2023, 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 14th September 2023 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Rose Waruhiu', is positioned above the name of the Chairperson.

**HON. MRS. ROSE WARUHIU, EBS, OGW
CHAIRPERSON**

A handwritten signature in black ink, appearing to read 'David Mwaniki', is positioned above the name of the Managing Director.

**MR. DAVID MWANIKI
MANAGING DIRECTOR**



*The Jomo Kenyatta Foundation Annual Report and Financial Statements for the
year ended 30 June, 2023*

REPUBLIC OF KENYA

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HEADQUARTERS
Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk Management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta Foundation set out on pages 1 to 52, which comprise the statement of financial position as at 30 June, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of

budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

Basis for Qualified Opinion

1.0 Unsupported Inventories Balance

The statement of financial position reflects inventories balance of Kshs.181,014,000 as disclosed in Note 15 to the financial statements. However, physical stock count report reflected a balance of Kshs.136,284,803, resulting to an unreconciled variance of Kshs.44,729,197. Further, included in the balance is transfers clearing account balance of Kshs.2,078,477 which was not supported by documentary evidence.

In the circumstances, the accuracy and completeness of inventories balance of Kshs.181,014,000 could not be confirmed.

2.0 Unsupported and Inaccurate Property, Plant and Equipment Balance

The statement of financial position and as disclosed in Note 13 to the financial statements reflects property, plant and equipment balance of Kshs.897,288,000. However, the balance was unsupported and inaccurate as detailed below:

- i. The Management did not revise the residual values and useful lives of property, plant and equipment at the reporting date in accordance with Paragraph 51 of International Accounting Standard (IAS) 16 as property, plant and equipment with a gross carrying amount of Kshs.33,931,000 had a zero-net carrying amount while still in use;
- ii. Plant and machinery and computers and peripherals with book values of Kshs.6,372,000 and Kshs.1,129,000 respectively were not revalued, contrary to IAS 16 Paragraph 34 which provides that the frequency of revaluations depends upon the changes in the fair values of the items of property, plant, and equipment being revalued, and it may be necessary to revalue the items only every three (3) or five (5) years. Further, it violates the Company's Assets Management Policy, which recommends frequency of revaluation to be done after every 5 years; The assets were last revalued in year 2014.
- iii. The total eliminated depreciation amounts to Kshs.187,029,000 yet the schedules showing eliminated depreciation on revaluation of each asset since 2014 when the last revaluation was done were not provided for audit.

In the circumstances, the accuracy, valuation and completeness of the property, plant and equipment balance of Kshs.897,288,000 could not be confirmed.

3.0 Intangible Assets

The statement of financial position reflects intangible assets balance of Kshs.2,639,000 as disclosed in Note 14 to the financial statements. However, the Foundation did not review the amortization period and the amortization method for the intangible assets at the financial year-end. Further, a schedule showing eliminated amortization for each individual asset on revaluation amounting to Kshs.9,165,000 since the last revaluation in 2014 was not provided for audit review.

In the circumstances, the accuracy, valuation and completeness of the intangible assets balance of Kshs.2,639,000 could not be confirmed.

4.0 Inaccurate Trade and Other Payables Balance

The statement of financial position reflects trade and other payables balance of Kshs.699,713,000 as disclosed in Note 22 to the financial statements. However, review of the supporting schedules and ledgers revealed the following unsatisfactory matters:-

- i. Suspense account reflects balances amounting to Kshs.22,001,663 for which Management had not investigated the suspense to establish its cause with a view to clearing the same;
- ii. The ageing analysis for trade and other payables indicated long outstanding payables amounting to Kshs.91,583,721 which date back to year 2020 and earlier years; and
- iii. Other payables balance of Kshs.172,443,000 which includes Kshs.2,537,652 in respect of VAT withholding payable. However, review of correspondence with Kenya Revenue Authority indicates that the amount was paid on 23 March, 2021, hence not outstanding as at 30 June, 2023.

In the circumstances, the accuracy, valuation and completeness of the trade and other payables' balance of Kshs.699,713,000 could not be confirmed.

5.0 Inaccurate Trade and Other Receivables Balance

The statement of financial position reflects trade and other receivables balance of Kshs.258,088,000 as disclosed in Note 16 to the financial statements. However, review revealed the following unsatisfactory matters:

- i. Trade receivables of Kshs.45,126,010 have been outstanding for over 150 days whose ageing analysis has not been provided to establish the exact age of each debtor;
- ii. Provision for doubtful debts on staff receivables of Kshs.2,955,000 includes VAT receivables amounting to Kshs.1,107,168 and former staff debts amounting to Kshs.1,848,412. However, it could not be established why the Management failed to recover these debts from the former staff; and

- iii. Note 26 on credit risk indicates impaired receivables amounting to Kshs.16,372,000. The necessity, justification and supporting evidence for the impairment was not provided for review.

In the circumstances, the recoverability, accuracy, valuation and completeness of the trade and other receivables balance of Kshs.258,088,000 could not be confirmed.

6.0 Inaccurate Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.332,000 as disclosed in Note 17a to the financial statements. However, review of Note 17 revealed a credit balance of Kshs.253,000 which was offset against cash and cash equivalents balance of Kshs.585,000, contrary to International Accounting Standard 1 Paragraph 32 which provides that an entity shall not offset assets and liabilities. Further, bank reconciliation statement as at 30 June, 2023 reflects a negative balance of Kshs.246,915 for Kijabe collection account while the certificate of bank balance reflects Kshs.108,834, resulting in a variance of Kshs.355,748 which was not explained nor reconciled.

In the circumstances, the accuracy and completeness of cash and cash equivalents' balance of Kshs.332,000 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Jomo Kenyatta Foundation Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Material Uncertainty Related to Going Concern

The statement of financial position reflects current assets and liabilities of Kshs.439,434,000 and Kshs.749,609,000 respectively, resulting in negative working capital of Kshs.310,175,000. Further, the Foundation's financial performance reflected a net loss of Kshs.286,601,000 and, accumulated losses amounting to Kshs.592,216,000 which have resulted in substantial erosion of the net worth of the Company. The above factors, together with uncertainties relating to impact of the change in the Government policy in book industry as disclosed in Note 3 on significant judgements and sources of estimation uncertainty indicate a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.

The Foundation may be unable to meet its financial obligations as and when they fall due and may, therefore, be technically insolvent on the basis of the negative working capital position.

2. Budgetary Control and Performance

The statement of comparison of budget and actuals reflects final revenue budget of Kshs.1,014,749,000 comprising gross turnover, other income and elimu scholarship grant and actual revenue of Kshs.210,066,000, resulting to under-collection of Kshs.804,683,000 or 79% of the budget. Further, the statement reflects final expenditure budget of Kshs.717,576,000 against actual expenditure of Kshs.360,003,000, resulting to under-expenditure of Kshs.357,573,000 or 50% of the budget.

The under-performance and under expenditure may have impacted negatively service delivery to the public.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Adherence to One Third (1/3) Basic Salary Rule

Review of payroll records revealed that for the month of June, 2023, seven (7) employees received less than one-third of their basic salaries. This was contrary to Section 19(3) of the Employment Act, 2012 which provides that the total amount of all deductions that may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds (2/3) of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry.

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

2. Unauthorized Overdraft

During the year under review, Management obtained an overdraft facility amounting to Kshs.50,000,000 which exceeded the limit of Kshs.30,000,000 authorized by National Treasury vide Circular No.CON/MOF/2017/ of 23 May, 2019, thus contravening Regulation 82(7) of the Public Finance Management (National Government) Regulations, 2015 which provides that no official government bank account shall be overdrawn, nor

shall any advance or loan be obtained from a bank account for official purposes beyond the limit, authorized by the National Treasury.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Foundation, so far as appears from the examination of those records; and,
- iii. The Foundation's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and the Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal 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 and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition, to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in

which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Foundation's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Foundation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Foundation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

07 February, 2024





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14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30TH JUNE, 2023

| | | 2022-2023 | 2021-2022 |
|-----------------------------------|--------------|------------------|------------------|
| | Notes | Kshs'000 | Kshs'000 |
| Gross Turnover | 4 | 118,004 | 372,849 |
| Cost of Sales | 5 | (136,664) | (180,624) |
| Gross Profit/(Loss) | | (18,661) | 192,225 |
| Elimu Scholarship Grant | 9b | 88,668 | - |
| Other Incomes | | | |
| Interest Income | 6a | - | 187 |
| Other Operating Income | 6b | 3,394 | 10,282 |
| Gain on sale of Fixed Assets | 6c | 17 | 106 |
| Total Revenue | | 73,418 | 202,800 |
| Operating Expenses | | | |
| Selling and Distribution Expenses | 7 | 102,719 | 197,667 |
| Administrative Expenses | 8 | 152,969 | 165,505 |
| Other Operating Expenses | 9a | 9,655 | 12,328 |
| Elimu Scholarship Expenses | 9b | 88,668 | - |
| Total Operating Expenses | | 354,012 | 375,500 |
| Profit from Operations | | (280,593) | (172,700) |
| Finance Costs | 10b | (6,008) | (655) |
| Net Loss | | (286,601) | (173,355) |



15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2023

| ASSETS | Notes | 2022-2023 Kshs'000 | 2021-2022 Kshs'000 |
|--------------------------------------|-------|-----------------------|-----------------------|
| Non- Current Assets | | | |
| Plant, Property & Equipment | 13 | 897,276 | 747,433 |
| Intangible Assets | 14 | 2,639 | 1,221 |
| Total Non -Current Assets | | 899,915 | 748,654 |
| Current Assets | | | |
| Inventories | 15 | 181,014 | 210,889 |
| Trade and Other Receivables | 16 | 258,088 | 300,708 |
| Cash and Cash Equivalents | 17a | 332 | 18,551 |
| Total Current Assets | | 439,434 | 530,148 |
| Total Assets | | 1,339,349 | 1,278,803 |
| EQUITIES AND LIABILITIES | | | |
| Capital and Reserves | | | |
| Capital Reserve | 18 | 4,000 | 4,000 |
| Revaluation Reserves | 19 | 1,143,538 | 965,024 |
| Retained Earnings | 20 | (592,216) | (281,751) |
| Scholarship Fund | 21 | 34,418 | 16,737 |
| Total Capital and Reserves | | 589,740 | 704,010 |
| Current Liabilities | | | |
| Bank Overdraft | 17b | 49,896 | - |
| Trade and Other Payables | 22 | 699,713 | 574,793 |
| Total Capital and Liabilities | | 749,609 | 574,793 |
| | | 1,339,349 | 1,278,803 |

The financial statements were approved by the Board on 14th September 2023 and signed on its behalf by:

MR. DAVID MWANIKI
MANAGING DIRECTOR
/SECRETARY

MR. SAMMY OMBUKI
HEAD OF FINANCE
ICPAK M/NO: 9012

HON. MRS. ROSE WARUHIU,
OGW, EBS
CHAIRPERSON



16. STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2023

| | Capital Reserve | Revaluation Reserve | Retained Earnings | Scholarships Fund | Total |
|--------------------------------------|-----------------|---------------------|-------------------|-------------------|----------------|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| As at 1 July, 2022 | 4,000 | 965,024 | (281,751) | 16,737 | 704,010 |
| Net Profit for the Year | | | (286,601) | - | (286,601) |
| Scholarships Appropriation (Note 21) | | | (24,000) | 24,000 | - |
| Scholarships Applied (Note 21) | | | | (6,319) | (6,319) |
| Revaluation Adjustment (Note 19) | - | 178,515 | - | - | 178,515 |
| Provision written back (Note 20) | - | - | 136 | - | 136 |
| As at 30 June, 2023 | 4,000 | 1,143,539 | (592,216) | 34,418 | 589,740 |
| As at 1 July, 2021 | 4,000 | 965,024 | (87,395) | 16,855 | 898,494 |
| Net Profit for the Year | | | (173,356) | | (173,356) |
| Scholarships Appropriation | | | (24,000) | 24,000 | - |
| Scholarships Applied | | | | (24,118) | (24,118) |
| Provision Written back | - | - | 3,000 | - | 3,000 |
| As at 30 June, 2022 | 4,000 | 965,024 | (281,751) | 16,737 | 704,010 |

Capital Reserves:

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

Revaluation reserves:

Land, Buildings, Property Plant & Equipment were re-valued by an independent valuer (Gimco Ltd) in July 2022. Valuations were made on the basis of open market values. Book values have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves

Retained earnings:

Retained earnings are undistributed cumulative profits made by the company over the years.

Scholarship fund:

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



17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2023

| | Notes | 2022-2023 | 2021-2022 |
|---------------------------------------------------------------|--------------|------------------|------------------|
| Cash generated from/(used in) Operations | 25 | (61,640) | (60,982) |
| Cash flows from investing activities | | | |
| Purchase of Property, Plant & Equipment | 13a | (174) | (2,763) |
| Purchase of Intangible Assets | 14 | - | (917) |
| Proceeds from Sale of Fixed assets | | <u>17</u> | <u>613</u> |
| Net cash generated from/(used in) investing activities | | <u>(157)</u> | <u>(3,067)</u> |
| Cashflows from financing activities | | | |
| Scholarship Applied | | <u>(6,318)</u> | <u>(24,118)</u> |
| Increase/ (Decrease) in Cash & Cash equivalents | | (68,115) | (88,167) |
| Cash and Cash Equivalents ar beginning of year | 17 | 18,551 | 106,718 |
| Cash and Cash Equivalents at end of the year | 17 | <u>(49,564)</u> | <u>18,551</u> |



**18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE, 2023**

| | Original Budget | Adjustment | Final Budget | Actual on Comparable Basis | Performanc e Difference | Perform ance % |
|---------------------------------|--------------------|-----------------|-----------------|----------------------------------|----------------------------|-------------------|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs'000 | Kshs'000 | |
| Gross Turnover | 894,163 | (262,273) | 631,890 | 118,004 | (513,886) | 19% |
| Cost of Sales | (392,210) | 114,711 | (277,499) | (136,664) | 140,835 | 49% |
| Gross Profit | 501,953 | (147,562) | 354,391 | (18,661) | (373,052) | -5% |
| Other Income | 7,199 | 3,838 | 11,037 | 3,394 | (7,643) | 31% |
| Elimu Scholarship Grant | - | 371,822 | 371,822 | 88,668 | (283,154) | 24% |
| Operating Profits | 509,151 | 228,099 | 737,250 | 73,401 | (663,849) | 10% |
| Distribution Expenses | 157,825 | (21,817) | 136,008 | 102,719 | (33,289) | 76% |
| Administrative Expenses | 210,124 | 9,552 | 219,676 | 152,969 | (66,707) | 70% |
| Elimu Scholarship Expenses | - | 338,072 | 338,072 | 88,668 | (249,404) | 26% |
| Other operating Expenses | 16,436 | (200) | 16,236 | 9,638 | (6,598) | 59% |
| Total Operating Expenses | 384,385 | 325,607 | 709,992 | 353,995 | (355,997) | 50% |
| Profit(loss) from Operations | 124,766 | (97,508) | 27,258 | (280,593) | (307,851) | -1029% |
| Finance Costs | 82,822 | (75,238) | 7,584 | 6,008 | (1,576) | 79% |
| Net Profit(loss) | 41,944 | (22,270) | 19,674 | (286,601) | (306,275) | -1457% |

Explanation of significant variations between original and final budget

1. Gross turnover was reviewed downwards after Foundation failed to secure government order for supply of books in the year under review.
2. The reduction in projected revenue also effected the cost of sales and distribution expenses downwards as we had factored the cost of printing and distribution of books to schools .
3. JKF was awarded administrative role of the management of Elimu Scholarship Programme in the year under review hence the addition of Elimu Grants and Expenses in the final budget. The funds are to be received from MOE.
4. JKF had planned to acquire a loan for purchase of heavy duty web machine which we had factored the loan interest in the original budget but this was shelved with new role of Elimu Scholarship administration

NB: Itemized material variances of actual performance against the final budget are explained in disclosures contained in Note 30.



19. NOTES TO THE FINANCIAL STATEMENTS

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. GENERAL INFORMATION

The Foundation is established by and derives its authority and accountability from Companies Act as a Company Limited by guarantee, wholly owned by the Government of Kenya and domiciled in Kenya. The entity's principal activity is publishing of educational materials and provision of scholarship to needy secondary students.

For Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements

2. STATEMENT OF COMPLIANCE

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the note on the basis and critical accounting estimates and judgements in applying the accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Foundation.

The financial statements have been prepared in accordance with the PFM Act 2015, the State Corporations Act, Companies Act 2015, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (continued)

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

i. New and amended standards and interpretations in issue and effective in the year ended 30 June 2023.

| Title | Description | Effective Date |
|-----------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| IFRS 17 Insurance Contracts (issued in May 2017) | The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts. | Effective for annual periods beginning on or after 1 st January 2023. |
| IAS 8- Accounting Policies, Errors, and Estimates | The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. Application of this amendments does not affect the Foundation | The amendments are effective for annual reporting periods beginning on or after January 1, 2023. |
| Amendments to IAS 1 titled Disclosure of Accounting | The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information | The amendments are effective for annual periods beginning on or after January 1, 2023. |



| Title | Description | Effective Date |
|-----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| Policies (issued in February 2021) | rather than their significant accounting policies. Application of this amendments does not affect the Foundation | |
| Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021) | The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. | The amendments are effective for annual periods beginning on or after January 1, 2023. |

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

| Title | Description | Effective Date |
|--------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

| Title | Description | Effective Date |
|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022) | The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |
| Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022) | The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement. | The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted. |

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

iii. Early adoption of standards

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



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

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%.

(d) Inventories

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

(e) Taxation

The Foundation is exempt 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.

(f) 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

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.

(g) Trade Receivables

Trade receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Specific 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 and authorised for write off.

(h) Trade payables

These amounts represent liabilities for goods and services provided to the Foundation prior to the end of the year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition for large suppliers and 30 days for small suppliers

(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 under current liabilities.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

(j) 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.

(k) Exchange rate differences

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

(l) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

(m) Rounding and Comparatives

Amounts in the financial report have been rounded to nearest Shs.1, 000 or where such amount is less than Shs.500 to zero. Where necessary, comparatives information have been restated to consistent with disclosures in the current reporting period.

(n) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

(5). SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the accounting policies, management is required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revision only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year:

a) Equipment and Intangible Assets

The Foundation reviews the estimated useful lives of property, equipment and intangible assets at end of each reporting period. Critical estimates are made by directors in determining depreciation rates for equipment's. The rates used are set in note 1 above.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

b) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosures of these estimates of provisions is included in the notes i.e. Note 12 on Staff leave pay and gratuity provisions, Note 15 on provision for stock obsolescence and Note 16 on provision for bad and doubtful debts.

c) Contingent Liabilities

The directors evaluate the status of these exposures on regular basis to assess the probability of the Foundation incurring related liabilities. However, provisions are only made in the financial statements where based on the directors evaluation present obligation has been established.

In the opinion of the directors, no provision is required in these financial statements as the liabilities are not expected to crystallize

d) Going Concern

The change in the Government policy in book industry have had a negative effect on the performance in the publishing business resulting into the negative working capital. The Foundation has however gone ahead and requested for government support for funds through the Ministry of Education (MOE) to assist in clearing the pending bills. In addition the Government is in the process of reviewing the mandate of the Foundation to be the provider of last resort of scholarships with funding from the Government. The Presidential working party recommended for the same and the Foundation has been awarded the first cohort of 3,000 thousand students to administer for the next four years. The Foundation is a going concern despite its poor financial position.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

| 4. Turnover: | 2022-2023 | 2021-2022 |
|--------------------------|----------------|----------------|
| | Kshs'000 | Kshs'000 |
| Sales of Primary Titles | 58,470 | 324,363 |
| Sales of Sec. Titles | 42,228 | 12,358 |
| Sales of Tertiary Titles | 1,440 | 1,136 |
| Sales of General Titles | 9,344 | 20,857 |
| Sales of ECDE Titles | 12 | 20 |
| Sales of Service Jobs | 6,038 | 13,992 |
| Sales of E-Books | 462 | 124 |
| Obsolete stock sales | 9 | - |
| Total Gross Sales | <u>118,004</u> | <u>372,849</u> |

Turnover comprises gross amount invoiced for sale of books and printing services

| 5. Cost of Sales: | 2022-2023 | 2021-2022 |
|--------------------------------|----------------|----------------|
| | Kshs'000 | Kshs'000 |
| Cost of Sales Primary Titles | 14,017 | 84115 |
| Cost of Sales Secondary Titles | 11,698 | 3,506 |
| Cost of Sales Tertiary Titles | 278 | 329 |
| Cost of Sales General Titles | 1,665 | 4,505 |
| Cost of Sales ECDE Titles | 4 | 9 |
| Cost of Sales Service Job | 5,475 | (1,525) |
| Stock Take Adjustments | 6,945 | 6,693 |
| Cost of Sales Miscellaneous | 160 | (15) |
| Stock Obsolescence Provision | 38,544 | 14,293 |
| Production Overheads (Note 5b) | 57,878 | 68,714 |
| Cost of Sales | <u>136,664</u> | <u>180,624</u> |



| | 2022- | 2021- |
|-----------------------------------|-----------------|-----------------|
| | 2023 | 2022 |
| 5. b Production Overheads: | Kshs'000 | Kshs'000 |
| Staff Salaries | 35,984 | 36,233 |
| Staff House Allowance | 8,889 | 9,180 |
| Staff Medical & Welfare | 2,961 | 3880 |
| Staff Training | 132 | |
| Provident Fund Contribution | 6,816 | 5,003 |
| Product Development Expenses | 2,311 | 13,637 |
| Insurance | 3 | 1 |
| Depreciation Plant and Machinery | 782 | 779 |
| | 57,878 | 68,714 |

| | Kshs'000 | Kshs'000 |
|-------------------------------|-----------------|-----------------|
| 6. (a) Interest Income | | 0 |
| Interest | - | 187 |
| | 0 | 187 |
| 6. (b) Other operating Income | | |
| Rental Income | 1,628 | 2,722 |
| Miscellaneous Income | 1,766 | 7,560 |
| | 3,394 | 10,282 |
| 6. (c) Other operating Income | | |
| Gain on sale of Fixed Assets | 17 | 106 |
| | 17 | 106 |



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

| | 2022-2023 | 2021-2022 |
|----------------------------------------------|------------------|------------------|
| 7. Selling and Distribution Expenses: | Kshs' 000 | Kshs '000 |
| Salaries & Wages | 27,757 | 30,706 |
| Staff House Allowance | 12,705 | 9,682 |
| Staff Medical & Welfare | 3,362 | 4,898 |
| Provident Fund | 2,764 | 3,309 |
| Vehicle Running Expenses | 4,521 | 4,250 |
| Staff Travelling & Accommodation | - | 144 |
| Discounts Allowed | 35,004 | 80,472 |
| Marketing & Sales Promotion | 5,521 | 9,246 |
| Freight & Distribution Expenses | 281 | 31,642 |
| Electricity & Water | 148 | 204 |
| Postage & Telephone | 511 | 500 |
| Packaging Material | 184 | 440 |
| Depreciation | 5,848 | 4,408 |
| Royalties to Authors | 3,028 | 16,672 |
| Loading Expenses | 27 | 76 |
| Security | 754 | 618 |
| Standard Levy | 304 | 400 |
| | 102,719 | 197,667 |



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

8. Administrative Expense:

| | 2022-2023 | 2021-2022 |
|----------------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Salaries & Wages | 79,137 | 79,544 |
| Staff House Allowance | 11,996 | 16,133 |
| Staff Medical & Welfare | 17,059 | 19,950 |
| Provident Fund Contribution | 5,954 | 7,465 |
| Staff Training | 155 | 661 |
| Directors Remuneration | 3,733 | 6,196 |
| Subscriptions | 717 | 769 |
| Printing & Stationery | 524 | 382 |
| Postage & Telephone Expenses | 2,268 | 2,401 |
| Legal & Professional Fees | 991 | 341 |
| Library Expenses | 234 | 287 |
| Audit Fees | 634 | 735 |
| Vehicle Running Expenses | 4,489 | 5,864 |
| Staff Travelling & Accommodation | 997 | 2,359 |
| Depreciation | 20,797 | 19,514 |
| Ground Cleaning & Maintenance | 2,080 | 1,599 |
| Bank Charges & Commissions | 501 | 804 |
| Bad debts | 279 | 500 |
| Retrenchment Cost | 424 | - |
| | 152,969 | 165,505 |



| 9a. Other operating expenses: | 2022-2023 | 2021-2022 |
|--------------------------------------|------------------|------------------|
| | Kshs'000 | |
| Rent & Rates | 945 | 945 |
| Light & Water | 3,079 | 2,177 |
| Repairs & Maintenance | 1,339 | 5,225 |
| Industrial Training Levy | 78 | 65 |
| Insurance | 1,304 | 1,304 |
| Security | 1,724 | 1,477 |
| Licenses | 1,186 | 1,135 |
| | 9,655 | 12,328 |

| 9b. Elimu Scholarship expenses: | 2022-2023 | 2021-2022 |
|----------------------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Elimu Scholarship Selection | 3,545 | - |
| Elimu Scholarship Fees | - | - |
| Elimu Scholarship Transport | 61 | - |
| Elimu Scholarship Pocket | 1,499 | - |
| Elimu Scholarship School Kit | 83,564 | - |
| | 88,668 | - |

The Foundation was awarded the administration role for the Elimu Scholarship programme under the World Bank funded KEEPL for the first cohort of 3,000 students. The Foundation went ahead and utilised its resources for the selection process in the selected counties, provision of fare, pocket money and award of student kits which were acquired from selected suppliers. As at close of the year the MoE had not disbursed the Funds and the amounts were accrued in the accounts as receivable from the Ministry.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

| | 2022-2023 | 2021-2022 |
|-------------------------------------------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| 10a. Finance Income: | | |
| Foreign Exchange Gain | - | - |
| 10b. Finance Costs | | |
| Bank interest | 5,414 | 600 |
| Foreign Exchange Loss | - | 55 |
| Loan Interest | 594 | |
| | 6,008 | 655 |
| 11. Provision Charged to profit and loss | | |
| Bad Debt Provision (Note 8) | 279 | 500 |
| Stock Obsolescence Provisions(Note 5) | 38,544 | 14,293 |
| Depreciation Charge (Note 13) | 26,539 | 24,346 |
| Amortisation (Note 14) | 888 | 355 |
| 12. Staff Costs: | 2022-2023 | 2021-2022 |
| | Kshs'000 | Kshs'000 |
| Salaries and other allowances | 175,310 | 180,346 |
| Employer's Contribution to National Social Security schemes | 679 | 256 |
| Employer's Contribution to pension contributions | 13,861 | 14,812 |
| Leave pay | 1,433 | 1,164 |
| Gratuity Provisions | 950 | 677 |
| Leave pay and gratuity provisions | 192,233 | 197,255 |
| | | |
| Average Number of Employees of the year | | |
| Employees –Permanent | 95 | 104 |
| Employees on Contract | 2 | - |



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

13(a). Property, Plant & Equipment

| | Land Head office | Buildings Head office | Land Kijabe BDC | Buildings Kijabe BDC | Plant & Machinery | Motor Vehicles | Furniture Fittings & Office Equip. | Computers & Peripherals | Totals |
|------------------------------------------------|---------------------|--------------------------|--------------------|-------------------------|----------------------|-------------------|---------------------------------------------|-------------------------------|----------------|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Cost or valuation: | | | | | | | | | |
| As at July 1, 2022 | 570,000 | 221,735 | 60,000 | 33,000 | 22,821 | 38,332 | 11,277 | 17,157 | 974,322 |
| Additions | - | - | - | - | 122 | - | - | 52 | 174 |
| Revaluation | 30,000 | (21,735) | 5,000 | (3,000) | - | (21,082) | - | - | (10,817) |
| Cost of Disposed Assets | - | - | - | - | - | - | (77) | - | (77) |
| As at June 30, 2023 | 600,000 | 200,000 | 65,000 | 30,000 | 22,943 | 17,250 | 11,200 | 17,209 | 963,602 |
| Depreciation: | | | | | | | | | |
| As at July 1, 2022 | 92,150 | 35,674 | 17,315 | 9,523 | 14,435 | 32,760 | 9,447 | 15,574 | 226,877 |
| Depreciation on Disposal | - | - | - | - | - | - | (77) | - | (77) |
| Revaluation Adjustment | (92,150) | (35,674) | (17,315) | (9,523) | - | (32,365) | - | - | (187,029) |
| Charge for the year | 12,000 | 4,000 | 2,321 | 1,071 | 2,135 | 4,143 | 363 | 506 | 26,539 |
| Accumulated Dep.as at June 30, 2023 | 12,000 | 4,000 | 2,321 | 1,071 | 16,570 | 4,538 | 9,733 | 16,080 | 66,310 |
| Net Book Value as at June 30, 2023 | 588,000 | 196,000 | 62,679 | 28,929 | 6,372 | 12,712 | 1,467 | 1,129 | 897,288 |

The figure of depreciation charge for the year of Kshs.26,539 excludes depreciation of intangible assets of Kshs.888 that is reflected in note 14. Depreciation on disposal is the amount of accumulated depreciation for the assets that were disposed during the year.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

13(b). Property, Plant & Equipment

| | Land Head office | Buildings Head office | Land Kijabe BDC | Buildings Kijabe BDC | Plant & Machinery | Motor Vehicles | Furniture Fittings & Office Equip. | Computers & Peripherals | Totals |
|-----------------------------------------------|---------------------|--------------------------|--------------------|-------------------------|----------------------|-------------------|---------------------------------------------|-------------------------------|----------------|
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Cost or valuation: | | | | | | | | | |
| As at July 1, 2021 | 570,000 | 221,735 | 60,000 | 33,000 | 22,750 | 39,532 | 10,084 | 16,467 | 973,588 |
| Additions | - | - | - | - | 110 | - | 1,374 | 1,279 | 2,763 |
| Cost of Disposed Assets | - | - | - | - | (59) | (1,200) | (181) | (589) | (2,029) |
| As at June 30, 2022 | 570,000 | 221,735 | 60,000 | 33,000 | 22,822 | 38,332 | 11,277 | 17,157 | 974,323 |
| Depreciation: | | | | | | | | | |
| As at July 1, 2021 | 80,750 S | 31,239 | 15,173 | 8,345 | 12,193 | 31,958 | 9,237 | 15,359 | 204,253 |
| Depreciation on Disposal | - | - | - | - | (59) | (962) | (181) | (519) | (1,721) |
| Charge for the year | 11,400 | 4,435 | 2,142 | 1,178 | 2,301 | 1,764 | 391 | 735 | 24,346 |
| Accumulated Dep.as at June 30, 2022 | 92,150 | 35,674 | 17,315 | 9,523 | 14,435 | 32,760 | 9,447 | 15,574 | 226,877 |
| Net Book Value as at June 30, 2022 | 477,850 | 186,061 | 42,686 | 23,477 | 8,386 | 5,572 | 1,830 | 1,583 | 747,446 |

The figure of depreciation charge for the year of Kshs.24,346 excludes depreciation of Intangible assets of Kshs.355 that is reflected in note 14.

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| Description | Cost | Accumulated Depreciation | NBV |
|-------------------------------------------|----------|--------------------------|----------|
| | Kshs'000 | Kshs'000 | Kshs'000 |
| Land Enterprise Road | 570,000 | 103,550 | 466,450 |
| Buildings Enterprise Road | 221,735 | 40,109 | 181,626 |
| Land Kijabe Street | 60,000 | 19,715 | 40,285 |
| Buildings Kijabe Street | 33,000 | 10,843 | 22,157 |
| Plant And Machinery | 22,821 | 15,693 | 7,128 |
| Motor Vehicles | 38,332 | 34,153 | 4,179 |
| Office Equipment, Furniture, And Fittings | 11,277 | 9,676 | 1,601 |
| Computers And Related Equipment | 17,157 | 15,970 | 1,187 |

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost Valuation | Normal Annual Depreciation charge |
|------------------------------------------|----------------|-----------------------------------|
| | Kshs'000 | Kshs'000 |
| Plant And Machinery | 6,261 | 783 |
| Computers And Related Equipment | 18,928 | 4,732 |
| Office Equipment, Furniture And Fittings | 8,742 | 1,311 |
| Total | 33,931 | 6,826 |



14 Intangible Assets:

| | 2022-2023 | 2021-2022 |
|------------------------------|---------------------|---------------------|
| Cost: | Kshs'000 | Kshs'000 |
| As at 1 st July | 16,005 | 15,088 |
| Additions during the year | - | 917 |
| Revaluation adjustment | (6,859) | - |
| As at 30 th June | <u>9,147</u> | <u>16,005</u> |
| Amortisation: | | |
| As at 1 st July | 14,784 | 14,429 |
| Revaluation Adjustment | (9,165) | - |
| Amortisation during the year | 888 | 355 |
| As at 30 th June | <u>6,507</u> | <u>14,784</u> |
| Net Book Value: | | |
| As at 30 th June | <u>2,639</u> | <u>1,221</u> |

Intangible assets were re-valued by an independent valuer (Gimco Ltd) in July 2022. Valuations were made on the basis of open market values. Book values have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves. The intangible assets comprise of Software purchased by the Foundation for use in its operations

15. Inventories:

| | 2022-2023 | 2021-2022 |
|------------------------|-----------------------|-----------------------|
| | Kshs'000 | Kshs'000 |
| Finished Goods | 220,922 | 222,251 |
| Consumables | 907 | 1,229 |
| | <u>221,829</u> | <u>223,480</u> |
| Obsolescence provision | (40,816) | (12,591) |
| | <u>181,014</u> | <u>210,889</u> |

Obsolescence provision represents the cost of old edition stock held and determined to be unsalable and a general provision for slow moving stock. Kshs. 38.5 million additional provision was made in the current financial year and books worth Kshs. 3,155,306 were donated to various schools.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

16. Trade and other Receivables: 2022-2023 2021-2022

16. a. Trade Receivables

Kshs'000

Kshs'000

| | | |
|-------------------------------------------------------------------|----------------|----------------|
| Total Trade Receivable(16b) | 153,970 | 299,223 |
| Prepayment and Other Receivables | | |
| Deposits and prepayments | 3,991 | (536) |
| VAT recoverable/(Payable) | 9,697 | (1,341) |
| Staff receivables (16c) | 3,387 | 5,740 |
| Royalties Advances | 12,952 | 12,301 |
| Other receivables | 90,462 | 1,412 |
| Gross Trade and other Receivables | 274,459 | 316,799 |
| Less: Provision for doubtful debts(Trade) (Note 28) | (13,416) | (13,137) |
| Less: Provision for doubtful debts(Staff and Others) (Note 28) | (2,955) | (2,955) |
| Total Trade Receivables | 258,088 | 300,708 |

16. b Gross Trade Receivable

| | | |
|----------------------------------------------|----------------|----------------|
| Total Trade Receivable | 153,970 | 299,223 |
| Less: Provision for doubtful debts (Note 28) | (13,416) | (13,137) |
| Net Trade Receivables | 140,554 | 286,086 |

Reconciliation of the provision for doubtful debts is as per note 28

As at 30 June, the ageing analysis of the gross trade receivables was as follows:

| | | |
|--------------------------------|----------------|----------------|
| Less than 30 days | 3,289 | 219,117 |
| Between 30 and 60 days | 667 | 1,898 |
| Between 61 and 90 days | 74 | 661 |
| Between 91 and 120 days | 4,286 | 16,252 |
| Over 120 days | 145,654 | 61,295 |
| Gross Trade Receivables | 153,970 | 299,223 |



2023

*The Jomo Kenyatta Foundation Annual Report and Financial Statements for year ended June 30,***NOTES TO THE FINANCIAL STATEMENTS (CONTD...)****16. c Staff Receivables**

| | | |
|--------------------------------|------------|--------------|
| Gross staff loans and advances | 3,387 | 5,740 |
| Provision for doubtful debts | (2,955) | (2,955) |
| Net Staff Receivables | 432 | 2,785 |

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 late because of delayed release of funds by the Ministry of Education through KICD for books delivered. Other delayed balances are supported by post-dated cheques and bank guarantees held against them. A general provision of 10% is made on the trade receivable amount with a yearly review for under or over provision.

17. a Cash and Cash Equivalents

| | 2022-2023 | 2021-2022 |
|------------------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Cash at Bank | 239 | 18,311 |
| Cash in Hand | 346 | 240 |
| Cash & Bank Balance | 585 | 18,551 |
| Kijabe Collection Account | (252) | - |
| Total Cash and Bank Balance | 332 | 18,551 |

The facility approved by the Board of Directors was a composite of Kshs. 50 million. 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 renewed in the year at a rate of 13% p.a. The cash at bank was held at Kenya Commercial Bank, the entity's main bankers



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

The make – up of bank balances and short-term deposits is as follows:

| | | 2022-2023 | 2021-2022 |
|-----------------------------------------|----------------|---------------------|-------------------|
| | Account number | Kshs | Kshs |
| a) Kenya Commercial bank | | | |
| Head office account | 1107087449 | (49,896,180) | 18,158,565 |
| Head office Interbank | | 3,000 | - |
| Kijabe Collection A/c | 1107087813 | (252,413) | 12,601 |
| Scholarship Account | 1108964508 | 131,608 | 34,746 |
| KPEELP (Elimu Scholarship) | 1312154993 | 580 | - |
| Dollar Account (\$) | 1165350025 | 3680 | 67,182 |
| Rwanda Account (Rwf) | 400391562 | - | 37,443 |
| Contract Guarantees held with bank(KCB) | | 100,000 | - |
| Cash in hand | Petty Cash | 346,627 | 240,556 |
| Grand Total | | (49,564,579) | 18,551,096 |

Foreign currencies converted to reporting currency at CBK rate ruling as at 30th June 2023

17 b. The Foundation had an outstanding Overdraft facility with KCB of Ksh.49,896,180 as at 30th June 2023.

18. Capital Reserve: Kshs. 4 Million

| | | |
|----------------------------------------|-------|-------|
| Initial Grant to set up the Foundation | 4,000 | 4,000 |
|----------------------------------------|-------|-------|

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



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The Jomo Kenyatta Foundation Annual Report and Financial Statements for year ended June 30,

NOTES TO THE FINANCIAL STATEMENTS (CONTD...)**19. Revaluation Reserves: Kshs.1,143,538,539**

Property Plant & Equipment were re-valued by an independent valuer, (Gimco Ltd) in July 2024. Valuations were made on the basis of open market values. Book values have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves

| | Kshs "000" | Kshs "000" |
|----------------------------|------------|------------------|
| Opening balance | | 965,024 |
| Add increase in value | | |
| Land enterprise Road | 122,150 | |
| Buildings- Enterprise Road | 13,939 | |
| Land kijabe Street | 22,315 | |
| Buildings -Kijabe Street | 6,523 | |
| Intangible Assets | 2,306 | |
| Motor vehicles | 11,282 | 178,514 |
| TOTAL | | 1,143,538 |

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

20. Retained Earnings:

Retained earnings are undistributed cumulative profits made by the company over the years shown by the movement below.

| | 2022-2023 | 2021-2022 |
|-----------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| As at 1 st July | (281,751) | (87,395) |
| Profit/(Loss) for the year | (286,601) | (173,356) |
| Provision written back | 136 | 3,000 |
| Scholarship Appropriation | (24,000) | (24,000) |
| As at 30 th June | (592,216) | (281,751) |

"Provision written back" relates to over provision for Audit fees in the prior years adjusted to actual invoice amount written back in current year.



21. Scholarship Fund:

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

| | 2022-2023 | 2021-2022 |
|-----------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| As at 1 st July | 16,737 | 16,855 |
| Scholarship Appropriation | 24,000 | 24,000 |
| Scholarship Applied | (6,318) | (24,118) |
| As at 30 th June | <u>34,418</u> | <u>16,737</u> |

Scholarships are paid from the profit earned. Appropriation is a provision from the retained earnings for projected fees to be paid but the actual fees paid depends on the Foundation available cashflow.

Scholarship Applied represents the actual fees paid to schools in the year from JKF main operations less staff contributions towards the scholarships and income from hire of grounds.

22. Trade and Other Payables:

| | 2022-2023 | 2021-2022 |
|--------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Trade Payables | 524,461 | 451,895 |
| Accrued Expense | 5,764 | 3,091 |
| Employees Payables | 62,253 | 10,501 |
| Other Payables | 107,236 | 109,306 |
| | <u>699,714</u> | <u>574,793</u> |

Other payables include provision for royalties to authors of Kshs.82.1 million (2021/2022 - Kshs.79.3 million). The provision is calculated as a percentage of sales for titles that are subject to royalty and are payable the following financial year. Also included in other payables are amounts relating to accrued expenses not paid by the end of the year and other provisions as per Note 23.

| | 2022/2023 | % of the total | 2021/2022 | % of the total |
|-----------------|------------------|-----------------------|------------------|-----------------------|
| Under one Month | 163,907 | 23% | 62,377 | 11% |
| 1-3 Months | 13,614 | 2% | 15,596 | 3% |
| Over 3 Months | 522,193 | 75% | 496,820 | 86% |
| Total | 699,714 | | 574,793 | |

**NOTES TO THE FINANCIAL STATEMENTS (CONTD...)****23. Provisions**

| Description | Long Leave | Gratuity | Utilities | Royalties | Books Obsolescence | Total |
|--------------------------------------|-------------------|-----------------|------------------|------------------|---------------------------|----------------|
| | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 | Kshs '000 |
| Balance at the beginning of the year | 2,351 | 677 | - | 79,278 | 12,591 | 94,897 |
| Additional provisions | 237 | 975 | 1,524 | 3,028 | 38,544 | 44,308 |
| Provision utilised | - | - | - | (212) | (10,319) | (10,531) |
| Balance at the end of the year | 2,588 | 1,652 | 1,524 | 82,094 | 40,816 | 128,674 |

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year, gratuity is provided for The Managing Director who is on contract, Books obsolescence provided to cater for books being faced out by new CBC curriculum.

24. Related Party Disclosures**a) 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 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.

b) Staff Loans

The company operates a car loan scheme for all employees. The vehicles are registered in joint names of the company and the employees as security for the car loans.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

c) Senior Management Compensation

| | | |
|-----------------------------|--------|--------|
| Salaries and other benefits | 30,699 | 28,476 |
|-----------------------------|--------|--------|

d) Director's Remuneration

| | | |
|------------------|--------------|--------------|
| Honararia | 960 | 900 |
| Other emoluments | 2,773 | 6,196 |
| | 3,733 | 7,096 |

25. Notes to the Statement of Cash flows

| | Notes | 2022-2023 Kshs'000 | 2021-2022 Kshs'000 |
|-------------------------------------------------------|------------|-----------------------|-----------------------|
| Cash flow from operating activities | | | |
| Net Profit for the year | | (286,601) | (173,355) |
| Adjustments for: | | | |
| Depreciation | 13a | 26,539 | 24,346 |
| Amortization of Intangible Assets | 14 | 888 | 355 |
| Interest Received | 6a | - | (187) |
| (Gain)/Loss on diposal of Non-Current Assets | 6b | (17) | (106) |
| Provision written back from accrued expenses | 20 | 136 | 3,000 |
| Operating Profit/(Loss) before working capitl changes | | | |
| Changes in working Capital: | | | |
| Decrease/(increase) in: | | | |
| (Increase)/Decrease in Inventories | 15 | 29,875 | (54,618) |
| (Increase)/Decrease Trade and Other Receivables | 16 | 42,619 | 529,890 |
| Increase/(Decrease) in Trade and Other Payables | 22 | 124,684 | (390,404) |
| Increase/ (Decrease) in provision for staff Leave pay | 23 | 237 | |
| Cash Generated from Operations | | (61,640) | (60,982) |

Leave pay provion is included in the trade and other payables in the Statement of Financial Position

**26. 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.

The finance and audit department under policies approved by the Board of Directors carries out risk management. 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 that 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 June 30, 2023 is as shown below:

| | Neither past due nor impaired | Past due but not impaired | Impaired | Total |
|--------------------------|----------------------------------------|------------------------------------|-----------------|-----------------|
| June 30, 2023 | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Trade receivables | 8,316 | 132,238 | 13,416 | 153,970 |
| Due from related parties | 432 | - | 2,956 | 3,388 |
| Other Receivables | 95,993 | 12,952 | - | 108,945 |
| Bank Balances | 328 | - | - | 328 |
| | 105,069 | 145,190 | 16,372 | 266,631 |



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2022 is as shown below:

| June 30,2022 | Neither past | Past due | Impaired | Total |
|--------------------------|-----------------|-----------------|-----------------|-----------------|
| | due | but | | |
| | nor | not | | |
| | impaired | impaired | Impaired | Total |
| | Kshs'000 | Kshs'000 | Kshs'000 | Kshs'000 |
| Trade receivables | 299,223 | 6,366 | 13,137 | 318,726 |
| Due from related parties | 2,722 | - | 2,956 | 5,678 |
| Bank balances | 18,551 | - | - | 18,551 |
| | 320,496 | 6,366 | 16,093 | 342,955 |

All bank balances are held with Kenya Commercial Bank and are fully performing including the overdraft facility in the liquidity risk section part c below. 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.



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

| | Less than 1 month Sh'000 | Between 1- 3 months Sh'000 | Over 3 months Sh'000 | Total Sh'000 |
|----------------------------------|--------------------------------|----------------------------------|----------------------------|-----------------|
| Trade Payables | 87,401 | 13,614 | 418,098 | 519,114 |
| Other Payables | 56,344 | - | 57,287 | 113,631 |
| Employee Benefits Obligations | 14,813 | 26,062 | 17,937 | 58,812 |
| Overdraft Facility | 49,893 | - | - | 49,893 |
| At June 30, 2023: | 208,451 | 39,676 | 493,322 | 741,450 |
| Trade Payables | 18,758 | 15,596 | 417,541 | 451,895 |
| Other Payables | 43,619 | | 79,279 | 122,898 |
| At June 30, 2022: | 62,377 | 15,596 | 496,820 | 574,793 |

d) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

| Description | 2022-2023 | 2021-2022 |
|--------------------------|------------------|------------------|
| | Kshs'000 | Kshs'000 |
| Revaluation reserve | 1,143,538 | 965,024 |
| Retained earnings | (592,216) | (281,921) |
| Capital reserve | 4,000 | 4,000 |
| Scholarship Fund Reserve | 34,418 | 16,737 |
| Total funds | 589,740 | 703,840 |
| Total Creditors | 691,557 | 574,793 |
| Add: Bank Overdraft | 49,564 | (18,551) |
| Net debt | 741,121 | 556,242 |
| Gearing Ratio | 126% | 79% |



27. Capital Commitments:

| | 2022-2023 | 2021-2022 |
|------------------------|---------------------|-----------------------|
| | Kshs'000 | Kshs'000 |
| Amounts authorised | 2,740 | 634,460 |
| Less: Amounts incurred | (174) | (3,836) |
| | <u>2,566</u> | <u>630,624</u> |

The Foundation shelved purchase of some budgeted capital items to enable us utilise the available cash for main operations. We had planned to acquire a web machine at a cost of Kshs620 million which was dropped in the revised budget.

28. Incorporation Status:

The Foundation is a company limited by guarantee domiciled in Kenya and incorporated under the Companies Act on 2nd March 1966 and does not have a share capital. The capital reserve represents the initial grant by the Government to set up the Foundation.

29. Reconciliation of the provision for doubtful debts

| | Trade | Staff | Total |
|-----------------------|----------------------|---------------------|----------------------|
| Opening Balance | 13,137 | 2,955 | 16,092 |
| Increase in Provision | 236 | - | 236 |
| Closing Balance | <u>13,373</u> | <u>2,955</u> | <u>16,328</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONTD...)

30. Explanations of material differences between budget and the actual amount.

| | Original Budget | Adjustment | Final Budget | Actual on Comparable Basis | Performance Difference | |
|-------------------------------------------------------------|-----------------|------------|------------------|----------------------------|------------------------|----|
| | 2022/23 | 2022/23 | 2022/23 | 2022/23 | 2022/23 | |
| | Kshss '000 | Kshss '000 | Kshss '000 | Kshss'000 | Kshss'000 | |
| Recurrent Revenue | | | | | | |
| Sales (Goods or Services-Books) | 894,163 | (262,273) | 631,890 | 117,995 | (513,895) | 1 |
| Elimu Fund Grant | 0 | 371,822 | 371,822 | 88,668 | (283,154) | 2 |
| Interest Income | 924 | (924) | 0 | 0 | 0 | 3 |
| Investment Income (Rental Income) | 4,404 | 1,606 | 6,010 | 1,628 | (4,382) | 4 |
| Other Incomes (Hire of Grounds) | 2,291 | 2,737 | 5,028 | 1,783 | (3,245) | 5 |
| TOTAL | 901,781 | 112,969 | 1,014,750 | 210,074 | (804,676) | |
| Operating Expenses | | | | | | |
| Depreciation | 108,594 | (72,480) | 36,114 | 27,427 | (8,687) | 6 |
| Repairs and Maintenance | 3,315 | 2,447 | 5,762 | 3,590 | (2,172) | 7 |
| Administrative Expenses | 120,303 | (52,687) | 67,617 | 62,029 | (5,587) | 8 |
| Use of Goods and Services (Trainings & Product Development) | 19,823 | (3,536) | 16,286 | 3,278 | (13,009) | 9 |
| Elimu Scholarship Expenses | - | 338,072 | 338,072 | 88,668 | (249,404) | 10 |
| Contracted Services (Outsourced Services) | 8,366 | 4,545 | 12,911 | 5,549 | (7,362) | 11 |
| Insurances and Medical | 29,829 | 5,335 | 35,164 | 24,689 | (10,475) | 12 |
| Board of Directors Expenses | 15,140 | (4,693) | 10,447 | 3,733 | (6,714) | 13 |
| Personnel Emoluments | 237,144 | (10,898) | 226,246 | 192,426 | (33,820) | 14 |
| Cost of Sales (Goods/ Services) | 234,500 | 4,371 | 238,871 | 79,278 | (159,593) | 15 |
| TOTAL | 777,015 | 210,475 | 987,490 | 490,667 | (496,823) | |



| | | | | | |
|------------------------------------------------------|----------------|-----------------|----------------|------------------|----------------|
| Other Expenditure/Income | | | | | 0 |
| Finance Charges (Interest on Overdraft/ loans) | 82,822 | (75,238) | 7,584 | 6,008 | (1,576) |
| TOTAL | 82,822 | (75,238) | 7,584 | 6,008 | (1,576) |
| Total Expenditure | 859,837 | 135,237 | 995,074 | 496,675 | (498,399) |
| Profit/(Loss) | 41,944 | (22,268) | 19,676 | (286,601) | (306,277) |

Explanations

1. The cumulative sales for the year was Kshs. 118 million compared to the budgeted revenue of Kshs. 631 million. The reason for this variance is because JKF did not supply any titles for Government projects in CBC Grade 7 greatly affecting the revenue. There were also minimal sales made in the open market as the Foundation mostly relies on Government sales. The open market sales was also drastically affected as learning Institutions opt for books selected by the Government. In addition the uptake of books in the e-platforms was lower than had been budgeted.
2. The Foundation was awarded the administration role of the Elimu Scholarship program with a first cohort of 3,000 students. This programme is funded by MoE but as at close of the year the Ministry had not disbursed any amounts for the same giving rise to this variance.
3. We had budgeted for interest income from staff advances which was shelved due to poor cash position, there was also anticipation of having a fixed deposit placed with KCB for any extra cash but our liquidity was affected by the poor performance.
4. The variance on rental arose due vacant units in the Kijabe BDC and we had budgeted to hire out 2 warehouses at the Head office which did not materialise.
5. The other income realised were lower than budgeted due to reduced activities. We had planned to replace two sales executives' vehicles which did not take effect and JKF expected a gain on disposal of these vehicles and other obsolete assets giving rise to this variance.



6. The Foundation had planned to acquire a web printing machine which has not been acquired and of which we had factored the depreciation charge in the budget resulting in the variance. Also due to cashflow challenges the planned capital items were not acquired reducing the depreciation charge.
7. The Foundation had planned to repair warehouses for rental purposes which was shelved due expected change brought by award of Elimu Scholarship administration and expected swapping of the locations.
8. Included in the administrative expense is royalties and sales discount expenses which are factors of the sales realised which were lower than budgeted due to reduced sales. Other expenses relating to operations were lower than budgeted or not incurred like sales promotions due to cash constraints and liquidity management. The management also ensured the cost are maintained at the minimum for the expenses incurred.
9. Training expenses for the period is lower than budgeted due to shelving of trainings by management due to reduced cashflow as well as preferred virtual meetings. In addition authors workshops were held inhouse to reduce on the cost of manuscript development.
10. With the award of Elimu Scholarship administration the GoK delayed the release of funds affecting the settlement of the expenses as planned especially schools fees, selection process expenses and other expenses.
11. The variance arose as result of engaging the service provider at lower rates than used in the budget and scaling down on some of the engaged staff.
12. The variance in insurance and medical expenses is due to acquiring insurance services at lower premiums than budgeted and regulating the outpatient medical care visitation to Tier II hospitals as opposed to premium hospitals for all staff.
13. Director's expenses are pro-rated over the whole year and we have incurred less expenses than budgeted as at end of the year due to holding fewer physical meetings and more virtual meetings which cost less than physical meetings. Also some planned activities we shelved for future.



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14. The variance in personnel emoluments was due to expected review of salaries and allowances by SRC which was shelved as the government froze all salary increments in public service though factored in the budget.
15. Cost of sales is directly related to sales realised and since our sales are lower than budgeted this cost is also lower than the budget. The Freight and distribution cost included in the cost of sales in the budget was not incurred as we did not supply any Government order.
16. The finance cost relates to interest charges on utilization of overdraft facility. In the year the Foundation has mostly relied on the overdraft due to dismal performance in the market affecting the cashflow.



20. Appendix 1: Implementation Status Of Auditor-General prior year recommendations

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe when you expect the issue to be resolved | | | | | | | | | | | | | | | | |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|--------------------------|----------------------------------------------------|------------------------|----------------|-------------|-------------|-----------|-------------|-----------|-----------|--------|-----------------------|--------------------|--------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|------------|
| | Report on Financial Statements | | | | | | | | | | | | | | | | | | | |
| 1.0 | <p>Unsupported Inventory Balance</p> <p>The statement of financial position reflects inventory balance of Kshs.210,889,000 as disclosed in Note 15 to the financial statements. However, review of inventory records revealed an unreconciled variance between the system-generated stock report and the physical count stock report as shown in the table below: -</p> <table border="1"> <thead> <tr> <th>Category</th> <th>System Generated (Kshs.)</th> <th>Physical Count (Kshs.)</th> <th>Variance Value (Kshs.)</th> </tr> </thead> <tbody> <tr> <td>Finished Goods</td> <td>222,251,120</td> <td>218,985,578</td> <td>3,265,542</td> </tr> <tr> <td>Consumables</td> <td>1,229,460</td> <td>1,194,330</td> <td>35,130</td> </tr> <tr> <td>Total Variance</td> <td>223,480,580</td> <td>220,179,907</td> <td>3,300,673</td> </tr> </tbody> </table> | Category | System Generated (Kshs.) | Physical Count (Kshs.) | Variance Value (Kshs.) | Finished Goods | 222,251,120 | 218,985,578 | 3,265,542 | Consumables | 1,229,460 | 1,194,330 | 35,130 | Total Variance | 223,480,580 | 220,179,907 | 3,300,673 | <p>Since 2019 the model in the book distribution changed and the distribution is done directly to schools. Such deliveries are not stocked but are held by the distributors who consolidate with other publishers for deliveries. The reconciliation issues arise due to timing difference at the close of the year when the data is received from the printers and distributors for orders delivered.</p> <p>We have always ensured that the stores custodians explain the variances arising from the stocktaking and where agreeable the management authorizes for the adjustment of the stock over sometime to ensure we carry the correct balances in the books. The Head office variance arose due to the ongoing distribution of the Government orders and reconciliation / adjustment will</p> | Not Resolved | 31/01/2024 |
| Category | System Generated (Kshs.) | Physical Count (Kshs.) | Variance Value (Kshs.) | | | | | | | | | | | | | | | | | |
| Finished Goods | 222,251,120 | 218,985,578 | 3,265,542 | | | | | | | | | | | | | | | | | |
| Consumables | 1,229,460 | 1,194,330 | 35,130 | | | | | | | | | | | | | | | | | |
| Total Variance | 223,480,580 | 220,179,907 | 3,300,673 | | | | | | | | | | | | | | | | | |



| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe when you expect the issue to be resolved |
|-----------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------|
| | In the circumstances, the accuracy and completeness of the inventory balance of Kshs.210,889,000 could not be confirmed. | be done to iron out the variance once the orders have been fulfilled | | |
| 2.0 | <p>Unsupported Reversals in the Sales Ledger</p> <p>The statement of profit or loss and other comprehensive income reflects an amount of Kshs372, 849,000 in respect of gross turnover as disclosed in Note 4 to the financial statement. Review of the sales general ledger reflected reversals totaling Kshs.571, 095,180. The reversals were explained to have been occasioned by supply of books towards the end of the previous financial year where a provision was made in the receivables to acknowledge delivery awaiting payments. Upon receipt of cash from KICD as reflected in the sales distribution schedule, the double-entry transactions were completed by reversing an equivalent of the proceeds in the sales ledger. However, these reversals exceeded the actual amounts received leaving a balance of Kshs.70, 950,181 not supported by any relevant documentation.</p> | <p>JKF sales are reported net of VAT but the reversal amount were wrongly captured inclusive of VAT. This was corrected through a journal No. 211 of 30/04/2022 amounting to sh. 71,068,307.82 tabulated per invoice and amount. The variance of Ksh. 118,126.46 (-0.166%) arise because KICD payment a times differs slightly with our invoice due to their level of verification and disbursement done and this is supposed to be corrected at the closure of the contract.</p> <p>We have attached the journal for your review and request that the matter be closed.</p> | Not Resolved | 31/01/2024 |



| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe when you expect the issue to be resolved |
|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|-------------------------------------------------------------|
| | In the circumstances, the accuracy and regularity of reversals of Kshs.70, 950,181 in the sales ledger could not be confirmed. | | | |
| 3.0 | <p>Understatement of Cost of Sales</p> <p>The statement of comprehensive income reflects cost of sales of Kshs, 180,624,000 as disclosed in Note 5 to the financial statements. Analysis of sales transactions against cost of sales reports revealed that seventy-eight (78) sales transactions amounting Kshs.17, 291,538 did not have the corresponding cost of sales.</p> <p>In the circumstances, the accuracy and completeness of the cost of sales of Kshs.180, 624,000 could not be confirmed</p> | <p>We have relooked at the seventy- eight (78) sales transaction indicated as not having the corresponding cost of sales. We have matched the appendix against the distribution of cost of sales and attached is the matched cost of sales against the sales invoices sampled out. The invoices mentioned mainly relate to service jobs and a few from the Secondary which could not have been included in the list.</p> <p>We have printed the summary as per the appendix provided and also forwarded the soft copy of the cost of sales for your concurrence</p> | Not Resolved | 31/01/2024 |
| | <p>Material Uncertainty Related to Going Concern</p> <p>The statement of financial position reflects current assets and liabilities of Kshs.530,148,000 and Kshs.574,793,000 respectively resulting in negative working capital of</p> | The changes in the Government policies in book industry have had a negative effect on the performance in the publishing business resulting in the negative working capital. The Foundation has however gone ahead and requested for government support for funds | Not Resolved | 31/01/2024 |



| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status | Timeframe when you expect the issue to be resolved |
|-----------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-------------------------------------------------------------|
| | <p>Kshs.44,645,000. Further, the Foundation's financial performance reflected a deficit of Kshs.173,355,000 compared to a profit of Kshs.57,015,000 in the prior year. Management has attributed the loss to the decline of turnover from Kshs.1,082,965,000 the previous year to Kshs.372,849,000 or 66% in the current year due to decline in awards of Government projects and the effects of Covid-19 which led to the closure.</p> <p>The Foundation may therefore be unable to meet its financial obligations as and when they fall due and is, therefore, technically insolvent.</p> | <p>through the Ministry of Education (MOE) to assist in clearing the pending bills through a letter Ref: MOE.CONF/G11/2/2/Vol.III (34).</p> <p>In addition the Government is in the process of reviewing the mandate of the Foundation to be the provider of last resort of scholarships with funding from the Government. This has been demonstrated by award of the 1st cohort of 3,000 students who are currently being administered by JKF. In the reviewed mandate the Foundation is required to manage and coordinate all other philanthropic organisations providing scholarship's in the country and will earn management fees from this endeavour hence the going concern of the Foundation is assured. This was included in the Presidential Working Party Report on education reforms which is currently being implemented.</p> | | |



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| | Report on Lawfulness and Effectiveness in use of Public Resources | | | |
| 1.0 | <p>Irregular Procurement of Security Services-</p> <p>The Foundation procured consultancy services for security guarding and related services for the head office and Kijabe Street book distribution center. The contract agreement indicated that the contract was to come into effect on the date the contract is signed by both parties on 1 October, 2019 at a contract cost of Kshs.1,836,000. Further the service provider would commence providing the services upon signing of the contract or at such other date as may be specified in the service contract.</p> <p>Review of documents indicated that the contract was signed by one party. Further, the contract was for a period of one year. However, on 1 October, 2021, the contract was renewed. Although the management explained that the extension was necessitated by the need to avoid staff interactions with outsiders during the Covid-19 restriction period, provision for extension clause was not disclosed in the 2019 contract and at</p> | <p>The Contract for provision of Security services was renewed for a further period of one year subject to satisfactory performance and upon concurrence by both parties on same terms. This was also necessitated by the need to avoid staff interactions with outsiders during Covid-19 restriction period in the process of evaluation.</p> <p>The user department (HRA) carried out an assessment to inform extension of the contract and recommended extension that was approved by the Accounting officer on 23rd August 2021. A copy is hereby attached for reference – Appendix Bi</p> <p>The original contract signed on 14th October, 2020 was signed by both parties and the renewal for a further one year was based on the same. A copy is hereby attached for reference - Appendix Bi.</p> | Not Resolved | 31/01/2024 |



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| | <p>the time of extending the contract, there was normalcy in the Government offices.</p> <p>In the circumstances, Management was in breach of law on procurement of security services.</p> | | | |
| 2.0 | <p>Irregular Extension of Contract for Provision of Cleaning Services</p> <p>The Foundation entered into a contract for provision of cleaning services in October, 2020 for one year at an all-inclusive annual price of Kshs.1,906,360. The contract was to commence on 13 October, 2020 and end on 12 October, 2021. However, the Foundation extended the contract for two (2) months to December 2021 for which the service provider did not indicate acceptance of the extension in writing. This is contrary to the contract terms that had not provided for an extension. The Foundation, therefore, spent Kshs.151,060 off the contract in the months of November and December, 2021.</p> | <p>We confirm the Cleaning Services for the year under review were provided to the Foundation however the issue of extension of contracts has been noted for compliance in subsequent years and when drawing new contracts. Thus no extension has been made in the financial year ended June 2023. The services for provision of cleaning services were combined together with Gardening and Ground maintenance at a monthly charge of Ksh.142, 260.08 as per attached contract Appendix iv</p> | Resolved | 31/01/2024 |



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| | In the circumstances, Management was in breach of the law on the extension of the contract. | | | |
| 3.0 | <p>Contract for Provision of Gardening, Landscaping and Ground Maintenance</p> <p>The Foundation entered into a contract in October, 2020 for the provision of gardening, landscaping and ground maintenance services at a contract cost of Ksh. 391,248 for a period of 1 year. The contract was to commence on 13 October, 2020 and end on 12 October, 2021. However, the Foundation extended the contract for a period of two (2) more months to December, 2021 contrary to the contract terms that had not provided for an extension. The Foundation, therefore, spent Kshs.65,208 off the contract in the months of November and December 2021.</p> <p>In the circumstances, Management was in breach of the law and the amount of Kshs.65,208 spent off the contract was not a proper charge to public resources.</p> | <p>The Contract for provision of Gardening, Landscaping and Ground Maintenance services contract was extended for a further period of two (2) months upon concurrence by both parties on same terms. This was necessitated by the need to avoid staff interactions with outsiders during Covid-19 restriction period.</p> <p>In addition it was necessary to process it together with other tender that were expiring at the end of the year viz. provision of medical and general insurance, catering and printing services.</p> <p>The services of Gardening, Landscaping and Ground Maintenance for the year under review were provided to the Foundation however the issue of extension has been noted for compliance in subsequent years and when drawing the contracts. No new contracts have been</p> | Resolved | 31/01/2024 |



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| | | extended in the 2023 financial year. The services of Gardening and Ground maintenance were combined with Cleaning Services and outsourced to one provider as indicated above in 2.0 | | |
| 4.0 | <p>Unauthorized Staff Allowances</p> <p>The statement of profit or loss and other comprehensive income reflects staff cost Kshs. 197,255,000 made up of Kshs. 50,416,000 in respect of production overheads, Ksh 43,697,000 and Kshs 103,142,000 in respect of selling and distribution expenses and administrative expenses respectively as disclosed in Note 5, 7 and 8 to the financial statements. Included in the staff costs are allowances totaling to Kshs.7,797,215 that were not approved by the Salaries and Remuneration Commission (SRC). Through a letter reference SRC/TS/JE/CSSC/3/33/2 VOL.III (109) dated 15 May 2017, the Commission approved the basic salary for the Foundation, not the allowances.</p> | <p>We wrote to SRC and submitted JKF allowances that have been in force for over 20 years for concurrence w.e.f 2nd December 2021 and 1st August 2023 respectively. The Commission granted the approval and confirmed that it is in the process of reviewing all allowances payable to public servants as part of the implementation of the allowances policy framework, JKF included.</p> <p>Consequently, SRC advised that we retain the current allowances awaiting policy direction of payment of the allowances.</p> | Not Resolved | 31/01/2024 |



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| | In the circumstances, Management was in breach of SRC guidelines and the payment of the Kshs.7,797,215 allowances paid to staff were irregular and not | NB: Please see the attached letter from SRC on approval for JKF allowances dated 10 th August 2023, Ref: SRC/TS/15/VOL III (94). Appendix v | | |
| 5.0 | <p>Long Outstanding Staff Medical Loans</p> <p>The statement of financial position reflects accounts receivable balance of Kshs.300, 708,000 as disclosed in Note 16 to the financial statements. Included in this balance is a closing balance Kshs.1,110,542 in respect of staff medical loans that had an opening balance of Kshs.1,407,050. This indicates that only Kshs.296,508 had been recovered during the year 2021/2022.</p> <p>In the circumstances, the regularity of the staff medical loans balance of Kshs.1,110,542 could not be confirmed.</p> | <p>Most of the outstanding medical loans are for staff who left JKF and the medical bills came after their final dues had been processed. Demand letters have been sent to some of them to pay (see demand letters HRA-F and G. Also note that medical loans for some staff were waived by the Management at the time of their final payment after being laid off (refer to JKF T&C 4.2(d)) - See HRA D and E.</p> <p>The affected staff have been issued with letters of effecting the recoveries from payroll.</p> <p>As for staff who recently exited from JKF, the outstanding medical loan were recovered. Please see the attached letter dated 15th September 2023.</p> <p>The management commits to come up with a criteria to write off the appropriate balances and recover the remaining balance in accordance with the laid down policy.</p> | Not Resolved | 31/01/2024 |



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| | | For those employees still on payroll, reconciliation is being done so as to immediately start deductions – see HRA-H. Appendix 6 | | |
| 6.0 | <p>Unrecovered Staff Advances</p> <p>The statement of financial position reflects accounts receivable balance of Kshs.300, 708,000 as disclosed in Note 16 to the financial statements. Included in this balance is Ksh 5,740,000 in respect of staff receivables. Review of records revealed that thirty-seven (37) members of staff had been advanced Kshs.1, 759,200 to purchase phones, laptops, and tablets. However, no Board resolution authorizing the payment of advances to staff was provided for verification. In addition, thirty-two (32) members of staff were advanced Kshs.1, 474,200. However, the repayments that are spread over a period of twelve (12) months revealed lower repayments than the expected equal monthly installments. Records also revealed six (6) cases of multiple issuances of advances contrary to the Foundation’s policy that states no</p> | <p>The recoveries have continued in the year through the payroll on monthly basis. Currently, we have twenty four (24) whose recoveries is in force with the outstanding amount standing at Ksh 187,965/= which is expected to clear by end of December 2023.</p> <p>The few cases of multiple advances resulted from emergency unavoidable circumstances where Management approval was sought.</p> | <i>Not Resolved</i> | 31/01/2024 |



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| | staff should be given an advance if there is an outstanding one. In the circumstances, the recoverability of staff receivables of Kshs, 1,759,200 could not be confirmed. | | | |

David K. Mwaniki

Managing Director



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Managing Director

