

KENYA LITERATURE BUREAU

# Annual Report and Financial Statements

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For the Year Ended 30th June, 2014

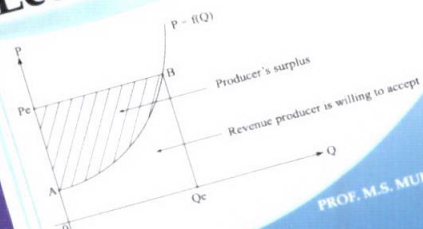


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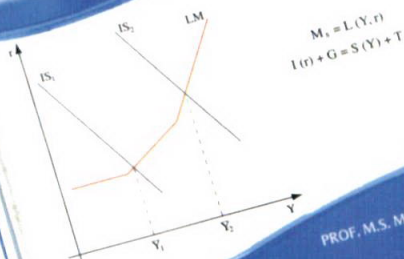


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# Annual Report and Financial Statements

for the Year Ended 30th June, 2014



**KENYA LITERATURE BUREAU  
PUBLISHERS AND PRINTERS**

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## KEY CORPORATE INFORMATION

### Background Information

Kenya Literature Bureau (KLB) was established by the Kenya Literature Bureau Act of Parliament Cap 209 (Revised 2012). Our mission is to publish and print quality education materials at affordable price while promoting excellent authorship and creating customer and shareholder value. Kenya Literature Bureau is represented at cabinet level by the Cabinet Secretary for Education, Science and Technology who is responsible for the general policy and strategic direction.

### Principal Activities

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

### Directors

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

- |                                   |   |  |
|-----------------------------------|---|--|
| 1. Mrs. Serah K. Ndege            | – | <i>Chairman</i> – Appointed on 28 <sup>th</sup> February 2013  |
| 2. Mrs. Eve A. Obara, MBS         | – | <i>Chief Executive</i> – Appointed on 1 <sup>st</sup> April 2013   |
| 3. Mrs. Leah Rotich               | – | <i>Alternate to Dr. Belio Kipsang, Principal Secretary, State Department of Education; Ministry of Education, Science and Technology</i> |
| 4. Mr. Francis Anyona             | – | <i>Alternate to Dr. Kamau Thugge, Principal Secretary, The National Treasury</i>   |
| 5. Mr. Mwakio Righa               | – | <i>Alternate to Mr. Ali Noor Ismail, Principal Secretary, Ministry of Labour, and Social Security</i>                                    |
| 6. Mr. Vitalis O. Awuor           | – | <i>Alternate to Dr. Moses K. Rugutt, Secretary, National Commission for Science, Technology and Innovation</i>                           |
| 7. Prof. Jesse N. K. Mugambi, EBS | – | <i>Representative, University of Nairobi</i>   |
| 8. Mr. Peter S. Kaaka             | – | <i>Director</i> – Appointed on 17 <sup>th</sup> December 2012  |
| 9. Mr. Robert M. Mbato            | – | <i>Director</i> – Appointed on 17 <sup>th</sup> December 2012  |
| 10. Mrs. Elizabeth K. Mwongera    | – | <i>Director</i> – Appointed on 24 <sup>th</sup> January 2013   |
| 11. Mrs. Dorothy N. Opondo        | – | <i>Director</i> – Appointed on 24 <sup>th</sup> January 2013   |
| 12. Mr. Aggrey W. Kuboka          | – | <i>Director</i> – Deceased in February 2014  |

#### Secretary of the Board

Mrs. Eve A. Obara, MBS  
P.O. Box 30022 - 00100,  
NAIROBI.

#### Registered Office

Kenya Literature Bureau Building  
Belle-Vue Area, South C  
Popo Road, off Mombasa Road  
P.O. Box 30022 – 00100,  
NAIROBI, KENYA

#### Branch

Customer Service Centre  
P.O. Box 30022 – 00100,  
KLB Building  
Kijabe Street  
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:

- Kenya Commercial Bank Limited  
Kencom Building  
Moi Avenue  
P.O. Box 30081 – 00100  
NAIROBI, KENYA
- National Bank of Kenya Limited  
National Bank Building  
Harambee Avenue  
P. O. Box 41862 – 00100  
NAIROBI, KENYA

#### Independent Auditors

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084 – 00100  
NAIROBI, KENYA

#### Principal Legal Advisers

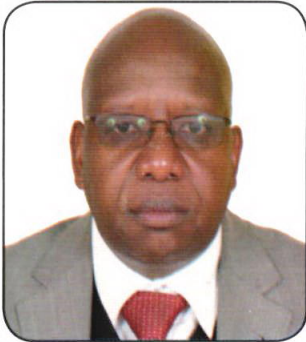
The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
NAIROBI, KENYA

## THE BOARD OF MANAGEMENT 2013/2014

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p><b>1. Mrs. Serah K. Ndege</b> <i>Chairman</i></p> 	<p>Mrs. Ndege is the Chairman of the Board of Management. She is aged 62. She is a holder of Bachelor of Arts from Makerere University (1975) and a Diploma in Education from the same institution. She is a holder of a Diploma in Theological Education and has attended several workshops on leadership and good corporate governance programmes. Mrs. Ndege worked as a Senior Principal Job Group Q, State House Girls High School from 1997–2008.</p>
<p><b>2. Mrs. E. A. Obara</b> <i>The Chief Executive Officer and the Secretary to the Board of Management</i></p> 	<p>Mrs. E. A. Obara is the Managing Director. She is aged 54 years. She is a holder of MSC (Business Administration from University of Illinois at Urbana – Champaign, USA, Certificate in Personnel Management from Royal Institute of Public Administration, London, UK and B.A. (Sociology and Political Science), University of Nairobi. She has attended various courses and seminars in management, leadership, corporate governance and strategy among many others both locally and internationally. She is a fellow member of the Institute of Human Resources Management and Alumni of the University of Illinois at Urbana – Champaign, USA and member of Marketing Society of Kenya.</p>
<p><b>3. Mrs. Leah Rotich</b> <i>Alternate to Dr. Belio Kipsang, Principal Secretary, State Department of Education; Ministry of Education, Science and Technology</i></p> 	<p>Mrs. Rotich represents the Ministry of Education, Science and Technology in KLB's Board of Management as stipulated under the Kenya Literature Bureau Act.</p>

**4. Mr. Francis Anyona**

*Alternate to Dr. Kamau Thugge,  
Principal Secretary, The National  
Treasury*



Mr. Anyona represents National Treasury in KLB's Board of Management as stipulated under the Kenya Literature Bureau Act.

**5. Mr. Mwakio Righa**

*Alternate to Mr. Ali Noor Ismail,  
Principal Secretary, Ministry of  
Labour, and Social Security*



Mr. Righa is aged 59 years. He is a holder of a Bachelor of Arts degree in Sociology and Public Administration, University of Nairobi and Bachelor of Arts Degree in Social Rehabilitation from University of Zimbabwe. He also holds a Masters Degree in Economics and Social Studies from University of Wales, United Kingdom. He has attended several management courses related to his profession. Mr Righa represents the Ministry of Labour Social Security and Service in KLB's Board of Management as stipulated under the KLB Act.

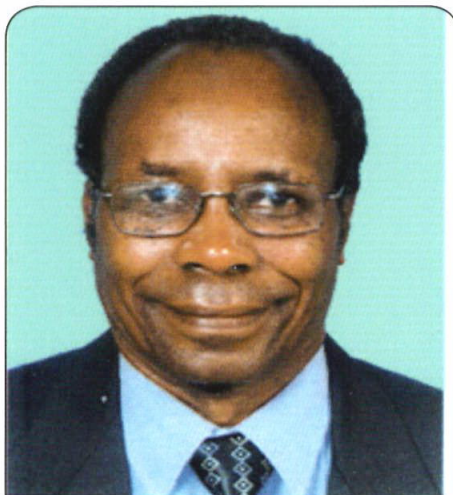
**6 Mr. Vitalis O. Awuor**

*Alternate to Dr. Moses K. Rugutt,  
Secretary, National Commission for  
Science, Technology and Innovation*



Mr. Awuor is aged 55 years. He is a holder of a B.Sc. degree in Meteorology, (1983) University of Nairobi, Post-Graduate Diploma in Engineering Hydrology 1987 from the Institute of Hydraulic and Environmental Engineering (IHE) Delft, the Netherlands. He also holds a Master of Science degree in Water Resources Engineering from University of Dar-es-Salaam, Tanzania (1992). Mr Awuor represents the National Commission for Science, Technology and Innovation in KLB's Board of Management as stipulated under the KLB Act.

**7. Prof. Jesse N. K. Mugambi, EBS**  
*Representative, University of Nairobi*



Prof. Mugambi is aged 67 years. He is a Professor of Philosophy and Religious Studies, Educator at the University of Nairobi; Theologian; Philosopher; Ecumenist; Ecologist; Consultant; Author and Publisher. He has been awarded Elder of the Order of the Burning Spear (EBS) and is a Member of the Kenya National Academy of Sciences (MKNAS). He has been a Resource Person in the Kenya Commission for University Education (CUE) since 1988 focusing on Philosophy, Theology, Religious Studies and Applied Ethics. His professional training is in Education; Communication Policy and Planning; Publishing; Ecology and Applied Ethics. He is a holder of a Bachelor of Arts BA. Hons (Nairobi); M.A. (Nairobi); Ph. D. (Nairobi). He also studied at Westhilll College of Education, Birmingham, UK, and conducted historical research at the CMS Archives in London (1969–70). Prof. Mugambi represents the University of Nairobi in the KLB Board.

**8. Mr. Peter S. Kaaka**  
*Independent Director*



Mr. Kaaka is aged 69 years. He is a holder of a Diploma in Dairy Technology from Egerton Agriculture College. He has served in various companies in different capacities both in the public and private sectors. He worked for K.C.C. and later Cadbury Schweppes E.A. as a Production and General Manager for over 21 years. He was responsible for exports in the East African Countries.

**9. Mr. Robert M. Mbato**  
*Independent Director*



Mr. Mbato is aged 68 years. He is a holder of Bachelor of Arts degree from the University of Nairobi. He has several years' experience in the Civil Service where he retired as Deputy Secretary, Ministry of Education in 2000. He has attended several Finance and Personnel Management courses locally and abroad.

**10. Mrs. Elizabeth K. Mwongera**  
*Independent Director*



Mrs. Elizabeth Mwongera, (Kenyan citizen) aged 62 years. She is a holder of a Bachelor of Education degree from the University of Nairobi and a Masters of Education Degree from University of Manchester with a bias in English. She has a Certificate in Training from the Institute of Personnel Management, UK, Diploma in Human Resource Management (ABE), MA (Counselling Psychology at Daystar University, Examiner (KNEC) Team leader, Co-authored English language series for secondary schools. She has been a graduate teacher, Inspector of Schools and Chief Human Development Officer at Kenyatta National Hospital.

**11. Mrs. Dorothy N. Opondo**  
*Independent Director*



Mrs. Opondo is aged 62 years. She is a holder of a Bachelor of Arts (Sociology and Literature) degree from University of Nairobi, Post Graduate Diploma in Management from Eastern and Southern Management Institute (ESAMI) and Masters in Business Administration from University of Nairobi. She has been the Group Human Resources Manager at Williamson Tea Kenya Limited, Nairobi from 1988 – 2012. She is currently the Chairman of Williamson Tea Staff Provident Fund. She is a member of Kenya Institute of Management.

## SENIOR MANAGEMENT TEAM 2013/2014

MANAGER'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p><b>1. Mrs. Eve A. Obara, MBS</b> <i>The Chief Executive Officer and the Secretary to the Board of Management</i></p> 	<p>Mrs. E.A. Obara is aged 54 years. She is a holder of MSC (Business Administration from University of Illinois at Urbana – Champaign, USA, Certificate in Personnel Management from Royal Institute of Public Administration, London, UK and B.A. (Sociology and Political Science), University of Nairobi. She has attended various courses and seminars in management, leadership, Corporate governance and strategy among many others both locally and internationally. She is a fellow member of the Institute of Human Resources Management and Alumni of the University of Illinois at Urbana – Champaign, USA and a member of Marketing Society of Kenya. She has also served as a member of Kenya Publishers Association and has served on boards of several schools. She is a recipient of Moran of the Burning Spear (MBS). Mrs. E.A. Obara was appointed on 1<sup>st</sup> April, 2013.</p>
<p><b>2. Mrs. Mary N. Khasiani, MBS</b> <i>Publishing Manager</i></p> 	<p>Mrs. Mary N. Khasiani is aged 58 years. She is a holder of Masters in Publishing Studies, University of Stirling, UK and Bachelor of Education, University of Nairobi. She has attended several workshops and seminars in Management, Copyright Law, Financial Aspects of Publishing, and Publishing Law among several others. She is a member of Kenya Institute of Curriculum Development, Textbooks Technical Committee, Early Childhood Education Course Panel, Member Council for Promotion of Children's Science Publication in Africa, Member African Association of Science Editors and was decorated as Moran of the Burning Spear among others. She is the chairperson of KLB SRBS. Mrs. Khasiani was appointed as Publishing Manager on 1<sup>st</sup> July 2002.</p>

**3. Mr. Francis M. Mutunga**  
*Finance Manager*



Mr. Francis Mutunga is aged 39 years. He is a holder of Bachelor of Commerce (Accounting), First Class Honours from Kenyatta University, Certified Public Accountant CPA (K), Diploma in Marketing Management from Kenya Institute of Management. He is a Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and an ISO Auditor by Kenya Bureau of Standards. He is also the Performance Contract Co-ordinator. He was appointed in the position of Finance Manager on 1<sup>st</sup> May 2014

**4. Mr. Bernard O. Obura**  
*Sales and Marketing Manager*



Mr. Bernard Obura is aged 40 years. He is a holder of an Executive MBA from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Arts Degree from the University of Nairobi, Diploma in Marketing (MSK - Kenya). Mr. Obura is a Council Member of the Marketing Society of Kenya. He has attended several courses on Strategic Management and Marketing. He was appointed in the position of Sales and Marketing Manager on 1<sup>st</sup> August 2009.

**5. Mr. Evans T. Nyachieng'a**  
*Corporate Services Manager*



Mr. Nyachieng'a is aged 48 years. He holds a Bachelor of Arts Degree from University of Nairobi and a Masters of Business Administration (Strategic Management) from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute; He has attended several training courses on Human Resources Management, Financial Management, Public Procurement, Leadership, Industrial Relations and Pensions Management. He is a member of Institute of Human Resources Management. He was appointed in the position of Corporate Services Manager on 22<sup>nd</sup> November 2012.

**6. Mr. Job M. Idaki**  
*Human Resources Manager*



Mr. Job Idaki is aged 48 years. He is a holder of a Bachelor of Education (Language and Literature) from Kenyatta University and Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He has attended several courses on Human Resource Management and leadership. He is a certified ISO 9001:2008 series Lead Auditor. He was appointed in the position of Human Resources Manager on 22<sup>nd</sup> November 2012.

**7. Mr. Joseph A. Emojong**  
*Ag. Production Manager*



Mr. Joseph Emojong is 41 years. He is a holder of Bsc (Hons) Degree in Graphic Media Studies (GMS) – Hertfordshire University UK and Diploma in Printing Technology from The Kenya Polytechnic. He has attended several courses in Printing, Publishing and Packaging. He was appointed in the position of Ag. Production Manger on 22<sup>nd</sup> April 2014.

**8. Mr. Julius K. Aritho**  
*Internal Audit Manager*



Mr. Julius K. Aritho is aged 48 years. He is a holder of Master of Business Administration (MBA) Accounting Option from University of Nairobi, Bachelor of Commerce (Accounting Option) from University of Nairobi. Mr. Aritho is a Certified Public Accountant (CPA) (K) and a member of the Institute of Certified Public Accountants of Kenya. He has attended several workshops and seminars on finance, audit and leadership. He was appointed in the position of Internal Audit Manager on 1<sup>st</sup> August 2013.

<p><b>9. Isaac K. Korir</b> <i>Customer Service Manager</i></p> 	<p>Mr. Korir is aged 54 years. He is a holder of a Bachelor of Education (Science) University of Nairobi. He has attended several management courses related to his professional and technical qualifications. He was appointed in the position of Customer Service Manager on 1<sup>st</sup> February 2014.</p>
<p><b>10. Philip Cheruiyot</b> <i>Procurement Manager</i></p> 	<p>Mr. Philip Cheruiyot is aged 43 years. He is a holder of Master of Science Degree from University of Salford (U.K) and a Bachelor of Business Administration Degree from University of Eastern Africa Baraton. He is a member of Chartered Institute of Purchasing and Supply (U.K) and a member of Kenya Institute of Supplies Management. He was appointed as a Procurement Manager on 2<sup>nd</sup> November 2007.</p>
<p><b>11. Jackson Musau</b> <i>Quality Assurance Manager</i></p> 	<p>Mr. Jackson Musau is aged 44 years. He is a holder of Master of Business Administration from University of Nairobi (Operations Management Option), a Post Graduate Diploma in Education from Kenyatta University and a Bachelor of Science Degree from Jomo Kenyatta University of Agriculture and Technology. He was appointed as Quality Assurance Manager on 4<sup>th</sup> September 2009.</p>
<p><b>12. Bernard Milewa</b> <i>Legal Services Manager</i></p> 	<p>Mr. Bernard Milewa is aged 35 years. He is an advocate of the High Court of Kenya, a holder of Masters from University of Nairobi of Business Administration (Strategic Management), Post Graduate Diploma in Law from Kenya School of Law, Bachelor of Laws Degree from Moi University. He is a member of the Law Society of Kenya and Chartered Institute of Arbitrators. He is a Commissioner for Oaths and Notary Public. He was appointed in the position of Legal Services Manager on 1<sup>st</sup> November 2013.</p>

## CHAIRMAN'S STATEMENT

It is with a sense of great pride and honour that I, on behalf of the Board of Management, announce another impressive year of record turnover and profitability by Kenya Literature Bureau (KLB) contained in the Annual Reports and Financial Statements for the period ended 30<sup>th</sup> June 2014.

### OPERATING ENVIRONMENT

During the year under review the Kenyan economy maintained its growth momentum to achieve a Gross Domestic Product growth rate of 4.7% in 2013 as compared to 4.6% achieved in 2012. The country's macroeconomic conditions continued to improve ushering an era of relative stability, with single digit inflation and stabilised exchange rate, among others. The growth rate for the global economy averaged 3% in 2013 due to various challenges including the rise in oil prices, continuation of the Euro Zone economic crisis, among others. The publishing industry faced challenges including book piracy and introduction of VAT on books which reduced the purchasing power of consumers.

### STRATEGIC POSITIONING

The Bureau continues to implement strategic objectives in accordance with the reviewed strategic plan 2010–2015. So far we have achieved and surpassed the targets set within the plan. We plan to continue diversifying in various new areas such as digital content development. We also have plans to continue with the modernisation exercise so as to ensure that the shareholder's value is maximised.

### OVERVIEW OF FINANCIAL RESULTS

The profit before taxation was Kshs. 164.74 million compared to Kshs. 117.99 million in 2013 representing an increase of 39.6%. Gross revenue grew by 24.8% to reach Kshs. 1.73 billion as compared with the previous year of Kshs. 1.39 billion. The gross turnover growth was driven by increased book sales demand in the Early Childhood Development Education (ECDE) after the transfer of the function to the devolved governance; growth in the primary, secondary and general books segments. The digital revolution presented an opportunity for sale of digital content titles for which KLB has been a market leader in their development and sale.

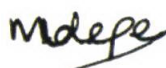
### FUTURE PROSPECTS

The outlook for 2015 is favourable with the economic growth targeted at 5.8% and with major infrastructural projects such as the construction of the Standard Gauge Railway, additional electricity generation projects, food security, irrigation projects, improvement of security infrastructure, roads construction, and expansion of airports among others being rolled out. We envisage a conducive operating environment even though the uncertainty related to the Curriculum review and its implementation may lead to slowed down sales. The Bureau will continue with implementation of the Revised Strategic Plan 2010–2015 and Performance Contracts based on sound leadership, prudent financial management, innovation, creativity and team spirit.

### DIVIDENDS

The Bureau has continued to pay increased dividends to the Government of Kenya since the 2006/7 financial year. The dividends are declared based on the policy of ten (10) per cent of the after tax net profits. KLB paid dividends amounting to Kshs. 10.069 million for the year ended 30<sup>th</sup> June 2013. In the period under review, KLB has made provisions for dividend pay-out of Kshs.10.68 million. The performance of the Bureau looks positive into the future; however, the uncertainty surrounding the review of curriculum change and its implementation may result in depressed sales demand.

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



**Mrs. Serah K. Ndege**

CHAIRMAN

## KAULI YA MWENYEKITI

Nina fahari kuu na kwa heshima na kwa niaba ya Bodi ya Usimamizi kutangaza kwamba kwa mara nyingine huu umekuwa mwaka wenye ufanisi mkubwa ambapo Shirika la Kenya Literature Bureau (KLB) limeshuhudia faida kubwa kama inavyobainisha ripoti ya mwaka unaomalizika tarehe 30 Juni, 2014.

### HALI ILIVYOKUWA

Katika mwaka huu, uchumi wa nchi ya Kenya ulizidi kukua kwa kasi na kufikia pato la asilimia 4.6 ya pato zima (GDP) mwaka wa 2013 ikilinganishwa na asilimia 4.6 iliyopatikana mnamo 2012. Mazingira ya uchumi kubwa nchini yalizidi kuimarika na kufikia viwango imara hali iliyoshuhudia asilimia moja tu ya mfumko wa bei na hivyo kufanya ubadilishaji wa soko kuwa mzuri. Uchumi wa dunia ulikuwa kwa asilimia 3 mwaka wa 2013 kutokana na changamoto kama kupanda kwa bei ya mafuta, mfumko wa kiuchumi katika zoni ya Uropa miongoni mwa masuala mengine. Mashirika ya Uchapishaji yalikabiliwa na changamoto nyingi zikiwemo ulanguzi wa vitabu na kuazishwa kwa ushuru wa mapato ambao ulipunguza uwezo wa wateja wa kununua.

### MKAKATI WA KUJIMARISHA

Shirika linazidi kutekeleza mkakati wa kujiimarisha katika malengo yake kwa kufuata mpangilio uliofanyiwa marekebisho wa kipindi cha 2010–2015. Hadi kufikia sasa, tumefaulu kutekeleza zaidi ya azimio letu. Tunakusudia kupanua malengo yetu na hata kuchapisha kidijitali. Tunakusudia pia kujisawazisha upya kwa nia ya kuwapa washikadau thamani ya uwekezaji.

### MAELEZO YA KIFEDHA

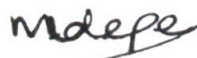
Faida iliyopatikana kabla ya kutoa ushuru ilifikia Sh. 164.74 milioni ikilinganishwa na faida ya Sh. 117.99 milioni mwaka wa 2013; ongezeko la asilimia 39.6. Pato la kijumla la ushuru lilikua kwa asilimia 24.8, kufikia Sh. 1.39 bilioni. Pato la kijumla lilikua kutokana na kuongezeka kwa mauzo ya vitabu hasa baada ya elimu ya chekechea, (ECDE) kugatuliwa shughuli zake zilipopelekwa kwa magatuzi; kukua kwa shule za msingi, upili na kwa ujumla hali ya usomaji. Ujio wa mfumo wa dijitali pia ulichangia pakubwa uchapishaji na uuzaji wa vitabu kadhaa na kuimarisha mauzo hasa ikizingatiwa kwamba KLB imekuwa ikiongoza katika eneo hilo kimasoko.

### MATARAJIO

Kuna matarajio makubwa katika mwaka wa 2015 hasa ikizingatiwa kwamba uchumi wa nchi unatarajiwa kukua hadi kiwango cha asilimia 5.8. Ujenzi wa reli ya kisasa, kuongezeka kwa vituo vya kuzalishia umeme, kuimarika kwa hali ya chakula na uhifadhi wake kupitia miradi ya unyunyizaji wa mashamba maji, kuimarika kwa miundomisingi ya usalama, ujenzi wa barabara na upanuzi wa viwanja vya ndege unaoendelea kutoa ishara njema. Hata hivyo kuna hofu ya kuathirika kwa mauzo kutokana na sintofahamu inayohusu mabadiliko ya silabasi ingawa tunatarajia mazingira bora ya kikazi. Shirika litakwenda mbele na kutekeleza mpango wake wa mkakati uliofanyiwa marekebisho wa kipindi cha 2010–2015 na mikataba ya utekelezaji kulingana na uongozi wake thabiti, usimamizi bora wa kifedha, ubunifu na ushirikiano.

### MGAO WA PESA

Tangu mwaka wa kifedha uliomalizika 2006/2007, Shirika limeendelea kuipa Serikali ya Kenya magao wake wa pesa mkubwa. Mgao wa pesa hupeanwa kwa kutumia kigezo cha asilimia kumi (10) ya pato lililotolewa ushuru. KLB ililipa mgao wa pesa wa takriban Sh. 10.069 milioni kwa mwaka wa kifedha uliomalizika tarehe 30 Juni, 2013. Kwa mwaka wa 2014, KLB imetenga kiwango cha Sh. 10.68 milioni kama mgao. Utendakazi wa Shirika unaashiria ufanisi katika siku zijazo; hata ingawa kuna hali ya sintofahamu kuhusiana na mabadiliko yanayotajiwa ya silabasi ambayo huenda yakapunguza mauzo. Ningetaka kuishukuru Serikali kupitia kwa Wizara inayotusimamia, Wizara ya Elimu, Sayansi na Teknolojia, Wakurugenzi wenza, Usimamizi, Wafanyikazi na mashirika wenzetu katika biashara kwa kutunga mkono kikamilifu katika ustawi na maendeleo.



**Bi. Serah K. Ndege**

*MWENYEKITI*

## Report of the Chief Executive Officer

### INTRODUCTION

The year under review marked a turning point for the Bureau's business growth and profitability. The Bureau has maintained a strong drive for results across all the segments of the market. The strategies that have been developed and implemented over the years have yielded positive results as evidenced by increased turnover and market share.

We continue to enhance the staff competence, attraction and retention by investment in human capital development, besides improvement of the terms and conditions for employees. This is evidenced by the high staff morale and commitment towards excellent performance.

### PERFORMANCE REVIEW

The Bureau has registered sustainable business growth with strong financial performance results which is derived from the strategic focus as provided for by our Revised Strategic Plan 2010 – 2015. The profit before taxation was Kshs. 164.74 million compared to Kshs. 117.99 million in 2012/2013 representing an increase of 39.6%.

Gross revenue grew by 24.8% to reach Kshs. 1.73 billion as compared with the previous year of Kshs. 1.39 billion. The gross turnover growth was driven by increased book sales demand in the Early Childhood Development Education (ECDE) after the transfer of the function to the counties; growth in the primary, secondary and general books segments. The digital revolution presented an opportunity for sale of digital content titles for which KLB has been a market leader in their development and sale.

Other gross income comprised of interest from short-term investments, rental income among others, which registered 33.04% growth to Kshs. 36.31 million as compared to Kshs. 27.29 million in 2012/2013.

Total operating expenses grew by 19.98% from Kshs. 746.06 million to Kshs. 895.12 million, 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 demand.
- Staff costs increased due to increased investment in talent to promote business sustainability.

**The Bureau's financial position has been strong with favourable liquidity ratios. Notably the Bureau finances all its operations and capital investments from internally generated finances. These results further demonstrate the sound leadership, prudence and effective strategies that the Bureau utilises to stay economically viable and contribute to the country's economic growth.**

### STRATEGIC PLAN IMPLEMENTATION

1. *Positioning of KLB as a leading Publisher and in the Industry* – The turnover has grown by 24.8% from Kshs. 1.39 billion in 2013 to Kshs. 1.73 billion. This was achieved through the aggressive marketing strategies and development of new markets with new product offering while servicing the current markets with improved products and services. The operationalisation of the devolved governance brought opportunities for sales demand for Early Childhood Development Education (ECDE) books. The Bureau collaborated in new partnerships such as the contract with Kenya National Examinations Council (KNEC) for printing and distribution of their *Four Figure Mathematics Tables*; the continuation of partnerships with digital providers/platforms such as *Amazon.com /World Reader* and *eKitabu* to make available online content for sale of our books, also boosted turnover.

2. *Improve on quality of products and services* – This was achieved by undertaking the annual market research to determine the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services. The continued compliance with the International Standardisation Organisation (ISO) 9001:2008 Quality Management System provides an assurance system for the quality of our products and services for our customers. The automation of the QMS system was a great achievement.
3. *Upgrade infrastructure for printing and publishing systems* – The Bureau continued with increasing capital investment aimed at improving the publishing 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 enhance corporate governance and improve on processes* – 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 Bureau reviewed various legal instruments and policies in line with the various Acts of Parliament including the Value Added Tax Act, 2013, Leadership and Integrity Act, 2012. Further, the Board usually meets for a minimum of four (4) quarterly meetings in a year. The Board of Management works through committees that include the Audit, Finance and General Purpose and Staff and General Purpose.
5. *Strengthening institutional capacity* – The Bureau 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 improve the terms and conditions of service for its employees with the approval of Salaries and Remuneration Commission. This has ensured that the Bureau enjoys highly motivated staff, and harmonious industrial relations.

## **BUSINESS REVIEW**

The Bureau continued to grow its product portfolio in different segments. The publishing and printing of books for the Ugandan market was a major step in growing market share in Uganda. The Bureau developed products for the ECDE, Mother tongue titles, primary, secondary, tertiary and general books segment. The publishing of books for the ECDE diploma colleges underlines the focus of the Bureau to fulfil customers' needs and exceed expectations. The digital content titles developed for Standard One add to the growing list of e-books that the Bureau has developed.

As one of the leading publisher and printer in the East Africa Community region, the Bureau has embarked on aggressive marketing of printing services to both public and private institutions. A major achievement has been the soliciting of printing orders for County Governments. The Bureau has also been actively printing for other public institutions and agencies.

In promotion of business sustainability strategy, the Bureau entered into partnership with the Kenya National Examinations Council (KNEC) to print and distribute their *Four Figure Mathematical Tables*. Other partnerships were signed with Zheijang Publishing United Group from China with a view to pursuing activities of mutual benefit to both organisations.

The Bureau continued to implement the Government policy to award 30% tenders to youth, women and persons with disabilities, in addition to enhancing gender and disability mainstreaming. The Bureau was awarded First runners up for Gender mainstreaming excellence award. A Bureau publication "*A Taste of Fame*" authored by Dr. Argwings Otieno was awarded *The Burt Award* named after the Canadian

Philanthropist, Bill Burt and sponsored by the National Book Development Council and the Canadian Organisation for Development of Education (CODE).

### PERFORMANCE CONTRACT AND ISO CERTIFICATION

KLB entered into a negotiated performance contract for 2013/2014 (10<sup>th</sup> Edition) with the Government by setting targets in line with Revised Strategic Plan 2010 – 2015, Second Medium Term Plan 2013 – 2018 and the Approved budgets. The Bureau maintained favourable performance by achieving all the set targets for the year under review as evidenced during the Performance Contract Evaluation in August 2014. This resulted from the commitment of KLB's Board, Management and staff to continually improve performance and increase productivity. As a team we are positive and relentlessly believe in the philosophy of unfinished business that assures us of new power and the push to extend boundaries of success.

The Bureau has continued to embrace the best practices by committing to the ISO 9001:2008 Quality Management System and improving processes and systems. The Bureau was recertified for the second time in October 2013.

### DIVIDENDS

Kenya Literature Bureau has continuously been paying dividends to the Government of Kenya since the 2006/7 financial year. The dividends are declared based on the policy of ten (10) per cent of the after tax net profits. KLB paid dividends amounting to Kshs. 10.069 million for the year ended 30<sup>th</sup> June 2013, while KLB has made provisions for dividend pay-out of Kshs. 10.68 million for the year ended 30<sup>th</sup> June 2014.

### APPRECIATION

In conclusion, let me thank the Government of Kenya, through our parent ministry, the Ministry of Education, Science and Technology whose valued support have seen us rise to the top; the Board of Management who have continuously provided the much needed strategic direction and leadership; the management and staff whose commitment has resulted in the impressive performance and our stakeholders and business partners including our customers for their continuous support and contribution to business growth.

Thank You and God Bless You All.



**Mrs. Eve A. Obara, MBS**  
**MANAGING DIRECTOR**

## RIPOTI YA MKURUGENZI MKUU

### UTANGULIZI

Mwaka unaotathminiwa ulileta mabadiliko makubwa katika ustawi na faida kwa Shirika kibiashara. Shirika limeendelea kupiga hatua mathubuti ya ufanisi katika kila sekta katika mauzo. Mapato makubwa yaliyopatikana pamoja na udhibiti wa mauzo ni ushahidi tosha kwamba mikakati ambayo tumekuwa tukitekeleza kila mwaka imeleta mafanikio makubwa.

Tunazidi na kuimarisha utendakazi wa wafanyikazi wetu mbali na utoaji bora wa huduma kwa kuwekeza katika mafunzo pamoja na kuwapa mazingira bora ya kikazi na mishahara. Hali hii imeshuhudia kiwango cha juu cha huduma na cha kujitolea kwa wafanyikazi wetu katika utendakazi wao.

### UTENDAKAZI

Shirika limedumisha ukuaji wake kibiashara kwa kupata matokeo mema na uimarikaji kifedha kutokana na mpangilio wake unaotokana na mkakati wa utekelezaji Uliofanyiwa Marekebisho wa kipindi cha 2010–2015. Mapato ya kijumla kabla ya kutoza ushuru yalikuwa Sh. 164.74 milioni ikilinganishwa na Sh. 117.99 milioni katika kipindi cha 2012–2013. Hili lilikuwa ongezeko kwa asilimia 39.6.

Mapato ya ushuru yalikua kwa asilimia 24.8 hadi Sh. 1.39 bilioni. Kuongezeka kwa mauzo kulitokana na mabadiliko katika elimu ya chekechea, (ECDE) baada ya kugatuliwa kwa majukumu yake hadi kwenye kaunti; kukua kwa shule za misingi na za upili na kwa ujumla hali ya vitabu. KLB imekuwa katika uongozi katika soko na mauzo ya vitabu vilivyochapishwa kidijitali na mabadiliko hayo ya kimfumo yaliwezesha Shirika kuuza vitabu vingi kidijitali.

Mapato zaidi yalipatikana kutokana na faida kutoka katika uwekezaji wa muda mfupi, kodi ya nyumba miongoni mwa mengine, na kufikisha ukuaji wa pato wa asilimia 33.04, Sh. 36.31 milioni ikilinganishwa na Sh. 27.29 milioni katika kipindi cha 2012/13.

Pesa za matumizi zilikuwa na kufikia asilimia 19.98 kutoka Sh. 746.06 milioni hadi Sh. 895.12 milioni kutokana na yafuatayo:

- Huduma za usimamizi kutokana na kuongezeka kwa kazi na viwango vya uzalishaji.
- Kuongezeka kwa gharama za uuzaji na usambazaji kutokana na kukua kwa biashara na viwango vinavyotolewa kutegemea ukubwa wa mauzo na pia kutokana na haja ya kupanua soko kwa mauzo zaidi.
- Gharama kwa wafanyikazi iliongezeka kwa sababu ya kudhamini vipawa kwa ajili ya kutangaza bidhaa na udumishaji.

Hali ya kifedha ya Shirika imekuwa imara kutokana na viwango vya pesa taslimu. Shirika hudhamini matumizi yake yote ya ndani na uwekezaji kutoka katika pesa zinazopatikana kwa shughuli za ndani ya shirika. Kitendo hiki kinaonyesha uthabiti wa uongozi imara na jasiri na mikakati kabambe ya kimpangilio inayotumiwa na Shirika katika utekelezaji kuhakikisha linasalia imara kiuchumi na kuchangia katika ukuaji wa uchumi wa kitaifa.

### MIPANGO YA UJIMARISHAJI

1. *Nafasi ya shirika la KLB kama kiongozi katika uchapishaji na katika viwanda*

Mapato yamekua kwa asilimia 24.8 kutoka Sh. 1.39 bilioni mwaka wa 2013 kufikia Sh. 1.73 bilioni. Ufanisi huo ulitokana na mipango kabambe, mikakati ya mauzo mbali na kutafuta masoko mapya na kupitia bidhaa mpya na wakati huo huo, kutoa huduma bora kwa masoko yaliyopo kwa kuimarisha bidhaa na huduma. Utekelezaji wa ugatuzi ulisababisha ongezeko la mauzo ya vitabu kwa elimu ya chekechea, (ECDE). Shirika liliingia katika mkataba wa ushirika na mashirika mengine kama lile la Baraza la Mtihani la Kenya, (KNEC) kuchapisha vitabu vya Mwongozo wa Hisibati (*Four Figure Mathematical Table*) na usambazaji; kuendelea katika ushirikiano na wadau wa mifumo ya kama vile *Amazons.com/World reader* na *eKitabu* ili kuweka matini yetu kwenye mitandao yao kwa ajili ya kuuza vitabu vyetu kuliongeza mapato yetu maradufu.

2. *Kuboresha viwango vya bidhaa na huduma*

Hili lilifanikishwa kwa kufaya utafiti wa kila mwaka kutathmini mahitaji, uvutiaji na mapendeleo na wateja na matokeo yake kutumika katika kuimarisha bidhaa na huduma. Uzingatiaji wa ubora wa viwango wa kimataifa ( ISO) 9001:2008 Usimamizi wa Mfumo wa Ubora ni huhakikisha kuwa ubora wa bidhaa zetu unadumishwa pamoja na huduma kwa wateja wetu. Kuzinduliwa kwa mfumo wa QMS kulikuwa kwa manufaa sana.

3. *Kuboresha miundo mifumo ya utoleshaji na uchapishaji*

Shirika liliendelea na kuwekeza zaidi katika mtaji kwa lengo la kuimarisha mfumo wa uchapishaji. Kununua mitambo na mashini, mitambo ya ICT, magari na utekelezaji kikamilifu wa mifumo ya kitarakilishi kama vile mifumo ya kifedha ya ACCPAC na mifumo ya habari kuhusu Usimamizi wa wafanyikazi. Tumeimarisha kiwango cha Shirika katika matumizi ya miundo ya teknolojia.

4. *Kuimarisha usimamizi wa kikampuni ili kuboresha utekelezaji*

Shirika lilihakikisha linaendelea kuzingatia kuhudumu kulingana na sheria na kanuni za ukubalishaji zilizowekwa na Serikali kama washirika wawekezaji ili kuweka mazingira bora ya kibiashara. Shirika lilitathmini vipengele mbalimbali vya kisheria pamoja na sera kama ilivyopitishwa na sheria za bunge ikiwemo ile ya Sheria ya Ushuru wa Mapato –VAT, 2013, Sheria ya Uongozi na Hadhi, 2012. Isitoshe, Bodi hukutana takriban mara nne (4) kwa mwaka. Bodi hutekeleza majukumu yake kupitia kamati mbalimbali zikiwemo; Kamati ya Uhasibu, Kamati ya Fedha na Shughuli za kila siku, na Kamati ya Wafanyikazi na Shughuli za Kawaida.

5. *Uimarishaji wa uwezo wa asasi*

Shirika lilifanikiwa katika juhudi zake za kuimarisha uwezo wake kiasasi ili kuwahudumia wateja wake wapendwa kikamilifu na kukidhi ongezeko la mahitaji yao. Shirika litaendelea kuimarisha viwango vya wafanyikazi wao ili kuhakikisha linapata wafanyikazi bora na wenye ujuzi zaidi kuhudumu. Hali hii imesababisha kuwepo kwa uwajibikaji mzuri. Shirika linaendelea na juhudi za uimarishaji wa mazingira ya kikazi na kuwapa wafanyikazi wao mishahara mizuri kulingana na Tume ya Mishahara. Kitendo hiki kimefanya Shirika kuwa na wafanyikazi wenye ari na motisha ya juu na ushirikiano wa kiviwanda.

## **HALI YA KIBIASHARA**

Shirika liliendelea na kukuza bidhaa zake katika viwango mbalimbali. Kufaulu katika mradi wa Kuchapisha na kutolesha vitabu kwa nchi ya Uganda ilikuwa ni ufanisi mkubwa sana katika kuimarisha uhabibiti wa soko la mauzo nchini humo. Shirika lilichapisha bidhaa katika ECDE, lugha ya kwanza, shule za misingi, upili, vyo anuai na vitabu vingine kwa ujumla. Kuchapisha vitabu vya ECDE kwa vyo anuai hadi sasa unabaki mradi muhimu sana na ambao ulipita matarajio yetu katika kutimiza mahitaji ya wateja wetu na matarajio yao. Uchapishaji kidijitali kwa Darasa la Kwanza kunaongezea orodha ndefu ya vitabu kielektroniki (e-books) ambavyo Shirika limefaulu kuchapisha.

Kama Shirika maarufu katika uchapishaji na utoleshaji, Shirika limezindua kampeni kubwa sana kwa lengo la kutoa huduma za uchapishaji na utoleshaji katika mashirika ya umma na ya kibinafsi katika eneo zima la Jumuiya ya Afrika Mashariki. Ufanisi mkubwa umepatikana kwa kukubalishwa kutoa huduma za utoleshaji kwa Serikali za Kaunti. Shirika pia limekuwa likitoa huduma za utoleshaji kwa mashirika ya umma na mawakala.

Katika juhudi za kupata udumishaji, shirika lilifanya makatiba na Baraza la Mtihani la Kenya ( KNEC) ili kuchapisha na kusambaza Mwongozo wa Hisibati, (*Four Figure Mathematical Tables*). Washirika wengine tuliofanya nao mkatiba wa ushirikiano ni pamoja na shirika la Kichina la Zheijang Publishing United Group.

Shirika aidha lilitokeleza mwito wa Sera ya Serikali wa kutoa asilimia 30 ya tenda kazi zote kwa vijana, kina mama, na watu wanaoishi na ulemavu mbali na kuhimiza usawa wa kijinsia katika uajiri. Shirika lilituzwa **Nafasi ya pili** kwa kuajiri kwa kuzingatia usawa wa kijinsia. Chapisho la Shirika lililoitwa,

“*A Taste of Fame*” lililoandikwa na Dkt. Argwings Otieno lilishinda tuzo ya *The Burt Award* ambayo imetajwa kwa heshima ya Bill Burt raia mkarimu wa Canada na iliyodhaminiwa na Baraza la Ukuzaji Vitabu na Baraza la Maendeleo la Canada (COD).

#### **MIKATABA YA UTENDAKAZI NA VYETI VYA VIWANGO — ISO**

Kenya Literature Bureau ilishauriana na Serikali na kufanya nayo mkataba wa utendakazi kwa makataba wa 2013/2014 (Toleo la 10) kwa kujiwekea viwango kulingana na mpangilio uliofanyiwa Marekebisho wa kipindi cha 2013–2015, Hatua ya mpango wa Muhula wa Katikati, kipindi cha 2013–2018 na Uidhinishaji wa Bajeti. Shirika lilidumisha utendakazi bora na kutimiza malengo yake yote kufikia wakati wa Tathmini ya Utendakazi na Mikataba kwa mwaka wa 2014 mwezi wa Agosti. Ufanisi huo ulitokana na juhudi za Bodi ya usimamizi ya KLB pamoja na wafanyikazi ambao walichangia pakubwa kwa kujitolea kazini. Kama timu, hatutachoka katika utendakazi wetu na kwa kuongozwa na falsafa inayosema kwamba bado nafasi ya kufanya hata vyema zaidi ipo.

Shirika limezidi na kuzingatia maadili ya kikazi kwa kufuata viwango kulingana na Mfumo ya Uboru na Usimamizi, ISO 9001:2008 na kufanikisha utendaji na mifumo. Shirika lilipewa cheti kwa mara ya pili mwaka wa 2013.

#### **MIGAO YA PESA**

Kenya Literature Bureau imekuwa ikiilipa Serikali ya Kenya mgao wake wa pesa tangu mwaka wa pesa 2006/2007. Mgao wa pesa hupeanwa kwa kutumia kigezo cha asilimia kumi (10) ya pato lililotolewa ushuru. KLB ililipa mgao wa pesa wa takriban Sh. 10.069 milioni kwa mwaka wa kifedha uliomalizika tarehe 30 Juni, 2013.

#### **SHUKRANI**

Katika kuhitimisha, Ningependa kuishukuru Serikali ya Kenya kupitia Wizara husika, Wizara ya Elimu, Sayansi na Teknolojia ambayo imetuwezesha kufika vilele vya juu, Bodi ya Usimamizi kwa uongozi wao mzuri na mipangilio, wasimamizi na wafanyikazi ambao walifanya kazi kwa kujitolea na washikadau wote pamoja na washirika wetu kibiashara na pia wateja wetu kwa kuendelea kutuunga mkono na hata kuchangia ukuaji wetu kibiashara.

Asanteni na Mungu awabariki.



**Bi. Eve A. Obara, MBS**  
MKURUGENZI MKUU

## STATEMENT OF CORPORATE GOVERNANCE

The Board of Management implements effective governance through processes and policies intertwined with the core values and ethics as espoused in the Code of Ethics which was revised based on the Leadership and Integrity Act, 2012. The Board and Management undertook one day training on corporate governance, induction and gender mainstreaming in October 2013. Corporate governance is a key element contributing to Kenya Literature Bureau's sustainable business success and is highly regarded at the Bureau.

### THE BOARD

The Board of Management is responsible for providing overall leadership through oversight, review and guidance in addition to setting the strategic and policy direction. It is the primary decision-making organ for all policy matters of the Bureau. The Board is endowed with the appropriate mix of skills, knowledge and experience to perform its duties effectively. The areas of expertise of the directors are as follow:

<b>Name</b>	<b>Area of Expertise</b>
Mrs. Serah K. Ndege	<i>Administration and Education</i>
Mrs. Eve A. Obara	<i>Human Resource Management and Business Administration</i>
Mrs. Leah Rotich	<i>Administration and Education</i>
Mr. Francis Anyona	<i>Economics and Financial Management</i>
Mr. Mwakio Righa	<i>Economics and Social Studies</i>
Mr. Vitalis O. Awuor	<i>Meteorology and Water Resources Engineering</i>
Prof. Jesse N. K. Mugambi	<i>Education, Communication Policy and Planning and Philosophy and Religious Studies</i>
Mr. Peter S. Kaaka	<i>Manufacturing and Financial Management</i>
Mr. Robert M. Mbato	<i>Administration and Education</i>
Mrs. Elizabeth K. Mwongera	<i>Education and Human Resources Management</i>
Mrs. Dorothy N. Opondo	<i>Human Resources Management and Business Administration</i>
Mr. Aggrey W. Kuboka*	<i>Deceased</i>

*\*Mr. Aggrey W. Kuboka passed away in February 2014.*

The Board continues to offer oversight and review matters related to their duties including the Bureau's strategy, financial performance, corporate governance, ensuring the maintenance of sound internal control system and risk management framework, delegation and monitoring of the authority for expenditure and commitments.

### BOARD COMPOSITION

The Board has Ten (10) members; the Chairman, five independent directors and five directors representing various governmental agencies as per the Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012) and the Managing Director. Mrs. Serah K. Ndege was appointed Chairman on 28<sup>th</sup> February 2013. Mrs. Elizabeth K. Mwongera and Mrs. Dorothy N. Opondo joined the Board on 24<sup>th</sup> January 2013 and, therefore, meets the 30% gender equity threshold for gender equity.

### ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

## SUCCESSION PLANNING

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

## BOARD EVALUATION AND PERFORMANCE

The 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 Chair to the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer. The Bureau has procured 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 on a quarterly basis and has a formal schedule of matters to be discussed. The directors receive appropriate and timely reports to facilitate informed deliberations and decision-making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication. The Board has an opportunity to meet with all the staff on an annual basis in December.

## BOARD COMMITTEES

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

### BOARD AUDIT COMMITTEE

#### Members

Prof. Jesse N. K. Mugambi	– Chairman
Robert M. Mbato	
Elizabeth K. Mwongera	
Francis Anyona	
Eve A. Obara	– <i>Managing Director</i>
Julius K. Aritho*	– <i>Internal Audit Manager</i>
Bernard O. Milewa*	– <i>Legal Services Manager</i>

*\*In-attendance*

#### Role and Function

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

**Attendance**

Number of meetings scheduled for 2013/2014 4

Prof. Jesse N. K. Mugambi – <i>Chairman</i>	4/4
Robert M. Mbato	4/4
Aggrey W. Kuboka* – Passed away in February 2014 (DECEASED)	3/4
Elizabeth K. Mwongera	4/4
Francis Anyona* represented by Peter Muhia Wanjiku once	3/4
Eve A. Obara – <i>Managing Director</i>	4/4

**BOARD FINANCE COMMITTEE****Members**

Peter S. Kaaka	– <i>Chairman</i>
Dorothy N. Opondo	
Vitalis O. Awuor	
Leah Rotich	
Francis Anyona	
Eve A. Obara	– <i>Managing Director</i>
Francis M. Mutunga*	– <i>Finance Manger</i>
Bernard O. Milewa*	– <i>Legal Services Manager</i>

\**In-attendance*

**Role and function**

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

**Attendance**

Number of meetings scheduled for 2013/2014 4

Peter S. Kaaka – <i>Chairman</i>	4/4
Dorothy N. Opondo	4/4
Vitalis O. Awuor	3/4
Leah Rotich* represented by Noor Aden once	3/4
Francis Anyona* represented by Peter Muhia Wanjiku once	3/4
Eve A. Obara – <i>Managing Director</i>	4/4

**BOARD STAFF & GENERAL PURPOSE COMMITTEE****Members**

Dorothy N. Opondo	– <i>Chairman</i>
Aggrey W. Kuboka (Deceased former Chairman)	
Prof. Jesse N. K. Mugambi	
Leah Rotich	
Eve A. Obara	– <i>Managing Director</i>
Job Idaki*	– <i>Human Resources Manager</i>
Bernard O. Milewa*	– <i>Legal Services Manager</i>

\**In-attendance*

### Role and Function

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

### Attendance

Number of meetings scheduled for 2013/2014	<b>6</b>
Aggrey W. Kuboka* – ( <i>Deceased former Chairman</i> ) Passed away in February 2014	5/6
Prof. Jesse N. K. Mugambi	6/6
Dorothy N. Opondo ( <i>Chairman</i> )	6/6
Leah Rotich* represented by Margaret Okemo twice	5/6
Eve A. Obara – <i>Managing Director</i>	6/6

### Directors' Remuneration

The Bureau pays members of the Board such taxable sitting allowance as may be approved by the Cabinet Secretary for Education, Science and Technology, following guidelines from the State Corporations Advisory Committee and Salaries and Remuneration Commission. The sitting allowance is payable when a member attends meetings of the Board or Committees and when on official duty in and outside the Country. The Chairman of the Board is paid a honoraria as approved by the Government from time to time. The payment of sitting, travelling and lunch allowance is also based on the approved rates by the Government of Kenya. The Bureau does not grant personal loans, guarantees to directors.

### Staff Remuneration

Staff remuneration is based on the sustained performance by the employees and is subject to the approval of the Board and the Salaries and Remuneration Commission and based on the budget. Year-end rewards and benefits are tied to the overall performance for the Bureau in monetary terms. The Bureau 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.

### Code of Conduct

The Bureau has revised its Code of Conduct in line with the Leadership and Integrity Act, 2012 for which all the directors, management and employees are required to observe and which is also reinforced by the core values and principles of governance.

### 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.

## **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 that 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.
- The Bureau recognises that staff are a key component of any business success story 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.
- Bookshops have benefited from the social responsibility programmes where the Bureau organises 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 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 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.

## Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended 30<sup>th</sup> June 2014 which show the state of the Bureau's 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.

### RESULTS

The results of the Bureau for the year ended 30<sup>th</sup> June 2014 are set out on pages 26 to 44.

### DIVIDENDS

The Board of Management proposes dividend for the year ended 30<sup>th</sup> June 2014 amounting to Kshs. 10.68 million which is payable to the Government of Kenya through the National Treasury based on the audited financial statements. The dividend will be paid in the fourth quarter of 2014/2015 financial year.

### DIRECTORS

The members of the Board of Management who served during the year are shown on page 2 to 5.

### AUDITORS

The Auditor General is responsible for the statutory audit of the Kenya Literature Bureau in accordance with the Public Finance Management (PFM) Act, 2012. The Auditor General carried out the audit of the Bureau for the year ended 30<sup>th</sup> June 2014.

By Order of the Board.



**Mrs. Eve A. Obara, MBS**  
*Secretary to the Board*  
NAIROBI  
26<sup>th</sup> August 2014

## Statement of Directors' Responsibilities

Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act, require the Directors 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 Directors are also required to ensure that the Bureau keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bureau. The Directors are also responsible for safeguarding the assets of the Bureau.

The Directors are responsible for the preparation and presentation of the Bureau'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<sup>th</sup> June 2014. This responsibility includes:

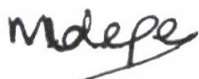
- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bureau;
- (iii) designing, implementing 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 Directors 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 and the State Corporations Act. The Directors 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<sup>th</sup> June, 2014, and of the Bureau's financial position as at that date. The Directors 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.

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

### APPROVAL OF THE FINANCIAL STATEMENTS

The Bureau's financial statements were approved by the Board on 30<sup>th</sup> July 2014 and signed on its behalf by:



**Mrs. Serah K. Ndege**  
*Director*



**Prof. Jesse N. K. Mugambi, EBS**  
*Director*



**Mrs. Eve A. Obara, MBS**  
*Director*

# Report of the Auditor-General on Kenya Literature Bureau

For the year ended 30<sup>th</sup> June 2014

## REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 28 to 47, which comprise the statement of financial position as at 30th June 2014, statement of comprehensive income, statement of changes in capital funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

## MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

## AUDITOR-GENERAL'S RESPONSIBILITY

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

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

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

## OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bureau as at 30 June 2014, its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Literature Bureau Act, Cap. 209 of the Laws of Kenya.



**Edward R. O. Ouko, CBS**

*Auditor-General*

NAIROBI

27th January, 2015

## Statement of Comprehensive Income

For the Year Ended 30<sup>th</sup> June, 2014

	NOTES	2013/2014 Kshs	2012/2013 Kshs
Turnover	1 (a)	1,733,943,020	1,389,117,605
Cost of Sales	1 (b)	(710,403,430)	(552,366,293)
<b>Gross Profit</b>		<b>1,023,539,590</b>	<b>836,751,312</b>
Income from investments	7 (a)	29,455,359	20,054,946
Gain on Disposal of Non-financial Assets	2	360,080	520,000
Other Income	3	6,498,751	6,719,742
<b>TOTAL REVENUES</b>		<b>1,770,257,210</b>	<b>1,416,412,293</b>
Administration Costs	4 (a)	265,193,288	239,990,736
Selling and Distribution Costs	5	595,943,805	481,849,964
Depreciation – Property, Plant and Equipment	10 (b)	33,980,788	24,217,364
<b>TOTAL COSTS</b>		<b>1,605,521,311</b>	<b>1,298,424,357</b>
<b>OPERATING PROFIT FOR THE YEAR BEFORE TAX</b>		<b>164,735,899</b>	<b>117,987,936</b>
<b>INCOME TAX EXPENSE</b>	8 (a)	<b>57,942,751</b>	<b>17,977,245</b>
<b>PROFIT AFTER TAX</b>		<b>106,793,148</b>	<b>100,010,691</b>



Mrs. Serah K. Ndege  
Chairman  
26<sup>th</sup> August, 2014




Mrs. Eve A. Obara, MBS  
Managing Director  
26<sup>th</sup> August, 2014

## Statement of Financial Position

As at 30<sup>th</sup> June, 2014

ASSETS	NOTES	2013/2014 Kshs	2012/2013 Kshs (Restated)
<b>Non-Current Assets</b>			
Property, Plant and Equipment	10 (a)	<u>753,105,345</u>	<u>770,159,132</u>
<b>Current Assets</b>			
Inventories	12	576,673,180	452,105,994
Trade and Other Receivables	13 (a)	281,843,672	295,985,534
Short-term Investments	14	398,401,220	287,034,527
Cash and Bank Balances	15	<u>34,674,496</u>	<u>66,196,966</u>
		<u>1,291,592,568</u>	<u>1,101,323,020</u>
<b>TOTAL ASSETS</b>		<u><b>2,044,697,913</b></u>	<u><b>1,871,482,152</b></u>
<b>RESERVES, FUND AND LIABILITIES</b>			
<b>Capital Fund and Reserves</b>			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	406,887,671	406,887,671
Revenue Reserves	18	<u>375,632,902</u>	<u>276,122,441</u>
<b>Shareholder Funds</b>		<u>1,782,520,573</u>	<u>1,683,010,112</u>
<b>CURRENT LIABILITIES</b>			
Trade and Other Payables	19	<u>262,177,340</u>	<u>188,472,040</u>
		<u>262,177,340</u>	<u>188,472,040</u>
<b>TOTAL RESERVES, FUND AND LIABILITIES</b>		<u><b>2,044,497,913</b></u>	<u><b>1,871,482,152</b></u>

The financial statements were approved by the Board of Management on 30<sup>th</sup> July 2014 and were signed on its behalf by:



**Mrs. Serah Ndege**  
Chairperson  
26<sup>th</sup> August, 2014



**Mrs. Eve A. Obara, MBS**  
Managing Director  
26<sup>th</sup> August, 2014

The notes set out on pages 32 to 48 form part of these financial statements.

## Statement of Changes in Capital Fund and Reserves

For the Year Ended 30<sup>th</sup> June, 2014

	<b>Capital Fund</b>	<b>Revaluation Reserves</b>	<b>Revenue Reserves</b>	<b>Total Reserves</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 1st July 2012</b>	700,000,000	406,887,671	486,112,818	1,593,000,489
Transfer of Capital Reserves	300,000,000	–	(300,000,000)	–
Net Profit for the year	–	–	117,987,937	117,987,937
Prov. for Corporation Tax – 2012/13	–	–	(17,977,245)	(17,977,245)
Dividends – 2012/2013 Paid	–	–	(10,001,069)	(10,001,069)
<b>At 30th June 2013</b>	<u><b>1,000,000,000</b></u>	<u><b>406,887,671</b></u>	<u><b>276,122,441</b></u>	<u><b>1,683,010,112</b></u>
<b>At 1st July 2013</b>	1,000,000,000	406,887,671	276,122,441	1,683,010,112
Prior Year Adjustment	–	–	3,396,628	3,396,628
Net Profit for the Year	–	–	164,735,899	164,735,899
Provision for Corporation Tax – 2013/2014	–	–	(57,942,751)	(57,942,751)
Proposed Dividends – 2013/2014	–	–	(10,679,315)	(10,679,315)
<b>At 30th June 2014</b>	<u><b>1,000,000,000</b></u>	<u><b>406,887,671</b></u>	<u><b>375,632,902</b></u>	<u><b>1,782,520,573</b></u>

## Statement of Cash Flow

For the Year Ended 30<sup>th</sup> June, 2014

OPERATING ACTIVITIES	NOTES	2013/2014 Kshs	2012/2013 Kshs (Re-stated)
Operating Profit for the Year	6	164,735,898	117,987,937
<b>Adjustments for:</b>			
Depreciation Expenses	10(a)	51,258,420	42,865,177
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	(2,158,563)	(6,767,146)
Provision for Doubtful Debts	4(a)	2,321,134	(863,270)
Net Interest Income	7	(25,037,055)	(20,054,946)
Profit/Loss on Disposal of Assets	10	(360,080)	(520,000)
Library Books Written off	6	–	114,832
<b>Operating Profit before Working Capital Changes</b>		<b>190,759,754</b>	<b>132,762,584</b>
( Increase)/Decrease in Inventories	12	(122,408,623)	2,322,563
( Increase)/Decrease in Receivables	13(a)	9,343,446	(63,931,407)
( Increase)/Decrease in Payables	19	37,874,685	35,211,629
<b>Cash Generated from Operations</b>		<b>115,569,261</b>	<b>106,365,369</b>
Dividends Paid	9	(10,001,069)	(16,354,570)
Corporation Tax Paid	8(b)	(22,790,382)	(7,763,017)
<b>Net Cashflows from Operating Activities</b>		<b>82,777,810</b>	<b>82,247,782</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of Property, Plant and Equipment	10	(33,948,765)	(61,231,114)
Disposal of Property, Plant and Equipment	10	360,080	630,000
Interest Income from Investments	7(b)	30,399,380	23,327,287
<b>Net Cashflows from Investing Activities</b>		<b>(3,189,305)</b>	<b>(37,273,828)</b>
<b>(Decrease)/Increase in Cash and Cash Equivalents</b>		<b>79,588,504</b>	<b>44,973,955</b>
<b>Cash and Cash Equivalents at the:</b>			
– Start of the Year (1st July 2013 – Re-stated)		353,487,211	308,513,256
– End of the Year (30th June 2014)	21(b)	<b>433,075,716</b>	<b>353,487,211</b>

# Notes to the Financial Statements

For the Year Ended 30<sup>th</sup> June 2014

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### (a) 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 actuarially 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 Kenya Literature Bureau's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Literature Bureau and all values are rounded to the nearest thousand (Kshs'000).

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

### (b) 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 translated using the closing rate.**

- (ii) **Revenue from printing services** is recognised when the printing order is placed and confirmed by the customer.
- (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.

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June 2014

### (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-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.

### (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	5%
Motor vehicles, including motor cycles	25%
Computers and related equipment	30%
Office equipment, furniture and fittings	12.5%

A full year's depreciation charge is recognised in the year of asset purchase and nil in the year of asset disposal.

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 specialised 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) 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 Directors. The Board provides principles for overall risk management.**

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June 2014

(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.

The amount that best represents the company's maximum exposure to credit risk as at 30<sup>th</sup> June 2014 and 30<sup>th</sup> June 2013 is as shown below:

	2014	2013
Trade and other receivables	274,734,777	289,334,627
Due from related parties	7,108,895	6,650,907
Bank balances (including short-term deposits and treasury bills)	433,075,716	353,231,492
	<u>714,919,388</u>	<u>649,217,026</u>

Bank balances are held with credible financial institutions and are fully performing. Trade receivables are due from customers with good credit rating.

(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.

The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	2014	2013
Trade and other payables	<u>216,345,656</u>	<u>178,470,971</u>

(f) **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.

(g) **Amortisation and impairment of intangible assets**

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

(h) **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*)

For the Year Ended 30<sup>th</sup> June 2014

**(i) 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.

**(j) (i) 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.

**(ii) Slow moving stocks**

A provision for slow moving stocks is made at the rate of 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.

**(k) (i) 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.

**(ii) 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.

**(l) Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

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

**(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 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.

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June 2014

**(n) 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.

**(o) 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 at Kshs. 200 per employee per month.

**(p) 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.

**(q) 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.

**(r) 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 30<sup>th</sup> June 2014.

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June, 2014

### 1. (a) TURNOVER

Particulars	2013/2014 Kshs	2012/2013 Kshs
Sale of books	1,718,530,044	1,375,336,197
Printing sales	15,412,976	13,781,408
	<u>1,733,943,020</u>	<u>1,389,117,605</u>

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

### (b) COST OF SALES

Opening inventories		Re-stated
Printed books	413,098,646	421,824,090
Raw materials	20,932,213	14,192,937
Work in progress	22,405,100	22,339,145
	<u>456,435,959</u>	<u>458,356,172</u>
<b>Production costs</b>		
Direct Expenses	199,781,119	63,893,961
Raw Materials	101,276,095	97,671,772
Direct Labour	58,481,407	51,415,126
Overheads	144,432,838	162,278,976
Contracted Works	325,511,953	175,186,245
	<u>829,483,412</u>	<u>550,446,080</u>
<b>Closing inventories</b>		
Printed books	536,280,728	413,098,646
Raw materials	14,852,920	20,932,213
Work in progress	24,382,293	22,405,100
	<u>575,515,941</u>	<u>456,435,959</u>
<b>COST OF SALES</b>	<u>710,403,430</u>	<u>552,366,292</u>

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

### 2. GAIN ON DISPOSAL OF NON-FINANCIAL ASSETS

Gain on disposal of non-current assets	<u>360,080</u>	<u>520,000</u>
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This relates to the sale of non-current assets, which had been fully depreciated.

### 3. OTHER INCOME

	Kshs	Kshs
Rental Income	3,192,949	3,170,754
Miscellaneous income	3,305,802	3,548,988
	<u>6,498,751</u>	<u>6,719,742</u>

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June, 2014

		2013/2014 Kshs	2012/2013 Kshs
<b>4 (a). ADMINISTRATION COSTS</b>			
Staff Costs	4(b)	203,687,442	188,812,563
Transport operating expenses		8,705,685	9,180,174
Travelling and accommodation		4,652,191	7,863,409
Postal and telegram expenses		210,540	161,431
Telephone expenses		2,138,506	2,204,807
Management board expenses		7,739,532	7,655,951
Electricity, water and conservancy		2,659,468	1,984,822
Purchase of uniforms		117,910	42,241
Purchase of stationery		4,042,115	3,919,879
Rent and rates expenses		105,542	195,735
Computer expenses		3,717,758	3,848,797
Hire of casuals		1,105,669	776,020
Insurance costs		1,838,902	2,082,565
Audit fees		824,000	1,012,000
Consultancy expenses		2,096,328	1,177,422
Bad Debts Expenses		65,160	1,324,705
Slow moving stock provision expenses		(2,158,563)	(6,767,146)
Provision for Bad and Doubtful Debts		2,321,134	(863,270)
Tax on Interest Received		4,418,304	-
Maintenance of plant and machinery		3,096,726	2,181,907
Maintenance of office equipment		178,603	-
Maintenance of buildings		3,066,614	3,936,541
Security expenses		4,849,439	3,357,287
Library expenses		121,915	114,832
Subscription		254,574	200,564
Donation		160,000	364,595
Bank charges		771,408	978,463
Legal charges		4,406,385	4,244,442
<b>Total Administration Costs</b>		<b><u>265,193,288</u></b>	<b><u>239,990,736</u></b>
<b>(b) STAFF COSTS</b>			
Basic salaries		103,277,265	93,228,462
Gratuity and pension		24,561,348	26,945,563
House allowance		38,853,600	36,762,300
Other personal allowances		12,481,923	9,949,670
Passage and leave allowances		2,675,009	2,930,137
Medical expenses		10,219,296	8,192,865
Overtime costs		5,014,585	4,633,877
Staff training		2,454,941	2,999,628
Staff welfare		4,149,474	3,170,062
<b>Total staff costs</b>		<b><u>203,687,442</u></b>	<b><u>188,812,563</u></b>
<b>5. SELLING AND DISTRIBUTION COSTS</b>			
Sales discounts allowed		546,236,746	436,374,050
Promotional samples costs		1,718,615	684,770
Advertising, Research and Promotions		26,636,187	24,748,845
Corporate affairs expenses		9,096,150	5,092,369
Packaging, carriage and handling		12,256,108	14,949,931
<b>Total Selling Costs</b>		<b><u>595,943,805</u></b>	<b><u>481,849,964</u></b>
<b>Total Costs</b>		<b><u>861,137,095</u></b>	<b><u>746,058,064</u></b>

## Notes to the Financial Statements (*Continued*)

For the Year Ended 30<sup>th</sup> June, 2014

	2013/2014 Kshs	2012/2013 Kshs
<b>6. OPERATING PROFIT/(LOSS)</b>		
The operating profit is arrived at after charging/(crediting)		
GROSS TURNOVER	1,733,943,020	1,389,117,605
COST OF SALES	710,403,430	552,366,293
<b>GROSS TRADING PROFIT</b>	<b>1,023,539,590</b>	<b>836,751,312</b>
Income from investments	29,455,359	20,054,946
Gain on Disposal of Non-financial Assets	360,080	520,000
Other income (note 3)	6,498,751	6,719,742
<b>TOTAL REVENUES</b>	<b>1,770,257,210</b>	<b>1,416,412,293</b>
Admin., Staff, Selling and Distribution Costs (note 4 and 5)	861,137,095	721,840,700
Depreciation of property, plant and equipment	33,980,788	24,217,364
<b>TOTAL COSTS</b>	<b>1,605,521,311</b>	<b>1,298,424,357</b>
<b>Net operating profit for the year</b>	<b>164,735,899</b>	<b>117,987,936</b>
<b>7(a). FINANCE INCOME</b>		
Interest Income on Government securities	8,097,510	6,077,931
Interest Income on short-term deposits	21,357,850	13,977,016
	<b>29,455,359</b>	<b>20,054,946</b>
<b>7(b). INTEREST INCOME FROM INVESTMENTS</b>		
Interest receivable at beginning of period	2,186,647	5,458,988
Current years'	29,455,359	20,054,946
	31,642,006	25,513,934
<i>Less: Closing balance for the period</i>	<i>(1,242,627)</i>	<i>(2,186,647)</i>
<b>Interest receivable at close of period</b>	<b>30,399,380</b>	<b>23,327,287</b>
<b>8. INCOME TAX</b>		
<b>8(a). CURRENT TAXATION</b>		
– Charge for the year based on adjusted profit for the year at 30%	57,942,751	17,977,245
– Under/(Over) provision of current tax in prior year	–	–
<b>INCOME TAX EXPENSE</b>	<b>57,942,751</b>	<b>17,977,245</b>
<b>8(b). TAX LIABILITY/(RECOVERABLE)</b>		
Tax (credit) at beginning of period	(3,001,380)	(13,151,001)
Income Tax Charge based on adjusted profits for the period	57,942,751	17,977,245
	54,941,371	4,826,244
Income Tax paid during the period	(19,789,002)	(7,827,624)
<b>Tax liability/(credit) at the end of period</b>	<b>35,152,369</b>	<b>(3,001,380)</b>
<b>9. DIVIDENDS PAYABLE</b>		
The proposed dividends are accounted for as a separate component of equity are 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 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 dividends is payable after audit of the Financial Statements.		
Proposed Dividend	10,679,315	10,001,069
Dividend Paid	10,001,069	9,165,303

## Notes to the Financial Statements (*Continued*)

### For the Period Ended 30<sup>th</sup> June, 2014

#### 10(a). PROPERTY, PLANT AND EQUIPMENT

	Land	Building and civil works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers and related equipments	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b>COST/VALUATION</b>								
As at 1st July 2013	160,000,000	317,800,829	370,014,737	11,740,007	28,447,607	27,426,968	17,245,769	932,675,917
Additions	—	1,058,668	5,882,203	2,812,488	9,678,800	14,006,276	510,329	33,948,765
Disposals	—	—	—	—	(220,000)	—	—	(220,000)
At 30th June 2014	<u>160,000,000</u>	<u>318,859,497</u>	<u>375,896,940</u>	<u>14,552,495</u>	<u>37,906,407</u>	<u>41,433,244</u>	<u>17,756,098</u>	<u>966,404,682</u>
<b>DEPRECIATION</b>								
As at 1st July 2013	—	39,630,062	74,402,441	4,507,655	17,944,762	17,277,513	8,498,484	162,260,917
Charge for the Year 10(b)	—	12,754,380	18,794,847	1,819,062	6,405,352	9,265,267	2,219,512	51,258,420
Disposals	—	—	—	—	(220,000)	—	—	(220,000)
	<u>—</u>	<u>52,384,442</u>	<u>93,197,288</u>	<u>6,326,717</u>	<u>24,130,114</u>	<u>26,542,780</u>	<u>10,717,996</u>	<u>213,299,337</u>
<b>NET BOOK VALUE</b>								
At 30th June 2014	<u>160,000,000</u>	<u>266,475,055</u>	<u>282,699,652</u>	<u>8,225,779</u>	<u>13,776,293</u>	<u>14,890,464</u>	<u>7,038,102</u>	<u>753,105,345</u>
At 30th June 2013	<u>160,000,000</u>	<u>278,170,767</u>	<u>295,356,428</u>	<u>7,232,352</u>	<u>10,502,845</u>	<u>10,149,455</u>	<u>8,747,285</u>	<u>770,159,132</u>

#### DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Disposal Proceeds	—	—	—	—	360,080	—	—	360,080
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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	12,918,700	4,306,233
Motor Vehicles	12,285,000	2,457,000
	<u>25,203,700</u>	<u>6,763,233</u>

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

	2014	2013
Cost of sales (Production Overheads)	17,277,632	18,647,813
Administration Expenses	33,980,788	24,217,364
Total Depreciation Expenses	<u>51,258,420</u>	<u>42,865,177</u>

## Notes to the Financial Statements (*Continued*)

### For the Year Ended 30<sup>th</sup> June, 2014

	2013/2014 Kshs	2012/2013 Kshs
<b>11. INTANGIBLE ASSETS</b>		
Computer Software and Licences	12,434,197	7,280,307
	<u>12,434,197</u>	<u>7,280,307</u>
<b>12. INVENTORIES</b>		
Printed Books	536,280,728	413,098,646
Provision for Slow Moving Stock	(3,225,955)	(5,384,517)
Raw Materials	14,852,920	20,932,213
Canteen Stock	3,438,939	-
Library Books	944,255	1,021,530
Work in Progress	24,382,293	22,405,100
Shipment Clearing	-	33,022
	<u>576,673,180</u>	<u>452,105,994</u>
<b>13(a). TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables — Books	255,409,884	234,826,810
Provision for Bad and Doubtful Debts – Books	(5,618,208)	(3,262,450)
Trade Receivables — Printing	12,118,902	4,252,629
Provision for Bad and Doubtful Debts – Printing	(174,085)	(208,710)
VAT Refund Income Receivable	3,623,728	35,304,442
Corporation Tax Receivable	-	3,001,380
Royalty Advance	20,822	25,544
Accrued Interest Income	2,710,744	2,186,647
Other Receivables {inclusive of staff receivables note 13(c)}	11,318,221	16,282,377
Deposits and Prepayments	2,433,664	3,576,864
	<u>281,843,672</u>	<u>295,985,534</u>
<b>13(b). TRADE RECEIVABLES</b>		
Gross trade receivables	267,528,786	239,079,439
Provision for doubtful receivables	(5,792,293)	(3,471,160)
	<u>261,736,493</u>	<u>235,608,280</u>
At 30th June, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	72,023,505	97,010,148
Between 30 and 60 days	55,002,363	47,676,704
Between 61 and 90 days	24,307,564	23,299,802
Over 90 days	115,442,181	68,396,544
	<u>266,775,613</u>	<u>236,383,197</u>
<b>13(c). STAFF RECEIVABLES</b>		
Gross staff loans and advances	7,108,895	6,650,907
Less: Amounts due within one year	(4,322,657)	(3,924,235)
Amounts due after one year	<u>2,786,238</u>	<u>2,726,671</u>
<b>14. SHORT-TERM INVESTMENTS</b>		
Short-term deposits with Kenya Commercial Bank	298,401,220	212,034,527
Treasury Bills with Central Bank of Kenya	100,000,000	75,000,000
	<u>398,401,220</u>	<u>287,034,527</u>
<b>15. CASH AND BANK BALANCES</b>		
Cash on Hand	659,870	2,627,544
Cash at Bank	34,014,626	63,569,421
	<u>34,674,496</u>	<u>66,196,966</u>

The bulk of the cash at bank was held by Kenya Commercial Bank and National Bank of Kenya, the Bureau's main bankers. The comparative figure is adjusted to Kshs. 66,196,966 from Kshs. 61,079,631 being the adjustment of Kshs. 5,117,335 after restatement of plant and machinery in relation to excess custom duty charged.

**16. CAPITAL FUND**

The amount of Kshs. 1,000,000,000 being Government of Kenya injection is comprised of Kshs. 300,000,000 which the Government invested when establishing Kenya Literature Bureau through an Act of Parliament Cap. 209 No. 4 of 1980, while Kshs. 400,000,000 were transfers from Revenue Reserves of Kshs. 200,000,000 each during financial years 1996/1997 and 2007/2008. A further Kshs. 300,000,000 was transferred from the Revenue Reserves during the financial year 2012/2013.

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 Reserves	406,887,671	406,887,671
	<u>406,887,671</u>	<u>406,887,671</u>

**18. RETAINED EARNINGS**

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	375,632,902	276,122,441
	<u>375,632,902</u>	<u>276,122,441</u>

**19. TRADE AND OTHER PAYABLES**

Trade Payables	114,296,990	106,515,505
Dividend Payable	10,679,315	10,001,069
Accrued Royalties	57,912,605	22,036,436
Audit Fees Provision	812,000	800,000
Other Payables	7,466,712	5,433,813
Corporate Tax Payable	35,152,369	—
Accrued Expenses	6,671,923	6,861,895
Withholding Tax Due	734,408	4,055,612
Inventory Clearing Accounts	28,451,018	32,767,709
	<u>262,177,340</u>	<u>188,472,040</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 at Kshs. 200 per employee per month.

## Notes to the Financial Statements (*Continued*)

For the Period Ended 30<sup>th</sup> June, 2014

	2014 Kshs	2013 Kshs
<b>21. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
<b>(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations</b>		
Operating profit for the year	164,735,898	117,987,936
<b>Adjustments for:</b>		
Depreciation Expenses	51,258,420	42,865,177
(Decrease)/Increase in Prov. for Slow Moving Stock	(2,158,563)	(6,767,146)
Provision for Doubtful Debts	2,321,134	(863,270)
Net Interest Income	(25,037,055)	(20,054,946)
Profit/Loss on disposal of Assets	(360,080)	(520,000)
Library Books Written off	—	114,832
<b>Operating profit before Working Capital Changes</b>	<b>190,759,754</b>	<b>132,762,584</b>
(Increase)/Decrease in Inventories	(122,408,623)	2,322,563
(Increase)/Decrease in Receivables	9,343,446	(63,931,407)
(Increase)/Decrease in Payables	37,874,685	35,211,629
<b>Cash generated from operations</b>	<b><u>115,569,261</u></b>	<b><u>106,365,369</u></b>
<b>(b) Analysis of cash and cash equivalents</b>		
Short Term Deposits with Kenya Commercial Bank	298,401,220	212,034,527
Treasury Bills with Central Bank of Kenya	100,000,000	75,000,000
Cash at bank	34,014,626	63,569,421
Cash at hand	659,870	2,627,544
	<b><u>433,075,716</u></b>	<b><u>353,231,492</u></b>
<b>(c) Analysis of dividend paid</b>		
2011 Dividends paid	7,189,267	
2012 Dividends paid	9,165,303	
2013 Dividends paid	10,001,069	
	<b><u>26,355,639</u></b>	

## Notes to the Financial Statements (Continued)

For the Period Ended 30<sup>th</sup> June, 2014

	2014 Kshs	2013 Kshs
<b>22. RELATED PARTY DISCLOSURES</b>		
<b>(a) Government of Kenya</b>		
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>(b) Employees</b>		
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.		
<b>(c) Directors' remuneration</b>		
Allowances and other emoluments for directors	7,739,532	7,655,951
<b>23. CAPITAL COMMITMENTS</b>		
Amounts authorised and contracted for includes:		
Plant and Equipment	19,257,327	2,806,782
Furniture and Fittings	658,210	76,400
Computer Equipment	550,210	2,066,526
	<u>20,465,747</u>	<u>4,949,709</u>
<b>24. CONTINGENCIES</b>		
(i) A contingent liability exists from a demand notice issued by National Social Security Fund for penalties and interest on contributions arrears dating back to 1993 amounting to Kshs 27,650,838 which is still in dispute. The Bureau has engaged in fruitful discussions, which are at an advanced stage for waiver of the said penalties and interest. Further, NSSF have agreed to halt any further demand notice and accumulation of the amounts. The amount, which may be settled in future, cannot be measured with sufficient reliability.		
(ii) A contingent liability exists from a demand notice based on the tax audit conducted by Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs 125,560,306 (being principal amount) for which a waiver for penalties and interest was approved by 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.		
(iii) Litigations – There exists litigations against the Bureau which are in progress and related to employment termination cases. This include case No. 134 and No. 1669 both of 2012.		
<b>25. INCORPORATION</b>		
Kenya Literature Bureau is incorporated in Kenya under the Act of Parliament Cap. 209 of 1980 (Revised 2012) and is domiciled in Kenya.		

## Appendix I

**Notes to the Financial Statements (Continued)**For the Period Ended 30<sup>th</sup> June, 2014**DETAILS OF PRODUCTION OVERHEADS**

	<b>2013/2014</b>	<b>2012/2013</b>
	<b>Kshs</b>	<b>Kshs</b>
		<b>(Restated)</b>
Basic Salaries	29,664,905	27,160,636
House Allowance	10,873,905	11,496,000
Other Personal Allowance	3,631,129	3,999,440
Leave Allowance	846,539	746,885
Gratuity and Pensions	16,374,232	17,963,708
Transport Operating Expenses	1,565,658	1,620,031
Telephone Expenses	712,835	734,996
Electricity, Water and Conservancy	7,978,405	5,497,962
Purchase of Uniform and Clothing	164,790	42,241
Stationery Expense	449,124	435,542
Hire of Casuals	4,422,675	1,882,122
Staff Training and Recruitment Expenses	1,624,174	1,999,752
Staff Welfare Expenses	2,773,294	2,113,375
Medical Expenses	7,125,896	5,724,287
Insurances Expenses	1,225,935	1,388,377
Maintenance of Plant and Equipment	34,569,339	19,750,310
Maintenance of Buildings	1,090,509	1,314,847
Depreciation Expenses	17,277,632	18,647,813
Readership/Writing Workshops (Reclassified)	-	38,101,302
Security Expenses	1,620,480	1,119,096
Overtime Allowances	441,382	540,254
	<u>144,432,837</u>	<u>162,278,976</u>

## ... Our History and Milestones

### A brief synopsis of Kenya Literature Bureau

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



*A construction site photo of KLB headquarters in South C taken on May 12, 1989.*



*KLB team at the 2014 Africa e-learning Conference in Kampala Uganda.*



*The Cabinet Secretary, Ministry of Education, Science and Technology, Prof. Jacob Kaimenyi (third right), next to Managing Director, Mrs. Eve Obara (third left) and Board Chairman Mrs Serah Ndege (second right), takes a group photo with KLB Board and management during a visit in February 2013.*



*The Cabinet Secretary MoEST, Prof. Jacob Kaimenyi (centre) marvels at a KLB book during a visit to KLB printing press. Looking on is the MD, Mrs. Eve Obara (left), board member, Robert Mbato (second left).*



*KLB and G4S staff take a group photo after conducting a successful fire drill exercise at the KLB headquarters.*



*KLB disability committee members after successful sign language training at KLB headquarters. The Bureau has mainstreamed disability in its operations.*



West Pokot Senator, Prof. John Lenyangapuo (third right), KLB MD, Eve Obara (second right), Publishing Manager, Mrs. Mary Khasiani (right), Internal Audit Manager, Mr. Julius Aritho (extreme left) Sales and Marketing Manager, Mr. Bernard Obura (second left) and Production Manager, Mr. Michael Omach (third left) when the Senator paid a courtesy call in February 2013.



Laxmi Booksellers and Stationers, Rashid Vekharia (2nd left), with KLB CEO and other managers at KLB headquarters when Laxmi won the 2013 bookseller of the year award.



*State House Girls' principal receives book donation from PR Manager, Diana Olenja, as senior assistant customer care officer Marjorie Mbaluka looks on, at the State House Girls Mathematics contest in Nairobi.*



*Participants at the first ever bookshop attendants workshop in Kisii.*



*Buruburu Institute of Fine Arts (BIFA) students are taken through book production process by Mr. Edwin Asava at KLB production department during a visit.*



*H.E. President Uhuru Kenyatta marvels at the quality content of KLB e-books during the first youth, women and persons with disability expo at KICC Nairobi. At hand to receive the president was Supply Chain Manager, Mr. Philip Cheruiyot.*



*KLB Board Chairman Mrs. Serah Ndege assisted by Managing Director, Mrs. Eve Obara cuts the cake during her reception luncheon at KLB headquarters in April, 2013.*



*KLB Finance Manager, Mr. Francis Mutunga receives the Manager of the Year trophy from the Board Chairman Mrs. Serah Ndege at KLB headquarters.*



*KLB environmental committee members, Jackson Musau (squatting left) and Loice Muteti (standing) lead students in a tree planting campaign at Igamba Ng'ombe Division, Tharaka Nithi County.*



*KLB staff making a processional march at the 2014 Labour Day celebrations at Uhuru Park Nairobi.*



*KLB books prepare you well for exams.*

# Did you know?



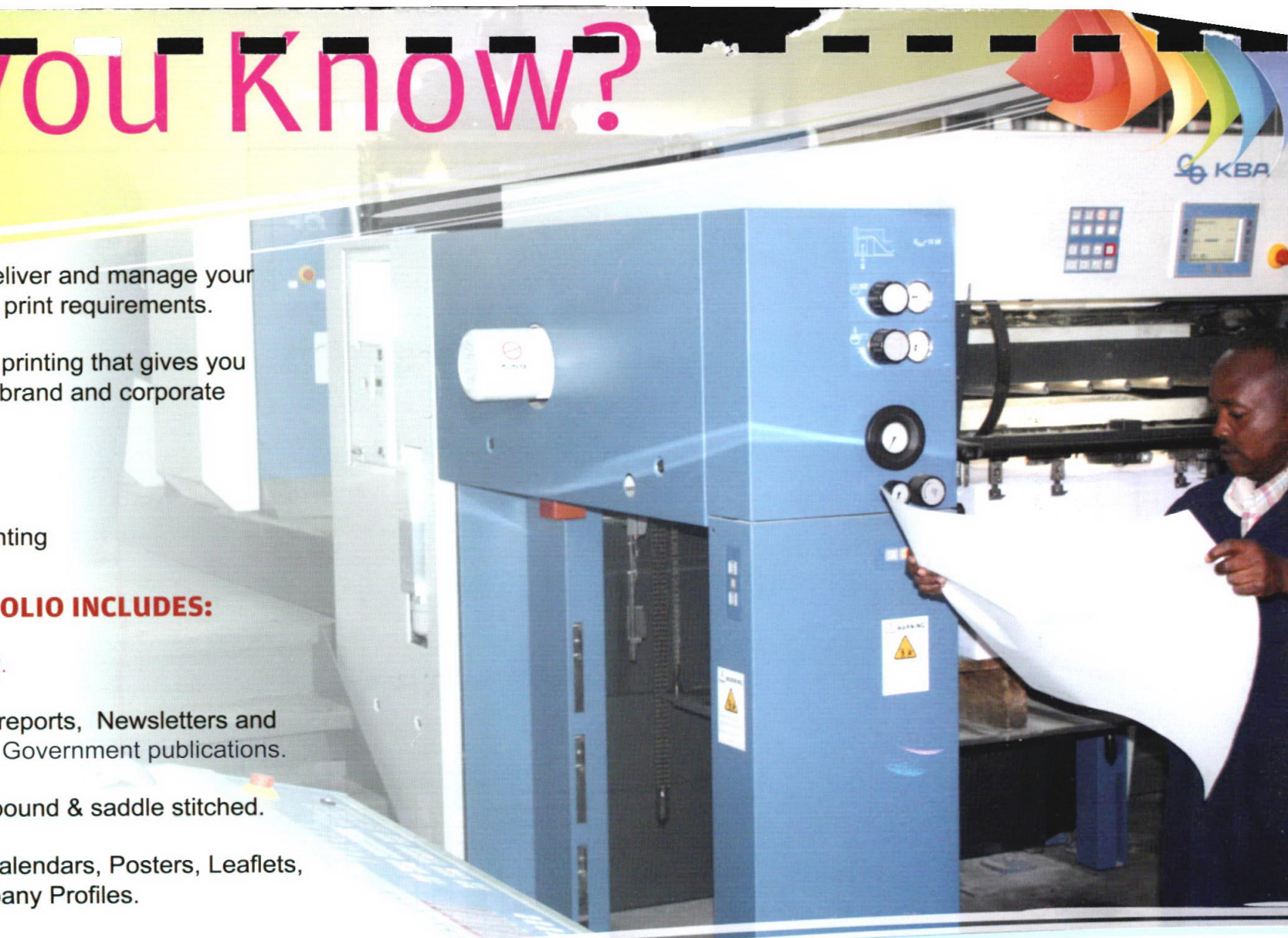
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- **Product labels**

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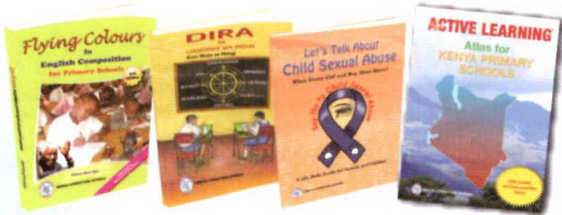
Some brand new KLB titles



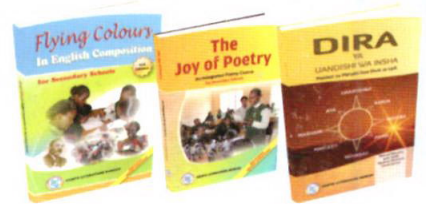
KLB Books that won the 2014 Wahome Mutahi Literary Award



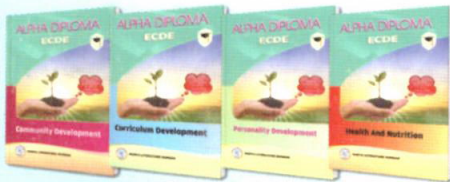
Primary School Study Companions



Secondary School Study Companions



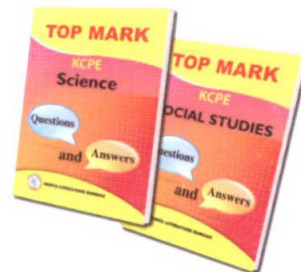
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