

REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

OF

THE NATIONAL ASSEMBLY  
PAPERS LAID

**THE AUDITOR-GENERAL**

PARLIAMENT  
OF KENYA  
LIBRARY

DAY  
TUESDAY

TABLED  
BY:

L O M

ON

Ahmed Kadhi

**KENYA LITERATURE BUREAU**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





*Publishing and Printing for YOU*

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**KENYA LITERATURE BUREAU**

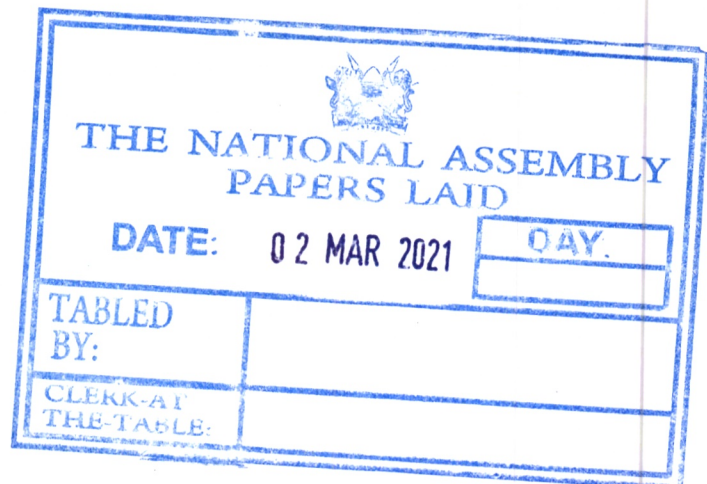
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2019**

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



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## **Kenya Literature Bureau**

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#### **I. KEY CORPORATE INFORMATION**

##### **BACKGROUND INFORMATION**

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

##### **PRINCIPAL ACTIVITIES**

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

##### **VISION**

To be the leading publisher and printer of quality knowledge materials

##### **MISSION**

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

##### **STRATEGIC OBJECTIVES**

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

##### **CORE VALUES**

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

## **Kenya Literature Bureau**

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#### **BOARD OF MANAGEMENT**

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

- |     |                                    |   |
|-----|------------------------------------|---|
| 1.  | Hon. Amb. Francis S. K. Bayah, EBS | - Board Chairman – Re-appointed on 3 May, 2019  |
| 2.  | Mr. Victor K. Lomaria              | - Chief Executive Officer - Appointed on 1 September, 2016  |
| 3.  | Ms. Cheryl Majiwa                  | - Alternate to the Cabinet Secretary, National Treasury – Re-appointed on 1 April, 2016                                 |
| 4.  | Mr. Abdalla C. Bii                 | - Alternate to the Secretary, National Commission for Science, Technology & Innovation – Re-appointed on 24 April, 2019 |
| 5.  | Mr. John K. Kenduiwo               | - Representative of the University of Nairobi – Re-appointed on 24 April, 2019  |
| 6.  | Mr. Elyas Abdi                     | - Representative of the Ministry of Education – Re-appointed on 24 April, 2019  |
| 7.  | Mr. Sammy M. Chepkwony             | - Member - Re-appointed on 24 April, 2019   |
| 8.  | Mr. Josephine Maangi               | - Member - Re-appointed on 24 April, 2019   |
| 9.  | Mrs. Elizabeth Mwongera            | - Member – Second term expired on 31 March, 2019  |
| 10. | Mr. Nicholas Mac'Botongore         | - Member - Re-appointed on 24 April, 2019   |
| 11. | Mr. Martin M. Mburu                | - Member - Re-appointed on 24 April, 2019   |
| 12. | Prof. Winston J. Akala             | - Member – Appointed on 24 April, 2019  |
| 13. | Ms. Augusta M. Muthigani           | - Member - Appointed on 24 April, 2019  |

#### **CORPORATION SECRETARY**

##### **CPA Victor Lomaria, OGW**

P.O. Box 30022 - 00100, GPO

**NAIROBI, KENYA.**

#### **REGISTERED OFFICE & CORPORATE HEADQUARTER**

Kenya Literature Bureau Building

Bellevue Area, South C

KLB Road, off Popo Road, off Mombasa Road

P.O. Box 30022 – GPO 00100,

**NAIROBI, KENYA**

#### **BRANCH**

Sales and Customer Service Branch

KLB Building

Kijabe Street

P.O. Box 30022 – GPO 00100,

**NAIROBI, KENYA**

## **Kenya Literature Bureau**

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#### **CORPORATE CONTACTS**

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

(254) 0711 - 318188, 0732 - 344599

E-mail: [info.klb.co.ke](mailto:info.klb.co.ke)

Website: [www.klb.co.ke](http://www.klb.co.ke)

#### **CORPORATE BANKERS**

1. **Central Bank of Kenya**  
Haile Selassie Avenue  
P. O. Box 6000 – 00200, City Square  
City Square 00200  
**NAIROBI, KENYA**
2. **Kenya Commercial Bank Limited**  
Kencom House, Moi Avenue  
P.O. Box 30081 – 00100, GPO  
**NAIROBI, KENYA**
3. **National Bank of Kenya Limited**  
National Bank Building, Harambee Avenue  
P. O. Box 72866 – 00200, City Square  
**NAIROBI, KENYA**
4. **HFC Limited**  
Rehani House-Koinange St. Nairobi.  
P.O Box 30088 – 00100,  
**NAIROBI, KENYA**

#### **INDEPENDENT AUDITORS**

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

#### **PRINCIPAL LEGAL ADVISERS**


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

**II. THE BOARD OF MANAGEMENT**

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 <p><b>1. Hon. Amb. Francis S. K. Bayah, EBS</b> Chairman</p>	<p>Hon. Amb. Francis Bayah (66 years) is the Chairman of the Board of Management of Kenya Literature Bureau. He holds a Bachelor of Education Science degree from the University of Nairobi, Diploma in United Nations and International Understanding from the Institute of United Nations and UNESCO Studies in New Delhi – India, and a Post-Graduate Certificate in Development Economics from University of Michigan. He is currently pursuing Master of Business Administration (Strategic Management) at Mt. Kenya University.</p> <p>He has extensive knowledge and experience in strategic management and administration having served as an Assistant Minister in the Ministry of State for Immigration and Registration of Persons, Kenya's High Commissioner to India, Permanent Secretary in the Ministry of Lands and Settlement and also in the Ministry of Tourism and Information, and as a Member of Parliament for Ganze Constituency.</p> <p>Amb. Bayah also served in the Office of the President as the Provincial Commissioner (PC) of Coast, Western, Eastern and Rift Valley Provinces, District Commissioner (DC) in Nyanza and Rift Valley Provinces, and as District Officer (DO) in Laikipia, Turkana, Embu, Marsabit, Machakos, Taita-Taveta and Homabay. He is a recipient of Presidential Award, the Elder of Burning Spear (EBS), which is a State commendation given to persons who have served with distinction in their various spheres of influence. He was re-appointed to the position on 3 May, 2019.</p>
 <p><b>2. CPA Victor Lomaria, OGW</b> The Managing Director and Secretary to the Board of Management.</p>	<p>Mr. Victor Lomaria (51 years) is the Managing Director and Secretary to the Board of Kenya Literature Bureau. He holds a Master in Business Administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K).</p> <p>He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10</p>

## Kenya Literature Bureau

### Annual Report and Financial Statements For the year ended 30 June 2019

	<p>African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW), which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September, 2016.</p>
<p><b>3. Mr. Elyas Abdi</b> Alternate to the PS, Ministry of Education.</p>	<p>Mr. Elyas Abdi is a Director General, Basic Education and represents the Principal Secretary, State Department of the Early and Basic Education, Ministry of Education in the Board. He was re-appointed to the Board on 24 April, 2019.</p>
 <p><b>4. CPA Cheryl A. Majiwa</b> Alternate to Cabinet Secretary, National Treasury and Planning</p>	<p>Ms. Cheryl Majiwa (40 years) is the Alternate to the Cabinet Secretary of the National Treasury in the Board of Management as specified under the Kenya Literature Bureau Act, Cap 209. She holds a Master of Business Administration (Strategic Management) degree from the University of Nairobi, Bachelor of Commerce (Accounting and Finance) degree from Strathmore University, and is a Certified Public Accountant (CPA-K). She has attended various short-term senior management and corporate governance courses.</p> <p>She is an Investment Officer at the Department of Government Investment and Public Enterprises in the National Treasury. She previously worked as the Head of Accounting Unit and Administration in an advertising firm.</p> <p>She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Secretariat of the Public Accounting Standards Board (PASB). She joined the Board on 1<sup>st</sup> April, 2016 and is a member of the Finance, Human Resources and General Purpose Committee.</p>
 <p><b>5. Mr. Abdalla C. Bii</b> Representing the National Commission for Science, Technology and Innovation (NACOSTI)</p>	<p>Mr. Abdalla Bii (46 years) is representing the National Commission for Science, Technology and Innovation (NACOSTI) in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He is the Alternate to the Secretary, National Commission for Science, Technology &amp; Innovation.</p> <p>He was re-appointed to the Board on 24 April, 2019 and is a member of the Finance, Human Resources and General Purpose Committee.</p>

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**6. Mr. John Kenduwo**  
Representative, University of Nairobi

Mr. John Kenduwo (63 years) is representing the University of Nairobi in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He holds a Master of Business Administration (MBA) in Operations Management degree and a Bachelor of Science (BSc) degree in Mechanical Engineering from the University of Nairobi. He is the Managing Director of the University of Nairobi Enterprises and Services (UNES).

He has previously worked as Deputy Managing Director of UNES, Dean of the School of Business at the University of Nairobi, Chairman of the Department of Management Science and as a Senior Lecturer in the Department of Management Science, Faculty of Commerce at the University. He is one of the pioneers of the Module II program in Kenya.

In the academia, he has specialized in operations management and strategy, operations research, and competitiveness and improvement approaches. He has held various positions of leadership in the public and private sectors. He was re-appointed to the Board on 24 April, 2019 and is a member of the Finance, Human Resources and General Purpose Committee of the Board.



**7. Mrs. Josephine Maangi**  
Independent Director

Mrs. Josephine Maangi (56 years) is a holder of Global Executive Masters in Business Administration (MBA) from the United States International University, Bachelor of Laws (LL.B Hons) from University of Nairobi, and a Post Graduate Diploma in Laws from Kenya School of Law. She is an advocate of the High Court of Kenya and a Commissioner for Oaths and a Notary Public. She is currently a partner in Maangi & Associates Advocates. She was re-appointed to the Board on 24 April, 2019 and is the chairperson of the Board Operations and Strategy (formerly Technical Committee) and member, Audit and risk Management Committee.

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**8. Mr. Sammy M. Chepkwony**  
Independent Director

Mr. Sammy Chepkwony (59 years) joined the Board on 1<sup>st</sup> April, 2016. He holds a Bachelor of Business Management (BBM) degree in Micro-Enterprise from Moi University and a Diploma in Cooperative Management from the Cooperative College of Kenya.

He previously served as a District Officer in the Office of the President, Assistant Cooperative Officer in the Ministry of Cooperative Development and as a Field Officer in charge of informal sector loans at Kenya Industrial Estates Limited. Mr. Chepkwony was re-appointed to the Board on 24 April, 2019 and is the Chairman of the Audit and Risk Management and Compliance Committee.



**9. Mrs. Elizabeth K. Mwangera**  
Independent Director

Mrs Elizabeth Mwangera (67 years) holds a Master of Education (English) degree from the University of Manchester, Bachelor in Education degree from the University of Nairobi and a Master of Arts in Counselling Psychology from Daystar University. She also holds a Post Graduate Diploma in Human Resources Management (ABE) and a Certificate in Training from the Institute of Personnel Management, UK.

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



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

Mr. Nicholas Mac'Botongore (58 years) holds a Bachelor of Arts degree in Social Work from the University of Nairobi. He has a certificate in Strategic Leadership Development Program from the Kenya School of Government (KSG) and in Project Management from the Arhus Technical School in Denmark.

He is the Assistant Director for Social Development in the Ministry of Labour and Social Protection. He has previously served as the Project Manager, Central Kenya Dry Area Smallholder Community Development Project, Assistant Director of Gender and Social Development (ADGSD), Principal Gender and Social Development Officer (PGSDO), Chief Social Development Officer (CSDO), Senior Social Development Officer (SDO) and as Administrative Finance and Programme Officer at the National Coordinating Committee Secretariat for the 4<sup>th</sup> UN Conference on Women (Beijing Conference). He was re-appointed to the Board on 24 April, 2019.

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**11. Mr. Martin Mburu**  
Independent Director

Mr. Martin Mburu (37 years) holds a Bachelor of Education (Special Education) and Linguistics degree from Kenyatta University. He is currently pursuing a Masters in Counselling Psychology at the United States International University, Kenya (USIU-K). He holds certificates in education and counselling from Alpha to Omega Learning Centre in Chennai, India and Tumaini Counselling and Seminar Centre.

He is the head of Learning Support at Oshwal Academy, Nairobi and previously served as Special Education Teacher at Bright Hills Special School, Nairobi. He was re-appointed to the Board on 24 April, 2019 and is a member of the Operations and Strategy (formerly Technical Committee).

**III. THE MANAGEMENT TEAM**

<b>MANAGEMENT TEAM</b>	<b>KEY QUALIFICATIONS AND EXPERIENCE</b>
 <p><b>1. CPA, Victor Lomaria, OGW</b> The Managing Director and the Secretary to the Board of Management</p>	<p>Mr. Victor Lomaria (51 years) is the Managing Director and Secretary to the Board of Kenya Literature Bureau. He holds a Master in Business Administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K).</p> <p>He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW), which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September, 2016.</p>
 <p><b>2. CPA, FA, Francis M. Mutunga</b> Finance Manager</p>	<p>Mr. Francis Mutunga (44 years) is the Finance Manager and also overall in charge of Information Communication Technology (ICT) at Kenya Literature Bureau. He holds a Bachelor of Commerce degree (First Class Honours) from Kenyatta University and a Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is currently pursuing Master of Business Administration (Finance) degree at Kenyatta University, Nairobi.</p> <p>He is a Certified Public Accountant CPA (K), Certified Investment and Financial Analyst (CIFA-K), Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and a Certified ISO9001:2015 Internal Auditor of the Kenya Bureau of Standards.</p> <p>He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and</p>




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	<p>Financial Analysts (ICIFA). He is the Performance Contract Co-ordinator and was appointed to the Finance Manager position on 1 May, 2014.</p>
 <p><b>3. Mr. Bernard O. Obura</b> Sales &amp; Marketing Manager</p>	<p>Mr. Bernard Obura (45 years) is the Sales and Marketing Manager at Kenya Literature Bureau. He holds an Executive MBA (Strategic Management) degree from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Bachelor of Arts (Mathematics) degree from the University of Nairobi. He also holds a Diploma in Marketing from the MSK-Kenya.</p> <p>He is a Council Member of the Marketing Society of Kenya (MSK and has over 18 years' experience branding and sales and marketing. He was appointed to the position on 1 August, 2009.</p>
 <p><b>4. Mr. Evans T. Nyachieng'a</b> Business Development Manager</p>	<p>Mr. Evans Nyachieng'a (53 years) is the Business Development Manager at Kenya Literature Bureau. He holds a Master in Business Administration (Strategic Management) degree from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi.</p> <p>He also holds a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1 August, 2014.</p>
 <p><b>5. Mr. Job M. Idaki</b> Corporate Services Manager</p>	<p>Mr. Job Idaki (53 years) is the Corporate Services Manager at Kenya Literature Bureau. He holds a Bachelor of Education (Language and Literature) degree from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He is currently in the final stages of completing his Master in Business Administration (MBA) at the Strathmore School of Business (SBS).</p> <p>He is a certified ISO 9001:2008 Quality Management System series Lead Auditor and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1 August 2014.</p>
	<p>Mr. Joseph Emojong (46 years) is the Production Manager at Kenya Literature Bureau. He holds a Bachelor of Science (Hons) degree in Graphic Media Studies (GMS) from</p>

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 <p><b>6. Mr. Joseph A. Emojong</b> Production Manager</p>	<p>Hertfordshire University, UK and a diploma in Printing Technology from the Kenya Polytechnic (now Technical University of Kenya). He was appointed to the position on 17 December, 2015.</p>
 <p><b>7. CHRP Roselyn W. Mugavana</b> Human Resources Manager</p>	<p>Mrs. Roselyn Mugavana (48 years) is the Human Resources Manager at Kenya Literature Bureau. She holds a Master of Business Administration (Human Resource Management) degree from the University of Nairobi and Bachelor of Education degree (English and Literature) from Egerton University..</p> <p>She is a Certified Human Resources Professional (CHRP, Kenya), Certified Human Resources Practitioner in good standing, Certified Pension Trustee from the College of Insurance/ Retirements Benefits Authority and ISO9001:2015 Quality Management System Internal Auditor of the Kenya Bureau of Standards.</p> <p>Mrs. Mugavana is a member of the Institute for Human Resources Management (IHRM), Kenya Institute of Supplies Management (KISM) Professional Trainers Association (PTA) and the Forum for African Women Educationalists (FAWE). She was appointed to the position on 17 December, 2015.</p>
 <p><b>8. CPA Julius K. Aritho</b> Internal Audit Manager</p>	<p>Mr. Julius Aritho (53 years) is the Internal Audit Manager at Kenya Literature Bureau. He holds a Master of Business Administration (Accounting Option) degree and Bachelor of Commerce (Accounting Option) degree, both from the University of Nairobi.</p> <p>He is a Certified Public Accountant CPA (K) and a Certified ISO9001:2015 Quality Management System Internal Auditor by the Kenya Bureau of Standards. He is member of the Institute of Certified Public Accountants of Kenya and was previously the ISO 9001:2008 Quality Management Representative at Kenya Literature Bureau. He was appointed to the position of Internal Audit Manager on 1 August, 2013.</p>

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**9. Isaac K. Korir**  
Customer Service Manager

Mr. Isaac Korir (59 years) is the Customer Service Manager at Kenya Literature Bureau. He holds a Bachelor of Education (Science) degree from the University of Nairobi. He has a wealth of experience in sales and marketing in the publishing industry spanning 29 years. He was appointed to the position on 1 February, 2014.



**10. Mr. Kenneth Jumba**  
Publishing Manager

Mr Kenneth Nyabera Jumba (51 years) is a holder of Master of Philosophy in Geography and Bachelor of Arts degrees, both from Moi University. He also holds a Post-Graduate Diploma in Human Resources Management (KNEC) from the Railway training Institute.

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

#### **IV. CHAIRMAN'S STATEMENT**

On behalf of the Board of Management, I am pleased to present to you the Kenya Literature Bureau's Annual Report and Financial Statements for the year ended 30<sup>th</sup> June, 2019. During the year under review, we registered overall improvement in our performance due to our increased focus on management of operational costs, enhanced production efficiency and growth in sales. These strategies enabled us to record improved financial performance, service delivery and enhanced shareholder value. As a leading publishing and printing house in the country, KLB has over the years enhanced its commitment towards supporting the Government of Kenya in its educational programs aimed at achieving the three global Education For All (EFA) objectives of access, equity and quality.

KLB is leveraging on its market presence, skilled workforce, strong brand and heritage to deliver quality products and printing services to customers for business growth and improved shareholder value. The positive growth and performance realised during the period is an affirmation that KLB has in place firm strategies and plans to sustainably grow our business.

We are committed to providing effective leadership in guiding the organisation towards greater prosperity and sustainability. To this end, KLB has put in place policies and programmes to enhance and maintain high standards of ethical behaviour in accordance with the *Leadership and Integrity Act, 2012* as well as the *Public Officers Ethics Act, 2007*.

#### **ECONOMY AND THE BUSINESS ENVIRONMENT**

The national economy continued to recover during the period under review. In 2018, the country's economy grew by 6.1 per cent, up from 4.7 per cent in 2017, which is largely due to the impressive growth in agriculture, manufacturing and transport services unlike in the previous year where adverse weather and the uncertainty created by the prolonged electioneering exercise slowed economic growth.

Favourable fiscal policies and the ongoing reforms in the education sector aimed at ensuring the desired 1:1 learner to textbook ratio is achieved and accountability in the management of tax payers money enhanced, had a positive effect on the total book and institutional printing sales, which increased by 7.66% from Kshs. 4.96 billion the previous year to Kshs. 5.34

## **Kenya Literature Bureau**

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billion. Specifically, the sales are mainly attributable to the direct purchase and textbook distribution to schools by the Government, increased institutional printing and county business. These developments slowed down book sales in the open market as booksellers reduced their purchases to reduce the risk of dead stock in their stores.

#### **STRATEGIC POSITIONING**

The third cycle of the KLB Strategic Plan 2016 - 2020 is ending. The Bureau has met and exceeded all targets in the Plan, yielding greater results from institutional print sales and the engagements with County Governments in Early Learning and the Technical and Vocational Education and Training (TVET). We've continued to offer high quality printing services to individuals, private institutions and Government Ministries, Departments and Agencies (MDA's).

Our talented and committed staff as well as a fully-fledged printing press have enabled us meet stakeholder expectations. The Bureau continues to maintain current customers and create new partnerships with stakeholders to advance sales of our products to an international audience.

#### **OVERVIEW OF FINANCIAL RESULTS**

KLB recorded an improved financial performance compared to the previous year, registering a profit before taxation of Kshs 920.19 Million in 2019 compared to Kshs 687.04 Million in 2018. This represents an increase of 33.93%. Gross revenue grew by 7.66% to reach Kshs. 5.34 Billion up from Kshs. 4.96 Billion in 2018. This growth is mainly attributable to an increase in book sales to County Governments and the new direct procurement from publishers and distribution to primary and secondary schools, as well as the increase witnessed in the printing sales. We have continued to expand our range of general readers and technical books for TVETs.

#### **DIVIDENDS**

KLB has continually honoured its financial obligations to the shareholder and declared dividends based on the policy of ten (10) percent of the after tax net profits. KLB paid dividends amounting to Kshs. 48.80 Million for the year ended 30<sup>th</sup> June, 2018 up from Kshs. 22.01 Million for the year ended 30<sup>th</sup> June, 2017. In the period under review, KLB has made

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provisions for dividend pay-out of Kshs 87 million subject to withholding tax, where applicable, for the year ended 30<sup>th</sup> June 2019, representing a 78.3% growth from the previous year.

#### **FUTURE PROSPECTS**

With increasing Government investment in education and the implementation of the new Competency-Based Curriculum (CBC), there is tremendous prospect for growth in the medium term. KLB will continually work with the Ministry of Education and the Kenya Institute of Curriculum Education (KICED) in ensuring learning materials are availed for the new curriculum as well as the smooth transition from the 8-4-4 system of education to the new 2-6-2-3-3 system of education. We also intend to enhance institutional printing, and venture into production of branded exercise books. There is immense opportunity for growth of our business and KLB is strategically positioning itself to expand its business in order to maximise shareholder value.

#### **APPRECIATION**

On behalf of the Board of Management, I wish to thank the Government of Kenya, the Ministry of Education, business partners, esteemed customers, my colleagues in the Board, Management and staff for their support and contribution to our business growth and success.



**Hon. Amb. Francis S. K. Bayah, EBS**  
**CHAIRMAN**

## **V. REPORT OF THE CHIEF EXECUTIVE OFFICER**

Kenya is implementing a new Competency-Based Curriculum (CBC) that will see the country transition from the 8-4-4 system of education to the 2-6-2-3-3 system. To achieve this plan, quality learning and knowledge materials are critical in nurturing talents and skills to drive Kenya's Vision 2030 and the Big Four Agenda. I am, therefore, pleased to present a review of Kenya Literature Bureau's key operational performance and highlights of our strategic priorities for the year ended 30<sup>th</sup> June, 2019.

### **CORPORATE STRATEGY AND PLAN**

KLB's role as state-owned and largest textbook publisher in the country is critical considering the growing need for instructional materials in institutions of learning. In this regard, the company registered remarkable progress in turnover and profitability. The Bureau has diversified its business, pursuing various initiatives aimed at meeting the objectives of the KLB Strategic Plan 2016-2020.

As a major step towards ensuring growth and sustainability of the Bureau, we have rolled out plans to unveil the fourth cycle of our Strategic Plan that will guide our business for the next five years. It has taken account of the changing landscape of the publishing and printing industry in Kenya.

KLB is investing in his human resource to improve the staff competence, motivation, attraction and retention. We have entrenched a customer-centric culture and preventive maintenance culture in order to improve efficiency and output in all areas of our business. Our employees are committed to excellence in performance, service delivery, innovation and productivity.

### **PERFORMANCE REVIEW**

In the course of the year, KLB signed partnerships with County Governments and other institutions to offer general printing services as well as to publish and supply branded instruction materials to Early Childhood Development Education (ECDE) and Technical Vocational Education and Training (TVET) centres. In the period under review, KLB recorded strong performance in its business. The profit before tax increased by 33.93%, from Kshs 687.04 Million last year to Kshs 920.19 Million. During the same period, KLB's Gross revenue increased by 7.66% to Kshs 5.34 Billion from Kshs 4.96 Billion in the previous year. This growth in revenue

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was largely driven by increased sales of textbooks in the pre-primary, primary and secondary segments of our business, as well as the direct procurement and distribution of textbooks to schools (which eliminated middlemen in the book trade business) and the significant increase in printing sales.

KLB has favourable liquidity ratios making us a profitable government investment. All operations and capital investments are fully self-funded from own-generated funds. This affirms the sound leadership and prudence in management of the company resources. The strategies employed will not only sustain the Bureau, but also enable it to positively contribute to Kenya's economic growth and development.

#### **STRATEGIC PLAN 2016-2020 IMPLEMENTATION**

The Bureau focussed on six major objectives prioritised in the Strategic Plan 2016 – 2020 during the period under review, as follows:

1. **To be the Industry's Market leader** – The gross turnover for the year ending June 30, 2019 is Kshs 5.34 Billion as compared to Kshs 4.96 Billion the previous year, which translates to an increase of 7.66%. This growth is attributed to the new marketing strategies we employed, new products offerings developed for both existing and new markets, and improved service delivery. The period also witnessed depressed book sales in the open book market due to the new textbooks purchase and direct distribution model, which has seen many booksellers scale down their purchases. In addition, the ongoing implementation of the new Competency-Based Curriculum (CBC) in Pre-Primary I, Pre-Primary II, Grade 1, Grade 2 and Grade 3 has significantly reduced sales of textbooks developed for the 8-4-4 curriculum. We shall continually work with the Ministry of Education and the Kenya Institute of Curriculum Development (KICD) to deliver quality literacy materials for learners in school.
2. **To improve quality of products and services** – KLB has sought to secure its market and to grow revenues through innovation, product development and enhanced customer-centricity for quality service delivery. ISO 9001:2015 Quality Management System (QMS) standards has been integrated all operational areas for greater efficiency, through-put and output.

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3. **To upgrade corporate infrastructure** – We have continued with the modernisation strategy of the current publishing and printing infrastructure through acquisition of new equipment and technology for improved technical and operational efficiency.
4. **To strengthening institutional capacity** – KLB has sought to meet the increased customer and stakeholder needs. It has invested in its human resources and built the capacity of its staff to attract and retain competent and skilled personnel. The Bureau has since enjoyed industrial harmony and improved productivity levels in all areas of our business.
5. **To ensure effective corporate governance, controls and sound resource management** – During the period under review, the KLB Board of Management meetings were held at least once every Quarter. The term of the Board ended on 31 March, 2019 and are grateful of their re-appointment in May, 2019. The Board works through three [3] committees namely: Audit, Risk and Compliance Committee; Finance, Human Resource and General Purpose Committee; and Technical Committee (renamed Operations and Strategy). These are core functions which determine performance of our business and how our business performs and generate value and increased satisfaction to our stakeholders. We have continually reviewed the human capital risk factors and mitigation plans in compliance with existing policy and legislative instruments.

**BUSINESS REVIEW**

As a commercial State Corporation, KLB competes on a fair platform with other players in the publishing industry. We, therefore, continually review our business and operationally strategy to remain at the top. We have increased our product portfolio to include branded exercise books for county governments. For instance, in Kakamega County, all pupils in public Early Childhood Development Education (ECDE) centres have a braded exercise book for use in class.

This step has given the Bureau impetus to market its printing services to public and private firms, seeing it as an untapped revenue source. So far, we have signed partnership agreements with thirty one (31) county governments in areas of printing and supply of books to ECDE and TVET centres. KLB continues to reserve thirty [30] per cent procurement opportunities for women, youth and persons with disabilities, as well as mainstreaming gender

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and disability at the work place, in compliance to existing government policies and regulations.

#### **PERFORMANCE CONTRACT AND ISO 9001:2015 QUALITY MANAGEMENT SYSTEM**

The 2018/2019 Performance Contract was successfully negotiated and implemented. We have achieved all targets and attained favourable performance in the period under review, largely due to the commitment and support of the Board of Management and staff who have shown remarkable commitment to duty. We have also committed to achieve quality standards in service delivery and product development as specified in the ISO 9001:2015 Quality Management System.

#### **DIVIDENDS**

KLB has continually paid dividends to the Government of Kenya (GoK) at a rate of 10 per cent since 2006/07 financial year. The dividends are declared based on the policy of ten (10) percent of the after tax net profits. For the year ended 30 June, 2018, KLB paid dividends amounting to Kshs 48.8 Million up from Kshs 22.01 Million in the year ended 30 June 2017. We made provisions for dividend pay-out of Kshs 87 Million for the year ended 30 June 2019, representing a 78.3% growth from the previous year.

#### **FOCUS ON THE FUTURE**

In today's unique and dynamic business environment, customers have remained central to organisational growth and sustainability. It has also become critical for the Bureau to channel its communications and engagement programs to effectively address different stakeholder needs. In this regard, we have entered into mutually beneficial and strategic partnerships with schools and leaders to build and stock libraries with books through our *Twachapa*, *Twasoma* Social Responsibility program. We also work closely with the National Environment Management Authority (NEMA) to plant trees and champion environmental conservation programs across the country.

Going forward, we shall continually align, grow and transform our business to address the changing dynamics of the market. In doing so, we remain conscious of the challenges in the business environment, largely occasioned by high cost of energy and printing paper, which

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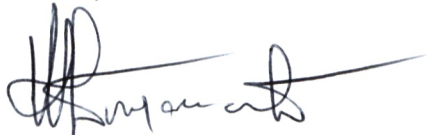
affects cost of production. We take note of the recent policy shifts in the education sector and will remain focussed on our corporate strategy and objectives.

In the meantime, we will focus on the following priority areas: securing tender to publish, print and distribute Grade 4 new Competency-Based Curriculum (CBC) textbooks; grow institutional printing; and secure publishing and printing contracts with the County Governments. We will leverage on our heritage to foster relations and to sustainably build our business.

#### **APPRECIATION**

I take this opportunity to thank the Government of Kenya (GoK), through the Ministry of Education, the Board, our stakeholders, management and staff whose valued support and commitment has significantly contributed to the impressive performance.

Thank you all.



**CPA Victor Lomaria, OGW  
MANAGING DIRECTOR**

## **VI. CORPORATE GOVERNANCE STATEMENT**

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

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

### **THE COMPOSITION OF THE BOARD OF MANAGEMENT**

The current Board now comprises twelve [12] members; the Chairman, Managing Director, five [5] independent directors and five [5] directors representing various governmental agencies as per the Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012).

As is practice, the Board is generally constituted taking into account sector requirements, age, gender, diversity of skills, academic qualifications and experience needed to help the Bureau achieve its goals and objectives. Five of the current members of the Board, including the

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

#### Names of Board Members and their areas of expertise

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

#### THE ROLE OF THE BOARD

The Board of Management provides leadership and strategic direction of the Bureau. The main responsibilities of the Board are:

- (i) Establishment of the short and long-term goals of the Bureau and strategic plans to achieve those goals;
- (ii) Approval and review of annual budgets;
- (iii) Risk management and compliance by ensuring adequate systems of internal controls are in place to ensure business continuity;

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- (iv) Review of financial performance, expenditure and commitments;
- (v) Setting and periodically reviewing organisational key performance indicators as well as management performance; and
- (vi) Supporting management to enhance shareholder value.

To effectively discharge these roles, the Board of Management has full access to the Managing Director and to relevant company information. Existing regulatory instruments also allow them to seek independent professional advice on KLB matters, where necessary, at the expense of the Bureau.

**ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER**

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

**SUCCESSION PLANNING**

KLB has an established a well thought out succession plan aimed at ensuring business continuity at all levels of the Board and Management. The terms of the members of the Board of Management are scheduled to end at different times.

**BOARD EVALUATION AND PERFORMANCE**

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

**BOARD MEETINGS AND ATTENDANCE**

The Full Board meets at least once in a quarter or more depending on the requirements of the business and has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time to facilitate informed deliberations and

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decision making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication. The Board has an opportunity to meet with all the KLB staff in December of each year.

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

#### Board meeting attendance

	NAME	POSITION	BOARD MEETINGS (SEVEN MEETINGS)
1.	Hon. Amb. Francis S. K. Bayah	Chairman	7
2.	Cheryl Majiwa	Alternate, CS National Treasury	3
3.	Abdallah Bii	Representing National Commission for Science, Technology & Innovation	6
4.	John Kenduiwo	Representing the University of Nairobi	7
5.	Nicholas Mac'Botongore	Representing Ministry of Labour, Social Security & Services	6
6.	Elyas Abdi	Representing Ministry of Education	3
7.	Sammy M. Chepkwony	Member	7
8.	Elizabeth Mwongera	Member	6
9.	Martin Mburu	Member	2
10.	Josephine Maangi	Member	6
11.	Victor Lomaria	Managing Director	4

#### BOARD COMMITTEES

The Board has three standing committees with specific delegated authorities and terms of reference. They assist in effectively discharging various business functions and responsibilities and submit reports of their activities to the Board. These committees of the Board are:

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- i) Audit and Risk Management and Compliance Committee
- ii) Finance Human Resources and General Purpose Committee
- iii) Technical Committee (renamed Operations and Strategy)

The Board Committees meet at least on quarterly basis. The Managing Director is the secretary to all Board Committees except the Audit, Risk Management and Compliance Committee, where the Internal Audit Manager is the Secretary.

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

NO.	NAME	BOARD POSITION	BOARD COMMITTEES		
			FINANCE, HR AND GENERAL PURPOSE	AUDIT, RISK MANAGEMNT AND COMPLIANCE	TECHNICAL (renamed Operations and Strategy)
1.	Hon. Amb. Francis Bayah	Chairman	-	-	-
2.	Ms. Cheryl Majiwa	Alternate to the CS, National Treasury and Planning	✓	✓	-
3.	Mr. Abdalla Bii	Representative, National Commission for Science, Technology and Innovation (NACOSTI)	✓	-	✓
4.	Mr. John Kenduwo	Representative, the University of Nairobi	✓	-	✓
5.	Mr. Sammy Chepkwony	Member	-	✓ (Chair)	✓
6.	Mrs. Josephine Maangi	Member	-	✓	✓ (Chair)
7.	Mr. Nicholas Mac'Botongore	Representative, the Principal Secretary, Ministry of Labour and Social Protection	✓	-	-
8.	Mr. Martin Mburu	Member	-	✓	✓
9.	Mrs. Elizabeth Mwongera	Member	✓ (Chair)	-	-
10.	Mr. Elyas Abdi	Representative, the Principal	-	✓	✓

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		Secretary, State Department of Early and Basic education, Ministry of Education			
11.	Mr. Victor Lomaria	Managing Director/Secretary to the Board	✓ (standing invitation)	✓ (standing invitation)	✓ (standing invitation)

**1.0 AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE**

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

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

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

NO.	NAME	POSITION	ATTENDANCE
1.	Mr. Sammy Chepkwony	Chairman	3
2.	Mrs. Cheryl Majiwa	Member	3

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3.	Mrs. Josephine Maangi	Member	3
4.	Mr. Martin Mburu	Member	2
5.	Mr. Victor K. Lomaria*	Managing Director	3
6.	Mr. Julius K. Aritho*	Internal Audit Manager, Secretary to the Committee	3

\*In-attendance

## 2.0 FINANCE, HUMAN RESOURCES AND GENERAL PURPOSE COMMITTEE

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

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

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

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

\*In-attendance

### 3.0 BOARD TECHNICAL COMMITTEE

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

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

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

NO.	NAME	POSITION	ATTENDANCE
1	Mrs. Josephine Maangi	Chairman	4
2	Mr. John Kenduiwo	Member	4

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3	Mr. Abdalla Bii	Member	2
4	Mr. Sammy Chepkwony	Member	4
5	Mr. Martin Mburu	Member	2
6	Hon. Amb. Francis Bayah*	Board Chairman	1
7	Mr. Victor K. Lomaria*	Managing Director	1
8	Mr. Evans Nyachiengá *	Business Development Manager, Secretary to the Committee	4
9	Mr. Bernard Obura*	Sales & Marketing Manager	4
10	Mr. Kenneth Jumba*	Publishing Manager	4

\*In-attendance

#### DIRECTORS' REMUNERATION

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

#### STAFF REMUNERATION

Staff remuneration is based on the sustained performance by the employees and budget, and is subject to the approval of the Board and the Salaries and Remuneration Commission. Year-end rewards and benefits are tied to the overall fiscal performance of the Bureau. KLB undertakes a comprehensive annual staff appraisal against their pre-agreed targets and objects and this informs the individual performance and contribution to the company performance and achievement of the overall goals.

### **CONFLICT OF INTEREST**

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

### **INTERNAL CONTROLS**

The Board is committed to establishing and monitoring a risk management framework and to controlling its business and financial activities with a view to maximising profitable business opportunities and ensuring compliance with legal and regulatory requirements. The Board assesses the effectiveness of the Bureau's internal control systems on a quarterly basis. It is expected that the systems in place will continually provide reasonable controls in all governance and operational areas.

### **CODE OF CONDUCT**

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

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

### **GOING CONCERN**

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

## **VII. MANAGEMENT DISCUSSION AND ANALYSIS**

### **SECTION A**

#### **The entity's operational and financial performance**

During the financial year 2018/2019, the Bureau continued to implement the Strategic Plan 2016 – 2020 based on the following strategic objectives and strategies;

- 1. To be the Industry's Market leader** – The gross turnover for the year reached Kshs. 5.34 Billion as compared to Kshs. 4.961 Billion in 2018. This was a growth of 7.6%. This is attributed to the aggressive marketing strategies employed, development of new markets with new product offerings, and servicing of existing markets with improved products and services. The challenges related to the execution of the new textbook purchase and direct distribution model led to reduced sales of our books as booksellers drew back their purchase plans. Further, the announced new curriculum implementation created fear and led to reduced sale of books developed under the existing curriculum. KLB is engaging stakeholders to re-assure them of our commitment to continually work together for the mutual interest of our enterprises.
- 2. To improve on quality of products and services** - This was achieved by continually determining the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services. The continued compliance with the International Standardization Organization (ISO) 9001:2015 Quality Management System provides an assurance system for the quality of our products and services for our customers.
- 3. To upgrade Corporate Infrastructure** – KLB continues with increasing capital investment aimed at improving the publishing and printing systems. Acquisition of plant and machinery, ICT equipment, motor vehicles and the full implementation of the automated systems such as Accpac financial system and the Human Resources Management Information System has led to improvement of the Bureau's technology infrastructure.
- 4. To strengthening institutional capacity** – KLB achieved much progress geared to enhance the institutional capacity to serve the increased needs and demands of our valued customers. The Bureau continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. This has resulted in improved productivity levels.

The Bureau continued to develop and implement effective human resources plans and policies. The Bureau has continued to enjoy cordial relations with the Union organization (non-management staff) and completed the implementation of the Phase Two of the Collective Bargaining Agreement 2015 – 2017. This has ensured that the Bureau has highly motivated staff

and harmonious industrial relations. The Bureau has a plan of improving the terms and conditions of service for the staff through the implementation of government circulars.

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

## **SECTION B**

### **Entity's compliance with statutory requirements**

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

#### **KRA PRINCIPAL TAX DEMAND KSHS. 125,560,306/=**

A contingent liability exists from a demand notice based on the tax audit conducted by Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs 125,560,306 (being principal amount) for which a waiver for penalties and interest was approved by then Minister for Finance in April 2013. The Bureau has held various positive meetings with the officials of Kenya Revenue Authority and the National Treasury and which have not been finalized, 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 KRA has indicated commitment to the positive resolution of the matter. The amount payable, which may be settled in future, cannot be measured with sufficient reliability. The current tax obligations have been liquidated as per Income Tax Act, and there are no outstanding liabilities. The directors estimate that no material liability will arise on the assessment and have made no provision.

## **SECTION C**

### **Key projects and investment decisions the entity is planning/implementing**

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

- a) To Increase on our Internal Production capacity in order to run efficiently and enhance competitiveness of our products
  - b) To modernize the Printing Press as per our Strategic Plan of improving on the printing technology and to reduce the operational costs of machines
- The purchase of the machine is entirely financed by internally generated resources saved over the years.

## **SECTION D**

### **Major risks facing the entity**

#### **1. Financial risk management objectives and policies**

The company's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The company's overall risk management programme focuses on the unpredictability of the industry and seeks to minimise potential adverse effects on its financial performance.

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

##### **i) Credit risk**

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

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

##### **ii) Liquidity risk**

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

treasury bills and by continuously monitoring forecast and actual cash flows.

**iii) Market risk**

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

**Currency risk**

Currency risk arises on financial instruments denominated in foreign currency. The company has cash equivalents denominated in foreign currency to the tune of United States Dollars 171,360.47 as at 30 June, 2019. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is the least.

**Interest rate risk**

The corporation does not have any borrowings as at 30 June, 2019 and hence not exposed to cash flow interest rate risk resulting from changes in market interest rates.

**Other price risk**

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

**SECTION E**

**Material arrears in statutory/financial obligations**

The Bureau has no overdue pending bills, has no borrowings, no outstanding staff/pension obligations, no non-payment of dividends and loan redemptions. However, there exists a past actuarial deficit of Kshs. 32.83 Million for the non-active defined benefits pension scheme which is continuously being liquidated at the rate of Kshs. 1.563 Million per month from 1<sup>st</sup> April 2011.

**SECTION F**

**The entity's financial probity and serious governance issues**

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

**VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT**

**SOCIAL RESPONSIBILITY**

KLB is committed to expanding its role as an educational institution that serves the society beyond book publishing and printing. It is, therefore, working with all stakeholders to champion corporate social responsibility initiatives in communities within which it operates, taking deliberate measures to serve and uplift their living standards.

To this end, KLB sponsored various initiatives in environmental conservation and book donation. They include:

**a) Twachapisha, Mwasoma**

In the year under review, we rolled out a robust social responsibility program dubbed *Twachapisha Mwasoma* that has seen us stock and re-stock libraries in the communities we operate in. This has made it possible for learners from disadvantaged backgrounds to access quality learning materials for improved learning outcomes and literacy.

KLB is keen to promote literacy and positive reading culture in recognition of the power of books and education to transform lives. Through these commitments, we have embraced the values of our employees, authors and other stakeholders to strengthen our operations, promote our brand and ensure organisational sustainability. We also publish books on life-skills that enable learners, especially girls and children, to identify safe from unsafe situations in their lives.

**b) Environmental Conservation**

KLB partnered with schools and other stakeholders to promote environmental conservation and awareness creation, a step that has seen us plant trees in schools and sponsor annual national environmental events such as World Wetlands Day (WWD) on 2 February 2019, the World Environment Day (WED) on 5 June 2019 and the World Day to Combat Desertification (WDCD) on 17 June 2019. The Bureau conducted an Energy Audit and is implementing recommendations of the audit.

## **Kenya Literature Bureau**

### **Annual Report and Financial Statements For the year ended 30 June 2019**

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#### **IX. REPORT OF THE BOARD MEMBERS**

The Members of the Board submitted their report together with the audited financial statements for the year ended 30 June, 2019 which illustrate the state of affairs of the Bureau.

#### **Principal activities**

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

#### **Results**

The results of the Bureau for the year ended 30 June, 2019 are set out on pages 1 to 40.

#### **Dividends**

Kenya Literature Bureau being wholly owned by the Government of Kenya, the Board of Management proposes dividends for the year ended 30 June, 2019 amounting to Kshs. 87 Million which is payable through the National Treasury based on the audited financial statements. The dividend will be paid in the fourth quarter of the Financial Year 2019/2020.

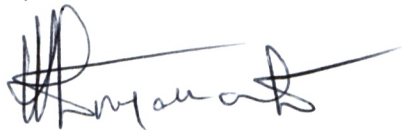
#### **Directors**

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

#### **Auditors**

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

By Order of the Board



**CPA Victor Lomaria, OGW**

Secretary to the Board

**NAIROBI**

**Date: 31 July 2019**

## **Kenya Literature Bureau**

### **Annual Report and Financial Statements For the year ended 30 June 2019**

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#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Members of the Board are also responsible for the preparation and presentation of 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 June, 2019. This responsibility includes:

- i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Bureau;
- iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) safeguarding the assets of the Bureau;
- v) selecting and applying appropriate accounting policies; and
- vi) making accounting estimates that are reasonable in the circumstances.

The Members accept responsibility for the Bureau's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Financial Management Act, 2012 and section 14 of the State Corporations Act. The Members are of the opinion that the Bureau's financial statements give a true and fair view of the state of Bureau's transactions during the financial year ended 30 June, 2019, and of the Bureau's financial position as at that date. Board Members further confirm the completeness of the accounting records maintained for the Bureau, which have been relied upon in the preparation of the Bureau's financial statements as well as the adequacy of the systems of internal financial control.

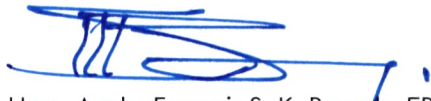
**Kenya Literature Bureau**

**Annual Report and Financial Statements  
For the year ended 30 June 2019**

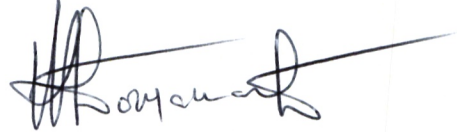
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**Approval of the financial statements**

The Bureau's financial statements were approved by the Board on 31<sup>st</sup> July 2019 and signed on its behalf by:



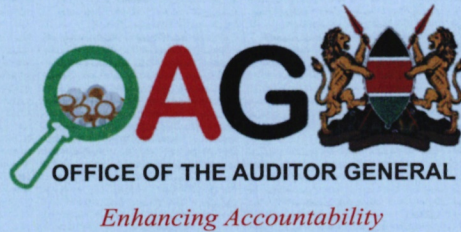
Hon. Amb. Francis S. K. Bayoh, EBS  
**Director**



CPA, Victor K. Lomaria, OGW  
**Managing Director**

# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 1 to 36, which comprise the statement of financial position as at 30 June, 2019, and the statement of comprehensive income, statement of changes in capital fund and reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion the financial statements present fairly, in all material respects, the financial position of the Kenya Literature Bureau as at 30 June, 2019, and of 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.

#### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Literature Bureau Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Emphasis of Matter**

#### **Contingent Liability**

As disclosed in Note 24 to the financial statements, a contingent liability exists from a demand notice based on a tax audit conducted by the Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs.125,560,306 being principal amounts for

which a waiver of penalties and interests was approved by the Ministry of Finance in April, 2013. Management has explained that discussions are ongoing with the Kenya Revenue Authority with a view to having the liabilities waived. However, the outcome of the negotiations, that has been ongoing for nine (9) years, has not been disclosed.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON COMPLIANCE WITH LAWFULNESS AND EFFECTIVENESS IN USE OF RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROL, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Bureau, so far as appears from the examination of those records; and,
- iii. The financial statements are in agreement with the accounting records and returns.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless Management is aware of the intention to liquidate the Bureau or to cease operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**28 January, 2021**


**XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019 Kshs	2018 Kshs
<b>REVENUES</b>			
Turnover	1 (a)	5,340,556,553	4,961,945,574
Cost of Sales	1 (b)	<u>(3,311,047,580)</u>	<u>(3,124,249,779)</u>
<b>Gross Profit</b>		<b><u>2,029,508,973</u></b>	<b><u>1,837,695,795</u></b>
Gross Income from investments	7 (a)	59,259,916	74,262,657
Gain/(Loss) on Disposal of Non-financial Assets	2	254,250	(70,338)
Other Income	3	<u>15,319,355</u>	<u>3,279,378</u>
<b>OTHER REVENUES</b>		<b><u>74,833,521</u></b>	<b><u>77,471,696</u></b>
<b>TOTAL REVENUES</b>		<b><u>5,415,390,074</u></b>	<b><u>5,039,417,270</u></b>
Administration Costs	4 (a)	465,621,134	434,761,535
Selling and Distribution Costs	5	674,731,128	750,795,242
Depreciation - Property, Plant and equipment	10 (a)	<u>43,803,133</u>	<u>42,572,148</u>
<b>OPERATING EXPENSES</b>		<b><u>1,184,155,395</u></b>	<b><u>1,228,128,925</u></b>
<b>TOTAL COSTS</b>		<b><u>4,495,202,974</u></b>	<b><u>4,352,378,704</u></b>
<b>OPERATING PROFIT FOR THE YEAR BEFORE TAX</b>		920,187,100	687,038,566
<b>INCOME TAX EXPENSE</b>	8(a)	<u>277,675,945</u>	<u>199,004,770</u>
<b>TOTAL COMPREHENSIVE INCOME AFTER TAX</b>		<b><u>642,511,155</u></b>	<b><u>488,033,796</u></b>



Hon. Amb. Francis S. K. Bayah, EBS

Chairman  
 31 July 2019



CPA Victor Lomaria, OGW

Managing Director

**XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

<b>ASSETS</b>	<b>Note</b>	<b>2019</b>	<b>2018</b>
<b>Non - Current Assets</b>		<b>Kshs</b>	<b>Kshs</b>
Property, Plant and Equipment	<b>10 (a)</b>	<u>1,167,344,953</u>	<u>1,172,095,843</u>
<b>Current Assets</b>			
Inventories	<b>12</b>	693,177,622	535,040,412
Trade and Other Receivables	<b>13(a)</b>	2,661,826,367	3,231,015,481
Short-term Investments	<b>14</b>	586,896,219	741,512,269
Cash and Bank Balances	<b>15</b>	<u>1,002,568,200</u>	<u>187,063,677</u>
		<u>4,944,468,407</u>	<u>4,694,631,841</u>
<b>TOTAL ASSETS</b>		<b><u>6,111,813,360</u></b>	<b><u>5,866,727,684</u></b>
<b>RESERVES, FUND AND LIABILITIES</b>			
Capital Fund	<b>16</b>	1,000,000,000	1,000,000,000
Revaluation Reserves	<b>17</b>	580,120,938	580,120,938
Revenue Reserves	<b>18</b>	<u>2,117,839,402</u>	<u>1,539,579,363</u>
Shareholder funds		<u>3,697,960,340</u>	<u>3,119,700,301</u>
<b>CURRENT LIABILITIES</b>			
Trade & Other Payables	<b>19</b>	<u>2,413,853,024</u>	<u>2,747,027,383</u>
		<u>2,413,853,024</u>	<u>2,747,027,383</u>
<b>TOTAL RESERVES, FUND AND LIABILITIES</b>		<b><u>6,111,813,360</u></b>	<b><u>5,866,727,684</u></b>

The financial statements were approved by the Board of Management on 31 July 2019.

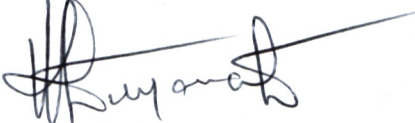
and were signed on its behalf by:



**Hon. Amb. Francis S. K. Bayah, EBS**

Chairman

**31 July 2019**



**CPA Victor Lomaria, OGW**

Managing Director

**31 July 2019**

The notes set out on pages 6 to 39 form part of these financial statements.

KENYA LITERATURE BUREAU  
 REPORTS AND FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED 30 JUNE 2019

**XIV. STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES FOR THE YEAR ENDED 30 JUNE 2019**

	Capital Fund	Revaluation Reserves	Revenue Reserves	Total Reserves
	Kshs	Kshs	Kshs	Kshs
<b>At 1st July 2018</b>	<b>1,000,000,000</b>	<b>580,120,938</b>	<b>1,100,348,947</b>	<b>2,680,469,885</b>
Net Profit for the year	-	-	687,038,566	687,038,566
Prov. For Corporation Tax - 2017/18	-	-	(199,004,770)	(199,004,770)
Dividends Payable - 2017/18	-	-	(48,803,380)	(48,803,380)
<b>At 30 June 2018</b>	<b>1,000,000,000</b>	<b>580,120,938</b>	<b>1,539,579,363</b>	<b>3,119,700,301</b>
<b>At 1st July 2018</b>	<b>1,000,000,000</b>	<b>580,120,938</b>	<b>1,539,579,363</b>	<b>3,119,700,301</b>
Net Profit for the year	-	-	920,187,100	920,187,100
Prov. For Corporation Tax - 2018/19	-	-	(277,675,945)	(277,675,945)
Dividends Payable - 2018/19	-	-	(64,251,115)	(64,251,115)
<b>At 30 June 2019</b>	<b>1,000,000,000</b>	<b>580,120,938</b>	<b>2,117,839,402</b>	<b>3,697,960,341</b>

**XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

OPERATING ACTIVITIES	Notes	2019 Kshs	2018 Kshs
Operating profit for the year	6	920,187,100	687,038,566
<b>Adjustments for:</b>			
Depreciation Expenses	10 (a)	59,952,165	57,813,241
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	2,880,495	4,670,376
Provision for Doubtful Debts	4(a)	2,927,019	(3,276,021)
Interest Income	7 (c)	(59,259,916)	(74,262,657)
Foreign Exchange (Gain)/ Loss		1,025,064	364,993
(Profit)/Loss on disposal of Assets	2	(254,250)	70,338
<b>Operating profit before Working Capital Changes</b>		<b>927,457,677</b>	<b>672,418,836</b>
Increase/Decrease in Inventories	12	(161,017,705)	(223,477,260)
Realised Foreign Exchange Gain/Loss		(1,025,064)	(364,993)
Increase/Decrease in Receivables	13(a)	554,103,922	(2,653,502,040)
Increase/Decrease in payables	19	(321,210,113)	2,337,720,853
<b>Cash generated from operations</b>		<b>998,308,716</b>	<b>132,795,397</b>
Dividends Paid	9	(48,803,380)	(22,013,076)
Corporation Tax Paid	8(b)	(296,198,939)	(132,905,580)
<b>Net Cashflows from Operating Activities</b>		<b>653,306,398</b>	<b>(22,123,259)</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant & equipment	10	(55,307,025)	(26,319,365)
Disposal of property, plant & equipment	10	360,000	-
Interest income received from Investments	7(b)	62,529,102	56,976,588
<b>Net Cashflows from Investing Activities</b>		<b>7,582,077</b>	<b>30,657,223</b>
<b>(Decrease)/ Increase in Cash &amp; Cash Equivalents</b>		<b>660,888,475</b>	<b>8,533,963</b>
<b>Cash &amp; Cash Equivalents at the</b>			
- Start of the year (1st July 2018)		928,575,945	920,041,982
- End of the period (30th June 2019)	21(b)	<b>1,589,464,419</b>	<b>928,575,945</b>

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019**

		Original Budget (Rationalized)	Adjustments	Final Budget	Actual on Comparable Basis	Actual Vs. Budget Performance Difference	% Chang e	Remarks
Revenue	Note	2018 - 2019 Kshs	2018 - 2019 Kshs	2018 - 2019 Kshs	2018 - 2019 Kshs	2018 - 2019 Kshs		
Turnover	(1a)	4,712,575,406	835,400,156	5,547,975,562	5,340,556,553	-207,419,009	-4%	Decrease attributed to the lower than targeted revenue from printing services.
Direct Expenditure	(1b)	2,407,594,714	751,483,064	3,159,077,778	3,311,047,580	(151,969,802)	-5%	Decrease attributed to higher costs of production inputs which exceeded the budgeted figures.
<b>Gross Profit</b>		<b>2,304,980,692</b>	<b>83,917,092</b>	<b>2,388,897,784</b>	<b>2,029,508,973</b>	<b>-359,388,811</b>	<b>-15%</b>	This was due to the lower than targeted turnover as stated above.
Other Income	(3)	101,732,400	(46,892,400)	54,840,000	74,833,521	19,993,521	36%	Increase attributable to increase in short-term investment income due to enhanced investment portfolio as a result of improved cash flows
<b>Total Income</b>		<b>2,406,713,092</b>	<b>37,024,692</b>	<b>2,443,737,784</b>	<b>2,104,342,494</b>	<b>(339,395,290)</b>	<b>-14%</b>	The overall total income was lower than targeted due to the lower revenue from the printing services than targeted.
Staff Costs	(4b)	410,242,160	(4,340,000)	405,902,160	373,534,010	32,368,150	8%	Decrease as a result of staff costs containment and re-scheduling of implementation of some phases of the human resource instruments
Administration Costs	(4a)	161,235,800	(15,989,514)	145,246,286	92,087,124	53,159,162	37%	Decrease in costs due to stringent control measures on expenditure based on the reduced revenue generated.
Selling & Distribution Costs	(5)	903,083,406	3,350,000	906,433,406	674,731,128	231,702,278	26%	Decrease in costs due to changes in marketing and sales promotion strategies after the change of the distribution model where the Government is purchasing books directly from the Publishers after competitive tender awards.
Depreciation - Property/Plant	(10b)	63,123,726	(19,368,566)	43,755,160	43,803,133	-47,973	0%	As per depreciation policy
<b>Total Expenditure</b>		<b>1,537,685,092</b>	<b>(36,348,080)</b>	<b>1,501,337,012</b>	<b>1,184,155,395</b>	<b>317,181,617</b>	<b>21%</b>	There was an overall savings on expenses in tandem with the lower than targeted revenues.
<b>Surplus for the period</b>		<b>869,028,000</b>	<b>73,372,772</b>	<b>942,400,772</b>	<b>920,187,099</b>	<b>(22,213,673)</b>	<b>-2%</b>	All the above factors have a bearing to overall decrease in net profit
<b>Tax Expense</b>	(8a)	<b>260,708,400</b>	<b>22,011,832</b>	<b>282,720,232</b>	<b>277,675,945</b>	<b>(5,044,287)</b>	<b>-2%</b>	This is mainly due to the capital investment deduction offered after investment in printing machines
<b>Surplus/Loss After Tax</b>		<b>608,319,600</b>	<b>51,360,940</b>	<b>659,680,540</b>	<b>642,511,154</b>	<b>(17,169,386)</b>	<b>-3%</b>	

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

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

## **XVII. NOTES TO THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Kenya Literature Bureau is established by and derives its authority and accountability from Kenya Literature Bureau Act Cap 209. The Bureau is wholly owned by the Government of Kenya and is domiciled in Kenya. The Bureau's principal activity is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials. For reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actually determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Bureau's accounting policies.

The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Bureau.

The financial statements have been prepared in accordance with the Public Financial Management Act of 2012, the State Corporations Act Cap 446, Kenya Literature Bureau Act Cap 209, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ADOPTION OF NEW AND REVISED STANDARDS

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard/Amendment to a standard	Effective date	Impact
<b>IFRS 16: Leases</b>	1 January, 2019	<p>The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.</p> <p>Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
<b>IFRIC 23: Uncertainty Over income tax treatments</b>	Interpretation	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> <li>a) Whether tax treatments should be considered collectively</li> <li>b) Assumptions for taxation authorities' examinations</li> <li>c) The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates</li> <li>d) The effect of changes in facts and circumstances</li> </ul> <p>The interpretation has been factored in the financial statements.</p>
<b>Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued</b>	1 January, 2019	<p>The amendments, applicable to annual periods beginning on or after 1 January 2019, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

<p>in October 2017)</p>		<p>other comprehensive income if a specified condition is met.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
<p><b>Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)</b></p>	<p>1 January 2019</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
<p><b>Amendments to IFRS 3 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017</b></p>	<p>1 January 2019</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2019, provide additional guidance on applying the acquisition method to particular types of business combination.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
<p><b>Amendments to IFRS 11 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017</b></p>	<p>1 January 2019</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
<p><b>Amendments to IAS 12 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017</b></p>	<p>1 January 2019</p>	<p>The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the</p>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

			<p>transactions to which they are linked.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 23 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017	1 January 2019		<p>The amendments, applicable to annual periods beginning on or after 1st January 2019, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2018)	1 January 2019		<p>The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2019, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard/Amendment to a standard	Effective date	Impact
IFRS 17 Insurance Contracts (Issued 18 May 2017)	1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		<p>designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.</p> <p>The Directors do not plan to apply the Standard until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Bureau's financial statements.</p>
<p><b>Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2018- Applicable for annual periods beginning 1 January 2020)</b></p>	<p>1 January 2020</p>	<p>Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.</p> <p>The Directors do not plan to apply the amendments until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Bureau's financial statements.</p>

iii) **Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2019.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**a) Revenue recognition**

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

i) **Revenue from the sale of goods and services** is recognised in the year in which the Bureau delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account.

As per International Accounting Standards 21 on the Effects of changes in Foreign Exchange Rates, revenue realised in foreign currency is initially recognised in the functional, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period foreign currency monetary items are translated using the closing rate.

ii) **Revenue from printing services** is recognized when the printing order is placed, confirmed by the customer, printing done, delivered and invoiced.

iii) **Grants from National Government** are recognised in the year in which the Bureau actually receives such grants.

iv) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

- v) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- vi) **Rental income** is recognised in the income statement as it accrues using the effective lease/rental agreements.
- vii) **Other income** is recognised as it accrues.

**b) In-kind contributions**

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

**c) Property, plant and equipment**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

The cost of property, plant and equipment comprises

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

**d) Depreciation and impairment of property, plant and equipment**

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

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

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

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

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

**e) Intangible assets**

Intangible assets comprise purchased computer software licences, which are capitalised on the basis of costs incurred to acquire and bring to use the specific

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.

**f) Amortisation and impairment of intangible assets**

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

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

**g) Investment property**

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

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

**h) Finance and operating leases**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**i) Fixed interest investments (bonds)**

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

**j) Inventories**

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

**k) Trade and other receivables**

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

**l) Taxation**

**Current income tax**

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Deferred tax**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**m) Cash and cash equivalents**

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

**n) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

**o) Trade and other payables**

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

**p) Retirement benefit obligations**

**(a) Defined Contribution Scheme**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(b) Defined Benefits Scheme**

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

**(c) National Social Security Fund**

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

**q) Provision for staff leave pay**

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

**r) Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which the Bureau operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**s) Budget information**

The original budget for FY 2016-2017 was approved by the National Treasury in June 2018. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Bureau's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

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

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section XVI of these financial statements.

**f) Comparative figures**

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

**u) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY**

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

State all judgements, estimates and assumptions made: Examples

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**Estimates and assumptions**

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

**Useful lives and residual values**

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

- a) The condition of the asset based on the assessment of experts employed by the Bureau;
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed;
- d) Availability of funding to replace the assets;
- e) Changes in the market in relation to the asset.

**Provisions**

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

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

**i) Provision for Slow moving stocks**

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

**Kenya Literature Bureau**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**ii) Provision for Bad and doubtful debts**

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

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XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<b>2019</b>	<b>2018</b>
<b>1. (a) TURNOVER</b>	<b>Kshs</b>	<b>Kshs</b>
Books Sales	4,736,486,609	4,621,378,496
Printing Services	604,069,943	340,567,078
	<u><b>5,340,556,553</b></u>	<u><b>4,961,945,574</b></u>

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

**1. (b) COST OF SALES**

Opening inventories		
Printed books	478,071,057	290,033,394
Raw materials	14,910,089	13,491,894
Work in progress	47,927,979	15,318,567
	<u><b>540,909,126</b></u>	<u><b>318,843,856</b></u>
Production Costs		
Direct Expenses	209,478,260	259,448,297
Raw Materials	86,221,358	103,468,726
Direct Labour	73,641,221	77,072,704
Overheads	180,899,661	186,958,241
Contracted Works	2,921,916,462	2,719,367,082
	<u><b>3,472,156,962</b></u>	<u><b>3,346,315,049</b></u>
Closing inventories		
Printed books	656,101,059	478,071,057
Raw materials	19,068,323	14,910,089
Work in progress	26,849,126	47,927,979
	<u><b>702,018,507</b></u>	<u><b>540,909,126</b></u>
<b>COST OF SALES</b>	<u><b>3,311,047,580</b></u>	<u><b>3,124,249,779</b></u>

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

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

Gain on disposal of non-current assets	<u><b>254,250</b></u>	<u><b>(70,338)</b></u>
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**3. OTHER INCOME**

Rental Income	3,085,220	2,402,189
Waste Paper Income	918,394	523,483
Interest on advances	120,987	147,736
Miscellaneous income	102,860	205,970
Vat Refund Income	11,091,893	-
	<u><b>15,319,355</b></u>	<u><b>3,279,378</b></u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 Kshs
<b>4 (a). ADMINISTRATION COSTS</b>		
Staff Costs	373,534,010	335,554,560
Management board expenses	14,087,186	15,921,618
Foreign exchange loss	1,025,064	364,993
Transport operating expenses	10,745,541	10,664,242
Traveling and accomodation	10,712,941	12,209,131
Postal and telegram expenses	400,925	358,480
Telephone expenses	4,667,500	4,265,882
Electricity, Water and Conservancy	3,235,692	3,417,271
Purchase of uniforms	353,294	189,948
Purchase of stationery	9,104,802	10,438,950
Rent & Rates Expenses	381,492	92,785
Computer expenses	6,675,044	8,993,211
Hire of casuals	4,498,735	6,470,992
Insurance costs	2,294,930	1,916,338
Audit fees	1,028,000	812,000
Consultancy Expenses	180,000	165,000
Bad Debts Write-off	-	-
Slow moving stocks provision expenses	2,880,495	4,670,376
Provision for Bad & Doubtful Debts	2,927,019	(3,276,021)
Maintenance of plant and machinery	1,584,175	3,268,345
Maintenance of office equipment	710,162	512,020
Maintenance of buildings	5,665,717	8,536,839
Security expenses	4,077,641	2,956,040
Library Expenses	121,681	107,097
Subscription	203,540	436,187
Donation	140,000	460,000
Bank charges	1,649,085	3,232,924
Legal charges	2,736,463	2,022,327
<b>Total Administration Costs</b>	<b>465,621,134</b>	<b>434,761,535</b>
<b>4 (b). STAFF COSTS</b>		
Basic Salaries	213,167,359	194,140,976
Gratuity and pension	40,594,758	33,391,334
House allowance	42,635,950	40,229,400
Other personal allowances	20,534,472	15,771,797
Leave pay	5,732,535	5,465,361
Medical expenses	17,588,696	14,352,632
Overtime costs	19,096,104	15,708,908
Staff training expenses	6,818,704	9,172,420
Staff welfare	7,365,433	7,321,732
<b>Total Staff Costs</b>	<b>373,534,010</b>	<b>335,554,560</b>
<b>4 (c). MANAGEMENT BOARD EXPENSES</b>		
Sitting and Lunch Allowances	4,323,840	6,069,800
Travelling Allowances	1,754,868	2,512,247
Chairman's Honoraria	870,000	1,044,000
Accomodation Allowances	4,961,692	4,669,956
Performance Bonus	873,000	-
Board Medical Expenses	-	-
Other Meeting expenses	1,303,786	1,625,616
<b>Total Board Expenses</b>	<b>14,087,186</b>	<b>15,921,618</b>
<b>5. SELLING AND DISTRIBUTION COSTS</b>		
Sales discounts allowed	216,295,727	373,973,375
Promotional Samples costs	2,530,957	3,128,853
Advertising, Research and Promotions	26,479,060	33,031,035
Corporate Affairs expenses	15,126,813	12,094,245
Business Development Costs	10,964,860	446,095
Packaging, carriage and handling	403,333,710	328,121,638
<b>Total Selling Costs</b>	<b>674,731,128</b>	<b>750,795,242</b>
<b>Total Costs</b>	<b>1,140,352,262</b>	<b>1,185,556,777</b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 Kshs
<b>6. OPERATING PROFIT / (LOSS)</b>		
The operating profit is arrived at after charging / (crediting):		
GROSS TURNOVER	5,340,556,553	4,961,945,574
COST OF SALES	<u>3,311,047,580</u>	<u>3,124,249,779</u>
<b>GROSS TRADING PROFIT</b>	<b>2,029,508,973</b>	<b>1,837,695,795</b>
Income from investments	59,259,916	74,262,657
Gain on Disposal of Non-financial Assets	254,250	(70,338)
Other Income (note 3)	<u>15,319,355</u>	<u>3,279,378</u>
<b>TOTAL REVENUES</b>	<b>5,415,390,073</b>	<b>5,039,417,270</b>
Admin. , Staff, Selling & Distribution Costs (Note 4 & 5)	1,140,352,262	1,185,556,777
Depreciation of property, Plant and equipment	43,803,133	42,572,148
<b>TOTAL COSTS</b>	<b>4,495,202,973</b>	<b>4,352,378,704</b>
<b>Net operating Profit for the year</b>	<b><u>920,187,100</u></b>	<b><u>687,038,566</u></b>
<b>7(a). GROSS INCOME FROM INVESTMENTS</b>		
Interest Income on Government securities	51,213,736	57,763,798
Interest Income on short-term depositors	<u>8,046,180</u>	<u>16,498,859</u>
	<b><u>59,259,916</u></b>	<b><u>74,262,657</u></b>
<b>7(b). INTEREST INCOME RECEIVED FROM INVESTMENTS</b>		
Interest receivable at beginning of period	18,225,509	12,078,839
Current years'	59,259,916	74,262,657
Less: Tax on Interest Received - paid at source	<u>(8,888,988)</u>	<u>(11,139,399)</u>
	68,596,438	75,202,097
Less: Closing balance for the period	<u>(6,067,336)</u>	<u>(18,225,509)</u>
<b>Interest received at close of period</b>	<b><u>62,529,102</u></b>	<b><u>56,976,588</u></b>
<b>7(c). NET INTEREST INCOME</b>		
Gross interest income	59,259,916	74,262,657
Less: Tax on Interest Received	<u>(8,888,988)</u>	<u>(11,139,399)</u>
	<b><u>50,370,929</u></b>	<b><u>63,123,258</u></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%	277,675,945	199,004,770
- Less Advance/paid at source	<u>(8,888,988)</u>	<u>(11,139,399)</u>
<b>INCOME TAX EXPENSE</b>	<b><u>268,786,957</u></b>	<b><u>187,865,371</u></b>
<b>8(b). TAX LIABILITY /(RECOVERABLE)</b>		
Tax (credit) at beginning of period	63,238,762	8,278,971
Income Tax Charge based on adjusted profits for the period	<u>268,786,957</u>	<u>187,865,371</u>
	332,025,720	196,144,342
Income Tax paid	<u>(296,198,939)</u>	<u>(132,905,580)</u>
<b>Tax liability / (credit) at the end of period</b>	<b><u>35,826,781</u></b>	<b><u>63,238,762</u></b>
<b>9. DIVIDENDS PAYABLE</b>		
The proposed dividend are accounted for as a separate component of equity and not based on number of ordinary shares since the Government of Kenya is the sole shareholder and the Capital Fund is not divided into any class of shares. The Capital Fund is not divided into any class of shares.		
The Board of Management of Kenya Literature Bureau declares and pays a dividend of 10% of the after tax Net profit for the year to the Government. The proposed dividend is payable after audit of the Financial statements.		
Opening balance as at 1st July	48,803,380	22,013,076
Proposed Dividend for the year	64,251,115	48,803,380
Dividend Paid during the year	<u>(48,803,380)</u>	<u>(22,013,076)</u>
Closing balance as at 30th June	<b><u>64,251,115</u></b>	<b><u>48,803,380</u></b>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2019	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Application Systems	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<b><u>COST OR VALUATION</u></b>									
At July 1, 2018	493,350,000	432,107,228	285,192,650	7,126,051	66,054,388	25,272,087	21,024,529	17,148,227	1,347,275,159
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Additions	-	3,361,785	37,760,268	277,336	-	10,719,865	425,000	2,762,770	55,307,025
Disposals	-	-	-	-	(1,269,000)	-	-	-	(1,269,000)
At June 31, 2019	<b>493,350,000</b>	<b>435,469,014</b>	<b>322,952,918</b>	<b>7,403,387</b>	<b>64,785,388</b>	<b>35,991,952</b>	<b>21,449,529</b>	<b>19,910,997</b>	<b>1,401,313,184</b>
<b><u>DEPRECIATION</u></b>									
At June 30, 2018	-	52,995,237	42,152,829	2,063,258	37,289,710	17,175,917	17,845,293	5,657,072	175,179,316
Adjust for depre. on disposal	-	-	-	-	(1,163,250)	-	-	-	(1,163,250)
Adjust for depre. On Reclassification	-	-	-	-	-	-	-	-	-
Charge for the Year	-	17,306,701	15,254,939	906,284	15,729,685	6,337,783	1,998,068	2,418,705	59,952,165
At June 30, 2019	-	<b>70,301,939</b>	<b>57,407,768</b>	<b>2,969,542</b>	<b>51,856,145</b>	<b>23,513,700</b>	<b>19,843,361</b>	<b>8,075,777</b>	<b>233,968,231</b>
<b><u>NET BOOK VALUE</u></b>									
At June 30, 2019	<b>493,350,000</b>	<b>365,167,075</b>	<b>265,545,150</b>	<b>4,433,845</b>	<b>12,929,243</b>	<b>12,478,252</b>	<b>1,606,167</b>	<b>11,835,220</b>	<b>1,167,344,953</b>
At June 30, 2018	<b>493,350,000</b>	<b>379,111,991</b>	<b>243,039,821</b>	<b>5,062,793</b>	<b>28,764,677</b>	<b>8,096,170</b>	<b>3,179,236</b>	<b>11,491,155</b>	<b>1,172,095,843</b>
<b><u>DISPOSAL OF PROPERTY, PLANT &amp; EQUIPMENT</u></b>									
Disposals proceeds	-	-	-	-	360,000	-	-	-	<b>360,000</b>

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

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	57,441,481	43,357,061
Motor Vehicles	64,785,388	51,856,145
	<b>122,226,868</b>	<b>95,213,206</b>

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

	2019	2018
Cost of Sales (Production Overheads)	Appendix I 16,149,032	15,241,093
Administrative Expenses	43,803,133	42,572,148
Total Depreciation expenses	<b>59,952,165</b>	<b>57,813,241</b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

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

**DISPOSAL OF PROPERTY, PLANT & EQUIPMENT**

Disposals Proceeds

There were no proceeds from disposals during the year

**Note:**

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

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

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

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

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

**KENYA LITERATURE BUREAU**  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>11. INTANGIBLE ASSETS</b>		
<b>COST</b>		
At July 1	21,024,529	19,774,529
Additions	425,000	1,250,000
Disposals	-	-
At June 30	<u><b>21,449,529</b></u>	<u><b>21,024,529</b></u>
<b>AMORTISATION</b>		
At July 1	17,845,293	15,920,359
Charge for the year	1,998,068	1,924,934
Impairment Loss	-	-
At June 30	<u><b>19,843,361</b></u>	<u><b>17,845,293</b></u>
<b>NET BOOK VALUE</b>		
At June 30	<u><b>1,606,167</b></u>	<u><b>3,179,236</b></u>
<b>12. INVENTORIES</b>		
Printed Books	656,101,059	478,071,057
Provision for Slow Moving Stock	(14,420,684)	(11,540,188)
Raw Materials	19,068,323	14,910,089
Stationery & Other Consumables	3,702,227	3,852,200
Library Books	1,877,571	1,819,275
Work in Progress	26,849,126	47,927,979
	<u><b>693,177,622</b></u>	<u><b>535,040,412</b></u>
<b>13 (a) TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables - Books	2,152,082,834	3,072,797,162
Provision for Bad & Doubtful debts - Books	(10,032,702)	(7,430,145)
Trade Receivables - Printing	458,050,642	138,128,133
Provision for Bad & Doubtful debts - Printing	(1,653,301)	(1,328,839)
VAT Receivable	22,590,700	-
Corporation Tax Receivable	-	-
Royalty Advance	-	-
Accrued Interest Income	6,067,336	18,225,509
Other Receivables {inclusive of staff receivables Note 13 (c)}	31,391,494	5,204,836
Deposits and Prepayments	3,329,364	5,418,824
	<u><b>2,661,826,367</b></u>	<u><b>3,231,015,481</b></u>
<b>13 (b) TRADE RECEIVABLES</b>		
Gross trade receivables	2,610,133,476	3,210,925,295
Provision for doubtful receivables	(11,686,003)	(8,758,983)
	<u><b>2,598,447,473</b></u>	<u><b>3,202,166,312</b></u>
At 30th June, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	2,035,578,391	2,985,509,805
Between 30 and 60 days	303,333,202	34,969,874
Between 61 and 90 days	37,516,126	17,124,083
Over 90 days	233,705,756	173,321,533
	<u><b>2,610,133,476</b></u>	<u><b>3,210,925,295</b></u>
<b>13 (c) STAFF RECEIVABLES</b>		
Gross staff loans and advances	3,138,058	3,561,866
Less: Amounts due within one year	(2,343,771)	(2,264,259)
Amounts due after one year	<u><b>794,287</b></u>	<u><b>1,297,607</b></u>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 Kshs
<b>14. SHORT-TERM INVESTMENTS</b>		
Short Term Deposits with Kenya Commercial Bank	11,104,010	387,527,199
Treasury Bills with Central Bank of Kenya	530,081,180	353,985,070
Mortgage & Car Loan Deposits - HFC	45,711,029	-
	<b><u>586,896,219</u></b>	<b><u>741,512,269</u></b>

The weighted average effective interest rate on short term bank deposits at the year-end was 6.67 %, while the for investments in Treasury bills was 8.972%.

**15. CASH AND BANK BALANCES**

Cash on Hand	-	232,625
Cash at Bank	1,002,568,200	186,831,052
	<b><u>1,002,568,200</u></b>	<b><u>187,063,677</u></b>

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

**16. CAPITAL FUND**

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

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

**17. REVALUATION RESERVES**

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

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

**18. REVENUE RESERVES**

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

Retained Earnings	2,117,839,402	1,539,579,363
	<b><u>2,117,839,402</u></b>	<b><u>1,539,579,363</u></b>

**19. TRADE AND OTHER PAYABLES**

Trade Payables	2,091,572,984	1,860,627,115
Dividend Payable	64,251,115	48,803,379
Accrued Royalties	118,459,572	101,475,344
VAT Payable	-	237,988,102
Audit Fees Provision	920,000	1,624,000
NSSF Liability	23,500,000	-
Other Payables	29,484,470	32,581,766
Corporation Tax Payable	35,826,781	63,238,762
Accrued Expenses	4,348,130	3,024,827
Withholding Tax Due	8,903,809	5,658,652
Inventory Clearing Accounts	36,586,164	392,005,435
	<b><u>2,413,853,024</u></b>	<b><u>2,747,027,382</u></b>

**20. RETIREMENT BENEFIT OBLIGATIONS**

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 Kshs Re-stated
<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	920,187,100	687,038,566
<b>Adjustments for:</b>		
Depreciation Expenses	59,952,165	57,813,241
(Decrease)/Increase in Prov. for Slow Moving Stock	2,880,495	4,670,376
Provision for Doubtful Debts	2,927,019	(3,276,021)
Foreign Exchange (Gain)/ Loss	1,025,064	364,993
Net Interest Income	(59,259,916)	(74,262,657)
(Profit)/Loss on disposal of Assets	(254,250)	70,338
<b>Operating profit before Working Capital Changes</b>	<b>927,457,677</b>	<b>672,418,836</b>
( Increase)/Decrease in Inventories	(161,017,705)	(223,477,260)
Realised Foreign Exchange Gain/Loss	-	(563,188)
( Increase)/Decrease in Receivables	554,103,922	(2,653,502,040)
( Increase)/Decrease in Payables	(321,210,113)	2,337,720,853
<b>Cash generated from operations</b>	<b>998,308,716</b>	<b>132,597,201</b>
<b>(b) Analysis of cash and cash equivalents</b>		
Short Term Deposits with Kenya Commercial Bank	11,104,010	387,527,199
Treasury Bills with Central Bank of Kenya	530,081,180	353,985,070
Mortgage & Car Loan Deposits - HFC	45,711,029	-
Cash at bank	1,002,568,200	186,831,052
Cash at hand	-	232,625
	<b>1,589,464,419</b>	<b>928,575,945</b>
<b>(c) Analysis of dividend paid</b>		
2015 Dividends paid	13,379,790	
2016 Dividends paid	15,159,555	
2017 Dividends paid	22,013,076	
2018 Dividends paid	48,803,380	
	<b>99,355,801</b>	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019 Kshs	2018 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 and related costs</b>		
Allowances and other emoluments and costs for directors	14,087,186	15,921,618
The rise in directors' remuneration resulted from the exit of the former Board and appointment of new Board and related costs of induction.		
<b>(d) Key management compensation</b>		
Salaries and other employment benefits	54,945,509	51,574,439
Managing Director's Gratuity benefits	-	-
	<u>54,945,509</u>	<u>51,574,439</u>
The Bureau has a defined benefits and contribution plan whose benefits are payable by the Fund Manager or the annuity service provider and which are independently accounted for by the respective companies.		
<b>23. CAPITAL COMMITMENTS</b>		
Amounts authorised and contracted for includes;		
Plant & Equipment	7,186,379	28,075,862
Motor Vehicles	18,083,621	-
Furniture & Fittings	-	69,716
Computer Equipment	71,121	3,440,627
Office Equipment	1,194,544	144,368
	<u>26,535,665</u>	<u>31,730,573</u>

**24. CONTINGENCIES**

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 various positive meetings with the officials of Kenya Revenue Authority and the National Treasury and which have not been finalized, 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.

#### 24. CONTIGENCIES (Continued)

The KRA has indicated commitment to the positive resolution of the matter. The amount payable, which may be settled in future, cannot be measured with sufficient reliability. The current tax obligations have been liquidated as per Income Tax Act, and there are no outstanding liabilities. The directors estimate that no material liability will arise on the assessment and have made no provision.

#### 25. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Receivables from exchange transactions	2,610,133,476	2,376,427,719	233,705,756	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	1,002,568,200	1,002,568,200	-	-
<b>Total</b>	<b>3,612,701,676</b>	<b>3,378,995,920</b>	<b>233,705,756</b>	<b>-</b>
<b>At 30 June 2018</b>				
Receivables from exchange transactions	3,210,925,295	3,037,603,762	173,321,533	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	186,831,052	187,063,677	-	-
<b>Total</b>	<b>3,397,756,347</b>	<b>3,224,667,439</b>	<b>173,321,533</b>	<b>-</b>

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

The Bureau has significant concentration of credit risk on amounts due for over ninety (90) days Kshs. 233.7 million.

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

ii) Liquidity risk management

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2019</b>				
Trade payables	1,534,763,044	209,798,816	347,185,959	2,091,747,819
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>1,534,763,044</b>	<b>209,798,816</b>	<b>347,185,959</b>	<b>2,091,747,819</b>
<b>At 30 June 2018</b>				
Trade payables	1,871,838,639	47,856,678	42,393,107	1,962,088,423
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	<b>1,871,838,639</b>	<b>47,856,678</b>	<b>42,393,107</b>	<b>1,962,088,423</b>

iii) Market risk

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

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**a) Foreign currency risk**

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

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

	<b>Ksh</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>At 30 June 2019</b>			
Financial assets(investments, cash ,debtors)	4,227,268,031	17,320,625	4,244,588,656
<b>Liabilities</b>			
Trade and other payables	(2,389,692,870)	-	(2,389,692,870)
Borrowings	-	-	-
Net foreign currency asset/(liability)	<b>1,837,575,161</b>	<b>17,320,625</b>	<b>1,854,895,786</b>

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Market risk (Continued)**

**Foreign currency sensitivity analysis**

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	%	Kshs	Kshs
<b>2019</b>			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant
<b>2018</b>			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant

**b) Interest rate risk**

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

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

**Management of interest rate risk**

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

**Sensitivity analysis**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs Nil (2019: KShs Nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs Nil (2019 – KShs Nil).

**iv) Capital Risk Management**

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

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Revaluation reserve	580,120,938	580,120,938
Retained earnings	2,118,918,858	1,539,579,363
Capital reserve	1,000,000,000	1,000,000,000
<b>Total funds</b>	<b>3,699,039,796</b>	<b>3,119,700,301</b>
Total borrowings (Nil)	-	-
Less: cash and bank balances	(1,002,568,200)	(187,063,677)
Net debt/(excess cash and cash equivalents)	N/A	N/A
<b>Gearing</b>	<b>0%</b>	<b>0%</b>

**26 INCORPORATION**

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

**27 EVENTS AFTER THE REPORTING PERIOD**

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

**28 CURRENCY**

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

**KENYA LITERATURE BUREAU  
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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**APPENDIX I**

**DETAILS OF PRODUCTION COSTS**

	<b>2019</b>	<b>2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Institutional Printing Services	22,212,610	37,667,235
Photography, Artwork & Blocks	1,246,273	10,039,860
Readership, Writing Workshops	35,286,973	61,291,888
Standard Levy	257,808	268,144
Royalty Expenses	150,474,596	150,181,170
<b>Direct Costs</b>	<b>209,478,260</b>	<b>259,448,297</b>
<b>Contracted Works</b>	<b>2,921,916,462</b>	<b>2,719,367,082</b>
Printing Papers Issues	74,707,927	87,776,663
Inks Issues	1,454,688	1,758,238
Films Issues	0	24,360
Plates Issues	4,762,604	7,478,740
Printing Supplies Issues	5,296,138	6,430,725
<b>Direct Material Costs</b>	<b>86,221,358</b>	<b>103,468,726</b>
Basic Salary Allocation	41,895,419	39,079,725
House Allow Allocation	11,981,400	11,564,250
Other Allow Allocation	3,525,772	3,523,485
Leave Allow Allocation	1,065,522	1,034,387
Overtime Allow Allocation	15,173,108	21,870,857
<b>Direct Labour Costs</b>	<b>73,641,221</b>	<b>77,072,704</b>
Transport Exp Allocation	1,896,272	1,881,925
Basic Salary Allocation	45,025,688	37,058,273
Depr Of Plant Exp Allocation	12,203,951	11,379,289
Electricity, Water Exp Allocation	9,707,076	10,251,812
Insurance Exp Allocation	1,529,954	1,277,559
Telephone Exp Allocation	1,555,833	1,421,961
Maint Of Plant Allocation	14,257,578	29,415,107
Maint Of Buildings Allocation	1,888,572	2,845,612
Pensions Allocation	27,063,172	22,260,889
House Allow Allocation	11,664,300	8,557,000
Maint Of O/Equip Allocation	78,907	56,891
Other Allow Allocation	5,257,235	3,852,787
Depr Of Buildings Exp Allocation	3,461,340	3,446,347
Uniforms Exp Allocation	353,294	189,948
Depr Of Furn Exp Allocation	483,741	415,456
Stationery Exp Allocation	1,011,645	1,159,883
Leave Allow Allocation	1,284,998	1,015,548
Casual Wages Allocation	17,994,941	25,883,967
Security Exp Allocation	1,359,214	985,347
Overtime Exp Allocation	1,640,064	1,704,783
Training Exp Allocation	4,545,802	6,114,947
Welfare Exp Allocation	4,910,289	6,214,488
Medical Exp Allocation	11,725,797	9,568,422
<b>Overhead Costs</b>	<b>180,899,661</b>	<b>186,958,241</b>
<b>Total Production Costs</b>	<b>3,472,156,962</b>	<b>3,346,315,049</b>

**CASH & CASH EQUIVALENTS**

A/C NO.	DETAIL	AMOUNT
410	BANK BALANCE - KCB	971,983,438.34
411	BANK BALANCE - US\$ ACCOUNT	17,320,624.71
412	BANK BALANCE - PUBLISHING FUND	6,744,555.26
413	BANK BALANCE - VOTED FUND	3,021,587.20
414	BANK BALANCE - BUILDING FUND	1,436,079.65
419	KCB - MPESA ACCOUNT	2,061,915.00
<b>SUB-TOTAL</b>		<b>1,002,568,200.16</b>
434	TREASURY BILLS	530,081,180.00
436	SHORT TERM DEPOSITS	11,104,009.51
446	HFC - Mortgage Deposit	31,811,427.98
446	HFC - Car Loan Deposit	13,899,601.05
<b>SUB-TOTAL</b>		<b>586,896,218.54</b>
<b>TOTAL</b>		<b>1,589,464,418.70</b>

**TRADE & OTHER RECEIVABLES**

A/C NO.	DETAIL	AMOUNT
429	BOOKS DEBTORS CONTROL	2,152,082,833.64
543	PROVISION FOR BAD & DOUBTFUL DEBTS - BOOKS	(10,032,701.96)
431	PRINTING DEBTORS CONTROL	458,050,641.99
530	PROVISION FOR BAD & DOUBTFUL DEBTS - PRINTING	(1,653,300.75)
<b>TOTAL</b>		<b>2,598,447,472.92</b>

**VAT RECEIVABLE**

A/C NO.	DETAIL	AMOUNT
525	WITHHOLDING (6%) VAT	(113,214,007.71)
527	VAT INPUT / OUTPUT	135,804,708.09
<b>SUB-TOTAL</b>		<b>22,590,700.38</b>

**ACCRUED INTEREST INCOME**

A/C NO.	DETAIL	AMOUNT
433	ACCRUED INTEREST (TREASURY BILLS)	5,861,681.26
438	ACCRUED INTEREST (DEPOSITS)	32,672.40
448	ACCRUED INTEREST (DEPOSITS)	172,982.03
<b>SUB-TOTAL</b>		<b>6,067,335.69</b>

**OTHER RECEIVABLES**

A/C NO.	DETAIL	AMOUNT
430	WASTE PAPER DEBTORS	0.00
432	RENTAL DEBTORS	571,661.44
439	KCB - CAR LOAN DEBTORS	484,664.50
440	SALVAGE VALUE /MISC. DEBTOR (CASH)	1,462,058.45
446	HFC - MORTGAGE & CAR LOAN DEBTORS	26,130,396.10
450	SALARY ADVANCE DEBTORS	864,297.90
451	MEDICAL ADVANCES DEBTORS	319,250.67
452	LAPTOP ADVANCE DEBTORS	88,000.00
454	STAFF EDUCATION LOANS	794,287.30
456	SURCHARGE - STAFF	397,436.75
460	SAFARI IMPREST DEBTORS	194,341.82
461	PETTY CASH IMPREST DEBTORS	-4,221.00
919	IMPREST CLEARING	68,776.00
998	BANK TRANSFER CLEARING	6,746.34
461	AP/AR CLEARING	13,797.59
<b>SUB-TOTAL</b>		<b>31,391,493.86</b>

**DEPOSITS & PREPAYMENTS**

A/C NO.	DETAIL	AMOUNT
441	MEDICAL DEPOSIT	2,100,000.00
442	ELECTRICITY & WATER DEPOSIT	1,027,864.00
443	GUARANTEE / BOND DEPOSITS	100,000.00
445	TELEPHONE DEPOSITS	101,500.00
<b>SUB-TOTAL</b>		<b>3,329,364.00</b>

<b>GRAND TOTAL</b>		<b>2,661,826,366.85</b>
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KENYA LITERATURE BUREAU

**TRADE AND OTHER PAYABLES**

A/C NO.	DETAIL	AMOUNT
500	TRADE CREDITORS CONTROL	2,091,572,983.90
501	ACCRUED EXPENSES	4,348,129.50
502	ROYALTY CREDITORS CONTROL	118,459,572.10
533	NSSF LIABILITY	23,500,000.00
540	PROVISION FOR AUDIT FEE	920,000.00
544	DIVIDENDS PAYABLE	64,251,114.87
546	CORPORATION TAX PAYABLE	35,826,780.78
<b>SUB-TOTAL</b>		<b>2,338,878,581.15</b>

523	WITHHOLDING TAX_ROYALTIES	8,723,254.66
526	WITHHOLDING TAX_GENERAL	180,554.24
<b>SUB-TOTAL</b>		<b>8,903,808.90</b>

**OTHER PAYABLES**

A/C NO.	DETAIL	AMOUNT
520	DEBT COLLECTION COMMISSIONS	895,298.14
524	ADVANCE COLLECTIONS - WASTE PAPER DEBTORS	991.85
529	ADVANCE COLLECTIONS - BOOKS DEBTORS	5,318,492.68
531	WASTE PAPER DEPOSIT	70,000.00
534	RENTAL DEPOSIT	461,000.00
535	STAFF BENEVOLENT FUND	1,329,400.00
536	TENDER DEPOSIT	20,000.00
537	OUTSTANDING DEPOSITS	700,787.90
538	ADVANCE COLLECTIONS - PRINTING DEBTORS	10,727,868.03
551	STAFF ADVANCES CLEARING ACCOUNT	9,069.99
584	COOPERATIVE SOCIETIES CLEARING	(23,199.94)
585	P.A.Y.E.	9,780,599.02
590	PENSION FUND CLEARANCE	97,223.30
595	NET PAY CLEARING ACCOUNT	2,405.27
596	CANTEEN IMPREST CLEARANCE	60,530.35
597	INSURANCE PREMIUMS CLEARANCE	34,000.42
<b>SUB-TOTAL</b>		<b>29,484,467.01</b>

**CLEARING ACCOUNTS**

A/C NO.	DETAIL	AMOUNT
902	PAYABLES CLEARING - FINISHED GOODS	26,873,870.95
913	NON-STOCK CLEARING	4,517,482.92
914	PAYABLES CLEARING - RAW MATERIALS	5,194,810.10
<b>SUB-TOTAL</b>		<b>36,586,163.97</b>

<b>GRAND TOTAL</b>		<b>2,413,853,021.03</b>
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