KENYA LITERATURE BUREAU

Annual Report and Accounts

For the Year Ended 30th June, 2012

Annual Report

and

Accounts

for the Year Ended 30th June 2012

KENYA LITERATURE BUREAU
PUBLISHERS AND PRINTERS
Popo Road, Belle-Vue Area,
Off Mombasa Road,
P.O. Box 30022-00100, GPO, Nairobi.
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Fax: 254-2-6001474
E-mail:info@klb.co.ke
Website: www.klb.co.ke

Contents

CORPORATE INFORMATION

Incorporation: The Bureau is incorporated in Kenya under an Act of Parliament (Cap. 209 of 1980)

Principal Activity: The principal activity of the Bureau is to publish, print and disseminate literary, educational, cultural and scientific literature and materials.

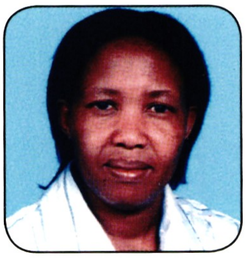
BOARD OF DIRECTORS 2011/2012

1. Prof. K. Ole Karei, EBS, PhD
   Chairman
2. Joseph Kinyua
   PS Ministry of Finance
   Alternate Elizabeth Nzyoka
3. Prof. G. I. Godia
   Ag. *PS Ministry of Education*
   Alternate Leah Rotich
4. Dr. James Nyikal
   PS Ministry of Gender and Children Affairs
   Alternate Mwakio Righa
5. Peter Ondieki
   Inspector-General (State Corporations)
   Alternate Florence Wahome
   (Ex-officio)
6. Prof. Shaukat A. Abdulrazak
   Secretary, National Council for Science and Technology
   Alternate Vitalis O. Awuor
7. Prof. Jesse N. K. Mugambi
   Representative, University of Nairobi
8. Peter S. Kaaka
   Member
9. Aggrey W. Kuboka
   Member
10. Hon. Mrs Grace Ogot
    Member
11. Robert Mbato
    Member
12. Mrs Eve A. Obara, MBS
    Managing Director

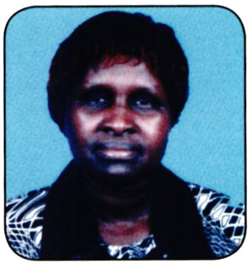
Prof. K. Ole Karei, EBS, PhD
Chairman

Mrs Eve A. Obara, MBS
Managing Director

Registered Office & Principal Place of Business	Kenya Literature Bureau Building, Popo Road, Bellevue Area, South C, Off Mombasa Road, P. O. Box 30022-00100, **NAIROBI.**
Branch	Customer Service Centre, Kijabe Street, P. O. Box 30022-00100, **NAIROBI.**
Bankers	Kenya Commercial Bank Limited, Kencom House, Moi Avenue, P. O. Box 30081-00100, **NAIROBI.**
	National Bank of Kenya Limited, National Bank Building, Harambee Avenue, P. O. Box 41862-00100, **NAIROBI.**
Auditors	Auditor-General, Kenya National Audit Office, P. O. Box 30084-00100, **NAIROBI.**



Elizabeth Nzyoka



Leah Rotich

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Florence Wahome

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Prof. Jesse N. K. Mugambi

Peter S. Kaaka

Aggrey W. Kuboka

Hon. Mrs Grace Ogot

Robert Mbato

Senior Management Team (2011/2012)

Mrs Eve A. Obara, MBS
Managing Director

Mrs Mary N. Khasiani, MBS
Publishing Manager

Michael Omach
Production Manager

Julius K. Aritho
Finance Manager

Evans T. Nyachieng'a
Human Resources Manager

Job Idaki
Corporate Services Manager

Bernard O. Obura
Sales & Marketing Manager

Chairman's Report

For the Year Ended 30th June 2012

General Overview

I am pleased to present the Kenya Literature Bureau full-year report and financial statements for the period ended 30th June 2012. During the period under review, KLB delivered growth in all fronts, earning it a place of honour among leading publishing houses in East Africa and beyond.

The acquisition of the state-of-the-art equipment has enhanced our capacity and efficiency. We have continued to support the business with strong marketing campaigns, accelerated our innovation agenda and brand outlook.

Across the region, our product portfolio is growing. In a bold move aimed at entrenching our brand in the region, KLB submitted 30 titles for vetting in Uganda, four[4] were vetted and are awaiting government approval in South Sudan, and another four [4] were approved for use in Malawi.

At KLB, we take our responsibility to our stakeholders very seriously. Our belief is anchored on maximising stakeholder value by maintaining our long-term focus. We are keen on serving our customers and delivering the best within set targets. On this note, therefore, I would like to briefly mention some areas of focus and steps we have taken to protect stakeholders' long-term interests, in accordance with best practice in corporate governance requirements.

Operating Environment

The performance of KLB is directly affected by the macroeconomic environment. During the 2011/2012 financial year, the country experienced a series of domestic and external shocks, including a weakening shilling, rising inflation and higher fuel prices, which slowed down economic growth, raised the cost of production and diminished the purchasing power of our customers. Further, increased cases of book piracy and apprehension over anticipated change of syllabus has made schools and booksellers hold back on their orders. However, despite the challenges, we are encouraged by the strong financial results we delivered.

Performance Contract

Kenya Literature Bureau entered into a performance contract agreement with the Government that required KLB to achieve freely negotiated targets. In the recently released performance contracting results, KLB was confirmed as the third best most consistent State Corporation for demonstrable excellent performance in the last three years.

In 2008-2009 contract period, the firm was ranked third (3) out of 139 State corporations with a composite score of 1.9226 and has since topped the commercial/manufacturing category and achieved the top position in the Ministry of Education over the last three years.

The recognitions attests to KLB's quality management systems, innovative edge, team spirit, sound financial systems, prudent leadership, accountability and top talent.

ISO Certification

Kenya Literature Bureau has continually embraced the very best of practices in management systems and procedures, which led to the award of the ISO 9001:2000 (now ISO 9001:2008) Certification on 29th October 2007 and subsequent Re-Certification in November 2011, which we have retained in the half-yearly audit.

Financial Performance

The financial performance of Kenya Literature Bureau has been impressive, recording a gross income of Kshs 1.092 billion in the 2010/2011 financial year. During the period under review, KLB's operating profits before tax were Kshs 109.2 million, a 6 per cent increment on the Kshs 102.7 million recorded in the 2010/2011 financial year. This is expected to increase this year.

Overall, the results demonstrate that with sound strategies and leadership, KLB will continue achieving exceptional performance.

Dividends

Kenya Literature Bureau has been paying dividends to the Government of Kenya since the 2006/2007 financial year, with the amounts increasing in tandem with profits. KLB paid dividends amounting to Kshs 7.1 million for the year ended 30th June 2011. In the year under review, KLB has made provisions for dividend payout of Kshs 9 million. The amounts represent 10 percent of the net-profit after tax.

Human Capital

Kenya Literature Bureau continues to invest in its human resource through training and other professional support. The Bureau has re-tooled and up-skilled its staff through various training interventions.

In the 2011/2012 financial year, seventy two [72] members of staff were trained on various subjects including HIV/AIDS Awareness, Disability Mainstreaming, Gender-Based Violence and Alcohol & Drug Abuse Mainstreaming.

The implementation of the Education Loan programme is ongoing and has so far benefited twenty three [23] members of staff, one [1] of whom is pursuing a higher diploma, sixteen [16] have enrolled for undergraduate degree courses, four [4] in Master's programmes and two [2] pursuing doctorate degrees.

The confidence generated by this programme has increased employee satisfaction, which has led to increased productivity.

Future Prospects

Going forward, we shall remain focused on timely execution of our strategic plans, to improve operational efficiency, facilitate innovation, and expansion of the market reach beyond the traditional East African Community trading bloc. Further, we shall continue to invest in new products and equipment with the aim of consolidating our position as market leaders in publishing in the region. Whilst doing so, KLB is keen on increasing its institutional printing portfolio and aims at sustaining and growing its presence in pre-school, primary and secondary segments.

As we look into the future, we are optimistic that with the strategies that have been put in place, and continued support from the Government through the Ministry of Education, customers and other stakeholders, KLB's good performance will be sustained.

Appreciation

I wish to express my sincere appreciation to the Government of Kenya, through the parent Ministry, the Ministry of Education, my fellow directors, the management, staff and our development and business partners for their support and contribution to our success.

We are pleased with the strong results we have achieved and are confident about the long-term value contribution from the strong leadership, team work and investments that we have made.

Thank you and God bless you all.

for **Prof. K. Ole Karei, EBS, PhD**
Chairman

Statement of Directors' Responsibilities

The State Corporations Act Cap 446 requires the directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the Bureau as at the end of the financial year and of its profit or loss for the year. It requires the directors to ensure that the Bureau keeps proper accounting records that disclose, with reasonable accuracy, at any time the financial position of the Bureau. They are also responsible for safeguarding the assets of the Bureau.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the State Corporations Act.

The directors are of the opinion that the financial statements give a true and fair view of the state of financial affairs of the Bureau and of its operating results. The directors accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bureau will not remain a going concern for at least the next twelve months from the date of this statement.

Prof. K. Ole Karei, EBS, PhD
Chairman
10th January 2013

Mrs Eve A. Obara, MBS
Managing Director
10th January 2013

Report of the Auditor-General on Kenya Literature Bureau

For the year ended 30 June 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 9 to 19 which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and section 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an independent opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15 (2) of the Public Audit Act, 2003 and submit the audit report in Compliance with Article 229 (7) of the Constitution of Kenya. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bureau as at 30 June 2012, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL
NAIROBI
30 January 2013

Statement of Comprehensive Income

For the Year Ended 30th June, 2012

	NOTES	2011/2012 Kshs	2010/2011 Kshs
Turnover	**(2)**	1,091,987,368	1,134,341,640
Direct Expenditure	**(3)**	(404,081,100)	(540,260,883)
GROSS PROFIT		**687,906,268**	**594,080,757**
Other Income	**(4)**	28,727,176	153,778,555
Staff Costs	**Appendix I**	195,730,263	166,970,692
Administration Costs	**Appendix I**	82,952,223	92,510,447
Selling Costs	**Appendix I**	328,798,907	385,674,358
PROFIT FOR THE YEAR BEFORE TAX		**109,152,051**	**102,703,815**
TAX EXPENSE		**17,499,021**	**30,811,145**
PROFIT AFTER TAX		**91,653,030**	**71,892,671**

Statement of Financial Position

As at 30th June, 2012

ASSETS	**NOTES**	**2011/2012**	**2010/2011**
Non-Current Assets		**Kshs**	**Kshs**
Property, Plant and Equipment	**5**	751,647,474	776,516,443
Current Assets			
Inventories	**6**	447,661,410	365,484,542
Royalty Advance	**7**	15,526	16,970
Receivables	**8**	231,446,293	148,716,710
Cash and Bank Equivalents	**9(i)**	6,482,937	20,315,893
Investments	**9(ii)**	302,030,319	307,715,122
		987,636,485	842,249,238
TOTAL ASSETS		**1,739,283,959**	**1,618,765,681**
RESERVES, FUND AND LIABILITIES			
Capital Fund and Reserves			
Capital Fund	**10**	700,000,000	700,000,000
Revaluation Reserves		406,887,671	406,887,671
Revenue Reserves		482,889,227	370,376,948
Shareholder Funds		1,589,776,898	1,477,264,619
CURRENT LIABILITIES			
Payables	**11**	149,507,061	141,501,062
		149,507,061	141,501,062
TOTAL RESERVES, FUND AND LIABILITIES		**1,739,283,959**	**1,618,765,681**

The financial statements on pages 9 to 19 were approved by the Board of Directors and were signed on its behalf by:

for **Prof. K. Ole Karei, EBS, PhD**
Chairman
10th January 2013

Mrs Eve A. Obara, MBS
Managing Director
10th January 2013

The notes set out on pages 13 to 19 form part of these financial statements.

Statement of Changes in Reserves and Fund

For the Year Ended 30th June, 2012

	Capital Fund Kshs	Revaluation Reserves Kshs	Revenue Reserves Kshs	Total Reserves Kshs
At 1st July 2010	700,000,000	406,887,671	305,673,545	1,412,561,216
Net Profit for the year	–	–	102,703,815	102,703,815
Prov. For Corporation Tax – 2010/11	–	–	(30,811,145)	(30,811,145)
Proposed Dividends – 2010/2011	–	–	(7,189,267)	(7,189,267)
At 30th June 2011	**700,000,000**	**406,887,671**	**370,376,948**	**1,477,264,619**
At 1st July 2011	700,000,000	406,887,671	370,376,948	1,477,264,619
Write back of long outstanding payables	–	–	1,622,318	1,622,318
Over-provision of Corporation Tax	–	–	28,402,235	28,402,235
Net Profit for the year	–	–	109,152,050	109,152,050
Provision For Corporation Tax – 2011/2012	–	–	(17,499,021)	(17,499,021)
Proposed Dividends – 2011/2012	–	–	(9,165,303)	(9,165,303)
At 30th June 2012	**700,000,000**	**406,887,671**	**482,889,227**	**1,589,776,898**

Statement of Cash Flow

For the Year Ended 30th June, 2012

	Note	2011/2012 Kshs	2010/2011 Kshs
OPERATING ACTIVITIES			
Operating Profit for the Year		109,152,050	102,703,815
Adjustments for:			
Depreciation Expenses	5	36,938,283	33,119,764
Slow Moving Stocks Write-off		–	88,642,487
(Decrease)/Increase in Prov. for Slow Moving Stock	6	4,854,955	(107,120,824)
Provision for Doubtful Debts	8	(11,816,409)	4,438,587
Net Interest Income		(26,846,740)	(9,885,139)
Library Books Written off		61,820	69,495
Rental Income		(2,520,997)	(1,686,266)
Operating Profit Before Working Capital Changes		**109,822,962**	**110,281,919**
(Increase)/Decrease in Inventories	6	(87,093,643)	(40,792,185)
(Increase)/Decrease in Receivables	8	(66,274,727)	2,896,015
(Increase)/Decrease in Advance Royalties	7	1,444	119,487
(Increase/(Decrease) in Payables	11	37,428,330	(144,922,745)
Cash Generated from Operations		**(6,115,634)**	**(72,417,509)**
Corporation Tax Paid	11	(26,062,103)	(6,996,829)
Net Cashflows From Operating Activities		**(32,177,737)**	**(79,414,338)**
INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment	5	(12,069,315)	(18,944,058)
Interest Income from Deposits		22,208,292	9,885,139
Rental Income		2,520,998	1,686,266
Net Cashflows From Investing Activities		**12,659,975**	**(7,372,653)**
FINANCING ACTIVITIES			
Dividends Paid	11	–	(9,900,000)
Net Cashflows from Financing Activities		**0**	**(9,900,000)**
(Decrease)/Increase in Cash & Cash Equivalents		**(19,517,762)**	**(96,686,991)**
Cash & Cash Equivalents at the:			
– Start of the Year (1st July 2011)		328,031,016	424,718,007
– End of the Year (30th June 2012)	9	**308,513,256**	**328,031,016**

Notes to the Financial Statements
For the Year Ended 30th June, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards.

(b) Revenue Recognition

Revenue is recognised when books are sold and or when a printing job order is placed and confirmed. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account. Interest income is accrued on the basis of principal sum outstanding at the agreed interest rate(s).

(c)Bad and Doubtful Debts

A provision for bad and doubtful debts is made at 5% of all debts outstanding after ninety (90) days at the end of the financial year.

(d) Property, Plant and Equipment

Property, plant and equipment held for use in the production or supply of goods and services, or for administrative purposes. The portion of the building used for rental purposes has not been disclosed separately under investment due to its insignificance.

Depreciation is charged so as to write off the cost or valuation of property, plant and equipment to their residual values over their expected useful lives, using the straight line method at the following rates:

Printing machines	5%
Office furniture, fittings and equipment	12.5%
Motor vehicles	20%
Buildings	2.5%
Computers	30%

Plant, equipment, furniture and fittings are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposal of equipment, motor vehicles, furniture and fittings are determined by reference to their carrying amount and are taken into the profit and loss account for the year.

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2012

(e) *Inventories*

Inventories including work in progress are stated at the lower of cost and net realisable value. Inventories are valued at actual cost on the first-in-first out basis while work in progress comprises of direct material costs, direct labour costs and appropriate production overheads that have been incurred in bringing the inventories to their present condition on percentage of completion basis.

(f) *Royalties Expenses*

The royalty payments are paid on book sales net of discount allowed and are made semi-annually as per the royalty agreement. This expense is accounted for in accrual basis.

(g) *Cash and Cash Equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank, short term deposits held at call with banks and treasury bills. Short term deposits have an average maturity of 90 days at the agreed interest rates.

(h) *Retirement Benefits*

The Bureau contributes to a defined benefit pension scheme managed by Insurance Company of East Africa (ICEA) Limited and the National Social Security Fund (NSSF).

The defined benefit pension scheme is in the process of conversion to defined contribution pension scheme as per Treasury Circular No. 18/2010.

The Bureau's contributions to the above schemes are charged to the statement of comprehensive income in the year to which they relate.

(i) *Comparatives*

Where necessary, comparative figures have been restated to conform with changes in the presentation in the current year.

(j) *Prior Period Adjustment*

These comprises of Write back of long outstanding payables of Kshs 1,622,318 and an over-provision of Corporation Tax amounting to kshs 28,402,235 in the year 2010/2011.

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2012

2. TURNOVER

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

Particulars	**2011/2012 Kshs**	**2010/2011 Kshs**
Sale of books	1,073,197,364	1,131,363,494
Printing sales	18,790,005	2,978,146
	1,091,987,368	**1,134,341,640**

3. DIRECT EXPENDITURE

	2011/2012 Kshs	**2010/2011 Kshs**
Opening inventories		
Printed books	325,789,487	383,363,121
Raw materials	14,380,119	9,352,145
Work in progress	31,208,184	26,602,118
	371,377,790	**419,317,384**
Purchases		
Raw materials, Wages & Overheads	491,059,482	492,321,289
	491,059,482	**492,321,289**
Closing inventories		
Printed books	421,824,090	325,789,487
Raw materials	14,192,937	14,380,119
Work in progress	22,339,145	31,208,184
	458,356,172	**371,377,790**
COST OF SALES	**404,081,100**	**540,260,882**

4. OTHER INCOME

	2011/2012 Kshs	**2010/2011 Kshs**
Rental Income	2,520,998	1,686,266
Interest income (Short-term deposits/T/Bills)	26,846,740	9,885,139
Decrease in Provision for Slow-moving stock	0	107,120,824
VAT refund income	(5,095,722)	32,059,512
Miscellaneous income	4,455,160	3,026,813
	28,727,176	**153,778,555**

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2012

5. PROPERTY, PLANT AND EQUIPMENT

	Land Kshs	Buildings Kshs	Plant and Equipment Kshs	Motor Vehicles Kshs	Computers Kshs	Furniture and Fittings Kshs	Total Kshs
COST/VALUATION							
As at 1st July 2011	160,000,000	317,800,829	336,803,560	17,065,000	12,928,700	15,397,397	859,995,486
Additions	0	0	5,928,636	3,236,207	2,580,639	323,833	12,069,315
Disposals	0	0	0	0	0	0	0
At 30th June 2012	**160,000,000**	**317,800,829**	**342,732,196**	**20,301,207**	**15,509,339**	**15,721,230**	**872,064,801**
DEPRECIATION							
As at 1st July 2011	0	23,740,021	40,622,638	8,635,000	6,103,776	4,377,609	83,479,044
Charge for the Year	0	7,945,020	18,319,221	4,060,241	4,648,647	1,965,154	36,938,283
Disposals	0	0	0	0	0	0	0
At 30th June 2012	**0**	**31,685,041**	**58,941,859**	**12,695,241**	**10,752,423**	**6,342,763**	**120,417,327**
NET BOOK VALUE							
At 30th June 2012	**160,000,000**	**286,115,788**	**283,790,337**	**7,605,966**	**4,756,916**	**9,378,467**	**751,647,474**
At 30th June 2011	**160,000,000**	**294,060,808**	**296,180,923**	**8,430,000**	**6,824,924**	**11,019,788**	**776,516,443**

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2012

6. INVENTORIES

	2011/2012 Kshs	2010/2011 Kshs
Printed Books	421,824,090	325,789,487
Provision for Slow Moving Stock	(12,151,664)	(7,296,708)
Raw Materials	14,192,937	14,380,119
Canteen Stock	412,231	450,107
Library Books	1,011,649	953,353
Work in Progress	22,339,145	31,208,184
Shipment Clearing	33,022	0
	447,661,410	**365,484,542**

7. ROYALTY ADVANCE

This is the sum advanced to authors prior to computation of royalty payments; which is recoverable from future royalty payments.

8. RECEIVABLES

	2011/2012 Kshs	2010/2011 Kshs
Trade Receivables — Books	182,435,226	126,977,045
Provision for Bad & Doubtful Debts – Books	(4,148,313)	(16,150,838)
Trade Receivables — Printing	12,804,320	4,290,867
Provision for Bad & Doubtful Debts – Printing	(186,116)	0
VAT Refund Income Receivable	20,230,518	20,278,302
Accrued Interest Income	5,458.988	820,540
Other Receivables	6,107,632	11,272,930
Deposits and Prepayments	8,744,038	1,227,864
	231,446,293	**148,716,710**

9. (i) CASH AND BANK BALANCES

	2011/2012 Kshs	2010/2011 Kshs
Cash on Hand	291,857	2,939,933
Cash at Bank	6,191,080	17,375,960
	6,482,937	**20,315,893**
(ii) INVESTMENTS		
Short Term Deposits	221,769,324	227,715,122
Treasury Bills	80,260,995	80,000,000
	302,030,319	**307,715,122**
	308,513,256	**328,031,016**

10. CAPITAL RESERVES

The amount of Kshs. 700,000,000 being Government of Kenya injection is comprised of Kshs. 300,000,000 which the Government invested when establishing Kenya Literature Bureau through an Act of Parliament Cap. 209 No. 4 of 1980, while Kshs. 200,000,000 was a transfer from revenue reserves during the financial year 1996/1997 and a further Kshs 200,000,000 was transferred from the revenue reserves during the financial year 2007/2008.

11. PAYABLES

	2011/2012 Kshs	2010/201 Kshs
Trade Payables	106,446,741	63,789,814
Dividend Payable	16,354,570	7,189,267
Corporation tax Payable	(13,151,001)	23,814,316
Accrued Royalties	21,377,639	28,487,420
Audit Fees Provision	600,000	500,000
Other Payables	973,215	1,910,183
Advance Receipts	0	658,669
Accrued Expenses	3,143,277	6,628,782
Withholding Tax due	2,121,588	8,522,611
Inventory Clearing Accounts	11,641,032	0
	149,507,061	**141,501,062**

Notes to the Financial Statements *(Continued)*

For the Year Ended 30th June, 2012

12. CAPITAL EXPENDITURE COMMITMENTS

	2011/2012 Kshs	2010/2011 Kshs
Furniture and Fittings	223,349	0
Computer Equipment	1,085,600	0
	1,308,949	**0**

13. CONTINGENCIES

A contigent liability exists from a demand notice issued by National Social Security Fund for penalties and interest on contributions arrears dating back to 1993 amounting to Kshs 27,650,838/= which is still in dispute. The Bureau has engaged in fruitful discussions, which are at an advanced stage for waiver of the said penalties and interest. Further, NSSF have agreed to halt any further demand notice and accumulation of the amounts. The amount, which may be settled in future, cannot be measured with sufficient reliability.

14. CORPORATION TAX

The Bureau has charged Corporation Tax on the results for the year adjusted in accordance with the prevailing taxation legislation.

15. DIVIDENDS PAYABLE

The Board of Directors of Kenya Literature Bureau declares and pays a dividend of 10% of the after tax Net Profit for the year to the Government.

16. CURRENCY

These financial statements are presented in Kenya Shillings (Kshs).

Appendix I

Details of Statement of Comprehensive Income

For the Year Ended 30th June, 2012

	2011/2012	2010/2011
STAFF COSTS	**Kshs**	**Kshs**
Salaries	94,920,558	79,587,061
Gratuity and pension	15,269,173	14,023,229
House allowance	42,447,125	35,332,458
Other personal allowances	19,095,486	17,203,697
Passage and leave allowances	2,622,618	1,862,479
Medical expenses	8,612,905	10,219,566
Overtime costs	894,635	1,040,280
Staff training	4,345,682	3,076,467
Staff welfare	7,522,081	4,625,454
Total staff costs	**195,730,263**	**166,970,692**
ADMINISTRATION COSTS		
Transport operating expenses	11,225,562	10,364,158
Travelling and accomondation	8,830,625	6,125,892
Postal and telegram expenses	261,969	210,839
Telephone expenses	2,669,464	2,542,554
Management board expenses	5,325,951	6,949,428
Electricity, water and Conservancy	2,919,963	1,813,563
Purchase of stationery	6,284,162	5,078,645
Promotional Sample costs	656,735	1,880,928
Rent & Rates Expenses	268,224	–
Computer expenses	1,704,333	3,155,348
Hire of casuals	3,583,540	2,555,380
Insurance costs	3,394,366	2,759,930
Audit fees	700,000	600,000
Consultancy Expenses	2,093,099	4,423,403
Slow moving stock provision expenses	4,854,956	–
Provision for Bad & Doubtful Debts	(11,816,409)	4,438,587
Maintenance of plant and equipment	3,160,989	4,611,441
Maintenance of buildings	2,286,691	5,079,547
Depreciation expenses	17,030,059	14,279,431
Readership and writing workshops	9,399,736	7,063,317
Security expenses	4,817,490	5,149,305
Library books written off	61,819	69,495
Subscription	406,997	431,781
Donation	50,000	43,530
Bank charges	1,607,472	1,935,635
Legal charges	1,174,430	948,310
Total Administration Costs	**82,952,223**	**92,510,447**
SELLING COSTS		
Discounts allowed	294,056,977	338,375,796
Advertising and publicity	21,967,202	27,690,376
Corporate Affairs	7,149,698	5,483,954
Packaging, carriage and handling	5,625,030	14,124,232
Total Selling Costs	**328,798,907**	**385,674,358**
Total Costs	**607,481,394**	**645,155,497**

... Our History

A brief synopsis of Kenya Literature Bureau

Kenya Literature Bureau (KLB) was the first publishing house to be established in Eastern Africa. It was established in 1947 under the East African Common Services Organisation. It was later handed over to the East African Community (EAC) where it remained till the collapse of the EAC in 1977. It became a department in Kenya's Ministry of Education and thereafter transformed into a State Corporation on 4th July, 1980 when Parliament enacted the Kenya Literature Bureau Act, Cap 209.

Acholi DC, CPS Allen (Uganda Protectorate) presents scout medal to a native on 26.04.1952 in an East Africa Literature Bureau (EALB) event in Uganda.

A journalist interviews former Education Minister Hon. Jeremiah Nyaga (centre) at the April 1967 East Africa Literature Bureau (EALB) Book week

Former Education Minister Hon. Jeremiah Nyaga (second left) touring the East Africa Literature Bureau (EALB) 1967 Book week

An editor at work at the then East Africa Literature Bureau

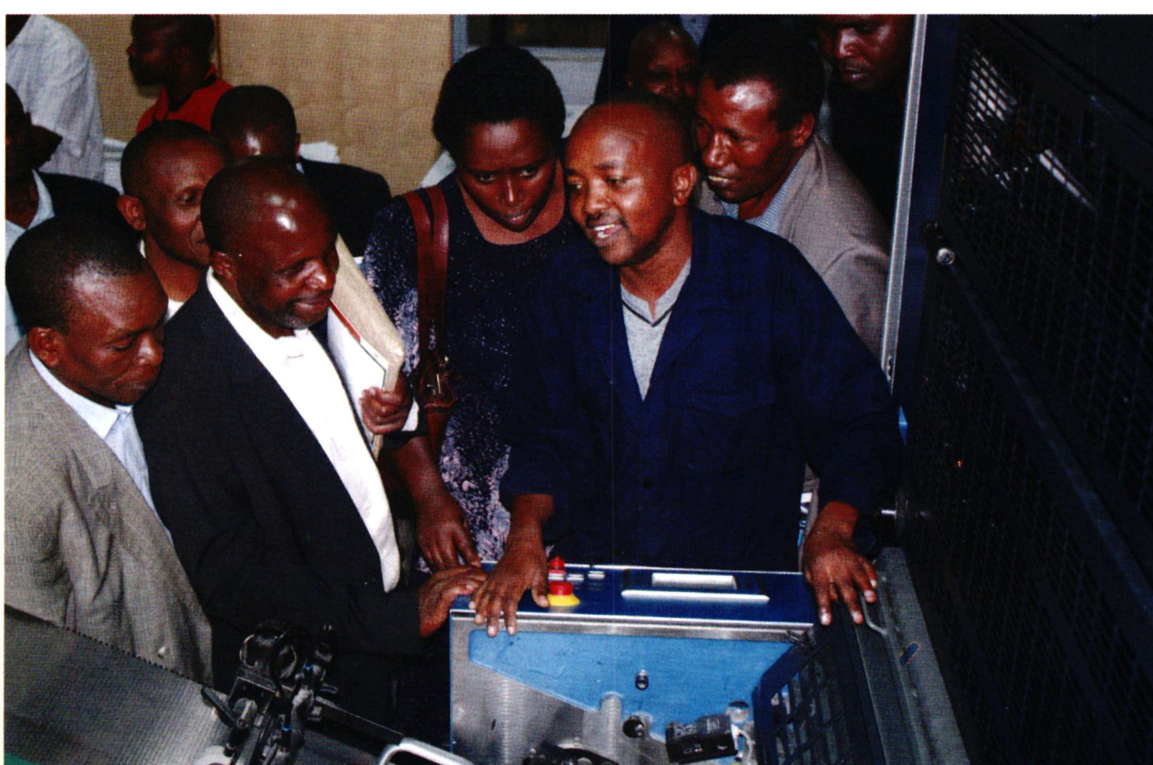
Former Maendeleo ya Wanawake president Mrs Jael Mbogo (centre), Mama Ngina Kenyatta (right) and Hon. Eliud Ngala Mwendwa, former Minister for Labour at an EALB event

An EALB procession at the 1966 Labour Day Celebrations along Harambee Avenue in Nairobi

EALB employees delivering books to African schools in Uganda Protectorate

From left: An EALB employee, Former Cabinet Minister Ngei, Former Chief Secretary and Secretary to the Cabinet, Hon. Joseph Arap Leting and Mama Lucy Kibaki.

Former KLB Board Chair, Dr. Taaita Towett and Mr. Karimi Mutegi, former Educational Sales Representative at Nairobi Bookfair.

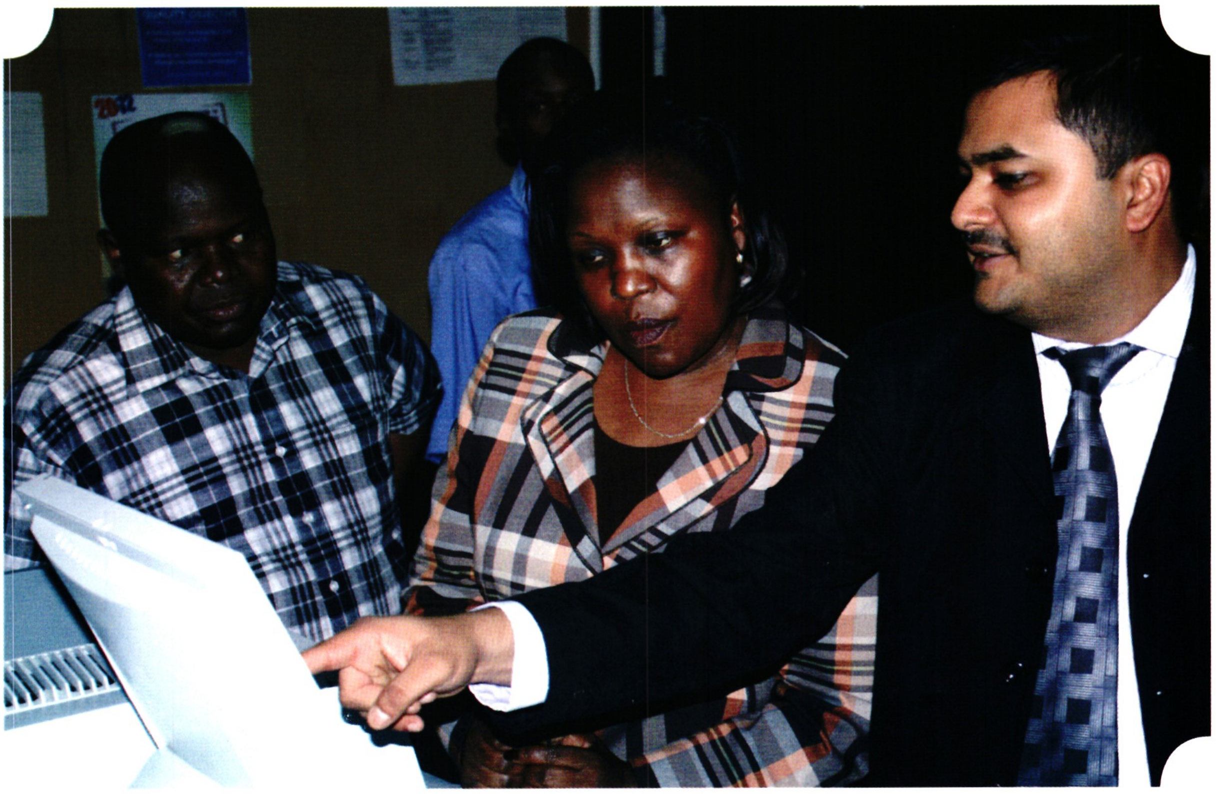


Mr. Wambua, a machine operator at the KLB printing press.

KLB Managing Director, Mrs Eve Obara (left) awards a certificate to a Institute of Human Resources Management graduand during the 2012 graduation ceremony

Students of Maina Wanjigi Mixed Secondary School during the launch of their strategic plan/prize giving day

Quality Assuarance Manager, Jackson Musau championing a clean up exercise at Ngong Town Market



KLB Managing Director, Mrs Eve Obara, Production Manager, Michael Omach (left) and MFI's general Manager, Danny Solanki (right) during the launch of the digital printing press

KLB Managing Director, Mrs Eve Obara, receives Cannon Prof. John Mbiti, while KLB Board member Prof. Jesse Mugambi (centre) looks on. Prof. Mbiti has translated the Bible from original Greek to Kikamba

KLB team at a procession in Ngong town during the 2012 World Environment Day

Publishing for YOU

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