



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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REPORT

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ON

**THE FINANCIAL STATEMENTS OF
KENYA LITERATURE BUREAU**

**FOR THE YEAR
ENDED 30 JUNE 2018**





Publishing for YOU

KENYA LITERATURE BUREAU

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2018

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

**Annual Report and Financial Statements
For the year ended 30 June, 2018 (Kshs)**

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I. KEY CORPORATE INFORMATION

BACKGROUND INFORMATION

Kenya Literature Bureau was established through the Kenya Literature Bureau Act, Cap 209 of 1980 (Revised 2012). KLB is represented by the Cabinet Secretary for Education, who is responsible for the general policy and strategic direction of the corporation. The Bureau is domiciled in South C, Nairobi and has a Sales and Customer Service Branch on Kijabe Street, Nairobi.

PRINCIPAL ACTIVITIES

The principal activity of the Kenya Literature Bureau is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials. The Vision, Mission, Strategic objectives and Core values of Kenya Literature Bureau are as follows;

VISION

To be the leading publisher and printer of quality knowledge materials

MISSION

To publish and print quality educational and knowledge materials at affordable prices whilst promoting excellent authorship and creating customer and shareholder value.

STRATEGIC OBJECTIVES

- (i) To be the industry's market leader;
- (ii) To improve on quality of products and services;
- (iii) To upgrade corporate infrastructure;
- (iv) To strengthen institutional capacity;
- (v) To ensure effective corporate governance, controls and sound resource management.

CORE VALUES

- (i) Customer Focus
- (ii) Transparency
- (iii) Accountability
- (iv) Integrity
- (v) Professionalism
- (vi) Innovativeness

Kenya Literature Bureau

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BOARD OF MANAGEMENT

The Members who served the entity during the period under review were as follows:

- | | | |
|-----|------------------------------------|--|
| 1. | Hon. Amb. Francis S. K. Bayah, EBS | - Board Chairman - Appointed on 18 th March, 2016 |
| 2. | Mr. Victor K. Lomaria
2016 | - Chief Executive Officer - Appointed on 1 st September, |
| 3. | Ms. Cheryl Majiwa | - Alternate to the Cabinet Secretary, National Treasury –
Re-appointed on 1 st April, 2016 |
| 4. | Mr. Abdalla C. Bii | - Alternate to the Secretary, National Commission for Science,
Technology & Innovation – Appointed 1 st April, 2016. |
| 5. | Mr. John K. Kenduiwo | - Representative of the University of Nairobi – Appointed, 1 st
April, 2016. |
| 6. | Mr. Sammy M. Chepkwony | - Member - Appointed on 1 st April, 2016 |
| 7. | Mr. Josephine Maangi | - Member - Appointed on 1 st April, 2016 |
| 8. | Mrs. Elizabeth K. Mwongera | - Member - Re-appointed on 1 st April, 2016 |
| 9. | Mr. Nicholas Mac'Botongore | - Member - Re-appointed on 1 st April, 2017 |
| 10. | Mr. Martin M. Mburu | - Member - Appointed on 17 th December, 2016 |

CORPORATION SECRETARY

Mr. Victor Lomaria

P.O. Box 30022 - 00100, GPO

NAIROBI, KENYA.

REGISTERED OFFICE & CORPORATE HEADQUARTER

Kenya Literature Building

Bellevue Area, South C

KLB Road, off Popo Road, off Mombasa Road

P.O. Box 30022 – GPO 00100,

NAIROBI, KENYA

BRANCH

Sales and Customer Service Branch

KLB Building

Kijabe Street

P.O. Box 30022 – GPO 00100,

NAIROBI, KENYA

CORPORATE CONTACTS

Telephone: (254) 6005595, 020 - 3541196/7

(254) 0711 - 318188, 0732 - 344599

E-mail: info.klb.co.ke

Website: www.klb.co.ke

CORPORATE BANKERS

1. Central Bank of Kenya
Haile Selassie Avenue
P. O. Box 6000 – 00200, City Square
City Square 00200
NAIROBI, KENYA
2. Kenya Commercial Bank Limited
Kencom House, Moi Avenue
P.O. Box 30081 – 00100, GPO
NAIROBI, KENYA
3. National Bank of Kenya Limited
National Bank Building, Harambee Avenue
P. O. Box 72866 – 00200, City Square
NAIROBI, KENYA

INDEPENDENT AUDITORS

1. Auditor General
Anniversary Towers, University Way
P.O. Box 30084 – 00100, GPO
NAIROBI, KENYA


PRINCIPAL LEGAL ADVISERS

1. The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 – 00200, City Square
NAIROBI, KENYA

II. THE BOARD OF MANAGEMENT




DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 <p>1. Hon. Amb. Francis S. K. Bayah, EBS Chairman</p>	<p>Hon. Amb. Francis Bayah (65 years) is the Chairman of the Board of Management of Kenya Literature Bureau. He holds a Bachelor of Education Science degree from the University of Nairobi, Diploma in United Nations and International Understanding from the Institute of United Nations and UNESCO Studies in New Delhi – India, and a Post-Graduate Certificate in Development Economics from University of Michigan. He is currently pursuing Master of Business Administration (Strategic Management) at Mt. Kenya University.</p> <p>He has extensive knowledge and experience in strategic management and administration having served as an Assistant Minister in the Ministry of State for Immigration and Registration of Persons, Kenya's High Commissioner to India, Permanent Secretary in the Ministry of Lands and Settlement and also in the Ministry of Tourism and Information, and as a Member of Parliament for Ganze Constituency.</p> <p>Amb. Bayah also served in the Office of the President as the Provincial Commissioner (PC) of Coast, Western, Eastern and Rift Valley Provinces, District Commissioner (DC) in Nyanza and Rift Valley Provinces, and as District Officer (DO) in Laikipia, Turkana, Embu, Marsabit, Machakos, Taita-Taveta and Homabay. He is a recipient of Presidential Award, the Elder of Burning Spear (EBS), which is a State commendation given to persons who have served with distinction in their various spheres of influence. He was appointed to the position on 18th March, 2016.</p>
 <p>2. Victor Lomaria The Managing Director and Secretary to the Board of Management.</p>	<p>Mr. Victor Lomaria (50 years) is the Managing Director and Secretary to the Board of Kenya Literature Bureau. He holds a Master in Business Administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K).</p> <p>He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He joined the Board on 1st September, 2016.</p>

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<p>3. Mr. Robert Masese Alternate to the PS, State Department of Basic Education, Ministry of Education.</p>	<p>Mr. Robert Masese (62 years) is representing the Principal Secretary, State Department of Basic Education, Ministry of Education in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He holds a Master's degree in Education, Administration and Planning and a Bachelors' degree in Mathematics and Physics, both from the University of Nairobi.</p> <p>He is the Director of Secondary and Tertiary Education at the Ministry of Education. He has previously served as the Chief Principal of Nairobi School and Principal of Chabara Secondary School. He joined the Board on 1st July, 2017 and is a member of the Audit, Risk Management and Compliance Committee.</p>
 <p>4. Ms. Cheryl A. Majiwa Alternate to Cabinet Secretary, National Treasury</p>	<p>Ms. Cheryl Majiwa (39 years) is the Alternate to the Cabinet Secretary of the National Treasury in the Board of Management as specified under the Kenya Literature Bureau Act, Cap 209. She holds a of Master of Business Administration (Strategic Management) degree from the University of Nairobi, Bachelor of Commerce (Accounting and Finance) degree from Strathmore University, and is a Certified Public Accountant (CPA-K). She has attended various short-term senior management and corporate governance courses.</p> <p>She is an Investment Officer at the Department of Government Investment and Public Enterprises in the National Treasury. She previously worked as the Head of Accounting Unit and Administration in an advertising firm.</p> <p>She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Secretariat of the Public Accounting Standards Board (PASB). She joined the Board on 1st April, 2016 and is a member of the Finance, Human Resources and General Purpose Committee.</p>
 <p>5. Mr. Abdalla C. Bii Representing the National Commission for Science, Technology and Innovation</p>	<p>Mr. Abdalla Bii (45 years) is representing the National Commission for Science, Technology and Innovation (NACOSTI) in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He is the Alternate to the Secretary, National Commission for Science, Technology & Innovation.</p> <p>He joined the Board on 1st April, 2016 and is a member of the Finance, Human Resources and General Purpose Committee.</p>

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 <p>6. Mr. John Kenduiwo Representative, University of Nairobi</p>	<p>Mr. John Kenduiwo (62 years) is representing the University of Nairobi in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He holds a Master of Business Administration (MBA) in Operations Management degree and a Bachelor of Science (BSc) degree in Mechanical Engineering from the University of Nairobi. He is the Managing Director of the University of Nairobi Enterprises and Services (UNES).</p> <p>He has previously worked as Deputy Managing Director of UNES, Dean of the School of Business at the University of Nairobi, Chairman of the Department of Management Science and as a Senior Lecturer in the Department of Management Science, Faculty of Commerce at the University. He is one of the pioneers of the Module II program in Kenya.</p> <p>In the academia, he has specialized in operations management and strategy, operations research, and competitiveness and improvement approaches. He has held various positions of leadership in the public and private sectors. He joined the Board on 1st April, 2016 and is a member of the Finance, Human Resources and General Purpose Committee of the Board.</p>
 <p>7. Mrs. Josephine Maangi Independent Director</p>	<p>Mrs. Josephine Maangi (55 years) is a holder of Global Executive Masters in Business Administration (MBA) from the United States International University, Bachelor of Laws (LL.B Hons) from University of Nairobi, and a Post Graduate Diploma in Laws from Kenya School of Law. She is an advocate of the High Court of Kenya and a Commissioner for Oaths and a Notary Public. She is currently a partner in Maangi & Associates Advocates. She joined the KLB Board on 1st April, 2016 and is the chairperson of the Board Technical Committee and member, Audit and risk Management Committee.</p>
 <p>8. Mr. Sammy M. Chepkwony Independent Director</p>	<p>Mr. Sammy Chepkwony (58 years) joined the Board on 1st April, 2016. He holds a Bachelor of Business Management (BBM) degree in Micro-Enterprise from Moi University and a Diploma in Cooperative Management from the Cooperative College of Kenya.</p> <p>He previously served as a District Officer in the Office of the President, Assistant Cooperative Officer in the Ministry of Cooperative Development and as a Field Officer in charge of informal sector loans at Kenya Industrial Estates Limited. Mr. Chepkwony joined the Board on 1st April, 2016 and is the Chairman of the Audit and Risk Management and Compliance Committee.</p>

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9. Mrs. Elizabeth K. Mwangera
Independent Director

Mrs Elizabeth Mwangera (66 years) holds a Master of Education (English) degree from the University of Manchester, Bachelor in Education degree from the University of Nairobi and a Master of Arts in Counselling Psychology from Daystar University. She also holds a Post Graduate Diploma in Human Resources Management (ABE) and a Certificate in Training from the Institute of Personnel Management, UK.

She has previously served as a Chief Human Development Officer at the Kenyatta National Hospital, Inspector of Schools, graduate teacher, and as a KNEC Examiner (Team Leader). She has co-authored English Language book series for Secondary Schools and was re-appointed to the KLB Board on 1st April, 2016 and is a member of the Finance, Human Resources and General Purpose Committee.



10. Nicholas Mac'Botongore
Representing Ministry of Labour and
Social Protection

Mr. Nicholas Mac'Botongore (57 years) holds a Bachelor of Arts degree in Social Work from the University of Nairobi. He has a certificate in Strategic Leadership Development Program from the Kenya School of Government (KSG) and in Project Management from the Arhus Technical School in Denmark.

He is the Assistant Director for Social Development in the Ministry of Labour and Social Protection. He has previously served as the Project Manager, Central Kenya Dry Area Smallholder Community Development Project, Assistant Director of Gender and Social Development (ADGSD), Principal Gender and Social Development Officer (PGSDO), Chief Social Development Officer (CSDO), Senior Social Development Officer (SDO) and as Administrative Finance and Programme Officer at the National Coordinating Committee Secretariat for the 4th UN Conference on Women (Beijing Conference). He joined the KLB Board on 13th May, 2016





11. Martin Mburu
Independent Director

Mr. Martin Mburu (36 years) holds a Bachelor of Education (Special Education) and Linguistics degree from Kenyatta University. He is currently pursuing a Masters in Counselling Psychology at the United States International University, Kenya (USIU-K). He holds certificates in education and counselling from Alpha to Omega Learning Centre in Chennai, India and Tumaini Counselling and Seminar Centre.

He is the head of Learning Support at Oshwal Academy, Nairobi and previously served as Special Education Teacher at Bright Hills Special School, Nairobi. He joined the KLB Board on 17th December, 2015 and is a member of the Technical Committee.

III. THE MANAGEMENT TEAM

MANAGEMENT TEAM	KEY QUALIFICATIONS AND EXPERIENCE
 <p>1. Victor Lomaria The Managing Director and the Secretary to the Board of Management</p>	<p>Mr. Victor Lomaria (50 years) is the Managing Director of Kenya Literature Bureau. He holds Master in Business Administration (Finance) degree and a Bachelor of Commerce (Accounting) degree, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K).</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, the ICPAK annual seminars and risk based Information Technology audit.</p> <p>Mr. Lomaria previously served as the Chief Operations Officer (COO) at the Higher Education Loans Board (HELB) and chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to discuss financing of higher education. He was appointed to the position on 1st September, 2016.</p>
 <p>2. Mr. Francis M. Mutunga Finance Manager</p>	<p>Mr. Francis Mutunga (42 years) is the Finance Manager at Kenya Literature Bureau. He holds a Bachelor of Commerce degree (First Class Honours) from Kenyatta University and a Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is currently pursuing Master of Business Administration (Finance) degree at Kenyatta University, Nairobi.</p> <p>He is a Certified Public Accountant CPA (K), Certified Investment and Financial Analyst (CIFA-K), Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and a Certified ISO9001:2015 Internal Auditor of the Kenya Bureau of Standards.</p> <p>He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). At KLB, he is the Performance Contract Co-ordinator and was appointed to the position on 1st May, 2014.</p>

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 <p>3. Mr. Bernard O. Obura Sales & Marketing Manager</p>	<p>Mr. Bernard Obura (44 years) is the Sales and Marketing Manager at Kenya Literature Bureau. He holds an Executive MBA (Strategic Management) degree from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Bachelor of Arts (Mathematics) degree from the University of Nairobi. He also holds a Diploma in Marketing from the MSK-Kenya.</p> <p>He is a Council Member of the Marketing Society of Kenya (MSK and has over 18 years' experience branding and sales and marketing. He was appointed to the position on 1st August, 2009.</p>
 <p>4. Mr. Evans T. Nyachieng'a Business Development Manager</p>	<p>Mr. Evans Nyachieng'a (52 years) is the Business Development Manager at Kenya Literature Bureau. He holds a Master in Business Administration (Strategic Management) degree from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi.</p> <p>He also holds a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1st August, 2014.</p>
 <p>5. Mr. Job M. Idaki Corporate Services Manager</p>	<p>Mr. Job Idaki (52 years) is the Corporate Services Manager at Kenya Literature Bureau. He holds a Bachelor of Education (Language and Literature) degree from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He is currently in the final stages of completing his Master's degree in Business Administration (MBA) at the prestigious Strathmore School of Business (SBS).</p> <p>He is a certified ISO 9001:2008 Quality Management System series Lead Auditor and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1st August 2014.</p>
 <p>6. Mr. Joseph A. Emojong Production Manager</p>	<p>Mr. Joseph Emojong (45 years) is the Production Manager at Kenya Literature Bureau. He holds a Bachelor of Science (Hons) degree in Graphic Media Studies (GMS) from Hertfordshire University, UK and a diploma in Printing Technology from the Kenya Polytechnic (now Technical University of Kenya). He was appointed to the position on 17th December, 2015.</p>

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 <p>7. Mrs. Roselyn W. Mugavana Human Resources Manager</p>	<p>Mrs. Roselyn Mugavana (47 years) is the Human Resources Manager at Kenya Literature Bureau. She holds a Master of Business Administration (Human Resource Management) degree from the University of Nairobi and Bachelor of Education degree (English and Literature) from Egerton University..</p> <p>She is a Certified Human Resources Professional (CHRP, Kenya), Certified Human Resources Practitioner in good standing, Certified Pension Trustee from the College of Insurance/ Retirements Benefits Authority and ISO9001:2015 Quality Management System Internal Auditor of the Kenya Bureau of Standards.</p> <p>Mrs. Mugavana is a member of the Institute for Human Resources Management (IHRM), Kenya Institute of Supplies Management (KISM) Professional Trainers Association (PTA) and the Forum for African Women Educationalists (FAWE). She was appointed to the position on 17th December, 2015.</p>
 <p>8. Mr. Julius K. Aritho Internal Audit Manager</p>	<p>Mr. Julius Aritho (52 years) is the Internal Audit Manager at Kenya Literature Bureau. He holds a Master of Business Administration (Accounting Option) degree and Bachelor of Commerce (Accounting Option) degree, both from the University of Nairobi.</p> <p>He is a Certified Public Accountant CPA (K) and a Certified ISO9001:2015 Quality Management System Internal Auditor by the Kenya Bureau of Standards. He is member of the Institute of Certified Public Accountants of Kenya and was previously the ISO 9001:2008 Quality Management Representative at Kenya Literature Bureau. He was appointed to the position of Internal Audit Manager on 1 August, 2013.</p>
 <p>9. Isaac K. Korir Customer Service Manager</p>	<p>Mr. Isaac Korir (58 years) is the Customer Service Manager at Kenya Literature Bureau. He holds a Bachelor of Education (Science) degree from the University of Nairobi. He has a wealth of experience in sales and marketing in the publishing industry spanning 29 years. He was appointed to the position on 1 February 2014.</p>

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10. Mr. Kenneth Jumba
Publishing Manager

Mr Kenneth Nyabera Jumba (50 years) is a holder of Master of Philosophy in Geography and Bachelor of Arts degrees, both from Moi University. He also holds a Post-Graduate Diploma in Human Resources Management (KNEC) from the Railway training Institute.

He has a wealth of experience in publishing spanning over 20 years during which time he attended various career developmental courses in publishing, management, leadership and good corporate governance. He was appointed to the position of Publishing Manager on 4th September, 2017.

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Management, I am once again pleased to present to you the Kenya Literature Bureau's Annual Report and Financial Statements for the year ended 30th June, 2018. The positive growth and performance under the difficult operating environment is an affirmation that KLB has in place firm strategies and plans to grow our business meet customer needs and support the Kenyan economy.

A stronger and financially stable KLB is critical for the publishing sector because it is the body corporate mandated to produce and supply textbooks to learners in ECDE, primary, secondary and tertiary levels of education.

KEY BUSINESS ACTIVITIES

During the period under review, KLB won a government tender to supply over 18 Million textbooks to primary and secondary schools under the World Bank/KICD/SEQIP project. Thereafter, His Excellency President Uhuru Kenyatta flagged off a caravan of textbooks to schools, during the official launch of the national textbook distribution program on January 5, 2018 at CEMASTEIA head-office in Karen, Nairobi. Earlier, KLB had been awarded the ISO9001:2015 Quality Management System certification. The Board is optimistic that these achievements will translate to greater profitability and brand recognition of the Bureau.

In East Africa, KLB has continued to expand wings into the region and has engaged Mastep General Suppliers Limited to supply books in Rwanda. KLB also supplied books directly to their schools through the Rwanda Education Board (REB) during the period. We are also upscaling our operations in Uganda through agency model of business.

To consolidate these gains, KLB has implemented its revised organisational structure and re-tooled its employees to enable the organisation attain its strategic plan and objectives.

ECONOMY AND THE OPERATING ENVIRONMENT

The macro-economic environment at both global and domestic level influences our business performance. In 2017, the global economy expanded by 3.6 per cent with the Eastern Africa region registering an average growth rate of 3.7 per cent despite rising trade tensions, higher oil prices and increased volatility in the financial markets. In the same period, Kenya witnessed modest growth in GDP of 5.1 per cent compared to 5.8 per cent in 2016. The general slowdown in the economy is largely attributed to inadequate rains

experienced in most parts of the country, inflationary pressure and the tense political environment in the 2017 electioneering period.

Our business operates in a regulated environment with diverse stakeholder interests. The one textbook per subject policy was tendered by the Kenya Institute of Curriculum Development (KICD). Subsequently, a new textbook distribution policy, which entails direct purchase and delivery of books to schools by the Government, was introduced as part of the ongoing reforms in the Education Sector geared ensuring the desired 1:1 learner to textbook ratio is achieved and accountability enhanced in the management of taxpayers money. The new policy is also aimed at eliminating piracy and middle men in the textbook distribution chain. These developments slowed down book sales as booksellers reduced their purchases to reduce the risk of dead stock in their stores.

STRATEGIC POSITIONING

Implementation of the third cycle of the KLB Strategic Plan 2016 - 2020 is ongoing. The Bureau has doubled its efforts to achieve its strategic objectives with a deliberate focus on the new areas of the plan. Our diversification strategy into institutional print sales, digital content development and County Governments engagements in Early Childhood Development Education (ECDE) and the Technical and Vocational Learning has continued to yield favourable results. KLB has continued to offer printing services to individuals, private institutions and Government Ministries, Departments and Agencies

A modern printing press and committed staff have played a critical role to our success and efforts to meet stakeholder expectations. The Bureau continues to deepen existing partnerships and create new collaborations with stakeholders such as the World Reader, Amazon.com, e-Kitabu, Kytabu online bookstores to advance sales of our products to an international audience.

OVERVIEW OF FINANCIAL RESULTS

KLB recorded a profit before taxation of Kshs 687.04 Million in 2018 compared to Kshs 327.52 Million in 2017, representing an increase of 109.00 per cent. Gross revenue grew by a massive 105.30 per cent to reach Kshs. 4.962 Billion up from Kshs. 2.417 Billion in 2017. This was as a result of growth in book sales during the year, driven by increased government funding for free education (including the new direct procurement from publishers and

distribution to primary and secondary schools) and the massive increase witnessed in the printing sales. We have continued to expand our range of e-books, taking advantage of available opportunities in digital education and the growing demand for e-learning materials.

MOVING FORWARD

As we move forward, it is important to reflect on the achievements made in the year under review, against the global and domestic economic outlook. The World economy had been projected to grow at 3.9 percent in 2018 and 2019, with a drop in advanced economies and marginal growth in the emerging markets and developing economies. Future markets are indicating modest increases in prices in commodities in 2018 and 2019. The forecast also pointed to Africa's economy growing at an average rate of 3.4 per cent in 2018 and 3.8 percent in 2019. Downside potential risks are expected, hinged on the tightening of financial conditions, waning support for global economic integration, growing trade tensions and risks of a shift toward protectionist policies, and geopolitical strains.

At the same time, Kenya's economy is expected to grow at 6.0 per cent in 2018 and 6.2 per cent in 2019, driven by an anticipated growth in construction (affordable housing), manufacturing, agriculture, universal healthcare, and in the wholesale and retail trade. The Big Four Plan aims to transform lives by creating jobs, improving living and health conditions and ensure food and nutrition security for all Kenyans.

It is expected that Kenya's Consumer Price Index (CPI) will remain at single digit. We, therefore, envisage an improved operating environment even though the uncertainty related to implementation of the new Competency Based Curriculum and high energy costs may affect growth and sales.

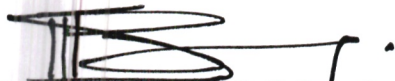
We target to attain our strategic plan objectives of being the industry's market leader, improve on quality of products and services, upgrade corporate infrastructure, strengthen institutional capacity and ensure effective corporate governance, controls and sound resource management. The Bureau will continue to strategized and explore new business opportunities.

DIVIDENDS

KLB is a profitable government investment. We have continually honoured our financial obligations to the shareholder and declared dividends based on the policy of ten (10) percent of the after tax net profits. KLB paid dividends amounting to Kshs 22.01 Million for the year ended 30th June, 2017 up from Kshs15.16 Million for the year ended 30th June, 2016. In the period under review, KLB has made provisions for dividend pay-out of Kshs 48.80 million subject to withholding tax, where applicable, for the year ended 30th June 2018, representing a 121.00 per cent growth from the previous year.

APPRECIATION

I wish to extend my sincere appreciation to the Government of Kenya, through our parent ministry, the Ministry of Education, business partners, esteemed customers, my colleagues in the Board, management team and all our employees for their support and contribution to our business growth and success.



Hon. Amb. Francis S. K. Bayah

CHAIRMAN

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

Kenya is fast transforming itself into a middle-income economy that is modern, globally competitive and prosperous. In order to achieve this vision, quality learning and knowledge materials are critical in creating a literate and skilled populace that can supply the needed human resource to drive Kenya's Vision 2030 and the Big Four Agenda. I am, therefore, pleased to share with you highlights of our achievements, commitments and goals during the period under review.

CORPORATE STRATEGY AND PLAN

Kenya Literature Bureau has continued to register remarkable growth in turnover and profitability. It has intensified its operations in line with the strategic plan and maintained a strong drive for results across all the segments of its business. In this regard, the Bureau has remained focussed on its mission of "publishing quality educational and knowledge materials at affordable prices, whilst promoting local authorship and provide shareholder value," by undertaking various initiatives aimed meeting the objectives of the strategic plan.

Human resource is our most valued asset. KLB continues to improve the staff competence, motivation, attraction and retention through investment in human capital development. Our employees are committed to excellence in performance, innovation and productivity.

ORGANIZATIONAL STRUCTURE

To support the overall corporate strategy and other efforts aimed at achieving strategic plan and objectives, KLB developed and implemented a new organisational structure during the year under review. The structure, whose implementation is ongoing, will culminate into a more efficient organisation and improved service delivery and product development. The most important aspect of the new structure is that the Bureau will have General Managers, supported by adequate staff and other resources.

PERFORMANCE REVIEW

During the period under review, KLB remained on a sustainable path to business growth, posting strong financial performance in all areas of its business. The profit before taxation was Kshs 687.04 Billion during the year compared to Kshs 327.52 Million the previous year, representing an increase of 109.00 per cent. At the same time, Gross revenue grew by a

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massive 105.30 per cent to a record of Kshs 4.962 Billion up from Kshs 2.417 Billion in the previous year. This growth in revenue was largely driven by increased sales of textbooks in the primary and secondary segments of our business and also due to increased government funding for free education (direct procurement and distribution of textbooks to schools) and marked increase in institutional printing sales. We have continually grown our e-book titles in order to avail quality digital content to our customers.

During the year under review, our operating expenses increased by 2.2 per cent to Kshs1.228 Billion from Kshs1.202 Billion the previous year, driven mainly by the following:

- Administration costs due to increased level of production activity.
- Selling and distribution costs increased due to the increased trade discount allowed based on the sales volume and also the marketing costs to push additional sales.
- Staff costs increased due to increased investment in talent and compensation improvement to promote business sustainability.

The financial position of the Bureau is strong with favourable liquidity ratios. Our operations and capital investments are fully financed from internally generated funds. This is a demonstration of the sound leadership, prudence in financial management and effective strategies employed to remain economically viable and contribute positively to the country's economic growth.

STRATEGIC PLAN 2016-2020 IMPLEMENTATION

During the period under review, we focussed on six major objectives that are prioritised in the Strategic Plan 2016 – 2020:

1. **To be the Industry's Market leader** – The gross turnover for the year ending June 30, 2018 reached Kshs 4.962 Billion as compared to Kshs 2.417 Billion the previous year, translating to 105.3 per cent increase. This growth is attributed to the aggressive marketing strategies employed, development of new markets with new product offerings, and servicing of existing markets with improved products and services.

The existential challenges related to the implementation of the new textbook purchase and direct distribution model depressed sales of textbooks since many booksellers scaled down their purchase plans. Further, the announced new curriculum change and implementation plans created panic in the market and led to reduced sale of books developed under the existing curriculum. Subsequently, KLB has engaged

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stakeholders in book trade to assure them of our commitment to continually work together for the mutual interest of our enterprises.

2. **To improve quality of products and services** – The Bureau has continually worked to secure our market and grow revenues through product development and improved service delivery.

It has integrated ISO 9001:2008 Quality Management System (QMS) standards in its business operations during the period under review. Recently, KLB successfully transited to ISO9001:2015 Quality Management System (QMS) and was issued with a certificate by the Kenya Bureau of Standards (KeBS) on 13th December, 2017.

3. **To upgrade Corporate Infrastructure** – In line with the KLB's strategy, we continued to upgrade and modernise the existing publishing and printing infrastructure by adopting and acquiring new technologies for improved technical and operational efficiency.

4. **To strengthening institutional capacity** – KLB has achieved much progress in institutional capacity development to serve the increased needs and demands of our valued customers. The Bureau continues to invest in its human resources to ensure we attract and retain competent and skilled personnel. This has resulted in industrial harmony and improved productivity levels in all areas of our business. We partnered with the State Corporations Advisory Committee to review our human resource instruments for effective service delivery and outputs. The implementation of the instruments is ongoing.

5. **To ensure effective corporate governance, controls and sound resource management** – We have regularly reviewed the human capital risk factors and mitigation plans in compliance with existing policy and legislative instruments. During the year under review, Board of Management meetings were held at least once every Quarter. The Board works through three [3] committees namely: Audit, Risk and Compliance Committee; Finance, Human Resource and General Purpose Committee; and Technical Committee.

These are core functions which not only determine how our business performs but also generate value and increase satisfaction to our stakeholders. Our commitment towards achieving these goals is demonstrated by the substantial investments in human resource development and modernisation of our publishing and printing infrastructure.

BUSINESS REVIEW

As a commercial State Corporation, KLB competes on a fair platform with other players in the publishing industry. We, therefore, continually sharpen our axe to expand our pie in the business. The Bureau continued to grow its product portfolio in different segments, including publishing and printing of textbooks for the Rwandan market during the year under review. This was a major step in growing our market share in the region.

The procurement and subsequent purchase of the books by the Rwanda Education Board (REB) was a great milestone and significant steps have also been taken to re-vamp and grow sales of our books in Uganda. In addition, the move to publish books for the ECDE Diploma Colleges underlines our focus to fulfil customers' needs in all segments of the market.

In this regard, KLB has embarked on the aggressive marketing of the printing services to both public and private institutions, in a strategic move aimed at diversifying income streams. It has, so far, earned the Bureau valuable printing contracts from various State institution and County Governments. KLB will continue implementing the government policy on 30 per cent reserve of procurement opportunities to women, youth and persons with disabilities, as well as mainstreaming gender and disability at the work place.

PERFORMANCE CONTRACT AND ISO 9001:2015 QMS CERTIFICATION

KLB successfully negotiated and implemented the 2017/2018 Performance Contract. It has since maintained a favourable performance and achieved all the set targets for the year under review. This is attributed to the unwavering commitment of the Board, management and staff who remain committed and have continually worked hard to improve the organisations performance and productivity. We have also committed to achieve quality standards in service and product development as specified in the ISO 9001:2015 Quality Management System.

DIVIDENDS

KLB has continued to pay dividends to the Government of Kenya at a rate of 10 per cent since 2006/07 financial year. The dividends are declared based on the policy of ten (10) percent of the after tax net profits. KLB paid dividends amounting to Kshs 22.01 Million for the year ended 30th June, 2017 up from Kshs 15.16 Million in the year ended 30th June 2016.

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KLB has made provisions for dividend pay-out of Kshs48.08 Million for the year ended 30th June 2018, representing a 121.7 per cent growth from the previous year.

FOCUS ON THE FUTURE

As a lead player in the publishing sector, we have continued to align, grow and transform our business in an ever changing and complex business environment. However, we are mindful of the challenges in the business environment characterised largely by high cost of energy and printing paper, which affects cost of production.

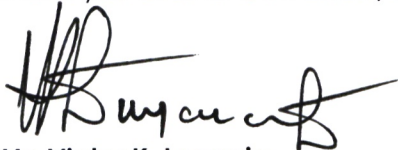
We also recognise existence of policy shifts in the education sector but will remain focussed on our business goals and objectives.

Going forward, KLB's medium term corporate strategy will focus on the following priority areas: securing tender to publish, print and distribute textbooks under the Phase II of the MoE/KICD/World Bank/SEQIP project; expand institutional printing segment of the business; secure contracts to supply ECDE and technical books to county governments; avail quality textbooks for the new competency based curriculum. We will leverage on our goodwill to foster relations and build our business with all our stakeholders, including the Government.

APPRECIATION

I take this opportunity to express our gratitude to the Government of Kenya, through the Ministry of Education, whose valued support has enabled us grow to become a leading publisher and printer in the country. My gratitude also goes to the Board of Management who have continuously provided guidance and leadership; our stakeholders, management and employees of the Bureau, whose commitment has significantly contributed to the impressive performance.

Thank you all and God bless you.



Mr. Victor K. Lomaria
MANAGING DIRECTOR

V. CORPORATE GOVERNANCE STATEMENT

The global business environment is dynamic, fragile and susceptible to socio-political and economic shocks. Embracing good corporate governance is, thus, critical in ensuring shareholder value is enhanced and protected, and the continual sustainability of the organisation. KLB Board of Management acknowledges the significant role good corporate governance has committed itself to maximise shareholder value in a lawful, ethical and sustainable manner guided by the *State Corporations Act Cap 446, Leadership and Integrity Act 2012, Public Officers Ethics Act 2003, Kenya Literature Bureau Act Cap 209* and *Mwongozo Code of Governance for State Corporations*. This entails the processes and structures used to direct and manage the business affairs of the Bureau, the framework for internal controls and the respective roles of individual Board Members and management.

In the KLB Board Charter, Members are required to make a written disclosure of any transaction, which would constitute a conflict of interest and to abstain from the discussion or voting when such matters are being considered. Individual Board Members exercise independence of judgement and professional competencies for effective governance of the Bureau. The Board provides leadership, integrity, enterprise and good judgement in directing the Bureau and acts in the best interest of the business for continued viability and sustainability. During the year under review, it sought to review the existing Board Charter and their respective Board Committee Charters to align them to *Mwongozo Code of Conduct for State Corporations* and other related laws or statutes.

VI. THE COMPOSITION OF THE BOARD OF MANAGEMENT

The current Board comprises eleven [11] members; the Chairman, five [5] independent directors and four [4] directors representing various governmental agencies as per the Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012) as well as the Managing Director. One additional director representing the Ministry of Labour and Social Security was appointed in the course of the financial year. The gender parity status between the female and male was 50% to 50%, which is well above the 30% gender equity threshold.

As is practice, the Board is generally constituted taking into account sector requirements, age, gender, diversity of skills, academic qualifications and experience needed to help

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the Bureau achieve its goals and objectives. Five of the current members of the Board, including the Chairman, are independent.

The areas of expertise of the members, who served during the financial year, are as follows:

Names of Board Members and their areas of expertise

	NAME	AREA OF EXPERTISE
1.	Hon. Amb. Francis Bayah, EBS	Public Administration and Education
2.	Mr. Victor Lomaria	Accounting, Investment and Financial Management
3.	Ms. Cheryl Majiwa	Accounting, Investment and Financial Management
4.	Mr. Abdalla Bii	Legal Jurisprudence
5.	Mr. John Kenduiwo	Mechanical Engineering, Strategic Operations Management, Business Process Engineering and Teaching
6.	Mr. Sammy Chepkwony	Business Administration, Entrepreneurship, Co-operative Management and Public Administration
7.	Mrs. Josephine Maangi	Legal Jurisprudence and Business Administration
8.	Mr. Nicholas Mac'Botongore	Education, Social Development and Administration
9.	Mr. Martin Mburu	Special Education and Administration
10.	Mrs. Elizabeth Mwongera	Education and Human Resources Management

V. THE ROLE OF THE BOARD

The Board of Management provides leadership and strategic direction of the Bureau. The main responsibilities of the Board are: (i) establishment of the short and long-term goals of the Bureau and strategic plans to achieve those goals; (ii) approval and review of annual budgets; (iii) risk management and compliance by ensuring adequate systems of internal controls are in place to ensure business continuity; (iv) review of financial performance, expenditure and commitments; (v) setting and periodically reviewing organisational key performance indicators as well as management performance; and (vi) supporting management to enhance shareholder value. To effectively discharge this role, the Board of Management has full access to the Managing Director and also to relevant company information. Existing regulatory instruments also allow them to seek independent professional advice on KLB matters, where necessary, at the expense of the Bureau.

ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The primary role of the Chairman is to provide strategic leadership to the Board. He chairs Board meetings ensuring meetings are properly conducted and orderly, fair decisions are made, sufficient information to discharge its duties are made available and generally, enables effective management of the Board. The Managing Director, on the other hand, is the responsible for the day-to-day management of the Bureau.

SUCCESSION PLANNING

KLB has an established a well thought out succession plan aimed at ensuring business continuity 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 Board conducts an annual evaluation to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director, evaluation of the Chairman to the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer. The Bureau has an e-Board automated platform for conducting Board meetings and also Board evaluations where results are reported and analysed on a real-time basis.

BOARD MEETINGS AND ATTENDANCE

The Full Board meets at least once in a quarter or more depending on the requirements of the business, and has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time 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 KLB staff in December of each year.

The Board held a total of six meetings during the year under review, which were well attended as detailed below:

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Board meeting attendance

	NAME	POSITION	BOARD MEETINGS (SIX MEETINGS)
1.	Hon. Amb. Francis S. K. Bayah	Chairman	6
2.	Cheryl Majiwa	Alternate, CS National Treasury	6
3.	Abdallah Bii	Representing National Science and Technology Institute	5
4.	Josephine Maangi	Member	6
5.	Sammy M. Chepkwony	Member	6
6.	John Kenduiwo	Representing the University of Nairobi	6
7.	Elizabeth Mwongera	Member	5
8.	Martin Mburu	Member	5
9.	Nicholas Mac'Botongore	Representing Ministry of Labour and East African Affairs	5
10.	Robert Masese	Alternate, PS Ministry of Education	5
11.	Victor Lomaria	Managing Director	6

BOARD COMMITTEES

The Board has three standing committees with specific delegated authorities and terms of reference. They assist in effectively discharging various business functions and responsibilities and submit reports of their activities to the Board. These committees of the Board are: Audit and Risk Management and Compliance Committee; the Finance Human Resources and General Purpose Committee; and the Technical Committee. The Board Committees meet at least on quarterly basis. The Managing Director is the secretary to all Board Committees except the Audit, Risk Management and Compliance Committee, where the Internal Audit Manager is the Secretary.

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During the year, the Board has the following committees whose membership was as follows:

NO.	NAME	BOARD POSITION	BOARD COMMITTEES		
			FINANCE, HR AND GENERAL PURPOSE	AUDIT, RISK MANAGEMENT AND COMPLIANCE	TECHNICAL
1	Hon. Amb. Francis Bayah	Chairman	-	-	-
2	Mr. Victor Lomaria	Managing Director/Secretary to the Board	✓ (standing invitation)	-	✓ (standing invitation)
3	Ms. Cheryl Majiwa	Alternate CS, National Treasury	✓	✓	-
4	Mr. Abdalla Bii	Representing the National Commission for Science, Technology and Innovation	✓	-	✓
5	Mr. John Kenduiwo	Representing the University of Nairobi	✓	-	✓
6	Mr. Sammy Chepkwony	Member	-	✓ (chair)	✓
7	Mrs. Josephine Maangi	Member	-	✓	✓ (chair)
8	Mr. Nicholas Mac'Botongore	Representing the Ministry of Labour and Social Protection	✓	-	✓
9	Mr. Martin Mburu	Member	-	✓	✓
10	Mrs. Elizabeth Mwongera	Member	✓ (chair)	-	-

1.0 AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

The Audit and Risk Management Committee's mandate is to ensure KLB assets are safeguarded and continually evaluate the effectiveness of the internal control system. The Committee reports directly to the Board of Management. It is charged with the following responsibilities:

- (i) Evaluating the scope, nature and priorities of audit, risk management and compliance.
- (ii) Reviewing aspects relevant to governance, internal control procedures, risk management and internal audit.
- (iii) Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organization.
- (iv) Consideration of audit findings of the internal auditor and management's response.
- (v) Consideration of major findings and recommendations of external auditors in their Management Letter and management's response.
- (vi) Reviewing the function, independence, operations and findings of the Internal Audit department.
- (vii) Reviewing risks affecting the Bureau and management strategies in addressing them;
- (viii) Ensuring adherence to the code of ethics; and
- (ix) Such other duties or function as may be assigned by the Board which are relevant to audit and investigations.

The Committee held three meetings during the year under review as tabulated below;

NO.	NAME	POSITION	ATTENDANCE
1	Mr. Sammy Chepkwony	Chairman	3
2	Mrs. Cheryl Majiwa	Member	2
3	Mrs. Josephine Maangi	Member	3
4	Mr. Martin Mburu	Member	3
5	Mr. Victor K. Lomaria*	Managing Director	3
6	Mr. Julius K. Aritho*	Internal Audit Manager, Secretary to the Committee	3

*In-attendance

2.0 FINANCE, HUMAN RESOURCES AND GENERAL PURPOSE COMMITTEE

The mandate of the Finance, Human Resource and General Purpose Committee is to provide guidance to the Board of Management in fulfilling its oversight responsibilities for fiscal planning and control, financial reporting, human resources management, supply chain processes, corporate communications, legal and administrative functions of the Bureau. The Committee is charged with the responsibility of considering and making recommendations to the Board on the following:

- (i) KLB's budget and financial resources.
- (ii) Major resource allocations and capital investments.
- (iii) Adherence to procurement laws to ensure processes are cost effective and delivers value for money.
- (iv) Operating financial results of the organization.
- (v) Organization structure, assignment of senior management responsibilities, their career development and succession.
- (vi) Remuneration structure for staff.
- (vii) Human Resources Policies.
- (viii) Corporate social responsibility (CSR) and environmental stewardship programmes.
- (ix) Compliance with the Constitution of Kenya, all applicable laws, regulations, standards and government directives.
- (x) Compliance with the organization's Code of Conduct, ethics and governance principles.
- (xi) Targets and objectives set out in the agreed performance measurement framework with the Government of Kenya.

The Committee held six meetings during the year under review as tabulated below;

NO.	NAME	POSITION	ATTENDANCE
1	Mrs. Elizabeth Mwongera	Chairman	6
2	Mr. John Kenduwo	Member	6
3	Ms. Cheryl Majiwa	Member	4
4	Mr. Abdalla Bii	Member	6
5	Mr. Nicholas Mac'Botongore	Member	2
6	Mr. Victor K. Lomaria	Managing Director	6
7	Mr. Francis M. Mutunga*	Finance Manager, Secretary to the Committee	6

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8	Mrs. Roselyn Mugavana*	Human Resources Manager	6
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*In-attendance

3.0 BOARD TECHNICAL COMMITTEE

The mandate of the Technical Committee is to support the KLB Board of Management in its oversight responsibilities over the core business of the Bureau and the implementation of the strategic objectives as spelt out in the KLB Strategic Plan 2016 – 2020. The committee will consider and make recommendations to the Board on KLB's core business, publishing and printing, as well as new developments and technologies in the industry, including;

- (i) Business development strategies and the progress of the implementation of the KLB Strategic Plan 2016 - 2020.
- (ii) Market performance of both books and institutional printing sales.
- (iii) KLB publications (both print and digital), trends and strategies.
- (iv) Trading terms reports and, the Bureau's debt and credit management strategies.
- (v) Customer satisfaction
- (vi) Strategies to increase internal production volumes, capacity utilization of production presses/machines and modernization strategy of the printing press.
- (vii) Any other function assigned by the Board.

The Committee held three meetings during the year under review as tabulated below;

NO.	NAME	POSITION	ATTENDANCE
1	Mrs. Josephine Maangi	Chairman	3
2	Mr. John Kenduiwo	Member	3
3	Mr. Abdalla Bii	Member	1
4	Mr. Sammy Chepkwony	Member	3
5	Mr. Martin Mburu	Member	3
6	Mr. Victor K. Lomaria*	Managing Director	3
7	Mr. Evans Nyachiengá *	Business Development Manager, Secretary to the Committee	3
8	Mr. Bernard Obura*	Sales & Marketing Manager	3
9	Mr. Kenneth Jumba*	Publishing Manager	2

*In-attendance

DIRECTORS' REMUNERATION

KLB Board Members are entitled to sitting allowances for every meeting attended, lunch allowance (in lieu of lunch being provided), accommodation allowance and transport allowance where applicable, within set limits of government for state corporations. Members are also paid such taxable allowance as approved by the Cabinet Secretary for Education, State Corporations Advisory Committee (SCAC) and the Salaries and Remuneration Commission (SRC) when on official duty in and outside the country. In addition, the Chairman is paid a monthly honorarium. The Bureau does not grant loans or guarantee for loans to members.

STAFF REMUNERATION

Staff remuneration is based on the sustained performance by the employees and budget, and is subject to the approval of the Board and the Salaries and Remuneration Commission. Year-end rewards and benefits are tied to the overall fiscal performance of the Bureau. KLB 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

All Directors are required to inform the Board of any conflicts or potential conflicts of interest they may have in relation to particular items of business; and they are required to absent themselves from discussion or decisions on those matters, unless resolved otherwise by the remaining members of the Board;

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 maximising profitable business opportunities and ensuring compliance with legal and regulatory requirements. The Board assesses the effectiveness of the Bureau's internal control systems on a quarterly basis. It is expected that the systems in place will continually provide reasonable controls in all governance and operational areas.

CODE OF CONDUCT

KLB recognises the important role ethical standards plays in organisational growth and development. A code of conduct is a public statement that outlines our expectations and holds us accountable to our conduct in business. The revised document was circulated to all Board members and employees, who are required to read, understand, sign and remain bound by the provisions. Adequate mechanisms are in place to receive complaints, investigate the allegations of unethical conduct and discipline. The Bureau collaborates with Ethics and Anti-Corruption Commission (EACC) to entrench the culture of ethics in all our undertakings.

Besides, the ongoing implementation of the *Mwongozo Code of Governance for State Corporations* is a significant step towards deepening corporate governance, professionalism, ethics and integrity in management of KLB affairs.

GOING CONCERN

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

VI. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The entity's operational and financial performance

During the financial year 2017/2018, the Bureau continued to implement the Strategic Plan 2016 – 2020 based on the following strategic objectives and strategies;

- 1. To be the Industry's Market leader** – The gross turnover for the year reached Kshs. 4.962 Billion as compared to Kshs. 2.417 Billion in 2017. This was a 105% achievement. This is attributed to the aggressive marketing strategies employed, development of new markets with new product offerings, and servicing of existing markets with improved products and services. The challenges related to the execution of the new textbook purchase and direct distribution model led to reduced sales of our books as booksellers drew back their purchase plans. Further, the announced new curriculum implementation created fear and led to reduced sale of books developed under the existing curriculum. KLB is engaging stakeholders to re-assure them of our commitment to continually work together for the mutual interest of our enterprises.
- 2. To improve on quality of products and services** - This was achieved by continually determining the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services. The continued compliance with the International Standardization Organization (ISO) 9001:2008 Quality Management System provides an assurance system for the quality of our products and services for our customers. KLB has completed the implementation of the transition from the ISO 9001: 2008 to ISO 9001: 2015 in 2016/2017. The Bureau has since been issued with the ISO 9001: 2015 Certification.
- 3. To upgrade Corporate Infrastructure** – KLB continues with increasing capital investment aimed at improving the publishing and printing systems. Acquisition of plant and machinery, ICT equipment, motor vehicles and the full implementation of the automated systems such as Accpac financial system and the Human Resources Management Information System has led to improvement of the Bureau's technology infrastructure.
- 4. To strengthening institutional capacity** – KLB achieved much progress geared to enhance the institutional capacity to serve the increased needs and demands of our valued customers. The Bureau continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. This has resulted in improved productivity levels.

The Bureau continued to develop and implement effective human resources plans and policies. The Bureau has continued to enjoy cordial relations with the Union organization

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(non-management staff) and commenced the implementation of the Phase Two of the Collective Bargaining Agreement 2015 – 2017. This has ensured that the Bureau has highly motivated staff and harmonious industrial relations. The Bureau has a plan of improving the terms and conditions of service for the staff through the implementation of government circulars. The Bureau, working together with Salaries and Remuneration Commission (SRC), has carried out the job evaluation and the results have been released but the report is awaited.

5. **To ensure effective corporate governance, controls and sound resource management –**
The Bureau undertakes a review of risk factors and develops mitigation plan on a periodical basis. The Bureau ensured continued compliance with the legal and regulatory framework established by the Government as the shareholder in order to promote sustainable business practices. The Board usually meets for a minimum of four (4) quarterly meeting in a year. The Board of Management works through committees that include the Audit and Risk Management, Finance, Human Resources and General Purpose and Technical committee.

SECTION B

Entity's compliance with statutory requirements

The Bureau has been compliant on regulatory and statutory requirements except for the following historical issues that are under discussion with the concerned governmental agencies;

(i) NSSF CONTRIBUTIONS- PENALTY AND INTEREST KSHS. 27,650,838/=

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. The directors estimate that no material liability will arise on the assessment and have made no provision.

(ii) KRA PRINCIPAL TAX DEMAND KSHS. 125,560,306/=

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 then Minister for Finance in

April 2013. The Bureau has held successful negotiations with the officials of Kenya Revenue Authority and the 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. The directors estimate that no material liability will arise on the assessment and have made no provision.

SECTION C

Key projects and investment decisions the entity is planning/implementing

The main project for the Bureau is the modernisation of the printing press slated for 2016 – 2018. This will contribute to the National Strategic Objectives as follows;

- a) To Increase on our Internal Production capacity in order to run efficiently and enhance competitiveness of our products
- b) To modernize the Printing Press as per our Strategic Plan of improving on the printing technology and to reduce the operational costs of machines

The purchase of the machine is entirely financed by internally generated resources saved over the years.

SECTION D

Major risks facing the entity

1. Financial risk management objectives and policies

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.

Risk management is carried out by the Senior Management under policies approved by the Board of Management. The Board provides principles for overall risk management.

i) Credit risk

Credit risk is the risk of financial loss to the company of a customer to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables with customers.

Bank balances are held with credible financial institutions and are fully performing. Trade receivables are due from customers with good credit rating. Treasury bills are held with the Government of Kenya and have zero credit risk.

ii) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company implements prudent liquidity risk management that include maintaining sufficient cash to meet company obligations. The company manages this risk by maintaining adequate cash balances in the bank, maintaining short-term deposits and treasury bills and by continuously monitoring forecast and actual cash flows.

iii) Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of the changes in market price and comprises three types of risks: currency risk, interest rate risk, and other price risk.

Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The company has cash equivalents denominated in foreign currency to the tune of United States Dollars 164,357.64 as at 30th June 2018. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is the least.

Interest rate risk

The corporation does not have any borrowings as at 30th June 2018 and hence not exposed to cash flow interest rate risk resulting from changes in market interest rates.

Other price risk

Other price risk arises on financial statements because of changes in the price of a financial instrument. The corporation is not exposed to other price risk since the prices of its financial instrument remain stable. In addition, the corporation does not have investments in quoted shares.

SECTION E

Material arrears in statutory/financial obligations

The Bureau has no overdue pending bills, no loans default (has no borrowings), no outstanding staff/pension obligations, no non-payment of dividends and loan redemptions. However, there exists an actuarial deficit of Kshs. 32.83 Million for the non-active defined benefits pension scheme which is continuously being liquated at the rate of Kshs. 1.563 Million per month from 1st April 2011 for seventy two (72) months.

SECTION F

The entity's financial probity and serious governance issues

The Bureau does not have any major financial improbity as reported by internal audit/Board audit committee, external auditors, or other National Government Agencies providing oversight; there are no serious governance issues among the Board or member of the Board and top management including conflict of interest.

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

SOCIAL RESPONSIBILITY

The Bureau recognises 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 Bureau remains committed to our social, economic, environmental and ethical obligations by maintaining interaction with all the stakeholders. There are several initiatives implemented continuously and which are geared towards promoting social responsibility. These include;

- The book donation project, *Imarisha Kimasomo* 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. The policy of providing donation books to employees for at least one primary and one secondary school was a major achievement in an attempt to give back to the society. Books donated are used to stock the libraries and hence uplifting the reading culture.
- Remarkably the book donations have been extended to Members of Parliament and Senators to aid the schools in the areas to sock their libraries with reading materials. This has had a tremendous impact in all counties.
- The Bureau recognizes that employees are a key component of any business success story as come and has therefore come up with internal social responsibility programmes aimed at promoting the development of the employees through provision of educational loans.
- The Bureau 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.

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- Bookshops have benefited from the social responsibility programmes where the Bureau organizes for training of Bookshops attendants on customer service.

ENVIRONMENTAL SUSTAINABILITY

The Bureau 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. The Bureau conducted an Energy Audit and is continuously implementing the recommendations of the audit. The energy champions have been trained.

The Bureau planted over 5,000 trees in various counties in partnership with schools. Environmental awareness programmes such as the environment clean-up days, participation and sponsorship of the World environmental Day and the World Wetlands Day celebrations were some of the initiatives to promote environmental sustainability.

The Bureau 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 and consumers.

Kenya Literature Bureau

Annual Report and Financial Statements For the year ended 30 June, 2018 (Kshs)

VIII. REPORT OF THE BOARD MEMBERS

The Members of the Board submitted their report together with the audited financial statements for the year ended 30 June, 2018 which illustrate the state of KLB affairs.

Principal activities

The principal activities of the Bureau continue to be; to publish, print and disseminate literary, educational, cultural and scientific literature and materials, at affordable prices, whilst promoting excellent authorship and creating shareholder value.

Results

The results of the Bureau for the year ended 30 June, 2018 are set out on pages 1 to 40.

Dividends

Kenya Literature Bureau being wholly owned by the Government of Kenya, the Board of Management proposes dividends for the year ended 30 June, 2018 amounting to Kshs. 48.8 Million which is payable through the National Treasury based on the audited financial statements. The dividend will be paid in the fourth quarter of 2018/2019 financial year.

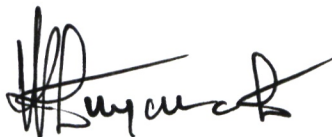
Directors

The members of the Board of Management who served during the year are shown on page III.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Literature Bureau in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



Mr. Victor K. Lomaria

Secretary to the Board

NAIROBI

Date: 31ST July 2018

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Board of Management to prepare financial statements in respect of the Bureau, which give a true and fair view of the state of affairs of the Bureau at the end of the financial year and the operating results of the Bureau for that year. The Board are also required to ensure that the Bureau keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bureau. Board Members are also responsible for safeguarding the assets of the Bureau.

Members of the Board are also responsible for the preparation and presentation of KLB's financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on 30 June, 2018. 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 Bureau;
- (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 Bureau;
- (v) selecting and applying appropriate accounting policies; and
- (vi) making accounting estimates that are reasonable in the circumstances.

The Members accept responsibility for the Bureau'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 Public Financial Management Act, 2012 and section 14 of the State Corporations Act. The Members are of the opinion that the Bureau's financial statements give a true and fair view of the state of Bureau's transactions during the financial year ended 30 June, 2018, and of the Bureau's financial position as at that date. Board Members further confirm the completeness of the accounting records maintained for the Bureau, which have been relied upon in the preparation of the Bureau's financial statements as well as the adequacy of the systems of internal financial control.

Kenya Literature Bureau


**Annual Report and Financial Statements
For the year ended 30 June, 2018 (Kshs)**

Approval of the financial statements

The Bureau's financial statements were approved by the Board on 31st July 2018 and signed on its behalf by:



Hon. Amb. Francis S. K. Bayoh
Director



Mr. Victor K. Lomaria
Director

XI. REPORT OF THE AUDITOR GENERAL

on Kenya Literature Bureau

We have audited the accompanying (consolidated) financial statements of Kenya Literature Bureau for the year ended June 30, 2018, which comprise: (i) a statement of comprehensive income; (ii) a statement of financial position as at June 30, 2018; (iii) a statement of cash flows; (iv) a summary of significant accounting policies; and (v) other explanatory notes.

Management's responsibility for the financial statements

Board Members are responsible for the preparation and fair presentation of the financial statements which give a true and fair view of the entity's state of affairs and its operating results in accordance with International Financial Reporting Standards, and for such internal control as the Members determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit 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 auditors' judgement, including the 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 Bureau'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

Kenya Literature Bureau

**Annual Report and Financial Statements
For the year ended 30 June, 2018 (Kshs)**

appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Kenya Literature Bureau as at June 30, 2017, and of its profit and cash flows for the year then ended in accordance with International Financial Reporting Standards, the Public Finance Management Act and the State Corporations Act.

Auditor General

Date

(NB: This draft report is supposed to be removed from the final financial statements after a certificate has been issued by the Auditor General and included in these financial statements)

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 1 to 40, which comprise the statement of financial position as at 30 June 2018, and the statement of comprehensive income, statement of changes in capital fund and reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions 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, the financial statements present fairly, in all material respects, the financial position of Kenya Literature Bureau as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Literature Bureau in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Contingent Liabilities

As disclosed in note 24 (1) to the financial statements a contingent liability exists from a demand notice issued by National Social Security Fund (NSSF) for penalties and interests on contributions arrears dating back to 1993 amounting to Kshs.27,650,838 which is still in dispute. The Bureau has explained that they have engaged the Fund

Report of the Auditor-General on the Financial Statements of Kenya Literature Bureau for the year ended 30 June 2018

in fruitful discussions which are at advanced stages for waiver of the said penalties and interests and that NSSF have agreed to halt any further demand notice and accumulation of the amounts. The Bureau has however not availed evidence of this discussions for audit review.

Further as disclosed in note 24 (ii) a contingent liability also exists from a demand notice based on tax audit conducted by Kenya Revenue Authority for the years 2007 to 2010 amounting to Kshs.125,560,306 being principal amounts for which a waiver of penalties and interests was approved by the Ministry of Finance in April 2013. The Bureau has also explained that, discussions are ongoing with Kenya Revenue Authority with a view of having the liabilities waived. However, should such negotiations between the two parties fail to materialize, the Bureau will suffer financial loss to the tune of over Kshs.153,211,144.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROL, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya, 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 Bureau , so far as appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns

Responsibilities of Management and Those Charged with Governance

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 control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Bureau or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become

inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern or to sustain its services. 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 Bureau 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 Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

30 January 2019

KENYA LITERATURE BUREAU
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 JUNE, 2018

XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE, 2018

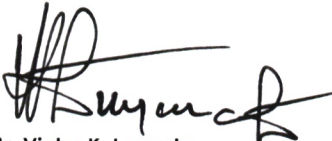
	Note	2018 Kshs	2017 Kshs
REVENUES			
Turnover	1 (a)	4,961,945,574	2,417,312,032
Cost of Sales	1 (b)	<u>(3,124,249,779)</u>	<u>(939,228,297)</u>
Gross Profit		<u>1,837,695,795</u>	<u>1,478,083,735</u>
Gross Income from investments	7 (a)	74,262,657	49,330,914
Gain/(Loss) on Disposal of Non-financial Assets	2	(70,338)	(68,350)
Other Income	3	<u>3,279,378</u>	<u>1,725,673</u>
OTHER REVENUES		<u>77,471,696</u>	<u>50,988,237</u>
TOTAL REVENUES		<u>5,039,417,270</u>	<u>2,468,300,269</u>
Administration Costs	4 (a)	434,761,535	361,373,446
Selling and Distribution Costs	5	750,795,242	801,106,745
Depreciation - Property, Plant and equipment	10 (a)	<u>42,572,148</u>	<u>39,077,500</u>
OPERATING EXPENSES		<u>1,228,128,925</u>	<u>1,201,557,691</u>
TOTAL COSTS		<u>4,352,378,704</u>	<u>2,140,785,988</u>
OPERATING PROFIT FOR THE YEAR BEFORE TAX		687,038,566	327,514,281
INCOME TAX EXPENSE	8(a)	<u>199,004,770</u>	<u>107,383,519</u>
TOTAL COMPREHENSIVE INCOME AFTER TAX		<u>488,033,796</u>	<u>220,130,762</u>



Hon. Amb. Francis S. K. Bayan

Chairman

31st July, 2018



Mr. Victor K. Lomaria

Managing Director

31st July, 2018

**KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE, 2018**

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE, 2018

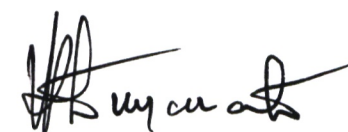
ASSETS	Note	2018	2017
		Kshs	Kshs
Non - Current Assets			
Property, Plant and Equipment	10 (a)	<u>1,172,095,843</u>	<u>1,203,660,059</u>
Current Assets			
Inventories	12	535,040,412	316,233,528
Trade and Other Receivables	13(a)	3,231,015,481	568,090,750
Short-term Investments	14	741,512,269	811,820,572
Cash and Bank Balances	15	<u>187,063,677</u>	<u>108,221,409</u>
		<u>4,694,631,841</u>	<u>1,804,366,259</u>
TOTAL ASSETS		<u>5,866,727,684</u>	<u>3,008,026,318</u>
RESERVES, FUND AND LIABILITIES			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	580,120,938	580,120,938
Revenue Reserves	18	<u>1,539,579,363</u>	<u>1,100,348,947</u>
Shareholder funds		<u>3,119,700,301</u>	<u>2,680,469,884</u>
CURRENT LIABILITIES			
Trade & Other Payables	19	<u>2,747,027,383</u>	<u>327,556,434</u>
		<u>2,747,027,383</u>	<u>327,556,434</u>
TOTAL RESERVES, FUND AND LIABILITIES		<u>5,866,727,684</u>	<u>3,008,026,318</u>

The financial statements were approved by the Board of Management on 31st July 2018.
and were signed on its behalf by:


Hon. Amb. Francis S. K. Bayah

Chairman

31st July, 2018



Mr. Victor K. Lomaria

Managing Director

31st July, 2018

The notes set out on pages 6 to 40 form part of these financial statements.

**KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE, 2018**

XIV. STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES FOR THE PERIOD ENDED 30 JUNE, 2018

	Capital Fund	Revaluation Reserves	Revenue Reserves	Total Reserves
	Kshs	Kshs	Kshs	Kshs
At 1st July 2016	1,000,000,000	580,120,938	902,231,261	2,482,352,199
Net Profit for the year	-	-	327,514,281	327,514,281
Prov. For Corporation Tax - 2016/17	-	-	(107,383,519)	(107,383,519)
Dividends Payable - 2016/17	-	-	(22,013,076)	(22,013,076)
At 30 June 2017	1,000,000,000	580,120,938	1,100,348,947	2,680,469,884
At 1st July 2017	1,000,000,000	580,120,938	1,100,348,947	2,680,469,884
Net Profit for the year	-	-	687,038,566	687,038,566
Prov. For Corporation Tax - 2017/18	-	-	(199,004,770)	(199,004,770)
Dividends Payable - 2017/18	-	-	(48,803,380)	(48,803,380)
At 30 June 2018	1,000,000,000	580,120,938	1,539,579,363	3,119,700,301

KENYA LITERATURE BUREAU
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED 30 JUNE, 2018

XV. STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE, 2018

	Notes	2018 Kshs	2017 Kshs
OPERATING ACTIVITIES			
Operating profit for the year	6	687,038,566	327,514,281
Adjustments for:			
Depreciation Expenses	10 (a)	57,813,241	53,944,932
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	4,670,376	4,209,328
Provision for Doubtful Debts	4(a)	(3,276,021)	6,408,181
Interest Income	7 (c)	(74,262,657)	(49,330,914)
Foreign Exchange (Gain)/ Loss		364,993	563,188
(Profit)/Loss on disposal of Assets	2	70,338	68,350
Operating profit before Working Capital Changes		672,418,836	343,377,346
Increase/Decrease in Inventories	12	(223,477,260)	100,732,387
Realised Foreign Exchange Gain/Loss		(364,993)	(563,188)
Increase/Decrease in Receivables	13(a)	(2,653,502,040)	(149,346,120)
Increase/Decrease in payables	19	2,337,720,853	71,517,273
Cash generated from operations		132,795,397	365,717,698
Dividends Paid	9	(22,013,076)	(15,159,556)
Corporation Tax Paid	8(b)	(132,905,580)	(122,055,994)
Net Cashflows from Operating Activities		(22,123,259)	228,502,149
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	10	(26,319,365)	(31,190,741)
Disposal of property, plant & equipment	10	-	939,533
Interest income received from Investments	7(b)	56,976,588	41,921,646
Net Cashflows from Investing Activities		30,657,223	11,670,438
(Decrease)/ Increase in Cash & Cash Equivalents		8,533,963	240,172,587
Cash & Cash Equivalents at the			
- Start of the year (1st July 2017)		920,041,982	679,869,395
- End of the period (30th June 2018)	21(b)	928,575,945	920,041,982

KENYA LITERATURE BUREAU
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE, 2018

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2018

		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Performance Difference	% Change	Remarks
Revenue	Note	2017 - 2018 Kshs	2017 - 2018 Kshs	2017 - 2018 Kshs	2017 - 2018 Kshs	2017 - 2018 Kshs		
Turnover	(1a)	2,510,090,149	2,289,909,851	4,800,000,000	4,961,945,574	161,945,574	3%	Increase attributed to the change in books distribution model from the sales through bookshops to the direct procurement by the Government of Kenya and growth in printing services
Direct Expenditure	(1b)	953,834,257	2,068,510,217	3,022,344,474	3,124,249,779	(101,905,305)	-3%	Increase attributed to increased production costs due to heightened production activities to meet the open market sales demand and the Government tender of 19 million teaching and learning materials.
Gross Profit		1,556,255,892	221,399,634	1,777,655,526	1,837,695,795			
Other Income	(3)	55,900,000	22,050,000	77,950,000	77,471,696	(478,304)	-1%	Marginal drop in short-term investment income as a result of marginal drop in interest rates
Total Income		1,612,155,892	243,449,634	1,855,605,526	1,915,167,491			
Staff Costs	(4b)	346,015,400	35,890,800	381,906,200	335,554,560	46,351,640	12%	Decrease as a result of staff costs containment and re-scheduling of implementation of some phases of the human resource instruments to the 2018/2019
Administration Costs	(4a)	95,470,000	24,480,000	119,950,000	99,206,975	20,743,025	17%	Decrease in costs due to stringent control measures on expenditure
Selling & Distribution Costs	(5)	840,279,219	57,613,135	897,892,354	750,795,242	147,097,112	16%	Decrease in costs due to changes in marketing and sales promotion strategies.
Depreciation - Property/Plant	(10b)	66,234,345	(12,717,319)	53,517,026	42,572,148	10,944,878	20%	Written down values of many assets has been exhausted to nil
Total Expenditure		1,347,998,964	105,266,616	1,453,265,580	1,228,128,925			
Surplus for the period		264,156,928	138,183,018	402,339,946	687,038,566	284,698,620	71%	All the above factors have a bearing to overall decrease in net profit
Tax Expense	(8a)	79,247,078	41,454,905	120,701,984	199,004,770			
Surplus/Loss After Tax		184,909,850	96,728,113	281,637,962	488,033,796			

PFM Act section 81(2) ii and iv requires a National Government entity to present appropriation accounts showing the status of each vote compared with the appropriation for the vote and a statement explaining any variations between actual expenditure and the sums voted. IFRS does not require entities complying with IFRS standards to prepare budgetary information because most of the entities that apply IFRS are private entities that do not make their budgets publicly available. However, for public sector entities, the PSASB has considered the requirements of the PFM Act, 2012 which these statements comply with, the importance that the budgetary information would provide to the users of the statements and the fact that the public entities make their budgets publicly available and decided to include this statement under the IFRS compliant financial statements.

The Statement of Actual and Budget Amounts for the year ended 30th June 2018 has captured the budget reallocations and additional financing approved during the year due to production related costs for the Government of Kenya tender award for Printing and Distribution of Textbooks directly to schools.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Literature Bureau is established by and derives its authority and accountability from Kenya Literature Bureau Act Cap 209. The Bureau is wholly owned by the Government of Kenya and is domiciled in Kenya. The Bureau's principal activity is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials. For 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 AND BASIS OF PREPARATION

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, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actually determined liabilities at their present value. 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 Bureau's 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 Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Bureau.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard/Amendment to a standard	Effective date	Impact
IFRS 14 <i>Regulatory Deferral Accounts</i> (issued in January 2014)	1 st Jan 2016	<p>The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.</p> <p>The Bureau does not have regulatory deferral balances and the directors do not anticipate application of the standard to have had any impact on disclosures and financial statements.</p>
Amendments to IFRS 11 titled <i>Accounting for Acquisitions of Interests in Joint Operations</i> (issued in May 2014)	1 st Jan 2016	<p>The amendments, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
Amendments to IAS 16 and IAS 38 titled <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> (issued in May 2014)	1 st Jan 2016	<p>The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally</p>

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For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard/Amendment to a standard	Effective date	Impact
		<p>presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
<p>Amendments to IAS 16 and IAS 41 titled <i>Agriculture: Bearer Plants (issued in June 2014)</i></p>	<p>1st Jan 2016</p>	<p>The amendments, define bearer plants – ie living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (eg grape vines, rubber trees, oil palms) - and include them within IAS 16's scope while the produce growing on bearer plants remains within the scope of IAS 41.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
<p>Amendments to IAS 27 titled <i>Equity Method in Separate Financial Statements (issued in August 2014)</i></p>	<p>1st Jan 2016</p>	<p>The amendments reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
<p>Amendment to IAS 19 (<i>Annual Improvements to IFRSs 2012–2014 Cycle</i> , issued in</p>	<p>1st Jan 2016</p>	<p>The amendment, clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits</p>

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For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard/Amendment to a standard	Effective date	Impact
September 2014)		to be paid. The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.
Amendment to IFRS 5 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014)	1 st Jan 2016	The amendment adds specific guidance when an entity reclassifies an asset (or a disposal group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for-distribution accounting is discontinued. The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.
Amendment to IFRS 7 (Annual Improvements to IFRSs 2012–2014 Cycle, issued in September 2014)	1 st Jan 2016	The amendment, applicable to annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset. The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.
Amendments to IFRS 10, IFRS 12 and IAS 28 titled <i>Investment Entities: Applying the Consolidation Exception</i> (issued in December 2014)	1 st Jan 2016	The amendments clarify the application of the consolidation exception for investment entities and their subsidiaries. The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.
Amendments to IAS 1 titled <i>Disclosure Initiative</i> (issued in	1 st Jan 2016	The amendments, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure

Annual Report and Financial Statements
For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard/Amendment to a standard	Effective date	Impact
<i>December 2014)</i>		<p>of accounting policies.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
<i>Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12</i>	1 st Jan 2017	<p>The amendments clarify that:</p> <ul style="list-style-type: none"> • Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use. • The carrying amount of an asset does not limit the estimation of probable future taxable profits. • Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences. <p>An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>
<i>Disclosure Initiative (Amendments to IAS 7: Statement of Cash flows)</i>	1 st Jan 2017	<p>The amendments' objective is that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve this objective, the IASB requires that the following changes in liabilities arising from financing activities are</p>

**Annual Report and Financial Statements
For the year ended 30 June, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard/Amendment to a standard	Effective date	Impact
		<p>disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.</p> <p>The directors do anticipate the application of the amendment to the standard to have had impact on disclosures and financial statements and the same has been incorporated in the Statement of Cashflows.</p>
<p><i>Annual Improvements to IFRS Standards 2014–2016 Cycle – Amendments to IFRS 12 Disclosure of interests in other entities</i></p>	<p>1st Jan 2017</p>	<p>Clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.</p> <p>The directors do not anticipate the application of the amendment to the standard to have had any impact on disclosures and financial statements.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

Standard	Effective Date	Impact
<p>FRS 15 <i>Revenue from Contracts with Customers (issued in May 2014)</i></p>	<p>1 Jan 2018</p>	<p>The new standard, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and</p>

Annual Report and Financial Statements
For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective Date	Impact
		<p>capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.</p> <p>The directors do not anticipate the application of the amendment to the standard to have any impact on disclosures and financial statements.</p>
<p>IFRS 9 <i>Financial Instruments</i> (issued in July 2014)</p>	<p>1 Jan 2018</p>	<p>This standard will replace IAS 39 (and all the previous versions of IFRS 9). It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition:</p> <ul style="list-style-type: none"> • IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics. • For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch • For the impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective Date	Impact
		<p>expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised.</p> <ul style="list-style-type: none"> For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and nonfinancial risk exposures. The derecognition provisions are carried over almost unchanged from IAS 39. <p>The directors of the Bureau anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Bureau's financial assets and financial liabilities. It is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.</p>
IFRS 16: <i>Leases</i> (issued in January 2016)	1 Jan 2019	<p>The new standard introduces a new lessee accounting model, and will require a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.</p> <p>The directors do not anticipate that the application of IFRS 16 in the future will have a significant impact on amounts reported in respect of the financial statements and</p>

Kenya Literature Bureau

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standard	Effective Date	Impact
		disclosures.

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 entity did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

a) Revenue recognition

Revenue is recognised to the extent that it is probable that future economic benefits will flow to Kenya Literature Bureau and the revenue can be reliably measured. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of Kenya Literature Bureau activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of Kenya Literature Bureau activities as described below.

i) **Revenue from the sale of goods and services** is recognised in the year in which the Bureau delivers products to the customer, the customer has accepted the 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

translated using the closing rate.

- ii) **Revenue from printing services** is recognized when the printing order is placed, confirmed by the customer, printing done, delivered and invoiced.
- iii) **Grants from National Government** are recognised in the year in which the Bureau actually receives such grants.
- iv) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- v) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- vi) **Rental income** is recognised in the income statement as it accrues using the effective lease/rental agreements.
- vii) **Other income** is recognised as it accrues.

b) In-kind contributions

In-kind contributions are donations that are made to the Bureau in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Bureau includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

c) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. The portion of the building used for rental purposes has not been disclosed separately under the Investment Property due to its insignificance.

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-

**Annual Report and Financial Statements
For the year ended 30 June, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognised in profit or loss in the income statement.

The cost of property, plant and equipment comprises

- (i) Its purchase price, including import duties and non-refundable purchase taxes such as Value Added Tax (VAT), after deducting trade discounts and rebates, where applicable;
- (ii) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognised in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

Buildings and civil works	4%
Plant and machinery (printing press)	5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount. Plant and Machinery mainly comprise of specialized printing machines whose useful life extends to over 20 years. They are depreciated at the rate of 5% or 20 years of useful life.

Depreciation is apportioned between the Production overheads and the Administrative overheads at the rate of 20% and 80% respectively for buildings, furniture and fittings; and at 80% and 20% respectively for Plant and machinery.

e) Intangible assets

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of computer software of three years.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

g) Investment property

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the Bureau, are classified as investment property under non-current assets.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement. The part of the Bureau's building under rentals has not been segregated as an investment property due to its insignificance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

h) Finance and operating leases

Leases which confer substantially all the risks and rewards of ownership to the Bureau are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognised in the statement of financial position to the extent of prepaid lease rentals at the end of the year. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

i) Fixed interest investments (bonds)

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories comprises production cost or purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

k) Trade and other receivables

Trade and other receivables are recognised at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Taxation

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Bureau operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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For the year ended 30 June, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various approved commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

n) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying

NOTES TO THE FINANCIAL STATEMENTS (Continued)

amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

o) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Bureau or not, less any payments made to the suppliers.

p) Retirement benefit obligations

(a) Defined Contribution Scheme

The Bureau operates a defined contribution scheme for the full time employees from 1st April 2011. The scheme is administered by an in-house Board of Trustees and is funded by contributions from both the Bureau and its employees.

(b) Defined Benefits Scheme

The Bureau operates a defined benefit scheme which remains a closed fund for employees that were aged above 45 years as at 1st April 2011. The scheme does not admit new members. All permanent staff joining the Bureau are registered for the defined contribution scheme after probation. The year end of the two schemes is 31st December.

(c) National Social Security Fund

The Bureau contributes to the statutory National Social Security Fund (NSSF). This is defined contribution scheme registered under the National Social Security Act 2013. The Bureau's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at a graduated scale per employee per month based on the gross pay.

q) Provision for staff leave pay

Employee's entitlements to annual leave are recognised as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

Kenya Literature Bureau

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

r) 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.

s) Budget information

The original budget for FY 2016-2017 was approved by the National Treasury on March 6, 2017. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Kshs. 227.5 million on the 2016-2017 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the

NOTES TO THE FINANCIAL STATEMENTS (Continued)

statement of financial performance has been presented under section XVI of these financial statements.

t) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation, where necessary.

u) 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, 2017.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Bureau's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bureau based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Bureau. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Bureau;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;

Kenya Literature Bureau

Annual Report and Financial Statements For the year ended 30 June, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

- The nature of the processes in which the asset is deployed;
- Availability of funding to replace the assets;
- Changes in the market in relation to the asset.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 12, 13 and 19.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. Some of the provisions applicable to the Bureau include:

(i) Provision for Slow moving stocks

A provision for slow moving stocks is made at the rate 10% of the slow moving titles determined at the end of the financial year based on the annual title sales, nature/category of the title and the state of the market.

(ii) Provision for Bad and doubtful debts

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

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE, 2018

XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
1. (a) TURNOVER	Kshs	Kshs
Books Sales	4,621,378,496	2,220,092,075
Printing Services	340,567,078	197,219,957
	<u>4,961,945,574</u>	<u>2,417,312,032</u>

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

1. (b) COST OF SALES

Opening inventories		
Printed books	290,033,394	393,228,551
Raw materials	13,491,894	12,181,620
Work in progress	15,318,567	13,284,404
	<u>318,843,856</u>	<u>418,694,574</u>
Production Costs		
Direct Expenses	259,448,297	128,566,904
Raw Materials	103,468,726	86,743,876
Direct Labour	77,072,704	75,058,189
Overheads	186,958,241	149,753,996
Contracted Works	2,719,367,082	399,254,613
	<u>3,346,315,049</u>	<u>839,377,578</u>
Closing inventories		
Printed books	478,071,057	290,033,394
Raw materials	14,910,089	13,491,894
Work in progress	47,927,979	15,318,567
	<u>540,909,126</u>	<u>318,843,856</u>
COST OF SALES	<u>3,124,249,779</u>	<u>939,228,297</u>

The summary relates to the direct expenditure (cost of sales) for the year

2. GAIN/(LOSS) ON DISPOSAL OF NON FINANCIAL ASSETS

Gain on disposal of non-current assets	<u>(70,338)</u>	<u>(68,350)</u>
--	------------------------	------------------------

The loss on disposal relates to the cost of a stolen iPad. The asset has been removed from the assets register and it's net book value recognized as a loss and written-off through the profit and loss account.

3. OTHER INCOME

Rental Income	2,402,189	929,541
Waste Paper Income	523,483	363,103
Interest on advances	147,736	131,699
Miscellaneous income	205,970	301,330
	<u>3,279,378</u>	<u>1,725,673</u>

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs	Kshs
4 (a). ADMINISTRATION COSTS		
Staff Costs	335,554,560	274,358,239
Management board expenses	15,921,618	14,294,023
Foreign exchange loss	364,993	563,188
Transport operating expenses	10,664,242	10,341,162
Traveling and accomodation	12,209,131	8,744,482
Postal and telegram expenses	358,480	104,315
Telephone expenses	4,265,882	2,224,771
Electricity, Water and Conservancy	3,417,271	3,011,843
Purchase of uniforms	189,948	155,906
Purchase of stationery	10,438,950	5,584,027
Rent & Rates Expenses	92,785	504,883
Computer expenses	8,993,211	6,559,334
Hire of casuals	6,470,992	2,012,315
Insurance costs	1,916,338	2,040,225
Audit fees	812,000	812,000
Consultancy Expenses	165,000	174,000
Bad Debts Write-off	-	2,269,071
Slow moving stocks provision expenses	4,670,376	4,209,328
Provision for Bad & Doubtful Debts	(3,276,021)	4,139,110
Maintenance of plant and machinery	3,268,345	2,708,968
Maintenance of office equipment	512,020	313,455
Maintenance of buildings	8,536,839	7,850,256
Security expenses	2,956,040	3,890,763
Library Expenses	107,097	119,285
Subscription	436,187	653,350
Donation	460,000	460,000
Bank charges	3,232,924	1,244,685
Legal charges	2,022,327	2,030,462
Total Administration Costs	434,761,535	361,373,446
4 (b). STAFF COSTS		
Basic Salaries	194,140,976	155,578,755
Gratuity and pension	33,391,334	28,323,816
House allowance	40,229,400	38,671,600
Other personal allowances	15,771,797	14,279,484
Leave pay and provisions	5,465,361	1,223,401
Medical expenses	14,352,632	12,698,715
Overtime costs	15,708,908	9,746,732
Staff training expenses	9,172,420	8,543,509
Staff welfare	7,321,732	5,292,227
Total Staff Costs	335,554,560	274,358,239
4 (c). MANAGEMENT BOARD EXPENSES		
Sitting and Lunch Allowances	6,069,800	5,187,333
Travelling Allowances	2,512,247	3,541,001
Chairman's Honoraria	1,044,000	1,044,000
Accomodation Allowances	4,669,956	3,421,600
Board Medical Expenses	-	58,107
Other Meeting expenses	1,625,616	1,041,982
Total Board Expenses	15,921,618	14,294,023
5. SELLING AND DISTRIBUTION COSTS		
Sales discounts allowed	373,973,375	710,138,860
Promotional Samples costs	3,128,853	1,713,637
Advertising, Research and Promotions	33,031,035	52,652,840
Corporate Affairs expenses	12,094,245	11,060,719
Business Development Costs	446,095	1,051,293
Packaging, carriage and handling	328,121,638	24,489,396
Total Selling Costs	750,795,242	801,106,745
Total Costs	1,185,556,777	1,162,480,191

**KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs	Kshs
6. OPERATING PROFIT / (LOSS)		
The operating profit is arrived at after charging / (crediting):		
GROSS TURNOVER	4,961,945,574	2,417,312,032
COST OF SALES	<u>3,124,249,779</u>	<u>939,228,297</u>
GROSS TRADING PROFIT	1,837,695,795	1,478,083,735
Income from investments	74,262,657	49,330,914
Gain on Disposal of Non-financial Assets	(70,338)	(68,350)
Other Income (note 3)	<u>3,279,378</u>	<u>1,725,673</u>
TOTAL REVENUES	5,039,417,269	2,468,300,269
Admin. , Staff, Selling & Distribution Costs (Note 4 & 5)	1,185,556,777	1,162,480,191
Depreciation of property, Plant and equipment	42,572,148	39,077,500
TOTAL COSTS	4,352,378,702	2,140,785,988
Net operating Profit for the year	<u>687,038,567</u>	<u>327,514,281</u>
7(a). GROSS INCOME FROM INVESTMENTS		
Interest Income on Government securities	57,763,798	22,072,479
Interest Income on short-term depositors	<u>16,498,859</u>	<u>27,258,435</u>
	<u>74,262,657</u>	<u>49,330,914</u>
7(b). INTEREST INCOME RECEIVED FROM INVESTMENTS		
Interest receivable at beginning of period	12,078,839	4,669,571
Current years'	74,262,657	49,330,914
Less: Tax on Interest Received - paid at source	<u>(11,139,399)</u>	<u>-</u>
	75,202,097	54,000,485
Less: Closing balance for the period	<u>(18,225,509)</u>	<u>(12,078,839)</u>
Interest received at close of period	<u>56,976,588</u>	<u>41,921,646</u>
7(c). NET INTEREST INCOME		
Gross interest income	74,262,657	49,330,914
Less: Tax on Interest Received	<u>(11,139,399)</u>	<u>(7,399,637)</u>
	<u>63,123,258</u>	<u>41,931,277</u>
8. INCOME TAX		
8(a). CURRENT TAXATION		
-Charge for the year based on adjusted profit for the year at 30%	199,004,770	107,383,519
- Less Advance/paid at source	<u>(11,139,399)</u>	<u>-</u>
INCOME TAX EXPENSE	<u>187,865,371</u>	<u>107,383,519</u>
8(b). TAX LIABILITY /(RECOVERABLE)		
Tax (credit) at beginning of period	8,278,971	22,951,446
Income Tax Charge based on adjusted profits for the period	<u>187,865,371</u>	<u>107,383,519</u>
	196,144,343	130,334,965
Income Tax paid	<u>(132,905,580)</u>	<u>(122,055,994)</u>
Tax liability / (credit) at the end of period	<u>63,238,763</u>	<u>8,278,971</u>
9. DIVIDENDS PAYABLE		
The proposed dividend are accounted for as a separate component of equity and not based on number of ordinary shares since the Government of Kenya is the sole shareholder and the Capital Fund is not divided into any class of shares. The Capital Fund is not divided into any class of shares.		
The Board of Management of Kenya Literature Bureau declares and pays a dividend of 10% of the after tax Net profit for the year to the Government. The proposed dividend is payable after audit of the Financial statements.		
Opening balance as at 1st July	22,013,076	15,159,556
Proposed Dividend for the year	48,803,380	22,013,076
Dividend Paid during the year	<u>(22,013,076)</u>	<u>(15,159,556)</u>
Closing balance as at 30th June	<u>48,803,380</u>	<u>22,013,076</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2018	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Application Systems	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
At July 1, 2017	493,350,000	429,479,611	277,717,650	6,908,164	57,529,388	20,396,470	19,774,529	15,885,242	1,321,041,053
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Additions	-	2,627,617	7,475,000	217,887	8,525,000	4,960,876	1,250,000	1,262,985	26,319,365
Disposals	-	-	-	-	-	(85,259)	-	-	(85,259)
At June 30, 2018	493,350,000	432,107,228	285,192,650	7,126,051	66,054,388	25,272,087	21,024,529	17,148,227	1,347,275,159
DEPRECIATION									
At June 30, 2017	-	35,763,501	27,928,718	1,184,448	22,383,405	10,620,775	15,920,359	3,579,790	117,380,996
Adjust for depre. on disposal	-	-	-	-	-	(14,920)	-	-	(14,920)
Adjust for depre. On Reclassification	-	-	-	-	-	-	-	-	-
Charge for the Year	-	17,231,737	14,224,111	878,810	14,906,305	6,570,062	1,924,934	2,077,282	57,813,241
At June 30, 2018	-	52,995,237	42,152,829	2,063,258	37,289,710	17,175,917	17,845,293	5,657,072	175,179,316
NET BOOK VALUE									
At June 30, 2018	493,350,000	379,111,991	243,039,821	5,062,793	28,764,677	8,096,170	3,179,236	11,491,155	1,172,095,843
At June 30, 2017	493,350,000	393,716,110	249,788,932	5,723,716	35,145,982	9,775,696	3,854,169	12,305,454	1,203,660,059

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Disposals proceeds	-	-	-	-	-	-	-	-	-
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There were no proceeds from disposals during the year

Note:

The disposal amount reflected under Computers & Related Equipment is the cost of a stolen iPad. The asset has been removed from the register of Computer Equipment and its net book value recognized as a loss and written-off through the profit and loss account.

Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	46,296,616	35,021,210
Motor Vehicles	66,054,388	37,289,710
	112,351,003	72,310,920

10 (b). ALLOCATION OF DEPRECIATION EXPENSES FOR PROPERTY, PLANT & EQUIPMENT

	2018	2017
Cost of Sales (Production Overheads)	15,241,093	14,867,432
Administrative Expenses	42,572,148	39,077,500
Total Depreciation expenses	57,813,241	53,944,932

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2017	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Application Systems	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
			Re-stated						
At July 1, 2016	493,350,000	429,479,611	269,647,738	4,646,690	46,375,187	15,581,169	18,945,999	13,898,757	1,291,925,152
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Additions	-	-	8,069,912	2,261,473	13,000,000	5,044,341	828,530	1,986,484	31,190,741
Disposals	-	-	-	-	(1,845,800)	(229,040)	-	-	(2,074,840)
At June 30, 2017	493,350,000	429,479,611	277,717,650	6,908,164	57,529,387	20,396,470	19,774,529	15,885,242	1,321,041,052
DEPRECIATION									
At June 30, 2017	-	18,584,316	14,110,085	461,152	10,938,463	5,345,744	13,366,913	1,696,344	64,503,018
Adjust for depre. on disposal	-	-	-	-	(884,446)	(182,511)	-	-	(1,066,957)
Adjust for depre. On Reclassification	-	-	-	-	-	-	-	-	-
Charge for the Year	-	17,179,184	13,818,633	723,296	12,329,388	5,457,541	2,553,446	1,883,444	53,944,932
	-	35,763,501	27,928,718	1,184,448	22,383,405	10,620,774	15,920,359	3,579,788	117,380,994
NET BOOK VALUE									
At June 30, 2017	493,350,000	393,716,110	249,788,932	5,723,716	35,145,982	9,775,696	3,854,169	12,305,454	1,203,660,059
At June 30, 2016	493,350,000	410,895,295	255,537,652	4,185,538	35,436,724	10,235,425	5,579,086	12,202,413	1,227,422,133

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Disposals Proceeds	-	-	-	-	871,000	68,533	-	-	939,533
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Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	40,170,999	26,541,133
Motor Vehicles	57,529,387	22,383,405
	97,700,386	48,924,539

10 (b) ALLOCATION OF DEPRECIATION EXPENSES FOR PROPERTY, PLANT & EQUIPMENT

		2017	2016
Cost of Sales (Production Overheads)	Appendix I	14,867,432	14,194,884
Administrative Expenses		<u>39,077,500</u>	<u>36,175,284</u>
Total Depreciation expenses		<u>53,944,932</u>	<u>50,370,168</u>

KENYA LITERATURE BUREAU
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE, 2018
 NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
11. INTANGIBLE ASSETS		
COST		
At July 1	19,774,529	18,945,999
Additions	1,250,000	828,530
Disposals	-	-
At June 30	<u>21,024,529</u>	<u>19,774,529</u>
AMORTISATION		
At July 1	15,920,359	13,366,913
Charge for the year	1,924,934	2,553,446
Impairment Loss	-	-
At June 30	<u>17,845,293</u>	<u>15,920,359</u>
NET BOOK VALUE		
At June 30	<u>3,179,236</u>	<u>3,854,169</u>
12. INVENTORIES		
Printed Books	478,071,057	290,033,394
Provision for Slow Moving Stock	(11,540,188)	(6,869,812)
Raw Materials	14,910,089	13,491,894
Stationery & Other Consumables	3,852,200	2,691,137
Library Books	1,819,275	1,568,348
Work in Progress	47,927,979	15,318,567
	<u>535,040,412</u>	<u>316,233,528</u>
13 (a) TRADE AND OTHER RECEIVABLES		
Trade Receivables - Books	3,072,797,162	385,874,878
Provision for Bad & Doubtful debts - Books	(7,430,145)	(11,069,366)
Trade Receivables - Printing	138,128,133	172,201,902
Provision for Bad & Doubtful debts - Printing	(1,328,839)	(3,234,710)
Accrued Interest Income	18,225,509	12,078,839
Other Receivables (inclusive of staff receivables Note 13 (c))	5,204,836	4,465,888
Deposits and Prepayments	5,418,824	7,773,319
	<u>3,231,015,481</u>	<u>568,090,750</u>
13 (b) TRADE RECEIVABLES		
Gross trade receivables	3,210,925,295	558,076,780
Provision for doubtful receivables	(8,758,983)	(14,304,076)
	<u>3,202,166,312</u>	<u>543,772,704</u>
At 30th June, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,985,509,805	195,006,398
Between 30 and 60 days	34,969,874	79,875,443
Between 61 and 90 days	17,124,083	39,125,339
Over 90 days	173,321,533	241,800,529
	<u>3,210,925,295</u>	<u>555,807,709</u>
13 (c) STAFF RECEIVABLES		
Gross staff loans and advances	3,561,866	3,384,655
Less: Amounts due within one year	(2,264,259)	(2,048,045)
Amounts due after one year	<u>1,297,607</u>	<u>1,336,610</u>

**KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2018**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs
14. SHORT-TERM INVESTMENTS		
Short Term Deposits with Kenya Commercial Bank	387,527,199	152,913,782
Treasury Bills with Central Bank of Kenya	353,985,070	658,906,790
	<u>741,512,269</u>	<u>811,820,572</u>

The weighted average effective interest rate on shortterm bank deposits at the year-end was 9.20 %, while the for investments in Treasury bills was 9.023%.

15. CASH AND BANK BALANCES

Cash on Hand	232,625	200,000
Cash at Bank	186,831,052	108,021,409
	<u>187,063,677</u>	<u>108,221,409</u>

The bulk of the cash at bank was held Kenya Commercial Bank and National Bank of Kenya, the Bureau's main bankers.

16. CAPITAL FUND

The amount of Kshs. 1,000,000,000 being GOK 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 Ksh 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.

Capital Fund	1,000,000,000	1,000,000,000
	<u>1,000,000,000</u>	<u>1,000,000,000</u>

17. REVALUATION RESERVES

Revaluation reserves relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax on retained earnings. Revaluation surpluses are not distributable. Revaluation of assets was done in 2014/2015 for the assets in the books as at May 31, 2015.

Revaluation Reserves	580,120,938	580,120,938
	<u>580,120,938</u>	<u>580,120,938</u>

18. REVENUE RESERVES

The retained earnings represent amounts available for distribution to the Government of Kenya. Undistributed retained earnings are utilised to finance the Bureau's business activities.

Retained Earnings	1,539,579,363	1,100,348,947
	<u>1,539,579,363</u>	<u>1,100,348,947</u>

19. TRADE AND OTHER PAYABLES

Trade Payables	1,860,627,115	137,400,875
Dividend Payable	48,803,379	22,013,076
Accrued Royalties	101,475,344	80,337,428
VAT Payable	237,988,102	25,463,575
Audit Fees Provision	1,624,000	812,000
Other Payables	32,581,766	13,051,994
Corporation Tax Payable	63,238,762	8,278,971
Accrued Expenses	3,024,827	3,470,125
Withholding Tax Due	5,658,652	3,926,845
Inventory Clearing Accounts	392,005,435	32,801,545
	<u>2,747,027,383</u>	<u>327,556,435</u>

20. RETIREMENT BENEFIT OBLIGATIONS

The Bureau operates a defined contribution scheme for the full time employees from 1st April 2011. The scheme is administered by an in-house Board of Trustees and is funded by contributions from both the Bureau and its employees. Further, the Bureau operates a defined benefit scheme which remains a closed fund for employees that were aged above 45 years as at 1st April 2011. The scheme does not admit new members. All permanent staff joining the Bureau are registered for the defined contribution scheme after probation. The year end of the two schemes is 31st December. The Bureau also contributes to the statutory National Social Security Fund (NSSF). This is defined contribution scheme registered under the National Social Security Act. The Bureau's obligation under the scheme is limited to specific contributions legislated from time to time and is currently dependent on the earnings per employee per month.

KENYA LITERATURE BUREAU
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 FOR THE YEAR ENDED 30 JUNE, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018 Kshs	2017 Kshs Re-stated
21. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of operating profit/(loss) to cash generated from /(used in) operations		
Operating profit for the year	687,038,566	327,514,281
Adjustments for:		
Depreciation Expenses	57,813,241	53,944,932
(Decrease)/Increase in Prov. for Slow Moving Stock	4,670,376	4,209,328
Provision for Doubtful Debts	(3,276,021)	6,408,181
Foreign Exchange (Gain)/ Loss	364,993	563,188
Net Interest Income	(74,262,657)	(49,330,914)
(Profit)/Loss on disposal of Assets	70,338	68,350
	<u>672,418,836</u>	<u>343,377,346</u>
Operating profit before Working Capital Changes		
(Increase)/Decrease in Inventories	(223,477,260)	100,732,387
Realised Foreign Exchange Gain/Loss	-	(563,188)
(Increase)/Decrease in Receivables	(2,653,502,040)	(149,346,120)
(Increase)/Decrease in Payables	2,337,720,853	71,517,273
	<u>132,795,397</u>	<u>365,717,698</u>
Cash generated from operations		
(b) Analysis of cash and cash equivalents		
Short Term Deposits with Kenya Commercial Bank	387,527,199	152,913,782
Treasury Bills with Central Bank of Kenya	353,985,070	658,906,790
Cash at bank	186,831,052	108,021,409
Cash at hand	232,625	200,000
	<u>928,575,945</u>	<u>920,041,981</u>
(c) Analysis of dividend paid		
2014 Dividends paid	10,679,315	
2015 Dividends paid	13,419,470	
2016 Dividends paid	15,159,556	
2017 Dividends paid	22,013,076	
	<u>61,271,417</u>	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018	2017
	Kshs	Kshs
22. RELATED PARTY DISCLOSURES		
(a) Government of Kenya		
The Government of Kenya is the principal shareholder of Kenya Literature Bureau, holding 100% of the Bureau's equity interest.		
There were no other Bureau's transactions involving the Government of Kenya.		
(b) Employees		
The Bureau provides certain qualifying employees with car loans in a funded arrangement with Kenya Commercial Bank Ltd. on terms more favourable than available in the market. The benefit obtained by the staff is subjected to income tax as required under the Kenya Income Tax Act. The cars are registered in joint names of the Bank and the employees for the car loan. The short-term deposits with principal amount of Kshs. 10 million are held for the purpose and earn a lower interest rate than the market rate. The Bureau is only liable when the employment contract with the employee is in force.		
(c) Directors' remuneration and related costs		
Allowances and other emoluments and costs for directors	15,921,618	14,294,023
The rise in directors' remuneration resulted from the exit of the former Board and appointment of new Board and related costs of induction.		
(d) Key management compensation		
Salaries and other employment benefits	51,574,439	52,486,787
Managing Director's Gratuity benefits	-	1,041,600
	<u>51,574,439</u>	<u>53,528,387</u>

The Bureau has a defined benefits and contribution plan whose benefits are payable by the Fund Manager or the annuity service provider and which are independently accounted for by the respective companies.

23. CAPITAL COMMITMENTS

Amounts authorised and contracted for includes:

Plant & Equipment	28,075,862	6,333,966
Furniture & Fittings	69,716	197,754
Computer Equipment	3,440,627	2,042,237
Office Equipment	144,368	148,832
	<u>31,730,573</u>	<u>8,722,789</u>

24. 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. The directors estimate that no material liability will arise on the assessment and have made no provision.

KENYA LITERATURE BUREAU
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FOR THE YEAR ENDED 30 JUNE, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. CONTINGENCIES (Continued)

- (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 then Minister for Finance in April 2013. The Bureau has held successful negotiations with the officials of Kenya Revenue Authority and the 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. The directors estimate that no material liability will arise on the assessment and have made no provision.

25. FINANCIAL RISK MANAGEMENT

The Bureau's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the Bureau's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Receivables from exchange transactions	3,210,925,295	3,037,603,762	173,321,533	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	186,831,052	186,831,052	-	-
Total	3,397,756,347	3,224,434,814	173,321,533	-
At 30 June 2017				
Receivables from exchange transactions	555,807,709	555,807,709	241,800,529	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	108,021,409	108,021,409	-	-
Total	663,829,118	663,829,118	241,800,529	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Bureau has significant concentration of credit risk on amounts due for over ninety (90) days Kshs. 241.8 million.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Bureau's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The Bureau manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	1,871,838,639	47,856,678	42,393,107	1,962,088,423
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,871,838,639	47,856,678	42,393,107	1,962,088,423
At 30 June 2017				
Trade payables	153,563,027	2,493,415	60,956,886	217,013,328
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	153,563,027	2,493,415	60,956,886	217,013,328

iii) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Foreign currency risk

The Bureau has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The carrying amount of the Bureau's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2018			
Financial assets(investments, cash ,debtors)	4,101,811,498	16,608,340	4,118,419,838
Liabilities			
Trade and other payables	(2,674,002,777)	-	(2,674,002,777)
Borrowings	-	-	-
Net foreign currency asset/(liability)	1,427,808,721	16,608,340	1,444,417,061

The Bureau manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2017			
Financial assets(investments, cash ,debtors)	1,475,160,059	12,972,672	1,488,132,731
Liabilities			
Trade and other payables	(320,896,762)	-	(320,896,762)
Borrowings	-	-	-
Net foreign currency asset/(liability)	1,154,263,297	12,972,672	1,167,235,969

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on Profit before tax	Effect on equity
	%	Kshs	Kshs
2017			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant
2016			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant

b) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow deposits. interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Bureau analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.

The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs Nil (2018: KShs Nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs Nil (2018 – KShs Nil).

iv) Capital Risk Management

The objective of the Bureau's capital risk management is to safeguard the Board's ability to continue as a going concern. The Bureau capital structure comprises of the following funds:

	2017-2018	2016-2017
	Kshs	Kshs
Revaluation reserve	580,120,938	580,120,938
Retained earnings	1,539,579,363	1,100,348,947
Capital reserve	1,000,000,000	1,000,000,000
Total funds	3,119,700,301	2,680,469,885
Total borrowings (Nil)	-	-
Less: cash and bank balances	(187,063,677)	(108,221,409)
Net debt/(excess cash and cash equivalents)	N/A	N/A
Gearing	0%	0%

26 INCORPORATION

Kenya Literature Bureau is incorporated in Kenya under the Act of Parliament Cap. 209 of 1980 (Revised 2012) and is domiciled in Kenya.

27 EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

28 CURRENCY

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX I

DETAILS OF PRODUCTION OVERHEADS

	2018	2017
	Kshs	Kshs
Basic Salaries	37,058,273	34,134,616
House Allowance	8,557,000	9,363,000
Other Personal Allowance	3,852,787	3,785,993
Leave Allowance	1,015,548	60,687
Gratuity & Pensions	22,260,889	18,882,544
Transport Operating Expenses	1,881,925	1,824,911
Telephone Expenses	1,421,961	741,590
Electricity, Water & Conservancy	10,251,812	9,035,528
Purchase of Uniform & Clothing	189,948	155,906
Stationery Expense	1,159,883	620,447
Hire of Casuals	25,883,967	8,049,260
Staff Training & Recruitment Expenses	6,114,947	5,695,673
Staff Welfare Expenses	6,214,488	3,528,151
Medical Expenses	9,568,422	8,465,810
Insurances Expenses	1,277,559	1,360,150
Maintenance of Plant & Equipment	29,415,107	24,380,712
Maintenance of Office Equipment	56,891	34,828
Maintenance of Buildings	2,845,612	2,616,752
Depreciation Expenses	15,241,093	14,867,432
Security Expenses	985,347	1,296,921
Overtime Allowances	1,704,783	853,085
	<u>186,958,241</u>	<u>149,753,996</u>