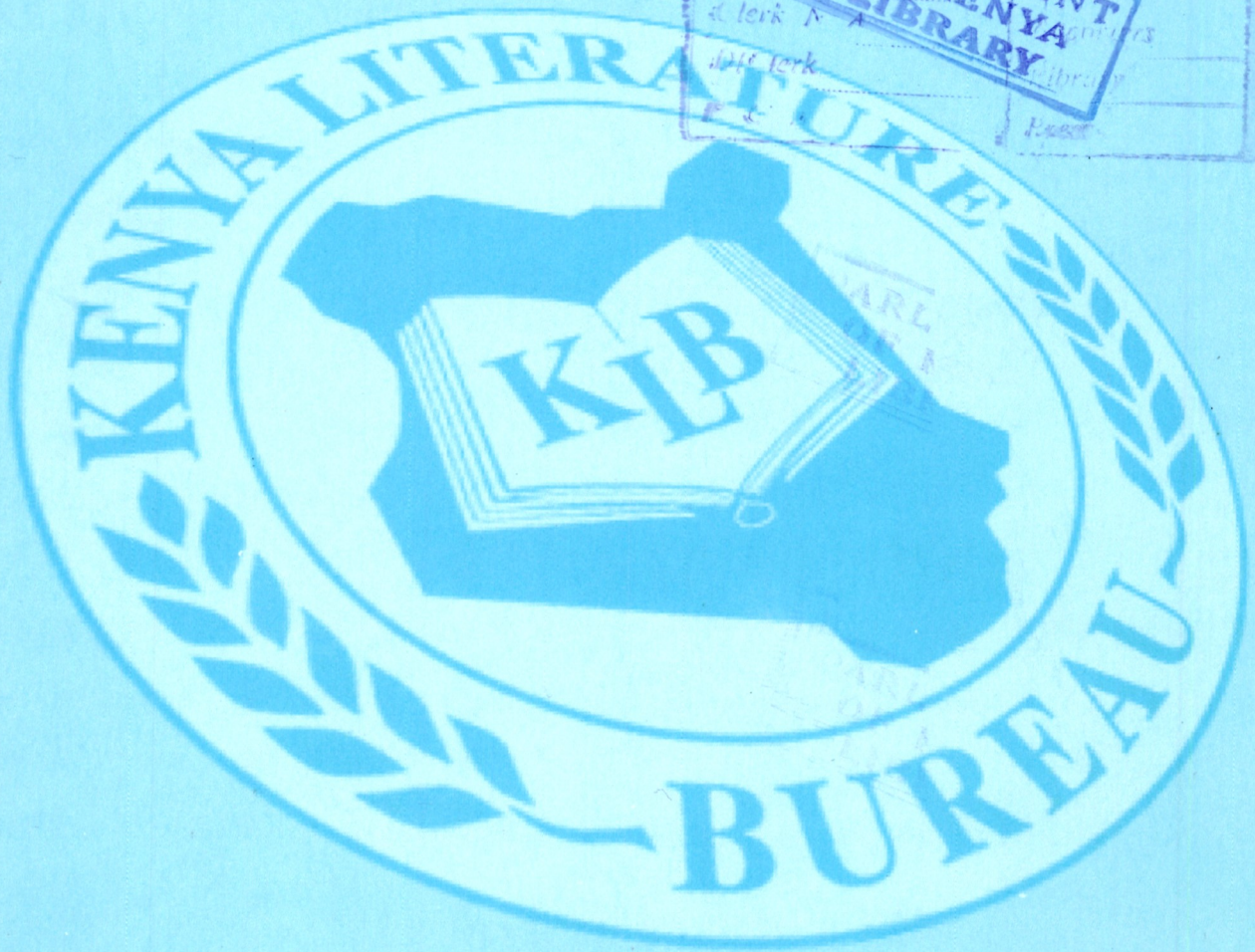


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KENYA LITERATURE BUREAU

Annual Report and Accounts



Year Ended 30th June, 2007

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Annual Report and Accounts



for the Year Ended 30th June, 2007

Annual Report and Accounts

for the Year Ended 30th June, 2007



**KENYA LITERATURE BUREAU
PUBLISHERS AND PRINTERS**

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BOARD OF MANAGEMENT

BOARD OF DIRECTORS

2006/2007

1. Prof. K. Ole Karei, EBS, Phd
Chairman
2. Joseph Kinyua
PS Ministry of Finance
Alternate Elizabeth Nzyoka
3. Prof. Karega Mutahi
PS Ministry of Education
Alternate Stephen K. Karaba
4. Ms Rachael Dzombo
PS Ministry of Gender, Sports, Culture and Social Services
Alternate Mrs Joyce N. Kebathi
5. Peter Ondieki
Inspector-General (State Corporations)
Alternate Joseph G. Mwangi
6. Prof. George K. King'oria
Secretary National Council for Science and Technology
Alternate Vitalis O. Awuor
7. Prof. Jesse N. K. Mugambi
Representative, University of Nairobi
8. Peter S. Kaaka
Member
9. Aggrey W. Kuboka
Member
10. Hon. Mrs Grace Ogot
Member
11. Mrs Mary Gatwiria
Member
12. Robert Mbato
Member
13. Mrs Eve A. Obara, MBS
Managing Director



Prof. K. Ole Karei, EBS, Phd
Chairman



Mrs Eve A. Obara, MBS
Managing Director

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



Elizabeth Nzyoka



Stephen K. Karaba



Mrs Joyce N. Kebathi



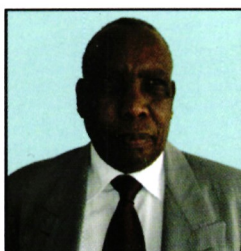
Joseph G. Mwangi



Vitalis O. Awuor



Prof. Jesse N. K. Mugambi



Peter S. Kaaka



Aggrey W. Kuboka



Hon. Mrs Grace Ogot



Mrs Mary Gatwiria



Robert Mbato

Senior Management Team 2006/2007



Mrs Eve A. Obara, MBS
Managing Director



Steve K. K. Mwenda
Sales & Marketing Manager



Mrs Mary N. Khasiani, MBS
Publishing Manager



Mrs Sarah Majani
Production Manager



Abraham K. Oloo
Finance Manager



Evans T. Nyachieng'a
Human Resources Manager

Chairman's Report

For the Year Ended 30th June, 2007

Once again, I am pleased to present to you the Annual Report and Financial Statements for The Kenya Literature Bureau for the year ended 30th June, 2007. This was another successful year for the Bureau as its growth continued strongly.

Management

Mr Mathews A. Karauri who was the Managing Director resigned from the Bureau at the end March 2007 to pursue other interests.

The Board would like to thank him for his contribution to the Bureau for the last four years and wish him all the best in his future endeavours.

Let me take this opportunity to welcome on board the new Managing Director, Mrs. Eve Obara who was appointed to the position of Managing Director at the end of March 2007, after a rigorous interviewing process by Deloitte Consulting Ltd and the Board of Directors.

Financial Results for Financial Year 2006/2007

During the financial year ended 30th June 2007, the Bureau registered an increase of Kshs 30.8 million in turnover from Kshs 696.6 million in the year 2005/2006 to Kshs 727.5 million in 2006/2007.

The cost of sales was Kshs 275.2 million compared to Kshs 287.2 million. With operating costs at Kshs. 417 million, the operating profit for the year stood at Kshs 57.6 million.

On the cashflow the Bureau enjoyed an increase of Kshs 70 million in new fixed deposits, which increased our overall deposit base from Kshs 20 million the previous year to stand at Kshs 90 million as at 30th June 2007.

Dividends

For the first time in its history the Bureau was able to declare and pay out a dividend of Kshs 6.1 million to the Government for the financial year 2005/2006.

For the year under review the Board has made a Kshs 6 million provision for payment of dividends to the Government. This represents approximately 10% of the Net Profit for the year.

Performance Contract

The Board of Directors and Management are on performance contract with the Government through its parent ministry and the Office of the President. This requires the Bureau to achieve certain agreed on targets both on its financial results and operational activities.

During the period under review, the Bureau was ranked on "The Very Good Category" at number 41 out of 116 Parastatals.

New Titles

In line with its mandate and objectives the Bureau has continued to produce quality books at favourable prices for the reading public, especially for primary and secondary schools.

For the year under review the publishing department produced a total of 27 new titles. Some of our old titles were also revised to bring them in line with the market requirements.

Employees' Welfare

The long outstanding Collective Bargaining Agreement dispute between the Bureau and the unionisable staff through their union, KUPRIPUPA, was finally resolved during the year under review and the union

members were paid all their outstanding incremental arrears for the years 2002/2003, 2003/2004 which amounted to approximately Kshs 19 million.

ISO 9001 – 2000 Certification

I am happy to report that the Bureau is on the verge of obtaining the ISO 9001 – 2000 Quality Management System certificate.

As at the year end the examining body, Kenya Bureau of Standards had recommend to its board of directors that the Bureau be issued with the ISO certificate having satisfied all the requirements for certification.

Future Prospects

We look to the future with optimism. Though the last phase of the curriculum change over has come to an end, we are optimistic that our future sales will be in the area of General readership books and free primary education through the replacement of textbooks by the schools.

We shall continue to focus in this area through increased school coverage by increasing the school seminars and schools visitations by the marketing team.

In addition we anticipate the realisation of the governments funding of secondary education, an area where we have very strong textbooks representation. This will represent another window of opportunity for the Bureau to grow its sales.

The Bureau has also spread its wings wide to do Business with the Republic of Southern Sudan in publishing and printing, and the first orders are expected to be realised in the current financial year.

In the coming financial year the Board will be reviewing the Bureau's 5 year strategic plan of 2005/2009, which is expected to address the challenges facing the Bureau in the remaining two years of the plan.

Appreciation

Finally I would like to sincerely thank my fellow Directors for their co-operation and guidance.

The Management and Staff of the Bureau have all worked very hard and with great dedication to achieve these outstanding results, and I am grateful to them all.

I also wish to thank all our customers, and other stakeholders for their continued support.



Prof. K.Ole Karei, EBS, Phd
Chairman

Statement of Directors' Responsibilities

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

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

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

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



Prof. Kariuki Ole Karei, EBS, Phd
Chairman
26th November, 2007



Mrs Eve A. Obara MBS
Managing Director
26th November, 2007

Report of the Controller and Auditor-General on the Financial Statements of Kenya Literature Bureau

For the year ended 30th June, 2007

I have audited the financial statements of the Kenya Literature Bureau for the year ended 30th June, 2007 set out on pages 7 to 18 which comprise the balance sheet as at 30th June, 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements which give a true and fair view of the Bureau's state of affairs and its operating results in accordance with the International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the Controller and Auditor-General

My responsibility is to express an independent opinion on the financial statements based on the audit. The audit was conducted in accordance with the International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement

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

1. Inventories

As disclosed in Note 6 to the financial statements inventories balance of Kshs 436,155,300 includes printed books figure of Kshs 415,021,937 net of provisions of Kshs 7,810,613 for slow moving books. The books balance is partly made of old titles, slow moving books valued at Kshs 131,371,118 or about 32% of printed books figure, which are out of syllabus and are unlikely to sell. There is no specific provision in these financial statements to recognise the likely possibility of not selling the large number of books that are out of syllabus. The provision of Kshs 7,810,613 or 5.9% for slow moving stocks is considered inadequate. Under the circumstances, it was not possible to conform that the inventories figure of Kshs 436,155,300 is fairly stated.

2. Receivables

As disclosed in note 8 to the financial statements, the receivables balance of Kshs 79,837,734 includes trade receivables books of Kshs 62,230,237 against which a provision of Kshs 1,842,224 has been made in the financial statements. Further, the trade receivables — books of Kshs 62,230,237 and trade receivables — printing figure Kshs 1,415,099 differ from the book debtors listing balances of Kshs 61,825,509 and Kshs 1,337,861 by unreconciled differences of Kshs 404,728 and Kshs 77,238 respectively. In the absence of reconciliation or explanations of the variances, it is not possible to confirm that the receivable balance of Kshs 79,837,734 is fairly stated as at 30th June, 2007.

3. Trade and other payables

As disclosed in Note 11 to the financial statements, the trade and other payables balance of Kshs 60,615,019 includes accrued expenses figure amounting to Kshs 5,570,404 which represents a suspense account whose nature and breakdown were not provided for audit review. In addition, the suspense figure increased by unexplained amount of Kshs 1,166,560 from the previous year's balance of Kshs 4,403,844. Further the decrease in payables reflected in the cash flow statement ought to have been Kshs 65,609,530 and not Kshs 65,508,667. The difference of Kshs 100,863 has not been explained. The cause of the suspense and the effect it may have on these financial statements has not been determined. Consequently the propriety of the trade and other payables of Kshs 60,615,019 cannot be confirmed.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial affairs of the Bureau as at 30th June, 2007 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya.



P.N. Komora, CBS

Controller and Auditor-General

Nairobi

18th February, 2008

Income Statement

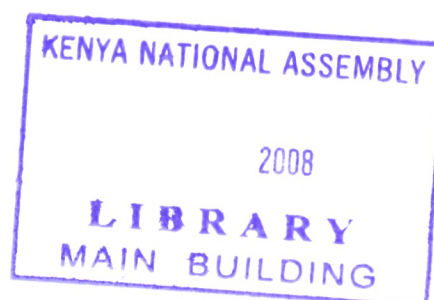
For The Year Ended 30th June, 2007

	NOTES	2006/2007 Kshs	2005/2006 Kshs
Turnover	(2)	727,501,364	696,649,845
Direct Expenditure	(3)	<u>275,217,033</u>	<u>287,221,693</u>
GROSS PROFIT		<u>452,284,331</u>	<u>409,428,152</u>
Other Income	(4)	22,451,720	35,315,127
TOTAL INCOME		<u>474,736,051</u>	<u>444,743,279</u>
Staff Costs	(12)	128,285,668	94,022,582
Administration Costs	(13)	68,722,909	84,988,728
Selling Costs	(14)	220,063,622	198,214,977
TOTAL EXPENSES		<u>417,072,199</u>	<u>377,226,287</u>
NET PROFIT FOR THE YEAR BEFORE RESTATEMENT		<u>57,663,852</u>	<u>67,516,992</u>
Prior Year adjustment (VAT Refund Receivable)	(22)		1,576,303
NET PROFIT FOR THE YEAR AFTER RESTATEMENT		<u>57,663,852</u>	<u>65,940,689</u>

The notes set out on pages 14 to 21 form part of these financial statements.


Balance Sheet


As at 30th June, 2007



ASSETS	NOTES	2006/2007 Kshs	2005/2006 Kshs
Non-Current Assets			
Property, Plant and Equipment (NBV)	(5)	<u>226,764,584</u>	<u>250,495,686</u>
Current Assets			
Inventories	(6)	436,155,300	476,326,749
Royalty Advance	(7)	410,000	160,000
Receivables	(8)	79,837,734	113,927,382
Cash and Cash Equivalents	(9)	<u>126,871,862</u>	<u>43,075,341</u>
		<u>643,274,896</u>	<u>633,489,472</u>
TOTAL ASSETS		<u>870,039,480</u>	<u>883,985,158</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves	(10)	500,000,000	500,000,000
Revenue Reserves		<u>309,424,461</u>	<u>257,760,609</u>
Shareholders Funds		<u>809,424,461</u>	<u>757,760,609</u>
CURRENT LIABILITIES			
Trade & Other Payables	(11)	<u>60,615,019</u>	<u>126,224,549</u>
		<u>60,615,019</u>	<u>126,224,549</u>
TOTAL EQUITY AND LIABILITIES		<u>870,039,480</u>	<u>883,985,158</u>

The financial statements on pages 10 to 21 were approved by the Board of Directors and were signed on its behalf by:


Prof. Kariuki Ole Karej, EBS, Phd
Chairman
 26th November, 2007


Mrs Eve A. Obara MBS
Managing Director
 26th November, 2007

The notes set out on pages 14 to 21 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30th June, 2007

	NOTES	Capital Reserves Kshs	Revenue Reserves Kshs	Total Reserves Kshs
At 1st July 2005—as previously stated		500,000,000	197,919,920	697,919,920
Profit for the Year before restatement			67,516,992	67,516,992
Prior Year adjustment	(22)		(1,576,303)	(1,576,303)
Profit/(Loss) for the year—As restated			65,940,689	65,940,689
Proposed Dividends —2005/2006			(6,100,000)	(6,100,000)
At 30th June, 2006		500,000,000	257,760,609	757,760,609
At 1st July, 2006		500,000,000	257,760,609	757,760,609
Net Profit for the Year		—	57,663,852	57,663,852
Proposed Dividends—2006/2007	(19)	—	(6,000,000)	(6,000,000)
Retained Profit for the Year—2006/2007		—	51,663,852	51,663,852
At 30th June, 2007		500,000,000	309,424,461	809,424,461

The notes set out on pages 14 to 21 form part of these financial statements.

Cash Flow Statement

For the Year Ended 30th June, 2007

	NOTES	2006/2007 Kshs	2005/2006 Kshs
OPERATING ACTIVITIES			
Operating Profit/(Loss) for the year		57,663,852	67,516,992
Adjustment for:			
Depreciation Expenses		25,274,665	25,815,884
Provision for Slow moving Stocks		5,000,000	2,810,613
Provision for Doubtful Debts		1,000,000	842,224
Reconciliation Adjustment		—	(650,683)
Bad Debts Expenses		—	84,451
Trade Creditors Credited Back to Revenues		—	(3,214,809)
Interest on Bank Overdraft		—	128,209
Gross Interest Income		(2,246,955)	—
Provision for Disposal of Library Books		276,385	—
Profit on disposal of property, plant & equipment		(238,375)	(1,052,000)
Operating profit before working capital changes		86,729,572	92,280,881
(Increase)/Decrease in inventories		35,171,449	(85,453,775)
(Increase)/Decrease in receivables		33,089,648	(13,057,450)
(Increase)/Decrease in advance royalties		(250,000)	—
Increase/(Decrease) in payables		(65,508,667)	(2,996,458)
Cash generated from operations		89,232,002	(9,226,802)
Net Tax on Interest Income		(277,248)	(788,272)
Net cash used in operating activities		88,954,754	(10,015,074)
INVESTING ACTIVITIES			
Purchase of property, plant & equipment		(2,377,563)	(10,355,957)
Proceeds from disposal of property, plant & equipment		1,072,375	1,052,000
Gross Interest income from deposits		2,246,955	788,272
Net cash used in investing activities		941,767	(8,515,685)
FINANCING ACTIVITIES			
Dividends Paid		(6,100,000)	—
Net Cashflows from Financing Activities		(6,100,000)	—
(Decrease) Increase in cash & cash equivalents		83,796,521	(18,530,759)
Cash & Cash Equivalents at the Start of the year (1st July, 2006)		43,075,341	61,606,100
Cash & Cash Equivalents at the End of the year (30th June, 2007)		126,871,862	43,075,341

The notes set out on pages 14 to 21 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30th June, 2007

1 SIGNIFICANT ACCOUNTING POLICIES

(a) *Basis of Preparation*

The financial statements are prepared in compliance with International Financial Reporting Standards under the historical cost convention as modified by the revaluation of certain financial instruments.

(b) *Revenue Recognition*

Revenue is recognised when books are sold and or when a printing job order is placed and confirmed. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account.

Interest income is accrued on a time basis, by reference to the principal outstanding and the agreed interest rate(s).

Value Added Tax withheld from suppliers' payments and remitted to Kenya Revenue Authority and which is refundable in full, is treated as accrued income when the remittance is made.

(c) *Property, Plant and Equipment*

Property, plant and equipment held for use in the production or supply of goods and services, or for administrative purposes, are stated in the balance sheet at cost or valuation less accumulated depreciation.

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

Printing machines	5%
Office furniture, fittings and equipment	12.5%
Motor vehicles	20%
Buildings	2%
Computers	20%

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

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

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2007

(d) *Inventories*

Inventories including work in progress are stated at the lower of cost and net realisable value. Inventories are valued at actual cost on the first-in-first out basis while work in progress comprises of direct material costs, direct labour costs and appropriate production overheads that have been incurred in bringing the inventories to their present condition on percentage of completion basis. Net realisable value is the estimate of selling price in the normal course of business, after allowing for the costs of the realisation. Provision is made for obsolete, slow moving and defective inventories at Kshs 5 million per year.

(e) *Royalties Expenses*

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

(f) *Principal Activity*

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

(g) *Taxation*

No taxation is provided for in these financial statements since the Bureau is exempt from income tax.

(h) *Retirement Benefits*

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

The Bureau's contributions to the above schemes are charged to the profit and loss account in the year to which they relate.

(i) *Financial Instruments*

Financial Assets and liabilities are recognized in the Company's balance sheet when the company has become a party to the contractual provisions of the instrument.

Trade receivables

Trade Receivables are stated at their nominal value as reduced by appropriate allowances for the estimated irrecoverable amounts. An estimate is made for the doubtful receivables based on the review of all outstanding amounts at the year end. Bad debts are written off when all reasonable efforts of recovery have been exhausted. Included among the Trade Receivables are Debts which are more than 5 years old and a Provision for Doubtful debts is being provided for at Kshs 1 million annually as measures are taken to recover the same.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and other short term highly liquid investments that are readily convertible into a known amount of cash and are subject to insignificant risk of changes in value. Short-term deposits have an average maturity of 90 days at the agreed interest rates.

Trade payables

Trade Payables are stated at their nominal value.

(j) *Comparatives*

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

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2007

2. TURNOVER

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

Particulars	NOTES	2006/2007 Kshs	2005/2006 Kshs
Sale of books		726,709,864	696,166,845
Printing sales		791,500	483,000
TOTAL TURNOVER		727,501,364	696,649,845
3. DIRECT EXPENDITURE		2006/2007	2005/2006
Opening inventories		Kshs	Kshs
Printed books		448,171,489	366,824,839
Raw materials		12,799,933	8,001,181
Work in progress		17,177,751	15,141,527
		478,149,173	389,967,547
Purchases			
Purchases for the year	(15)	114,572,624	257,471,132
Production wages	(16)	46,468,813	35,422,741
Production Overheads	(17)	78,879,886	82,509,446
		239,921,323	375,403,319
Closing inventories			
Printed books		422,832,550	448,171,489
Raw materials		12,362,601	12,799,933
Work in progress		7,658,312	17,177,751
		442,853,463	478,149,173
COST OF SALES		275,217,033	287,221,693
4. OTHER INCOME		2006/2007	2005/2006
		Kshs	Kshs
Rental Income		957,440	963,727
Interest Income		1,969,707	788,272
Profit on disposal of property, plant & equipment		238,375	1,052,000
Canteen Profit or (Loss)		(378,164)	(587,983)
VAT Refund Income		17,292,679	28,468,119
Miscellaneous Income		2,371,683	4,630,992
TOTAL OTHER INCOME		22,451,720	35,315,127

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2007

5. PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Land Kshs	Buildings Kshs	Plant and Equipment Kshs	Motor Vehicles Kshs	Computers Kshs	Furniture and Fittings Kshs	Total Kshs
At 1st July, 2006	22,500,000	93,495,778	238,262,823	39,114,861	29,720,928	6,873,209	429,967,599
Additions	-	-	890,405	-	1,108,795	378,363	2,377,564
Disposals	-	-	-	1,668,000	-	0.00	1,668,000
At 30th June, 2007	22,500,000	93,495,778	239,153,228	37,446,861	30,829,723	7,251,572	430,677,163

DEPRECIATION

At 1st July, 2006	-	20,616,189	111,686,304	21,006,302	20,863,577	5,299,541	179,471,913
Charge for the year	-	1,869,916	12,377,886	5,638,845	5,033,713	354,305	25,274,665
Disposals	-	-	-	834,000	-	-	834,000
At 30th June, 2007	-	22,486,105	124,064,190	25,811,147	25,897,290	5,653,846	203,912,578

Net Book Value

At 30th June, 2007	22,500,000	71,009,673	115,089,038	11,635,714	4,932,433	1,597,726	226,764,585
At 30th June, 2006	22,500,000	72,879,589	126,576,519	18,108,559	8,857,351	1,573,668	250,495,686

Fully Depreciated

Assets	0	0	8,679,032	9,252,634	5,661,159	4,356,940	27,949,765
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- The Bureau is carrying in its books fully depreciated assets with an original cost/valuation of Kshs 27,949,765 as shown above.

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2007

6. INVENTORIES

	2006/2007	2005/2006
	Kshs	Kshs
Printed Books	422,832,550	448,171,489
<i>Less: Provision for Slow Moving Stocks</i>	(7,810,613)	(2,810,613)
Raw Materials	12,362,601	12,799,933
Canteen Stock	407,561	290,939
Library Books	704,890	697,250
Work in Progress	7,658,312	17,177,751
	436,155,300	476,326,749

7. ROYALTY ADVANCE

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

8. RECEIVABLES

	2006/2007	2005/2006
	Kshs	Kshs
Trade Receivables — Books	62,230,237	84,222,419
<i>Less: Provision for Bad & Doubtful Debts</i>	(1,842,224)	(842,224)
Trade receivables — Printing	1,415,099	4,775,693
VAT Refund Income Receivable	9,894,739	20,292,356
Accrued Interest Income	398,633	87,424
Other Receivables	7,243,236	4,893,700
Deposits and Prepayments (Electricity & Water)	498,014	498,014
	79,837,734	113,927,382

9. CASH AND CASH EQUIVALENTS

	2006/2007	2005/2006
	Kshs	Kshs
Cash on Hand	115,098	141,070
Cash at Bank	29,718,338	17,263,231
Cash Column — KCB Cash Book	4,506,486	(589,236)
Short term Deposits	92,531,940	26,260,276
Treasury Bills	-	-
	126,871,862	43,075,341

10. CAPITAL RESERVES

The amount of reserves of Kshs 500,000,000.00 comprises Kshs 300,000,000.00 which the Government of Kenya invested when establishing Kenya Literature Bureau through an Act of Parliament Cap. 209 No. 4 of 1980, while Kshs 183,000,000.00 was a transfer from revenue reserves during the financial year 1996/1997. The remaining Kshs 17,000,000 are Revaluation Reserves. The capital reserves are not divided into shares of any class.

11. TRADE & OTHER PAYABLES

	2006/2007	2005/2006
	Kshs	Kshs
Trade Payables	18,140,963	77,845,079
Dividend Payable	6,000,000	6,100,000
Statutory Payables	2,066,636	1,748,707
Accrued Royalties	21,000,000	20,081,203
Advance Receipts	20,000	9,186,002
Accrued Expenses	5,570,404	4,403,844
Audit Fees Provision	800,000	500,000
Rent and Rates Provision	34,222	34,222
Withholding & Value Added Tax	6,982,794	6,325,492
	60,615,019	126,224,549

Details of Income Statement

For the Year Ended 30th June, 2007

	2006/2007	2005/2006
	Kshs	Kshs
12. STAFF COSTS		
Salaries	57,976,649	38,615,767
Gratuity and pension	8,911,383	5,255,502
House allowance	31,547,355	33,341,283
Other personal allowances	13,917,274	4,402,912
Passage and leave allowances	1,860,189	1,275,223
Medical expenses	8,131,655	4,165,288
Overtime costs	519,387	1,202,175
Staff training	1,508,640	1,906,505
Staff welfare	3,913,138	3,857,927
Total Staff Costs	<u>128,285,668</u>	<u>94,022,582</u>
Number of Employees		
Management Staff	50	53
Non-Management & Unionizable Staff	163	165
Total Establishment	<u>213</u>	<u>218</u>
13. ADMINISTRATION COSTS		
Transport operating expenses	4,979,247	5,657,514
Travelling and accomodation	3,838,620	14,899,629
Postal and telegram expenses	185,998	317,191
Telephone expenses	2,347,242	2,592,546
Management board expenses	6,562,871	5,292,211
Electricity and water	1,110,392	1,606,734
Publicity and printing	-	49,990
Purchase of uniform and clothing	146,789	133,531
Purchase of stationery	3,938,604	4,687,371
Rent and rates	78,478	25,007
Computer expenses	2,140,256	751,110
Hire of casuals	589,394	1,650,490
Miscellaneous charges	632,507	337,350
VAT consultancy expenses	3,309,514	806,137
Maintenance of plant and equipment	2,136,755	3,873,398
Maintenance of buildings	2,789,578	1,308,606
Readership and writing workshop	2,059,182	3,141,314
Security expenses	4,045,358	3,566,845
Library books written off	276,385	165,752
Donation Expenses	40,184	1,101,206
Promotional Samples costs	1,325,387	1,276,524
Slow moving stocks provision expenses	5,000,000	2,810,613
Bad Debts written off	-	84,451
Provision for Bad & Doubtful debts	1,000,000	842,224
Bank charges	1,395,239	1,070,023
Legal charges	531,337	669,556
Audit fees	300,000	250,000
Insurance costs	5,440,797	12,922,004
Depreciation expenses	12,522,796	13,099,401
Total Administration Costs	<u>68,722,909</u>	<u>84,988,728</u>
14. SELLING COSTS		
Discounts allowed	205,071,773	179,207,585
Advertising and publicity	12,863,048	17,307,748
Agricultural Shows of Kenya	119,028	50,000
Packaging, carriage and handling	2,009,774	1,649,644
Total Selling Costs	<u>220,063,622</u>	<u>198,214,977</u>
TOTAL COSTS	<u>417,072,198</u>	<u>377,226,287</u>

Details of Income Statement

For the Year Ended 30th June, 2007

15. PURCHASES FOR THE YEAR

	2006/2007	2005/2006
	Kshs	Kshs
Purchase of printing paper	46,485,121	94,065,322
Purchase of inks	473,915	596,238
Purchase of films	615,740	568,601
Purchase of plates	1,498,164	957,177
Purchase of printing supplies	4,104,460	5,196,013
Photography, artwork and blocks	3,287,934	563,699
Purchase of copyrights	-	27,000
Contracted works	58,107,290	155,497,082
	<u>114,572,624</u>	<u>257,471,132</u>

16. PRODUCTION WAGES

	2006/2007	2005/2006
	Kshs	Kshs
Salaries	24,847,136	16,549,615
Gratuity and pension	3,819,164	2,252,358
House allowance	13,520,295	14,289,121
Passage and leave allowances	797,224	546,524
Medical expenses	3,484,994	1,785,123
	<u>46,468,813</u>	<u>35,422,741</u>

17. PRODUCTION OVERHEADS

	2006/2007	2005/2006
	Kshs	Kshs
Transport operating expenses	553,250	628,613
Telephone expenses	260,805	288,061
Electricity and water	2,590,916	3,749,047
Purchase of uniform and clothing	146,789	133,531
Staff training	646,560	817,074
Maintenance of plant and equipment	8,547,022	15,493,593
Maintenance of Buildings	929,859	436,202
Readership and writing workshops	6,177,544	9,423,941
Overtime costs	4,674,478	10,819,574
Depreciation of plant & equipment	12,377,886	12,249,088
Depreciation of buildings	373,983	467,395
Royalty payments	41,460,540	27,735,274
Standard levy expenses	140,255	268,053
	<u>78,879,886</u>	<u>82,509,446</u>

Notes to the Financial Statements (Continued)

For the Year Ended 30th June, 2007

18. DIVIDENDS

The Board of Directors recommend a dividend of Kshs 6 Million for the year to be paid to the Government of Kenya, the principal shareholder of the Bureau. This Represents 10% of the Net Profit after Tax for the year ended 30th June, 2007.

19. CAPITAL EXPENDITURE COMMITMENTS

There were no capital expenditure commitments at 30th June, 2007.

20. INCORPORATION

The Bureau is incorporated in Kenya under an Act of Parliament (Cap. 209 No. 4 of 1980).

21. CURRENCY

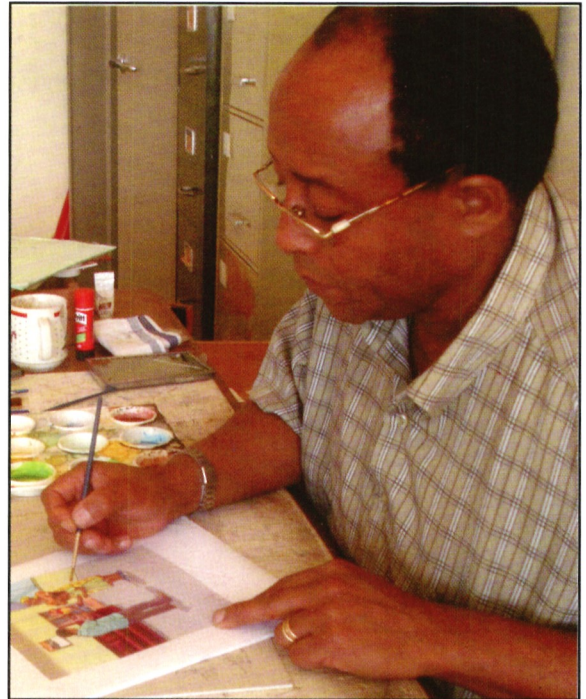
These financial statements are presented in Kenya Shillings (Kshs).

22. PRIOR YEAR ADJUSTMENT

In the year 2005/2006 the Bureau had accounted as Income receivable an amount of Kshs 21,868,659 which was due from Kenya Revenue Authority on account of VAT Refund. The amounts were received in the current financial year 2006/2007 less Kshs 1,576,303 which were rejected for refund. The amount has been restated to the year when the original entries had been recorded.



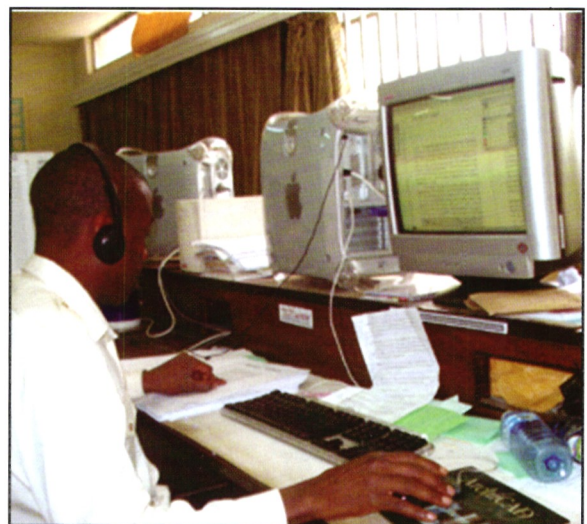
An editor copy editing on her computer.



An Artist painting an illustration.



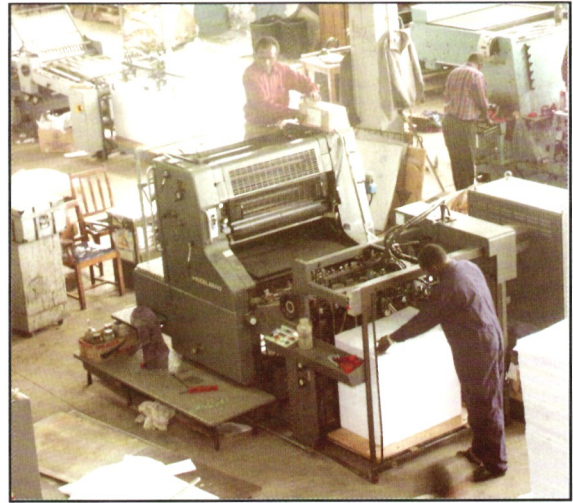
A graphic designer designing a page on his computer.



A typesetter busy laying out a book on his computer.



Preparing masked films to expose a printing plate.



Printing machine operators doing "make ready."



Books from three knife-trimmer ready trimmed for delivery.



Cutting completed books for packaging.

KENYA NATIONAL ASSEMBLY

2008

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