



# THE JOMO KENYATTA FOUNDATION

## ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED **30 JUNE, 2022**

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

## VISION

An educated, empowered  
and inclusive society

## MISSION

Provision of scholarships, customer-  
focused publications and printing  
solutions

## CORE VALUES

- Professionalism
- Integrity
- Fairness
- Innovativeness
- Teamwork
- Responsiveness

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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

Mr. David K. Mwaniki

Managing Director and Secretary to the Board

P. O. Box 30533 – 00100

NAIROBI

## REGISTERED OFFICE

The Jomo Kenyatta Foundation

Headquarters and Principal Offices

51 Enterprise Road, Industrial Area

P. O. Box 30533 – 00100

NAIROBI.

## PRINCIPAL BANKER

Kenya Commercial Bank Limited

Moi Avenue Branch

P. O. Box 30081 – 00100

NAIROBI.

## INDEPENDENT AUDITORS

The Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P. O. Box 30084 – 00100

NAIROBI.

## PRINCIPAL LEGAL ADVISORS

The Attorney General

State Law Office, Harambee Avenue

P.O. Box 40112- 00200

NAIROBI

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

1. Mrs. Khadija M. Awale - Chairperson- **Retired February 2022**
2. Mr David K. Mwaniki - Managing Director/ Secretary to the Board
3. Mr. Mohammed Jabane, MBS - Alternate to Head of Public Service
4. Mr. Samuel W. Wambugu - Alternate to Cabinet Secretary, The National Treasury
5. Mr. Moses Karati - Alternate to Principal Secretary, Ministry of Education
6. Mr. Dennis Makobu - Member - **Appointed October 2021**
7. Mr. Nathaniel Kasoro - Member - **Appointed October 2021**
8. Mrs. Stella W. Samboja - Member- **Appointed October 2021**
9. Mrs. Mercy Gathu - Member - **Appointed October 2021**
10. Mrs. Maryangela K. Kimwele - Member - **Retired September 2021**
11. Mr. Simon Watenga - Member - **Retired September 2021**
12. Eng. John Muriithi - Member- **Retired September 2021**
13. Mr. Mayiani Sankale - Member - **Retired September 2021**

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

1. Dr. Joseph K. Kinyua, EGH - Head of Public Service
2. Hon. (Amb.) Ukur K. Yatani, EGH - Cabinet Secretary, The National Treasury
3. Dr. Julius Ouma Jwan - Principal Secretary, Ministry of Education

# Board of Director's Brief

## Mrs. Khadija M. Awale – Chairperson Retired February 2022

Mrs. Khadija joined the Board of Jomo Kenyatta Foundation as the Chairperson on 8<sup>th</sup> February 2019 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.



## Mrs. Mercy Wanjiru Gathu - Member Appointed 6<sup>th</sup> October 2021

Mrs. Gathu holds a Certificate in Counseling from Amani Counseling Institute, Diploma in Theology from Presbyterian Church of East Africa and Teacher's Training Certificate from Kagumo Teacher's Training College. She has vast experience in leadership including in the political, legislative and teaching arena. She has served as a Member of the Kajiado County Assembly and has also invested her time in conflict resolution by volunteering to work with the National Alliance.





### **Dr. Julius Ouma Jwan, MBS**

Dr. Jwan holds a PhD Degree in Educational Leadership & Management from the UK. He also holds a Master of Science (MSc) Degree in Educational Research Methods-from the UK; a Master of Philosophy (MPhil) Degree in Education Communication & Management from Norway and another Master Degree in Linguistics from Moi University - Kenya where he also graduated with a Bachelor of Education Degree. He has attended several fellowships and short courses including: Procurement and Tendering Processes; and Senior Management Course for Public Officers (Kenya); Education for Sustainable Peace (Germany); Enhancing Governance and Financial Administration in Africa (Botswana); Transitional Justice and Governance in Africa (South Africa); Reconciliation as Process and Practice (Sweden); Democratic Governance for Development in Africa (Uganda), among others.

D. Jwan has published widely on educational leadership and management in international journals and book chapters. He has also published five books - two on educational leadership and management, two on research methods and one in communication. Dr Jwan is a winner of the Best Doctoral Thesis Award by the British Educational Leadership, Management and Administration Society (BELMAS) in 2011. He has also supervised a number of PhD and Masters Students.



### **Mrs. Stella W. Samboja - Member- Appointed 6<sup>th</sup> October 2021**

Mrs. Stella Samboja holds Bachelor of Arts in Communication-Public Relations and Masters of Arts in Women, Leadership and Governance in Africa. She is the immediate former Taita Taveta County First Lady. She has a huge wealth of experience in championing leadership activities at County government level specifically on the medical front, Women empowerment programmes and environmental related initiatives. She was instrumental in spearheading the successful launch and implementation of Cancer Center at the county which has resulted in early screening, treatment and management of hundreds of cancer cases.

### **Amb. Dennis Makobu, Member – Appointed 6<sup>th</sup> October 2021**

Amb. Makobu is a successful entrepreneur with a Bachelor of Commerce Degree from Egerton University with a well-developed communication aptitude and over ten years of experience working in public and private sectors. He is currently the Deputy Head of Mission to Belgium and the Founder and Chief Executive Officer Pick and Go Limited, a successful retail start up managing over 300 small businesses. He brings on board a vast knowledge of experience in running start-up businesses leveraging on technology.





### **Mr. Nathaniel Kasaro Sinkeet, Member – Appointed 6<sup>th</sup> October 2021**

Mr. Sinkeet holds a Bachelor of Business Management in Human Resource from The East African University, Diploma in Human Resource from Kenya College, and a Certificate in computerized Accounts from Techmond Computer Training College. He has vast experience in leadership including in the political and legislative arenas, having served as a Member of the Kajiado County Assembly and served on various House Committees in that capacity.

### **Mrs. Maryangela Kamene Kimwele- Retired September 2021**

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, - Retired September 2021**

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- Retired September 2021

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 - Retired September 2021

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. Moses Karati, Alternate for PS MOE - Appointed 23<sup>rd</sup> June, 2021

Mr. Karati holds a Master of Education from University of Nairobi and B. Ed (Hons) from Kenyatta University. He brings to the table a wealth of 34 years' experience in the education sector, 27 of which he has spent serving at the Ministry of Education in various capacities. He is currently a Deputy Director of Education at the Ministry of Education Headquarters. He has also served as County Director of Education in different counties. Mr. Karati has attended the Strategic Leadership Development Programme (SLDP) and the Senior Management Course (SMC) at the Kenya School of Government





### Mr. David Mwaniki, Managing Director - Appointed October 2021

Mr. David Mwaniki is the Managing Director and the Secretary to the Board. He holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa and ACCA II. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard. He joined the Foundation in November 1997 and appointed to the position in acting capacity on April 2021 and confirmed in October 2021.

# JKF Senior Management

1. Mr. David K. Mwaniki - Managing Director - **Appointed October 2021**
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. Alex G. Wagacha - General Manager - Internal Audit & Risk Management
6. Mr Sammy Ombuki - General Manager – Finance & ICT
7. Mr. Patrick Kimathi - Manager - Supply Chain and Logistics
8. Mrs. Benedette Karari - Programme Manager – Scholarships
9. Ms. Elsie Oyoo - Deputy Company Secretary and Head of Legal Affairs

# Senior Management Brief



## Mr. David Mwaniki, Managing Director – Appointed October 2021

Mr. David Mwaniki is the Ag. Managing Director and the Secretary to the Board. He holds a Bachelor of Commerce degree (Accounting option) from the University of Nairobi, an MBA from the Management University of Africa and ACCA II. He also holds a certificate in Strategic Leadership Development Program from Kenya School of Government and has attended various trainings in Corporate Governance, Project Management and Performance management. He is a full member of Kenya Institute of Management (KIM) and a certified ISO Lead Auditor on ISO 9001:2015 standard. He joined the Foundation in November 1997. He was confirmed to the position of Managing Director in October 2021.

## 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.



## 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.

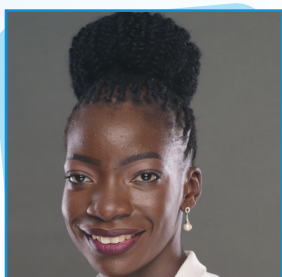


### Mr. Patrick J. Kimathi, Manager Supply Chain and Logistics

Mr. Patrick J. Kimathi, is a holder of Bachelor of Arts Degree (Economics and thematics) from the University of Nairobi and a Post Graduate Diploma from Chartered Institute of Purchasing and Supply - London. He is a member Kenyatta Institute of Supplies Management (KISM) and the Chartered Institute of Purchasing and Supply (CIPS). He is also a certified ISO Lead Auditor for ISO 9001:2015 Standard. He has attended the Senior Leadership Development Programme at the Kenya School of Government and various professional and performance management courses among others. He was appointed to the position on 14th April, 2014..

### Ms. Bernadette W. Karari, Programme Manager – Scholarships

Mrs. Bernadette Wambui Karari holds a Master of Business Administration from i University and a Bachelor of Commerce degree from Catholic University of ern Africa. She also holds a Higher Diploma in Marketing (CIM UK), Project ement Kenya School of Government and Monitoring and Evaluation Kenya f Management. She has impeccable credentials in scholarship administration. She is a member Kenya Association of Fundraising Professionals



### Deputy Company Secretary and Head of Legal Affairs

Elsie Oyoo holds a Master of Laws (LL.M.) degree from the University of Illinois at Urbana-Champaign and a Bachelor of Laws (LL.B.) degree from the University of Nairobi. She also holds a post-graduate diploma in law from the Kenya School of Law and was admitted as an advocate of the High Court of Kenya in 2012.

Elsie is additionally a Certified Public Secretary, having been admitted to the Institute of Certified Public Secretaries of Kenya in 2012. She has attended the Corporate Governance Training offered by the Institute of Corporate Governance. She is a member of the Law Society of Kenya, the Institute of Certified Secretaries and the Women on Boards Network. She was appointed to the position on 1st October, 2017.



# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 51<sup>st</sup> ANNUAL GENERAL MEETING of The Jomo Kenyatta Foundation will be held at the offices of The Foundation in Industrial Area, Enterprise Road, Nairobi on 4th August, 2023 at 10.00 am

## AGENDA

1. The Secretary to read the Notice convening the 51<sup>st</sup> Annual General Meeting.
2. To receive and confirm the Minutes of the last Annual General Meeting held on 6<sup>th</sup> October 2020.
3. To receive and adopt the Chairperson's Report and The Foundation's operations for the year ended 30 June, 2022
4. To receive, discuss and adopt the External Auditor's Report on the Accounts of The Foundation for the year ended 30 June 2022
5. To receive and adopt The JKF Directors' Report and the Company's Financial statements for the year ended 30 June 2022.
6. To appoint the Company's External Auditors for the year ending 30 June 2022 and fix their fees.
7. To fix Directors fees, allowances and other remunerations for the year ended 30 June 2022 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.



**MR. DAVID K. MWANIKI**

**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.

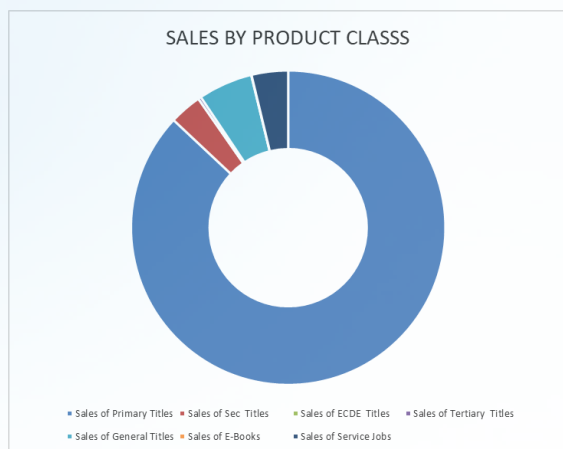
# FINANCIAL HIGHLIGHTS

The decline in revenue and performance resulting into a loss is due to lower sales in Government Sector as JKF was only awarded one title during the year under review.

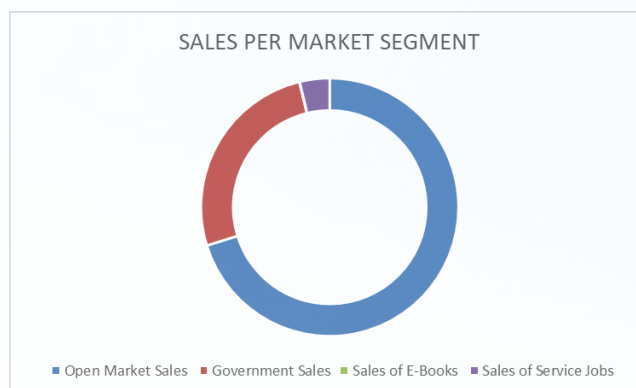
SUMMARY OF PERFORMANCE FOR THE YEAR ENDED 30 JUNE, 2022					
Year	2022	2021	Change	Change%	Trend
	Kshs.'000'	Kshs.'000'			
Turnover	372,849	1,082,965	(710,116)	-66%	↓
Operating Profits	202,800	432,550	(229,750)	-53%	↓
Operating Expenses	376,155	375,535	620	0.1%	↑
Net Profits	(173,355)	57,015	(230,403)	-404%	↓

The five year Performance 2017 to 2022 on Gross Revenue, cost of Sales and Gross Profit

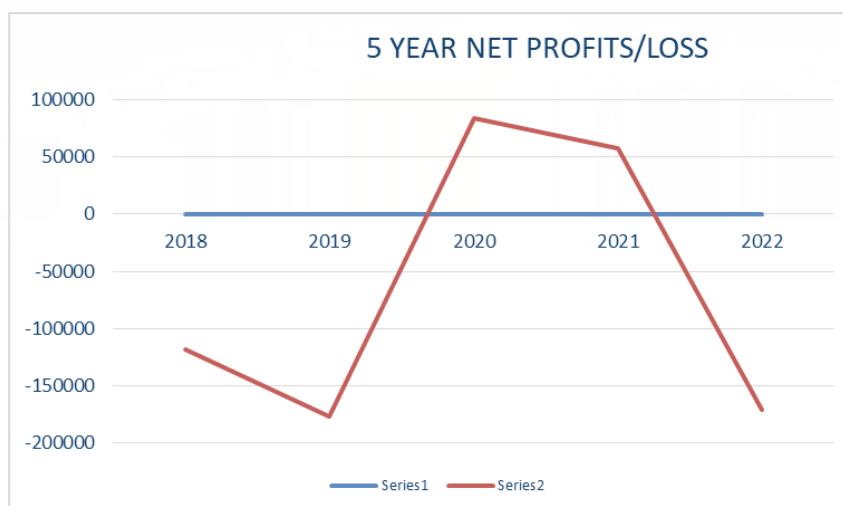
Sales per product class for the year ended June Sales per market segment for the year ended June 2022.



2022



## FIVE-YEAR NET PERFORMANCE.



# CHAIRPERSON'S STATEMENT

The Directors are pleased to submit the Annual Reports and Financial Statements of Jomo Kenyatta Foundation for the year ended 30 June 2022. 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 2022 drastically reduced from that of prior year. This was mainly attributable to few 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) one title for distribution to schools in all counties with a resultant sales revenue of Ksh. 373 million. This reduced our performance to a loss of Ksh.173.4 million from a profit of Ksh.57 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 18th cycle of operation of performance contract signed between the Board of Directors of The Jomo Kenyatta Foundation and the Government. JKF is looking forward to a GOOD rating once the evaluation is carried out.

## Corporate Social Responsibility

The Jomo Kenyatta Foundation subscribes to the principle and practice of responsible corporate citizenship and endeavours to collaborate with like minds in the society. During the year under review, The Foundation donated books and cash valued at Ksh. 0.8 million to various schools and institutions in the country. This is in addition to Ksh. 24 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 2022.

## Financial Performance

In FY2020/2022, the Foundation realized gross revenue amounting to Ksh. 373 million, which was 65% lower than sales achieved in prior year of Ksh.1.08 Billion. The development of new titles for the CBC curriculum and the change in the books distribution model has affected our cost of sales, which reduced by 72% from Ksh.655 million to Ksh.180 million. The resultant net effect was a decrease in gross profit by 55% from Ksh. 427 million to Ksh. 192 million.

Operating income reduced from Ksh. 433 million in previous year to Ksh. 203 million in the year under review whereas operating expenses increased slightly from Ksh. 375 million in the year ended 30 June 2021 to Ksh 376 million in the current year. The net resultant of these changes was a loss of Ksh. 173.4 million in the year under review compared to a profit of Ksh. 57 million in previous year.

## Operating Environment

The Foundation's principal mandate has remained as Advancing education and Alleviation of poverty. These activities are carried out through the core functions of publishing and scholarship provision driven by expansion of the revenue base through research and Development. The book industry being a liberalized market is highly competitive. JKF has endeavored to have and maintain its fair share of the market and look into other income generating activities. 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 2021/2022, JKF continued with the implementation of the provisions of this strategic plan.

## Publishing, Research and Development

In the 2021/2022 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 7 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 6) to primary schools through the Government book purchase programme was successfully carried out.

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 will 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 2021/2022. 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. 24 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 2022, 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 2021-2022 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.

Sedgwick Insurance Brokers and Jubilee Insurance were contracted to provide comprehensive medical cover for both outpatient and inpatient respectively.

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.



**MR. DAVID K. MWANIKI**

**MANAGING DIRECTOR/SECRETARY TO THE BOARD**

# 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) retired in February 2022. The Board meets the 30% gender equity threshold for gender equity.

## Role of the Chairperson and Chief Executive Officer

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

## Succession Planning

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



## Board Evaluation and Performance

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

## Board Meetings and Attendance

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

## Board Committees

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

### Board Staff Committee

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

### Board Finance and General Purpose

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

### Board Audit Committee

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

## Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 30 June 2022:

	Name	Status	BOD/ SPECIAL BOD MEETING	BAC	BSC	FGPC
			5	2	2	5
1.	Mrs. Khadija M. Awale	Chairperson Retired February 2022	10	-	-	-
2.	Mrs. Mary Angela Kimwele	Chairperson of BAC Retired	6	1	-	-
3.	Mr. Mayiani Sankale	Director- Retired	5	1	-	-
4.	Mr. Simon Watenga	Director Retired	6	-	-	1
5.	Eng. John Muriithi	Chairperson FGPC	5	-	1	1
6.	Mr. Samuel Wambugu	Alt. Director Treasury	2	2	1	1
7.	Mr. Mohammed Jabane	Alt. Director OP	10	2	3	4
8.	Stella Samboja	Director Chair BSc	7	1	4	3
9.	Mercy Gathu	Director	7	3	-	3
10.	Dennis makobu	Director Chair FPC	6	-	4	3
11.	Moses Karati	Alt. Director MOE	12	4	3	4
12.	Nathaniel Sankeet	Director	7	3	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](http://www.jkf.co.ke)

### Procurement

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

### Going Concern

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



**KHADIJA M. AWALE**

**CHAIRPERSON**

# Management Discussion and Analysis

## SECTION A

### The entity's operational and financial performance

The cumulative revenue results for the year ended 30th June 2022 was Ksh. 384 million compared to the previous year revenue of Ksh. 1.1 billion. The main reason for reduction is attributed to being awarded only one Government project on CBC English 6 titles. The effect of the Corona pandemic has also largely affected our performance where minimal sales was made in the open market. For the period under review, the Foundation mostly relied on Government sales.

The Foundation as a result recorded a cumulative net operating loss of Ksh.173.4 million, compared to the previous year profit of Ksh. 57 million for the same period. Since the introduction of the One book policy by the Government and suspension of text book capitation to public schools that formed about 80% of our market the management plans and controls the expenditure to ensure we meet our daily working capital awaiting payments from the Ministry of Education through KICD.

The Foundation has also embarked on other grand strategies to grow the sales volume by providing quality and differentiated materials in all educational levels. The next phase of CBC tenders is expected to improve the books sales in the coming financial years. The operationalization of digital press has also boosted the service jobs income where we have realized a revenue of Ksh.14 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 endeavor's to fulfil its legal obligations in line with its principal mandate. All statutory deductions are remitted to the relevant agencies as per the Act and as they fall due. As at the end of the 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 June. There are no major adverse issues mentioned by the auditor or any other regulatory body.



**MR. DAVID K. MWANIKI**

**MANAGING DIRECTOR/SECRETARY TO THE BOARD**

# 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 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).



**MR. DAVID K. MWANIKI**

**MANAGING DIRECTOR/SECRETARY TO THE BOARD**



# Review Of Jomo Kenyatta Foundation Corporation 's Performance for Fy 2021/2022

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 2021/2022 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.	Revenue achieved in the year Ksh 384 million
		Review sales and credit policies	Review JKF pricing model	
	To increase customer satisfaction from 74% in 2018 to 85% by 2023			



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 12.7 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



**MR. DAVID K. MWANIKI**

**MANAGING DIRECTOR/SECRETARY TO THE BOARD**

# Corporate Social Responsibility Statement

## Social Responsibility

The Foundation recognizes the power of the citizenry and the communities within which it operates and takes deliberate measures to serve and uplift their standard of living. The Foundation remains committed to our social, economic, environmental and ethical obligations by maintaining interaction with all the stakeholders. 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.

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.



**MR. DAVID K. MWANIKI**

**MANAGING DIRECTOR/SECRETARY TO THE BOARD**

# Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 30 June 2022.

## 1. The Principal Activities

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

## 2. Results

The net loss for the year of Ksh. 173.4 million (2021: profit of Ksh.57 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. 24 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.

By order of the Board



MR. DAVID K. MWANIKI

MANAGING DIRECTOR/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 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 29<sup>th</sup> September 2022 and signed on it's behalf by:



**MRS. KHADIJA M. AWALE**  
CHAIRPERSON



**MR. DAVID MWANIKI**  
MANAGING DIRECTOR



## REPUBLIC OF KENYA



### OFFICE OF THE AUDITOR GENERAL

#### REPORT OF THE AUDITOR GENERAL ON JOMO KENYATTA FOUNDATION FOR THE YEAR ENDED 30 JUNE 2022.

#### PREAMBLE

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

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

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

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

#### REPORT ON THE FINANCIAL STATEMENTS

##### Qualified Opinion

I have audited the accompanying financial statements of Jomo Kenyatta Foundation set out on pages 1 to 39, which comprise of the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows, statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provision of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Jomo

Kenyatta Foundation as at 30 June, 2022 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Public Finance Management Act, 2012 and the Companies Act, 2015.

## **Basis for Qualified Opinion**

### **1.0 Unsupported Inventory Balance**

The statement of financial position reflects inventories balance of Kshs.210,889,000 as disclosed in Note 15 to the financial statements. However, review of inventory records revealed unreconciled variances between the system-generated stock report and the physical count stock report as shown in the table below: -

<b>Category</b>	<b>System Generated Report Kshs.</b>	<b>Physical Count Kshs.</b>	<b>Variance Value Kshs.</b>
Finished Goods	222,251,120	218,985,578	3,265,542
Consumables	1,229,460	1,194,330	35,130

In the circumstances, the accuracy and fair statement of the reported inventories balance of Kshs.210,889,000 as at 30 June, 2022 could not be confirmed.

### **2.0 Unsupported Reversals in the Sales Ledger**

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.372,849,000 in respect of gross turnover as disclosed in Note 4 to the financial statements. Review of the sales general ledger reflected reversals totalling Kshs.571,095,180. The reversals were explained to have been occasioned by the supply of books towards the end of the previous financial year where a provision was made in the receivables to acknowledge delivery awaiting payments. Upon receipt of cash from the Kenya Institute of Curriculum Development (KICD) as reflected in the sales distribution schedule, the double-entry transactions were completed by reversing an equivalent of the proceeds in the sales ledger. However, these reversals exceeded the actual amounts received leaving a balance of Kshs.70,950,181 not supported by any relevant documentation.

In the circumstances, the accuracy and regularity of reversals of Kshs.70,950,181 in the sales ledger could not be confirmed.

### **3.0 Understatement of Cost of Sales**

The statement of profit or loss and other comprehensive income reflects cost of sales of Kshs,180,624,000 as disclosed in Note 5 to the financial statements. Analysis of sales transactions against the cost of sales reports revealed that seventy-eight (78) sales transactions amounting to Kshs.17,291,538 did not have the corresponding cost of sales.

In the circumstances, the reported cost of sales of Kshs.180,624,000 is understated by Kshs.17,291,538.

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

## **Material Uncertainty Related to Going Concern**

The statement of financial position reflects current assets and liabilities of Kshs.530,148,000 and Kshs.574,793,000 respectively resulting in negative working capital of Kshs.44,645,000. Further, the Foundation's financial performance reflected a deficit of Kshs.173,355,000 compared to a profit of Kshs.57,015,000 in the prior year. Management has attributed the loss to the decline of turnover from Kshs.1,082,965,000 the previous year to Kshs.372,849,000 or 66% in the current year due to the decline in awards of Government projects and the effects of COVID-19 which led to the closure of schools.

The Foundation therefore, may be, unable to meet its financial obligations as and when they fall due and is, therefore, technically insolvent.

### **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Irregular Procurement of Security Services**

The Foundation procured consultancy services for security guarding and related services for the head office and Kijabe Street book distribution center. The contract agreement indicated that the contract was to come into force on the date of signing by both parties on 1 October, 2019 at a price of Kshs.1,836,000. Further, the Service provider would commence providing the services upon signing of the contract or at such other date as may be specified in the service contract.

Review of documents indicated that the contract was signed by only one party. Further, the contract was for a period of one year. However, on 1 October, 2021, the contract was renewed. Although Management explained that the extension was necessitated by the need to avoid staff interactions with outsiders during the Covid-19 restriction period, the provision for extension clause was not disclosed in the 2019 contract while at the time of contract extension normalcy had resumed in the Country and Government offices.

In the circumstances, Management was in breach of law on procurement of security services.

#### **2.0 Irregular Extension of Contract for Provision of Cleaning Services**

The Foundation entered into a contract for provision of cleaning services in October, 2020 for one year at an all-inclusive annual price of Kshs.1,906,360. The contract was to commence on 13 October, 2020 and end on 12 October, 2021. However, the Foundation extended the contract for two (2) months to December 2021 for which the service provider did not indicate acceptance of the extension in writing. This is contrary to the contract terms which did not provide for an extension. The Foundation, therefore, spent Kshs.151,060 off the contract in the months of November and December, 2021.

In the circumstances, Management was in breach of the law on the extension of the contract.

#### **3.0 Contract for Provision of Gardening, Landscaping and Ground Maintenance**

The Foundation entered into a contract in October, 2020 for the provision of gardening, landscaping and ground maintenance services at a contract cost of Kshs.391,248 for a period of 1 year. The contract was to commence on 13 October, 2020 and end on 12 October, 2021. However, the Foundation extended the contract for a period of two (2) more months to December 2021 contrary to the contract terms that did not provide for an extension. The Foundation, therefore, spent Kshs.65,208 off the contract in the months of November and December, 2021.

In the circumstances, Management was in breach of the law and the amount of Kshs.65,208 spent off the contract was not a proper charge to public resources.

#### **4.0 Unauthorized Staff Allowances**

The statement of profit or loss and other comprehensive income reflects staff cost of Kshs.197,255,000 made up of Kshs.50,416,000 in respect of production overheads, Kshs.43,697,000, and Kshs.103,142,000 in respect of production overheads, selling and distribution expenses and administrative expenses respectively as disclosed in Notes 5, 7 and 8 to the financial statements. Included in the staff costs are allowances totalling to Kshs.7,797,215 that were not approved by the Salaries and Remuneration Commission (SRC). Through a letter reference SRC/TS/JE/CSSC/3/33/2 VOL.III (109) dated 15 May, 2017, the Commission approved the basic salary for the Foundation, not the allowances.

In the circumstances, Management was in breach of SRC guidelines and the payment of the Kshs.7,797,215 allowances to staff were irregular and not a proper charge to public resources.

#### **5.0 Long Outstanding Staff Medical Loans**

The statement of financial position reflects accounts receivable balance of Kshs.300,708,000 as disclosed in Note 16 to the financial statements. Included in the balance is a closing balance Kshs.1,110,542 in respect of staff medical loans that had an opening balance of Kshs.1,407,050. This indicates that only Kshs.296,508 had been recovered during the year 2021/2022.

In the circumstances, the regularity of the staff medical loans balance of Kshs.1,110,542 could not be confirmed.

#### **6.0 Unrecovered Staff Advances**

The statement of financial position reflects a balance of Kshs.300,708,000 in respect of trade and other receivables as disclosed in Note 16 to the financial statements. Included in this balance is Kshs.5,740,000 in respect of staff receivables. Review of records revealed that thirty-seven (37) members of staff had been advanced Kshs.1,759,200 to purchase phones, laptops, and tablets. However, no Board resolution authorizing the payment of advances to staff was provided for verification. In addition, thirty-two (32) members of staff were advanced Kshs.1,474,200. However, the repayments that are spread over a period of twelve (12) months revealed lower repayments than the expected equal monthly installments. Records also revealed six (6) cases of multiple issuances of advances contrary to the Foundation's policy that states no staff should be given an advance if there is an outstanding one.

In the circumstances, the recoverability of staff receivables of Kshs.1,759,200 could not be confirmed.

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

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

#### **Conclusion**

As required by 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 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 controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.



## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

### Responsibilities of Management and the Board of Directors

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

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

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but 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 a, effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

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

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

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



CPA Nancy Gathungu, CBS

**AUDITOR-GENERAL**

Nairobi

07 June, 2023

## Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30<sup>th</sup> June, 2022

	Notes	2021-2022 Ksh'000	2020-2021 Ksh'000
<b>Gross Turnover</b>	4	372,849	1,082,965
Cost of Sales	5	(180,624)	(655,841)
Gross Profit		<b>192,225</b>	<b>427,124</b>
<b>Other Incomes</b>			
Interest Income	6a	187	20
Other Operating Income	6b	10,388	5,406
<b>Total Revenue</b>		<b>202,800</b>	<b>432,550</b>
<b>Operating Expenses</b>			
Selling and Distribution Expenses	7	197,667	194,954
Administrative Expenses	8	165,505	168,665
Other Operating Expenses	9	12,328	10,869
<b>Total Operating Expenses</b>		<b>375,500</b>	<b>374,488</b>
Profit from Operations		<b>(172,700)</b>	<b>58,062</b>
Finance Costs	10b	(655)	(1,047)
<b>Net Profit/(Loss)</b>		<b>(173,355)</b>	<b>57,015</b>

## Statement of Financial Position as at 30 June, 2022

ASSETS	Notes	2021-2022 Ksh'000	2020-2021 Ksh'000
<b>Non- Current Assets</b>			
Plant, Property & Equipment	13	747,433	769,435
Intangible Assets	14	1,221	659
<b>Total Non -Current Assets</b>		<b>748,654</b>	<b>770,094</b>
<b>Current Assets</b>			
Inventories	15	210,889	156,271
Trade and Other Receivables	16	300,708	830,598
Cash and Cash Equivalents	17	18,551	106,718
<b>Total Current Assets</b>		<b>530,148</b>	<b>1,093,587</b>
<b>Total Assets</b>		<b>1,278,803</b>	<b>1,863,681</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Capital Reserve	18	4,000	4,000
Revaluation Reserves	19	965,024	965,024
Retained Earnings	20	(281,751)	(87,395)
Scholarship Fund	21	16,737	16,855
<b>Total Capital and Reserves</b>		<b>704,010</b>	<b>898,484</b>
<b>Current Liabilities</b>			
Bank Overdraft	17	-	-
Trade and Other Payables	22	574,793	965,197
		<b>574,793</b>	<b>965,197</b>
<b>Total Capital and Liabilities</b>		<b>1,278,803</b>	<b>1,863,681</b>

The financial statements on pages 1 to 4 were authorised for issue by the Board of Directors on 22<sup>nd</sup> September 2022 and signed on its behalf by:

		
MRS. KHADIJA M. AWALE CHAIRPERSON	MR. DAVID MWANIKI MANAGING DIRECTOR/ SECRETARY	MR. SAMMY OMBUKI HEAD OF FINANCE ICPAK M/NO: 9012



## Statement of Changes in Equity for the Year Ended 30 June, 2022

	Capital Reserve Ksh'000	Revaluation Reserve Ksh'000	Retained Earnings Ksh'000	Scholarships Fund Ksh'000	Total Ksh'000
As at 1 July, 2021	4,000	965,024	(87,395)	16,855	898,484
Net Profit for the Year			(173,356)		(173,356)
Scholarships Appropriation (Note 21)			(24,000)	24,000	-
Scholarships Applied (Note 21)				(24,118)	(24,118)
Provision written back (Note 20)	-	-	3,000	-	3,000
<b>As at 30 June, 2022</b>	<b>4,000</b>	<b>965,024</b>	<b>(281,751)</b>	<b>16,737</b>	<b>704,010</b>
As at 1 July, 2020	4,000	965,024	(120,483)	2,875	851,416
Net Profit for the Year			57,015		57,015
Scholarships Appropriation			(24,000)	24,000	-
Scholarships Applied				(10,020)	(10,020)
Provision Written back		-	73	-	73
<b>As at 30 June, 2021</b>	<b>4,000</b>	<b>965,024</b>	<b>(87,395)</b>	<b>16,855</b>	<b>898,484</b>

### 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, 2022

	Notes	2021-2022 Ksh'000	2020-2021 Ksh'000
<b>Cash flow from operating activities</b>			
Net Profit for the year		(173,355)	57,015
<b>Adjustments for:</b>			
Depreciation	13a	24,346	26,980
Amortization of Intangible Assets	14	355	304
Interest Received	6a	(187)	(20)
Gain on sale of Non-Current Assets	6b	(106)	-
Provision written back from accrued expenses	20	3,000	-
<b>Changes in working Capital:</b>			
Decrease/(increase) in:			
Inventories	15 16	(54,618)	258,316
Trade and Other Receivables		529,890	(505,631)
Increase/(decrease) in Trade and Other Payables	22	(390,404)	282,594
<b>Cash Generated from Operations</b>		<b>(60,982)</b>	<b>119,557</b>
<b>Investing Activities</b>			
Purchase of Property, Plant & Equipment	13a	(2,763)	(662)
Purchase of Intangible Assets	14	(917)	(572)
Proceeds from Sale of Fixed assets		613	-
<b>Net cash from Investing Activities</b>		<b>(3,067)</b>	<b>(1,234)</b>
<b>Financing Activities</b>			
Scholarship Applied		(24,118)	(10,038)
Net Increase in Cash & Cash Equivalents		(88,167)	108,285
Cash and Cash Equivalents as at July 1, 2021	17	106,718	(1,567)
<b>Cash and Cash Equivalents as at 30 June, 2022</b>	17	<b>18,551</b>	<b>106,718</b>

## Statement of Comparison of Budget and Actual Amounts for the Period Ended 30 June, 2022

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	Performance %
	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22
	Kshs '000	Kshs '000	Kshs '000	Kshs' 000	Kshs' 000	
Gross Turnover	1,175,146	531,406	643,740	372,849	(270,891)	58%
Cost of Sales	(584,958)	(299,999)	(284,959)	(180,624)	104,335	63%
Gross Profit	<b>590,188</b>	<b>231,407</b>	<b>358,781</b>	<b>192,225</b>	<b>(166,556)</b>	<b>54%</b>
Other Operating Income	6,692	230	6,462	10,575	-4,113	164%
Operating Profits	596,881	231,638	365,243	202,800	(162,443)	56%
Distribution Expenses	235,692	112,925	122,767	197,667	74,900	161%
Administrative Expenses	221,104	25,659	195,445	165,505	(29,940)	85%
Other operating Expenses	18,648	3,051	15,597	12,329	(3,268)	79%
Total Operating Expenses	475,443	141,634	333,809	375,501	41,692	112%
Profit(loss) from Operations	121,438	90,004	31,434	(172,700)	(204,134)	(549%)
Finance Costs	(63,083)	(57,257)	(5,826)	(655)	5,171	11%
Net Profit(loss)	<b>58,354</b>	<b>32,746</b>	<b>25,608</b>	<b>(173,355)</b>	<b>(198,963)</b>	<b>(677%)</b>

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

# Notes to the Financial Statements

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 1. GENERAL INFORMATION

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

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

### 2. STATEMENT OF COMPLIANCE

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

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



## Notes to the Financial Statements continued

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

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

Title	Description	Effective Date
Amendments to IAS 16 titled Property, Plant and Equipment: Proceeds before Intended Use (issued in May 2020)	The amendments, applicable to annual periods beginning on or after 1 January 2022, prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing an asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss	The amendments are effective for annual periods beginning on or after January 1, 2022. This amendment did not have any impact on the Foundation financial statements.
Amendments to IAS 37 titled Onerous Contracts - Cost of Fulfilling a Contract (issued in May 2020)	The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts. They are effective for contracts for which an entity has not yet fulfilled all its obligations on or after 1 January 2022.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 1 titled Subsidiary as a First-time Adopter	The amendment, applicable to annual periods beginning on or after 1 January 2022, provides a subsidiary that becomes a first-time adopter later than its parent with an exemption relating to the measurement of its assets and liabilities. The exemption does not apply to components of equity.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
Amendment to IFRS 9 titled Fees in the '10 per cent' Test for De-recognition of Financial Liabilities	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IFRS 9 clarifies the fees that a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted
Amendment to IAS 41 titled Taxation in Fair Value Measurements (issued in May 2020 as part of the Annual Improvements to IFRS Standards 2018-2020)	The amendment, applicable to annual periods beginning on or after 1 January 2022, to IAS 41 removed the requirement to exclude taxation cash flows when measuring fair value. This amendment aligned the requirements in IAS 41 on fair value measurement with those in other IFRS	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

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

## Notes to the Financial Statements continued

### 4. Application of New and Revised International Financial Reporting Standards (IFRS)

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard, effective for annual periods beginning on or after 1st January 2023, establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Company does not issue insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.  Application of this amendments does not affect the Foundation
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020)	The amendments, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.  Application of this amendments does not affect the Foundation
IAS 12 — Income Taxes	IAS 12, “Income Taxes” implements a so-called ‘comprehensive balance sheet method’ of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.
IAS 8- Accounting Policies, Errors and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of ‘accounting estimates’ and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

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

- iii. Early adoption of standards

The Foundation did not early – adopt any new or amended standards in year 2021-2022.

## Notes to the Financial Statements continued

### 5. 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

#### (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	5%
Printing machine	straight line	12.5%



## Notes to the Financial Statements continued

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.

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

### (d) Inventories

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

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

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

### (e) Taxation

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

### (f) Post-employment benefit obligations

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

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

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

### (g) Trade Receivables

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



## Notes to the Financial Statements continued

### (h) Trade payables

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

### (i) Cash and Cash Equivalents

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

### (j) Risk Management

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

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

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

### (k) Exchange rate differences

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

### (l) Budget information

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

### (m) Rounding and Comparatives

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

### (n) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2022.

## Notes to the Financial Statements continued

### 6. 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.

#### b) Provisions

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

#### c) Contingent Liabilities

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

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

#### d) Going Concern

The change in the Government policy in book industry have had a negative effect on the performance in the publishing business resulting into the negative working capital. The Foundation has however gone ahead and requested for government support for funds through the Ministry of Education (MOE) to assist in clearing the pending bills. In addition the Government is in the process of reviewing the mandate of the Foundation to be the provider of last resort of scholarships with funding from the Government. The Foundation is a going concern despite its poor financial position.

## Notes to the Financial Statements continued

	2021-2022	2020-2021
4. Turnover:	Ksh'000	Ksh'000
Sales of Primary Titles	324,363	1,058,285
Sales of Sec. Titles	12,358	2,902
Sales of Tertiary Titles	1,136	1,084
Sales of General Titles	20,857	4,293
Sales of ECDE Titles	20	-
Sales of Service Jobs	13,992	16,366
Sales of E-Books	124	35
Total Gross Sales	<u>372,849</u>	<u>1,082,965</u>

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

## 5. Cost of Sales:

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Cost of Sales Primary Titles	84,115	575,348
Cost of Sales Secondary Titles	3,506	688
Cost of Sales Tertiary Titles	329	370
Cost of Sales General Titles	4,505	931
Cost of Sales ECDE Titles	9	0
Cost of Sales Service Job	(1,525)	8,402
Stock Take Adjustments	6,693	878
Cost of Sales Miscellaneous	(15)	387
Stock Obsolescence Provision	14,293	9,558
Production Overheads (note 5b)	68,714	59,279
Cost of Sales	<u>180,624</u>	<u>655,841</u>

## 5. b Production Overheads:

	2022	2021
	Ksh'000	Ksh'000
Staff Salaries	36,233	34,579
Staff House Allowance	9,180	8,831
Staff Medical & Welfare	3,880	2,503
Staff Training		
Provident Fund Contribution	5,003	4,672
Product Development Expenses	13,637	6,705
Insurance	1	3
Depreciation Plant and Machinery	779	1,986
	<u>68,714</u>	<u>59,279</u>

## Notes to the Financial Statements continued

	Ksh'000	Ksh'000
6a) Interest Income – Fixed Deposit	-	-
Interest	187	20
	<u>187</u>	<u>20</u>
6b) Other operating Income		
Rental Income	2,722	3,478
Gain/(Loss) on sale of Fixed Assets	106	-
Revaluation Reserve Movement		
Miscellaneous Income	7,560	1,928
	<u>10,388</u>	<u>5,406</u>
<b>7. Selling and Distribution Expenses:</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Ksh' 000</b>	<b>Ksh '000</b>
Salaries & Wages	30,706	29,781
Staff House Allowance	9,682	9,588
Staff Medical & Welfare	4,898	5,236
Provident Fund	3,309	3,207
Vehicle Running Expenses	4,250	630
Staff Travelling & Accommodation	144	87
Discounts Allowed	80,472	19,117
Marketing & Sales Promotion	9,246	2,526
Freight & Distribution Expenses	31,642	87,557
Electricity & Water	204	90
Postage & Telephone	500	553
Packaging Material	440	60
Depreciation	4,408	4,823
Royalties to Authors	16,672	30,995
Loading Expenses	76	93
Security	618	228
Standard Levy	400	383
	<u>197,667</u>	<u>194,954</u>



## Notes to the Financial Statements continued

### 8. Administrative Expense:

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Salaries & Wages	79,544	85,204
Staff House Allowance	16,133	17,769
Staff Medical & Welfare	19,950	15,844
Provident Fund Contribution	7,465	8,413
Staff Training	661	530
Directors Remuneration	6,196	5,996
Subscriptions	769	665
Printing & Stationery	382	275
Postage & Telephone Expenses	2,401	2,036
Legal & Professional Fees	341	1,084
Library Expenses	287	126
Audit Fees	735	676
Vehicle Running Expenses	5,864	5,419
Staff Travelling & Accommodation	2,359	1,611
Depreciation	19,514	20,475
Ground Cleaning & Maintenance	1,599	1,364
Bank Charges & Commissions	804	1,178
Bad debts (Note 28)	500	-
	<b>165,505</b>	<b>168,665</b>
<b>9. Other operating expenses:</b>		
Rent & Rates	945	945
Light & Water	2,177	2,392
Repairs & Maintenance	5,225	3,446
Industrial Training Levy	65	40
Insurance	1,304	1,304
Security	1,477	2,117
Licenses	1,135	625
	<b>12,328</b>	<b>10,869</b>

## Notes to the Financial Statements continued

### 10a. Finance Income:

	2022	2021	
	Ksh'000	Ksh'000	
Foreign Exchange Gain	-	-	

### 10b. Finance Costs

Bank interest	600	970	1,947
Foreign Exchange Loss	55	77	72
	<u>655</u>	<u>1,047</u>	<u>2,019</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)	24,701	26,980
Amortization of Intangible assets	355	304
Staff Costs (Note 12)	197,255	205,209
Auditors' Remuneration (Note 8)	735	676
Directors' Remuneration :( Note 8)		
- Fees	900	900
- Other	6,196	5,096
Repairs & Maintenance	5,225	3,446
	<u>235,367</u>	<u>242,611</u>

### 12. Staff Costs:

Salaries and other allowances	181,510	185,752
Compulsory social security schemes(NSSF)	256	271
Other pension contributions	14,812	14,714
Leave pay and gratuity provisions	677	4,472
	<u>197,255</u>	<u>205,209</u>

## Notes to the Financial Statements continued

## 13(a). Property, Plant &amp; Equipment

Cost or valuation:	Land Head office	Buildings Head office	Land Kijabe BDC	Buildings Kijabe BDC	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	Ksh'000	Ksh'000
As at July 1, 2021	570,000	221,735	60,000	33,000	22,770	39,532	10,084	16,467	973,588
Additions		-	-	-	110	-	1,374	1,279	2,763
Cost of Disposed Assets	-	-	-	-	(59)	(1,200)	(181)	(589)	(2,029)
<b>As at June 30, 2022</b>	<b>570,000</b>	<b>221,735</b>	<b>60,000</b>	<b>33,000</b>	<b>22,821</b>	<b>38,332</b>	<b>11,277</b>	<b>17,157</b>	<b>974,322</b>
<b>Depreciation:</b>									
As at July 1, 2021	80,750	31,239	15,173	8,345	12,193	31,958	9,237	15,359	204,253
Depreciation on Disposal	-	-	-	-	(59)	(962)	(171)	(519)	(1,711)
Charge for the year	11,400	4,435	2,142	1,178	2,301	1,764	391	735	24,346
Accumulated Dep.as at June 30, 2022	92,150	35,674	17,315	9,523	14,435	32,760	9,457	15,575	226,889
<b>Net Book Value as at June 30, 2022</b>	<b>477,850</b>	<b>186,061</b>	<b>42,685</b>	<b>23,477</b>	<b>8,386</b>	<b>5,572</b>	<b>1,820</b>	<b>1,582</b>	<b>747,433</b>

The figure of depreciation charge for the year of Ksh.24,346 excludes depreciation of intangible assets of Ksh.355 that is reflected in note 14. Depreciation on disposal is the amount of accumulated depreciation for the assets that were disposed during the year.

## Notes to the Financial Statements continued

## 13(b). Property, Plant &amp; Equipment

	Land Head office	Buildings Head office	Land Kijabe BDC	Buildings Kijabe BDC	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	Ksh'000	Ksh'000
Cost or valuation:									
As at July 1, 2020	570,000	221,735	60,000	33,000	22,750	39,532	10,084	15,825	972,926
Additions	-	-	-	-	20	-	-	642	662
Cost of Disposed Assets	-	-	-	-	-	-	-	-	-
<b>As at June 30, 2021</b>	<b>570,000</b>	<b>21,735</b>	<b>60,000</b>	<b>33,000</b>	<b>22,770</b>	<b>39,532</b>	<b>10,084</b>	<b>16,467</b>	<b>973,588</b>
<b>Depreciation:</b>									
As at July 1, 2020	69,350	26,804	13,031	7,168	9,372	29,606	8,195	13,648	177,173
Depreciation on Disposal	-	-	-	-	-	-	-	-	-
Charge for the year	11,400	4,435	2,142	1,178	2,721	2,352	1,042	1,710	26,980
Accumulated Dep.as at June 30, 2021	<b>80,750</b>	<b>31,239</b>	<b>15,173</b>	<b>8,345</b>	<b>12,093</b>	<b>31,958</b>	<b>9,237</b>	<b>15,359</b>	<b>204,153</b>
<b>Net Book Value as at June 30, 2021</b>	<b>489,250</b>	<b>190,496</b>	<b>44,828</b>	<b>24,655</b>	<b>10,676</b>	<b>7,574</b>	<b>847</b>	<b>1,109</b>	<b>769,435</b>

The figure of depreciation charge for the year of Ksh.26,980 excludes depreciation of Intangible assets of Ksh.304 that is reflected in note 14.



## Notes to the Financial Statements continued

### 14. Intangible Assets:

	2021-2022	2020-2021
Cost:	Ksh'000	Ksh'000
As at 1 <sup>st</sup> July	15,088	14,516
Additions during the year	917	572
As at 30 <sup>th</sup> June	16,005	15,088
<b>Amortisation:</b>		
As at 1 <sup>st</sup> July	14,429	14,125
Amortisation during the year	355	304
As at 30 <sup>th</sup> June	14,784	14,429
<b>Net Book Value:</b>		
As at 30 <sup>th</sup> June	1,221	659

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

### 15. Inventories:

	2021-2022	2020-2021	2021
	Ksh'000	Ksh'000	
Finished Goods	222,251	298,734	298,734
Consumables	1,229	7,078	
	223,480	305,812	305,812
Obsolescence provision	(12,591)	(149,541)	(149,541)
	210,889	156,271	

Obsolescence provision represents the cost of old edition stock held and determined to be unsalable and a general provision for slow moving stock. Ksh. 9.6 million additional provision was made in the current financial year and books worth Ksh. 923,547 were donated to various schools.

16. Trade and other Receivables:	2021-2022	2020-2021
16. a. Trade Receivables	Ksh'000	Ksh'000
Total Trade Receivable(16b)	299,223	828,457
Prepayment and Other Receivables		
Deposits and prepayments	(536)	1,287
VAT recoverable/(Payable)	(1,341)	(669)
Staff receivables (16c)	5,740	5,021
Royalties Advances	12,301	11,001
Other receivables	1,412	1,186
Gross Trade and other Receivables	316,799	846,283
Less: Provision for doubtful debts(Trade) (Note 28)	(13,137)	(12,730)
Less: Provision for doubtful debts(Staff and Others) (Note 28)	(2,955)	(2,955)
<b>Total Trade Receivables</b>	<b>300,708</b>	<b>830,598</b>

## Notes to the Financial Statements continued

### 16.b Gross Trade Receivable

Total Trade Receivable	299,223	828,457
Less: Provision for doubtful debts (Note 28)	(13,137)	(12,730)
<b>Net Trade Receivables</b>	<b>286,086</b>	<b>815,727</b>

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

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

Less than 30 days	219,117	725,199
Between 30 and 60 days	1,898	496
Between 61 and 90 days	661	456
Between 91 and 120 days	16,252	21
Over 120 days	61,295	102,285
<b>Gross Trade Receivables</b>	<b>299,223</b>	<b>828,457</b>

### 16. c Staff Receivables

Gross staff loans and advances	5,740	5,021
Provision for doubtful debts	(2,955)	(2,955)
<b>Net Staff Receivables</b>	<b>2,785</b>	<b>2,066</b>

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

### 17. Cash and Cash Equivalents

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Cash at Bank	18,311	106,560
Cash in Hand	240	158
	<b>18,551</b>	<b>106,718</b>
Bank Overdraft	-	-
<b>Total Cash &amp; Bank Balance</b>	<b>18,551</b>	<b>106,718</b>

The facility approved by the Board of Directors was a composite of Ksh. 50 million (Ksh. 30 million at June 2021). 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 13% p.a. The cash at bank was held at Kenya Commercial Bank, the entity's main bankers

## Notes to the Financial Statements continued

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

Financial institution	Account number	2021-2022	2020-2021
		Ksh	Ksh
a) Kenya Commercial bank			
Head office account	1107087449	18,158,565.93	100,263,686
Kijabe Collection A/c	1107087813	12,601.25	2,429,761
Scholarship Account	1108964508	34,746.24	3,674,222
Dollar Account (\$)	1165350025	67,182.15	156,260
Rwanda Account (Rwf)	400391562	37,443.51	34,837
On call/ Fixed deposits		0	0
Cash in hand	Petty Cash	240,556	158,748
<b>Grand Total</b>		<b>18,551,096.41</b>	<b>106,717,514</b>

Foreign currencies converted to reporting currency at CBK rate ruling as at 30<sup>th</sup> June 2022

### 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.

### 20. Retained Earnings:

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

	2021-2022	2020-2021
	Ksh'000	Ksh'000
As at 1 <sup>st</sup> July	(87,395)	(120,483)
Profit/(Loss) for the year	(173,356)	57,015
Provision written back	3,000	73
Scholarship Appropriation	(24,000)	(24,000)
As at 30 <sup>th</sup> June	<b>(281,751)</b>	<b>(87,395)</b>

“Provision written back” relates to accrued expenses provided in the accounts in prior years now written back.

## Notes to the Financial Statements continued

### 21. Scholarship Fund:

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

	2021-2022	2020-2021
	Ksh'000	Ksh'000
As at 1 <sup>st</sup> July	16,855	2,875
Scholarship Appropriation	24,000	24,000
Scholarship Applied	<u>(24,118)</u>	<u>(10,020)</u>
As at 30 <sup>th</sup> June	<u>16,737</u>	<u>16,855</u>

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

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

### 22. Trade and Other Payables:

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Trade Payables	451,895	852,496
Other Payables	<u>122,898</u>	<u>112,701</u>
	<u>574,793</u>	<u>965,197</u>

Other payables include provision for royalties to authors of Ksh.79.3 million (2020/2021 - Ksh.86.9 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.

### 23. Provision for Leave Pay

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Balance at beginning of the year	3,205	1,869
Increase/(Reduction) in provision	<u>(854)</u>	<u>1,336</u>
Balance at end of the year	<u>2,351</u>	<u>3,205</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.



## Notes to the Financial Statements continued

### 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.

### c) Senior Management Compensation

Salaries and other benefits	28,476	30,776
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### d) Director's Remuneration

Fees for services as directors	900	900
Other emoluments	6,196	5,096
	<u>7,096</u>	<u>5,996</u>

## 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

### a) Market Risk

#### Foreign exchange risk

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

### b) Credit Risk

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

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

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
June 30, 2022	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	299,223	6,366	13,137	318,726
Due from related parties	2,722		2,956	5,678
Other Receivables	-		-	0
Bank balances	18,551			18,551
	<u>320,496</u>	<u>6,366</u>	<u>16,093</u>	<u>342,955</u>

## Notes to the Financial Statements continued

The amount that best represents the company's maximum exposure to credit risk as at 30 June 2021 is as shown below:

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
June 30, 2021	Sh'000	Sh'000	Sh'000	Sh'000
Trade receivables	713,442	102,285	12,730	828,457
Due from related parties	1,652		2,956	4,608
Other Receivables	-		-	-
Bank balances	106,718			106,718
	<b>821,812</b>	<b>102,285</b>	<b>15,686</b>	<b>939,783</b>

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	Between 1- 3 months	Over 3 months	Total
	Sh'000	Sh'000	Sh'000	Sh'000
Trade Payables	18,758	15,596	417,541	451,895
Other Payables	43,619		79,279	122,898
<b>At June 30, 2022:</b>	<b>62,377</b>	<b>15,596</b>	<b>496,820</b>	<b>574,793</b>
Trade Payables	132,489	3,790	716,217	852,496
Other Payables	41,461		71,240	112,701
<b>At June 30, 2021:</b>	<b>173,950</b>	<b>3,790</b>	<b>787,457</b>	<b>965,197</b>

## Notes to the Financial Statements continued

### 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	2021-2022	2020-2021
	Ksh'000	Ksh'000
Revaluation reserve	965,024	965,024
Retained earnings	(281,921)	(87,395)
Capital reserve	4,000	4,000
Scholarship Fund Reserve	16,737	16,855
Total funds	703,840	898,485
Total Creditors	574,793	965,196
Less: cash and bank balances	(18,551)	(106,718)
Net debt/(excess cash and cash equivalents)	556,242	858,479
Gearing	79%	95.5%

### 25. Capital Commitments:

	2021-2022	2020-2021
	Ksh'000	Ksh'000
Amounts authorised	634,460	26,145
Less: Amounts incurred	(3,836)	(1,234)
	<u>630,624</u>	<u>24,911</u>

The Foundation shelved purchase of some budgeted capital items to enable us utilise the available cash for main operations. We had planned to acquire a web machine a cost of Ksh620 million.

### 26. Incorporation Status:

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

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

	Original Budget	Adjustment	Final Budget	Actual on Comparable Basis	Performance Difference	
	2021/22	2021/22	2021/22	2021/22	2021/22	
	Kshs '000	Kshs '000	Kshs '000	Kshs'000	Kshs'000	
<b>Revenue</b>						
Gross Sales	1,148,746	527,389	621,357	358,734	(262,623)	1
Service Jobs	24,000	4,033	19,967	13,992	(5,975)	2
Sales of E- Books	2,400	(16)	2,416	124	(2,292)	3
Finance/ Interest Income	924	(223)	1,147	218	(929)	4

## Notes to the Financial Statements continued

Rent Income	3,498	(597)	4,095	3,478	(617)	
Gains(Loss) on disposal of Assets	420	(513)	933	138	(795)	5
Miscellaneous Income	2,270	1,050	1,220	7,560	6,340	6
<b>Total income</b>	<b>1,182,259</b>	<b>531,124</b>	<b>651,135</b>	<b>384,242</b>	<b>(266,893)</b>	
<b>Expenses</b>						
Cost of Goods Sold	434,232	218,916	215,316	111,910	(103,406)	
Marketing and Sales Promotion	27,669	14,381	13,288	9,249	(4,042)	7
Sales Discounts	37,200	21,830	15,370	80,472	65,102	8
Compensation of employees	265,979	25,683	240,296	226,897	(13,399)	9
Board of Directors Expenses	15,254	2,342	12,912	7,096	(5,816)	10
Finance cost( Bank Interest)	63,083	57,257	5,826	600	(5,226)	11
Bad and Doubtful debts	2,215	22	2,193	500	(1,693)	12
Depreciation and Amortization	88,068	62,946	25,122	24,701	(421)	13
Freight & Distribution	61,630	48,281	13,349	31,642	18,293	14
Royalties Expenses	41,398	20,927	20,471	12,743	(7,728)	15
Operational Expenses	87,176	25,792	61,384	48,993	(12,391)	16
<b>Total Recurrent Expenditure</b>	<b>1,123,904</b>	<b>498,377</b>	<b>625,527</b>	<b>554,801</b>	<b>(70,726)</b>	
<b>Profit or( Loss)</b>	<b>58,355</b>	<b>32,747</b>	<b>25,608</b>	<b>(173,356)</b>	<b>(196,167)</b>	

## 28. Reconciliation of the provision for doubtful debts

	Trade	Staff	Total
Opening Balance	12,637	2,955	15,592
Increase in Provision	500	-	500
Closing Balance	<b>13,137</b>	<b>2,955</b>	<b>16,092</b>

## Notes to the Financial Statements continued

### Explanations

1. The Foundation posted a cumulative loss of Ksh. 173.4 million. However in comparison to the budgeted profit of Ksh. 58 million this represents a negative variance of 777%. The variance from the budget is due to few award of the Government project in the year under review. The open market sales have drastically been affected in the year due to the effects of Covid-19 which led to closure of schools and other learning Institutions.
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 caused by effects of Covid-19. However we have realised a revenue of Ksh. 14 million up to June in this stream.
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 lower than had been budgeted and we are yet to receive the proceeds for the year 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 is always contingent to availability of excess liquidity which was not the case.
5. We had planned to replace two sales executives' vehicles which did not materialise, JKF expected a gain on disposal of current vehicles and other obsolete assets giving rise to this variance.
6. 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 also earned Ksh.5.4 million for the period to June 2022 on sale of old and obsolete books.
7. 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.
8. Sales discount is a factor of the sales realised which were higher than budgeted hence sales discount expense is also higher than budgeted. But in addition the books being sold direct to the Government i.e CBC class 6 do not attract any discounts but during the year under review majority of our sales came from open market.
9. 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.
10. 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 and holding virtual meetings which cost less than physical meetings.



## Notes to the Financial Statements continued

11. The finance cost relates to renewal of overdraft facility as a composite at a cost of ksh.600,000.
12. As at end of the period we have not provided for any additional bad and doubtful debts since majority of the sales are being made to the Government and vetted customers for the open market.
13. The variance in depreciation is as a result of non-acquisition of planned assets due to reduced cash flow and as management decision to reduce the cost.
14. The Freight and distribution expenses are due to Government requirement of end-to end delivery of books to schools.
15. The variance in royalties' expense is due to the bulk sale to government for titles whose copyrights are owned by external authors. Adjustment for the consolidation and distribution cost was made on author's royalties reducing this cost. In addition JKF owns some of the copy rights for books being sold to Government hence no royalty is payable on these titles.
16. 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, repainting of buildings.





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