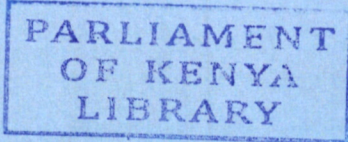


REPUBLIC OF KENYA



*Paper laid
By Hon A. Swales on
leader of Majority on
me 30/5/17*

OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
JOMO KENYATTA FOUNDATION**

**FOR THE YEAR ENDED
30 JUNE 2016**





Jomo Kenyatta Foundation

THE JOMO KENYATTA FOUNDATION

**ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR ENDED
30 JUNE 2016**

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



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Jomo Kenyatta Foundation

CORPORATE INFORMATION

INCORPORATION

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

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.

AUDITORS

The Auditor General
P. O. Box 30084 – 00100

NAIROBI.

PRINCIPAL BANKER

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

NAIROBI.

PRINCIPAL LEGAL ADVISORS

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



BOARD OF DIRECTORS

1. Hon. Walter O. Nyambati - Chairman
2. Mrs. Rosemary K. A. Barasa - Managing Director/Secretary to the Board
Appointed on 1st December, 2015
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. Prof. Isaac N. Kimengi - Member – **Retired on 5 December, 2015**
7. Dr. Mwikali Mugacha - Member
8. Ms. Doreen Kathure - Member
9. Mr. Simon Watenga - Member
10. Mr. Hudson A. Liyai - Member
11. Mr. Mohammed Jabane - Alternate to Chief of Staff and Head of Public
Service
12. Mrs. Margaret Murage - Alternate to Principal Secretary, Ministry of
Education Science and Technology
13. Mr. Seth Odhiambo - Alternate to Cabinet Secretary, The National
Treasury- **Appointed on 1 December 2015**



Jomo Kenyatta Foundation

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 also 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, Science and Technology. 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 Mugacha

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

Born in 1972, 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

Born in 1953, Mr. Liyai has professional background on Library and Information Sciences. He holds a BA (Hons) from University of Nairobi and majored 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. Born in 1985, 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. Mohammed Jabane

Born in 1964, Mr. Mohamed Jabane is the alternate to Chief of Staff and Head of Public Service in JKF's Board of Management as stipulated under Act. He has several years' experience in civil service where he is currently the senior officer in the Ministry. He has attended several Finance and personnel management courses both locally and abroad.



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. She also has a Diploma in Human Resources from Kenya Institute of Management (K.I.M) and 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.



Mrs. Margaret Murage

Mrs. Margaret Murage is the Alternate to the Principal Secretary, Ministry of Education in JKF's Board of Management as stipulated under Act. She is currently the Director Field and other services in the Ministry of Education Science and Technology. Also serves in the board of other education outfits like Institute of Capacity Development of Teachers in Africa (Cemastea). She has wide range of experience in education sector management.



Prof. Isaac Kimengi

Born in 1954, Prof. Isaac Kimengi is an Associate Professor at Moi University and acting Principal at Odera Akango' campus college of Moi University. He holds a Ph.D (Education) from Kenyatta University, a Masters in Sociology of Education from Nairobi University and a Bachelor Degree B.Ed Science (First Class Honours) from Nairobi University. He has served in leadership positions of various committees and as Dean School of Education in the university. Prof. Kimengi joined the Board of Directors of the Foundation on 4th December 2012. He has undertaken a course on corporate governance for Directors. He has authored several books and conference papers in the Education sector. He retired on 5th December 2015



Rosemary K.A. Barasa (Mrs)

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, Certified Public Secretary Kenya, and Diploma from Kenya School of Law. 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 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-
Appointed on 1 December, 2015
Company Secretary and Head of Legal Affairs
2. Mr. John K. Githiaka - General Manager - Human Resource & Administration
3. Mr. Fredrick O. Oyuga - General Manager - Publishing ,Research and Development
4. Mr. Bethuel O. Oduo - General Manager - Sales and Marketing -
Retired 9 February 2016
5. Mr. David Atieli - Ag. General Manager - Sales and Marketing
Appointed 22 December 2015
6. Mr. David K. Mwaniki - General Manager - Finance & ICT
7. Mr. Alex G. Wagacha - General Manager - Internal Audit & Risk Management
8. Mr. Patrick Jones Kimathi - Manager – Supply Chain & Logistics



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, Certified Public Secretary Kenya, and Diploma from Kenya School of Law. 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 various courses and seminars in management, leadership, corporate governance and strategy among many others both locally and internationally.



John K. Githiaka, GM, HR & Administration

Mr. John K. Githiaka is aged 49 years. He 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, aged 50 years, 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 has attended several local and international courses in Publishing. He was appointed the position on 28th October, 2004.



David Mwaniki, GM, Finance & ICT

Mr. David Mwaniki is 48 years old. He 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.



Bethuel Oduo, GM, Sales and Marketing

Mr. Bethuel Oduo is 54 years old. He holds a Bachelor of Arts degree from the University of Nairobi. He has attended various certification trainings in Customer Care and Distribution, Corporate Governance, Management and Performance management. He is a full member of International Advertising Association. Mr. Oduo retired from the position in February 2016.



Mr David Atieli Ag. General Manager, Sales and Marketing

Mr David Atieli is 51 years old. He holds a Bachelor of Commerce (Business Administration Option-Hons) degree from the University of Nairobi. He has attended several courses in the field of Sales and Marketing. He was appointed to the position on 22 December 2015.



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

CPA, Alex Gichura Wagacha, is 49 years of age. He 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.



Jomo Kenyatta Foundation

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 47th ANNUAL GENERAL MEETING of The Jomo Kenyatta Foundation will be held at the offices of The Foundation in Industrial Area, Enterprise Road, Nairobi on at 10.00 am

AGENDA

1. The Secretary to read the Notice convening the 47th Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 5 July, 2016
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2016
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June, 2016.
5. To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30 June, 2016.
6. To appoint the Company's External Auditors for the year ending 30 June, 2017 and fix their fees.
7. To fix Directors fees, allowances and other remunerations for the year ended 30 June, 2016 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.

A handwritten signature in black ink, appearing to be 'Rosemary K. A. Barasa', written over a circular stamp or seal.

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.



CHAIRMAN'S REPORT

It gives me great pleasure to present the Foundation Annual Report and Financial Statements for the year ended 30 June, 2016.

Performance Review

The Company's turnover increased by Ksh. 164 million to Ksh. 1.046 billion compared to the prior year's turnover of Ksh. 882 million. The turnover was however 2% below the budgeted level of Ksh. 1.064 billion. The improved position led to a gross profit of Ksh. 706 million while operating profits stood at Ksh.710 million after factoring in other incomes. Overall the Foundation recorded a profit of Ksh. 88 million. This was way above the budgeted profit of Ksh. 63 million and a slight increase from the prior year's profit of Ksh. 86 million. This was mainly attributable to the increased sales as indicated earlier and cost containment which saw only marginal increase in cost of sales and operating expenses when compared to the previous year

The year under review represented the 12th cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government. The Foundation has consistently improved over the last 5 years going by the scores. In the year ended 30 June, 2016, the Company's composite score was 2.6201 representing an improvement from that of June 2015 that was 2.6201. This score rated JKF's performance 'Very Good' and was mainly because of the profit realized during the year coupled with the achievement of most of the other non-financial targets.

Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship. During the year under review, The Foundation donated books valued at Ksh. 1.4 million to various schools in the country. This is in addition to Ksh. 25.9 million paid out to secondary schools as part of our scholarship scheme. JKF also participated and donated to other worthy courses, a few of which were, the Mater Heart Run, Beyond Zero Campaign, Cerebral Palsy Society of Kenya walk. This was in addition to minding the environment by donating to Netfund and partnering with various schools in planting trees. The Foundation also partnered with our neighbour, Reuben Centre, in



organising a VCT and counselling services for staff and the general public in the month November 2015.

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. Goethe Institute co-sponsored the Maktaba Awards with The Jomo Kenyatta Foundation for the 6th 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. 5.2 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 with whom we are finalising the details.

Future Projection

There is still uncertainty on when the curriculum in Kenya will be changed. Though this may lead to some slow performance in the interim period, such a change would augur well for the publishing industry, hence for JKF, in the medium term. Curriculum change in Rwanda has already been set to commence in 2016 and JKF has embarked on publishing books for that market. This will provide another opportunity for JKF to



increase its market share in Rwanda. The Foundation completed the mid-term review of its Strategic Plan for the period 2012 to 2017. This Strategic Plan is aligned to the country's strategies as envisioned in the Constitution of Kenya 2010 and Vision 2030 together with The Millennium Development Goals (MDGs). The Plan has strategies expected to support the two core functions of publishing and scholarships in a sustainable manner.

So far the Foundation has digitized standard 1, 2 and 3 books to take advantage of the digital initiative being advocated by the Government. This is in addition to placing more books on e-platform especially in the reader's category. With the recently bought rights for children bibles and the development of the Atlas and Kamusi, 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 Science and Technology 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.

A handwritten signature in black ink, appearing to read 'Walter Nyambati', written in a cursive style.

HON. WALTER NYAMBATI
CHAIRMAN OF THE BOARD



THE CHIEF EXECUTIVE'S REPORT

The Foundation recorded strong results in 2016 and it is my pleasure to present highlights of our financial performance, operational developments and the future outlook for 2017.

Financial Performance

During the year under review the Foundation realized gross sales amounting to Ksh. 1.046 billion which was 19% or Ksh. 164 million higher than sales achieved in the last financial year of Ksh.882 million. However, our cost of sales increased by 26% from Ksh.270 million to Ksh.340 million. The effect was an increase of gross profit by 15% from Ksh 612 million to Ksh. 706 million.

Operating profits increased to Ksh. 710 million from Ksh. 616 million in previous year primarily because of the increased sales during the year. Operating expenses increased by 18% from Ksh. 530 million in the year ended 30 June, 2015 to Ksh 623 million in the year under review. The net effect of these changes was a profit of Ksh. 88 million in that year compared to a profit of Ksh. 86 million in the previous year.

Operating Environment

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

Publishing

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



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

In the year under review, one of the significant achievements of JKF was the conversion of additional children's readers into e-books in partnership with e-Kitabu at minimal cost. We also continued with our digital publishing program for lower primary course books in readiness for the laptop project. In addition, we developed an Atlas and a Kiswahili dictionary, *Kamusi* which was rolled out in 2015 and the market performance is outstanding the first print run already sold out.

The JKF Scholarships Scheme

The JKF scholarship beneficiaries stood at 187 at the close of the financial year 2015/2016 where a total of Ksh. 25.9 Million was spent. Out of these beneficiaries, 78 were awarded scholarships in the year.

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

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

Strategic Plan

The year under review was the fourth into the 4th strategic plan for the five year period from July 2012 to July 2017. The strategic plan which was reviewed in 2016, spells out the Mission and Vision statements of the Foundation which correctly reflect the mandate of the organization of advancing education and alleviation of poverty.



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

Marketing Activities

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

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

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

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



Legal Risk Management

During the year ended 30 June, 2016, we reviewed eleven 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 E-Waste policy. JKF fully complied with the statutory requirements of timely submitting reports to the various regulatory bodies.

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

Staff Welfare and Development

The JKF spent Ksh. 5.2 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 Blacken Hurst in Limuru at a cost of one million and celebrating staff for long service awards. Also during the year under review staff were also appraised based on 2015-2016 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 following positions: Managing Director, Manager Finance, Manager ICT, Research & Development Officer, Senior Science Editor and Assistant Editor (Humanities). The recruitment of Company Secretary is also underway.

Our outpatient medical scheme is self-funded, and managed by an insurance broker. In 2015/2016 JKF spent Ksh. 7.2 million in the scheme, compared to Ksh. 6.7 million spent in 2014/15. The insured inpatient scheme is managed by an underwriter who performed



well to the satisfaction of the staff. The claims for the year stood at Ksh. 4.6 million against premium of Ksh. 4.5 million.

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

Internal Audit Department

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

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

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

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

May God bless you.

A handwritten signature in black ink, appearing to be 'Rosemary K.A. Barasa', written over a large, faint circular stamp or watermark.

MRS. ROSEMARY K.A. BARASA
MANAGING DIRECTOR



CORPORATE GOVERNANCE REPORT

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 2016. 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 (9) 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 17th 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, organisational 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, Margaret Murage, 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 Mugacha (Chairperson), Prof. Isaac Kimengi, Seth Odhiambo, Mohamed Jabane, Simon Watenga, Margaret Murage, 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 Adhiambo, Mohamed Jabene, Dr. Mwikali Mugacha, 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	9	4	7	4
1	Hon. Walter Nyambati	Chairman of BOD	9	N/A	N/A	N/A
2	Prof. Isaac N. Kimengi	Chairperson of FGPC	9	1	N/A	4
3	Dr. Mwikali Mugacha	Director	9	4	N/A	4
4	Ms. Doreen Kathure	Chairperson of BSC	9	4	7	N/A
5	Mr. Simon Watenga	Director	9	N/A	7	4
6	Mr. Hudson A. Liyai	Chairperson of BAC	9	4	7	N/A
7	Mrs. Seth Odhiambo	Director	3	3	2	2
8	Mr. Mohammed Jabane	Director	9	4	N/A	4
9	Mrs. Margaret Murage	Director	9	N/A	6	N/A
10	Mrs. Rosemary K. A. Barasa	Managing Director	9	N/A	6	4

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 tied to the overall performance for the Foundation in monetary terms. The Foundation undertakes a comprehensive annual staff appraisal against their pre-agreed targets and objects and this informs the individual performance and contribution to the company performance and achievement of the overall goals.

Conflict of Interest

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

Directors' Remuneration

The Foundation pays members of the Board such taxable sitting allowance as may be approved by the Cabinet Secretary for Education, Science and Technology, following guidelines from the State Corporations Advisory Committee and Salaries and Remuneration Commission. The sitting allowance is payable when a member attends meetings of the Board or Committees and when on official duty in and outside the Country. The Chairman of the Board is paid a 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 maximising 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 foreseeable future. Based on this reason, the Board continues to adopt the going concern basis when preparing the financial statements.

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

HON. WALTER NYAMBATI
CHAIRMAN OF THE BOARD



CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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. There are several initiatives that 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, therefore, 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.



Jomo Kenyatta Foundation

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.

A handwritten signature in black ink, appearing to be 'Rosemary K.A. Barasa', written over a large, empty circular space.

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, 2016.

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. 88 million (2015: profit of Ksh.86 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. 25.9 million was utilized for this purpose.

4. Directors

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

5. Auditors

The Auditor General is responsible for the statutory audit of the Foundation financial statements in accordance with Section 14 of the Public Audit Act, 2003. Section 39(1) of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf. Accordingly, Mbaya and Associates were appointed to carry out the audit for the year ended 30 June 2016.

By order of the Board

A handwritten signature in blue ink, appearing to read 'Rosemary K.A. Barasa', is written over a circular stamp or seal.

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 that Foundation, which give a true and fair view of the state of affairs of the Foundation at the end of the financial year and the operating results of the Foundation for that year. The Directors are also required to ensure that the Foundation keeps proper accounting records which disclose with reasonable accuracy the financial position of the Foundation. The Directors are also responsible for safeguarding the assets of the Foundation.

The Directors are responsible for the preparation and presentation of the Foundation's financial statements, which give a true and fair view of the state of affairs of the Foundation for and as at the end of the financial year ended on 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, 2016, 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 September 21, 2016 and signed on its behalf by:

Director: 

Managing Director: 



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE 2016

REPORT ON THE FINANCIAL STATEMENTS

The accompanying financial statements of Jomo Kenyatta Foundation set out on pages 29 to 64, which comprise the statement of financial position as at 30 June 2016, 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 auditors appointed under section 25 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 information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with article 229 (7) of the Constitution. The audit was conducted in accordance with International Standards of Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

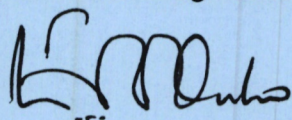
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act, 2015.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my Knowledge and belief were necessary for the purpose of the audit;
- ii. In my opinion, proper books of account have been kept by the Foundation, so far as appears from my examination of those books; and,
- iii. The Foundation's statement of financial position and statement of comprehensive income are in agreement with the books of account.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2017



Jomo Kenyatta Foundation

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2016

		2016	2015
	Notes	Ksh'000	Ksh'000
Gross Turnover	4	1,046,289	882,087
Cost of Sales	5	(339,901)	270,194
Gross Profit		706,388	611,893
Interest Income	6a	1,187	1,009
Other Operating Income	6b	2,497	3,623
Total Revenue		710,072	616,525
Selling and Distribution Expenses	7	453,039	369,964
Administrative Expenses	8	170,061	144,131
Other Operating Expenses	9	17,808	16,240
Total Operating Expenses		622,908	530,336
Profit from Operations		87,165	86,190
Finance Income	10a	735	743
Finance Costs	10b	(300)	(1,228)
Net Profit		87,600	85,705

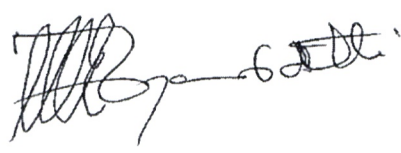


STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE, 2016

	Notes	2016 Ksh'000	2015 Ksh'000
Non- Current Assets			
Plant, Property & Equipment	13	883,242	903,960
Intangible Assets	14	3,731	1,997
Total Non -Current Assets		886,973	905,957
Current Assets			
Inventories	15	168,849	120,826
Trade and Other Receivables	16	104,982	82,630
Cash and Cash Equivalents	17	103,313	62,540
Total Current Assets		377,144	265,996
Total Assets		1,264,117	1,171,953
EQUITIES AND LIABILITIES			
Capital and Reserves			
Capital Reserve	18	4,000	4,000
Revaluation Reserves	19	964,622	964,622
Retained Earnings	20	131,271	67,671
Scholarship Fund	21	15,378	17,325
Total Capital and Reserves		1,115,271	1,053,618
Current Liabilities			
Trade and Other Payables	22	148,846	118,335
Total Capital and Liabilities		1,264,117	1,171,953

The financial statements on pages 29 to 64 were authorised for issue by the Board of Directors on September 21, 2016 and were signed on its behalf by:

Director. 

Director /Secretary 



**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE, 2016**

	Capital Reserve	Revaluation Reserve	Retained Earnings	Scholarships Fund	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at 1st July 2014	4,000	964,575	25,708	-	994,330
Net Profit for the Year			85,704		85,704
Scholarships Appropriation			(43,741)	43,741	
Scholarships Applied				(26,416)	(26,416)
Surplus on Revaluation of Assets		47			47
As at 30 th June 2015	4,000	964,622	67,671	17,325	1,053,619
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, 2016

	Notes	2016 Ksh'000	2015 Ksh'000
Cash flow from operating activities			
Net Profit for the year	9	87,600	85,705
Adjustments for:			
Depreciation	13a	29,554	28,209
Amortization of Intangible Assets	14	1,190	929
Loss on sale of Non-Current Assets	6b	212	173
Changes in working Capital:			
Decrease/(increase) in:			
Trade and Other Receivables		(22,351)	12,892
Inventories		(48,024)	46,330
Increase/(decrease) in Trade and Other Payables		30,726	(86,592)
Cash Generated from Operations		78,906	87,646
Investing Activities			
Purchase of Property, Plant & Equipment	13a	(10,212)	(9,532)
Purchase of Intangible Assets	14	(2,924)	(1,976)
Proceeds from sale of Fixed assets		951	11
Net cash from Investing Activities		(12,185)	(11,497)
Financing Activities			
Scholarship Applied		(25,948)	(26,416)
Net Increase in Cash & Cash Equivalents		40,773	49,733
Cash and Cash Equivalents as at July 1, 2015		62,540	12,807
Cash and Cash Equivalents as at June 30, 2016	17	103,313	62,540

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE, 2016**

	Final Budget	Actual on Comparable Basis	Performance Difference
	Kshs '000	Kshs'000	Kshs'000
Revenue			
Gross Sales	1,035,342	1,026,047	(9,295)
Service Jobs	27,232	18,248	(8,983)
Sales of E- Books	2,337	1,994	(344)
Finance/ Interest Income	120	1,187	1,067
Rent Income	2,695	2,342	(353)
Gains(Loss) on disposal of Assets	600	(212)	(812)
Miscellaneous Income	148	367	219
Total income	1,068,473	1,049,973	(18,500)
Expenses			
Cost of Goods Sold	373,997	339,901	(34,096)
Discounts Allowed	332,270	346,478	14,208
Compensation of employees	144,226	144,016	(210)
Board of Directors Expenses	14,215	16,492	2,277
Finance cost	1,559	437	(1,122)
Depreciation and Amortization	28,102	28,486	384
Other payments	110,768	86,563	(23,469)
Total Recurrent Expenditure	1,005,136	962,373	(42,028)
Profit or Loss	63,337	87,600	23,528
Capital Budget			
Capital Expenditure	41,271	10,213	(31,058)
Scholarships Applied	11,000	25,948	14,948
Total Capital Expenditure	52,271	36,161	(16,110)

NB: Material variances are explained in disclosures contained in Note 27.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(I). Statement of Compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

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

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

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

Annual improvements to IFRS

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

IFRS 13 Fair Value Measurement	IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes additional disclosure requirements.
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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

	<p>IFRS 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Foundation has not made any new disclosures required by IFRS 13 for the 2012 comparative period</p> <p>The application of IFRS 13 has not had any impact on the amounts recognized in the financial statements as the Foundation does not have assets and liabilities at fair value</p>
<p>IFRS 13 Fair Value Measurement</p>	<p>The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes)</p>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

<p>Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)</p>	<p>The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Foundation are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented.</p> <p>The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation did not restate its prior period financial statements</p>
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ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended June 30, 2015

<p>New and Amendments to standards</p>	<p>Effective for annual periods beginning on or after</p>
<p>IFRS 9 (2015)</p>	<p>1 January 2018</p>
<p>IFRS 15 Revenue from Contracts with Customers</p>	<p>1 January 2017</p>
<p>Amendments to IAS 16 and IAS 38. Clarification of Acceptable Methods of Depreciation and Amortisation</p>	<p>January 1, 2016</p>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

(iii) Relevant new and revised IFRSs in issue but not yet effective for the year ended June 30, 2015

• IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments:

Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods.

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

• IFRS 14, Regulatory Deferral Accounts

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

• IFRS 15, Revenue from Contracts with Customers

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

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

Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

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

• Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

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

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

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

• Annual Improvements 2014-2016 Cycle

This cycle formally commenced in July 2014 and incorporates consideration of one proposed amendment identified as part of the 2013-2015 cycle, which was discontinued at that time. It Makes amendments to the following standards:

- IFRS 1 - First-time Adoption of International Financial Reporting Standards sets out the procedures that an entity must follow when it adopts IFRSs for the first time as the basis for preparing its general purpose financial statements.
- IFRS 12 - Requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IAS 28 - Investments in Associates and Joint Ventures (as amended in 2011) outlines how to apply, with certain limited exceptions, the equity method to investments in associates and joint ventures. The standard also defines an associate by reference to the concept of "significant influence", which requires power to participate in financial and operating policy decisions of an investee (but not joint control or control of those polices).



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These IFRS's and IAS improvements are effective for accounting periods beginning on or after 1 January 2015. The directors of the Foundation do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Foundation's financial statements

(iv) Early adoption of standards

The Foundation did not early-adopt new or amended standards in 2016.

(II) 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. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of the Foundation's activities net of value-added tax (VAT) and 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.



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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 interest receivable from bank deposits and is recognised in profit or loss on a time proportion 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%



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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Computers & Intangibles	straight line	25%
Office furniture fittings & equipment	straight line	15%
Printing machine	straight line	12.5%

Lease hold land depreciated over 50 years lease period and free hold land is not depreciated.

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

(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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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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 exempted from income tax on all income through the Income Tax Act (cap.470) Section 13(10) and first schedule part 1. Its profits are applied for the payment of scholarships and /or retained to solidify the financial base.

(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.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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The estimated monetary liability for employees' accrued annual leave and staff gratuity entitlement at the balance sheet date is recognized as an expense accrual.

(g) Trade Receivables

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

(i) 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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2016 (CONTD...)**

settled as they fall due. The company manages liquidity risk by continuously reviewing forecasts and actual cash flows, and maintaining banking facilities to cover any shortfalls.

(k) Exchange rate differences

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

(l) Comparatives

Where necessary, comparatives have been adjusted to conform to changes in presentation in the current year. The comparative figures in the statement of comprehensive income have been adjusted after restatement of the turnover to gross from net of discount changing the figures for sales from Ksh.577,572 million to Ksh.882,087 million and selling and distribution expenses from Ksh. 78,951 million to Ksh. 369,965 million respectively.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2016 (CONTD...)**

**(III). 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 to be relevant. Actual results may differ from these estimates.

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

Key Sources of Estimation Uncertainty

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

a) Equipment and Intangible Assets

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2016 (CONTD...)**

b) Provisions

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

c) Contingent Liabilities

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

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, 2016

NOTES TO ACCOUNTS

4. Turnover:	2016	2015
	Ksh'000	Ksh'000
Sales of Primary Titles	911,521	786,269
Sales of Sec. Titles	80,764	66,983
Sales of Tertiary Titles	3,906	4,363
Sales of General Titles	29,856	13,712
Sales of Service Jobs	18,248	9,981
Sales of E-Books	1,994	780
Total Gross Sales	1,046,289	882,088

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
JUNE 30, 2016 (CONTD...)**

	2016 Ksh'000	2015 Ksh' 000
5. Cost of Sales:		
Cost of Sales Primary Titles	227,152	184,294
Cost of Sales Secondary Titles	21,500	19,119
Cost of Sales Tertiary Titles	1,102	1,091
Cost of Sales General Titles	6,378	3,053
Cost of Sales Service Job	3,821	1,227
Stock Take Adjustments	6,411	8
Stock Obsolescence Provision	10,174	11,970
Production Overheads (note 5b)	63,363	49,433
Cost of Sales	339,901	270,194
5. b Production Overheads:		
Staff Salaries	25,031	23,408
Staff House Allowance	8,430	6,648
Staff Medical & Welfare	2,050	1,897
Staff Training	348	702
Provident Fund Contribution	2,694	2,285
Product Development Expenses	22,539	12,552
Insurance	13	4
Depreciation Plant and Machinery	2,258	1,936
	63,363	49,433

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE, 2016 (CONTD...)**

6. Other operating income	2016 Ksh'000	2015 Ksh'000
6a) Interest Income		
Interest Income- Fixed Deposit	1,075	918
Car Loan Interest	112	91
	1,187	1,009
6b) Other operating Income		
Rental Income	2,342	2,522
Loss on Sale of Fixed Assets	(212)	(173)
Miscellaneous Income	367	1,274
	2,497	3,623
7. Selling and Distribution Expenses:		
Salaries & Wages	24,295	20,868
Staff House Allowance	8,665	6,366
Staff Medical & Welfare	2,944	2,628
Staff Training	223	-
Provident Fund	1,998	1,824
Vehicle Running Expenses	5,598	4,802
Staff Travelling & Accommodation	348	539
Discounts Allowed	346,478	291,014
Marketing & Sales Promotion	15,546	17,294
Electricity & Water	230	183
Postage & Telephone	799	604
Packaging Material	431	353
Depreciation	8,852	8,138
Royalties to Authors	16,621	13,723
Loading Expenses	266	215
Security	1,344	1,014
Standard Levy	400	400
	435,039	369,965

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30
JUNE, 2015 (CONTD...)****8. Administrative Expense:**

	2016	2015
	Ksh'000	Ksh'000
Salaries & Wages	66,374	62,015
Staff House Allowance	20,079	18,757
Staff Medical & Welfare	15,707	12,266
Provident Fund Contribution	5,953	5,678
Staff Training	4,623	2,941
Directors Remuneration	16,492	4,857
Subscriptions	1,171	516
Printing & Stationery	1,360	1,803
Postage & Telephone Expenses	3,853	4,018
Legal & Professional Fees	2,441	1,576
Library Expenses	92	110
Audit Fees	614	690
Vehicle Running Expenses	3,143	3,323
Staff Travelling & Accommodation	6,024	3,323
Depreciation	19,634	19,056
Ground Cleaning & Maintenance	2,159	1,939
Provision for Bad Debts	-	319
Bank Charges & Commissions	720	773
Penalties	152	172
	170,061	144,132

9. Other operating expenses:

Rent & Rates	690	729
Light & Water	2,572	2,841
Repairs & Maintenance	6,020	4,591
Industrial Training Levy	75	59
Insurance	5,406	5,780
Security	2,370	1,829
Licenses	675	411
	17,808	16,240



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

	2016	2015
	Ksh'000	
Ksh'000		
10a. Finance Income:		
Foreign Exchange Gain	735	743
10b. Finance Costs		
Bank interest	300	1,228
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)	29,554	28,209
Amortization of Intangible assets	1,190	929
Staff Costs (Note 12)	186,453	166,396
Auditors' Remuneration (Note 8)	612	690
Directors' Remuneration :(Note 8)		
- Fees	900	900
- Other	15,592	3,957
Repairs & Maintenance	6,020	4,591
Provision for Bad and Doubtful debts	0	319
	240,321	205,991
12. Staff Costs:		
Salaries and other allowances	173,574	154,853
Compulsory social security schemes(NSSF)	362	283
Other pension contributions	9,562	9,325
Leave pay and gratuity provisions	2,955	1,935
	186,453	166,396

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016 (CONTD...)****13(a). Property, Plant & Equipment**

	Leasehold Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Office Equip.	Computers & Peripherals	Totals
Cost or valuation:	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	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	883,243

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016 (CONTD...)****13(b). Property, Plant & Equipment**

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

The figure of depreciation charge for the year of Ksh.28, 209 excludes depreciation of Intangible assets of Ksh.929 which is reflected in note 14.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016 (CONTD...)

Property Plant & Equipment were re-valued by an independent valuer in June 2014. Valuations were made on the basis of open market values. Book values for all asset categories have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves. Leasehold land included above represents two properties, one on Kijabe Street L.R No. 209/4360/18 on a 50 years lease effective 1st January 2001 the other one on Enterprise Road LR. No. 209/1127 on a 99 year lease effective 1st May 1997. The land rates applicable to the properties are 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	9,137	62,716	21,791	9,711	138,002
Accumulated Depreciation	18,828	8,402	48,628	20,258	6,165	110,117
Net Book Value June 30, 2016	15,498	1,056	14,089	1,533	3,546	27,885
Cost at June 30, 2015	34,326	9,137	43,666	20,624	8,506	116,259
Accumulated Depreciation	18,141	8,920	41,625	19,105	4,526	92,316
Net Book Value June 30, 2015	16,185	217	2,041	1,519	3,980	23,943



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
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14 Intangible Assets:

	2016	2015
	Ksh'000	Ksh'000
Cost:		
As at 1 st July	10,453	10,453
Additions during the year	2,924	-
As at 30 th June	<u>13,377</u>	<u>10,453</u>
 Amortisation:		
As at 1 st July	8,457	7,527
Amortisation during the year	1,190	929
As at 30 th June	<u>9,647</u>	<u>8,457</u>
 Net Book Value:		
As at 30 th June	<u>3,730</u>	<u>1,997</u>

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

15. Inventories:

	2016	2015
	Ksh'000	Ksh'000
Finished Goods	285,607	235,605
Consumables	2,589	1,840
	<u>288,196</u>	<u>237,445</u>
Obsolescence provision	(119,347)	(116,619)
	<u>168,849</u>	<u>120,826</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. 3.2 million additional provision was made in the current financial year and obsolete books worth Ksh. 532,421 were donated to various schools.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

16. Trade and other Receivables:	2016	2015
16.a. Trade Receivables	Ksh'000	Ksh'000
Total Trade Receivable(16b)	108,564	87,020
Prepayment and Other Receivables		
Deposits and prepayments	6,169	6,167
VAT recoverable	(6,196)	(7,765)
Staff receivables	4,847	6,419
Royalties Advances	6,748	5,652
Other receivables	5,076	5,496
Gross Trade and other Receivables	125,208	102,989
Less: Provision for doubtful debts	(20,226)	(20,358)
Total Trade Receivables	104,982	82,631

16.b Gross Trade Receivable

Total Trade Receivable	108,564	87,020
Less: Provision for doubtful debts	(13,885)	(14,017)
Net Trade payables	94,679	73,003

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

Less than 30 days	52,436	27,854
Between 30 and 60 days	2,562	15,218
Between 61 and 90 days	5,709	3,142
Between 91 and 120 days	4,206	787
Over 120 days	43,651	40,019
Gross Trade and other Receivables	108,564	87,020



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

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

	2016	2015
	Ksh'000	Ksh'000
Cash at Bank	103,018	62,443
Cash in Hand	295	97
Total Cash & Bank balance	103,313	62,540

The facility approved by the Board of Directors was a composite of Ksh. 30 million (Ksh. 30 million at June 2015). 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.

18. Capital Reserve:

Initial Grant to set up the Foundation	<u>4,000</u>	<u>4,000</u>
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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:

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

20. Retained Earnings:

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

	2016	2015
	Ksh'000	Ksh'000
As at 1 st July	67,671	25,708
Profit for the year	87,600	85,704
Scholarship Appropriation	(24,000)	(43,741)
As at 30 th June	<u>131,271</u>	<u>67,671</u>

21. Scholarship Fund:

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

	2016	2015
	Ksh'000	Ksh'000
As at 1 st July	17,325	-
Scholarship Appropriation	24,000	43,741
Scholarship Applied	(25,948)	(26,416)
As at 30 th June	<u>15,378</u>	<u>17,325</u>

22. Trade and Other Payables:

	2016	2015
	Ksh'000	Ksh'000
Trade Payables	114,074	81,618
Other Payables	34,772	36,717
	<u>148,846</u>	<u>118,335</u>

Other payables include provision for royalties to authors of Ksh.18 million (2014/2015 - Ksh.18.6 million). The provision is calculated as a percentage of sales for titles that are subject to royalty and are payable during the following financial year. Also included in the other payables is an amount of Ksh. 8.9 million relating to accrued expenses not paid by the end of the year.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

23. 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 Science and Technology, approves the authority for the Foundation to incur long-term debts which are guaranteed by the Foundation's assets.

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

b) Staff Loans

The company operates a company car loan scheme for all employees. The cars are registered in joint names of the company and the employees as security for the car loans. The interest income earned on staff loans in the year amounted to Ksh. 111,500 (2015 – Ksh. 91,623).

The distribution of the loans is as follows;

	2016	2015
	Ksh'000	Ksh'000
Due from key management	581,041	818,460
Due from other staff	414,153	130,000
	995,194	948,460

c) Key Management Compensation

Salaries and other benefits	21,566	20,933
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d) Director's Remuneration

Fees for services as directors	900	900
Other emoluments	15,592	3,957
	16,492	4,857



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016 (CONTD...)

24. FINANCIAL RISK MANAGEMENT

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

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

a) Market Risk

Foreign exchange risk

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

b) Credit Risk

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

	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

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

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

Bank balances are held with credible Financial Institutions (KCB) and are fully performing. Trade receivables are due from customers with good credit rating.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

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
At June 30, 2016:				
Trade payables	38,418	39,380	36,276	114,074
	<u>38,418</u>	<u>39,380</u>	<u>36,276</u>	<u>114,074</u>
At June 30, 2015:				
Trade payables	20,811	18,279	42,528	81,618
	<u>20,811</u>	<u>18,279</u>	<u>42,528</u>	<u>81,618</u>

25. Capital Commitments:

	2016 Ksh'000	2015 Ksh'000
Amounts authorised	41,217	27,555
Less: Amounts incurred	13,136	11,705
	<u>28,081</u>	<u>15,795</u>

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2016 (CONTD...)**

26. 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.

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

	Final Budget	Actual on Comparable Basis	Difference		
	Kshs '000	Kshs'000	Kshs'000	%	
Revenue					
Service Jobs	27,232	18,248	(8,983)	-33%	1
Finance/ Interest Income	120	1,187	1,067	889%	2
Gains(Loss) on disposal of Assets	600	-212	(812)	-135%	3
Miscellaneous Income	148	367	219	148%	4
Expenses					
Cost of Goods Sold	373,997	339,901	(34,096)	-9%	5
Discounts Allowed	332,270	346,478	14,208	4%	6
Board of Directors Expenses	14,215	16,492	2,277	16%	7
Finance cost	1,559	437	(1,122)	-72%	8
Other payments	110,768	86,563	(23,469)	-21%	9
Capital Budget					
Capital Expenditure	41,271	10,213	(31,058)	-75%	10
Scholarships Applied	11,000	25,948	14,948	136%	11

Explanations

1. Due to extensive marketing campaign and competitive pricing of the service jobs, there has been an increase in sales compared to previous year by 82%. However sales are below the budgeted figure because a sale to CFBT (NGO sponsored by UK Aid) was a service job which entailed general readers hence accounted for in the General titles product class though was budgeted as a service job hence the variance.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2016 (CONTD...)

2. The positive variance is due Ksh.1.1 million interest received in the year from fixed deposit placed with KCB which earned a higher interest than budgeted.
3. We had budgeted to dispose various items during the year but only disposed two motor vehicles. Other items are planned for disposal in the next financial year.
4. This variance in miscellaneous income arose from recovery of bad debts worth Ksh.132, 417 previously specifically provided for and expensed in our accounts.
5. Cost of goods sold is directly related to sales realised and since our sales are lower than budgeted this cost is lower than the budget.
6. The actual discount allowed is higher than the budgeted figure because majority of our sales were realised through our authorised distributors who enjoy a higher discount of 35% compared to the average discount figure of 33% used for budgeting purposes resulting to this variance.
7. The Full Board of Directors was incorporated during this financial year and more committee meetings were held to clear the backlog of Board mandate in addition to many activities requiring the board involvement eg. Recruitment, Strategic Plan Review, Mwongozo and Corporate Governance Training for newly appointed Board Members resulting in this variance.
8. Finance cost favourable variance is because we did not utilise overdraft facility as earlier budgeted due to effective cashflow management and improved sales performance.
9. Other payments include administrative and sales promotion expenses that are below the budgeted amounts due to cost control measures taken by the management and some budgeted for activities were not undertaken like extensive marketing in electronic and print media. Expected curriculum change did not take place resulting to lower expenses on related items.
10. The variance in capital expenditure is because the Foundation did not acquire some of the planned capital items as a cashflow and liquidity management decision hence the variance.
11. Scholarships applied is higher than budgeted because the Foundation endeavoured to clear all the previous years outstanding fees balances and currently has no arrears with schools for the current beneficiaries.