KENYA LITERATURE BUREAU

Annual Report and Financial Statements

For the Year Ended 30th June, 2013

Annual Report

and

Financial Statements

for the Year Ended 30th June, 2013

KENYA LITERATURE BUREAU
PUBLISHERS AND PRINTERS
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- Website: www.klb.co.ke

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CORPORATE INFORMATION

Incorporation: The Bureau is incorporated in Kenya under an Act of Parliament (Cap. 209 of 1980 revised 2012)

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 2012/2013

1. Mrs. Serah K. Ndege
   Chairperson
2. Dr. Kamau Thugge
   PS National Treasury
   Alternate Francis Anyona
3. Dr. Kipsang Belio
   PS State Dept. of Education,
   Ministry of Education, Science & Tech.
   Alternate Leah Rotich
4. Mr. Ali Noor Ismail
   PS Ministry of Labour & Social Security
   Alternate Mwakio Righa
5. Mr. Edward M. Ngigi
   Ag. *Inspector-General (State Corporations)*
   Alternate Stephen Mbatia
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. Mr. Robert Mbato
    Member
11. Mrs. Dorothy N. Opondo
    Member
12. Mrs. Elizabeth K. Mwongera
    Member
13. Mrs. Eve A. Obara, MBS
    Managing Director

Mrs. Serah K. Ndege
Chairperson

Mrs. Eve A. Obara, MBS
Managing Director

Registered Office & Principal Place of Business	Kenya Literature Bureau Building, Bellevue Area, South C, Popo Road, 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 Mwongera

Dorothy Opondo

Mwakio Righa

Peter S. Kaaka

Vitalis O. Awuor

Prof. Jesse N. K. Mugambi

Aggrey W. Kuboka

Leah Rotich

Francis Anyona

Robert Mbato

Senior Management Team (2012/2013)

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
Corporate Services Manager

Job Idaki
Human Resources Manager

Bernard O. Obura
Sales & Marketing Manager

Chairman's Report

For the Year Ended 30th June 2013

On behalf of the Board of Management, I am delighted to present the Kenya Literature Bureau (KLB) Annual Report and Financial Statements for the period ended 30th June 2013. KLB registered remarkable growth in all fronts during the period under review, maintaining its status as one of the leading publishing and printing houses in the East Africa Community region.

ECONOMY AND BUSINESS ENVIRONMENT

The growth rate for the global economy dropped from 3.9% in 2011 to 3.2% in 2012 due to various challenges including the rise in oil prices, the Euro Zone economic crisis, among others.

The Kenyan economy recorded improvements despite the various challenges experienced. The performance was supported by stable macroeconomic environment, increased demand and marginal growth in credit. The economy grew by 4.6% in 2012. The manufacturing sector decelerated to 3.1% as compared to a growth of 3.4% in 2011. The slower growth was due to the high cost of production, high cost of credit, stiff competition from imported goods and political uncertainty due to the 2013 General Elections but which turned out to be peaceful. The overall inflation was maintained at a single digit at 4.91% as at June 2013 as compared with 7.74% recorded in July 2013. The Kenya Shilling depreciated against the major international currencies except the South African Rand.

In the publishing and printing industry, positive growth was recorded in various fronts, with the digital revolution providing a platform for growth. Challenges included book piracy which has led to huge losses to the players in the market. The high cost of production, high fuel prices and the depreciation of the Kenya Shilling added pain to the industry. The proposed Value Added Tax Bill, 2013 is also set to upset the industry further when the books will become vatable. Despite the challenges, KLB was in the forefront in maintaining strong financial results for the year. This was done through re-engineering some of the processes with a focus on efficiency and effectiveness.

DELIVERING ON OUR STRATEGIC OBJECTIVES

Kenya Liteature Bureau has continued to implement its Second Strategic Plan 2010–2015 and for which monitoring and evaluation is conducted periodically based on the established framework. The Bureau undertook the Mid-term Review of the Strategic Plan in May 2013 and the Revised Strategic Plan 2010 – 2015 will be implemented from July 2013.

In compliance with the Public Financial Management Act 2012, the following performance review with respect to the delivery of Strategic objectives is presented.

1. *Positioning of KLB as a leading Publisher and in the Industry* – The turnover has grown by 27% from Kshs. 1.09 billion in 2012 to Kshs. 1.39 billion. This was achieved through the aggressive development of new markets with new product offering while services the current markets with improved products and services. We continue to forge partnerships with stakeholders for mutual benefits. Amongst the partnerships, include one with the Kajokeji County in the Central Equatorial State, Republic of South Sudan by publishing and printing their Strategic Development Plan. Improved terms of trade and incentives to customers such as the Bookseller of the Year Awards yielded benefits to our business.

   With the digital revolution opening the doors of opportunity, the Bureau has developed content for Standard One, ready for installation and implementation of the One Laptop Per Child, as per the Jubilee Government Manifesto. Further, we have partnered with digital service providers/platforms such as Amazon.com/World Reader and eKitabu to make available online, content for sale of our books.

Further, improvements were registered in the school coverage, increase in the internal printing capacity through modernisation of the printing press by acquisition of an additional state-of-the-art High Speed Sewing Aster 220 machine.

2. *Improve on quality of products and services* – This was achieved by undertaking market research to determine the needs, tastes and preferences of the consumers and used the feedback to develop improved services. The maintenance of International Standardization Organization (ISO) 9001:2008 Quality Management System ensures that the customers get quality products from us. Further, customer service training enhanced the employees' capacity to handle customers and offer improved services.
3. *Upgrade infrastructure for printing and publishing systems* – We continue with capital investments aimed at improving the publishing systems. Acquisition of ICT equipment, printing equipment, automation of key processes such as the integration of ACCPAC Financial System and the Human Resources Management Information System has seen the Bureau's technology infrastructure. The installation of the CCTV system has enhanced the security of the Bureau's property and resources.
4. *To enhance corporate governance and improve on processes* – Good corporate governance practices is a prerequisite for sustainable business performance. The Bureau ensured compliance with the legal and regulatory framework established by the Government as the shareholder. The Bureau reviewed various legal instruments and policies. Further, the Board usually meets for a minimum of four (4) quarterly meetings in a year. The Board of Management works through committees that include the Audit, Finance and General Purpose and the Staff (Human Resources). The Bureau has also reviewed various legal instruments and policies and is at an advanced stage to finalize the KLB Draft Bill, 2013 to align it with the Constitution of Kenya 2010.
5. *Strengthening institutional capacity* – We achieved progress to ensure that our capacity is boosted to serve the increased demand of customers. The Bureau has consistently undertaken the training of employees as a human capital investment. Training in courses relevant to the job, team building, professional courses, among others have ensured that the Bureau attracts and retains competent employees. This has seen productivity levels increase to an all time high. The Bureau successfully negotiated and finalised the Collective Bargaining Agreement (CBA) 2013–2015 for implementation from July 2013. This has ensured that the Bureau enjoys highly motivated staff and harmonious industrial relations.

PERFORMANCE CONTRACT AND ISO CERTIFICATION

The entered in into a negotiated performance contract for 2012/2013 (9th Edition) with the Government by setting targets that are derived from the Strategic Plan 2010–2015, First Medium Term Plan and the Approved budgets. The Bureau continued to maintain favourable performance by achieving all the set targets for the year under review. In the manufacturing sector the Bureau has continued to shine and in the Ministry of Education (former) the Bureau is ranked at the top. This trend is helped by the commitment of KLB's Board, Management and staff to continually improve and increase productivity. It is also anchored in the maintenance of the quality management systems, innovation and creativity, team spirit, sound financial systems, prudent leadership, accountability.

The Bureau has continued to embrace the best practices by committing to the ISO 9001:2008 Quality Management System and improving processes and systems. The Bureau was recertified in November 2011 after being initially certified in October 2007.

FINANCIAL RESULTS

As indicated previously the Bureau recorded improved performance with the turnover reaching Kshs. 1.39 billion against the Kshs. 1.092 billion realised in 2011/2012. This was a 27% growth in turnover. The profits before tax amounted to Kshs. 117.987 million as compared with Kshs. 109.152

million realised in 2011/12 representing an 8% growth. The profits after tax also grew by 9% to reach Kshs. 100.010 million as compared to Kshs. 91.653 million for 2011/2012.

The financial position has been strong with favourable liquidity ratios. Notably the Bureau finances all its operations and capital investments from internally generated resources. These results further demonstrate the sound leadership and effective strategies that the Bureau utilises.

DIVIDENDS

Kenya Literature Bureau has been paying dividends to the Government of Kenya since 2006/7 financial year. The dividends are declared based on the policy of ten (10) per cent of the after tax net profits. KLB paid dividends amounting to Kshs. 9.165 million for the year ended 30th June 2012. In the period under review, KLB has made provisions for dividend pay-out of Kshs.10.001 million.

SOCIAL RESPONSIBILITY

We remain committed to our social, economic, environmental and ethical obligations by maintaining interaction with all the stakeholders. The book donation project, *Imarisha Kimasomo* has made enormous contribution to ensuring education access and improving quality for the disadvantaged schools in all corners of the country. Truly this has been a success story. The commitment to the philosophy of environmental sustainability has made us to partner with schools and other stakeholders to plant over 5,000 trees in various counties. We also participated and sponsored the World Environmental Day and the World Wetlands Day.

FUTURE PROSPECTS

The outlook for 2014 is impressive with the economic growth targeted at 5.7% and with major infrastructural projects such as the Standard gauge railway and expansion of airports being rolled out. We envisage a conducive business environment even though the expected enactment of Value Added Tax Act, 2013 will present the biggest challenge to the book market. The Bureau will continue with implementation of the Revised Strategic Plan 2010–2015 guided by sound leadership, prudent management, innovation, creativity and team spirit.

APPRECIATION

I wish to express my sincere appreciation to the Government of Kenya, through our parent ministry, the Ministry of Education, Science and Technology, my fellow directors, the management, staff and our development and business partners for their support and contribution to our success. Special thanks goes to my predecessor Prof. K. Ole Karei who has steered the organisation for the last eighteen (18) years up to March 2013. We are grateful for the strong and favourable performance and we commit to continually improve for the betterment of our country.

Thank You and God Bless You All.

Ndege

Mrs. Serah K. Ndege
Chairperson

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.

Ndege

Mrs. Sarah K. Ndege
Chairperson
5th February, 2014

Mrs. Eve A. Obara, MBS
Managing Director
5th February, 2014

Report of the Auditor-General on Kenya Literature Bureau

For the year ended 30th June 2013

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 2013, and the statement of comprehensive income, statement of changes in reserves and fund 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.

Director's Responsibility for the Financial Statements

The Board of Directors 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 board determines it necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The board 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 2013, 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
14th May, 2014

Statement of Comprehensive Income

For the Year Ended 30th June, 2013

	NOTES	2012/2013 Kshs	2011/2012 Kshs
Turnover	**(2)**	1,389,117,605	1,091,987,368
Direct Expenditure	**(3)**	(552,366,293)	(404,081,100)
Gross Profit		**836,751,312**	**687,906,268**
Other Income	**(4)**	27,294,688	28,727,176
Staff Costs	**Appendix I**	188,812,563	195,730,263
Administration Costs	**Appendix I**	75,395,536	82,295,488
Selling Costs	**Appendix I**	481,849,964	329,455,643
PROFIT FOR THE YEAR BEFORE TAX		**117,987,937**	**109,152,051**
TAX EXPENSE		**17,977,245**	**17,499,021**
PROFIT AFTER TAX		**100,010,691**	**91,653,030**

Ndege

Mrs. Serah K. Ndege
Chairman
5th February, 2014

Mrs Eve A. Obara, MBS
Managing Director
5th February, 2014

Statement of Financial Position

As at 30th June, 2013

ASSETS Non-Current Assets	NOTES	2012/2013 Kshs	2011/2012 Kshs (Restated)
Property, Plant and Equipment	5	775,276,467	751,647,474
Current Assets			
Inventories	6	452,105,994	447,661,410
Royalty Advance	7	25,544	15,526
Receivables	8	295,959,990	244,597,293
Cash and Bank Equivalents	9 (i)	61,079,631	6,482,937
Investments	9 (ii)	287,034,527	302,030,319
		1,096,205,685	1,000,787,485
TOTAL ASSETS		**1,871,482,152**	**1,752,434,961**
RESERVES, FUND AND LIABILITIES			
Capital Fund and Reserves			
Capital Fund	10 (i)	1,000,000,000	700,000,000
Revaluation Reserves		406,887,671	406,887,671
Revenue Reserves		276,122,441	482,889,227
Shareholder Funds		1,683,010,112	1,589,776,898
CURRENT LIABILITIES			
Payables	11	188,472,040	162,658,063
		188,472,040	162,658,063
TOTAL RESERVES, FUND AND LIABILITIES		**1,871,482,152**	**1,752,434,961**

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

Ndege

Mrs. Serah Ndege
Chairperson
5th February, 2014

Mrs. Eve A. Obara, MBS
Managing Director
5th February, 2014

Statement of Changes in Reserves and Fund

For the Year Ended 30th June, 2013

	Capital Fund	Revaluation Reserves	Revenue Reserves (Restated)	Total Reserves
	Kshs	Kshs	Kshs	Kshs
At 1st July 2011 (Restated)	700,000,000	406,887,671	372,178,706	1,479,066,377
Over-provision of Corporation Tax	–	–	28,402,235	28,402,235
Net Profit for the year	–	–	109,152,050	109,152,050
Prov. For Corporation Tax – 2011/12	–	–	(17,499,021)	(17,499,021)
Proposed Dividends – 2011/2012	–	–	(9,165,303)	(9,165,303)
At 30th June 2012 (Restated) Note 10(ii)	**700,000,000**	**406,887,671**	**486,112,818**	**1,593,000,490**
At 1st July 2012	700,000,000	406,887,671	486,112,818	1,593,000,490
Transfer of Capital Reserves	300,000,000	–	(300,000,000)	–
Net Profit for the year	–	–	117,987,937	117,987,937
Provision For Corporation Tax – 2012/2013	–	–	(17,977,245)	(17,977,245)
Proposed Dividends – 2012/2013	–	–	(10,001,069)	(10,001,069)
At 30th June 2013	**1,000,000,000**	**406,887,671**	**276,122,441**	**1,683,010,112**

Statement of Cash Flow

For the Year Ended 30th June, 2013

OPERATING ACTIVITIES	NOTES	2012/2013 Kshs	2011/2012 Kshs
Operating Profit for the Year		117,987,937	109,152,050
Adjustments for:			
Depreciation Expenses	5	42,609,458	36,938,283
(Decrease)/Increase in Prov. for Slow Moving Stock	6	(6,767,146)	4,854,955
Provision for Doubtful Debts	8	(863,270)	(11,816,409)
Net Interest Income		(20,054,946)	(26,846,740)
Profit/Loss on Disposal of Assets		(520,000)	–
Library Books Written off		114,832	61,820
Rental Income		(3,170,754)	(2,520,997)
Operating Profit Before Working Capital Changes		**129,336,111**	**109,822,962**
(Increase)/Decrease in Inventories	6	2,322,563	87,093,643
(Increase)/Decrease in Receivables	8	(63,921,389)	(66,274,727)
(Increase)/Decrease in Advance Royalties	7	(10,018)	1,444
(Increase)/Decrease in Payables	11	35,211,629	37,428,330
Cash Generated from Operations		**102,938,896**	**(6,115,634)**
Corporation Tax Paid	8	(7,763,017)	(26,062,103)
Net Cashflows From Operating Activities		**95,175,879**	**(32,177,737)**
INVESTING ACTIVITIES			
Purchase of Property, Plant & Equipment	5	(66,348,449)	(12,069,315)
Disposal of Property, Plant & Equipment	5	630,000	–
Gross Interest Income from Investments		23,327,287	22,208,292
Rental Income		3,170,754	2,520,998
Net Cashflows From Investing Activities		**(39,220,409)**	**12,659,975**
FINANCING ACTIVITIES			
Dividends Paid	11	(16,354,570)	–
Net Cashflows from Financing Activities		**(16,354,570)**	**0**
(Decrease)/Increase in Cash & Cash Equivalents		**39,600,901**	**(19,517,762)**
Cash & Cash Equivalents at the:			
– Start of the Year (1st July 2012)		308,513,256	328,031,016
– End of the Year (30th June 2013)	9	**348,114,157**	**308,513,256**

Notes to the Financial Statements

For the Year Ended 30th June, 2013

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).

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 currency, 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.

(c) Bad and Doubtful Debts

A provision for bad and doubtful debts is made at 5% of all book and printing 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:

Buildings	2.5%
Plant & Machinery	5%
Office Equipment	12.5%
Office Furniture & Fittings	12.5%
Motor Vehicles	20%
Computer Equipment	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, 2013

(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 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 and defined contribution pension schemes managed by Insurance Company of East Africa (ICEA) Limited and the National Social Security Fund (NSSF).

The defined benefit pension scheme has been converted to defined contribution pension scheme as per Treasury Circular No. 18/2010. The defined benefit pension scheme operates as a closed fund to new entrants.

The Bureau's contributions to the above schemes are charged to the profit and loss account 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 previous years' payables of Kshs. 3,044,150 brought forward as outstanding yet had been paid.

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2013

2. TURNOVER

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

Particulars	2012/2013 Kshs	2011/2012 Kshs
Sale of books	1,375,336,197	1,073,197,364
Printing sales	13,781,408	18,790,005
	1,389,117,605	**1,091,987,368**

3. (i) DIRECT EXPENDITURE

	2012/2013 Kshs	2011/2012 Kshs
Opening 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**
Production costs		
Raw materials, Wages & Overheads	550,446,080	491,059,482
	550,446,080	**491,059,482**
Closing inventories		
Printed books	413,098,646	421,824,090
Raw materials	20,932,213	14,192,937
Work in progress	22,405,100	22,339,145
	456,435,959	**458,356,172**
COST OF SALES	**552,366,293**	**404,081,099**

(ii) PRODUCTION COSTS

	2012/2013 Kshs
Raw Materials	97,671,772
Contracted Works	175,186,245
Direct Labour	51,415,126
Overheads	226,172,937
	550,446,080

4. OTHER INCOME

	2012/2013 Kshs	2011/2012 Kshs
Rental Income	3,170,754	2,520,998
Interest income (Short-term deposits/T/Bills)	20,054,946	26,846,740
Profit/Loss on disposal of Assets	520,000	–
VAT refund income	–	(5,095,722)
Miscellaneous income	3,548,988	4,455,160
	27,294,688	**28,727,176**

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2013

5. PROPERTY, PLANT AND EQUIPMENT

	Land Kshs	Buildings Kshs	Plant and Machinery Kshs	Office Equipment Kshs	Motor Vehicles Kshs	Computers Kshs	Furniture and Fittings Kshs	Total Kshs
COST/VALUATION								
As at 1st July 2012	160,000,000	317,800,829	331,481,618	11,250,579	20,301,207	15,509,339	15,721,230	872,064,802
Additions	—	—	43,650,453	489,428	8,696,400	12,103,629	1,092,772	66,032,682
Re-classification	—	—	—	—	—	(116,000)	431,767	315,767
Disposals	—	—	—	—	(550,000)	(70,000)	—	(620,000)
At 30th June 2013	**160,000,000**	**317,800,829**	**375,132,072**	**11,740,007**	**28,447,607**	**27,426,968**	**17,245,769**	**937,793,251**
DEPRECIATION								
As at 1st July 2012	—	31,685,041	55,901,705	3,040,154	12,695,241	10,752,423	6,342,763	120,417,327
Charge for the Year	—	7,945,021	18,756,604	1,467,501	5,689,521	6,595,090	2,155,721	42,609,458
Disposals	—	—	—	—	(440,000)	(70,000)	—	(510,000)
At 30th June 2013	—	**39,630,062**	**74,658,308**	**4,507,655**	**17,944,762**	**17,277,513**	**8,498,484**	**162,516,785**
NET BOOK VALUE								
At 30th June 2013	**160,000,000**	**278,170,767**	**300,473,763**	**7,232,352**	**10,502,845**	**10,149,455**	**8,747,285**	**775,276,467**
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**
<u>**DISPOSAL OF PROPERTY, PLANT & EQUIPMENT**</u>								
Disposal Proceeds	—	—	—	—	**586,000**	**44,000**	—	**630,000**

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2013

6. INVENTORIES

	2012/2013	2011/2012
	Kshs	Kshs
Printed Books	413,098,646	421,824,090
Provision for Slow Moving Stock	(5,384,517)	(12,151,664)
Raw Materials	20,932,213	14,192,937
Canteen Stock	—	412,231
Library Books	1,021,530	1,011,649
Work in Progress	22,405,100	22,339,145
Shipment Clearing	33,022	33,022
	452,105,994	**447,661,411**

7. ROYALTY ADVANCE

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

	2012/2013	2011/2012
	Kshs	Kshs
Royalty Advance	25,544	15,526

8. RECEIVABLES

	2012/2013	2011/2012
	Kshs	Kshs
Trade Receivables — Books	234,826,810	182,435,226
Provision for Bad & Doubtful Debts – Books	(3,262,450)	(4,148,313)
Trade Receivables — Printing	4,252,629	12,804,320
Provision for Bad & Doubtful Debts – Printing	(208,710)	(186,116)
VAT Refund Income Receivable	35,304,442	20,230,518
Corporation Tax Receivable	3,001.380	13,151,001
Accrued Interest Income	2,186,647	5,458,988
Other Receivables	16,282,377	6,107,632
Deposits and Prepayments	3,576,864	8,744,038
	295,959,990	**244,597,293**

9. (i) CASH AND BANK BALANCES

	2012/2013	2011/2012
	Kshs	Kshs
Cash on Hand	2,627,544	291,857
Cash at Bank	58,452,086	6,191,080
	61,079,631	**6,482,937**
(ii) INVESTMENTS		
Short-Term Deposits	212,034,527	221,769,324
Treasury Bills	75,000,000	80,260,995
	287,034,527	**302,030,319**
	348,114,157	**308,513,256**

10. (i) CAPITAL RESERVES

The amount of Kshs. 1,000,000,000 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. 400,000,000 were transfers from revenue reserves of Kshs. 200,000,000 each during financial years 1996/1997 and 2007/2008. A further Kshs. 300,000,000 was transferred from the Revenue Reserves during the financial year 2012/2013.

10. (ii) PRIOR YEAR ADJUSTMENTS

The prior year adjustments relating to reversal of Creditors paid in 2010/2011 but carried as opening balances in the year 2012/2013, has been correced by restating the figures for equity by Kshs. 3,044,151.00 as per IAS 8.

11. PAYABLES

	2012/2013	2011/2012
	Kshs	Kshs
Trade Payables	106,515,505	106,446,741
Dividend Payable	10,001,069	16,354,570
Accrued Royalties	22,036,436	21,377,639
Audit Fees Provision	800,000	600,000
Other Payables	5,433,813	973,215
Advance Receipts	—	—
Accrued Expenses	6,861,895	3,143,277
Withholding Tax due	4,055,612	2,121,588
Inventory Clearing Accounts	32,767,709	11,641,032
	188,472,040	**162,658,063**

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2013

12. CAPITAL EXPENDITURE COMMITMENTS

	2012/2013 Kshs	2011/2012 Kshs
Plant & Equipment	2,806,782	–
Furniture & Fittings	76,400	223,349
Computer Equipment	2,066,526	1,085,600
	4,949,709	**1,308,949**

13. CONTINGENCIES

(i) A contingent 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.

(ii) A contingent liability exists from a demand notice based on the tax audit conducted by Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs. 125,560,306 (being principal amount) for which a waiver for penalties and interest was approved by the Minister for Finance in April 2013. The Bureau has held successful negotiations with the officials of Kenya Revenue Authority and the Ministry of National Treasury, with a view to abandoning the principal tax as had been earlier agreed. During the discussions, KRA agreed to stay the demand notice pending the outcome of the matter. The amount payable, which may be settled in future, cannot be measured with sufficient reliability. The current tax obligations have been liquidated as per Income Tax Act, and there are no outstanding liabilities.

(iii) Litigations – There exists litigations against the Bureau which are in progress and related to employment termination cases. This include case No. 1391 and No. 1669 both of 2012.

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, 2013

	2012/2013	2011/2012
STAFF COSTS	**Kshs**	**Kshs**
Salaries	93,228,462	94,920,558
Gratuity and pension	26,945,563	15,269,173
House allowance	36,762,300	42,447,125
Other personal allowances	9,949,670	19,095,486
Passage and leave allowances	2,930,137	2,622,618
Medical expenses	8,192,865	8,612,905
Overtime costs	4,633,877	894,635
Staff training	2,999,628	4,345,682
Staff welfare	3,170,062	7,522,081
Total staff costs	**188,812,563**	**195,730,263**
ADMINISTRATION COSTS		
Transport operating expenses	9,180,174	11,225,562
Travelling and accommondation	7,863,409	8,830,625
Postal and telegram expenses	161,431	261,969
Telephone expenses	2,204,807	2,669,464
Management board expenses	7,655,951	5,325,951
Electricity, water and conservancy	1,984,822	2,919,963
Purchase of uniforms	42,241	–
Purchase of stationery	3,919,879	6,284,162
Rent & rates expenses	195,735	268,224
Computer expenses	3,848,797	1,704,333
Hire of casuals	776,020	3,583,540
Insurance costs	2,082,565	3,394,366
Audit fees	1,012,000	700,000
Consultancy expenses	1,177,422	2,093,099
Slow moving stock provision expenses	(6,767,146)	4,854,956
Provision for Bad & Doubtful Debts	(863,270)	(11,816,409)
Maintenance of plant and equipment	2,181,907	3,160,989
Maintenance of buildings	3,936,541	2,286,691
Depreciation expenses	24,217,363	17,030,059
Readership and writing workshops	–	9,399,736
Security expenses	3,357,287	4,817,490
Library books written off	114,832	61,819
Subscription	200,564	406,997
Donation	364,595	50,000
Bank charges	978,463	1,607,472
Legal charges	4,244,442	1,174,430
Bad Debts Expenses	1,324,705	–
Total Administration Costs	**75,395,536**	**82,295,488**
SELLING COSTS		
Discounts allowed	436,374,050	294,056,977
Promotional samples costs	684,770	656,735
Advertising and publicity	24,748,845	21,967,202
Corporate affairs	5,092,369	7,149,698
Packaging, carriage and handling	14,949,931	5,625,030
Total Selling Costs	**481,849,964**	**329,455,643**
Total Costs	**746,058,064**	**607,481,394**

... 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.

A Construction site photo of KLB headquarters in South C taken on May 12, 1989

Former KLB Borad Chairman Prof. Jonathan Ole Karei (second right) flanked by his wife Dr. Rachel Karei (right) receive a thank you gift from KLB Board Chairman, Serah Ndege (third left), members and Managing Director, Mrs Eve Obara (left) during a luncheon held in his honour at KLB headquarters.

Participants in a digital publishing workshop at Jacaranda Hotel Nairobi

KLB Board Chairman, Mrs Serah Ndege (left) cuts cake during her welcoming luncheon at KLB headquarters. She is flanked by Board members, Dorory Opondo (second left), Elizabeth Mwongera (right) and Managing Director Eve Obara in April 2013

From Left-Corporate Services manager Evans Nyachieng'a, Production manager Michael Omach, Board member Prof Jesse Mugambi, Renowned Christian Religious Philosopher and author Prof John Mbiti, and Human Resource Manager Job Idaki. Prof. Mbiti is the first African author published by Kenya Literature Bureau

KLB managing director Mrs. Eve Obara giving a key note address at the annual Forum for African Women Educationists dinner at Sarova PanAfric Hotel, Nairobi in May 16, 2013

Group photo of KLB staff at a team building workshop held at the Kenya School of Law on February 28, 2013

Book donation drive at Kiriaini Mixed Secondary School, in Murang'a County

Kiaigi Primary School pupils in Tetu, Nyeri County marvel at a donation of books by Kenya Literature Bureau

Laxmi Booksellers & Stationers (Nairobi Region) was crowned winner of the 2012 Bookseller of the Year Awards presented by Prof. Jesse Mugambi(left), KLB Board Member

KLB continues to invest in its business, purchasing a fleet of new cars for its Sales and Marketing team

KLB Designer Dorcas Okumu (seated) explains a book design process to Maasai Mara University students during a recent academic visit

KLB Managing Director Mrs Eve Obara awards a Higher Diploma certificate to a graduand at the 15th IHRM graduation ceremony where she was the chief guest

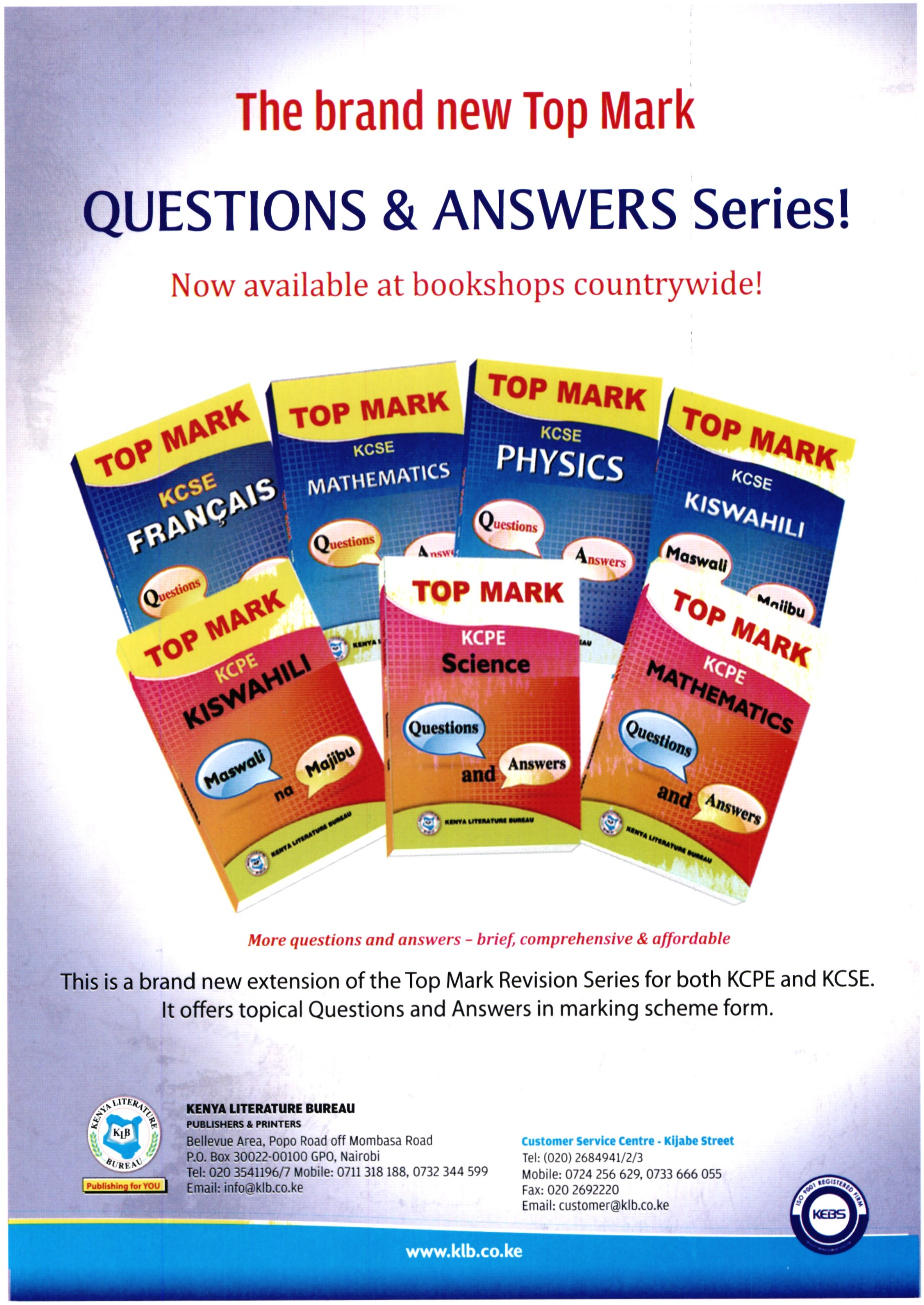
KLB sponsored a tree planting session at Mwamunga Primary School in Taita Taveta County

President of PEN Writers Association, Khainga Okwemba (middle), Kenyatta University Lecturer and Writer, Prof. Elizabeth Orchadson Mazrui and KLB Kiswahili Chief Editor, Fridah Simwa during a recent visit to KLB headquarters

Publishing Manager Mary Khasiani recieves a certificate from KPA treasurer David Waweru during a digital publishing workshop in Nairobi. Looking on is Express DDD CEO Amolo Ngweno, EKitabu's Will Clurman and KPA chairman, Lawrence Njagi.

Kenya Literature Bureau sponsored tree planting at Mwanyambo Primary School in Voi

Turkish Ambassador H.E. Anvi Aksoy signs the visitors book at the KLB stand during the 15th edition of the Nairobi International Bookfair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