

THE JOMO KENYATTA FOUNDATION
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CREDIT POLICY

1. OBJECTIVE.

This credit policy provides guidelines on award of credit facility to The Jomo Kenyatta Foundation (JKF) customers and distributors. Its main objective is to enhance sales volumes while safeguarding JKF against bad debts. It defines JKF's Credit standards, Credit terms and Collection effort highlighting the qualifying pre-conditions for one to be awarded credit status, the appraisal procedures, the credit limit determination and discounts.

2. THE CREDIT FUNCTION.

The credit function within JKF will be controlled by a Risk Management Committee and managed on a day today basis by the Credit Control section in the Finance Department.

i) Risk Management Committee

The Risk Management Committee will be composed of Company Secretary who will chair the committee, Finance Manager, Publishing Manager, Chief Internal Auditor and Sales & Marketing Manager who serves as the secretary. The committee has the mandate of formulation, implementation and review of the organizations credit policy and procedures. The committee will meet once a year at the beginning of the financial year to approve credit facilities and limits for the year based on the defined credit approval criteria. The committee may be convened at any other time to deliberate on new credit applications.

The Sales & Marketing Manager will administer the communication to customers once the credit facilities and limits are approved. Exceptions in application of the policy will be referred to committee for direction or discussed by at least three members of the committee. Such exceptions must be documented.

ii) Credit Control.

The credit control function is a section in Finance Department headed by a Credit Controller responsible to The Finance Manager.

The key objective of the credit function is to enhance sales volume and at the same time minimizing the cost associated with debt follow up, collection and bad debts. The specific objectives of the credit function include: -

- a) Ensuring that only quality customers qualify for credit trading with JKF.
- b) Minimizing the probability of defaults.
- c) Enhancing the collection of debts before they turn bad.

- d) Ensuring that qualifying customers enjoy manageable credit trading with JKF.
- e) To ensure that debts created through credit sales are collectable.

3. TERMS OF TRADE

The Jomo Kenyatta Foundation's Credit Policy will categorize customers into four categories namely: Group A, B, C and D (JKF distributors). These categories will be predetermined at the beginning of the year based on their annual turnover and the discounts rates will vary from one category to the other.

i) Eligibility

Only customers who have traded with JKF for more than one year and are registered members of Kenya Booksellers Associations are eligible to apply for credit facilities.

ii) Credit Period

The standard credit period for customers with credit facilities will be **30 days** for categories A, B, C and **45 days** for category D (JKF distributors) from the date of invoice or delivery.

iii) Discounts

Normal credit discount rate for Categories A, B, C will range from 25% to a maximum of 30% depending on previous years annual turnover. Category D will get a discount of 35% as indicated in the table below.

Exceptional discount rates, to be determined by the Risk Management Committee from time to time, may be given for promotions and on special circumstances.

Category	Annual Turnover	Discount	Payment(30 Days)
A	Above Ksh. 1 million	30%	30 days credit or post dated cheques.
B	Ksh. 600,000. To Ksh. 1 million	25%	30 days Post dated cheque.
C	Below Ksh. 600,000	25%	Cash/current cheque
D	JKF Distributors	35%	45 days/ cheques

Cash purchase of Ksh.770, 000 gross and above will attract a discount of 35%, between Ksh. 360,000 gross and Ksh. 770,000.00 gross will attract 30% discount, while those below Ksh. 360,000.00 will attract a normal discount of 25%.

iv) Credit Limits

Credit limits will be set for all existing customers at the beginning of the year based on 50% of prior year turnover, subject to a minimum credit limit of Kshs.50, 000 (Kenya shilling fifty thousand only).

Government Departments, Parastatals, NGOS and other Welfare organizations will be granted credit facilities on a need basis subject to receipt of a valid and verified original copy of Local Purchase Order (LPO) or Local Sales Order (LSO).

v) Minimum purchase

The minimum purchase quantity allowed at our Kijabe Book Distribution Center or Head office is 5 books per title but single copies can be purchased within large order by bookshops.

For example:

Primary Mathematics Pupils Bk 1	300 copies
Primary English Pupils Bk 2	400 copies
Primary Mathematics Teachers Bk 1	3 copies

vi) Payment Options

Customers without credit facilities

For a customer who has no credit facility with JKF the terms of payment will be Cash On Delivery. (COD). Cash On Delivery refers to payment by cash or a confirmed bankers' cheque. Banker's cheque will be confirmed by The Finance Manager or The Sales and Marketing Manager.

Customers with credit facilities

Customers with credit facilities will trade on one of the following payment terms:

1. Current cheque on collection or receipt of goods subject to the approved credit limit.
2. 30 days Post dated cheque on collection or receipt of goods subject to the approved credit limit.
3. 30 days credit against approved LPO/LSO subject to the approved credit limit.
4. 45 days post dated cheques on collection or receipt of goods subject to the approved credit limit of the distributor.

Service job customers without credit facilities, except government departments and parastatals, will pay 70% deposit prior to commencement of their work and 30% payment on collection. All such service jobs will be paid by cash or confirmed bankers' cheques.

vii) Maintenance of Account

Any account that remains dormant for 12 months will be assumed inoperative and shall be delisted without notice. Such customers will have to renegotiate their facilities for reinstatement.

Credit will be suspended for accounts that are over limit or are beyond the agreed credit period and such accounts will attract a penalty interest of 5% per month.

4. CREDIT APPLICATION

Customers must fulfill the following conditions to be eligible for consideration for credit.

- Complete the JKF credit application and appraisal form, which are available at JKF Kijabe Book Distribution Center, Head Office and can be downloaded from JKF website **<http://www.jkf.co.ke>**
- Must have traded with JKF for more than one year.
- Must be registered members of The Kenya Booksellers Association.
- Authorize their bankers to provide trade reference to JKF.
- Provide personal guarantees from their directors/ proprietors for the value of credit required.

COO/jmk
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