



REPORT

	
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OF

THE AUDITOR-GENERAL

ON

JOMO KENYATTA FOUNDATION

**FOR THE YEAR ENDED
30 JUNE, 2020**

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Jomo Kenyatta Foundation

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

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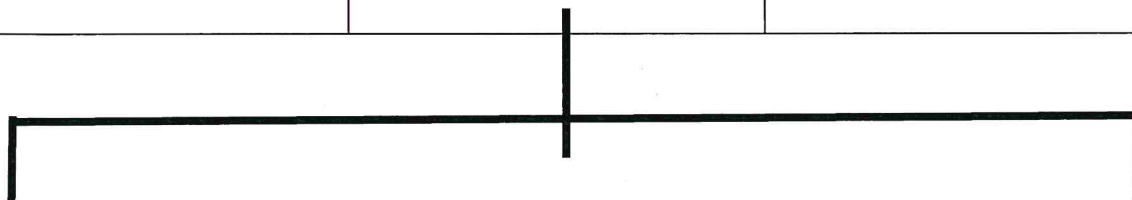
THE JOMO KENYATTA FOUNDATION

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

**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 2nd March 1966. At cabinet level, the Cabinet Secretary for Ministry of Education is responsible for the general policy and strategic direction of the Foundation. The Foundation is domiciled in Kenya.

SECRETARY

Mrs. Rosemary K. A. Barasa, 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



Jomo Kenyatta Foundation

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

1. Mrs. Khadija M. Awale - Chairperson- **Appointed on 8th February 2019**
2. Mrs. Rosemary Barasa, OGW - Managing Director/Secretary to the Board
3. Dr. Joseph K. Kinyua, EGH - Head of Public Service
4. Hon. (Amb.) Ukur K. Yatani, EGH - Cabinet Secretary, The National Treasury
5. Dr. Belio R. Kipsang - Principal Secretary, Ministry of Education Science and Technology
6. Prof. Michael Mabururu - Member - **Retired December 2019**
7. Mr. Patrick Birgen - Member - **Retired December 2019**
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

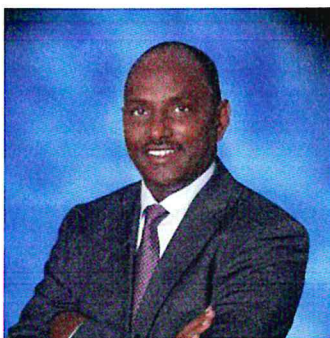


THE BOARD OF DIRECTORS BRIEF



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.



Hon. (Amb.) Ukur Kanacho Yatani, EGH

Hon. (Amb.) Ukur Kanacho Yatani, who currently serves as the Cabinet Secretary, National Treasury and Planning. He holds a Masters of Arts degree in Public Administration and Public Policy from the University of York in the United Kingdom. Mr. Yatani is an alumnus of Egerton University where he graduated with an undergraduate degree in Bachelor of Arts degree in Economics and sociology. He has previously served as the Kenyan Ambassador to Austria between June 2009 and September 2012 and Permanent Representative to the United Nations.



Dr. Joseph Kinyua, EGH

Mr. Joseph Kinyua is the 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.



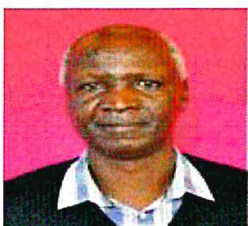
Dr. Richard Kipsang Belio

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 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 – Retired December 2019

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 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



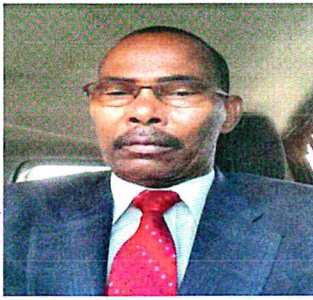
Eng. John Muriithi

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.



Mr. Habat Sheikh Abdi, OGW

Mr. Habat is Director of Education in the Ministry of Education. He holds a Master of Education from Moi University and B.Ed (Hons) from University of Nairobi. In addition he acquired a diploma in Anti-Corruption from International Institute of Education and Planning. Mr. Habat 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.



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.



JKF SENIOR MANAGEMENT

1. Mrs. Rosemary K. A. Barasa,OGW - 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.



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 51st 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 49th Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 8th August 2019.
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2020
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June 2020
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.

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.



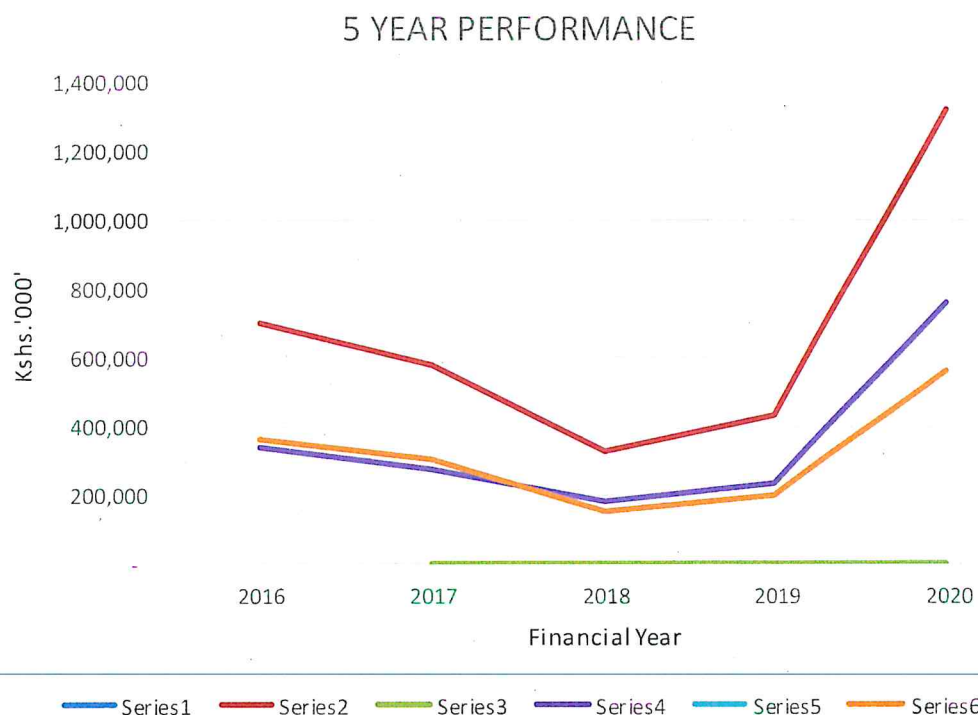
FINANCIAL HIGHLIGHTS

The improved performance in profits is mainly attributable to the bulk sale of primary titles to the Government through KICD on the introduction of the one book policy i.e CBC Grade 4 title, SEQIP III and the Government project on Class 5 and 6 titles.

SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020

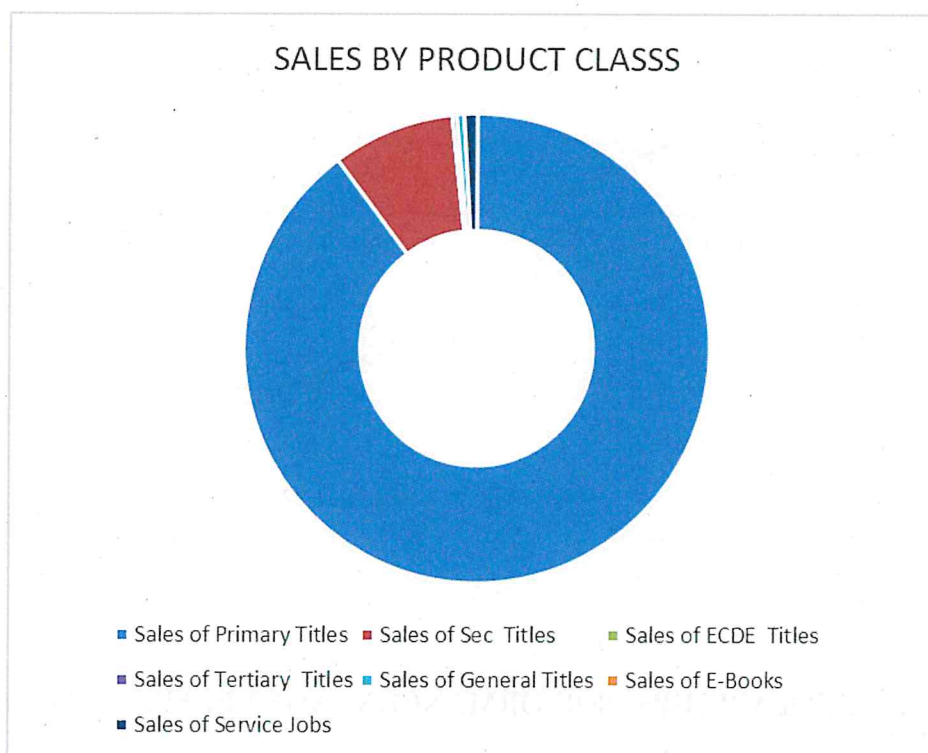
Year	2019	2020	Change	Change%	Trend
	Kshs.'000'	Kshs.'000'			
Turnover	431,833	1,324,748	892,915	207%	⬆
Operating Profits	200,886	566,073	365,187	182%	⬆
Total Operating Expenses	377,560	479,925	102,365	27%	⬆
Net Profits	(176,799)	84,128	260,928	148%	⬆

The five year Performance 2016 to 2020 on Gross Revenue, cost of Sales and Gross Profit

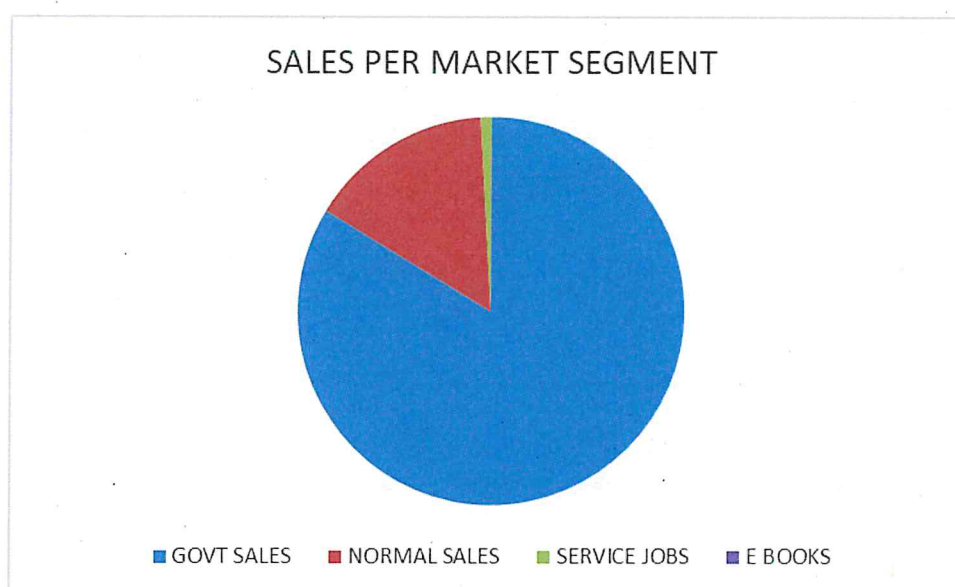




Sales per product class for the year ended June 2020.

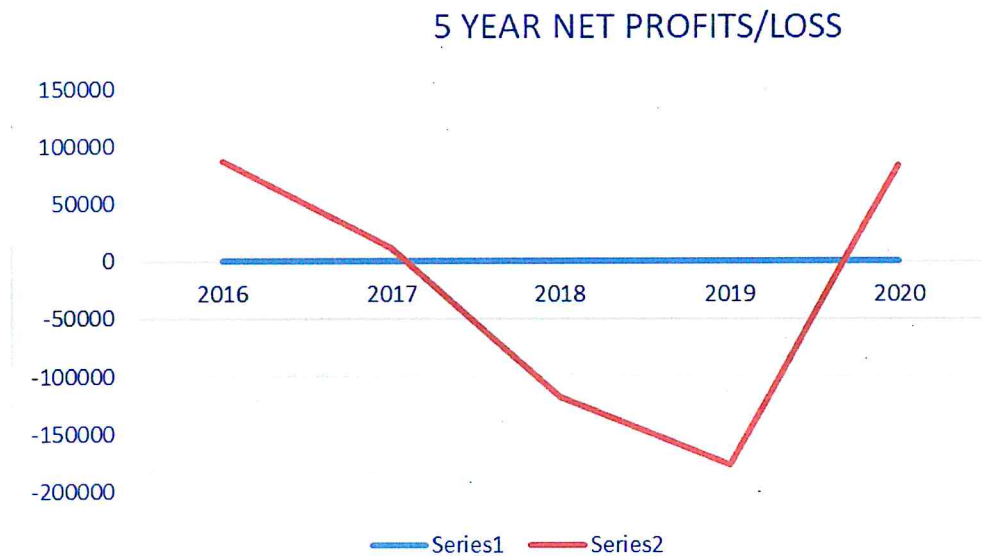


Sales per market segment for the year ended June 2020

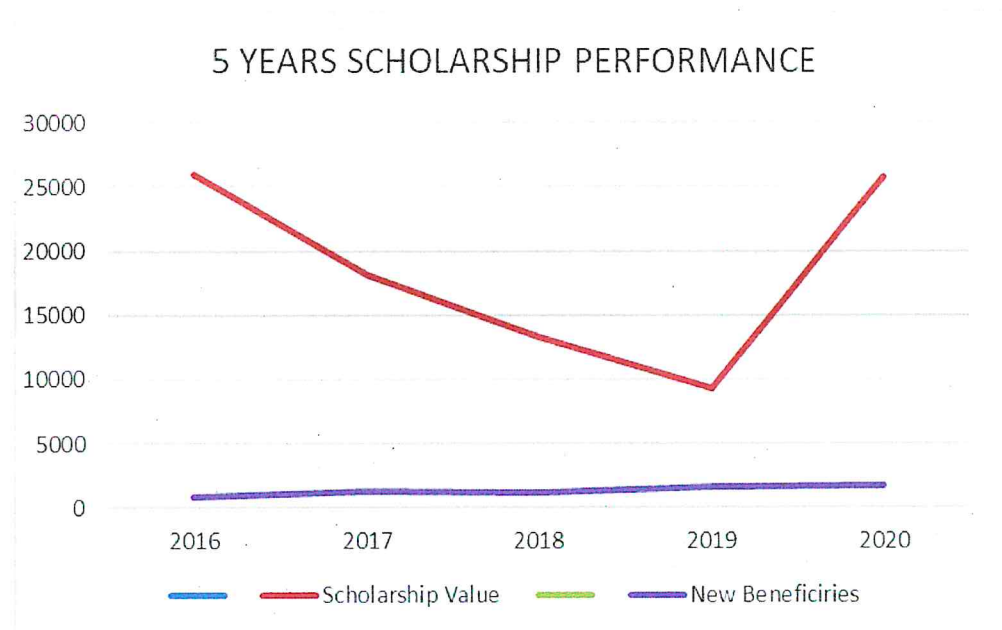




FIVE-YEAR NET PERFORMANCE.



FIVE-YEAR SCHOLARSHIPS PERFORMANCE VLAUE VERSES NUMBER OF STUDENTS





CHAIRPERSON'S REPORT

The Directors are pleased to submit the Annual Reports and Financial Statements of Jomokenyatta Foundation for the year ended 30 June 2020. The financial results have been reviewed in the accompanying Chief Executive's report.

Business Review

As noted on the Managing Director's report on Page xxi, the Company's financial performance in 2020 improved fairly from that of prior year. This was mainly attributable to Government orders on a Government-to-Government procurement. Key external business factors that have impacted on performance are change in Government policy on book distribution and the change of curriculum to one book policy. However, The Foundation was awarded by the Government through Kenya Institute of Curriculum Development (KICD) several titles for class 5 & 6 for distribution to schools in all counties with a resultant sales revenue of over Ksh. 1.3 Billion. This improved our performance to a profit of Ksh.84.1 million from a loss of Ksh.176 million the previous year. In contrast, this change in policy has reduced our sales to open market as booksellers reduced the uptake of bulk orders in view of the said uncertainty. In mitigation, the company embarked on grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. In addition, the development of new titles based on the competency-based curriculum are expected to positively impact on profitability in the coming years.

The year under review represented the 16th cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government. JKF is looking forward to a good rating once the evaluation is carried out boosted by the financial criterion.

Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship and endeavours to collaborate with like minds in the society. During the year under review, The Foundation donated books and cash valued at Ksh. 0.4 million to various schools and institutions in the country. This is in addition to Ksh. 25.8 million paid out to secondary schools as part of our scholarship scheme. The



Foundation also collaborated with our then Insurers, NHIF and Meditest Medical Centre in organising for Non Communicable Diseases sensitization and testing, VCT and counselling services for staff and the general public in the year.

Partnerships

Jomo Kenyatta Foundation has continued to collaborate with various Institutions and Forums on various matters. Of worthy noting is Jomo Kenyatta Foundation Scholarships Beneficiaries Association (JKFSBA). Though still at the formative stage, they are sponsoring some students through our Scholarships programme and Rotaract Club of Nairobi Central that supplies sanitary towels to girls in our scholarship programme. East Africa Philanthropic Network (EAPN) has continued to offer trainings and advice on scholarship matters. 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 programme to increase the number of beneficiaries.

One book policy

The government's initiative to eradicate inequality through the provision of quality school-based learning materials through the One Book Policy is a noble initiative for which JKF would like to applaud the government. Through this initiative, local publishers have been able to distribute over thirty million books to all public Primary and Secondary Schools across the country. JKF is proud to have been part of this initiative, having distributed over five million books. We plan to continue working with the government with a view of bringing into reality the government's vision of a 1:1 student to book ratio

Future Projection

The implementation of the new curriculum in 2018 presented 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. To keep up with the changing trends 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 Big “4” initiatives as negotiated in the 16th 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 and 3 books to take advantage of the digital initiative advocated by the Government. This is in addition to placing more books on e-platform especially in the reader’s and tertiary level categories. With the onset of the COVID-19 Pandemic, we expect our performance in the open market to be drastically affected and the revenue to reduce.

Acknowledgement

On behalf of the Board, I would like to thank our customers, suppliers, staff and through the Ministry of Education, other Government agencies like The National Treasury, State Corporation Advisory Committee and Kenya Institute of Curriculum Development for their efforts and advice that enabled the Company to carry out its business for the year under review.

My special thanks go to the entire Board of Directors for providing diligent policy guidance and direction for the prudent management of the Company’s affairs. I wish to pay tribute to 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 greater future.

Thank you and God bless.

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 30th June 2020.

Financial Performance

In FY2019/2020, the Foundation realized gross sales amounting to Ksh. 1.3 Billion, which was 207% higher than sales achieved in prior year of Ksh.431 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 an increase in gross profit by 187% from Ksh. 196 million to Ksh. 562 million.

Operating income increased to Ksh. 560 million from Ksh. 201 million in previous year whereas operating expenses increased by 27% from Ksh. 378 million in the year ended 30 June 2019 to Ksh 480 million in the current year. The net effect of these changes was a profit of Ksh. 84.1 million in that year compared to a loss of Ksh. 176.8 million in the prior year. The increase in profit is mainly attributed to the bulk sale to the Government. i.e CBC Grade 4 titles, SEQIP III and the Government project on Class 5 and 6 titles.

Operating Environment

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

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



This is in line with 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).

First, as part of the education sector reforms, the GOK is rolling out the Competency Based Curriculum (CBC) in phases. Second, the GOK changed to one book per subject policy. Third, the Government reviewed the books distribution model and adopted the 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. It is against this background that the Foundation revised its Strategic Plan in 2018/2019. In 2019/2020, JKF continued the implementation of the provisions of this strategic plan.

Publishing, Research and Development

In the 2019/2020 Financial Year, the Department continued to deliver on its mandate of publishing quality books and other instructional materials for all levels of education in Kenya, including tertiary and general readership.

New products for the new Competency-Based Curriculum (CBC) were rolled out for Pre-Primary I and II, and Primary Grades 1 to 5 in the various learning areas. It is imperative to note that the former is a growing market in County Governments, which JKF will endeavour to gain a foothold in.

Supply of JKF books under the CBC (Grade 4) and the old curriculum (Standards 5 and 6) to primary schools through the Government book purchase programme was successfully carried out. These are Music for Grade 4; and Kiswahili, Science, Mathematics, English and Social Studies for Standard 5 & 6.

With regard to market expansion, the Department participated in international book publishing and service job tenders as floated by various governments and organizations in the region. The digital press continued to attract customers in the service jobs sector, thereby boosting revenue.

JKF partners with various e-platforms for e-sales namely Worldreader, e-Kitabu and Snapplify. Minimal growth in revenue was registered on these platforms mainly due to free e-book distribution by the vendors occasioned by the Covid-19 pandemic. We shall, however, continue with the digital publishing for CBC course books in readiness for



hosting in the Kenya Education Cloud for the digital learning programme.

The JKF Scholarships Scheme

The JKF scholarship beneficiaries stood at 561 at the close of the financial year 2019/2020. The scholarship beneficiaries were selected through a rigorous process with interviews and home visits of shortlisted applicants. Similarly through the process 5% was awarded to persons with disabilities and another 5% for affirmative action especially to the girl child. Further the Foundation as per the Presidents Big 4 Agenda provided lunch to fifty two day-scholars in the country. In the year, a total of Ksh. 25.6 million was appropriated to pay fees in addition to provision of personal effects to all beneficiaries and lunch to our day-scholars. Within the year follow-up and mentorship to the beneficiaries was carried out and though affected by the COVID 19 pandemic in the last half, it continued through their parents and/or guardians mobile phones.

Marketing Activities

The foundation undertakes marketing activities purposely to create awareness about our products and services, to create demand hence generate revenue. The demand is created through a mixture of Pull and Push strategies. The marketing team visits educational institutions to display and market to the teachers as purchase influencers, who then recommend to learners to buy from various outlets. The outlets therefore demand for the products along the supply chain, hence pull strategy. On the other hand, the favorable trading terms are offered to the distributors thus motivating them to stock more of our products. Promotion of our products is done through various forms including advertisement in main stream media, social media, as well as exhibitions in teacher workshops and events countrywide. We then ensure our goods reach the market through the designated channels of distribution in a timely manner.

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



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

Legal Risk Management

During the year ended 30th June 2020, the legal department reviewed three policies: Disability Mainstreaming, Scholarship and board manual and developed the Whistle Blower policy. We executed several legal instruments including leases, contracts and agreements.

We also continued to implement National Values and Principles of Governance under Article 10 (2) of the Constitution of Kenya 2010, through trainings, publications, reports and acting on the provided commitments, for the period under review.

The department ensured that the Company continued to fully comply with all the legal and statutory requirements while conducting its business operations.

Staff Welfare and Development

JKF participated in various fora on staff welfare for purposes of motivating staff. This is together with rewarding staff for long service to the organization and effecting annual salary increment as they fall due. During the year under review, staff were appraised based on 2019-2020 targets set at the beginning of the financial year. However, those who failed to meet the agreed targets were sanctioned as per reviewed JKF Terms and Conditions of Service of 2017.

For the better part of the year, NHIF managed the medical scheme for all staff and Directors until the expiry of the cover period in April 2020 upon when Sedgwick Insurance Brokers and Jubilee Insurance were contracted to provide comprehensive medical cover for both outpatient and inpatient.

Due to the disruption brought about by the covid-19 pandemic, the Company put in place mechanisms to enable staff to work from home or by shift rotation while regular information was provided to staff on safety measures to prevent covid-19 infections. All this was in line with the government's guidelines.



Internal Audit Department.

The department is an independent review function that reports administratively to the Managing Director and functionally to the Board of Audit Committee. It is mandated to undertake independent internal audits aimed at providing assurance that appropriate institutional policies and procedures and good business practices are followed by the entity. The department is also charged with coordination of Risk Management process and maintenance of the organization's Risk Register.

In the year under review, the department carried out various audit assignments 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, PC and Departmental annual plans 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', is located below the text 'May God bless you.'.

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 2nd March 1966. The principal activity of The Foundation is to advance education and knowledge. The principal stakeholder, The Government of Kenya, provided the initial capital to establish The Foundation and appoints members to the Board to carry out the mandate. The Board of Management implements effective governance through processes and policies intertwined with the core values and ethics as espoused in the Code of Ethics, which was revised, based on the Leadership and Integrity Act, 2012. The Board and Management undertook trainings on corporate governance, induction and strategic planning in the financial year 2018. Corporate governance is a key element contributing to Foundation sustainable business success and is highly regarded at the Foundation.

THE BOARD

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

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

Board Composition

The Board has Nine (9) 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 8th February 2019. The Board meets the 30% gender equity threshold for gender equity.



Role of the Chairperson and Chief Executive Officer

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

Succession Planning

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

Board Evaluation and Performance

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

Board Meetings and Attendance

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

Board Committees

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



Board Staff Committee

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

The members who served in the year were ; Mary Angela 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 ; Eng. John Muriithi- Chairman, A. Mohammed Jabane, Samuel Wambugu, Habat Abdi, Simon Watenga, Patrick Birgen, 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; Maryangela Kimwele– Chairperson, Mayiani Sankale, A. Mohammed Jabane, Eng. John Muriithi, Samuel Wambugu, Habat Abdi, 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 2020:

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

BOD - Full Board

BAC- Board Audit Committee

BSC-Board Staff Committee

FGPC- Finance and General Purpose



Staff Remuneration

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

Conflict of Interest

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

Directors' Remuneration

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

Internal Controls

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



Directors Induction and Development

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

Communicating with Stakeholders

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

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

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

Procurement

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

Going Concern

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

A handwritten signature in blue ink, appearing to read 'Khadija M. Awale', is positioned above the name of the Chairperson.

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 2020.

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



Jomo Kenyatta Foundation

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).

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 30th June 2020 were at Ksh.1.3 billion compared to the previous year revenue of Ksh. 431 million. This drastic increase is mainly attributed to the bulk sale of CBC Grade 4 Music titles, SEQIP III and the Government project on Class 5 and 6 titles. The effect of the Corona pandemic has also largely affected our fourth Quarter performance because school have closed down and minimal sales were made from the open market.

The company recorded a cumulative net operating profit of Ksh.84.1 million, marking a drastic improvement in performance compared to the previous year loss of Ksh. 176.8 million. Since the introduction of the One book policy by the Government and suspension of text book capitation to public schools that formed about 80% of our market the management has planned and controlled its expenditure to ensure it meets daily working capital as we awaits payments from the Ministry of Education.

The Foundation has also embarked on other grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. The next phase of SEQIP and CBC tenders are also 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.12 million in the year. The Foundation reviewed the 2018/2023 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 policies. The review also aligned the Strategic plan to 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 endeavors 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 period 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 2018/2023 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 enhance the digital printing press to augment the printing of service jobs which is already in place.

SECTION D

Major risks facing the entity

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

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

The company undertakes certain transactions denominated in foreign currencies. Therefore, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed on the basis that the company receives its revenue at exchange rates which



would guarantee a similar amount upon translation as would have been received at the date of transaction hence providing a material degree of effective internal hedging. However, where the transactions are denominated in dollars, the payment is received through a dollar account.

b) Credit Risk

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

c) Liquidity Risk

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

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 March. The governance issues have been sorted as the Board has 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.

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



REVIEW OF JOMO KENYATTA FOUNDATION CORPORATION'S PERFORMANCE FOR FY 2019/2020

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

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

Pillar 1: Scholarships

Pillar 2: Business Development

Pillar 3: Quality products & Services

Pillar 4: Operational Efficiency

Pillar 5: Organizational Capacity

Jomo Kenyatta Foundation develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Jomo Kenyatta Foundation achieved its performance targets set for the FY 2019/2020 period for its five strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Scholarships	To increase scholarship beneficiaries from 400 in 2018 to 5000 by 2023	Allocate at least 35% of JKF profit to scholarship fund.	Strengthen fundraising to support increased scholarship beneficiaries	Increase in the number of scholarship beneficiaries from 98 to 117
		Provide lunch for scholarship beneficiaries	Engage alumni in fund raising	
Business Development	To increase revenue from Ksh 492 Million p.a in 2018 to Ksh 1.7 billion by 2023	Increased revenue from sale of books.	Diversify markets, target government, and Counties segment.	Increased revenue from ksh. 431 million to Ksh 1.3 Billion in 2020.



	To increase customer satisfaction from 74% in 2018 to 85% by 2023	Review sales and credit policies	Review JKF pricing model	Design and implementation of an interactive website
Quality products and services	To publish customer focused educational materials To provide quality editorial and printing solutions	Attraction and retention of competent authors. Enhance KICD and other curriculum development agencies approval rating	Publish for the CBC curriculum for various levels including primary, secondary levels Acquisition of state of the art digital printing press.	Publishing of phase one books under the new curriculum Royalties worth Ksh 53.2 million provided for in the financial year.
Operational Efficiency	To reduce operational costs to total turnover ratio from 92% in 2019 to 80% by 2023	Implement new business processes, policies and procedures	Train staff on ISO 9001: 2015 An upgraded website with e-learning capacity in place	ISO audits done and certification in place. Leverage on technology JKF uses ERP for operations
Organizational Capacity	To attract and retain productive workforce To promote good corporate image	Review staff performance management system (PMS) and automate Business continuity	Enhance staff capacity and development Develop a business continuity and recovery policy and plan	An updated and automated PMS in place Motivated & productive staff Policy and plan in place

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.

Environmental awareness programmes such as the environment clean-up days, participation and sponsorship of the World Environmental Day and the World Wetlands day were some of the initiatives to promote environmental sustainability.



Jomo Kenyatta Foundation

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

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 2020.

1. The Principal Activities

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

2. Results

The net profit for the year of Ksh. 84.1 million (2019: loss of Ksh.176.4 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. 25.7 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 2020

By order of the Board

A blue ink signature, likely of 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, 2020. 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, 2020, and of the Foundation's financial position as at that date. The Directors



Jomo Kenyatta Foundation

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 31st July 2020 and signed on its behalf by:

A blue ink signature of Mrs. Khadija M. Awale, written in a cursive style.

MRS. KHADIJA M. AWALE
CHAIRPERSON

A blue ink signature of Rosemary K.A. Barasa, written in a cursive style.

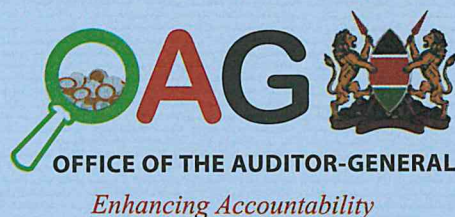
ROSEMARY K.A. BARASA, OGW
MANAGING DIRECTOR



Jomo Kenyatta Foundation

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

The accompanying financial statements of Jomo Kenyatta Foundation set out on pages 1 to 51, which comprise the statement of financial position as at 30 June, 2020, 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, the financial statements present fairly, in all material respect, the financial position of the Jomo Kenyatta Foundation as at 30 June, 2020, 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 Kenya Companies Act, 2015 and the Public Finance Management Act, 2012.

Basis for Opinion

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 opinion.

Key Audit Matters

Key audit matters are those matters, 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.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 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 CONTROLS, 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 governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Foundation's ability in continuing to as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to terminate the Foundation or 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 Foundation's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities,

financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Foundation's ability to continue as a going concern . If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Foundation to cease to continue as a going concern .

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Foundation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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

12 November, 2021

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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE, 2020

		2020	2019
	Notes	Ksh'000	Ksh'000
Gross Turnover	4	1,324,748	431,833
Cost of Sales	5	(763,007)	(235,994)
Gross Profit		<u>561,742</u>	<u>195,839</u>
Interest Income	6a	97	145
Other Operating Income	6b	4,235	4,902
Total Revenue		<u>566,073</u>	<u>200,886</u>
Selling and Distribution Expenses	7	288,387	178,920
Administrative Expenses	8	181,338	184,324
Other Operating Expenses	9	10,200	14,318
Total Operating Expenses		<u>479,925</u>	<u>377,562</u>
Profit from Operations		<u>86,148</u>	<u>(176,676)</u>
Finance Income	10a	-	-
Finance Costs	10b	(2,019)	(124)
Net Profit/(Loss)		<u>84,128</u>	<u>(176,799)</u>

STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE, 2020**

	Notes	2020 Ksh'000	2019 Ksh'000
Non- Current Assets			
Plant, Property & Equipment	13	795,642	824,766
Intangible Assets	14	392	1,022
Total Non -Current Assets		796,034	825,788
Current Assets			
Inventories	15	414,587	168,478
Trade and Other Receivables	16	324,967	70,824
Cash and Cash Equivalents	17	1,808	7,980
Total Current Assets		741,362	247,282
Total Assets		1,537,396	1,073,070
EQUITIES AND LIABILITIES			
Capital and Reserves			
Capital Reserve	18	4,000	4,000
Revaluation Reserves	19	965,024	965,024
Retained Earnings	20	(120,482)	(192,361)
Scholarship Fund	21	2,875	14,635
Total Capital and Reserves		851,418	791,298
Current Liabilities			
Bank Overdraft	17	3,375	-
Trade and Other Payables	22	682,603	281,772
Total Capital and Liabilities		1,537,396	1,073,070

The financial statements on pages 1 to 51 were authorised for issue by the Board of Directors on 30th July 2020 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, 2020

	Capital Reserve Ksh'000	Revaluation Reserve Ksh'000	Retained Earnings Ksh'000	Scholarships Fund Ksh'000	Total Ksh'000
As at 1st July 2019	4,000	965,024	(192,361)	14,635	791,298
Net Profit for the Year			84,128		84,128
Scholarships Appropriation (Note 21)			(12,153)	12,153	-
Scholarships Applied (Note 21)				(23,913)	(23,913)
Under provision written back (Note 20)	-	-	(97)		(97)
As at 30 th June 2020	4,000	965,024	(120,483)	2,875	851,418
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 th June 2019	4,000	965,024	(192,361)	14,635	791,298

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, 2020

	Notes	2020 Ksh'000	2019 Ksh'000
Cash flow from operating activities			
Net Profit for the year		84,128	(176,799)
Adjustments for:			
Depreciation	13a	29,093	30,167
Amortization of Intangible Assets	14	631	980
Interest Received	6a	(97)	(145)
Loss on sale of Non-Current Assets	28	8	-
Changes in working Capital:			
Decrease/(increase) in:			
Inventories	15	(246,109)	29,351
Trade and Other Receivables	16	(254,143)	(10,054)
Increase/(decrease) in Trade and Other Payables	22	400,831	133,289
Cash Generated from Operations		14,342	6,789
Investing Activities			
Purchase of Property, Plant & Equipment	13a	(30)	(18,467)
Purchase of Intangible Assets	14	-	(427)
Proceeds from Sale of Fixed assets	28	54	126
Net cash from Investing Activities		24	(18,894)
Financing Activities			
Scholarship Applied		(23,913)	(9,149)
Net Increase in Cash & Cash Equivalents		(9,547)	(21,254)
Cash and Cash Equivalents as at July 1, 2019	17	7,980	29,234
Cash and Cash Equivalents as at June 30, 2020	17	(1,567)	7,980

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE, 2020**

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference
	2019/20	2019/20	2019/20	2019/20	2019/20
	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs'000
Gross Turnover	1,008,545	265,774	1,274,319	1,324,748	50,429
Cost of Sales	(310,895)	(335,236)	(646,131)	(763,006)	(116,875)
Gross Profit	697,649	(69,461)	628,188	561,742	(66,446)
Other Operating Income	6,900	(1,091)	5,809	4,332	(1,477)
Operating Profits	704,549	(70,552)	633,997	566,073	(67,923)
Distribution Expenses	256,279	48,625	304,904	288,387	(16,517)
Administrative Expenses	202,836	3,564	206,400	181,338	(25,062)
Other operating Expenses	17,765	(3,303)	14,462	10,200	(4,262)
Total Operating Expenses	476,880	48,886	525,766	479,926	(45,840)
Profit(loss) from Operations	227,670	(119,439)	108,231	86,148	(22,083)
Finance Costs	(2,000)	(1,447)	(3,447)	(2,019)	1,428
Net Profit(loss)	225,670	(120,886)	104,784	84,128	(20,655)

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2020

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, 2020**

**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 2020**

Amendment/Interpretation to a standard	Effective date	Impact
IFRS 9: Financial Instruments (Issued 24 July 2014)	Effective for annual periods beginning on or after 1 January 2018	<p>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:</p> <ul style="list-style-type: none"> •Classification and measurement. <p>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 entity's own credit risk.</p> <ul style="list-style-type: none"> •Impairment. The 2014 version of

Amendment/Interpretation to a standard	Effective date	Impact
		<p>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</p> <ul style="list-style-type: none"> •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 •Derecognition. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39 <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>
<p>IFRS 15: Revenue from Contracts with Customers</p> <p>(Issued 28 May 2014)</p>	<p>1st 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"> • Identify the contract with

Amendment/Interpretation to a standard	Effective date	Impact
		<p>the customer</p> <ul style="list-style-type: none"> • Identify the performance obligations in the contract • Determine the transaction price • Allocate the transaction price to the performance obligations in the contracts • Recognise revenue when (or as) the entity satisfies a performance obligation. <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>
<p>IFRIC 22: Foreign Currency Transactions and Advance Consideration</p> <p>(Issued 8 December 2016)</p>	<p>1st Jan 2018</p>	<p>The interpretation addresses foreign currency transactions or parts of transactions where:</p> <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of

Amendment/Interpretation to a standard	Effective date	Impact
		<p>the recognition of the related asset, expense or income; and</p> <ul style="list-style-type: none"> the prepayment asset or deferred income liability is non-monetary. <p>The Interpretations Committee came to the following conclusion:</p> <ul style="list-style-type: none"> 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. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. <p>This amendment did not have any impact on the Foundation's financial statements as the Foundation policy on foreign currency transaction are recognised as at the date of transaction.</p>
<p>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)</p> <p>(Issued 19 January 2016)</p>	<p>1st Jan 2017</p>	<p>Amends IAS 12 Income Taxes to clarify the following aspects:</p> <ul style="list-style-type: none"> Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's

Amendment/Interpretation to a standard	Effective date	Impact
		<p>holder expects to recover the carrying amount of the debt instrument by sale or by use.</p> <ul style="list-style-type: none"> • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. • An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type. This amendment did not have any impact on the Foundation's financial statements as the Foundation is exempt from income tax
<p>Disclosure Initiative (Amendments to IAS 7)</p> <p>(Issued 29 January 2016)</p>	<p>1st 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</p>

Amendment/Interpretation to a standard	Effective date	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>Clarifications to IFRS 15 'Revenue from Contracts with Customers'</p> <p>(Issued 12 April 2016)</p>	1 st Jan 2018	<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 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>	1 st Jan 2018	<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</p>

Amendment/Interpretation to a standard	Effective date	Impact
		<p>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' (Amendments to IFRS 4) (Issued 12 September 2016)</p>	<p>Overlay approach to be applied when IFRS 9 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>Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:</p> <ul style="list-style-type: none"> • 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; • 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. <p>The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is</p>

Amendment/Interpretation to a standard	Effective date	Impact
		<p>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>
<p>Transfers of Investment Property (Amendments to IAS 40)</p> <p>(Issued 8 December 2016)</p>	<p>1st Jan 2018</p>	<p>The amendments to IAS 40 Investment Property:</p> <ul style="list-style-type: none"> •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. •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. <p>This amendment did not have any impact on the Foundation's financial statements as the</p>
		<p>financial statements as the</p>

Amendment/Interpretation to a standard	Effective date	Impact
		Foundation did not transfer any investment property during the year
Annual Improvements to IFRS Standards 2014–2016 Cycle (Issued 8 December 2016)	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>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> •IFRS 1 - Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose •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 •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

Amendment/Interpretation to a standard	Effective date	Impact
		<p>qualifying entity, is available for each investment in an associate or 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 2020

Standard	Effective Date	Impact
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.
IFRIC 23: Uncertainty over Income Tax Treatments	Applicable to annual reporting periods	The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses,

Standard	Effective Date	Impact
(Issued 7 June 2017)	beginning on or after 1 January 2019	<p>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"> • Whether tax treatments should be considered collectively • Assumptions for taxation authorities' examinations • The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates <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>	Annual periods beginning on or after 1 January 2019	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><i>Long-term Interests in Associates and Joint Ventures</i> (Amendments to IAS 28) (Issued 12 October 2017)</p>	Annual periods beginning on or after 1 January 2019	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 method is not applied.
<p><i>Annual Improvements to IFRS Standards 2015–2017 Cycle</i> (Issued 12 December</p>	Annual periods beginning on or after 1 January 2019	<p>Makes amendments to the following standards:</p> <ul style="list-style-type: none"> • IFRS 3 and IFRS 11 - The amendments to IFRS 3 clarify that

Standard	Effective Date	Impact
2017)		<p>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.</p> <ul style="list-style-type: none"> • IAS 12 - 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. • • • IAS 23 - 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.

Standard	Effective Date	Impact
<p><i>Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)</i> (Issued 7 February 2018)</p>	<p>Annual periods beginning on or after 1 January 2019</p>	<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"> • In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. •
<p><i>Amendments to References to the Conceptual Framework in IFRS Standards</i> (Issued 29 March 2018)</p>	<p>Annual periods beginning on or after 1 January 2020</p>	<p>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</p>

Standard	Effective Date	Impact
		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.

iii) Early adoption of standards

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

(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.
- 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

(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.

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

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

(d) Inventories

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

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

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

(e) Taxation

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

(f) Post-employment benefit obligations

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

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

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

(g) Trade Receivables

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

(h) Trade payables

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

(i) Cash and Cash Equivalents

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

(j) Risk Management

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

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

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

(k) Exchange rate differences

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

(l) Budget information

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020 (CONTD...)

(m) Rounding and Comparatives

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

(n) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

(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, 2020 (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.

	2020 Ksh'000	2019 Ksh' 000
Bank guarantees	-	850
Legal claims	-	-
	<hr/>	<hr/>
	-	850

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, 2020 (CONTD...)**

	2020	2019
4. Turnover:	Ksh'000	Ksh'000
Sales of Primary Titles	1,189,392	259,864
Sales of Sec. Titles	112,392	123,895
Sales of Tertiary Titles	4,093	5,232
Sales of General Titles	6,679	17,172
Sales of ECDE Titles	15	116
Sales of Service Jobs	11,977	25,554
Sales of E-Books	200	
Total Gross Sales	<u>1,324,748</u>	<u>431,833</u>

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

	2020	2019
5. Cost of Sales:	Ksh'000	Ksh' 000
Cost of Sales Primary Titles	641,267	66,882
Cost of Sales Secondary Titles	48,959	69,007
Cost of Sales Tertiary Titles	1,314	1,662
Cost of Sales General Titles	1,526	4,702
Cost of Sales ECDE Titles	7	52
Cost of Sales Service Job	3,649	10,698
Stock Take Adjustments	(3,899)	21,728
Cost of Sales Miscellaneous	117	
Stock Obsolescence Provision	4,605	8,024
Production Overheads (note 5b)	65,462	53,239
Cost of Sales	<u>763,007</u>	<u>235,994</u>

	2020	2019
5. b Production Overheads:	Ksh'000	Ksh'000
Staff Salaries	33,462	32,201
Staff House Allowance	8,940	9,280
Staff Medical & Welfare	3,738	3,869
Staff Training		
Provident Fund Contribution	4,640	4,341
Product Development Expenses	12,032	764
Insurance	7	13
Depreciation Plant and Machinery	2,643	2,771
	65,462	53,239

6. Other operating income	2020	2019
	Ksh'000	Ksh'000
6a) Interest Income –Fixed Deposit	-	-
Car Loan Interest	97	145
	97	145
6b) Other operating Income		
Rental Income	3,451	3,519
Gain/(Loss) on sale of Fixed Assets	(8)	-
Revaluation Reserve Movement		
Miscellaneous Income	792	1,383
	4,235	4,902

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE
30, 2020 (CONTD...)**

7. Selling and Distribution Expenses:	2020 Ksh' 000	2019 Ksh '000
Salaries & Wages	30,528	28,709
Staff House Allowance	10,318	10,430
Staff Medical & Welfare	5,056	5,223
Staff Training		
Provident Fund	3,142	2,939
Vehicle Running Expenses	3,433	3,184
Staff Travelling & Accommodation	171	201
Discounts Allowed	68,184	95,324
Marketing & Sales Promotion	5,974	5,381
Freight & Distribution Expenses	107,823	-
Electricity & Water	188	196
Postage & Telephone	500	554
Packaging Material	106	521
Depreciation	5,271	5,858
Royalties to Authors	46,316	18,624
Loading Expenses	208	240
Security	768	1,136
Standard Levy	400	400
	288,387	178,920

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE
2020 (CONTD...)**

8. Administrative Expense:

	2020	2019
	Ksh'000	Ksh'000
Salaries & Wages	83,328	81,874
Staff House Allowance	18,163	19,126
Staff Medical & Welfare	20,423	21,643
Provident Fund Contribution	8,480	8,424
Staff Training	1,632	2,733
Directors Remuneration	8,969	11,789
Subscriptions	603	537
Printing & Stationery	1,030	972
Postage & Telephone Expenses	2,720	2,705
Legal & Professional Fees	1,019	1,344
Library Expenses	212	785
Audit Fees	676	676
Vehicle Running Expenses	4,169	3,675
Staff Travelling & Accommodation	3,048	2,640
Depreciation	21,808	22,518
Ground Cleaning & Maintenance	2,140	1,917
Bank Charges & Commissions	587	918
Bad debts (Note 29)	2,331	
Retrenchment Cost	-	48
	181,338	184,324

9. Other operating expenses:

	2020	2019
	Ksh'000	Ksh'000
Rent & Rates	945	690
Light & Water	3,034	3,036
Repairs & Maintenance	1,600	2,750
Industrial Training Levy	25	(2)
Insurance	1,304	5,203
Security	2,095	1,952
Licenses	1,197	689
	10,200	14,318

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE, 2020 (CONTD...)**

	2020	2019
	Ksh'000	Ksh'000
10a. Finance Income:		
Foreign Exchange Gain	-	1
10b. Finance Costs		
Bank interest	1,947	124
Foreign Exchange Loss	72	-
	<u>2,019</u>	<u>124</u>
11. Items Charged to profit and loss		
The following items have been charged in arriving at Net profit:		
Depreciation on Property, Plant & Equipment(Note 13)	29,093	30,167
Amortization of Intangible assets	631	980
Staff Costs (Note 12)	231,959	230,276
Auditors' Remuneration (Note 8)	676	676
Directors' Remuneration :(Note 8)		
- Fees	900	900
- Other	8,069	6,187
Repairs & Maintenance	1,601	2,749
Provision for Bad and Doubtful debts (Note 29)	2,331	4
	<u>275,260</u>	<u>271,939</u>
12. Staff Costs:		
Salaries and other allowances	213,956	212,355
Compulsory social security schemes(NSSF)	272	292
Other pension contributions	14,440	13,749
Leave pay and gratuity provisions	3,291	3,880
	<u>231,959</u>	<u>230,276</u>



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

13(a). Property, Plant & Equipment

Cost or valuation:	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, 2019	85,000	799,735	22,900	39,532	10,134	15,715	973,016
Additions	-	-	-	-	30	-	30
Disposals	-	-	(150)	-	(80)	-	(230)
As at June 30, 2020	85,000	799,735	22,750	39,532	10,084	15,715	972,816

Depreciation:

As at July 1, 2019	0	97,197	6,479	26,430	6,826	11,354	148,286
Disposal	-	-	(103)	-	(72)	-	(175)
Revaluation Reserve on Disposal	-	-	-	-	(30)	-	(30)
Charge for the year	-	19,156	2,996	3,176	1,471	2,294	29,093
Accumulated As at June 30, 2020	0	116,353	9,372	29,606	8,195	13,648	177,174
Net Book Value As at June 30, 2020	85,000	683,282	13,378	9,929	1,889	2,067	795,642

The figure of depreciation charge for the year of Ksh.29,093 excludes depreciation of Intangible assets of Ksh.631 that is reflected in note 14.



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

13(b). Property, Plant & Equipment

	Leasehold Land	Buildings	Plant & Machinery	Motor Vehicles	Furniture Fittings & Office Equip.	Computers & Peripherals	Totals
Cost or valuation:	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000	Ksh'000
As at July 1, 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	-	-	-	-	-	-	-
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 2020 (CONTD...)

13(b). Property, Plant & Equipment

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

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

Property, Plant & Equipment

	Leasehold, Land & Building Ksh'000	Plant & Machinery Ksh'000	Motor Vehicles Ksh'000	Computer & Peripheral Ksh'000	Furniture, Fittings & Office Equip. Ksh'000	Totals Ksh'000
Cost as at June 30 2020	34,326	10,744	82,999	29,433	11,624	169,126
Accumulated Depreciation	19,515	10,014	68,128	27,616	7,909	133,181
Net Book Value June 30, 2020	14,811	730	14,871	1,817	3,715	35,945
Cost at June 30, 2018	34,326	9,779	77,001	22,958	10,916	154,980
Accumulated Depreciation	18,828	8,402	48,628	20,258	6,165	102,281
Net Book Value June 30, 2019	15,498	1,377	28,373	2,700	4,751	52,699

**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (CONTD...)**

14 Intangible Assets:

	2020	2019
	Ksh'000	Ksh'000
Cost:		
As at 1 st July	14,516	14,089
Additions during the year	-	427
As at 30 th June	<u>14,516</u>	<u>14,516</u>
 Amortisation:		
As at 1 st July	13,494	12,514
Amortisation during the year	631	980
As at 30 th June	<u>14,125</u>	<u>13,494</u>
 Net Book Value:		
As at 30 th June	<u>391</u>	<u>1,022</u>

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

15. Inventories:

	2020	2019
	Ksh'000	Ksh'000
Finished Goods	547,496	299,576
Consumables	7,074	4,317
	<u>554,570</u>	<u>303,893</u>
Obsolescence provision	<u>(139,983)</u>	<u>(135,415)</u>
	<u>414,587</u>	<u>168,478</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. 4.5 million additional provision was made in the current financial year and books worth Ksh. 865,173 were donated to various schools.



**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2020 (CONTD...)**

16. Trade and other Receivables:	2020	2019
16. a. Trade Receivables	Ksh'000	Ksh'000
Total Trade Receivable(16b)	328,075	74,923
Prepayment and Other Receivables		
Deposits and prepayments	1,136	2,288
VAT recoverable/(Payable)	(1,433)	(9,574)
Staff receivables (16c)	4,608	7,737
Royalties Advances	9,567	8,096
Other receivables	(1,300)	715
Gross Trade and other Receivables	340,653	84,186
Less: Provision for doubtful debts(Trade)	(12,730)	(11,383)
(Note 29)		
Less: Provision for doubtful debts(Staff and Others) (Note 29)	(2,955)	(2,044)
Total Trade Receivables	324,968	70,824

16. b Gross Trade Receivable

Total Trade Receivable	328,075	74,923
Less: Provision for doubtful debts (Note 29)	(12,730)	(11,318))
Net Trade Receivables	315,345	63,605

Reconciliation of the provision for doubtful debts is as per note 29

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

Less than 30 days	257,625	41,257
Between 30 and 60 days	103	8,460
Between 61 and 90 days	1,596	3,338
Between 91 and 120 days	1,529	76
Over 120 days	67,222	27,752
Gross Trade Receivables	328,075	74,923

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

16. c Staff Receivables

Gross staff loans and advances	4,608	7,737
Provision for doubtful debts	(1,837)	(937)
Net Staff Receivables	2,771	6,800

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

	2020	2019
	Ksh'000	Ksh'000
Cash at Bank	1,489	7,739
Cash in Hand	319	241
	1,808	7,980
Bank Overdraft	(3,375)	-
Total Cash & Bank Balance	(1,567)	7,980

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, 2020 (CONTD...)

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

F		2019-2020	2018-2019
Financial institution	Account number	Ksh	Ksh
a) Kenya Commercial bank			
i Head office account	1107087449	(3,375,539)	6,293,472
g Kijabe Collection A/c	1107087813	440,082	73,692)
u Scholarship Account	1108964508	764,896	363,364
Dollar Account (\$)	1165350025	212,084	74,755
c Rwanda Account (Rwf)	400391562	72,016	84,009
u On call/ Fixed deposits		o	850,000
r Cash in hand	Petty Cash	319,064	240,300
e Grand Total		(1,567,396)	7,979,592

Foreign currencies converted to reporting currency at CBK rate ruling as at 30th June 2020

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 2020 (CONTD...)

20. Retained Earnings:

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

	2020	2019
	Ksh'000	Ksh'000
As at 1 st July	(192,361)	438
Profit/(Loss) for the year	84,128	(176,799)
Provision written back	(97)	-
Scholarship Appropriation	(12,153)	(16,000)
As at 30 th June	<u>(120,483)</u>	<u>(192,361)</u>

Provision written back relates to under provision of accrued expenses now recognised in the accounts.

21. Scholarship Fund:

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

	2020	2019
	Ksh'000	Ksh'000
As at 1 st July	14,635	7,926
Scholarship Appropriation	12,153	16,000
Scholarship Applied	(23,913)	(9,291)
As at 30 th June	<u>2,875</u>	<u>14,635</u>

Scholarships are paid from the profit earned. Appropriation is done from the retained earnings for expected fees to be paid based on the students on board.

Scholarship Applied relates to the actual fees paid to schools that year and the balance between the appropriations and applied is what is carried forward as the balance.

22. Trade and Other Payables:

	2020	2019
	Ksh'000	Ksh'000
Trade Payables	533,301	200,847
Other Payables	149,302	80,925
	<u>682,603</u>	<u>281,772</u>

Other payables include provision for royalties to authors of Ksh.56.5 million (2018/2019 - Ksh.28.6 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, 2020 (CONTD...)

23. Provision for Leave Pay

	2020	2019
	Ksh'000	Ksh'000
Balance at beginning of the year	2,367	2,319
Increase/(Reduction) in provision	(498)	48
Balance at end of the year	<u>1,869</u>	<u>2,367</u>

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

24. Related Party Disclosures

a) Government of Kenya

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

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

b) Staff Loans

The company operates a car loan scheme for all employees. The vehicles are registered in joint names of the company and the employees as security for the car loans. The interest income earned on staff loans in the year amounted to Ksh. 35,208 (2019 – Ksh. 144,973). The distribution of the loans is as follows;

	2020	2019
	Ksh'000	Ksh'000
Due from key management	903	1,457
Due from other staff	1,535	2,974
N	<u>2,438</u>	<u>4,431</u>
N		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

c) Senior Management Compensation

Salaries and other benefits	24,687	25,597
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d) Director's Remuneration

Fees for services as directors	900	900
Other emoluments	8,069	10,889
	8,969	11,789

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 2020 (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
June 30,2020	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	259,324	56,021	12,730	328,075
Due from related parties	1,652		2,956	4,608
Other Receivables	-		-	-
Bank balances	(1,567)			(1,567)
	259,409	56,021	15,686	331,116

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2020 is as shown below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
June 30,2019	Sh'000	Sh'000	Sh'000	Sh'000
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
	66,029	22,348	13,362	101,739

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (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
Trade Payables	214,818	3,211	315,272	533,301
Other Payables			149,302	149,302
At June 30, 2020:	214,818	3,211	464,574	682,603
Trade Payables	6,920	17,260	176,667	200,847
Other Payables			80,926	80,925
At June 30, 2019:	6,920	17,260	257,593	281,772

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	2020	2019
	Ksh'000	Ksh'000
Revaluation reserve	965,024	965,024
Retained earnings	(120,433)	(192,410)
Capital reserve	4,000	4,000
Scholarship Fund Reserve	2,875	14,636
Total funds	851,466	791,250
Total Creditors	681,772	281,772
Less: cash and bank balances	1,495	(7,980))
Net debt/(excess cash and cash equivalents)	683,267	273,872
Gearing	80%	35%

25. Capital Commitments:

	2020	2019
	Ksh'000	Ksh'000
Amounts authorised	26,154	28,520
Less: Amounts incurred	(30)	(18,526)
	<u>26,124</u>	<u>9,994</u>

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

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

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

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	
	2019/20	2019/20	2019/20	2019/20	2019/20	
	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs'000	
Revenue						
Gross Sales	982,445	270,377	1,252,822	1,312,571	59,749	1
Service Jobs	23,700	(4,075)	19,625	11,977	(7,648)	2
Sales of E- Books	2,400	(527)	1,873	200	(1,672)	3
Finance/ Interest Income	1,254	(493)	761	97	(664)	4
Rent Income	3,011	443	3,454	3,451	(3)	5
Gains(Loss) on disposal of Assets	420	472	892	(8)	(900)	6
Miscellaneous Income	2,215	(1,513)	702	792	90	7
Total income	1,015,445	264,683	1,280,128	1,329,080	48,952	
Expenses						
Cost of Goods Sold	310,895	335,236	646,131	763,006	116,875	8
Marketing and Sales Promotion	26,636	(3,536)	23,100	5,974	(17,126)	9
Sales Discounts	133,119	(43,851)	89,268	68,184	(21,084)	10
Compensation of employees	182,972	192	183,164	177,279	(5,885)	11
Board of Directors Expenses	13,620	519	14,139	8,969	(5,170)	12
Finance cost(Bank Interest)	2,000	1,447	3,447	2,020	(1,427)	13
Bad and Doubtful debts	1,690	315	2,005	2,060	55	14
Depreciation and Amortization	35,601	493	36,094	29,282	(6,812)	15
Freight & Distribution	10,453	61,233	71,686	107,859	36,173	16
Royalties Expenses	20,567	37,026	57,593	45,478	(12,115)	17
Operational Expenses	52,222	(3,505)	48,717	34,841	(13,876)	18
Total Recurrent Expenditure	789,775	385,569	1,175,344	1,244,952	69,608	
Profit or(Loss)	225,670	(120,886)	104,784	84,128	(20,656)	



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020 (CONTD...)

28.

JOMOKENYATTA FOUNDATION LIST OF ASSETS DISPOSED AS AT 30TH JUNE 2020

Asset code	Cost value	Depreciation to date sold	Net asset value	Sale amount	Profit/Loss
G3 ASSET/PM0053 - POWER GENERATOR	150,000	(103,125)	46,875	32,500	(14,375)
G4 ASSET/OF0015 - FLOOR CARPET	4,500	(3,713)	788	1,000	213
G4 ASSET/OF0057 - CARPETS HQ	6,000	(4,950)	1,050	2,000	950
G4 ASSET/OF0068 - HO CARPETS	6,000	(4,950)	1,050	1,000	(50)
G4 ASSET/OF0092 - EXECUTIVE CHAIR-MEDIUM BACK	8,000	(6,600)	1,400	540	(860)
G4 ASSET/OF0095 - OFFICE CHAIRS - BERKELY WITH AR	2,500	(2,063)	438	540	103
G4 ASSET/OF0121 - SECRETARIAL CHAIR WITH ARM 607	3,000	(2,475)	525	540	15
G4 ASSET/OF0139 - HIGH BACK EXECUTIVE CHAIR	4,000	(3,300)	700	540	(160)
G4 ASSET/OF0294 - 1*3 LEVEL SHELF	2,500	(2,063)	438	1,790	1,353
G4 ASSET/OF0340 - ARM CHAIR	800	(660)	140	540	400
G4 ASSET/OF0341 - ARM CHAIR	800	(660)	140	540	400
G4 ASSET/OF0434 - DOUBLE PEDESTIAL DESK 30"*60'	5,500	(4,538)	963	1,505	543
G4 ASSET/OF0443 - DOUBLE PEDESTIAL DESK 30"*60'	5,500	(4,538)	963	1,490	528
G4 ASSET/OF0477 - DOUBLE PEDESTIAL DESK30"*60"	4,500	(3,713)	788	1,375	588
G4 ASSET/OF0493 - DOUBLE PEDESTIAL OFFICE DESK	4,000	(3,300)	700	1,550	850
G4 ASSET/OF0500 - EXCUTIVE MEDIUM BACK CHAIRS	6,000	(4,950)	1,050	540	(510)
G4 ASSET/OF0540 - EXECUTIVE DOUBLE PEDESTIAL DES	3,500	(2,888)	613	1,615	1,003
G4 ASSET/OF0542 - EXECUTIVE DOUBLE PEDESTIAL DES	3,500	(2,888)	613	1,299	687
G4 ASSET/OF0618 - JUNIOR CLERICAL CHAIRS	1,500	(1,238)	263	540	278
G4 ASSET/OF0633 - LOW BACK VISITORS CHAIR	3,500	(2,888)	613	540	(72)
G4 ASSET/OF0638 - MDF DINING TABLE 79"*36"	6,000	(4,950)	1,050	1,680	630
G4 ASSET/OF0816 - THREE INTERLOCKING CHAIRS	6,000	(4,950)	1,050	540	(510)
	237,600	(175,395)	62,205	54,206	(7,999)

29. Reconciliation of the provision for doubtful debts

	Trade	Staff	Total
Opening Balance	11,318	2,044	13,362
Increase in Provision	1,420	911	2,331
Recovered in the year	(8)	-	(8)
Closing Balance	12,730	2,955	15,685

Explanations

1. The Foundation posted a cumulative sale of Ksh. 1.3 Billion which compared to the budgeted Ksh. 1.2 Billion represents a positive variance of 30% with a resultant profit of Ksh.84.1 Million. The profit is mainly attributed to the bulk sale of CBC Grade 4 Music titles, SEQIP III and the Government project on Class 5 and 6 titles.
2. Since the operationalization of the digital press the Foundation intensified the marketing of service jobs to boost this income stream but the sales realised are lower than budgeted due to reduced activities in our target market but we have realised a sale of Ksh. 11.9 million up to June.
3. As a diversification method the Foundation has been digitizing its books which are sold through the internet platform in partnership with World Reader and E-kitabu among other partners giving rise to this income stream. The uptake of books in the e-platforms is slower than had been budgeted and we are yet to receive the proceeds for the 4th Quarter hence the variance.
4. We had budgeted for interest income in anticipation of having a fixed deposit placed with KCB for any extra cash but this has not been realised during the year.
5. The variance is due to increment of rates for the flats in Kijabe Building and the Safaricom mast located at the Head office on signing of new leases after expiry of old ones.
6. We had planned to replace two sales executives' vehicles. This was not effected by end of June, we expected a gain on disposal of current vehicles giving rise to this variance.
7. Though the recovery of bad debts previously written off has been outsourced the recovery has not yielded much leading to this variance. The receipt of other miscellaneous income from hire of the grounds for private use are on course, we have earned Ksh.526, 000 for the period to June 2020.



8. Though the cost of sales is directly related to sales realised for the current period it is higher due to the printing of bulk quantities of books related to the Government projects which were printed at a higher cost compared to the estimates used in the budget plus the cost consolidation and packaging.
9. The actual expenses for Head office promotions, Scholarship expenses and book donations are lower than budgeted as the management shelved some of the activities like school visits and planned marketing activities due to cash flow constraints and the onset of Covid-19. In addition the GOK projects which form majority of our sales do not require promotions.
10. Sales discount is a factor of the sales realised and since we have realised lower normal sales than budgeted the sales discount expense is also lower than budgeted. But in addition the books being sold direct to the Government i.e SEQIP III and Class 5 & 6 do not attract any discounts.
11. The variance in the compensation to employees is due to increased expenses incurred on staff medical expenses and overtime payment due to increased overtime activities during preparation of the Government orders which have strict deadlines.
12. The director's expenses are pro-rated over the whole year and we have incurred less director's expenses than budgeted as at end of the year due to limiting of meetings.
13. The finance cost relates to budgeted bank interest expense on overdraft facility utilised from July to November 2019.
14. As at end of the year we have made a specific provision for the bad and doubtful debts identified in the current year.
15. The variance in depreciation is as a result of non-acquisition of planned assets due to poor cash flow.
16. The Freight and distribution expenses are due to Government requirement of end-to end delivery to schools. This was not initially in the budget as transport was mostly borne by the customer.
17. The variance in royalties' expense is due to the bulk sale to government for titles whose copyrights are owned by external authors.
18. Other payments relate to other operational expenses that were budgeted for but not incurred due to cash constraints and liquidity management. This includes items like trainings, vehicle running expenses, repairs of warehouses floor and walls.

