



**THE
JOMO KENYATTA
FOUNDATION**
Educational Publishers

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THE JOMO KENYATTA FOUNDATION

ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2017

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

VISION

An educated, empowered and inclusive society

CONTROLLED

MISSION

Provision of customer-focused educational publications and scholarships

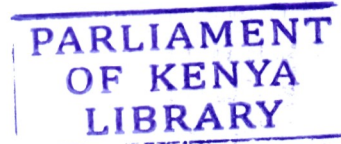
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CORE VALUES



Professionalism

We uphold impeccable professional standards in our work while adhering to ethical principles in service delivery.



Integrity

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.

Fairness

We are committed to impartiality in dealing with all our stakeholders.

Innovativeness

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

Teamwork

We value the diversity in our human capital and endeavor to provide an environment that nurtures integration and synergy.

Responsiveness

We endeavour to respond promptly and positively to issues affecting our customers and stakeholders.

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KEY ENTITY INFORMATION

INCORPORATION

The Jomo Kenyatta Foundation was incorporated 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.

SECRETARY

Mrs. Rosemary K. A. Barasa
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
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 Directors who served the entity during the year/period were as follows:-

1. Hon. Walter O. Nyambati - Chairman
2. Mrs. Rosemary K. A. Barasa - Managing Director/Secretary to the Board
3. Mr. Joseph K. Kinyua, CBS - Chief of Staff and Head of Public Service
4. Dr. Henry Rotich, EBS - Cabinet Secretary, The National Treasury
5. Dr. Belio R. Kipsang - Principal Secretary, Ministry of Education
Science and Technology
6. Dr. Mwikali Mugachia - Member
7. Ms. Doreen Kathure - Member
8. Mr. Simon Watenga - Member
9. Mr. Hudson A. Liyai - Member
10. Prof. Michael Mabururu - Member - Appointed on 30 December 2016
11. Mr. Patrick Birgen - Member - Appointed on 30 December 2016
12. Mr. Mohammed Jabane - Alternate to Chief of Staff and Head of Public
Service
13. Mrs. Maria Cheron, HSC - Alternate to Principal Secretary, Ministry of
Education Science and Technology
14. Mr. Seth Odhiambo - Alternate to Cabinet Secretary, The National
Treasury

THE BOARD OF DIRECTORS BRIEF



Hon. Walter O. Nyambati- Chairman

Hon. Nyambati is an immediate former Member of Parliament in the 10th Parliament representing Kitutu Masaba Constituency. He was a commissioner and Vice Chairman of the Parliamentary Service Commission and served in many other committees of parliament. Prior to that, he was a General Manager with Kenindia Assurance Company for several years. Hon. Nyambati holds a Bachelor degree in Business Administration from Dallas (U.S.A), and a diploma in Instrument Engineering from the school of electrical and mechanical engineering, Bordon Hants, (UK). Currently, besides being the Chairman of The Jomo Kenyatta Foundation he is also the Chairman of JATCO Taxis and Tours and sits in committees of many organizations.



Mr. Henry K. Rotich, EGH

Mr. Henry K. Rotich is the Cabinet Secretary for National Treasury. Prior to his appointment, he was the Head of Macroeconomics at the Treasury, Ministry of Finance for 7 years. Prior to joining the Ministry of Finance, Mr. Rotich worked at the Central Bank of Kenya for 12 years. He was attached to the International Monetary Fund (IMF) local office in Nairobi as an economist from 2001 to 2004. He has been a Director of several Boards of State Corporations including; Insurance Regulatory Board, Industrial Development Bank, Communication Commission of Kenya and Kenya National Bureau of Statistics. Mr. Rotich holds a Master's Degree in Public Administration (MPA) from the Harvard Kennedy School, Harvard University. He also holds MA and BA degrees in Economics (University of Nairobi).



Mr. Joseph Kinyua, CBS

Mr. Joseph Kinyua is the Chief of Staff and Head of Public Service. Prior to his appointment, he was the Permanent Secretary, Ministry of Finance. He is a career economist having served in various capacities in the Treasury and Central Bank. He has also been involved in several projects with the International Monetary Fund both within Kenya and abroad. He has been a director of several state corporations including: Kenya Pipeline Corporation, Kenya Airways, Kengen, National Oil Corporation, Kenya Reinsurance Corporation Ltd, and Consolidated Bank among many others. He is a member of Board of Governors of Africa Economic Research Consortium (AERC). Mr. Kinyua holds MA and BA degrees in Economics both from University of Nairobi.



Dr. Richard Kipsang Belio

Dr. Kipsang is the Principal Secretary, Ministry of Education. He holds a PhD from the Catholic University of Eastern Africa, where his dissertation was entitled, "Assessment of Policy, Practice and Implication of Financing Higher Education through the Students' Loan Scheme in Kenya". He has a Master's degree in Economics, and a Bachelor of Education (Hons) both from 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).



Dr. Mwikali Mugachia

Dr. Mwikali is the Managing Director of Garden Veterinary Services Ltd. She holds a Bachelor's Degree in Veterinary Medicine (1988), a Masters in Veterinary Medicine (Entomology) (1995) from the University of Nairobi, and a Masters of Business Administration (Strategic Management) from the United States International University. In addition, she holds diplomas in project management, human resources, marketing, business administration and public relations. She is a registered environmental assessment lead expert. She is a member of KVB, KVA, APSEA and KSPCA.

Dr. Mwikali worked with the government of Kenya in the public sector from 1988 to 1990 in Machakos District and then moved to teaching at the Animal Health and Industry Training Institute (AHITI) from 1990 to 1996.



Mr. Simon Watenga

Mr. Watenga holds a Bachelor of Education, Science from Egerton University, Diploma in Education management from Kenya Education Staff Institute and MED in Guidance and Counselling from Egerton University. He is currently the Principal at St. Paul's Kitum High School, position held since 2009. He has undertaken a course on Corporate Governance for Directors and has a wide range of experience in education issues.



Mr. Hudson A. Liyai

Mr. Liyai has professional background on Library and Information Sciences. Mr. Liyai holds a BA (Hons) from University of Nairobi and a major in Political Science and Sociology. He has Masters in Communication Studies from University of Nairobi School of Journalism and in addition a Postgraduate Diploma in Mass Communication UON and Postgraduate Diploma in Library and information Sciences from Manchester Metropolitan University (U.K). He is the immediate former Deputy University Librarian in charge of Administration and doubles as a lecturer at the University. He has held positions in several committees and councils for Kenya National Archives, Kenya Bureau of Standards and Presidential Universities Inspection Board. Mr. Liyai also has provided professional consultancy services to companies and NGO's.



Mr. Seth Odhiambo

Mr. Seth Odhiambo is Alternate to Cabinet Secretary, The National Treasury in JKF's Board of Management as stipulated under Act. He holds a MBA from University of Nairobi, Bachelor of Business Management from Moi University and CPA (K). Currently working as Senior Accountant at The National Treasury Department of Government Investment and Public Enterprises and formerly with the Public Sector Accounting Board secretariat, he has also worked at Nyamira County Government as head of Treasury accounting. He has wide experience in auditing and accountancy profession.



Mr. A. Mohammed Jabane

Mr. Jabane is the Alternate to Chief of Staff and Head of Public Service in JKF's Board of Management as stipulated under Act. He holds an M.A. in Internal Relations from The University of Nairobi and a B.A in Political Science from the same university. Currently, he is the Director of Administration in the Presidency and Cabinet Affairs Office. He has attended Strategic Leadership Development Programme at KSG and several other courses in Management, Leadership, Corporate Governance, Finance and Strategy both locally and abroad. Mr. Jabane has been a Director in various state corporations like KEFRI, KWS, NMC, Kenya National Archives, KBC and KVDA. He has also served in several government task forces and commissions. He has a wide experience in central government and field administration.



Ms. Doreen Kathure

Doreen is a Prosci Certified Change Management Consultant and Talent Development Specialist. She holds an MBA, Human Resources from the University of Nairobi and a Bachelor's degree from Kenyatta University. Doreen also has a Diploma in Human Resources from Kenya Institute of Management (K.I.M). She has attended leadership courses from the Harvard University amongst others. She is a full member of I.H.R.M. and the Women on Boards Network. Her work experience is vast and cuts across many sectors including the public service, the banking industry and various corporate organizations.



Prof. Michael Mabururu - Appointed on 30th December 2016

Prof. Michael Ntabo Mabururu has professional background on Ethics and Philosophy. He holds a PhD in Philosophy from Moi University and MA in Philosophy from University of Nairobi. This is in addition to Bachelor of Arts in Philosophy and Theology from Urbanian University and Gregorian University, Rome (Italy) respectively. He is an external examiner of Maseno University and St. Augustine University Tanzania. Prof. Ntabo has written books in Gender Discrimination and Dialogue in Religion and Science and articles in journals. He has attended several trainings on Philosophy, Religion, Leadership Development and Ethics. He holds professional membership with various institutions. Prof. Ntabo brings on board a vast knowledge in education.



Mr. Patrick Birgen - Appointed on 30th December 2016

Mr. Birgen holds a Bachelor of Arts in Education from the University of Bristol, Diploma in Public Relations from Kenya Institute of Management, and Diploma in Philosophy and Religious Studies from St. Augustine Senior. He is known for his ten-year stint of corporate communication practice at the Teachers Service Commission, conceptual development of Information, Education and Communication. He is well equipped with vast knowledge in environment conservation and sustainability and strategic planning. He brings with him a wealth of knowledge in Education matters.



Mrs. Maria K. Cherono, HSC

Mrs. Maria Cherono is the Alternate to Principal Secretary (Basic Education), Ministry of Education in JKF's Board of Directors. She holds a Master of Education, Bachelor of Education and Post Graduate Diploma in Project Planning and Management and she has attended Strategic Leadership Development Courses and a number of other professional courses. She has over 25 years of experience in the education field and currently serves as the Director of Education at the Ministry of Education.



Rosemary K.A. Barasa (Mrs) - The Managing Director and Secretary to the Board

Mrs. Rosemary K.A. Barasa is the Managing Director and the Secretary to the Board. She is a holder of MBA (Corporate Management) from KCA University, LLB (Hons) from University of Nairobi, a Certified Public Secretary of Kenya (CPSK), and Diploma from Kenya School of Law. She is a member of the Law Society of Kenya and The Institute of Certified Public Secretaries of Kenya (ICPSK). She joined the Foundation in March 2012 as the Company Secretary and Head of Legal Department, was appointed the Acting Managing Director in 2014 and confirmed to the position in December 2015. She has attended Strategic Leadership Development at Kenya School of Government (2013) and various courses and seminars in Management, Leadership, Corporate Governance and Strategy among many others both locally and internationally.

JKF SENIOR MANAGEMENT

1. Mrs. Rosemary K. A. Barasa - Managing Director
2. Mr. John K. Githiaka - General Manager - Human Resource & Administration
3. Mr. Fredrick O. Oyuga - General Manager - Publishing, Research and Development
4. Mr. Michael Ogillo - General Manager - Sales and Marketing
5. Mr. David K. Mwaniki - General Manager - Finance & ICT
6. Mr. Alex G. Wagacha - General Manager - Internal Audit & Risk Management

SENIOR MANAGEMENT BRIEF



Rosemary K.A. Barasa (Mrs) - The Managing Director and Secretary to the Board

Mrs. Rosemary K.A. Barasa is the Managing Director and the Secretary to the Board. She is a holder of MBA (Corporate Management) from KCA University, LLB (Hons) from University of Nairobi, a Certified Public Secretary of Kenya (CPSK), and Diploma from Kenya School of Law. She is a member of the Law Society of Kenya and The Institute of Certified Public Secretaries of Kenya (ICPSK). She joined the Foundation in March 2012 as the Company Secretary and Head of Legal Department, was appointed the Acting Managing Director in 2014 and confirmed to the position in December 2015. She has attended Strategic Leadership Development at Kenya School of Government (2013) and various courses and seminars in Management, Leadership, Corporate Governance and Strategy among many others both locally and internationally.



Mr. John K. Githiaka, GM, HR & Administration

Mr. John K. Githiaka is a holder of Masters of Business Administration (MBA) and Bachelors of Arts (Government & Public Administration) from Moi University. He also holds a Diploma in Human Resources Management (India). He has attended several trainings on Human Resource Management and Strategic Leadership Development Program from the Kenya School of Government. He is a certified ISO 9001:2008 Series, Lead Auditor. He was appointed to the position on 1st November 2012. He is a full member of The Institute of Human Resources Management and Kenya Institute of Management.



Mr. Fredrick Oyuga, GM, Publishing, and Research & Development

Mr. Fredrick Oyuga is a holder of Master of Arts in Communication Studies from the University of Nairobi. He also holds a Bachelor of Education (Science) degree from Kenyatta University. He is trained in Corporate Governance and has attended several local and international courses in Publishing. He was appointed to the position on 28th October, 2004.



Mr. David Mwaniki, GM, Finance & ICT

Mr. David Mwaniki holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa and ACCA 2. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, 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 was appointed to the position in July 2013.



Mr. Michael Ogillo, GM, Sales & Marketing

Mr. Michael Ogillo holds a Master's in Business Administration in Strategic Management, Bachelor of Commerce (Marketing Option-Hons) both from the University of Nairobi and in addition has an ICM Diploma in Marketing. He has attended several courses in the field of Sales and Marketing offered by Marketing Society of Kenya. He was appointed to the position in January 2017.



CPA, Alex Gichura Wagacha, GM, Internal Auditor & Risk Management

CPA, Alex Gichura Wagacha, is a holder of B.Ed (Hons) Degree (Science) from Kenyatta University and currently pursuing an MBA at the University of Nairobi. He is a certified Public Accountant (CPA (K)) and member of ICPAK and IIA (K). He has attended several courses on Leadership, Management, Accountancy, Auditing and Risk Management. He was appointed to the position on July 2013

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 48th ANNUAL GENERAL MEETING of The Jomo Kenyatta Foundation will be held at the offices of The Foundation in Industrial Area, Enterprise Road, Nairobi on 9th August, 2018 at 10.00 am

AGENDA

1. The Secretary to read the Notice convening the 48th Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 25 July 2017.
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2017
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June 2017.
5. To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30 June 2017.
6. To appoint the Company's External Auditors for the year ending 30 June 2018 and fix their fees.
7. To fix Directors fees, allowances and other remunerations for the year ended 30 June 2017 and authorize Management to seek Government approval for their payment.
8. To transact any other ordinary business of the Company according to regulations.

By order of the Board.



MRS. ROSEMARY K. A. BARASA

MANAGING DIRECTOR/SECRETARY TO THE BOARD

NB: In accordance with section 298(1) of the Companies Act 2015, every member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy needs to be a member. A form is enclosed and should be returned to the Secretary, P.O. Box 30533-00100, Nairobi to arrive not later than 48 hours before the meeting or any adjournment thereof.



It gives me great pleasure to present the Foundation Annual Report and Financial Statements for the year ended 30 June 2017.

Performance Review

The Company's turnover reduced by Ksh. 164 million to Ksh. 882 million compared to the prior year's turnover of Ksh. 1.046 billion. The turnover was 16% below the budgeted level of Ksh. 1.053 billion. The gross profit of Ksh. 607 million achieved was 11% below budget. Overall the Foundation recorded a profit of Ksh. 11.5 million. This was way below the budgeted profit of Ksh. 42 million. This is mainly attributed to realising lower sales than budgeted as booksellers reduced their bulk orders uptake due to the uncertainty around the expected change on books distribution policy, which materially affected our sales. Booksellers were also reluctant to purchase books fearing to remain with unsellable stocks due to the ongoing curriculum change. This resulted in lower sales than budgeted.

The year under review represented the 13th cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government

though evaluation for the year has not been carried out.

Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship. During the year under review, The Foundation donated books and cash valued at Ksh. 1.6 million to various schools and institutions in the country. This is in addition to Ksh. 18.2 million paid out to secondary schools as part of our scholarship scheme. JKF also participated and donated to other worthy courses, a few of which were, Cerebral Palsy Society of Kenya walk, Kenya Values Trust, Sasumua Dam Marathon. This was in addition to minding the environment by donating to Net Fund and collaborating with various schools in planting trees. The Foundation also collaborated with our neighbour, Reuben Centre, in organising a VCT and counselling services for staff and the public in the month of November 2016.

Partnerships

Jomo Kenyatta Foundation has continued to partner with various Institutions and Forums on various matters. I will mention three of them

here. Jomo Kenyatta Foundation Scholarships Beneficiaries Association (JKFSBA) though still at the formative stage, is sponsoring some students through our Scholarships programme and Rotaract Club of Nairobi Central that supplies sanitary towels to all girls in our scholarship programme. Goethe Institute co-sponsored the Maktaba Awards with The Jomo Kenyatta Foundation for the 7th year. This has seen many libraries across the country improve on service delivery as they compete for the Awards. The Foundation has also embarked on establishing partnerships with both private and public institutions to explore on ways of raising funds to enhance and support the scholarship award programme to increase the number of beneficiaries.

Staff Development

In ensuring a well-trained staff and in a bid to improve service delivery and the quality of the Foundation products, the Foundation has continued to implement its capacity development policy. In the year under review, the Company spent Ksh. 9.8 million on staff training at various professional and skills upgrading institutions. In addition, a number of staff members continued to be granted time off to pursue various professional and higher degree courses in fields related to their work. As a way of motivating and developing our staff, the Foundation has been exploring on various alternatives to launch the staff mortgage programme and I am happy to report that we have already identified a provider and finalised on the details now only awaiting implementation.

Future Projection

The expected commencement of the implementation of the new curriculum in 2018 will present a big opportunity not only to the publishing industry but also to the JKF both in the short and medium terms. This is because new materials have to be developed and approved for use in schools. The Foundation completed the formulation of its Strategic Plan for the period 2017 to 2022. This Strategic Plan is aligned to the country's strategies as envisioned in the Constitution of Kenya 2010 and Vision 2030 together with The Sustainable Development Goals (SDGs). The Plan has strategies expected to support the two core functions of publishing and scholarships in a sustainable manner.

So far, the Foundation has digitized standard 1, 2 and 3 books to take advantage of the digital initiative advocated by the Government. This is in addition to placing more books on e-platform especially in the reader's and tertiary level categories. With the development of anchor products like the Bibles, Atlas and Kamusi, the future prospects can only be brighter.


Acknowledgement

On behalf of the Board, I would like to thank our customers, suppliers, and staff and through the Ministry of Education, other Government agencies like the Treasury, State Corporation Advisory Committee, Salaries Remuneration Commission 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 Directors for providing diligent policy guidance and direction for the prudent management of the Company's affairs. I wish to pay tribute to our teachers and students, our ultimate customers for buying and using our books, School Principals and beneficiaries for being patient when the fees delayed due to liquidity hitches as well as the authors of the various publications that comprise the Company's core products.

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

Thank you and God bless.



MR. HUDSON A. LIYAI

for **CHAIRMAN OF THE BOARD**

THE CHIEF EXECUTIVE'S REPORT



I take this opportunity to report the performance of The Foundation for the twelve months ended 30th June 2017.

Financial Performance

During the year under review, the Foundation realized gross sales amounting to Ksh. 882 million that was 16% or Ksh. 164 million lower than sales achieved in the last financial year of Ksh.1.046 billion. However, our cost of sales reduced by 19% from Ksh.340 million to Ksh.275 million. The net effect was a decrease in gross profit by 14% from Ksh. 706 million to Ksh. 607 million.

Operating income decreased to Ksh. 621 million from Ksh. 710 million in previous year primarily because of the decreased sales during the year. Operating expenses decreased by 2% from Ksh. 622 million in the year ended 30 June 2016 to Ksh 610 million in the year under review. The net effect of these changes was a profit drop to Ksh. 11.5 million in that year compared to a profit of Ksh. 88 millions in the 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. A much broader interpretation of the Company's Memorandum and Articles of Association enables the Foundation to embrace new avenues of revenue generation.

Publishing

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

In a bid to penetrate the East Africa Community market, The Foundation has continued to participate in international book publishing tenders floated by various governments in the region.

In the year under review, the portfolio of our e-books grew to over 120 titles consisting of mainly children's readers and tertiary books. The digitized books, which are hosted on Worldreader, e-Kitabu and Snapplify platforms, registered a significant growth in revenue. We also continued with our digital publishing program for lower primary course books in readiness for hosting on the yet to be launched Kenya Education Cloud for the digital learning program.

The JKF Scholarships Scheme

The JKF scholarship beneficiaries stood at 321 at the close of the financial year 2016/2017 where a total of Ksh18.2 million was utilized. Out of these beneficiaries, 127 were awarded scholarships in the year.

The revised JKF scholarship policy saw the Foundation conduct interviews and home visits during the award process in all counties. This enabled more transparency in the award process. We awarded eight girls through affirmative action and six beneficiaries out of 127 were awarded under the persons with disability category. During the year under review a new scholarship management system was purchased and installed and will go a long way in improving the administration of scholarships.

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

Strategic Plan

The year marked the end of the Strategic Plan 2012-2017 cycle. Most of the goals in this plan were realized and the few unrealized ones will be carried into the new plan 2017-2022 that is underway. The strategic plan, spells out the Vision, Mission and core values of the

Foundation, which correctly reflect the mandate of the organization of advancing education and alleviation of poverty. It is from this that the objectives for the five-year period are drawn.

In keeping with the Strategic Plan's objective of expansion of products and markets and seeking partnerships from within and outside Kenya, the Foundation continues to develop anchor products to add on its list of the Atlas, Kamusi and children Bibles. The Encyclopedia for class 7 is at advanced stage while a dictionary is in our focus. Foundation also reviewed the Balanced Score Card framework in an effort to improve performance that is key in the implementation of the Strategic plan.

Marketing Activities

The department's main objective is to ensure our goods reach the market through the designated channels of distribution. Our Sales and marketing team visits the educational institutions to create demand then ensure the outlets have enough of our stocks to service the created demand. Promotion of our products is done through various activities and events like displays and teacher workshops countrywide. The regional markets like Rwanda and South Sudan, which had in the previous year shown signs of emergence, were still affected by factors beyond our control. The former by a shift in our policy and the latter by persistent political turmoil and uncertainty. This led to the closure of our Rwanda office and putting on hold our strategies for South Sudan.

Locally, we ensured there was no shortage of stocks by planning before the seasonal pressure on printers. We also ensured our key accounts countrywide were served earlier to satisfy the smaller customers. The introduction of high

value products in the market, which we are set to achieve, will definitely contribute positively to our revenue.

Individually as a publishing house and in the industry in general, book piracy remains our biggest challenge. The perpetrators are becoming bolder by the day. This has affected not only JKF but also many players. We shall continue engaging other stakeholders in fighting the vice. Additionally, legal, policy and institutional reforms instituted by the Government have brought in some uncertainty as booksellers adopt a wait and see attitude which has reduced products uptake and hence sales.

Legal Risk Management

During the year ended 30 June 2017, we reviewed four policies earlier developed, to align them with the Constitution of Kenya 2010 with special recognition of Article 10 (2). With the same criteria, we formulated three policies i.e. Business Continuity, Disaster Preparedness and Succession Planning policy. JKF fully complied with the statutory requirements of timely submitting reports to the various regulatory bodies.

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

Staff Welfare and Development

The JKF spent Ksh. 9.8 million in staff training programs during the year to develop the human capital. Our training and development mainly focused on areas notably competency

based, promotion of National Values, PR communication strategy, Health & Safety, Alcohol and Drug Abuse, Advanced Excel and Corporate Governance.

We participated in various fora on staff welfare for purpose of motivating staff, namely team-building activity held at Maanzoni Lodge in Machakos at a cost of one million and celebrating staff for long service awards. Also during the year under review, staff were appraised based on 2016-2017 targets set at the beginning of financial year and those who met various targets were rewarded. However, those who failed to meet the agreed targets were sanctioned as per reviewed JKF Terms and Conditions of Service of 2013.

On vacant positions, recruitment was done for the General Manager, Sales and Marketing. The recruitment of Company Secretary is also underway.

Our outpatient medical scheme is self-funded, and managed by CIC insurance. In 2016/2017 JKF spent Ksh. 9.6 million in the scheme, compared to Ksh. 7.2 million spent in 2015/16. An underwriter who performed well to the satisfaction of the staff manages the insured inpatient scheme. The claims for the year stood at Ksh. 6.9 million against premium of Ksh. 7.1 million.

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

Internal Audit Department.

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

In the year under review, the department carried out various audit assignments throughout the year as per the approved annual audit plan, made appropriate recommendations and offered the requisite advice for the implementation of the recommended actions. The department also performed monitoring and evaluation of the implementation of the strategic plan, and reported its findings to the Board Audit Committee on a half yearly basis.

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.



MRS. ROSEMARY K.A. BARASA
MANAGING DIRECTOR

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 2017. 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 Ten (10) members; the Chairman, six independent directors and three directors representing various governmental agencies and the Managing Director. Hon. Walter Nyambati (BOD Chairman) was appointed on 17 April 2015. The Board meets the 30% gender equity threshold for gender equity.

Role of the Chairman and Chief Executive Officer

The separate roles of the Chairman 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.

The members who served in the year were ;Doreen Kathure (Chairperson), Simon Watenga, Hudson Liyai, Maria Cherono, Seth Odhiambo, Rosemary Barasa- Managing Director and John Githiaka *GM, Human Resource & Administration

**In- attendance*

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.

The members who served in the year were ; Dr. Mwikali Mugachia (Chairperson), Seth Odhiambo, Mohamed Jabane, Simon Watenga, Maria Cheronon, Rosemary Barasa - Managing Director, David Mwaniki* GM, Finance and ICT

**In-attendance*

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 members who served in the year are; Hudson Liyai (Chairman), Doreen Kathure, Seth Odhiambo, Mohamed Jabane, Dr. Mwikali Mugachia, Alex Wagacha*- GM, Internal Audit and Risk Management & Secretary to the Committee

Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 30 June 2016:

	Name	Status	BOD	BAC	BSC	FGPC
		No. of Meetings	7	5	7	4
1	Hon. Walter Nyambati	Chairman of BOD	7	N/A	N/A	1
2	Dr. Mwikali Mugachia	Director	7	5	N/A	4
3	Ms. Doreen Kathure	Chairperson of BSC	7	5	7	N/A
4	Mr. Simon Watenga	Director	7	N/A	6	4
5	Mr. Hudson A. Liyai	Chairperson of BAC	7	5	6	N/A
6	Mrs. Seth Odhiambo	Director	6	5	4	4
7	Mr. Mohammed Jabane	Director	6	3	2	4
8	Mrs. Maria Cheronon	Director	4	2	4	2
9	Mrs. Rosemary K. A. Barasa	Managing Director	5	N/A	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 of 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, 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

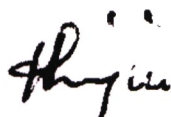
The Board is committed to establishing and monitoring a risk management framework and to controlling its business and financial activities with a view to maximizing profitable business opportunities and ensuring compliance with legal and regulatory requirements. The Board assesses the effectiveness of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

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.



MR. HUDSON A. LIYAI
DIRECTOR

MANAGEMENT DISCUSSION AND ANALYSIS

The entity's operational and financial performance

The full year sales revenue results for the year ended 30 June 2017 were at Ksh.882 million compared to the previous year revenue of Ksh.1.04 billion. This 16% reduction was due to the effect of expected change in books distribution model and expected change in curriculum review. This affected our sales as book sellers did not stock for bulk orders in view of the above.

The company recorded a net operating profit of Ksh.11.5 million, marking a great reduction compared to the previous year of Ksh.88 million. This was a drastic reduction, notwithstanding high total operating costs borne by the company as well as a rise in production costs. In mitigation, the company has embarked on grand strategies to grow volume in sales by providing quality and differentiated materials in all educational levels. New products such as Kamusi and Atlas have been introduced into the market and the benefit is expected to positively impact on sales growth and profitability. In the local market, we have continued to revise our core books to satiate its demand and ensure they remain as market leaders.

The year started with a rather difficult first quarter and the company has experienced low levels of sales. This trend continued throughout the year and the Foundation always planned and controlled its expenditure to ensure it meets daily working capital with positive liquidity throughout the year. The sales in peak period has been affected by the expected government policy on books distribution which reduced the uptake of the bulk orders this has really impacted on our sales compared to the budget.

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 remitted to the relevant agencies as per the Act and as they fall due. As at the end of the year the Foundation had fully complied with all statutory obligations.

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 company has some presence in the region especially Rwanda and will continue its regional expansion and seek approval of titles submitted to Rwanda for new curriculum through competitive tendering process whenever the venture looks viable. The Board of directors are optimistic that the company will continue in its growth momentum as the strategic plan is implemented within this and coming financial years. One of these strategies in this year is to open a digital printing press to augment the printing of service jobs. The company has also engaged for consultancy services for professional advice on the development of the large idle land in the premises.

All the above projects will be internally financed from our sales revenue and where applicable through public private partnership (PPP)

Major risks facing the entity

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, 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 who 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, maintaining overdraft-banking facilities and by continuously monitoring forecast and actual cash flows.

Material arrears in statutory/financial obligations

The Foundation has no arrears in terms of Statutory contributions or financial obligations. The Foundation operates a Staff Provident Fund managed by Jubilee Insurance Company and all the deductions (both employee and employer) are promptly remitted by 9th of the following month following the deduction. Currently, JKF does not have any loan facility with any financial institution nor an overdraft.

The entity's financial probity and serious governance issues

The Foundation has no financial improbity as at end of the year and has no governance issues, as the Board of the Directors is now fully constituted and operational with the board committees in place. There is no adverse issue mentioned by the auditors or any other regulatory body.



MRS. ROSEMARY K.A. BARASA
MANAGING DIRECTOR

CORPORATE SOCIAL RESPONSIBILITY REPORT

SOCIAL RESPONSIBILITY

The Foundation recognizes the power of the citizenry and the communities within which it operates and takes deliberate measures to serve and uplift their standard of living. The Foundation remains committed to our social, economic, environmental and ethical obligations by maintaining interaction with all the stakeholders. Several initiatives are geared towards promoting social responsibility. These include:

- 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.
- The Foundation recognises that staff are a key component of any business success story and has come up with internal social responsibility programmes aimed at promoting the development of the employees through refunds of educational expenses incurred by staff.
- The Foundation provides life skills by mentoring students to exploit their potential, by sponsoring school subject contests, publishing books on life skills and participating in leadership and mentoring talks to students.
- Teachers have benefited from the social responsibility programmes where the Foundation organises for training workshops of teachers on relevant subjects.

ENVIRONMENTAL SUSTAINABILITY

The Foundation has made a commitment to environmental sustainability by developing programmes that promote environmental conservation and creation of awareness in partnership with schools and other stakeholders.

The Foundation has planted over 5,000 trees in various counties in partnership with schools. Environmental awareness programmes such as the environment clean-up days, participation and sponsorship of the World Environmental Day and the World Wetlands day were some of the initiatives to promote environmental sustainability.

The Foundation continues to invest in corporate social responsibility programmes that up lift the well-being of the society and in turn provide a continuous flow of customers.



MRS. ROSEMARY K.A. BARASA
MANAGING DIRECTOR

DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2017.

1. The Principal Activities

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

2. Results

The net profit for the year of Ksh. 11.5 million (2016: profit of Ksh.88 million) has been added to retained earnings.

3. Appropriation of Profits

The Foundation is a company limited by guarantee and in accordance with its Memorandum and Articles of Association has set up a scholarship fund to assist in meeting the school fees needs of bright but needy students. During the year, Ksh. 18.2 million was utilized for this purpose.

4. Directors

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

5. Auditors

The Auditor General is responsible for the statutory audit of the Foundation financial statements in accordance with Section 25 of the Public Audit Act, 2015. Section 25 of the Act empowers the

Auditor General to appoint other auditors to carry out the audit on his behalf.

Accordingly, Mbaya and Associates were appointed by the Auditor General to carry out the audit for the year ended 30 June 2017

By order of the Board



MRS. ROSEMARY K.A. BARASA
SECRETARY TO THE BOARD

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of 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, 2016. This responsibility includes:

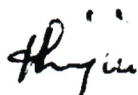
- (i) Maintaining adequate financial management arrangements and Ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Foundation;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Foundation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Foundation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Foundation's financial statements give a true and fair view of the state of Foundation's transactions during the financial year ended June 30, 2017, 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 29th September 2017 and signed on it's behalf by:



Director



Managing Director

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED JUNE 30, 2017

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Jomo Kenyatta Foundation set out on pages 1 to 35, which comprise the statement of financial position as at 30th June 2017 and the statement of comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information, have been audited on my behalf by Mbaya Associates appointed under section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30th June 2017, and of its financial performance and its cash flows for the year then ended, in accordance to International Financial Reporting Standards and comply with the Kenya Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Jomo Kenyatta Foundation in accordance ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of the financial statements in Kenya. I believe applicable to performing audit of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters were those matters that in my professional judgement, were of most significance in the audit of the financial statements. They were no Key Audit Matters to communicate in my report.

Other Information included in the Annual Report

The directors are responsible for the other information, which comprises the report of directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of 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, 2016. This responsibility includes:

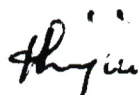
- (i) Maintaining adequate financial management arrangements and Ensuring that these continue to be effective throughout the reporting period;
- (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Foundation;
- (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) Safeguarding the assets of the Foundation;
- (v) Selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Foundation's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Foundation's financial statements give a true and fair view of the state of Foundation's transactions during the financial year ended June 30, 2017, 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 29th September 2017 and signed on it's behalf by:



Director



Managing Director

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED JUNE 30, 2017

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In my opinion, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30th June 2017, and of its financial performance and its cash flows for the year then ended, in accordance to International Financial Reporting Standards and comply with the Kenya Companies Act, 2015.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Jomo Kenyatta Foundation in accordance ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with ISSAI and in accordance with other ethical requirements applicable to performing audits of the financial statements in Kenya. I believe applicable to performing audit of the financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters were those matters that in my professional judgement, were of most significance in the audit of the financial statements. They were no Key Audit Matters to communicate in my report.

Other Information included in the Annual Report

The directors are responsible for the other information, which comprises the report of directors as required by the Companies Act, 2015. The other information does not include the financial statements and the auditor's report thereon.

My opinion on the financial statements does not cover other information and I do not express any form of assurance thereon.

In connection with the audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If based on the work I have performed on the other information that I obtained prior to the date of this auditor's report, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Then directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenya Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are 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.

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

Those charged with governance are also responsible for overseeing the Foundation's reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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 misstatements 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 one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

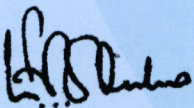
- Conclude on the appropriateness of the directors use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern. If 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 of the entities or business activities within the Company to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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;
- iii. The Foundation's financial statements are in agreement with the accounting records; and
- iv. In my opinion, the information given in the report of the directors is consistent with the financial statements.



FCPA Edward R. O. Ouko, CBS

AUDITOR GENERAL

Nairobi

8th May 2018

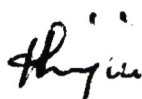
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE, 2017

		2017	2016
	Notes	Ksh'000	Ksh'000
Gross Turnover	4	882,051	1,046,289
Cost of Sales	5	(274,629)	(339,901)
Gross Profit		607,422	706,388
Interest Income	6a	981	1,187
Other Operating Income	6b	12,869	2,497
Total Revenue		621,272	710,072
Selling and Distribution Expenses	7	400,268	435,039
Administrative Expenses	8	191,928	170,061
Other Operating Expenses	9	18,074	17,808
Total Operating Expenses		610,270	622,908
Profit from Operations		11,002	87,165
Finance Income	10a	533	735
Finance Costs	10b	-	(300)
Net Profit		11,535	87,600

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2017

		2017	2016
	Notes	Ksh'000	Ksh'000
Non- Current Assets			
Plant, Property & Equipment	13	865,950	883,242
Intangible Assets	14	2,487	3,731
Total Non -Current Assets		868,437	886,973
Current Assets			
Inventories	15	175,056	168,849
Trade and Other Receivables	16	78,173	104,982
Cash and Cash Equivalents	17	86,590	103,313
Total Current Assets		339,819	377,144
Total Assets		1,208,256	1,264,117
EQUITIES AND LIABILITIES			
Capital and Reserves			
Capital Reserve	18	4,000	4,000
Revaluation Reserves	19	965,024	964,622
Retained Earnings	20	118,806	131,271
Scholarship Fund	21	21,238	15,378
Total Capital and Reserves		1,109,068	1,115,271
Current Liabilities			
Trade and Other Payables	22	99,188	148,846
Total Capital and Liabilities		1,208,256	1,264,117

The financial statements on pages 1 to 35 were authorised for issue by the Board of Directors on 29th September 2017 and were signed on its behalf by:



..... Director, Mr. Hudson A. Liyai



..... Managing Director/Secretary, Mrs. Rosemary K.A. Barasa

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE, 2017

	Capital Reserve	Revaluation Reserve	Retained Earnings	Scholarships Fund	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at 1st July 2016	4,000	964,622	131,271	15,378	1,115,271
Net Profit for the Year			11,535		11,535
Scholarships Appropriation	-	-	(24,000)	24,000	-
Scholarships Applied	-	-	-	(18,138)	(18,139)
Revaluation	-	402	-	-	402
As at 30 th June 2017	4,000	965,024	118,806	21,238	1,109,068
As at 1st July 2015	4,000	964,622	67,671	17,325	1,053,619
Net Profit for the Year			87,600		87,600
Scholarships Appropriation			(24,000)	24,000	-
Scholarships Applied				(25,948)	(25,948)
As at 30 th June 2016	4,000	964,622	131,271	15,378	1,115,271

Capital Reserves:

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

Revaluation reserves:

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

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.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2017

	2016
	Ksh'000
Cash at the beginning of the year	87,600
Net Profit	29,554
Adjustments for:	1,190
Depreciation	212
Change in provisions	(22,351)
Change in provisions for doubtful debts	(48,024)
Change in provisions for bad debts	30,726
Change in provisions for doubtful debts	78,906
Change in provisions for doubtful debts	(10,212)
Change in provisions for doubtful debts	(2,924)
Change in provisions for doubtful debts	951
Change in provisions for doubtful debts	(12,185)
Change in provisions for doubtful debts	(25,948)
Change in provisions for doubtful debts	40,773
Cash at the end of the year	62,540
Cash at the beginning of the year	103,313

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE, 2017**

Performance Difference
Kshs'000
(192,064)
18,240
2,550
861
(374)
(1,213)
6,385
(162,518)
(94,002)
(17,400)
1,451
680
(1,607)
(97)
(1,079)
(19,006)
(132,063)
(30,453)
(28,046)
600

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2017

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. It is wholly owned by the Government of Kenya and is 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, 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.

3. ADOPTION OF NEW AND REVISED STANDARDS

- (i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard/Amendment to a standard	Effective date	Impact
IFRS 14 <i>Regulatory Deferral Accounts (issued in January 2014)</i>	1 st Jan 2016	<p>The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.</p> <p>The application of IFRS 14 has not had any impact on the amounts recognized in the financial statements as the Foundation does not have assets and liabilities at fair value</p>
Amendments to IFRS 11 titled <i>Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014)</i>	1 st Jan 2016	<p>The amendments, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re measured).</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation does not have any joint operations</p>
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation (issued in May 2014)</i>	1 st Jan 2016	<p>The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation policy on depreciation is cost based.</p>

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard/Amendment to	Effective date	Impact
α standard		
Amendments to IAS 16 and IAS 41 titled <i>Agriculture: Bearer Plants</i> (issued in June 2014)	1 st Jan 2016	The amendments, define bearer plants – i.e. living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (e.g. grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41. (This amendment did not have any impact on the Foundation's financial statements as the Foundation is not in Agricultural Field)
Amendments to IAS 27 titled <i>Equity Method in Separate Financial Statements</i> (issued in August 2014)	1 st Jan 2016	The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. This amendment did not have any impact on the Foundation's financial statements as the Foundation does not have subsidiaries, joint ventures or associates
Amendment to IAS 19 (<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> , issued in September 2014)	1 st Jan 2016	The amendment, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid. (This amendment did not have any impact on the Foundation's financial statements as the Foundation operates a contributory provident fund managed by Jubilee Insurance)
Amendment to IFRS 5 (<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> , issued in September 2014)	1 st Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. This amendment did not have any impact on the Foundation's financial statements as the Foundation does not have any financial assets.
Amendment to IFRS 7 (<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> , issued in September 2014)	1 st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. This amendment did not have any impact on the Foundation's financial statements as the Foundation renews the printing contracts yearly.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard/Amendment to a standard	Effective date	Impact
Amendments to IFRS 10, IFRS 12 and IAS 28 titled <i>Investment Entities: Applying the Consolidation Exception</i> (issued in December 2014)	1 st Jan 2016	<p>The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation does not have subsidiaries, joint ventures or associates</p>
Amendments to IAS 1 titled <i>Disclosure Initiative</i> (issued in December 2014)	1 st Jan 2016	<p>The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The Foundation has complied with this requirements and required disclosures included in the notes.</p>
<i>Recognition of Deferred Tax Assets for Unrealised Losses</i> (Amendments to IAS 12)	1 st Jan 2017	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p> <p>The Foundation is tax exempt and utilises the same depreciation rates as the allowable rates hence this amendment does not have any impact in the financial statements.</p>

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard/Amendment to Effective date Impact

α standard

<p><i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i></p>	<p>1st Jan 2017</p>	<p>The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.</p> <p>(This disclosure requirement has been taken into account in the financial statements and the cash denominated in foreign currency converted to Ksh at the CBK rate prevailing as at 30th June 2017)</p>
<p><i>Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities</i></p>	<p>1st Jan 2017</p>	<p>Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. (This amendment does not have any impact on the Foundation's financial statements as the Foundation does not have subsidiaries, joint ventures or associates)</p>

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
FRS 15 <i>Revenue from Contracts with Customers (issued in May 2014)</i>	1 st Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC 31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
IFRS 9 <i>Financial Instruments (issued in July 2014)</i>	1 st Jan 2018	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:</p> <ul style="list-style-type: none"> • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The de-recognition provisions are carried over almost unchanged from IAS 39.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard	Effective Date	Impact
IFRS 16: <i>Leases</i> (issued in January 2016)	1 st Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

These IFRS's and IAS improvements are effective for accounting periods beginning on or after 1 January 2016. 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 year 2017.

4. BASIS OF PREPARATION

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

(a) Revenue Recognition

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

- a. Revenue from Sales of goods and services is recognized upon delivery of goods and customer acceptance of the same products and collectability of the related receivables is reasonably assured. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
FRS 15 <i>Revenue from Contracts with Customers (issued in May 2014)</i>	1 st Jan 2018	The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC 31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.
IFRS 9 <i>Financial Instruments (issued in July 2014)</i>	1 st Jan 2018	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:</p> <ul style="list-style-type: none"> • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. • For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. • The de-recognition provisions are carried over almost unchanged from IAS 39.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Standard	Effective Date	Impact
IFRS 16: <i>Leases</i> (issued in January 2016)	1 st Jan 2019	The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

These IFRS's and IAS improvements are effective for accounting periods beginning on or after 1 January 2016. 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 year 2017.

4. BASIS OF PREPARATION

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

(α) Revenue Recognition

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

- a. Revenue from Sales of goods and services is recognized upon delivery of goods and customer acceptance of the same products and collectability of the related receivables is reasonably assured. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

As per International Accounting Standards 21 on the Effects of changes in Foreign Exchange Rates, revenue realised in foreign currency is initially recognised in the functional, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. At the end of the reporting period, foreign currency monetary items are translated using the closing rate.

- b. Finance income comprises of interest receivable from bank deposits and is recognised in profit or loss on a pro rata basis using the effective interest rate method.
- c. Rental income is recognised in the income statement as it accrues using the effective lease/rental agreements.
- d. Other income is recognised as it accrues

(b) Property Plant and Equipment

All property, plant and equipment are initially recorded at cost and subsequently shown at market value, based on valuations by external independent valuer less subsequent depreciation.

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

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

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

Leasehold land depreciated over 50 years lease period and free hold land is not depreciated. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining their operating profit. On disposal of re-valued assets, amounts in the revaluation reserve relating to that asset is transferred to the retained earnings.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(c) Intangible assets

All computer software programmes acquired that are not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the acquisition of identifiable computer software controlled by the company are recognised as intangible assets.

Amortisation is calculated using the straight-line method to write down the cost of each licence or item of software to its residual value over its estimated useful life using an annual rate of 25%.

(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.

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.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(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. 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.

(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.

(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.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(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.

(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.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE ACCOUNTING POLICIES

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.

(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.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(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. At the end of financial year, the Foundation held a bank guarantee worth Ksh.150, 000 with KCB as performance security for service jobs bids.

(d) 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, 2017.

	2017	2016
4. Turnover:	Ksh'000	Ksh'000
Sales of Primary Titles	750,017	911,521
Sales of Sec. Titles	81,969	80,764
Sales of Tertiary Titles	4,634	3,906
Sales of General Titles	19,244	29,856
Sales of Service Jobs	21,849	18,248
Sales of E-Books	4,338	1,994
Total Gross Sales	882,051	1,046,289

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

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

5 (a). Cost of Sales:

	2017	2016
	Ksh'000	Ksh' 000
Cost of Sales Primary Titles	183,721	227,152
Cost of Sales Secondary Titles	19,732	21,500
Cost of Sales Tertiary Titles	1,512	1,102
Cost of Sales General Titles	3,964	6,378
Cost of Sales Service Job	7,154	3,821
Stock Take Adjustments	2,549	6,411
Stock Obsolescence Provision	1,963	10,174
Production Overheads (note 5b)	54,034	63,363
Cost of Sales	274,629	339,901

5 (b). Production Overheads:

	2017	2016
	Ksh'000	Ksh'000
Staff Salaries	26,376	25,031
Staff House Allowance	8,920	8,430
Staff Medical & Welfare	2,725	2,050
Staff Training	683	348
Provident Fund Contribution	3,347	2,694
Product Development Expenses	9,282	22,539
Insurance	13	13
Depreciation Plant and Machinery	2,688	2,258
	54,034	63,363

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

6. Other operating income	2017	2016
	Ksh'000	Ksh'000
6 (a) Interest Income –Fixed Deposit	895	1,075
Car Loan Interest	86	112
	981	1187
6 (b) Other operating Income		
Rental Income	2,522	2,342
Gain/(Loss) on sale of Fixed Assets	450	(212)
Revaluation Reserve Movement	(402)	-
Miscellaneous Income	10,299	367
	12,869	2,497
7. Selling and Distribution Expenses:		
Salaries & Wages	28,354	24,295
Staff House Allowance	10,530	8,665
Staff Medical & Welfare	5,672	2,944
Staff Training	284	223
Provident Fund	2,198	1,998
Vehicle Running Expenses	6,034	5,598
Staff Travelling & Accommodation	533	348
Discounts Allowed	300,969	346,478
Marketing & Sales Promotion	21,977	15,546
Electricity & Water	218	230
Postage & Telephone	998	799
Packaging Material	404	431
Depreciation	7,349	8,852
Royalties to Authors	12,802	16,621
Loading Expenses	273	266
Security	1,273	1,344
Standard Levy	400	400
	400,268	435,039

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

8. Administrative Expense:

	2017	2016
	Ksh'000	Ksh'000
Salaries & Wages	74,695	66,374
Staff House Allowance	19,334	20,079
Staff Medical & Welfare	19,469	15,707
Provident Fund Contribution	6,403	5,953
Staff Training	8,797	4,623
Directors Remuneration	13,367	16,492
Subscriptions	585	1,171
Printing & Stationery	1,965	1,360
Postage & Telephone Expenses	4,430	3,853
Legal & Professional Fees	8,933	1,911
Library Expenses	99	92
Audit Fees	615	614
Vehicle Running Expenses	2,646	3,143
Staff Travelling & Accommodation	5,712	6,024
Depreciation	21,545	19,634
Ground Cleaning & Maintenance	2,364	2,159
Provision for Bad Debts	313	-
Bank Charges & Commissions	656	720
Penalties	-	152
	191,928	170,061

9. Other Operating Expenses:

Rent & Rates	690	690
Light & Water	2,950	2,572
Repairs & Maintenance	6,237	6,020
Industrial Training Levy	(27)	75
Insurance	5,204	5,406
Security	2,140	2,370
Licenses	880	675
	18,074	17,808

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017 (Contd...)

	2017 Ksh'000	2016 Ksh'000
10 (a). Finance Income:		
Foreign Exchange Gain	533	735
10 (b). Finance Costs		
Bank interest	-	300
11. Items Charged to profit and loss		
The following items have been charged in arriving at Net profit:		
Depreciation on Property, Plant & Equipment(Note 13)	29,988	29,554
Amortization of Intangible assets	1,594	1,190
Staff Costs (Note 12)	208,963	186,453
Auditors' Remuneration (Note 8)	615	612
Directors' Remuneration :(Note 8)		
- Fees	900	900
- Other	12,467	15,592
Repairs & Maintenance	6,236	6,020
Provision for Bad and Doubtful debts	314	-
	261,077	240,321
12. Staff Costs:		
Salaries and other allowances	196,074	173,574
Compulsory social security schemes(NSSF)	338	362
Other pension contributions	10,435	9,562
Leave pay and gratuity provisions	2,116	2,955
	208,963	186,453

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017 (Contd...)

13 (a). Property, Plant & Equipment

Cost or valuation:	Leasehold Land Ksh'000	Buildings Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Furniture Fittings & Office Equip. Ksh'000	Computers & Peripherals Ksh'000	Totals Ksh'000
As at July 1, 2016	85,000	798,000	6,358	35,785	9,504	7,834	942,480
Additions	-	-	965	5,998	700	6,133	13,796
Disposals	-	-	-	(2,250)	-	(413)	(2,663)
As at June 30, 2017	85,000	798,000	7,323	39,532	10,204	13,554	953,613
Depreciation:							
As at July 1, 2017	-	39,834	1,799	11,819	2,561	3,227	59,240
Disposal	-	-	-	(1,157)	-	(126)	(1,283)
Revaluation Reserve on Disposal				(282)			(282)
Charge for the year	-	19,120	1,016	6,078	1,429	2,346	29,989
As at June 30, 2017	-	58,954	2,815	16,458	3,990	5,447	87,663
Net Book Value As at June 30, 2017	85,000	739,046	4,508	23,074	6,213	8,108	865,950

The figure of depreciation charge for the year of Ksh.29, 989 excludes depreciation of Intangible assets of Ksh.1, 594 that is reflected in note 14.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

13(b). Property, Plant & Equipment (Last financial year 2016)

Cost or valuation:	Leasehold Land Ksh'000	Buildings Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Furniture Fittings & Office Equip. Ksh'000	Computers & Peripherals Ksh'000	Totals Ksh'000
As at July 1, 2015	85,000	798,000	6,038	30,265	8,299	6,667	934,270
Additions	-	-	321	7,520	1,205	1,167	10,212
Disposals	-	-	-	(2,000)	-	-	(2,000)
As at June 30, 2016	85,000	798,000	6,359	35,785	9,504	7,834	942,482
Depreciation:							
As at July 1, 2015	-	20,714	892	6,242	1,244	1,432	30,523
Disposal	-	-	-	(837)	-	-	(837)
Charge for the year	-	19,120	906	6,414	1,319	1,794	29,554
As at June 30, 2016	-	39,834	1,798	11,819	2,561	3,226	59,240
Net Book Value As at June 30, 2016	85,000	758,166	4,561	23,965	6,943	4,608	883,242

The figure of depreciation charge for the year of Ksh.29, 554 excludes depreciation of Intangible assets of Ksh.1, 190 that is reflected in note 14.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

13 (b). Property, Plant & Equipment

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

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

Property, Plant & Equipment

	Leasehold, Land & Building Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Computer & Peripheral Ksh'000	Furniture, Fittings & Office Equip. Ksh'000	Totals Ksh'000
Cost as at June 30 2016	34,326	10,744	82,999	29,433	11,624	169,126
Accumulated Depreciation	19,515	10,014	68,128	27,616	7,909	133,181
Net Book Value June 30, 2016	14,811	730	14,871	1,817	3,715	35,945
Cost at June 30, 2015	34,326	9,779	77,001	22,958	10,916	154,980
Accumulated Depreciation	18,828	8,402	48,628	20,258	6,165	102,281
Net Book Value June 30, 2015	15,498	1,377	28,373	2,700	4,751	52,699

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

14. Intangible Assets:

	2017	2016
Cost:	Ksh'000	Ksh'000
As at 1 st July	13,377	10,453
Additions during the year		2,924
	350	
As at 30 th June	<u>13,727</u>	<u>13,377</u>
Amortisation:		
As at 1 st July	9,647	8,457
Amortisation during the year	1,594	1,190
As at 30 th June	<u>11,240</u>	<u>9,647</u>
Net Book Value:		
As at 30 th June	<u>2,487</u>	<u>3,730</u>

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

15. Inventories:

	2017	2016
	Ksh'000	Ksh'000
Finished Goods	293,440	285,607
Consumables	2,612	2,589
	<u>296,052</u>	<u>288,196</u>
Obsolescence provision	(120,996)	(119,347)
	<u>175,056</u>	<u>168,849</u>

Obsolescence provision represents the cost of old edition stock held and determined to be unsalable and a general provision for slow moving stock. Ksh. 1.6 million additional provision was made in the current financial year and obsolete books worth Ksh. 677,389 were donated to various schools.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

16. Trade and other Receivables:	2017	2016
16 (a). Trade Receivables	Ksh'000	Ksh'000
Total Trade Receivable(16b)	64,104	108,564
Prepayment and Other Receivables		
Deposits and prepayments	8,399	6,169
VAT recoverable	679	(6,196)
Staff receivables (16c)	14,102	4,847
Royalties Advances	7,111	6,748
Other receivables	-	5,076
Gross Trade and other Receivables	94,394	125,208
Less: Provision for doubtful debts(Trade)16b	(14,178)	(13,885)
Less: Provision for doubtful debts(Staff and Others)16c	(2,044)	(6,341)
Total Trade Receivables	78,173	104,982

16 (b). Gross Trade Receivable

Total Trade Receivable	64,104	108,564
Less: Provision for doubtful debts	(14,178)	(13,885)
Net Trade Receivables	49,926	94,679

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

Less than 30 days	12,308	52,436
Between 30 and 60 days	4,223	2,562
Between 61 and 90 days	7,764	5,709
Between 91 and 120 days	4,139	4,206
Over 120 days	35,670	43,651
Gross Trade Receivables	64,104	108,564

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

16 (c). Staff Receivables

Gross staff loans and advances	14,102	4,847
Provision for doubtful debts	(937)	(937)
Net Staff Receivables	<u>13,165</u>	<u>3,910</u>

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 for the Free Primary Education (FPE) and Free Day Secondary Education (FDSE). Some of these delayed balances are supported by post-dated cheques and bank guarantees held against them. A general provision of 10% is made on the trade receivable amount with a yearly review for under or over provision.

17. CASH AND CASH EQUIVALENTS

	2017	2016
	Ksh'000	Ksh'000
Cash at Bank	86,415	103,018
Cash in Hand	175	295
Total Cash & Bank balance	<u>86,590</u>	<u>103,313</u>

The facility approved by the Board of Directors was a composite of Ksh. 30 million (Ksh. 30 million at June 2016). The facility is secured by a charge of Ksh. 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 17% p.a. The cash at bank was held at Kenya Commercial Bank, the entity's main bankers

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

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

		2016-2017	2015-2016
Financial institution	Account number	Ksh	Ksh
a) Kenya Commercial bank			
Head office account	1107087449	76,071,473	72,830,181
Kijabe Collection A/c	1107087813	5,121,980	8,370,889
Scholarship Account	1108964508	505,629	936,277
Dollar Account (\$)	1165350025	4,481,642	795,233
		84,008	84,784
Rwanda Account (Rwf)	400391562		
On call/ Fixed deposits		150,000	20,000,000
	Petty Cash		
Cash in hand		174,861	295,283
Grand Total		86,589,595	103,312,649

Foreign currencies converted to reporting currency at CBK rate ruling as at 30th June 2017

18. CAPITAL RESERVE: KSH. 4 MILLION

Initial Grant to set up the Foundation	4,000	4,000
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Capital Reserves represent the initial seed money invested in the company by the Government on incorporation in 1966.

19. Revaluation Reserves: Ksh.965, 024,091.81

Revaluation reserves figure of Ksh.965,024,091.81 represent the increase in value of property plant and equipment arising from revaluation of Company assets. Joe Musyoki Valuers carried out the valuation in June 2014.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

20. RETAINED EARNINGS:

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

	2017	2016
	Ksh'000	Ksh'000
As at 1 st July	131,271	67,671
Profit for the year	11,535	87,600
Scholarship Appropriation	(24,000)	(24,000)
As at 30 th June	118,806	131,271

21. SCHOLARSHIP FUND:

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

	2017	2016
	Ksh'000	Ksh'000
As at 1 st July	15,378	17,325
Scholarship Appropriation	24,000	24,000
Scholarship Applied	(18,140)	(25,948)
As at 30 th June	21,238	15,378

22. TRADE AND OTHER PAYABLES:

	2017	2016
	Ksh'000	Ksh'000
Trade Payables	52,056	114,074
Other Payables	47,132	34,772
	99,188	148,846

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

Other payables include provision for royalties to authors of Ksh.16 million (2015/2016 - Ksh.18 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 is an amount of Ksh. 11.8 million relating to accrued expenses not paid by the end of the year and other provisions.

23. PROVISION FOR LEAVE PAY

Balance at beginning of the year	2,334	1,778
Additional provision at end of year	950	556
Balance at end of the year	<u>3,284</u>	<u>2,334</u>

Provision for annual leave pay is based on services rendered by full-time employees up to the end of the year.

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. The interest income earned on staff loans in the year amounted to Ksh. 86,690 (2016 – Ksh. 115,500). The distribution of the loans is as follows;

	2017 Ksh'000	2016 Ksh'000
Due from key management	3,160	581
Due from other staff	4,558	414
	<u>7,718</u>	<u>995</u>

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(c) Management Compensation

Salaries and other benefits	19,915	21,566
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(d) Director's Remuneration

Fees for services as directors	900	900
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Other emoluments	12,467	15,592
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	<u>13,367</u>	<u>16,492</u>
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25. 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.

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

(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, 2017 is as shown below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
June 30, 2017	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	16,531	33,395	14,178	64,104
Due from related parties	14,102	-	-	14,102
Other Receivables	28,247	-	2,043	30,290
Bank balances	86,590	-	-	86,590
	145,470	33,395	16,221	195,086

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

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
June 30, 2016	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	54,998	39,681	13,885	108,564
Due from related parties	4,847	-	-	4,847
Other Receivables	5,250	-	6,341	11,591
Bank balances	103,313	-	-	103,313
	168,408	39,681	20,226	228,315

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

All bank balances are held with Kenya Commercial Bank and are fully performing. Trade receivables are due from customers with good credit rating.

(c) Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, maintaining banking facilities and by continuously monitoring forecast and actual cash flows. The table below analyses the company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 month Sh'000	Between 1- 3 months Sh'000	Over 3 months Sh'000	Total Sh'000
Other Payables			47,132	47,132
Trade payables	7,265	18,318	26,473	52,056
At June 30, 2017:	7,265	18,318	73,605	99,188
Other Payables			34,772	34,772
Trade payables	38,418	39,380	36,276	114,074
At June 30, 2016:	38,418	39,380	71,048	148,846

26. CAPITAL COMMITMENTS:

	2017 Ksh'000	2016 Ksh'000
Amounts authorised	42,192	41,217
Less: Amounts incurred	14,146	13,136
	28,046	28,081

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

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

27. INCORPORATION STATUS:

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

28. EXPLANATIONS OF MATERIAL DIFFERENCES BETWEEN BUDGET AND THE ACTUAL AMOUNT

	Actual on Comparable Basis	Final Budget	Variance	%	Explanation of material variances
	KShs '000'	KShs '000'	KShs '000'		
Revenue					
Gross Sales	855,864	1,047,928	(192,064)	-18	1
Service Jobs	21,849	3,600	18,249	507	2
Sales of E- Books	4,339	1,800	2,539	141	3
Miscellaneous Income	10,298	913	9,385	1028	4
Expenses					
Cost of Goods Sold	274,629	373,631	(99,002)	-26%	5
Discounts Allowed	300,969	314,378	(13,410)	-4%	6
Finance cost (Forex)	123	1,726	(1,603)	-93%	7
Depreciation	28,894	29,973	(1,079)	-4%	8
Other payments	101,272	120,278	(19,006)	-16%	9
Capital Expenditure	14,146	42,192	(28,046)	-66%	10
Scholarships Applied	18,139	17,539	600	3%	11

Notes to the Financial Statements for the year Ended June 30, 2017 (Contd...)

EXPLANATIONS

1. The Foundation posted a cumulative net profit of Ksh.11.5 million compared to the budgeted net profit of Ksh.42 million representing a negative variance of 73 %. This is mainly attributed to realising lower sales than budgeted as booksellers reduced their bulk orders uptake due to the uncertainty of the policy on books distribution that materially affected our peak sales. In addition, the expected review of curriculum and the roll out of tusome project has affected our sales.
2. The positive variance on the sales realised on service jobs is because of the company marketing strategy of allocating one staff to specifically deal with acquisition of service jobs that is bearing fruits.
3. As a diversification method the Foundation has been digitizing its books which are sold through the internet in partnership with World Reader and E-kitabu giving rise to this income stream.
4. Miscellaneous income has a big variance due to reversal of general provisions for bad debts during the year.
5. Cost of sales is directly related to sales realised and since our realised sales are, lower than the budget this cost is lower than the budget.
6. Discounts allowed to the customers is a factor of the sales realised hence lower than the budgeted as we realised lower sales in the half year.
7. The positive variance in the finance cost is due to the foreign exchange transactions from the receipt of the long outstanding Rwanda debt, which was paid when the exchange rate was unfavourable.
8. The variance in depreciation is due to non-acquisition of some planned capital items that had been factored in the budget.
9. Other payments relate to other operational expenses which were budgeted for but not incurred during the year
10. As part of our cash flow and liquidity management, capital expenses that were planned for the 4th Quarter were not acquired.
11. Scholarships applied relates to the fees paid for our beneficiaries currently in the secondary schools, which is an appropriation of the profits earned by the Foundation.

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...supporting our education