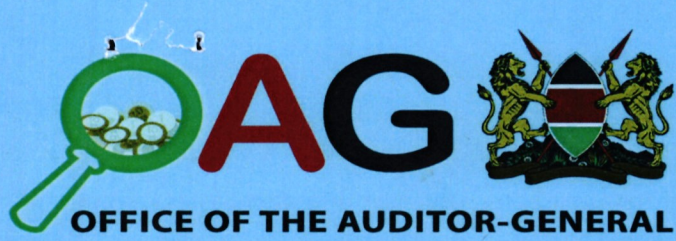


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY PAPERS LAID	
<b>REPORT</b>	10 AUG 2021
	DAY: <u>Tues</u>
TABLED BY:	<u>WDM</u>
CLEARANCE TABLE:	<u>Gertrude Chebet</u>

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**JOMO KENYATTA FOUNDATION**

**FOR THE YEAR ENDED  
30 JUNE, 2019**

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Jomo Kenyatta Foundation

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

04 JUN 2021

**RECEIVED**

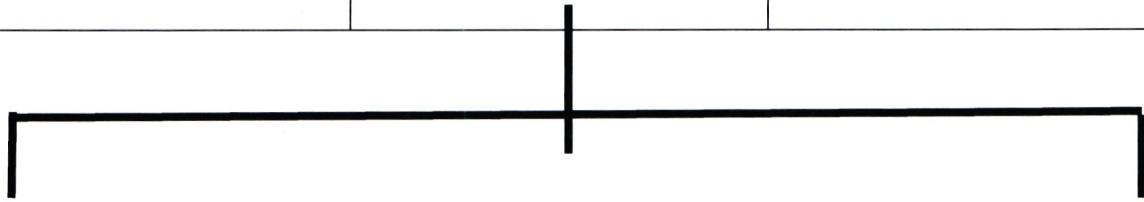
# **THE JOMO KENYATTA FOUNDATION**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019**

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



VISION	CORE VALUES	MISSION
An educated, empowered and inclusive society		Provision of scholarships, customer-focused publications and printing solutions



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



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## **KEY ENTITY INFORMATION**

### **INCORPORATION**

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

### **SECRETARY**

Mrs. Rosemary K. A. Barasa, OGW  
Managing Director and Secretary to the Board  
P. O. Box 30533 – 00100

### **NAIROBI**

### **REGISTERED OFFICE**

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

### **NAIROBI.**

### **PRINCIPAL BANKER**

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

### **NAIROBI.**

### **INDEPENDENT AUDITORS**

The Auditor - General  
Anniversary Towers, University Way  
P. O. Box 30084 – 00100

### **NAIROBI.**

### **PRINCIPAL LEGAL ADVISORS**

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



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

1. Mrs. Khadija M. Awale - Chairperson- **Appointed on 8<sup>th</sup> February 2019**
2. Mrs. Rosemary Barasa, OGW - Managing Director/Secretary to the Board
3. Mr. Joseph K. Kinyua, CBS - Chief of Staff and Head of Public Service
4. Dr. Henry Rotich, EBS - Cabinet Secretary, The National Treasury
5. Dr. Belio R. Kipsang - Principal Secretary, Ministry of Education Science and Technology
6. Prof. Michael Mabururu - Member
7. Mr. Patrick Birgen - Member
8. Mrs. Maryangela K. Kimwele - Member - **Appointed September 2018**
9. Mr. Simon Watenga, - Member - **Appointed September 2018**
10. Eng. John Muriithi - Member- **Appointed September 2018**
11. Mr. Mayiani Sankale - Member - **Appointed September 2018**
12. Mr. Mohammed Jabane, MBS - Alternate to Chief of Staff and Head of Public Service
13. Mr. Habat Abdi - Alternate to Principal Secretary, Ministry of Education Science and Technology
14. Mr. Samuel W. Wambugu - Alternate to Cabinet Secretary, The National Treasury



## THE BOARD OF DIRECTORS BRIEF



### **Mrs. Khadija M. Awale – Chairperson**

Mrs. Khadija joined the Board of Jomo Kenyatta Foundation as the Chairperson on 8th February 2018 as the Chairperson. She has vast knowledge and expertise in business management for over 29 years of experience both in public and in private sector having served in several positions in the said sectors.



### **Mr. Henry K. Rotich, EGH**

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



**Mr. Joseph Kinyua, CBS**

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



**Dr. Richard Kipsang Belio**

Dr. Kipsang is the Principal Secretary Ministry of Education. He holds a PhD from the Catholic University of Eastern Africa, where his dissertation was entitled, “Assessment of Policy, Practice and Implication of Financing Higher Education through the Students’ Loan Scheme in Kenya”. He has a Master’s degree in Economics, and a Bachelor of Education (Hons) both from University of Nairobi. He was the immediate Chief Executive Officer Coffee Trust fund before his appointment. Previously he worked at the Higher Education Loans Board as the Head of Operations in charge of Lending and Recovery departments. Dr. Kipsang is a trained Certified Fraud Examiner and an Associate member of Association of Certified Fraud Examiners (MCFE-UK).



**Prof. Michael Mabururu**

Prof. Michael Ntabo Mabururu has professional background on Ethics and Philosophy. He holds a PHD in Philosophy from Moi University and MA in Philosophy from University of Nairobi. This is in addition to Bachelor of Arts in Philosophy and Theology from Urbanian University and Gregorian University, Rome (Italy) respectively. He currently works at Rongo University on secondment from Moi University as the pioneer Dean of School of Arts and Social Sciences from 2012 to date. In addition he is an external examiner of Maseno University and St. Augustine University Tanzania. Prof. Ntabo has written books in Gender Discrimination and Dialogue in Religion and Science and articles in journals. He has attended several trainings on Philosophy, Religion, Leadership Development and Ethics and also has undertaken training on Corporate Governance under Mwongozo facilitated by ICS and SCAC. He holds professional membership with various institutions and brings on board a vast knowledge in education.



**Mr. Patrick Birgen**

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



**Mrs. Maryangela Kamene Kimwele**

Mrs. Kimwele holds M.A in Peace Studies and International Relations from Hekima University, Kenya, B.A in Sociology and Political Science from Catholic University of Eastern Africa and Post-Graduate Certificate in Leadership from Marquette University, Milwaukee, USA. She has attended various local and international conferences and has several publications to her credit. She has undertaken training on Corporate Governance under Mwongozo facilitated by ICS and SCAC. Mrs. Kimwele is an experienced entrepreneur and a board member of several colleges and schools, a Philanthropist at heart, and a social worker in practice in community development projects, especially uplifting needy families and children.



**Mr. Simon Watenga,**

Mr. Watenga holds a Bachelor of Education, Science from Egerton University, Diploma in Education management from Kenya Education Staff Institute and MED in Guidance and Counselling from Egerton University. He is currently a part time lecturer at Mt. Kenya University. He has undertaken training on Corporate Governance under Mwongozo facilitated by ICS and SCAC and has a wide range of experience in education issues.



**Mr. A. Mohammed Jabane, MBS**

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



**Mr. Samuel W. Wambugu**

Mr. Wambugu is the Principal Economist, Macro and Fiscal Affairs Department at The National Treasury. He holds an M.A in Economic Policy Management from Makerere University, Uganda and B.A in Economics from University of Nairobi. He is currently undertaking a PHD in Economics at Kenyatta University. Mr. Wambugu has attended Strategic Leadership Development Programme (SLDP) at KSG and several other courses in Management, Leadership, Finance and Strategy both locally and abroad. He has undertaken trainings on Corporate Governance under Mwongozo facilitated by ICS and SCAC



**Eng. John Muriithi**

Eng. Muriithi is an Electronics Technical Consultant and a member of Institute of Electronics Engineers. He is a Trainer of Trainers in East, Central and Southern Africa in Electronics / Digital Equipment Applications. He holds a diploma in Marketing and has worked with international organization including Rank Xerox both locally and overseas. Eng. Muriithi has also worked with National Anticorruption Steering Committee for over ten years and has served in Meru County pending Bills Committee. He has undertaken training on Corporate Governance under Mwongozo facilitated by ICS and SCAC. Eng. Muriithi is a board member in several International Schools and Secondary Schools and a devotee Christian holding a diploma in Theology. He has served leadership positions such as Chairman of all P.C.E.A Deacons and a Senior Elder in P.C.E.A Church.



**MR. MAYIANI SANKALE**

Mr. Sankale holds a Bachelor of Laws degree from Moi University and Post graduate diploma from the Kenya School of Law. He is a member of the Law Society of Kenya, East Africa Law Society and Advocates Benevolent Association. He has experience in diverse areas of Law including, Procurement matters, Land Law, Judicial Review of Administration, Action matters involving local authorities, Group ranches and land adjudication sections and he has handled cases and conveyancing matters involving corporate clients, banking institutions amongst others. He has undertaken training on Corporate Governance under Mwongozo facilitated by ICS and SCAC and has a wide range of experience in education issues.



**Mrs. Rosemary K.A. Barasa, OGW**

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

**NB**

Kindly note that the following board members were appointed during the year and we are working on updating their profiles which will be included in the year end report.

1. Mr. Habat Abdi – Member



**JKF SENIOR MANAGEMENT**

1. Mrs. Rosemary K. A. Barasa - Managing Director-  
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. Michael Ogillo - General Manager - Sales and Marketing
5. Mr. David K. Mwaniki - General Manager - Finance & ICT
6. Mr. Alex G. Wagacha - General Manager - Internal Audit & Risk  
Management



## SENIOR MANAGEMENT BRIEF



### **Mrs. Rosemary K.A. Barasa, OGW**

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



### **John Githiaka, GM, HR & Administration**

Mr. John K. Githiaka is a holder of Masters of Business Administration (MBA) and Bachelors of Arts (Government & Public Administration) from Moi University. He also holds a Diploma in Human Resources Management (India). He has attended several trainings on Human Resource Management, Strategic Leadership Development Program from the Kenya School of Government. He is a certified ISO 9001:2008 Series, Lead Auditor. He joined the Foundation in October 2006 was appointed to the position in November 2012. He is a full member of The Institute of Human Resources Management and Kenya Institute of Management.



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

Mr. Fredrick Oyuga is a holder of Master of Arts in Communication Studies from the University of Nairobi. He also holds a Bachelor of Education (Science) degree from Kenyatta University. He has attended several local and international courses in Publishing. He joined the Foundation in December 1996 and appointed to the position in October 2004.



**David Mwaniki, GM, Finance & ICT**

Mr. David Mwaniki holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa and ACCA 2. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard. He joined the Foundation in November 1997 and appointed to the position in July 2013.



**Mr. Michael Ogillo, GM, Sales & Marketing**

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



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

Mr. Alex Gichura Wagacha holds a Master of Business Administration from The University of Nairobi and B.Ed (Hons) in science from Kenyatta University. 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 joined the Foundation in November 1998 was appointed to the position on July 2013.



Jomo Kenyatta Foundation

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 50<sup>th</sup> 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 48<sup>th</sup> Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 8<sup>th</sup> August 2019.
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2019
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June 2019.
5. To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30 June 2019.
6. To appoint the Company's External Auditors for the year ending 30 June 2020 and fix their fees.
7. To fix Directors fees, allowances and other remunerations for the year ended 30 June 2019 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 blue ink, appearing to be 'Rosemary K. A. Barasa', written over a circular stamp or mark.

**MRS. ROSEMARY K. A. BARASA, OGW**

**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

The Directors are pleased to submit the Annual Reports and Financial Statements of Jomokenyatta Foundation for the year ended 30 June 2019. The financial results are discussed in the Chief Executive's report.

### **Business Review**

As noted on the Managing Director's report on Page xxi, the Company's financial performance in 2019 was below that of prior year. The Board is reviewing the various factors that have contributed to this performance and is working with Management to address the issues. Key external business factors that led to this reduced performance was due to change in Government policy on book distribution and the change of curriculum to one book policy. This has reduced our sales as booksellers reduced the uptake of bulk orders in view of the said uncertainty. In mitigation, the company has embarked on grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. The Company also secured Nine (9) titles in the SEQUIP Project Phase II, which will boost the sales effective July 2019. In addition, the development of new titles based on the competency-based curriculum are expected to positively impact on profitability.

The year under review represented the 15<sup>th</sup> cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government though evaluation for the year is yet to be carried out.

### **Corporate Social Responsibility**

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship. During the year under review, The Foundation donated books and cash valued at Ksh. 0.4 million to various schools and institutions in the country. This is in addition to Ksh. 10.4 million paid out to secondary schools as part of our scholarship scheme. JKF also participated and donated to other worthy courses through cash sponsorships e.g Cerebral Palsy Society of Kenya walk, Kenya Values Trust. The Foundation also collaborated with our neighbour, Reuben Centre, in organising a VCT and counselling services for staff and the public in the year.



### **Partnerships**

Jomo Kenyatta Foundation has continued to partner with various Institutions and Forums on various matters. I will mention three of them here. Jomo Kenyatta Foundation Scholarships Beneficiaries Association (JKFSBA) though still at the formative stage, is sponsoring some students through our Scholarships programme and Rotaract Club of Nairobi Central that supplies sanitary towels to all girls in our scholarship programme. Goethe Institute co-sponsored the Maktaba Awards with The Jomo Kenyatta Foundation for the 10<sup>th</sup> 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. 2.7 million on staff training at various professional and skills upgrading institutions. In addition, a number of staff members continued to be granted time off to pursue various professional and higher degree courses in fields related to their work. As a way of motivating and developing our staff, the Foundation has been exploring on various alternatives to launch the staff mortgage programme and I am happy to report that we have already identified a provider and finalised on the details now only awaiting implementation.

### **Future Projection**

The implementation of the new curriculum in 2018 present a big opportunity not only to the publishing industry but also to the JKF both in the short and medium terms. This is because new materials have to be developed and approved for use in schools. The Foundation completed the review of its Strategic Plan for the period 2019 to 2023. This Strategic Plan is aligned to the country's strategies as envisioned in the Constitution of Kenya 2010 and Vision 2030 together with The Sustainable Development Goals (SDGs).



In addition, the plan is aligned to Government Agenda “4” initiatives as negotiated in the 15th Cycle of the performance contract with the Ministry of Education. 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 class 1, 2, 3 and 4 books to take advantage of the digital initiative advocated by the Government. This is in addition to placing more books on e-platform especially in the reader’s and tertiary level categories.

### **Acknowledgement**

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

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

Thank you and God bless.

A handwritten signature in blue ink, appearing to read 'Khadija M. Awale', is written over a light blue horizontal line.

**MRS. KHADIJA M. AWALE**

**CHAIRPERSON**



## **THE CHIEF EXECUTIVE'S REPORT**

I take this opportunity to report the performance of The Foundation for the twelve months ended 30<sup>th</sup> June 2019.

### **Financial Performance**

In FY2018/2019, the Foundation realized gross sales amounting to Ksh. 431 million, which was 12% lower than sales achieved in prior year of Ksh.492 million. The development of new titles for the CBC curriculum and the change in the books distribution model our cost of sales have increased by 31% from Ksh.179 million to Ksh.235 million. The resultant net effect was a decrease in gross profit by 37% from Ksh. 312 million to Ksh. 196 million .

Operating income decreased to Ksh. 200 million from Ksh. 320 million in previous year operating expenses decreased by 29% from Ksh. 250 million in the year ended 30 June 2018 to Ksh 201 million in the current year. The net effect of these changes was a loss of Ksh. 176.8 million in that year compared to a loss of Ksh. 118.4 millions in the previous year. This drop was mainly due the change in government policy on book distribution and one book policy that eroded the sales from our star products.

### **Operating Environment**

The Foundation's principal mandate has remained as Advancing education and Alleviation of poverty. These activities are carried out through the core functions of publishing and scholarship provision driven by expansion of the revenue base through research and Development. A much broader interpretation of the Company's Memorandum and Articles of Association enables the Foundation to embrace new avenues of revenue generation especially on the utilization of the head office land.

### **Publishing**

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



In a bid to penetrate the East Africa Community market, The Foundation has continued to participate in international book publishing tenders floated by various governments in the region. We acquired a digital press that will boost the revenues from the service jobs stream.

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

### **The JKF Scholarships Scheme**

The JKF scholarship beneficiaries stood at 468 at the close of the financial year 2018/2019 where a total of Ksh. 10.3 million was appropriated to pay fees in addition to provision of personal effects to our beneficiaries. Out of these beneficiaries, 159 were awarded scholarships in the year.

The revised JKF scholarship policy saw the Foundation conduct interviews during the award process in all counties. This enabled more transparency and accountability in the award process. We took into affirmative action and awarded some scholarships under the persons with disability category, marginalized and the special groups. The scholarship management system that was acquired and installed and will go a long way in improving the administration of scholarships. We also launched the Scholarships website in support of the scholarship program and in line with the Strategic Plan.

### **Reviewed Strategic Plan**

In the last decade, the Government of Kenya (GOK) has undertaken a wide range of legal, policy and institutional reforms with a view to improving performance and enhancing service delivery in the public sector. The reforms have been effected under a number of policy frameworks and initiatives. The reviewed strategic Plan is aligned to the government development agenda and priority areas as outlined in the Kenya Vision



2030, Medium Term Plan (MTP III), Big Four agenda and Sustainable Development Goals (SDGs).

The revised plan comes into effect at a critical time for the education sector reforms. First, as part of the education sector reforms, the GOK implemented the revised curriculum to the Competency Based Curriculum (CBC). Second, the GOK changed to one book per subject policy. Third, the Government reviewed the way books are distributed to schools by direct acquisition from publishers. All these changes and others in the wider public sector pose challenges while at the same time offering opportunities for the Foundation. This called for a change in Foundation policy and strategies for competitive and sustainable growth. The Strategic plan has come up with new strategies to enable the Foundation stay afloat in the dynamic market.

### **Marketing Activities**

The department's main objective is to ensure our goods reach the market through the designated channels of distribution this has been affected by the government policy on the book 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. We ensured there was no shortage of stocks by planning before the seasonal pressure on printers. We also ensured our key accounts countrywide were served earlier to satisfy the smaller customers. The introduction of high value products in the market, which we are set to achieve, will definitely contribute positively to our revenue.

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



### **Legal Risk Management**

During the year ended 30 June 2019, we reviewed four policies earlier developed, to align them with the Constitution of Kenya 2010 with special recognition of Article 10 (2). With the same criteria, we formulated three policies i.e. Business Continuity, Disaster Preparedness and Succession Planning policy. JKF fully complied with the statutory requirements of timely submitting reports to the various regulatory bodies.

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

### **Staff Welfare and Development**

The JKF spent Ksh. 2.7 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 and Corporate Governance.

We participated in various fora on staff welfare for purpose of motivating staff, rewarding staff for long service awards and annual increment in the salaries when they fall due. Also during the year under review, staff were appraised based on 2019-2020 targets set at the beginning of financial year. However, those who failed to meet the agreed targets were sanctioned as per reviewed JKF Terms and Conditions of Service of 2013.

For the better part of the year, CIC Insurance managed the medical scheme for all staff and Directors until the expiry of the cover period in April 2019 from when contracted the NHIF for comprehensive medical cover for both outpatient and inpatient.

### **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.



Jomo Kenyatta Foundation

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

Internal Audit is also a key pillar to the organization's corporate governance process, through evaluation and improvement of risk management, continuous improvement of internal controls, ensuring accountability, monitoring accomplishment of organization strategic goals and maintenance of corporate values.

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

May God bless you.

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

**MRS. ROSEMARY K.A. BARASA, OGW**  
**MANAGING DIRECTOR**



## **CORPORATE GOVERNANCE REPORT**

The Jomo Kenyatta Foundation was incorporated under the Companies Act as a company limited by guarantee on 2<sup>nd</sup> March 1966. The principal activity of The Foundation is to advance education and knowledge. The principal stakeholder, The Government of Kenya, provided the initial capital to establish The Foundation and appoints members to the Board to carry out the mandate. The Board of Management implements effective governance through processes and policies intertwined with the core values and ethics as espoused in the Code of Ethics, which was revised, based on the Leadership and Integrity Act, 2012. The Board and Management undertook trainings on corporate governance, induction and strategic planning in the financial year 2017. Corporate governance is a key element contributing to Foundation sustainable business success and is highly regarded at the Foundation.

### **THE BOARD**

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

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

### **Board Composition**

The Board has Ten (10) members; the Chairperson, six independent directors and three directors representing various governmental agencies and the Managing Director. Mrs. Khadija M. Awale (BOD Chairperson) was appointed on 8<sup>th</sup> February 2019. The Board meets the 30% gender equity threshold for gender equity.



### **Role of the Chairman and Chief Executive Officer**

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

### **Succession Planning**

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

### **Board Evaluation and Performance**

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

### **Board Meetings and Attendance**

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

### **Board Committees**

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



### **Board Staff Committee**

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

The members who served in the year were ; Maryangela Kimwele –Chairperson, A. Mohammed Jabane, Mayiani Sankale, Eng. John Muriithi, Prof. Michael Mabururu, Samuel Wambugu, Habat Abdi, Rosemary K.A Barasa- MD and Secretary 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 ; Patrick Birgen- Chairman, Eng. John Muriithi, A. Mohammed Jabane, Samuel Wambugu, Habat Abdi, Simon Watenga, Rosemary K.A Barasa- MD and Secretary, i\* GM, Finance and ICT

### **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; Prof. Michael Mabururu – Chairman, Mayiani Sankale, A. Mohammed Jabane, Samuel Wambugu, Habat Abdi, Maryangela Kimwele, Alex Wagacha (GM, Internal Audit & risk Management)- Secretary

### Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 30 June 2019:

	Name	Status	BOD/SPECIAL BOD MEETING	BAC	BSC	FGPC
		No. of Meetings	13	5	3	2
1	Mrs. Khadija M. Awale	Chairperson Appointed February 2019	5	-	-	-
2	Joel M Kitili	Chairman- Retired	3	-	-	-
3	Mr. Patrick Birgen	Chairperson of FGPC	13	1	1	2
4	Mrs. Mary Angela Kimwele	Chairperson of BSC	7	4	3	-
5	Prof. Michael Mabururu	Chairperson of BAC	13	5	3	-
6	Mr. Mayiani Sankale	Director	6	3	2	-
7	Mr. Simon Watenga	Director	9	-	-	1
8	Eng. John Muriithi	Director	9	-	3	1
9	Mr. Samuel Wambugu	Alt. Director Treasury	11	4	3	2
10	Mr. Mohammed Jabane	Alt. Director OP	11	1	2	2
11	Habat Abdi	Alt. Director MOE	4	2	3	2
12	Mrs. Rosemary K. A. Barasa	Managing Director	12	-	1	2



BOD - Full Board

BAC- Board Audit Committee

BSC-Board Staff Committee

FGPC- Finance and General Purpose

### **Staff Remuneration**

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

### **Conflict of Interest**

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

### **Directors' Remuneration**

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



## **Internal Controls**

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

## **Directors Induction and Development**

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

## **Communicating with Stakeholders**

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

- continuous disclosure reporting;
- its annual reports; and
- media releases and other publications on the Foundation website.

In addition, the Company provides other information about itself and its governance via its website [www.jkf.co.ke](http://www.jkf.co.ke)



### **Procurement**

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

### **Going Concern**

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

A handwritten signature in blue ink, appearing to be 'Khadija M. Awale', is written in a cursive style.

**MRS. KHADIJA M. AWALE**  
**CHAIRPERSON**



## **SUSTAINABILITY REPORT – HEALTH, ENVIRONMENT, QUALITY AND SECURITY**

The Foundation operates a management system for safety and environmental protection based on guidelines and standards, which apply worldwide. The company focuses on minimising safety risks and reducing its environmental impact as well as on ensuring efficient use of energy, resources and materials.

Our products and technologies also support customers' efforts to make their business processes safer, more efficient and more environmentally friendly. The Foundation is audited by both external bodies and Bureau Veritas Group auditors to verify compliance with the prescribed standards. In order to identify areas of weakness, we record incidents, which have particular relevance for safety and environmental protection. In addition, near misses from which we can learn lessons are documented. To ensure that it is prepared for events such as natural disasters, serious crime and pandemics, the company also draws up risk management plans. Our top priority is the protection of employees, business partners, neighbours and property. The company cooperates with the authorities in the areas surrounding its business locations on safety and environmental protection. People are the most important assets we have in the Foundation system. We believe everyone possesses a fundamental human right to safety and it is our duty to respect and foster that right. Hence we take measurable steps to continuously improve safety practices across the organisation. We have set ourselves ambitious goals for occupational and process safety, quality, environmental sustainability as well as health protection. We stipulate globally mandatory standards for safety, security and health protection.

We regularly conduct audits on safety, security, health and environmental protection in order to monitor progress toward our goals. Risk-conscious working behaviour is promoted for every individual through measures like systematic hazard assessments, specific qualification measures and safety initiatives rolled out periodically. Based on our corporate values, leaders serve as safety role models for our employees. Together, they contribute to the constant development of our safety culture. No incidents were reported in 2019.

The Management team is continuously reviewing all incidents and applying the lessons learnt to improve Security, Health, Environment and Quality (SHEQ) performance. The



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company is committed to Goal Zero: occasioning no harm to People, Society and the Environment and operating on a sustainable basis. This strategy was rolled out to enhance SHEQ ownership and broaden SHEQ across the entire company. We will continue to equip our staff with the required training and ensure continued certification and transition of the International Standards from the 2008 versions to ISO 9001:2015 (Quality management system standard and OHSAS 18001:2007 (Occupational Health and Safety Assessment Series).

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

**MRS. ROSEMARY K.A. BARASA, OGW**  
**MANAGING DIRECTOR**



## MANAGEMENT DISCUSSION AND ANALYSIS

### SECTION A

#### The entity's operational and financial performance

The cumulative sales revenue results for the year ended 30<sup>th</sup> June 2019 were at Ksh.431 million compared to the previous year revenue of Ksh. 492 million. This decrease was due to market uncertainty due to change in Government one book policy and the ongoing change of curriculum. This reduced our sales as book sellers reduced the uptake of bulk orders in view of the said uncertainty.

The company recorded a cumulative net operating loss of Ksh.177 million, marking a decrease in performance compared to the previous year loss of Ksh. 118 million. Since the One book policy took effect and the Government suspended capitation for text books for public schools that formed about 80% of our market. This seriously affected the product uptake hence revenue as the market shrank. The usual anticipated bulk book orders were not realized leading to losses. The Government selected the books to be supplied to schools under the SEQIP project through a bidding process. JKF did not perform well in this process as just two titles were selected. Due to this effect the management planned and controlled its expenditure to ensure it meets daily working capital with positive liquidity throughout the year.

In mitigation, the company has embarked on grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. The SEQUIP III and CBC tenders are expected to improve the books sales in the next financial year. The operationalization of digital press has also boosted the service jobs income where we have realized a revenue of Ksh 25.5 million as at end of June. In addition the development of new titles based on the competency based curriculum are expected to positively impact on profitability. The Foundation reviewed the 2019/2023 Strategic Plan with the sole purpose of identifying more strategies to reverse the trend and counter the changes in market dynamics as a result of change in government policy. The review was intended to align the plan with the Government Agenda "Four" initiative.



## **SECTION B**

### **Entity's compliance with statutory requirements**

The Company adheres to the Corporate Governance Guidelines issued by the Capital Markets Authority in Kenya to ensure compliance with the principles of Corporate Governance. As a State Corporation, JKF is also governed under the Mwongozo guidelines. In addition, the Company endeavor's to fulfil its legal obligations in line with its principal mandate. All statutory deductions are remitted to the relevant agencies as per the Act and as they fall due. As at the end of the year the Foundation had fully complied with all statutory obligations.

## **SECTION C**

### **Key projects and investment decisions the entity is planning/implementing**

The company has diversified its provision of both printed and digital content in line with the market trends. The Foundation reviewed the 2017/2022 strategic plan which will act as a guide in growing the revenue streams and align it to government Agenda 'Four' initiatives. The Board of directors are optimistic that the company will revert to its growth momentum as the strategic plan is implemented in the coming financial years. One of the strategies was to commission a digital printing press to augment the printing of service jobs. The company has also engaged consultancy services for professional advice on the development of the large idle land in the premises head office and Kijabe Street.

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



## SECTION D

### Major risks facing the entity

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

a) **Market Risk**-Foreign exchange risk

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

b) **Credit Risk**

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

c) **Liquidity Risk**

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



## SECTION E

### **Material arrears in statutory/financial obligations**

The Foundation has no arrears in terms of Statutory contributions or financing obligations. The Foundation operates a Staff Provident Fund managed by Jubilee Insurance Company and all the deductions (both employee and employer) are promptly remitted on the following month following the month of deduction. Currently, JKF does not have any loan facility with any financial institution but utilizes an approved overdraft facility with KCB bank.

## SECTION F

### **The entity's financial probity and serious governance issues**

The Foundation has no financial improbity as at end of the year. The governance issues have been sorted as the Board has now been fully constituted with all the members including the Chairperson. There are no major adverse issues mentioned by the auditor or any other regulatory body.

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**MRS. ROSEMARY K.A. BARASA, OGW**  
**MANAGING DIRECTOR**



## **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. Several initiatives are geared towards promoting social responsibility. These include:

- The book donation has continued to make remarkable and valuable contribution in ensuring access to educational materials and improving quality for the disadvantaged schools in all corners of the Country. Books donated are used to stock the libraries and hence uplifting the reading culture.
- The Foundation recognises that staff are a key component of any business success story and has come up with internal social responsibility programmes aimed at promoting the development of the employees through refunds of educational expenses incurred by staff.
- The Foundation provides life skills by mentoring students to exploit their potential, by sponsoring school subject contests, publishing books on life skills and participating in leadership and mentoring talks to students.
- Teachers have benefited from the social responsibility programmes where the Foundation organises for training workshops of teachers on relevant subjects.

### **ENVIRONMENTAL SUSTAINABILITY**

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

The Foundation has planted over 5,000 trees in various counties in partnership with schools. Environmental awareness programmes such as the environment clean-up days,



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participation and sponsorship of the World Environmental Day and the World Wetlands day were some of the initiatives to promote environmental sustainability.

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

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**MRS. ROSEMARY K.A. BARASA, OGW**  
**MANAGING DIRECTOR**



## DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 30 June 2018.

### 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 loss for the year of Ksh. 176.4 million (2018: loss of Ksh.118.4 million) has been reduced from the 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. 10 million was utilized for this purpose.

### 4. Directors

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

### 5. Auditors

The Auditor General is responsible for the statutory audit of the Foundation financial statements in accordance with Section 25 of the Public Audit Act, 2015. Section 25 of the Act empowers the Auditor General to appoint other auditors to carry out the audit on his behalf.

Accordingly, Mbaya and Associates were appointed by the Auditor General to carry out the audit for the year ended 30 June 2019

By order of the Board

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

**ROSEMARY K.A. BARASA, OGW**

**SECRETARY TO THE BOARD**



## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

The Directors are responsible for the preparation and presentation of the Foundation's financial statements, which give a true and fair view of the state of affairs of the Foundation for and as at the end of the financial year ended on June 30, 2018. 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, 2018, and of the Foundation's financial position as at that date. The Directors



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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 23<sup>rd</sup> October 2019 and signed on its behalf by:

A handwritten signature in blue ink, appearing to read 'Khadija M. Awale'.

**MRS. KHADIJA M. AWALE**  
**CHAIRPERSON**

A handwritten signature in blue ink, appearing to read 'Rosemary K.A. Barasa'.

**ROSEMARY K.A. BARASA, OGW**  
**MANAGING DIRECTOR**



Jomo Kenyatta Foundation

# REPUBLIC OF KENYA

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OFFICE OF THE AUDITOR GENERAL

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## **REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE, 2019**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Qualified Opinion**

The accompanying financial statements of Jomo Kenyatta Foundation set out on pages 1 to 53, which comprise the statement of financial position as at 30 June, 2019, 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 M/s Mbaya and Associates auditors appointed under Section 23 of the Public Audit Act, 2015. The auditors have duly reported to me the results of their audit and on the basis of their report, I am satisfied that all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit were obtained.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Jomo Kenyatta Foundation as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Kenya Companies Act, 2015 and the Public Finance Management Act, 2012

#### **Basis for Qualified Opinion**

##### **Going Concern Uncertainty**

The statement of financial position reflects that the current liabilities of Kshs.281,772,000 exceeded the current assets of Kshs.247,282,000 resulting in a negative working capital of Kshs.34,490,000. The Foundation may therefore be unable to meet its financial obligations as and when they fall due. In addition, the Foundation also recorded a net loss of Kshs.176,799,000 (2018:Kshs.118,368,000) thereby decreasing the retained earnings from Kshs.438,000 as at 30 June, 2018 to a deficit of Kshs.192,361,000 as at 30 June, 2019.

The Foundation is therefore technically insolvent and the financial statements have been prepared on a going concern basis on the assumption that it will continue to receive financial support from Government and creditors. The material uncertainty relating to going concern has not been disclosed in the financial statements.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,075,520,000 and Kshs.436,880,000 respectively resulting to an under-funding of Kshs.638,640,000 or 59% of the budget. Similarly, the Company's expenditure amounted to Kshs.613,679,000 against an approved budget of Kshs.1,029,087,000 resulting to an under-expenditure of Kshs.415,408,000 or 40% of the budget. The underfunding and underperformance affected the planned activities and the performance of the Company.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

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

#### **Basis for Conclusion**

##### **Investment in Call Deposits**

As disclosed in Note 17 to the financial statements, the statement of financial position reflects an amount of Kshs.850,000,000 in respect of call deposits held at a local bank. This is contrary to The National Treasury Circular Ref. DMD 4/02 'H' (63) of 26 March, 2018 which directed all State Corporations and SAGAs to invest surplus funds in Treasury Bills or Treasury Bonds directly through the Central Bank of Kenya.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROL, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Kenya Companies Act ,2015 Cap 209 of the laws of Kenya, I report based on my audit, that:

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

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

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

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

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

#### **Auditor-General's Responsibilities for the Audit**

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

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

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

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

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

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

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

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

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

  
Nancy Gathungu  
**AUDITOR-GENERAL**

**Nairobi**

**13 July, 2021**



**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE, 2019**

		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
<b>Gross Turnover</b>	<b>4</b>	431,833	492,148
Cost of Sales	<b>5</b>	(235,994)	(179,547)
Gross Profit		195,839	312,601
Interest Income	<b>6a</b>	145	138
Other Operating Income	<b>6b</b>	4902	7,246
<b>Total Revenue</b>		200,886	319,985
Selling and Distribution Expenses	<b>7</b>	178,920	250,714
Administrative Expenses	<b>8</b>	184,324	174,138
Other Operating Expenses	<b>9</b>	14,318	13,501
<b>Total Operating Expenses</b>		377,562	438,353
Profit from Operations		(176,676)	(118,368)
Finance Income	<b>10a</b>	1	-
Finance Costs	<b>10b</b>	(124)	-
<b>Net Profit/(Loss)</b>		(176,799)	(118,368)



**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE, 2019**

	Notes	2019 Ksh'000	2018 Ksh'000
<b>Non- Current Assets</b>			
Plant, Property & Equipment	13	824,766	836,833
Intangible Assets	14	1,022	1,576
<b>Total Non -Current Assets</b>		<b>825,788</b>	<b>838,409</b>
<b>Current Assets</b>			
Inventories	15	168,478	197,829
Trade and Other Receivables	16	70,824	60,772
Cash and Cash Equivalents	17	7,980	24,831
<b>Total Current Assets</b>		<b>247,282</b>	<b>283,432</b>
<b>Total Assets</b>		<b>1,073,070</b>	<b>1,121,841</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Reserve	18	4,000	4,000
Revaluation Reserves	19	965,024	965,024
Retained Earnings	20	(192,361)	438
Scholarship Fund	21	14,635	7,926
<b>Total Capital and Reserves</b>		<b>791,298</b>	<b>977,388</b>
<b>Current Liabilities</b>			
Trade and Other Payables	22	281,772	144,453
<b>Total Capital and Liabilities</b>		<b>1,073,070</b>	<b>1,121,841</b>

The financial statements on pages 1 to 53 were authorised for issue by the Board of Directors on 23<sup>rd</sup> October 2019 and signed on its behalf by:

Mrs. Khadija M. Awale  
Chairperson

Mr. Sammy Ombuki  
Manager Finance  
ICPAK M/NO: 9012

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



**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE, 2019**

	Capital Reserve	Revaluation Reserve	Retained Earnings	Scholarships Fund	Total
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at 1st July 2018	4,000	965,024	438	7,926	977,388
Net Profit for the Year			(176,799)		(176,799)
Scholarships Appropriation	-	-	(16,000)	16,000	-
Scholarships Applied	-	-	-	(9,291)	(9,291)
Revaluation	-	-	-	-	-
As at 30 <sup>th</sup> June 2019	4,000	965,024	(192,361)	14,635	791,298
As at 1st July 2017	4,000	965,024	118,806	21,238	1,109,068
Net Profit for the Year			(118,368)		(118,368)
Scholarships Appropriation	-	-	-	-	-
Scholarships Applied	-	-	-	(13,312)	(13,312)
Revaluation	-	-	-	-	-
As at 30 <sup>th</sup> June 2018	4,000	965,024	438	7,926	977,388

**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, 2019**

	Notes	2019	2018
		Ksh'000	Ksh'000
<b>Cash flow from operating activities</b>			
Net Profit for the year		(176,799)	(118,368)
<b>Adjustments for:</b>			
Depreciation	13a	30,167	30,907
Amortization of Intangible Assets	14	980	1,274
Interest Received	6a	(145)	(138)
Loss on sale of Non-Current Assets	6b	-	24
<b>Changes in working Capital:</b>			
Decrease/(increase) in:			
Inventories		29,351	22,773
Trade and Other Receivables		(10,054)	17,401
Increase/(decrease) in Trade and Other Payables		133,289	45,265
<b>Cash Generated from Operations</b>		<b>6,789</b>	<b>(46,270)</b>
<b>Investing Activities</b>			
Purchase of Property, Plant & Equipment	13a	(18,467)	(1,907)
Purchase of Intangible Assets	14	(427)	(363)
Proceeds from Sale of Fixed assets		-	126
<b>Net cash from Investing Activities</b>		<b>(18,894)</b>	<b>(2,144)</b>
<b>Financing Activities</b>			
Scholarship Applied		<b>(9,149)</b>	<b>(13,345)</b>
Net Increase in Cash & Cash Equivalents		(21,254)	(61,759)
Cash and Cash Equivalents as at July 1, 2018	17	29,234	86,590
<b>Cash and Cash Equivalents as at June 30, 2019</b>	17	<b>7,980</b>	<b>24,831</b>



**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS  
FOR THE YEAR ENDED 30 JUNE, 2019**

	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Performance Difference</b>	
	<b>Kshs '000</b>	<b>Kshs'000</b>	<b>Kshs'000</b>	
<b>Revenue</b>				
Gross Sales	1,041,613	405,996	(635,617)	1
Service Jobs	23,700	25,554	1,854	2
Sales of E- Books	2,400	283	(2,117)	3
Finance/ Interest Income	1,254	145	(1,109)	4
Rent Income	2,896	3,519	623	
Gains(Loss) on disposal of Assets	900	-	(900)	5
Miscellaneous Income	2,757	1,383	(1,374)	6
<b>Total income</b>	<b>1,075,520</b>	<b>436,880</b>	<b>(638,640)</b>	
<b>Expenses</b>				
Cost of Goods Sold	350,459	235,994	(144,465)	7
Sales Discounts & Marketing Expenses	355,700	100,705	(254,995)	8
Compensation of employees	186,594	175,429	(11,165)	9
Board of Directors Expenses	15,487	11,789	(3,698)	10
Finance cost( Bank Interest)	2,000	125	(1,875)	11
Bad and Doubtful debts	1,431	-	(1,431)	
Depreciation and Amortization	34,900	31,147	(3,753)	12
Operational Expenses	82,516	58,490	(24,026)	13
<b>Total Recurrent Expenditure</b>	<b>1,029,087</b>	<b>613,679</b>	<b>(415,408)</b>	
<b>Profit or( Loss)</b>	<b>46,433</b>	<b>(176,799)</b>	<b>(223,232)</b>	
<b>Capital Expenditure</b>				
Purchase of Assets	28,520	18,526	(9,994)	14

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2019**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**1. GENERAL INFORMATION**

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

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

**2. STATEMENT OF COMPLIANCE**

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE, 2019**

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

**i) Relevant new standards and amendments to published standards  
effective for the year ended 30 June 2019**

<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	Finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. The standard contains requirements in the following areas:  •Classification and measurement.  Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an



<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
		<p>entity's own credit risk.</p> <ul style="list-style-type: none"><li>•Impairment. The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised</li><li>•Hedge accounting. Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures</li><li>•Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39</li></ul> <p>The application of IFRS 9 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>



<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
<p>IFRS 15: Revenue from Contracts with Customers  (Issued 28 May 2014)</p>	<p>1<sup>st</sup> Jan 2018</p>	<p>IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.</p> <p>The five steps in the model are as follows:</p> <ul style="list-style-type: none"><li>• Identify the contract with the customer</li><li>• Identify the performance obligations in the contract</li><li>• Determine the transaction price</li><li>• Allocate the transaction price to the performance obligations in the contracts</li><li>• Recognise revenue when (or as) the entity satisfies a performance obligation.</li></ul> <p>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.</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation does not have any joint operations</p>



Amendment/Interpretation to a standard	Effective date	Impact
<p>IFRIC 22: Foreign Currency Transactions and Advance Consideration</p> <p>(Issued 8 December 2016)</p>	<p>1<sup>st</sup> Jan 2018</p>	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> <li>• there is consideration that is denominated or priced in a foreign currency;</li> <li>• the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and</li> <li>• the prepayment asset or deferred income liability is non-monetary.</li> </ul> <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> <li>• The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.</li> <li>• If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.</li> </ul> <p>This amendment did not have any impact on the Foundation's financial statements as the</p>



Amendment/Interpretation to a standard	Effective date	Impact
		Foundation policy on foreign currency transaction are recognised as at the date of transaction.
<p>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</p> <p>(Issued 19 January 2016)</p>	1 <sup>st</sup> Jan 2017	<p>Amends IAS 12 Income Taxes to clarify the following aspects:</p> <ul style="list-style-type: none"> <li>• Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.</li> <li>• The carrying amount of an asset does not limit the estimation of probable future taxable profits.</li> <li>• Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.</li> <li>• An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity</li> </ul>



Amendment/Interpretation to a standard	Effective date	Impact
		<p>would assess a deferred tax asset in combination with other deferred tax assets of the same type. This amendment did not have any impact on the Foundation's financial statements as the Foundation is exempt from income tax</p>
<p>Disclosure Initiative (Amendments to IAS 7)</p> <p>(Issued 29 January 2016)</p>	<p>1<sup>st</sup> Jan 2017</p>	<p>Amends IAS 7 Statement of Cash Flows to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.</p> <p>This amendment have an impact on the Foundation's financial statements as the Foundation provided disclosures to enable users to evaluate the changes in liabilities arising from financing activities.</p>
<p>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</p> <p>(Issued 12 April 2016)</p>	<p>1<sup>st</sup> Jan 2018</p>	<p>Amends IFRS 15 Revenue from Contracts with Customers to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief</p>



Amendment/Interpretation to a standard	Effective date	Impact
		<p>for modified contracts and completed contracts..</p> <p>This amendment had an impact on the Foundation’s financial statements as the Foundation has contracts with digital books agents whose revenue is recognised on quarterly basis.</p>
<p>Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)</p> <p>(Issued 20 June 2016)</p>	<p>1<sup>st</sup> Jan 2018</p>	<p>Amends IFRS 2 Share-based Payment to clarify the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled.</p> <p>This amendment did not have any impact on the Foundation’s financial statements as the Foundation does not have any share-based payments.</p>
<p>Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'</p>	<p>Overlay approach to be applied when IFRS 9</p>	<p>Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance</p>



Amendment/Interpretation to a standard	Effective date	Impact
<p>(Amendments to IFRS 4)  (Issued 12 September 2016)</p>	<p>is first applied. Deferral approach effective for annual periods beginning on or after 1 January 2018 and only available for three years after that date</p>	<p>contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none"> <li>• an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;</li> <li>• an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.</li> </ul> <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.</p> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation renews the insurance contracts yearly.</p>



<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
Transfers of Investment Property (Amendments to IAS 40)  (Issued 8 December 2016)	1 <sup>st</sup> Jan 2018	<p>The amendments to IAS 40 Investment Property:</p> <ul style="list-style-type: none"><li>•Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.</li><li>•The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.</li></ul> <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation did not transfer any investment property during the year</p>



Amendment/Interpretation to a standard	Effective date	Impact
<p>Annual Improvements to IFRS Standards 2014–2016 Cycle (Issued 8 December 2016)</p>	<p>The amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018, the amendment to IFRS 12 for annual periods beginning on or after 1 January 2017</p>	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> <li>•IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose</li> <li>•IFRS 12 - Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity’s interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations</li> <li>•IAS 28 - Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or</li> </ul>



<b>Amendment/Interpretation to a standard</b>	<b>Effective date</b>	<b>Impact</b>
		<p>joint venture on an investment-by-investment basis, upon initial recognition.</p> <p>This amendment does not have any impact on the Foundation's financial statements as the Foundation does not have subsidiaries, joint ventures or associates.</p>



**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019**

<b>Standard</b>	<b>Effective Date</b>	<b>Impact</b>
IFRS 16: Leases (Issued 13 January 2016)	1 Jan 2019	IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.
<i>IFRS 17 Insurance Contracts</i> (Issued 18 May 2017)	Applicable to annual reporting periods beginning on or after 1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.



Standard	Effective Date	Impact
<p>IFRIC 23: Uncertainty over Income Tax Treatments (Issued 7 June 2017)</p>	<p>Applicable to annual reporting periods beginning on or after 1 January 2019</p>	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>• Whether tax treatments should be considered collectively</li> <li>• Assumptions for taxation authorities' examinations</li> <li>• The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> </ul> <p>• The effect of changes in facts and circumstances</p>
<p><i>Prepayment Features with Negative Compensation</i> (Amendments to IFRS 9) (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.</p>
<p><i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<p>Clarifies that an entity applies IFRS 9 <i>Financial Instruments</i> to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity</p>



Standard	Effective Date	Impact
		method is not applied.
<i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i>  <i>(Issued 12 December 2017)</i>	Annual periods beginning on or after 1 January 2019	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"><li>• <b>IFRS 3</b> and <b>IFRS 11</b> - The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.</li><li>• <b>IAS 12</b> - The amendments clarify that the requirements in the former paragraph 52B (to recognise the income tax consequences of dividends where the transactions or events that generated distributable profits are recognised) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.</li><li>•</li><li>•</li></ul>



Standard	Effective Date	Impact
		<ul style="list-style-type: none"><li>• <b>IAS 23</b> - The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows <i>generally</i> when calculating the capitalisation rate on general borrowings.</li></ul>
<i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19) (Issued 7 February 2018)</i>	Annual periods beginning on or after 1 January 2019	<p>The amendments in <i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> are:</p> <p>If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.</p> <ul style="list-style-type: none"><li>• In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.</li><li>•</li></ul>



<b>Standard</b>	<b>Effective Date</b>	<b>Impact</b>
<i>Amendments to References to the Conceptual Framework in IFRS Standards</i>  (Issued 29 March 2018)	Annual periods beginning on or after 1 January 2020	Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> . The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i> . Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i> .

These IFRS's and IAS improvements are effective for accounting periods beginning on or after 1 January 2016. The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

**iii) Early adoption of standards**

The Foundation did not early – adopt any new or amended standards in year 2018.

**(4) Basis of Preparation**

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

**(a) Revenue Recognition**

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

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

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

- b. Finance income comprises of interest receivable from bank deposits and is recognised in profit or loss on time proportion basis using the effective interest rate method.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

- 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 and impairment losses.

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.

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

**(c) Intangible assets**

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

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

**(d) Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted-average-cost basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads, but excludes interest expense. Net realizable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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

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

**(e) Taxation**

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

**(f) Post-employment benefit obligations**

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

The Company and all its employees also contribute to the National Social Security Fund (NSSF), which is a national defined contribution scheme. This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently graduated per employee per month as per the new regulations.

The estimated monetary liability for employees' accrued annual leave and staff gratuity entitlement at the balance sheet date is recognized as an expense accrual.

**(g) Trade Receivables**

Trade receivables are carried at original invoiced amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year-end. Provision for doubtful debts is charged to statement of comprehensive income in the year they are identified. Bad debts are written off against the provision when they are determined to be unrecoverable.

**(h) Trade payables**

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

**(i) Cash and Cash Equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, and investments in money market instruments, net of bank overdrafts. In the balance sheet, bank overdrafts are included as borrowings under current liabilities.

**(j) Risk Management**

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

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

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

**(k) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Bureau operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**(l) Budget information**

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

**(m) Rounding and Comparatives**

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

**(n) Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
JUNE 30, 2019 (CONTD...)**

**(5). SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION  
UNCERTAINTY**

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

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

**Key Sources of Estimation Uncertainty**

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

**a) Equipment and Intangible Assets**

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
JUNE 30, 2019 (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. At the end of financial year, the Foundation held a bank guarantee worth Ksh.850, 000 with KCB as performance security for service jobs bids.

	<b>2019 Ksh'000</b>	<b>2018 Ksh' 000</b>
Bank guarantees	850	150
Legal claims	-	-
	<hr/> <b>850</b>	<hr/> <b>150</b>

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019 (CONTD...)**

	<b>2019</b>	<b>2018</b>
<b>4. Turnover:</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
Sales of Primary Titles	259,864	432,278
Sales of Sec. Titles	123,895	32,181
Sales of Tertiary Titles	5,232	5,964
Sales of General Titles	17,172	16,506
Sales of ECDE Titles	116	51
Sales of Service Jobs	25,554	3,813
Sales of E-Books	-	1,355
Total Gross Sales	<u><b>431,833</b></u>	<u><b>492,148</b></u>

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

	<b>2019</b>	<b>2018</b>
<b>5. Cost of Sales:</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
Cost of Sales Primary Titles	66,882	86,835
Cost of Sales Secondary Titles	69,007	7,788
Cost of Sales Tertiary Titles	1,662	1,484
Cost of Sales General Titles	4,702	4,356
Cost of Sales ECDE Titles	52	18
Cost of Sales Service Job	10,698	2,350
Stock Take Adjustments	21,728	3,781
Stock Obsolescence Provision	8,024	6,408
Production Overheads ( <b>note 5b</b> )	53,239	66,527
Cost of Sales	<u><b>235,994</b></u>	<u><b>179,547</b></u>



	<b>2019</b>	<b>2018</b>
<b>5. b Production Overheads:</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
Staff Salaries	32,201	30,022
Staff House Allowance	9,280	9,160
Staff Medical & Welfare	3,869	2,796
Staff Training	-	546
Provident Fund Contribution	4,341	3,880
Product Development Expenses	764	16,593
Insurance	13	7
Depreciation Plant and Machinery	2,771	3,523
	<b>53,239</b>	<b>66,527</b>

<b>6. Other operating income</b>	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
6a) Interest Income –Fixed Deposit	-	-
Car Loan Interest	145	138
	<b>145</b>	<b>138</b>
6b) Other operating Income		
Rental Income	3,519	2,968
Gain/(Loss) on sale of Fixed Assets	-	(24)
Revaluation Reserve Movement	-	-
Miscellaneous Income	1,383	4,302
	<b>4,902</b>	<b>7,246</b>



<b>7. Selling and Distribution Expenses:</b>	<b>2019 Ksh' 000</b>	<b>2018 Ksh '000</b>
Salaries & Wages	28,709	28,875
Staff House Allowance	10,430	11,446
Staff Medical & Welfare	5,223	4,911
Staff Training	-	766
Provident Fund	2,939	2,718
Vehicle Running Expenses	3,184	5,266
Staff Travelling & Accommodation	201	479
Discounts Allowed	95,324	162,290
Marketing & Sales Promotion	5,381	15,455
Electricity & Water	196	163
Postage & Telephone	554	633
Packaging Material	521	1,097
Depreciation	5,858	6,661
Royalties to Authors	18,624	8,117
Loading Expenses	240	271
Security	1,136	1,166
Standard Levy	400	400
	<b>178,920</b>	<b>250,714</b>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE  
2019 (CONTD...)

8. Administrative Expense:

	2019	2018
	Ksh'000	Ksh'000
Salaries & Wages	81,874	79,300
Staff House Allowance	19,126	19,190
Staff Medical & Welfare	21,643	16,298
Provident Fund Contribution	8,424	7,310
Staff Training	2,733	6,252
Directors Remuneration	11,789	7,087
Subscriptions	537	594
Printing & Stationery	972	1,359
Postage & Telephone Expenses	2,705	4,196
Legal & Professional Fees	1,344	533
Library Expenses	785	224
Audit Fees	676	676
Vehicle Running Expenses	3,675	3,067
Staff Travelling & Accommodation	2,640	3,150
Depreciation	22,518	21,996
Ground Cleaning & Maintenance	1,917	2,334
Bank Charges & Commissions	918	549
Penalties	-	3
Retrenchment Cost	48	20
	<b>184,324</b>	<b>174,138</b>



<b>9. Other operating expenses:</b>	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
Rent & Rates	690	555
Light & Water	3,036	3,289
Repairs & Maintenance	2,750	2,205
Industrial Training Levy	(2)	52
Insurance	5,203	3,475
Security	1,952	2,508
Licenses	689	1,417
	<hr/> <b>14,318</b> <hr/>	<hr/> <b>13,501</b> <hr/>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE, 2019 (CONTD...)**

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
<b>10a. Finance Income:</b>		
Foreign Exchange Gain	1	533
<b>10b. Finance Costs</b>		
Bank interest	124	-
<b>11. Items Charged to profit and loss</b>		
The following items have been charged in arriving at Net profit:		
Depreciation on Property, Plant & Equipment(Note 13)	30,167	30,907
Amortization of Intangible assets	980	1,274
Staff Costs (Note 12)	230,276	218,034
Auditors' Remuneration (Note 8)	676	676
Directors' Remuneration :( Note 8)		
- Fees	900	900
- Other	6,187	6,187
Repairs & Maintenance	2,749	2,205
Provision for Bad and Doubtful debts	4	-
	<b>271,939</b>	<b>260,183</b>
<b>12. Staff Costs:</b>		
Salaries and other allowances	212,355	201,998
Compulsory social security schemes(NSSF)	292	307
Other pension contributions	13,749	12,012
Leave pay and gratuity provisions	3,880	3,717
	<b>230,276</b>	<b>218,034</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018 (CONTD...)**

**13(a). Property, Plant & Equipment**

	Leasehold Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Office Equip.	Computers & Peripherals	Totals
<b>Cost or valuation:</b>	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at July 1, 2018	85,000	798,000	7,308	39,532	10,098	14,978	954,916
Additions	-	1,735	15,592	-	36	737	18,100
Disposals	-	-	-	-	-	-	-
As at June 30, 2019	85,000	799,735	22,900	39,532	10,134	15,715	973,016

**Depreciation:**

As at July 1, 2018	0	78,074	3,800	22,156	5,347	8,742	118,119
Disposal	-	-	-	-	-	-	-
Revaluation Reserve on Disposal	-	-	-	-	-	-	-
Charge for the year	-	19,123	2,678	4,274	1,479	2,613	30,167
Accumulated As at June 30, 2019	0	97,197	6,479	26,430	6,826	11,354	148,286
Net Book Value As at June 30, 2019	85,000	702,538	16,421	13,103	3,308	4,361	824,731

The figure of depreciation charge for the year of Ksh.30,167 excludes depreciation of Intangible assets of Ksh.980 that is reflected in note 14.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTD...)**

**13(b). Property, Plant & Equipment**

	Leasehold Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Office Equip.	Computers & Peripherals	Totals
	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at July 1, 2017	85,000	798,000	7,323	39,532	10,204	13,554	953,613
Additions	-	-	114	-	138	1,655	1,907
Disposals	-	-	(129)	-	(244)	(231)	(603)
As at June 30, 2018	85,000	798,000	7,308	39,532	10,098	14,978	954,917

**Cost or valuation:**

**Depreciation:**

As at July 1, 2017	-	58,954	2,815	16,458	3,990	5,447	87,664
Disposal	-	-	(77)	-	(146)	(229)	(452)
Revaluation Reserve on Disposal	-	-	-	-	-	-	-
Charge for the year	-	19,120	1,062	5,698	1,503	3,524	30,907
As at June 30, 2018	0	78,074	3,800	22,156	5,347	8,742	118,119
Net Book Value As at June 30, 2018	85,000	719,926	3,508	17,376	4,751	6,236	836,798

The figure of depreciation charge for the year of Ksh.30,909 excludes depreciation of Intangible assets of Ksh.1, 274 that is reflected in note 14.

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTD...)****13(b). Property, Plant & Equipment**

Property Plant & Equipment were re-valued by an independent valuer in June 2014. Valuations were made based on open market values. Book values for all asset categories have been adjusted in these accounts and revaluation surplus credited to the revaluation reserves. Leasehold land included above represents two properties, one on Kijabe Street L.R No. 209/4360/18 on a 50 years lease effective 1<sup>st</sup> January 2001 the other one on Enterprise Road LR. No. 209/1127 on a 99 year lease effective 1<sup>st</sup> 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	Plant & Machinery	Motor Vehicles	Computer & Peripheral Office Equip.	Furniture, Fittings & Totals
	<b>Ksh'000</b>	<b>Ksh'000</b>	<b>Ksh'000</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
Cost as at June 30 2017	34,326	10,744	82,999	29,433	11,624
Accumulated Depreciation	19,515	10,014	68,128	27,616	7,909
Net Book Value June 30, 2018	14,811	730	14,871	1,817	3,715
Cost at June 30, 2016	34,326	9,779	77,001	22,958	10,916
Accumulated Depreciation	18,828	8,402	48,628	20,258	6,165
Net Book Value June 30, 2016	15,498	1,377	28,373	2,700	4,751
					35,945
					169,126
					133,181
					154,980
					102,281
					52,699



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

**14 Intangible Assets:**

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
<b>Cost:</b>		
As at 1 <sup>st</sup> July	14,089	13,727
Additions during the year	427	363
As at 30 <sup>th</sup> June	<u>14,516</u>	<u>14,090</u>
 <b>Amortisation:</b>		
As at 1 <sup>st</sup> July	12,514	11,240
Amortisation during the year	980	1,274
As at 30 <sup>th</sup> June	<u>13,494</u>	<u>12,514</u>
 <b>Net Book Value:</b>		
As at 30 <sup>th</sup> June	<u>1,022</u>	<u>1,575</u>

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

**15. Inventories:**

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
Finished Goods	299,576	320,959
Consumables	4,317	4,260
	<u>303,893</u>	<u>325,219</u>
Obsolescence provision	(135,415)	(127,390)
	<u><b>168,478</b></u>	<u><b>197,829</b></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. 8 million additional provision was made in the current financial year and obsolete books worth Ksh. 51,658 were donated to various schools.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

<b>16. Trade and other Receivables:</b>	<b>2019</b>	<b>2018</b>
<b>16. a. Trade Receivables</b>	<b>Ksh'000</b>	<b>Ksh'000</b>
Total Trade Receivable(16b)	74,923	40,697
Prepayment and Other Receivables		
Deposits and prepayments	2,288	7,935
VAT recoverable/(Payable)	(9,574)	6,734
Staff receivables (16c)	7,737	10,209
Royalties Advances	8,096	8,624
Other receivables	715	-
Gross Trade and other Receivables	84,186	74,199
Less: Provision for doubtful debts(Trade)16b	(11,318)	(11,383)
Less: Provision for doubtful debts(Staff and Others)16c	(2,044)	(2,044)
<b>Total Trade Receivables</b>	<b>70,824</b>	<b>60,772</b>

**16. b Gross Trade Receivable**

Total Trade Receivable	74,923	40,697
Less: Provision for doubtful debts	(11,318)	(11,383)
<b>Net Trade Receivables</b>	<b>63,605</b>	<b>29,314</b>

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

Less than 30 days	41,257	6,201
Between 30 and 60 days		8,460
Between 61 and 90 days	3,338	1,426
Between 91 and 120 days	2,576	775
Over 120 days	27,752	23,834
<b>Gross Trade Receivables</b>	<b>74,923</b>	<b>40,696</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

**16. c Staff Receivables**

Gross staff loans and advances	7,737	14,102
Provision for doubtful debts	(937)	(937)
<b>Net Staff Receivables</b>	<b>6,800</b>	<b>13,165</b>

Current trade receivables represent balances that are within the credit period of 30 days. Other balances apart from those provided for in the accounts are considered recoverable and are primarily late because of delayed release of funds by the Ministry of Education through KICD for books delivered. Other delayed balances are supported by post-dated cheques and bank guarantees held against them. A general provision of 10% is made on the trade receivable amount with a yearly review for under or over provision.

**17. Cash and Cash Equivalents**

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
Cash at Bank	7,739	24,596
Cash in Hand	241	235
<b>Total Cash &amp; Bank balance</b>	<b>7,980</b>	<b>24,831</b>

The facility approved by the Board of Directors was a composite of Ksh. 30 million (Ksh. 30 million at June 2019). The facility is secured by a charge of Ksh. 50 million on our properties on L.R. No. 209/11277 on Enterprises Road. The overdraft is necessary to fund operations during the low sales season that normally runs from the months of April to September. This facility was renewed in the year at a rate of 17% p.a. The cash at bank was held at Kenya Commercial Bank, the entity's main bankers



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE, 2019 (CONTD...)**

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

F		2018-2019	2017-2018
Financial institution	Account number	Ksh	Ksh
⌘) Kenya Commercial bank			
i Head office account	1107087449	6,293,472	20,335,876
g Kijabe Collection A/c	1107087813	73,692	(2,075,681)
ii Scholarship Account	1108964508	363,364	624,058
Dollar Account (\$)	1165350025	74,755	5,377,670
c Rwanda Account (Rwf)	400391562	84,009	84,008
u On call/ Fixed deposits		850,000	250,000
r Cash in hand	Petty Cash	240,300	234,837
e <b>Grand Total</b>		<b>7,979,592</b>	<b>24,830,770</b>

Foreign currencies converted to reporting currency at CBK rate ruling as at 30<sup>th</sup> June 2018

**18. Capital Reserve: Ksh. 4 Million**

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

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

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

**20. Retained Earnings:**

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

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
As at 1 <sup>st</sup> July 2018	438	118,806
Profit/(Loss) for the year	(176,799)	(118,368)
Scholarship Appropriation	(16,000)	-
As at 30 <sup>th</sup> June	<b><u>(192,361)</u></b>	<b><u>438</u></b>

**21. Scholarship Fund:**

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

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
As at 1 <sup>st</sup> July	7,926	21,238
Scholarship Appropriation	16,000	-
Scholarship Applied	(9,291)	(13,312)
As at 30 <sup>th</sup> June	<b><u>14,635</u></b>	<b><u>7,926</u></b>

**22. Trade and Other Payables:**

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
Trade Payables	200,847	96,049
Other Payables	80,925	48,404
	<b><u>281,772</u></b>	<b><u>144,453</u></b>

Other payables include provision for royalties to authors of Ksh.28.6 million (2017/2018 - Ksh.13 million). The provision is calculated as a percentage of sales for titles that are subject to royalty and are payable the following financial year. Also included in other payables is an amount of Ksh. 12 million relating to accrued expenses not paid by the end of the year and other provisions.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE, 2019 (CONTD...)**

**23. Provision for Leave Pay**

Balance at beginning of the year	2,319	3,284
Increase/(Reduction) in provision	48	(965)
Balance at end of the year	<b>2,367</b>	<b>2,319</b>

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

**24. Related Party Disclosures**

**a) Government of Kenya**

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

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

**b) Staff Loans**

The company operates a car loan scheme for all employees. The vehicles are registered in joint names of the company and the employees as security for the car loans. The interest income earned on staff loans in the year amounted to Ksh. 144,973 (2017 – Ksh. 137,514). The distribution of the loans is as follows;

	<b>2019</b>	<b>2018</b>
	<b>Ksh'000</b>	<b>Ksh'000</b>
Due from key management	1,457	4,179
Due from other staff	2,974	3,715
	<hr/> <b>4,431</b> <hr/>	<hr/> <b>7,894</b> <hr/>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

**c) Senior Management Compensation**

Salaries and other benefits	25,597	24,996
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**d) Director's Remuneration**

Fees for services as directors	900	900
Other emoluments	10,889	6,187
	<b>11,789</b>	<b>7,087</b>

**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.

The finance and audit department under policies approved by the Board of Directors carries out risk management. The Board provides principles for overall risk management

**d) Market Risk**

Foreign exchange risk

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



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

**e) 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, 2019 is as shown below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>June 30,2019</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>
Trade receivables	41,257	22,348	11,318	74,923
Due from related parties	7,737	-	-	7,737
Other Receivables	9,055	-	2,044	11,099
Bank balances	7,980	-	-	7,980
	<b>66,029</b>	<b>22,348</b>	<b>13,362</b>	<b>101,739</b>

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2018 is as shown below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
<b>June 30,2018</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>	<b>Sh'000</b>
Trade receivables	32,830	16,559	11,383	60,772
Due from related parties	10,209	-	-	10,209
Other Receivables	21,249	-	2,044	23,293
Bank balances	24,831	-	-	24,831
	<b>89,119</b>	<b>16,559</b>	<b>13,427</b>	<b>119,105</b>



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED  
30 JUNE 2019 (CONTD...)**

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

**f) Liquidity Risk**

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

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

	Less than 1 month Sh'000	Between 1- 3 months Sh'000	Over 3 months Sh'000	Total Sh'000
Other Payables			80,925	80,925
Trade payables	6,920	17,260	176,667	200,847
<b>At June 30, 2019:</b>	<b>6,920</b>	<b>17,260</b>	<b>257,593</b>	<b>281,772</b>
Other Payables			48,404	48,404
Trade payables	21,655	26,491	47,902	96,048
<b>At June 30, 2018:</b>	<b>21,655</b>	<b>26,491</b>	<b>96,306</b>	<b>144,452</b>

**g) Capital Risk Management**

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



Description	2019	2018
	Ksh'000	Ksh'000
Revaluation reserve	965,024	965,024
Retained earnings	(192,410)	438
Capital reserve	4,000	4,000
Scholarship Fund Reserve	14,636	7,926
Total funds	791,250	977,388
Total Creditors	281,772	144,453
Less: cash and bank balances	(7,980)	(24,831)
Net debt/(excess cash and cash equivalents)	273,872	119,622
Gearing	35%	12%

**25. Capital Commitments:**

	2019	2018
	Ksh'000	Ksh'000
Amounts authorised	28,520	27,445
Less: Amounts incurred	18,526	2,269
	<u>9,994</u>	<u>25,176</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 2019 (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**

	<b>Final Budget Kshs '000</b>	<b>Actual on Comparable Basis Kshs'000</b>	<b>Performance Difference Kshs'000</b>	
<b>Revenue</b>				
Gross Sales	1,041,613	405,996	(635,617)	1
Service Jobs	23,700	25,554	1,854	2
Sales of E- Books	2,400	283	(2,117)	3
Finance/ Interest Income	1,254	145	(1,109)	4
Rent Income	2,896	3,519	623	
Gains(Loss) on disposal of Assets	900	-	(900)	5
Miscellaneous Income	2,757	1,383	(1,374)	6
<b>Total income</b>	<b>1,075,520</b>	<b>436,880</b>	<b>(638,640)</b>	
<b>Expenses</b>				
Cost of Goods Sold	350,459	235,994	(144,465)	7
Sales Discounts & Marketing Expenses	355,700	100,705	(254,995)	8
Compensation of employees	186,594	175,429	(11,165)	9
Board of Directors Expenses	15,487	11,789	(3,698)	10
Finance cost( Interest)	2,000	125	(1,875)	11
Bad and Doudtiful Debts	1,431	-	(1,431)	
Depreciation and Amortization	34,900	31,147	(3,753)	12
Operational Expenses	82,516	58,490	(24,026)	13
<b>Total Recurrent Expenditure</b>	<b>1,029,087</b>	<b>613,679</b>	<b>(415,408)</b>	
<b>Profit or( Loss)</b>	<b>46,433</b>	<b>(176,799)</b>	<b>(223,232)</b>	
<b>Capital Expenditure</b>				
Purchase of Assets	28,520	18,526	(9,994)	14



## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019 (CONTD...)**

### **Explanations**

1. The Foundation posted a cumulative loss of Ksh.176.8 million compared to the budgeted profit of Ksh 46 million representing a negative variance of 221%.This is attributed to realising lower sales than budgeted by 59% due to drastic reduced uptake of orders by our customers due to the change in government policy on book distribution and one book policy. The Foundation also lost its cash cow titles to competitors especially the Primary Maths and Primary English. However the Management has contained operating expenses below the budget by 38% through cost control initiatives. JKF expects to recoup some of this loss with the sales of new curriculum books and the Phase II of the World Bank project where the Foundation has been awarded 9 new titles. Also the distribution of books is currently under way where we are distributing 4 titles in SEQUIP phase I. In addition the development of new titles based on the competency based curriculum are expected to positively impact on profitability.
2. Service jobs have not been realised as per the budget we have intensified its marketing by having two employee fully occupied with sourcing of service jobs and also we are in the process of acquiring a digital press to boost the income stream.
3. As a diversification method the Foundation has been digitizing its books which are sold through the internet in partnership with World Reader and E-kitabu giving rise to this income stream but we are yet to receive the 3rd quarter proceeds hence the variance.
4. The Foundation earn interest from staff car loans provided to staff at interest. In addition, we had budgeted to earn interest income from fixed deposit with KCB but due to poor cash flow we never fixed any deposit in the year.
5. The Foundation had planned to dispose of two motor vehicles during the year but this never materialised. The only items that were disposed were obsolete furniture and equipment's realising a loss of Ksh. 150,000.
6. The Foundation earns miscellaneous income from hire of grounds, letting of parking space and hire of the canteen during the year Ksh. 1.2 million was raised.
7. Cost of sales is directly related to sales realised and since our realised sales are lower than the budget this cost is lower than the budget.



8. Included in this is sales discounts of ksh.95 million to the customers against a budget of Ksh. 320 million. Discount is a factor of the sales realised hence lower than the budgeted as we realised lower sales in the half year. Also some planned marketing activities were not carried out during the year like branding of vehicles, documentaries development and scholarship school visit and student mentorship.
9. The variance in compensation to employee is due to the increase in staff salaries after SRC job evaluation that increased the salaries this was effected in 2nd quarter of the year.
10. The variance in BOD expenses was due to incurring low expenses because of retirement of independent Board members hence the Board Committees were not fully constituted reducing the BOD activities.
11. The variance in the Finance cost was due to budgeted interest for overdraft facility that was not utilised during the year.
12. The variance in depreciation is due to non-acquisition of planned capital items which had been factored in the budget due to low liquidity. Management shelved the purchase of these items until later years when the cash flow improves.
13. Operational expenses include utilities paid by the Foundation, repairs and maintenance expenses, motor vehicle running expenses, Insurance , Ground Cleaning and maintenance among others that were budgeted for but not incurred as the management shelved some of these activities as cash flow management measure.
14. As part of our cash flow and liquidity management, capital expenses were planned for purchase in the 3<sup>rd</sup> or 4<sup>th</sup> Quarter of the year when the cash flow improves but due to our poor liquidity majority of planned items were not acquired.

		<p>encroachment of the land and the matter is pending at the court of law.</p> <p>There was hearing on 25<sup>th</sup> June 2019 where the Defendants requested for 30 days within which to file and serve their final submissions. The Court scheduled this matter for a further Mention on 24<sup>th</sup> September 2019.</p>			
2.2	<b>Land without ownership documents (Dadaab)</b>	<p>The Land was allocated to the University by Lagdera Constituency Development fund in Garissa County is valued at Ksh 880,000. The amount was in respect of registration and other related charges.</p> <p>The University has at long last made some progress toward attainment of the ownership documents:</p> <p>1. The University has obtained Letter of No Objection from the County Government of Garissa in support of the allocation of the Dadaab campus- land by the then County Council of Garissa</p> <p>2. The County Government of Garissa (Physical Planning Office) has drawn and completed the Partial Development Plan (PDP) and advertisement of the Public Notice, in accordance with Physical Planning Act Cap 286 has been done. The advert is supposed to remain open for the next 60days from the date of advertisement before submitting the PDP to the National Director of Physical Planning for approval to facilitate issue of Allotment Letter.</p>	Management	Not Resolved	

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3.0	<b>Receivable from Non-exchange Transaction:</b>				
3.1/2	Car Loans and Outstanding Imprests	Outstanding debts on Car Loans and Imprests have been handed over to the University lawyer for follow up through legal channel. The University has also appointed debt collection firm to assist in collecting debts.	University Legal Officer and Debtors Section	Not Resolved	
4.0	Nugatory Expenditure-Closure of Kigali and Arusha Campus	<p>The University incurred Kshs 518,174,359, in the establishment of Kigali and Arusha campuses. Unfortunately, due to various challenges, the campuses were unable to start off and the University Council approved that they be wound up.</p> <p>I would wish to report that Arusha campus has already been closed and the moveable property brought to the main campus and distributed to various campuses for use by staff and students.</p> <p>Approval has been granted by The National Treasury to dispose Kigali property and we are optimistic that the University will recover the cost incurred in establishing the campus.</p>	Management	Not Resolved	2 Years



Prof. Paul K. Wainaina, Ph.D.  
VICE-CHANCELLOR



Prof. Shem E. Migot-Adholla, Ph.D.,  
CHAIRMAN OF COUNCIL