

Annual Report and Financial Statements

for the Year Ended 30th June, 2015



**KENYA LITERATURE BUREAU
PUBLISHERS AND PRINTERS**

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Off Mombasa Road,

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KEY CORPORATE INFORMATION

Background Information

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

Principal Activities

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

Directors

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

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

Corporate Secretary

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

Corporate Contacts

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Website: www.klb.co.ke

Independent Auditors

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

Registered Office

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

Corporate Bankers:

1. Kenya Commercial Bank Limited
Kencom Building
Moi Avenue
P.O. Box 30081 – 00100,
NAIROBI, KENYA

Principal Legal Advisers




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

Branch

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

2. National Bank of Kenya Limited
National Bank Building
Harambee Avenue
P. O. Box 41862 – 00100,
NAIROBI, KENYA

THE BOARD OF MANAGEMENT 2014/2015

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p>1. Mrs. Serah K. Ndege <i>Chairman</i></p> 	<p>Mrs. Ndege is the Chairman of the Board of Management. She is aged 63. She is a holder of Bachelor of Arts degree from Makerere University (1975) and a Diploma in Education from the same institution. She is a holder of a Diploma in Theological Education and has attended several workshops on leadership and good corporate governance programmes. Mrs. Ndege worked as a Senior Principal, State House Girls High School from 1997–2008.</p>
<p>2. Mrs. E. A. Obara <i>The Chief Executive Officer and the Secretary to the Board of Management</i></p> 	<p>Mrs. E. A. Obara is the Managing Director. She is aged 55 years. She is a holder of MSC (Business Administration from University of Illinois at Urbana – Champaign, USA, Certificate in Personnel Management from Royal Institute of Public Administration, London, UK and B.A. (Sociology and Political Science), University of Nairobi. She has attended various courses and seminars in management, leadership, corporate governance and strategy among many others both locally and internationally. She is a fellow member of the Institute of Human Resources Management and member of Marketing Society of Kenya. She has served as a member of the Kenya Publishers Association. She is a recipient of the Moran of the Burning Spear (MBS).</p> <p>She was re-appointed as the Managing Director on 1st April 2013.</p>
<p>3. Mrs. Leah Rotich <i>Alternate Director to Dr. Belio Kipsang</i></p> 	<p>Mrs. Rotich represents the Ministry of Education, Science and Technology as stipulated under the Kenya Literature Bureau Act.</p> <p>She is the Alternate Director to Dr. Belio Kipsang, Principal Secretary, State Department of Education; Ministry of Education, Science and Technology.</p>

4. Ms. Cheryl A. Majiwa

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



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

She is the Alternate Director to Dr. Kamau Thugge, Principal Secretary, The National Treasury.

5. Mr. Mwakio Righa

Alternate to Mr. Ali Noor Ismail



Mr. Righa is aged 60 years. He is a holder of a Bachelor of Arts degree in Sociology and Public Administration, University of Nairobi and Bachelor of Arts Degree in Social Rehabilitation from University of Zimbabwe. He also holds a Masters degree in Economics and Social Studies from University of Wales, United Kingdom. He is the Director of Social Development at the Ministry of Labour, Social Security and Services until retirement on 30th June 2015. He represents the Ministry of Labour Social Security and Service in the Board as stipulated under the Kenya Literature Bureau Act.

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

6. Mr. Vitalis O. Awuor

Alternate to Dr. Moses K. Rugutt



Mr. Awuor is aged 56 years. He is a holder of a B.Sc. degree in Meteorology, (1983) University of Nairobi, Post-Graduate Diploma in Engineering Hydrology 1987 from the Institute of Hydraulic and Environmental Engineering (IHE) Delft, the Netherlands. He also holds a Master of Science degree in Water Resources Engineering from University of Dar-es-Salaam, Tanzania (1992). He represents the National Commission for Science, Technology and Innovation in KLB's Board of Management as stipulated under the Kenya Literature Bureau Act.

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

He is a member of the Finance Committee of the Board.

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



Prof. Mugambi is aged 68 years. He is a Professor of Philosophy and Religious Studies, Educator at the University of Nairobi; Theologian; Philosopher; Ecumenist; Ecologist; Consultant; Author and Publisher. He has been awarded Elder of the Order of the Burning Spear (EBS) and is a Member of the Kenya National Academy of Sciences (MKNAS). He has been a Resource Person in the Kenya Commission for University Education (CUE) since 1988 focusing on Philosophy, Theology, Religious Studies and Applied Ethics. His professional training is in Education; Communication Policy and Planning; Publishing; Ecology and Applied Ethics. He is a holder of a Bachelor of Arts BA. Hons (Nairobi); M.A. (Nairobi); Ph. D. (Nairobi). He also studied at Westhill College of Education, Birmingham, UK, and conducted historical research at the CMS Archives in London (1969–70).

Prof. Mugambi represents the University of Nairobi in the Board under the Kenya Literature Bureau Act.

8. Mr. Peter S. Kaaka
Independent Director



Mr. Kaaka is aged 70 years. He is a holder of a Diploma in Dairy Technology from Egerton Agriculture College. He has served in various companies in different capacities both in the public and private sectors. He worked for K.C.C. and later Cadbury Schweppes E.A. as a Production and General Manager for over 21 years. He was responsible for exports in the East African Countries.

He was the Chairman for the Finance Committee of the Board until his resignation on 31st December 2014.

9. Mr. Robert M. Mbato
Independent Director



Mr. Mbato is aged 69 years. He is a holder of Bachelor of Arts degree from the University of Nairobi. He has several years' experience in the Civil Service where he retired as Deputy Secretary, Ministry of Education in 2000.

He is a member of the Audit Committee of the Board and currently the Chairman of the Finance Committee.

10. Mrs. Elizabeth K. Mwangera
Independent Director



Mrs Elizabeth Mwangera is aged 63 years. She is a holder of a Bachelor of Education degree from the University of Nairobi and a Masters of Education Degree from University of Manchester with a bias in English. She has a Certificate in Training from the Institute of Personnel Management, UK, Diploma in Human Resource Management (ABE), MA (Counselling Psychology at Daystar University, Examiner (KNEC) Team leader, Co-authored English language series for secondary schools. She has been a graduate teacher, Inspector of Schools and Chief Human Development Officer at Kenyatta National Hospital.

She is a member of the Audit and Finance Committee of the Board.

11. Mrs. Dorothy N. Opondo
Independent Director



Mrs. Opondo is aged 63 years. She is a holder of a Bachelor of Arts (Sociology and Literature) degree from University of Nairobi, Post Graduate Diploma in Management from Eastern and Southern Management Institute (ESAMI) and Masters in Business Administration from University of Nairobi. She has been the Group Human Resources Manager at Williamson Tea Kenya Limited, Nairobi from 1988 – 2012. She is currently the Chairman of Williamson Tea Staff Provident Fund. She is a member of Kenya Institute of Management.

She is the chair of the Staff and General Purpose Committee and a member of Finance Committee of the Board.

SENIOR MANAGEMENT TEAM 2014/2015

MANAGER'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
<p>1. Mrs. Eve A. Obara, MBS <i>The Chief Executive Officer and the Secretary to the Board of Management</i></p> 	<p>Mrs. E.A. Obara is aged 55 years. She is a holder of MSC (Business Administration) from University of Illinois at Urbana – Champaign, USA, Certificate in Personnel Management from Royal Institute of Public Administration, London, UK and B.A. (Sociology and Political Science), University of Nairobi. She has attended various courses and seminars in management, leadership, Corporate governance and strategy among many others both locally and internationally. She is a fellow member of the Institute of Human Resources Management and Alumni of the University of Illinois at Urbana – Champaign, USA and a member of Marketing Society of Kenya. She has also served as a member of Kenya Publishers Association and has served on boards of several schools. She is a recipient of Moran of the Burning Spear (MBS). Mrs. E.A. Obara was appointed on 1st April, 2013.</p>
<p>2. Mrs. Mary N. Khasiani, MBS <i>Publishing Manager</i></p> 	<p>Mrs. Mary N. Khasiani is aged 59 years. She is a holder of Masters in Publishing Studies, University of Stirling, UK and Bachelor of Education, University of Nairobi. She has attended several workshops and seminars in Management, Copyright Law, Financial Aspects of Publishing, and Publishing Law among several others. She is a member of Kenya Institute of Curriculum Development, Textbooks Technical Committee, Early Childhood Education Course Panel, Member of Council for Promotion of Children's Science Publication in Africa, Member African Association of Science Editors and was decorated as Moran of the Burning Spear among others. She is the chairperson of KLB SRBS. Mrs. Khasiani was appointed as Publishing Manager on 1st July 2002.</p>
<p>3. Mr. Francis M. Mutunga <i>Finance Manager</i></p> 	<p>Mr. Francis Mutunga is aged 40 years. He is a holder of Bachelor of Commerce (Accounting), First Class Honours from Kenyatta University, Certified Public Accountant CPA (K), Diploma in Marketing Management from Kenya Institute of Management. He is a Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and a certified ISO Auditor by Kenya Bureau of Standards. He is also the Performance Contract Co-ordinator. He was appointed to the position of Finance Manager on 1st May 2014.</p>

<p>4. Mr. Bernard O. Obura <i>Sales and Marketing Manager</i></p> 	<p>Mr. Bernard Obura is aged 41 years. He is a holder of an Executive MBA from Jomo Kenyatta University of Agriculture and Technology, Bachelor of Arts Degree from the University of Nairobi, Diploma in Marketing (MSK - Kenya). Mr. Obura is a Council Member of the Marketing Society of Kenya. He has attended several courses on Strategic Management and Marketing. He was appointed to the position of Sales and Marketing Manager on 1st August 2009.</p>
<p>5. Mr. Evans T. Nyachieng'a <i>Business Development Manager</i></p> 	<p>Mr. Nyachieng'a is aged 49 years. He holds a Bachelor of Arts Degree from University of Nairobi and a Masters of Business Administration (Strategic Management) from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute; He has attended several training courses on Human Resources Management, Financial Management, Public Procurement, Leadership, Industrial Relations and Pensions Management. He is a member of Institute of Human Resources Management. He was appointed to the position of Business Development Manager on 1st August 2014.</p>
<p>6. Mr. Job M. Idaki <i>Corporate Services Manager</i></p> 	<p>Mr. Job Idaki is aged 49 years. He is a holder of a Bachelor of Education (Language and Literature) from Kenyatta University and Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He has attended several courses on Human Resource Management and leadership. He is a certified ISO 9001:2008 series Lead Auditor. He was appointed to the position of Corporate Services Manager on 1st August 2014.</p>

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



Mr. Joseph Emojong is 42 years. He is a holder of Bsc (Hons) Degree in Graphic Media Studies (GMS) – Hertfordshire University UK and Diploma in Printing Technology from The Kenya Polytechnic. He has attended several courses in Printing, Publishing and Packaging. He was appointed to the position of Ag. Production Manager on 22nd April 2014.

8. Mrs. Roselyn W. Mugavana
Ag. Human Resources Manager



Mrs. Roselyn Mugavana is aged 44 years. She is a holder of Master of Business Administration (Human Resource Management) from University of Nairobi, Bachelor of Education (English and Literature) from Egerton University and Diploma in Business Management (Human Resource Management) from Kenya Institute of Management. She was appointed to the position of Ag. Human Resources Manager on 1st August 2014.

9. Mr. Julius K. Aritho
Internal Audit Manager



Mr. Julius K. Aritho is aged 49 years. He is a holder of Master of Business Administration (MBA) Accounting Option from University of Nairobi, Bachelor of Commerce (Accounting Option) from University of Nairobi. Mr. Aritho is a Certified Public Accountant (CPA) (K) and a member of the Institute of Certified Public Accountants of Kenya. He has attended several workshops and seminars on finance, audit and leadership. He is the Quality Management Representative at Kenya Literature Bureau in charge of ISO. He was appointed to the position of Internal Audit Manager on 1st August 2013.

<p>10. Isaac K. Korir <i>Customer Service Manager</i></p> 	<p>Mr. Korir is aged 55 years. He is a holder of a Bachelor of Education (Science) University of Nairobi. He has attended several management courses related to his professional and technical qualifications. He was appointed to the position of Customer Service Manager on 1st February 2014.</p>
<p>11. Philip Cheruiyot <i>Supply Chain Manager</i></p> 	<p>Mr. Philip Cheruiyot is aged 44 years. He is a holder of Master of Science Degree from University of Salford (UK) and a Bachelor of Business Administration Degree from University of Eastern Africa, Baraton. He is a member of Chartered Institute of Purchasing and Supply (UK) and a member of Kenya Institute of Supplies Management. He was appointed as a Procurement Manager on 2nd November 2007.</p>
<p>12. Jackson Musau <i>Quality Assurance Manager</i></p> 	<p>Mr. Jackson Musau is aged 45 years. He is a holder of Master of Business Administration from University of Nairobi (Operations Management Option), a Post Graduate Diploma in Education from Kenyatta University and a Bachelor of Science Degree from Jomo Kenyatta University of Agriculture and Technology. He was appointed as Quality Assurance Manager on 4th September 2009.</p>
<p>13. Bernard O. Milewa <i>Legal Services Manager</i></p> 	<p>Mr. Bernard Milewa is aged 36 years. He is an advocate of the High Court of Kenya, a holder of Masters of Business Administration (Strategic Management) from University of Nairobi, Post Graduate Diploma in Law from Kenya School of Law, Bachelor of Laws Degree from Moi University. He has attended several management and technical courses related to his profession. He is a member of the Law Society of Kenya and Chartered Institute of Arbitrators. He is a Commissioner for Oaths and Notary Public. He was appointed in the position of Legal Services Manager on 1st November 2013.</p>

CHAIRMAN'S STATEMENT

Am delighted on behalf of the Board of Management to release the results of the year ended 30 June 2015 which is marked with an impressive record of growth in turnover and profitability of Kenya Literature Bureau (KLB) contained in the Annual Reports and Financial Statements.

OPERATING ENVIRONMENT

During the year under review the Kenyan economy maintained its growth momentum to achieve a Gross Domestic Product growth rate of 5.3% in 2014 as compared to 5.7% achieved in 2013. The slowdown in growth resulted mainly from a drop in tourism earnings due to security challenges, which have since seen measures put in place to improve security. The country's macroeconomic conditions have continued to remain relatively stable, with single digit inflation and stabilised exchange rate among others. The growth rate for the global economy was expected to turn around from the estimated growth of 3% in 2013. However, challenges relating to fluctuations in oil prices, continuation of the Euro Zone economic crisis among others, remain. The publishing industry continued to face challenges including book piracy and introduction of Value added tax (VAT) on books which negatively affected the purchasing power of consumers.

STRATEGIC POSITIONING

The Bureau continues to implement strategic objectives in accordance with the reviewed strategic plan 2010-2015, which has now come to an end. In summary we have more than doubled the projections of the revised strategic plan in most of the focus areas. Our diversification strategy into the digital content development, offering printing solutions for institutions and more so the County Governments, has borne fruit. The Bureau has been printing for government ministries, departments and agencies; and private institutions and individuals. Our key strength remains in the state-of-the-art technology with the continued modernisation of the printing press and competent personnel who strive to exceed stakeholder expectations. Our continued partnerships with various stakeholders such as *World Reader/Amazon*, *Mapstudio* South Africa, Kenya National Examinations Council (KNEC) for sale and distribution of various educational products have achieved the projected objectives.

It is also during this year that the Bureau partnered with Professor John Mbiti who authored *The Kikamba Bible – Utianiyo Mweu Wa Mwiyai Yesu Kilisto* (The New Testament of Our Lord Jesus Christ) which is the first translation, from original Greek, of the entire New testament by an African Scholar into his native language. The Bureau distributed the Bible to the beneficiaries. The project was funded by donors and friends of Professor John Mbiti. This has ensured that the shareholder's value is maximised.

OVERVIEW OF FINANCIAL RESULTS

The profit before taxation was Kshs. 176.32 million compared to Kshs. 165.05 million in 2014 representing an increase of 6.83%. Gross revenue grew by 1.64% to reach Kshs. 1.76 billion as compared with the previous year of Kshs. 1.73 billion. The gross turnover growth was driven by increased book sales demand in the primary segment due to increased funding by the Government. The digital revolution presented an opportunity for sale of digital content titles for which the Bureau has been a market leader in their development and sale.

FORWARD LOOKING

The World economy is projected to grow at 3.3% in 2015, marginally lower than in 2014, with a gradual pick up in advanced economies and slowdown in emerging market and developing economies. In 2016, growth is expected to strengthen to 3.8%. Africa's economic growth is expected to strengthen to 4.5% in 2015 and 5% in 2016 due to lower oil and commodity prices, uncertain global conditions, the Ebola outbreak in West Africa and domestic political uncertainties.

In 2014, Kenya recalculated the economic growth figures to include communication and property sector, which pushed it to a middle-income country from the previous low-income one. Kenya is now the

fourth biggest economy in sub-Saharan Africa after Nigeria, South Africa and Angola. The overall Gross Domestic Product (GDP) growth is expected to amount to 6.2% and 6.3% in 2015 and 2016 respectively. This will be supported by the major infrastructural projects such as the construction of the Standard Gauge Railway (SGR), additional electricity generation projects, food security irrigation projects, improvement of security infrastructure, roads construction, and expansion of airports among others being rolled out. The Consumer Price Index (CPI) is expected to remain with the single target digit. We, therefore, envisage a conducive operating environment even though the uncertainty related to the Curriculum review and its implementation may lead to slowed down sales.

The Bureau's third cycle Strategic Plan 2016 – 2020 is being finalised and whose main focus is on growth and sustainability. It serves to attain the balance score card objectives of financial performance, customer focus, learning and growth and internal business processes. This will solidify the growth achieved through the previous two strategic plans.

DIVIDENDS

The Bureau continues to be a worthy investment for the Government whose return on investment has averaged 10%. The Bureau has continued to pay increased dividends to the Government of Kenya since the 2006/07 financial year. The dividends are declared based on the policy of ten (10) per cent of the after tax net profits. KLB paid dividends amounting to Kshs. 10.68 million for the year ended 30th June 2014. In the period under review, KLB has made provisions for dividend pay-out of Kshs.13.4 million representing a 25.4% growth from the previous year.

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



Mrs. Serah K. Ndege
CHAIRMAN

TAARIFA YA MWENYEKITI

Nina furaha kuu kwa niaba ya Bodi ya Wasimamizi kutangaza matokeo ya mwaka uliomalizika tarehe 30, Juni 2015 ambao umeonyesha rekodi murua ya kukua katika mauzo na faida ya Shirika la Kenya Literature Bureau (KLB) inayopatikana katika Ripoti za Mwaka na Taarifa za Kifedha.

MAZINGIRA YA UENDESHAJI KAZI

Tukirejelea mwaka ambao tunakagua, uchumi wa Kenya ulithibiti ukuaji wake na kupata asilimia 5.3 ya Zao Ghafi la Ndani (GDP) katika mwaka wa 2014 ikilinganishwa na asilimia 5.7 ya mwaka wa 2013. Hali hii ya kupungua kwa ukuaji ilisababishwa na kupunguka kwa viwango vya pato katika sekta ya utalii kulikotokana na changamoto za usalama ambazo zimeshughulikiwa kupitia mikakati thabiti ya kuboresha usalama. Hali pana ya uchumi nchini imeendelea kuimarika na mfumko au kupanda kwa gharama ya maisha kwa viwango vya chini pamoja na ubadilishanaji wa fedha uliothibitika miongoni mwa mambo mengine. Viwango vya ukuaji wa uchumi wa ulimwengu vilitarajiwa kuimarika kutokana na matarajio ya kadiri ya ukuaji wa asilimia 3 katika mwaka wa 2013. Hata hivyo, changamoto zilizotokana na kupanda na kushuka kwa bei ya mafuta, kuendelea kwa tatizo la kiuchumi la *Euro Zone* na kadhalika bado zipo. Tasnia ya uchapishaji bado inakumbana na changamoto kama vile wizi wa haki za kunakili vitabu na kuanzishwa kwa ushuru wa VAT kwa vitabu, mambo ambayo yaliathiri vibaya uwezo wa wanunuzi.

KUWEKA MIKAKATI

Kenya Literature Bureau inaendelea kutekeleza malengo ya mikakati yake kulingana na ruwaza iliyosahihishwa upya ya mwaka 2010-2015 ambao umefikia tamati. Tumeweza kufikia zaidi ya maradufu maono ya mpango wa mikakati uliosahihishwa katika sehemu nyingi kwa muhtasari. Mikakati yetu ya kuelekea katika ukuzaji wa matini ya kidijitali, kutoa suluhisho la uchapishaji kwa taasisi mbalimbali na hasa Serikali za Gatuji zimezaa matunda. KLB imekuwa ikichapishia wizara za serikali, idara na mashirika; na taasisi za kibinafsi na watu binafsi. Nguzo yetu kuu ni kuwa na vifaa vya kisasa vya kiteknolojia pamoja na kuimarisha mitambo ya kisasa ya uchapishaji na wafanyakazi wenye ujuzi wa hali ya juu ambao hupania kupita matarajio ya washikadau. Ubia wetu na washikadau mbalimbali kama vile *World Reader/Amazon*, *Mapstudio South Africa*, na Baraza la Kitaifa la Mitihani la Kenya (KNEC) kwa mauzo na usambazaji wa bidhaa mbalimbali za elimu umefikia malengo yaliyotarajiwa.

Kenya Literature Bureau pia ilifanya ubia mwaka huu na Profesa John Mbiti ambaye aliandika Biblia ya lugha ya Kikamba, — *Utianiyo Mweu Wa Mwiyai Yesu Kilisto* (Agano Jipya la Bwana Wetu Yesu Kristo) ambayo ni tafsiri ya kwanza, kutoka kwa Kiyunani cha asili, ya Agano Jipya lote na Msomi wa Kiafrika katika lugha yake ya asili. KLB ilisambaza Biblia kwa wanufaishwa. Mradi huu ulifadhiliwa na wahisani na marafiki wa Profesa John Mbiti. Hili limehakikisha kuwa faida kwa mshikadau imeongezeka hadi upeo.

MATOKEO YA KIFEDHA

Faida kabla ya kutozwa ushuru ilikuwa shilingi milioni 176.32 ikilinganishwa na shilingi milioni 165.05 katika mwaka wa 2014 ikiwa ni ongezeko la asilimia 6.83. Mapato ya jumla yaliongezeka kwa asilimia 1.64 na kufikia shilingi bilioni 1.76 ikilinganishwa na mwaka uliotangulia ya shilingi bilioni 1.73. Ukuaji huu wa mapato ya jumla ulitokana na ongezeko la mauzo ya vitabu katika kitengo cha shule za msingi kutokana na ongezeko la ufadhili wa Serikali. Mwamko wa kidijitali ulitoa fursa ya kuuza makala ya matini ya kidijitali ambayo KLB imekuwa ikiongoza katika ukuzaji na ikuaji wake pamoja na mauzo.

MUSTAKABALI WA UCHUMI

Uchumi wa Ulimwengu unatarajiwa kukua kwa asilimia 3.3 katika mwaka wa 2015, kiwango cha chini kidogo kuliko mwaka wa 2014 ikiwa na ukuaji wa polepole wa chumi zilizoendelea na kupunguka katika soko linaloibuka na chumi zinazoendelea. Katika mwaka wa 2016, ukuaji unatarajiwa kuimarika hadi asilimia 3.8. Ukuaji wa kiuchumi wa bara la Afrika unatarajiwa kuimarika hadi asilimia 4.5 katika mwaka wa 2015 na asilimia 5 katika mwaka wa 2016 kutokana na bei ya chini ya mafuta na bidhaa, hali

ya ulimwengu isiyotabirika, mkurupuko wa ugonjwa wa Ebola katika eneo la Afrika ya Magharibi na hali inayobadilikabadilika ya kisiasa nchini.

Nchi ya Kenya katika mwaka wa 2014, ilipanga upya tarakimu za ukuaji wa kiuchumi kuongezea sekta za mawasiliano na makao ambazo ziliisukuma idadi hadi kiwango cha mapato ya kadiri kutoka kwa kile cha awali cha mapato ya chini. Kenya kwa sasa, ni nchi ya nne kwa ukubwa kiuchumi katika eneo la kusini mwa Sahara baada ya Nigeria, Afrika Kusini na Angola. Kwa ujumla, ukuaji wa Jumla ya Pato la Taifa (GDP) unatarajiwa kufikia asilimia 6.2 na 6.3 katika miaka ya 2015 na 2016 mtawalia. Hali hii itasaidiwa na miradi mikubwa ya miundomsingi kama vile ujenzi wa reli ya geji ya kawaida (SGR), miradi ya ziada ya kutoa nguvu za umeme, miradi ya unyunyiziaji maji mashambani pa kukuzia vyakula, kuboresha hali ya miundomsingi ya usalama, ujenzi wa barabara na upanuzi wa viwanja vya ndege miongoni mwa mambo mengine kuanzishwa. Kielelezo cha Bei cha Watumiaji (Consumer Price Index) kinatarajiwa kusalia katika kiwango cha chini cha tarakimu. Basi tunatarajia hali nzuri ya kufanya kazi hata kama hali tatanishi ya kuchunguza upya mtalaa na utekelezaji wake inaweza kusababisha kupunguka kwa mauzo.

Awamu ya tatu ya mipango ya mikakati ya KLB ya mwaka 2016–2020 inaendelea kukamilishwa na inaangazia ukuaji na uendelezi. Inadhamiria kutimiza usawazishaji wa malengo ya kifedha, kulenga wateja, kujifunza na kukua na michakato ya ndani ya biashara. Hili litaimarisha ukuaji ambao umetimizwa kupitia kwa ruwaza mbili za hapo awali.

MAGAWIO

Kenya Literature Bureau inaendelea kuwa muekezaji muhimu kwa Serikali na ambayo faida yake imefikia kiwango cha wastani cha asilimia 10. KLB imeendelea kulipa magawio yanayoongezeka kwa Serikali ya Kenya kuanzia mwaka wa matumizi ya fedha wa 2006/07. Magawio hutolewa kwa kuzingatia sera ya asilimia 10 ya faida baada ya kutozwa ushuru. KLB ililipa magawio ya hadi shilingi milioni 10.68 kwa mwaka uliomalizika tarehe 30 Juni 2014. KLB katika kipindi hiki kinachoangaziwa, imefanya mipango ya kulipa magawio ya shilingi milioni 13.4 ambazo zinawakilisha ukuaji wa asilimia 25.4 ikilinganishwa na mwaka uliopita.

Ningependa kutoa shukrani zangu za dhati kwa Serikali ya Kenya, kupitia kwa wizara mama, Wizara ya Elimu, Sayansi na Teknolojia, wakurugenzi wenzangu, usimamizi, wafanyakazi na wabia wetu wa maendeleo na biashara kwa msaada na mchango wao kwa ufanisi na ukuaji wa biashara yetu.



Bi. Serah K. Ndege
MWENYEKITI

Report of the Chief Executive Officer

INTRODUCTION

The period under review has seen the Bureau register remarkable growth in turnover, profitability and sustainability. The Bureau has maintained a strong drive for results across all the segments of the market. The strategies that have been developed and implemented over the years have yielded positive results as evidenced by increased turnover and market share.

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

PERFORMANCE REVIEW

The Bureau has registered sustainable business growth with strong financial performance derived from the strategic focus as provided for by our Revised Strategic Plan 2010 – 2015, which has now come to an end. The profit before taxation was Kshs. 176.32 million compared to Kshs. 165.05 million in 2013/2014 representing an increase of 6.83%.

Gross revenue grew by 1.62% to reach Kshs. 1.76 billion as compared with the previous year of Kshs. 1.73 billion. The gross turnover growth was driven by increased book sales demand in the primary segment due to increased funding by the Government. The digital revolution presented an opportunity for sale of digital content titles for which the Bureau has been a market leader in their development and sale.

Other income comprised of interest from short-term investments, rental income among others, which registered 11.32% growth to Kshs. 39.88 million as compared to Kshs. 35.82 million in 2013/2014.

Total operating expenses grew by 4.81% from Kshs.894.68 million to Kshs. 937.72 million, driven mainly by the following:

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

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

STRATEGIC PLAN IMPLEMENTATION

1. **Positioning of KLB as a Leading Publisher and Printer in the Industry** – The turnover has grown by 7.03% from Kshs. 1.73 billion in 2014 to Kshs. 1.76 billion. This was achieved through the aggressive marketing strategies and development of new markets with new product offering while servicing the current markets with improved products and services. The Bureau continued with collaboration in partnerships such as the contract with Kenya National Examinations Council (KNEC) for printing and distribution of their Mathematics Four Figure tables; the continuation of partnerships with digital providers/platforms such as *Amazon.com/World Reader* and *eKitabu* to make available online content for sale of our books also boosted revenue.
2. **Improve on Quality of Products and Services** – This was achieved by undertaking the annual market research to determine the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services. The continued compliance with the International

Standardisation Organisation (ISO) 9001:2008 Quality Management System provides an assurance system for the quality of our products and services for our customers. The automation of the QMS system was a great achievement.

3. **Upgrade Infrastructure for Printing and Publishing Systems** – The Bureau continued with increasing capital investment aimed at improving the publishing systems. Acquisition of plant and machinery, ICT equipment, motor vehicles and the full implementation of the automated systems such as Accpac financial system and the Human Resources Management Information System has led to improvement of the Bureau’s technology infrastructure.
4. **To Enhance Corporate Governance and Improve on Processes** – The Bureau ensured continued compliance with the legal and regulatory framework established by the Government as the shareholder in order to promote sustainable business practices. The Bureau reviewed various legal instruments and policies in line with the various Acts of Parliament including the Value Added Tax Act 2013, Leadership and Integrity Act 2012. Further, the Board usually meets for a minimum of four (4) quarterly meetings in a year. The Board of Management works through committees that include the Audit, Finance and General Purpose and Staff and General Purpose.
5. **Strengthening Institutional Capacity** – The Bureau achieved much progress geared to enhance the institutional capacity to serve the increased needs and demands of our valued customers. The Bureau continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. This has resulted in improved productivity levels. The Bureau continued to improve the terms and conditions of service for its employees with the approval of Salaries and Remuneration Commission. This has ensured that the Bureau enjoys highly motivated staff and harmonious industrial relations. The Bureau working together with Salaries and Remuneration Commission has carried out the job evaluation and whose results are being finalised.

BUSINESS REVIEW

The Bureau continued to grow its product portfolio in different segments. The publishing and printing of books for the Ugandan market was a major step in growing market share in Uganda. The Bureau has also embarked on the first phase of development of books for Rwanda market. A wide range of products has been developed for the Early Childhood Development Education, Mother tongue titles, primary, secondary, tertiary and general books segment. The publishing of books for the ECDE Diploma colleges underlines focus of the Bureau to fulfil customers’ needs. The digital content titles developed for Standard one add to the growing list of e-books that the Bureau has developed.

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

To promote business sustainability strategy the Bureau entered into partnership with the Ministry of Defence through Kenya Defence Forces to print and distribute their book *Operation Linda Nchi* (Operation to Protect the Nation) which gives a detailed account of the Kenya’s military experience in Somalia. This will be a great opportunity for the Bureau and the nation at large in sharing our defence forces experience, in an operation that has been rated as very successful. It is also during this year that the Bureau partnered with Professor John Mbiti who authored *The Kiikamba Bible – Utianiyo Mweu Wa Mwiayi Yesu Kilisto* (The New Testament of Our Lord Jesus Christ) which is the first translation, from original Greek, of the entire New testament by an African Scholar into his own native language. The Bureau distributed the Bible to the beneficiaries. The project was funded by donors and friends of Professor John Mbiti. The Bureau continued to implement the Government policy to award 30% tenders to youth, women and persons with disabilities, in addition to enhancing gender and disability mainstreaming.

PERFORMANCE CONTRACT AND ISO CERTIFICATION

Kenya Literature Bureau entered into a negotiated performance contract for 2014/2015 (11th Edition) with the Government by setting targets in line with Revised Strategic Plan 2010 – 2015, Second Medium Term Plan 2013 – 2018 and the Approved budget. The Bureau has maintained favourable performance by achieving all the set targets for the year under review. This was as a result of the commitment of KLB's Board, Management and staff to continually improve performance and increase productivity. As a team we are positive and relentlessly believe in the philosophy of unfinished business that assures us of new power and the push to extend boundaries of success.

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

DIVIDENDS

Kenya Literature Bureau has continuously been paying dividends to the Government of Kenya since the 2006/7 financial year. The dividends are declared based on the policy of ten (10) per cent of the after tax net profits. KLB paid dividends amounting to Kshs. 10.68 million for the year ended 30 June 2014, while KLB has made provisions for dividend pay-out of Kshs. 13.40 million for the year ended 30th June 2015 which is a 26% increase from previous year.

APPRECIATION

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

Thank You and God Bless You All.



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

RIPOTI YA MKURUGENZI MKUU

UTANGULIZI

Kipindi ambacho tunakirejelea kimeshuhudia shirika la KLB likiendelea kukua katika mapato, faida na uendelezi. KLB imedumisha msukumo mkubwa wa kupata matokeo mazuri katika vitengo vyote vya soko. Mikakati ambayo imekuzwa na kutekelezwa kwa miaka kadhaa imezaa matokeo mazuri kama inavyodhihirishwa na ongezeko la mapato na mgao wa soko.

Kenya Literature Bureau inaendelea kuzidisha ujuzi wa wafanyakazi, kuvutia na kudumisha kwa kukeza katika kuendeleza rasilimali ya binadamu, mbali na kuboresha kwa mishahara na mazingira ya utendakazi ya wafanyakazi. Hili limeonekana katika motisha ya juu na kujitolea kwao katika utendaji kazi bora zaidi.

TATHMINI YA UTENDAKAZI

Kenya Literature Bureau imeonyesha ukuaji endelevu wa kibiashara na matokeo mazuri kifedha kutokana na mikakati iliyoangaziwa katika ruwaza iliyosahihishwa ya mwaka 2010–2015, ambayo sasa imefikia kikomo. Faida iliyopatikana kabla ya kutozwa ushuru ilikuwa shilingi milioni 176.32 ikilinganishwa na shilingi milioni 165.05 katika mwaka wa 2013/2014 ambalo ni ongezeko la asilimia 6.83.

Mapato ya jumla yaliongezeka kwa asilimia 1.62 na kufikia shilingi bilioni 1.76 ikilinganishwa na mwaka uliotangulia ya shilingi bilioni 1.73. Ukuaji huu wa mapato ya jumla ulitokana na ongezeko la mauzo ya vitabu katika kitengo cha shule za msingi kutokana na ongezeko la ufadhili wa Serikali. Mwamko wa kidijitali ulitoa fursa ya kuuza vitabu vya matini ya kidijitali ambayo KLB imekuwa kiongozi katika ukuzaji na ukuaji wake pamoja na mauzo.

Mapato mengine yalitokana na riba iliyopatikana kwa uekezaji wa muda mfupi, kodi na mengine, ambayo yalikuwa kutoka asilimia 11.32 hadi shilingi milioni 39.88 ikilinganishwa na shilingi milioni 35.82 katika mwaka wa 2013/2014.

Gharama ya uendeshaji kazi ilikuwa kwa asilimia 4.81 kutoka shilingi milioni 894.68 hadi shilingi milioni 937.72 ambayo ilitokana na yafuatayo:

- Gharama za usimamizi kutokana na ongezeko la shughuli za uzalishaji.
- Gharama za mauzo na usambazaji ziliongezeka kutokana na kuongezeka kwa kipunguzo cha biashara kilichokubalika kulingana na kiwango cha mauzo na pia gharama ya matangazo ya kuimarisha mahitaji ya mauzo.
- Gharama kwa wafanyakazi iliongezeka kwa kukeza kwa taaluma na mishahara bora ili kupandisha juu biashara endelevu.

Hali ya kifedha ya KLB imeendelea kuwa thabiti na yenye uwiano ufaao. KLB hugharamia shughuli zake zote na uekezaji rasilimali kutoka kwa fedha zake binafsi. Matokeo haya yanathibitisha uongozi bora wenye busara na mikakati mwafaka ambayo KLB hutumia ili kuendelea kujitegemea kiuchumi na kuchangia katika ukuaji wa uchumi wa nchi.

UTEKELEZAJI WA RUWAZA

1. Kuweka KLB kuwa matbaa ongozi na mchapishaji bora katika tasnia hii

Jumla ya mapato na matumizi imekua kwa asilimia 7.03 kutoka shilingi bilioni 1.73 katika mwaka wa 2014 hadi shilingi bilioni 1.76. Hili lilitokana na mikakati murua ya matangazo na kukuza masoko mapya na bidhaa mpya mbali na kuendelea kutoa huduma nzuri na bidhaa bora kwa wateja. KLB iliendelea kushirikiana na wabia kama vile mkataba na Baraza la Kitaifa la Mitihani la Kenya (KNEC) wa uchapishaji na usambazaji wa kitabu chao cha *Mathematics Four Figure Tables*; kuendeleza kwa ubia na watoa huduma za kidijitali kama *Amazon.com /World Reader na eKitabu* ili kuweka matini ya kuuza vitabu vyetu kwenye mtandao kumeongeza mauzo yetu.

2. Kuboresha bidhaa na huduma

Hili lilitimizwa kwa kutekeleza uchunguzi wa kila mwaka wa kubainisha matakwa, mahitaji na mapendeleo ya wateja na kutumia matokeo hayo kukuza bidhaa na huduma za hali ya juu.

Kuendelea kufuata vigezo vya Shirikisho la Kimataifa la Usanifishaji (ISO) 9001:2008 Mfumo wa Usimamizi wa Ubora (QMS) kumetoa mfumo wa hakikisho kwa ubora wa bidhaa na huduma zetu kwa wateja wetu. Utumiaji wa mitambo inayojiendesha ya mfumo wa QMS katika shughuli za KLB ni ufanisi mkubwa.

3. Kuboresha miundo msingi ya Matbaa na Mifumo ya Uchapishaji

Kenya Literature Bureau iliendelea kuongeza uekezaji wa mtaji ili kuboresha mifumo ya uchapishaji. Kupata sehemu na mashine, vifaa vya ICT, magari na utekelezaji wa matumizi ya huduma za kujiendesha yenyewe kama vile mfumo wa kifedha wa Accpac na ule wa Uthibiti wa Rasilimali Watu na Mfumo wa Habari umeboresha miundo msingi ya kiteknolojia ya KLB.

4. Kuimarisha Usimamizi wa Shirika pamoja na Michakato

Kenya Literature Bureau imehakikisha kuwa inaendelea kuafikiana na mfumo wa sheria ulioanzishwa na Serikali kama mshikadau ili kustawisha desturi endelevu ya biashara. KLB ilianguzia upya sera na sheria mbalimbali kwa mujibu wa vifungu mbalimbali vya sheria zilizopitishwa na Bunge kama vile sheria ya ushuru wa VAT 2013 na ya Uongozi na Maadili, 2012. Bodi vilevile, huwa na mikutano isiyopungua mara nne kila mwaka. Bodi ya Wasimamizi hufanya kazi kupitia kwa kamati ambazo ni pamoja na Ukaguzi wa Hesabu, Fedha na Masuala ya Jumla ya Wafanyakazi.

5. Kuboresha Uwezo wa Taasisi

Kenya Literature Bureau imepiga hatua na kuendeleza uwezo wake wa kuhudumia ongezeko kubwa la mahitaji ya wateja tunaowaenzi. KLB inaendelea kueleza kwenye rasilimali ya kuhakikisha kwamba tunavutia na kudumisha wafanyakazi bora na wenye ujuzi. Hali hii imewezesha kuongezeka kwa viwango vya uzalishaji. KLB imeendelea kuboresha mishahara ya wafanyakazi kwa idhini ya Tume ya Mishahara (SRC). Hili limehakikisha kuwa KLB ina wafanyakazi wenye motisha ya hali ya juu na kudumisha uhusiano mwema wa kiviwanda. KLB kwa kushirikiana na SRC imetathmini utendakazi na matokeo yake yanaendelea kukamilishwa.

UKAGUZI WA KIBIASHARA

Kenya Literature Bureau inaendelea kukuza mazao yake katika vitengo mbalimbali. Uchapishaji wa vitabu kwa soko la nchini Uganda ulikuwa hatua kubwa katika kukuza soko lake nchini Uganda. KLB pia imeanza awamu ya kwanza ya kukuza vitabu kwa minajili ya soko la nchi ya Rwanda. Matini anuwai yamekuzwa ya shule za Chekechea (ECDE), vitabu vya lugha mame, vya shule za msingi, za upili, vyuo na vitabu vya jumla. Uchapishaji wa vitabu vya vyuo vya shahada ya Diploma vya ECDE unadhihirisha ari ya KLB kuhudumia wateja. Matini ya kidijitali iliyotolewa ya darasa la kwanza inaongezea kwa orodha ndefu ya vitabu vya kielektroniki ambavyo KLB imekuza.

Kenya Literature Bureau kama mojawapo wa mashirika makuu ya uchapishaji katika eneo la Jumuiya ya Afrika Mashariki, imeanzisha harakati kabambe za kutangaza kuwepo kwa huduma za uchapishaji kwa taasisi za umma na za kibinafsi. Ufanisi mkubwa umekuwa katika kupata fursa ya kuchapishia Serikali za Magatuzi. KLB pia imekuwa katika mstari wa mbele katika kuchapishia taasisi na mashirika mengine ya umma.

Ili kustawisha mfumo endelevu wa kibiashara, KLB imepanga ubia na Wizara ya Ulinzi kupitia kwa Jeshi la Kenya kuchapishia na kusambaza kitabu cha *Operation Linda Nchi* ambacho kinasimulia kwa kina yale yaliyowakumba wanajeshi wa Kenya kule nchini Somalia. Hii itakuwa fursa kuu kwa KLB na taifa kwa jumla kusimulia yaliyojiri katika operesheni inayokadiriwa kuwa ilifanikiwa sana. KLB pia ilifanya ubia mwaka huu na Profesa John Mbiti ambaye aliandika Biblia ya lugha ya Kikamba, — *Utianiyo Mweu Wa Mwiya Yesu Kilisto* (Agano Jipya la Bwana Wetu Yesu Kristo) ambayo ni tafsiri ya kwanza, kutoka kwa Kiyunani cha asili, ya Agano Jipya lote na Msomi wa Kiafrika katika lugha yake ya asili. KLB ilisambaza Biblia kwa wanufaishwa. Mradi huu ulifadhiliwa na wahisani na marafiki wa Profesa John Mbiti. KLB inaendelea kutekeleza sera ya Serikali ya kutoa asilimia 30 za zabuni kwa vijana, wanawake na walemavu mbali na kuangazia masuala ya kijinsia na ulemavu.

MIKATABA YA UTENDAKAZI NA KUTHIBITISHWA KWA ISO

KLB ilifanya mkataba wa utendakazi wa mwaka 2014/2015 (awamu ya 11) na Serikali kwa kuweka viwango kama ilivyopasa katika ruwaza iliyosahihishwa ya mwaka 2010–2015, Kiwango cha Kadiri cha Muhula wa Mpango wa mwaka 2013-2018 na bajeti iliyoidhinishwa. KLB imedumisha utendakazi ufaao kwa kufikia viwango vyote vya mwaka huu unaokaguliwa. Haya ni kutokana na kujitolea mhanga kwa Bodi ya KLB, Usimamizi na wafanyakazi kuboresha utendakazi na kuongeza mapato. Tuna uhakika kama timu moja kwa kujitolea na kuamini filosofia ya kazi bado haijakamilika ambayo hutupa nguvu mpya ya kutusukuma kupita kilele cha ufanisi.

Kenya Literature Bureau inaendelea kuzingatia na kuendeleza utendakazi bora na kujitolea kufuata vigezo vya ISO 9001-2008 Mfumo wa Usimamizi wa Ubora. KLB iliidhinishwa kwa mara ya pili mnamo Oktoba mwaka wa 2013.

MAGAWIO

Kenya Literature Bureau imekuwa ikilipa magawio yanayoongezeka kwa Serikali ya Kenya kuanzia mwaka wa matumizi ya fedha wa 2006/07. Magawio hutolewa kwa kuzingatia sera ya asilimia 10 ya faida baada ya kutozwa ushuru. KLB ililipa magawio ya hadi shilingi milioni 10.68 katika mwaka uliomalizika tarehe 30 Juni 2014. KLB Katika kipindi hiki kinachoangaziwa, imefanya mipango ya kulipa magawio ya shilingi milioni 13.40 katika mwaka unaomalizika tarehe 30 Juni 2015 ambazo zinawakilisha ukuaji wa asilimia 26 kutoka mwaka uliopita.

SHUKRANI

Ningependa kutoa shukrani zangu za dhati kwa Serikali ya Kenya, kupitia kwa wizara mama, Wizara ya Elimu, Sayansi na Teknolojia, kwa msaada wake ambao umetufikisha kileleni, Bodi ya Usimamizi ambayo imeendelea kutupatia mwelekeo na uongozi mwema, usimamizi na wafanyakazi ambao kutokana na kujitolea mhanga kwao kumefanikisha shirika hili na washikadau na wabia wetu wa biashara pamoja na wateja wetu kwa msaada na mchango wao kwa ufanisi na ukuaji wa biashara yetu.

Ahsanteni na Mungu awabariki nyote.



Bi. Eve A. Obara, MBS
MKURUGENZI MKUU

STATEMENT OF CORPORATE GOVERNANCE

The Board of management commits and implements effective governance through processes and policies intertwined with the core values and ethics as espoused in the Code of Ethics which was revised based on the Leadership and Integrity Act 2012. Corporate governance is a key element contributing to Kenya Literature Bureau's sustainable business success and is highly regarded at the Bureau. The Mwongozo Code of Governance which is now the corporate governance blue print for State Corporations is in the process of being implemented. It is notable that some of the principles therein were part of what the Bureau has been implementing.

The Board

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

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

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

Board Composition

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

Role of the Chairman and Chief Executive Officer

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

Succession Planning

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

Board Evaluation and Performance

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

Board Meetings and Attendance

The Full Board meets on a quarterly basis and has a formal schedule of matters to be discussed. The directors receive appropriate and timely reports to facilitate informed deliberations and decision making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication. The Board has an opportunity to meet with all the staff in December annually.

Board Committees

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

BOARD AUDIT COMMITTEE

Members

Prof. Jesse N. K. Mugambi – *Chairman*
 Robert M. Mbato
 Elizabeth K. Mwongera
 Francis Anyona replaced by Ms. Cheryl A. Majiwa during April 2015 meeting
 Eve A. Obara – *Managing Director*
 Julius K. Aritho* – *Internal Audit Manager*
 Bernard O. Milewa* – *Legal Services Manager*

**In-attendance*

Role and Function

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

Attendance

Number of meetings scheduled for 2014/2015 — 4

Prof. Jesse N. K. Mugambi – <i>Chairman</i>	4/4
Robert M. Mbato	4/4
Elizabeth K. Mwongera	4/4
Francis Anyona* replaced with Ms. Cheryl A. Majiwa who attended once	3/4
Eve A. Obara – <i>Managing Director</i>	4/4

BOARD FINANCE COMMITTEE

Members

Peter S. Kaaka – *Chairman (resigned on 31 December 2014)*

Mr. Robert Mbato – *Chairman (w.e.f. 1 January 2015)*
 Dorothy N. Opondo
 Vitalis O. Awuor
 Leah Rotich
 Francis Anyona replaced by Ms. Cheryl A. Majiwa during April 2015 meeting
 Eve A. Obara – *Managing Director*
 Francis M. Mutunga* – *Finance Manger*
 Bernard O. Milewa* – *Legal Services Manager*

**In-attendance*

Role and function

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

Attendance

Number of meetings scheduled for 2014/2015 — **4**

Peter S. Kaaka – <i>Chairman (until 31 December 2014)</i>	2/4
Robert Mbato – <i>Chairman (w.e.f. 1 January 2015)</i>	4/4
Dorothy N. Opondo	3/4
Vitalis O. Awuor	4/4
Leah Rotich* represented by Margaret Okemo and Johnson Ikiugu once each	3/4
Francis Anyona* replaced with Ms. Cheryl A. Majiwa who attended once	4/4
Eve A. Obara – <i>Managing Director</i>	4/4

BOARD STAFF AND GENERAL PURPOSE COMMITTEE

Members

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

**In-attendance*

Role and Function

The committee is responsible for matters concerning the human capital that includes, consideration of terms and conditions of service, organisational structure, employee remuneration, appointment of employees at

management level and above, handling management staff disciplinary cases, preparing the employees in the Bureau for the desired changes in working styles, attitudes and ethics among others.

Attendance

Number of meetings scheduled for 2014/2015 — 5

Mrs. Dorothy Opondo	– <i>Chairman</i>	5/5
Prof. Jesse N. K. Mugambi		5/5
Mr. Mwakio Righa		3/5
Leah Rotich* represented by Margaret Okemo and Margaret Murage once each		5/5
Mr. Peter S. Kaaka co-opted for one meeting		1/1
Eve A. Obara	– <i>Managing Director</i>	5/5

Directors' Remuneration

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

Staff Remuneration

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

Conflict of Interest

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

Internal Controls

The Board is committed to establishing and monitoring a risk management framework and to controlling its business and financial activities with a view to maximising profitable business opportunities and ensuring compliance with legal and regulatory requirements. The Board assesses the effectiveness of the Bureau's internal control systems on a quarterly basis.

Code of Conduct and Mwongozo Code of Governance

The Bureau has commenced implementation of Mwongozo Code of Governance for State Corporations, which was issued by the Presidency. The Bureau has revised its Code of Conduct in line with the leadership and Integrity Act 2012 for which all the directors, management and employees are required to observe and which is also reinforced by the core values and principles of governance.

Going Concern

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

Corporate Social Responsibility Statement

SOCIAL RESPONSIBILITY

The Bureau recognises the power of the citizenry and the communities within which it operates and takes deliberate measures to serve and uplift their standard of living.

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

- The book donation project, *Imarisha Kimasomo* has continued to make remarkable and valuable contribution in ensuring access to educational materials and improving quality for the disadvantaged schools in all corners of the country. The policy of providing donation books to employees for at least one primary and one secondary school was a major achievement in an attempt to give back to the society. Books donated are used to stock the libraries and hence uplifting the reading culture.
- Remarkably the book donations have been extended to Members of Parliament and Senators to aid the schools in the areas to stock their libraries with reading materials. This has had a tremendous impact in all counties.
- The Bureau recognises that staff are a key component of any business success story and has, therefore, come up with internal social responsibility programmes aimed at promoting the development of the employees through provision of educational loans.
- The Bureau provides life skills by mentoring students to exploit their potential, by sponsoring school subject contests, publishing books on life skills and participating in leadership and mentoring talks to students.
- Bookshops have benefited from the social responsibility programmes where the Bureau organises for training of Bookshop attendants on customer service.

ENVIRONMENTAL SUSTAINABILITY

The Bureau has made a commitment to environmental sustainability by developing programmes that promote environmental conservation and creation of awareness in partnership with schools and other stakeholders.

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

The Bureau continues to invest in corporate social responsibility programmes that uplift the well-being of the society and in turn provide a continuous flow of customers and consumers.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2015 which show the state of the Bureau's affairs.

Principal Activities

The principal activities of the Bureau continue to be; to publish, print and disseminate literary, educational, cultural and scientific literature and materials.

Results

The results of the Bureau for the year ended 30 June, 2015 are set out on pages 28 to 53.

Dividends

The Board of Management proposes dividends for the year ended 30 June, 2015 amounting to Kshs.

13.40 million which is payable to the Government of Kenya through the National Treasury based on the audited financial statements. The dividend will be paid in the fourth quarter of 2015/2016 financial year.

Directors

The members of the Board of Management who served during the year are shown on page 3.

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Literature Bureau in accordance with the Public Finance Management (PFM) Act, 2012. The Auditor General carried out the audit of the Bureau for the year ended 30 June, 2015.

By Order of the Board,



Mrs. Eve A. Obara, MBS
Secretary to the Board
NAIROBI
Date: 28th July 2015

Statement of Directors' Responsibilities

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

The Directors are responsible for the preparation and presentation of the Bureau's financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on 30 June, 2015. This responsibility includes:

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

The Directors accept responsibility for the Bureau's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Financial Management Act and the State Corporations Act. The Directors are of the opinion that the Bureau's financial statements give a true and fair view of the state of Bureau's transactions during the financial year ended 30 June, 2015, and of the Bureau's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Bureau, which have been relied upon in the preparation of the Bureau's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the Financial Statements

The Bureau's financial statements were approved by the Board on 28 July, 2015 and signed on its behalf by:



Mrs. Serah K. Ndege
Director



Mrs. Eve A. Obara, MBS
Director

Report of the Auditor-General on Kenya Literature Bureau

For the year ended 30th June 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 28 to 47, which comprise the statement of financial position as at 30th June 2015, statement of comprehensive income, statement of changes in capital funds and reserves and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR-GENERAL'S RESPONSIBILITY

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

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

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

OPINION

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Bureau as at 30 June 2015, and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Literature Bureau Act, Cap. 209 of the Laws of Kenya.



Edward R. O. Ouko, CBS
Auditor-General

NAIROBI

3rd February, 2015

Statement of Comprehensive Income

For the Year Ended 30th June, 2015

		NOTES	2015 Kshs	2014 (Restated) Kshs
REVENUES				
Turnover	(A)	1 (a)	1,762,340,647	1,733,943,020
Cost of Sales	(B)	1 (b)	(689,825,948)	(710,403,430)
Gross Profit			1,072,514,699	1,023,539,590
Gross Income from investments		7 (a)	32,793,039	29,323,654
Gain on Disposal of Non-financial Assets		2	1,651,250	360,080
Other Income		3	7,085,539	6,498,751
OTHER REVENUES	(C)		41,529,828	36,182,485
TOTAL REVENUES	(A + C)		1,803,870,475	1,770,125,505
Administration Costs		4 (a)	294,205,139	264,752,417
Selling and Distribution Costs		5	610,005,482	595,943,805
Depreciation – Property, Plant and Equipment		10 (b)	33,510,085	33,980,788
Operating Expenses	(D)		937,720,706	894,677,010
TOTAL COSTS	(B + D)		1,627,546,654	1,605,080,440
OPERATING PROFIT FOR THE YEAR BEFORE TAX			176,323,821	165,045,065
Other Comprehensive Income			–	–
INCOME TAX EXPENSE		8 (a)	42,345,917	58,035,664
TOTAL COMPREHENSIVE INCOME PROFIT			133,977,904	107,009,401
AFTER TAX ATTRIBUTABLE TO THE OWNERS				



Mrs. Serah K. Ndege
Chairman
28th July, 2015



Mrs. Eve A. Obara, MBS
Managing Director
28th July, 2015

Statement of Financial Position

As at 30th June, 2015

ASSETS	NOTES	2014/2015 Kshs	2013/2014 Kshs (Restated)
Non-Current Assets			
Property, Plant and Equipment	10 (a)	1,234,854,844	753,105,345
Current Assets			
Inventories	12	487,131,194	576,673,180
Trade and Other Receivables	13 (a)	371,012,036	281,711,967
Short-term Investments	14	428,828,171	398,401,220
Cash and Bank Balances	15	118,769,231	35,115,367
		<u>1,405,740,631</u>	<u>1,291,901,734</u>
TOTAL ASSETS		<u>2,640,595,476</u>	<u>2,045,007,079</u>
RESERVES, FUND AND LIABILITIES			
Capital Fund and Reserves			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	580,120,938	406,887,671
Revenue Reserves	18	765,795,260	375,827,475
Shareholder Funds		<u>2,345,916,198</u>	<u>1,782,715,146</u>
CURRENT LIABILITIES			
Trade and Other Payables	19	294,679,278	262,291,933
		<u>294,679,278</u>	<u>262,291,933</u>
TOTAL RESERVES, FUND AND LIABILITIES		<u>2,640,595,476</u>	<u>2,045,007,079</u>

The financial statements were approved by the Board of Management on 28th July 2015 and were signed on its behalf by:



Mrs. Serah Ndege
Chairperson
28th July, 2015



Mrs. Eve A. Obara, MBS
Managing Director
28th July, 2015

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

Statement of Changes in Capital Fund and Reserves

For the Year Ended 30th June, 2015

	Capital Fund	Revaluation Reserves	Revenue Reserves (Restated)	Total Reserves (Restated)
	Kshs	Kshs	Kshs	Kshs
At 1st July 2013	1,000,000,000	406,887,671	276,122,441	1,683,010,112
Prior Year Adjustment	–	–	3,396,628	3,396,628
Net Profit for the year	–	–	165,045,065	* 165,045,065*
Prov. for Corporation Tax – 2013/14	–	–	(58,035,664)	(58,035,664)
Dividends – 2013/2014 Paid	–	–	(10,700,995)	(10,700,995)
At 30th June 2014	1,000,000,000	406,887,671	375,827,475	1,782,715,146
At 1st July 2014	1,000,000,000	406,887,671	375,827,475	1,782,715,146
Transfer of previous revaluation surplus to retained earnings		– (269,387,671)**	269,387,671**	–
Revaluation Surplus/(Loss) 2015		– 442,620,938	–	442,620,938
Net Profit for the Year		–	176,323,821	176,323,821
Provision for Corporation Tax – 2014/2015		–	(42,345,917)	(42,345,917)
Dividends Payable – 2014/2015		–	(13,397,790)	(13,397,790)
At 30th June 2015	1,000,000,000	580,120,938	765,795,260	2,345,916,198

* The opening balance as at 1st July 2014 of the Revenue Reserves opening balance have been restated in relation to prior year adjustment on reversal of accrued treasury bills interest income Kshs. 131,705/= and double posted board expenses Kshs. 440,871/= as at 30th June 2014. The total amount of the restatement amounts to Kshs. 309,166.00

** As per IFRS 16, the revaluation surplus related to the previous period now transferred to retained earnings amount to Kshs. 269,387,671. The previous revaluation surplus related to Land Kshs. 137,500,000 remains the same.

Statement of Cash Flows

For the Year Ended 30th June, 2015

OPERATING ACTIVITIES	NOTES	2014/2015 Kshs	2013/2014 Kshs (Re-stated)
Operating Profit for the Year	6	176,323,821	165,045,065
Adjustments for:			
Depreciation Expenses	10(a)	51,676,992	51,258,420
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	(821,414)	(2,158,563)
Provision for Doubtful Debts	4(a)	1,164,030	2,321,134
Net Interest Income	7(c)	(27,874,083)	(25,037,055)
Foreign Exchange(Gain)/Loss		606,906	–
Profit/Loss on Disposal of Assets	10	(1,651,250)	(360,080)
Operating Profit before Working Capital Changes		199,425,001	191,068,921
(Increase)/Decrease in Inventories	12	90,363,400	(122,408,623)
(Increase)/Decrease in Receivables	13(a)	(65,680,653)	9,343,446
(Increase)/Decrease in Payables	19	64,935,831	37,874,685
Cash Generated from Operations		289,043,579	115,878,428
Dividends Paid	9	(10,679,315)	(10,001,069)
Corporation Tax Paid	8(b)	(100,007,186)	(22,790,382)
Net Cashflows from Operating Activities		178,357,078	83,086,977
INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	10	(90,805,556)	(33,948,765)
Disposal of Property, Plant and Equipment	10	1,651,250	360,080
Interest Income received from Investments	7(b)	24,878,044	30,531,085
Net Cashflows from Investing Activities		(64,276,262)	(3,057,600)
(Decrease)/Increase in Cash and Cash Equivalents		114,080,815	80,029,376
Cash and Cash Equivalents at the:			
– Start of the Year (1st July 2014)		433,516,587	353,487,211
– End of the Year (30th June 2015)	21(b)	547,597,402	433,516,587

Notes to the Financial Statements

For the Year Ended 30th June 2015

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance and basis of preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Kenya Literature Bureau.

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

(b) New and Revised Standards

(i) Adoption of New and Revised Standards

A number of amendments to standards and one interpretation became effective for the first time in the financial year beginning 1st January 2014 have been adopted by the corporation. None of them had an effect on the corporation's financial statements.

Amendments to IAS 19 titled *Defined Benefit Plans: Employee Contributions* (issued in November 2013) The amendments, applicable retrospectively to annual periods beginning on or after 1 July 2014, clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In particular, contributions that are independent of the number of years of service can be recognised as a reduction in the service cost in the period in which the related service is rendered (instead of attributing them to the periods of service).

Amendment to IAS 24 (*Annual Improvements to IFRSs Cycle*, issued in December 2013) – The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how payments to entities providing management services are to be disclosed.

Amendment to IAS 16 and IAS 38 (*Annual Improvements to IFRSs Cycle*, issued in December 2013). The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies how the gross carrying amount and the accumulated depreciation/amortisation are treated where an entity uses the revaluation model.

Amendment to IFRS 8 (*Annual Improvements to IFRSs Cycle*, issued in December 2013) – The amendment, applicable to annual periods beginning on or after 1 July 2014, requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, and clarifies that reconciliations of the total of the reportable segments' assets to the entity's assets are required only if the segment assets are reported regularly.

Amendment to IAS 40 (*Annual Improvements to IFRSs Cycle*, issued in December 2013) – The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that IFRS 3 and IAS 40 are not mutually exclusive: while IAS 40 assists preparers to distinguish between investment property and owner-occupied property, IFRS 3 helps them to determine whether the acquisition of an investment property is a business combination.

Amendment to IFRS 3 (*Annual Improvements to IFRSs Cycle*, issued in December 2013) – The amendment, applicable prospectively to annual periods beginning on or after 1 July

2014, clarifies that IFRS 3 excludes from its scope the accounting for the formation of any joint arrangement in the financial statements of the joint arrangement itself.

Amendment to IFRS 13 (*Annual Improvements to IFRSs Cycle*, issued in December 2013) – The amendment, applicable to annual periods beginning on or after 1 July 2014, clarifies that the portfolio exception in IFRS 13 – allowing an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis – applies to all contracts (including non-financial) within the scope of IAS 39/IFRS 9.

(ii) New and revised standards and interpretations which have been issued but are not yet effective

IFRS 14 *Regulatory Deferral Accounts* (issued in January 2014) – The new standard, effective for annual accounting periods beginning on or after 1 January 2016, defines a regulatory deferral account balance and allows entities to continue to apply their existing policy for regulatory deferral account balances, but requires certain disclosures.

Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014) The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Amendments to IAS 16 and IAS 38 titled *Clarification of Acceptable Methods of Depreciation and Amortisation* (issued in May 2014) The amendments add guidance and clarify that (i) the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset, and (ii) revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset; however, this presumption can be rebutted in certain limited circumstances. They are prospectively effective for annual periods beginning on or after 1 January 2016.

Amendments to IAS 16 and IAS 41 titled *Agriculture: Bearer Plants* (issued in June 2014). The amendments, applicable to annual periods beginning on or after 1 January 2016, define bearer plants, i.e., living plants which are used solely to grow produce over several periods and usually scrapped at the end of their productive lives (e.g., grape vines, rubber trees, oil palms) – and include them within IAS 16's scope while the produce growing on bearer plants remain within the scope of IAS 41.

Amendments to IFRS 11 titled *Accounting for Acquisitions of Interests in Joint Operations* (issued in May 2014). The amendments, applicable prospectively to annual periods beginning on or after 1 July 2016, require an acquirer of an interest in a joint operation in which the activity constitutes a business (as defined in IFRS 3) to apply all of the business combinations accounting principles and disclosure in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11. The amendments apply both to the initial acquisition of an interest in a joint operation, and the acquisition of an additional interest in a joint operation (in the latter case, previously held interests are not re-measured).

Amendments to IAS 27 titled *Equity Method in Separate Financial Statements* (issued in August 2014). The amendments, applicable to annual periods beginning on or after 1 July 2016, reinstate the equity method option allowing entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

IFRS 15 *Revenue from Contracts with Customers* (issued in May 2014) – The new standard, effective for annual periods beginning on or after 1 January 2017, replaces IAS 11, IAS 18 and their interpretations (SIC-31 and IFRIC 13, 15 and 18). It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance.

IFRS 9 *Financial Instruments* (issued in July 2014). This standard will replace IAS 39 (and all the previous versions of IFRS 9) effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

IFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

For financial liabilities, the most significant effect of IFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, IFRS 9 introduces a credit model based on the concept of providing for expected losses at inception of a contract; it will no longer be necessary for there to be objective evidence of impairment before a credit loss is recognised. For hedge accounting, IFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The de-recognition provisions are carried over almost unchanged from IAS 39.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the corporation's financial statements.

(c) Revenue recognition

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

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

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

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

- (ii) **Revenue from printing services** is recognised when the printing order is placed and confirmed by the customer.
- (iii) **Grants from National Government** are recognised in the year in which the Bureau actually receives such grants.
- (iv) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- (v) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

- (vi) **Rental income** is recognised in the income statement as it accrues using the effective lease/rental agreements.
- (vii) **Other income** is recognised as it accrues.

(d) 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.

(e) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

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

(f) Financial risk management objectives and policies

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

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

(i) Credit risk

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

The amount that best represents the company's maximum exposure to credit risk as at 30th June 2015 and 30th June 2014 is as shown below:

	2015	2014
Trade and other receivables	363,995,731	274,734,777
Due from related parties	6,998,636	7,108,895
Bank balances (including short-term deposits and treasury bills)	<u>547,598,690</u>	<u>433,075,716</u>
	<u>911,664,408</u>	<u>714,919,388</u>

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

(ii) Liquidity risk

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

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

	2015	2014
Trade and other payables	<u>280,072,147</u>	<u>216,345,656</u>

(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 37,020.13 as at 30th June 2015. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is the least.

Interest rate risk

The corporation does not have any borrowings as at 30th June 2015 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.

(g) Intangible assets

Intangible assets comprise purchased computer software licences classified as application systems,

which are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of the intangible assets from the year that they are available for use.

(h) Amortisation and impairment of intangible assets

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

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

(i) 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.

(j) 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.

(k) (i) Inventories

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

(ii) Slow moving stocks

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

(l) (i) Trade and other receivables

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

(ii) Bad and doubtful debts

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

(m) Taxation

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

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

(n) Cash and cash equivalents

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

(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**(i) 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.

(ii) 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.

(iii) 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) 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.

(r) Comparative figures

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

(s) 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, 2015.

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2015

1. (a) TURNOVER

	2014/2015 Kshs	2013/2014 Kshs
Sale of books	1,711,390,171	1,718,530,044
Printing sales	50,950,476	15,412,976
	1,762,340,647	1,733,943,020

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

(b) COST OF SALES

Opening inventories		
Printed books	536,280,728	413,098,646
Raw materials	14,852,920	20,932,213
Work in progress	24,382,293	22,405,100
	575,515,941	456,435,959
Production costs		
Direct Expenses	117,639,283	199,781,119
Raw Materials	70,521,052	101,276,095
Direct Labour	62,638,240	58,481,407
Overheads	134,316,156	144,432,838
Contracted Works	214,690,700	325,511,953
	599,805,431	829,483,412
Closing inventories		
Printed books	458,581,843	536,280,728
Raw materials	13,606,811	14,852,920
Work in progress	13,306,772	24,382,293
	485,495,425	575,515,941
COST OF SALES	689,825,947	710,403,429

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

2. GAIN ON DISPOSAL OF NON-FINANCIAL ASSETS

Gain on disposal of non-current assets	1,651,250	360,080
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This relates to the sale of non-current assets, which had been fully depreciated.

3. OTHER INCOME

Rental Income	2,431,144	3,192,949
Waster Paper Income	201,065	221,950
Interest on advances	138,762	53,027
Miscellaneous income	4,314,567	3,030,825
	7,085,539	6,498,751

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2015

		2014/2015	2013/2014 (Restated)
		Kshs	Kshs
4 (a)	ADMINISTRATION COSTS		
	Staff Costs	229,247,508	203,687,442
	Management board expenses	4,672,805	7,298,661
	Foreign exchange loss	606,906	–
	Transport operating expenses	10,499,987	8,705,685
	Travelling and accommodation	6,148,990	4,652,191
	Postal and telegram expenses	265,698	210,540
	Telephone expenses	2,259,079	2,138,506
	Electricity, water and conservancy	2,656,399	2,659,468
	Purchase of uniforms	86,193	117,910
	Purchase of stationery	4,295,523	4,042,115
	Rent and rates expenses	111,936	105,542
	Computer expenses	7,928,860	3,717,758
	Hire of casuals	978,717	1,105,669
	Insurance costs	1,620,882	1,838,902
	Audit fees	812,000	824,000
	Consultancy expenses	180,000	2,096,328
	Bad Debts Expenses	–	65,160
	Slow moving stock provision expenses	(821,414)	(2,158,563)
	Provision for Bad and Doubtful Debts	1,164,030	2,321,134
	Tax on Interest Received	4,918,956	4,418,304
	Maintenance of plant and machinery	2,032,797	3,096,726
	Maintenance of office equipment	534,226	178,603
	Maintenance of buildings	6,185,132	3,066,614
	Security expenses	3,923,760	4,849,439
	Library expenses	273,465	121,915
	Subscription	285,397	254,574
	Donation	440,000	160,000
	Bank charges	865,708	771,408
	Legal charges	2,031,600	4,406,385
	Total Administration Costs	<u>294,205,139</u>	<u>264,752,417</u>
(b)	STAFF COSTS		
	Basic salaries	121,923,411	103,277,265
	Gratuity and pension	26,766,556	24,561,348
	House allowance	41,287,050	38,853,600
	Other personal allowances	13,424,675	12,481,923
	Passage and leave allowances	2,975,645	2,675,009
	Medical expenses	10,550,350	10,219,296
	Overtime costs	5,181,336	5,014,585
	Staff training	3,017,882	2,454,941
	Staff welfare	4,120,603	4,149,474
	Total staff costs	<u>229,247,508</u>	<u>203,687,442</u>
(c)	MANAGEMENT BOARD EXPENSES		
	Sitting and Lunch Allowances	2,798,000	3,228,129
	Travelling Allowances	465,289	774,520
	Chairman's Honoraria	1,044,000	1,044,000
	Accommodation Allowances	100,000	300,000
	Performance Bonus	–	1,020,000
	Board Medical Expenses	51,645	–
	Other Meeting Expenses	213,871	932,012
	Management Board Expenses	<u>4,672,805</u>	<u>7,298,661</u>

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2015

	2014/2015 Kshs	2013/2014 Kshs
5. SELLING AND DISTRIBUTION COSTS		
Sales discounts allowed	555,979,676	546,236,746
Promotional samples costs	1,220,530	1,718,615
Advertising, Research and Promotions	32,963,109	26,636,187
Corporate Affairs expenses	6,961,144	9,096,150
Packaging, carriage and handling	12,881,024	12,256,108
Total Selling Costs	610,005,482	595,943,806
Total Costs	904,210,622	860,696,224
6. OPERATING PROFIT/(LOSS)		
The operating profit is arrived at after charging/(crediting):		
GROSS TURNOVER	1,762,340,647	1,733,943,020
COST OF SALES	689,825,947	710,403,429
GROSS TRADING PROFIT	1,072,514,700	1,023,539,591
Income from investments	32,793,039	29,323,654
Gain on Disposal of Non-financial Assets	1,651,250	360,080
Other income (note 3)	7,085,539	6,498,751
TOTAL REVENUES	1,803,870,474	1,770,125,506
Admin., Staff, Selling and Distribution Costs (note 4 and 5)	904,210,622	860,696,224
Depreciation of property, plant and equipment	33,510,085	33,980,788
TOTAL COSTS	1,627,546,652	1,605,080,441
Net operating profit for the year	176,323,822	165,045,065
7 (a) GROSS INCOME FROM INVESTMENTS		
Interest Income on Government securities	7,630,069	8,097,510
Interest Income on short-term deposits	25,162,970	21,226,145
	32,793,039	29,323,654
(b) INTEREST INCOME RECEIVED FROM INVESTMENTS		
Interest receivable at beginning of period	(1,242,627)	2,186,647
Under provision of prior year	(1,704,191)	-
Current years'	32,793,039	29,587,064
	29,846,222	31,773,711
<i>Less:</i> Closing balance for the period	(4,968,178)	(1,242,627)
Interest receivable at close of period	24,878,044	30,531,085
(c) NET INTEREST INCOME		
Gross interest income	32,793,039	29,455,359
Less: Tax on interest received	(4,918,956)	(4,418,304)
	27,874,083	25,037,055
8. INCOME TAX		
(a) CURRENT TAXATION		
- Charge for the year based on adjusted profit for the year at 30%	42,345,917	58,035,664
- Under/(Over) provision of current tax in prior year	-	-
INCOME TAX EXPENSE	42,345,917	58,035,664
(b) TAX LIABILITY/(RECOVERABLE)		
Tax (credit) at beginning of period	35,245,282	(3,001,380)
Income Tax Charge based on adjusted profits for the period	42,345,917	58,035,664
	77,591,199	55,034,284
Income Tax paid during the period	(100,007,186)	(19,789,002)
Tax liability/(credit) at the end of period	(22,415,987)	35,245,282
9. DIVIDENDS PAYABLE		
The proposed dividend is accounted for as a separate component of equity is not based on a number of ordinary shares since the Government of Kenya is the sole shareholder and the Capital Fund is not divided into any class of shares. The Board of Management of Kenya Literature Bureau declares and pays a dividend of 10% of the after tax Net Profit for the year to the Government. The proposed dividend is payable after audit of the Financial Statements.		
Opening balance as at 1st July	10,679,315	10,001,069
Proposed Dividend for the year	13,397,790	10,679,315
Dividend Paid during the year	(10,679,315)	(10,001,069)
Closing balance as at 30th June	13,397,790	10,679,315

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2015

10(a) PROPERTY, PLANT AND EQUIPMENT 2015

	Land	Building and Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers and Related Equipments	Application Systems	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST/VALUATION									
As at 1st July 2014	160,000,000	318,859,497	375,896,940	14,552,495	37,906,407	28,152,990	13,280,254	17,756,098	966,404,682
Additions upto 31/05/15	—	—	21,252,230	1,244,500	2,550,000	3,339,907	1,438,214	1,411,735	31,236,586
Disposals upto 31/05/15	—	—	—	—	(3,020,000)	—	—	—	(3,020,000)
Accum Depr at 31/05/16	—	(64,075,957)	(111,015,686)	(8,108,811)	(27,089,229)	(23,955,077)	(9,985,414)	(12,840,858)	(257,071,031)
At 30th May 2015 (A)	<u>160,000,000</u>	<u>254,783,540</u>	<u>286,133,483</u>	<u>7,688,185</u>	<u>10,347,178</u>	<u>7,537,821</u>	<u>4,733,055</u>	<u>6,326,975</u>	<u>737,550,237</u>
At June 30, 2015	—	—	—	—	—	—	14,718,469	—	14,718,469
Revaluation Cost (B)	493,350,000	428,150,000	202,148,600	1,477,000	27,416,900	12,468,120	—	10,427,500	1,175,438,120
Additions (after Revolution)	—	—	50,499,138	70,561	8,772,687	226,584	—	—	59,568,970
	<u>493,350,000</u>	<u>428,150,000</u>	<u>252,647,738</u>	<u>1,547,561</u>	<u>36,189,587</u>	<u>12,694,704</u>	<u>14,718,469</u>	<u>10,427,500</u>	<u>1,249,725,558</u>
DEPRECIATION									
As at 31st May 2015	—	11,691,515	17,818,398	1,782,094	5,979,114	4,701,141	3,567,878	2,122,862	47,663,002
Charge for the Year 10(b)	—	1,427,167	1,052,699	16,120	753,950	317,368	338,068	108,620	4,013,991
	<u>—</u>	<u>13,118,682</u>	<u>18,871,097</u>	<u>1,798,214</u>	<u>6,733,064</u>	<u>5,018,509</u>	<u>3,905,946</u>	<u>2,231,482</u>	<u>51,676,993</u>
NET BOOK VALUE									
At 30th June 2015	<u>493,350,000</u>	<u>426,722,833</u>	<u>251,595,039</u>	<u>1,531,441</u>	<u>35,435,637</u>	<u>11,506,027</u>	<u>4,394,987</u>	<u>10,318,880</u>	<u>1,234,854,844</u>
At 30th June 2014	<u>160,000,000</u>	<u>266,475,055</u>	<u>282,699,652</u>	<u>8,225,779</u>	<u>13,776,293</u>	<u>8,987,955</u>	<u>5,902,509</u>	<u>7,038,102</u>	<u>753,105,345</u>
Revaluation Surplus/ (Loss) (B – A)	<u>333,350,000</u>	<u>173,366,460</u>	<u>(83,984,883)</u>	<u>(6,211,185)</u>	<u>17,069,722</u>	<u>4,930,299</u>	<u>—</u>	<u>4,100,525</u>	<u>442,620,938</u>

DISCLOSURES ON REVALUATION

All categories of Assets were revalued as at 31st May 2015 by M/s Sec & M Valuers Ltd.

DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Disposal Proceeds	—	—	—	—	<u>1,651,250</u>	—	—	—	<u>1,651,250</u>
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Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	27,413,172	8,924,455
Motor Vehicles	36,189,587	6,733,064
	<u>63,602,759</u>	<u>15,657,519</u>

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

	2015	2014
Cost of sales (Production Overheads) Appendix I	18,166,910	17,277,632
Administration Expenses	33,510,085	33,980,788
Total Depreciation Expenses	<u>51,676,995</u>	<u>51,258,420</u>

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2015

	Land	Building and civil works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers and Related Equipment	Application Systems	Office Furniture and Fittings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
As at 1st July 2013	160,000,000	317,800,829	Re-stated 370,014,737	11,740,007	28,447,607	20,146,661	7,280,307	17,245,769	932,675,917
Additions	—	1,058,668	5,882,203	2,812,488	9,678,800	8,852,387	5,153,890	510,329	33,948,765
Disposals	—	—	—	—	(220,000)	—	—	—	(220,000)
At 30th June 2014	<u>160,000,000</u>	<u>318,859,497</u>	<u>375,896,940</u>	<u>14,552,495</u>	<u>37,906,407</u>	<u>28,999,047</u>	<u>12,434,197</u>	<u>17,756,098</u>	<u>966,404,682</u>
DEPRECIATION									
As at 1st July 2013	—	39,630,062	74,402,441	4,507,655	17,944,762	14,362,175	2,915,338	8,498,484	162,260,917
Charge for the Year 10(b)	—	12,754,380	18,794,847	1,819,062	6,405,352	5,648,917	3,616,350	2,219,512	51,258,420
Eliminated on Disposals	—	—	—	—	(220,000)	—	—	—	(220,000)
	<u>—</u>	<u>52,384,442</u>	<u>93,197,288</u>	<u>6,326,717</u>	<u>24,130,114</u>	<u>20,011,092</u>	<u>6,531,688</u>	<u>10,717,996</u>	<u>213,299,337</u>
NET BOOK VALUE									
At 30th June 2014	<u>160,000,000</u>	<u>266,475,055</u>	<u>282,699,652</u>	<u>8,225,779</u>	<u>13,776,293</u>	<u>8,987,956</u>	<u>5,902,509</u>	<u>7,038,102</u>	<u>753,105,345</u>
At 30th June 2013	<u>160,000,000</u>	<u>278,170,767</u>	<u>295,356,428</u>	<u>7,232,352</u>	<u>10,502,845</u>	<u>5,760,629</u>	<u>4,388,826</u>	<u>8,747,285</u>	<u>770,159,132</u>

DISPOSAL OF PROPERTY, PLANT AND EQUIPMENT

Disposal Proceeds	—	—	—	—	360,080	—	—	<u>360,080</u>
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Property, plant and equipment include the following items that are fully depreciated:

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	12,918,700	4,306,233
Motor Vehicles	12,285,000	2,457,000
	<u>25,203,700</u>	<u>6,763,233</u>

(c) **ALLOCATION OF DEPRECIATION EXPENSES FOR PROPERTY, PLANT AND EQUIPMENT**

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

Notes to the Financial Statements (*Continued*)

For the Year Ended 30th June, 2015

	2014/2015	2013/2014 (Restated)
	Kshs	Kshs
11. INTANGIBLE ASSETS		
COST		
At July 1	13,280,254	7,280,307
Additions	1,438,214	5,153,890
Disposals	—	—
At June 30	<u>14,718,469</u>	<u>12,434,197</u>
AMORTISATION		
At July 1	9,985,414	2,915,338
Charge for the year	338,068	3,616,350
Impairment Loss	—	—
At June 30	<u>10,323,482</u>	<u>6,531,688</u>
NET BOOK VALUE		
At June 30	<u>4,394,987</u>	<u>5,902,509</u>
12. INVENTORIES		
Printed Books	458,581,843	536,280,728
Provision for Slow Moving Stock	(2,404,541)	(3,225,955)
Raw Materials	13,606,811	14,852,920
Canteen Stock	2,960,020	3,438,939
Library Books	1,080,289	944,255
Work in Progress	13,306,772	24,382,293
	<u>487,131,194</u>	<u>576,673,180</u>
13 (a) TRADE AND OTHER RECEIVABLES		
Trade Receivables — Books	288,902,945	255,409,884
Provision for Bad and Doubtful Debts – Books	(5,731,839)	(5,618,208)
Trade Receivables — Printing	50,208,960	12,118,902
Provision for Bad and Doubtful Debts – Printing	(1,224,484)	(174,085)
VAT Receivable	—	3,623,728
Corporation Tax Receivable	22,415,987	—
Royalty Advance	20,822	20,822
Accrued Interest Income	4,946,498	2,579,039
Other Receivables {inclusive of staff receivables note 13(c)}	9,268,783	11,318,221
Deposits and Prepayments	2,204,364	2,433,664
	<u>371,012,036</u>	<u>281,711,967</u>
(b) TRADE RECEIVABLES		
Gross trade receivables	339,111,905	267,528,786
Provision for doubtful receivables	(6,956,323)	(5,792,293)
	<u>332,155,582</u>	<u>261,736,493</u>
At 30th June, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	115,433,028	72,023,505
Between 30 and 60 days	46,543,191	55,002,363
Between 61 and 90 days	26,264,186	24,307,564
Over 90 days	139,212,656	115,442,181
	<u>327,453,062</u>	<u>266,775,613</u>
(c) STAFF RECEIVABLES		
Gross staff loans and advances	6,998,636	7,108,895
Less: Amounts due within one year	(5,254,724)	(4,322,657)
Amounts due after one year	<u>1,743,912</u>	<u>2,786,238</u>
14. SHORT-TERM INVESTMENTS		
Short-term deposits with Kenya Commercial Bank	346,634,446	298,401,220
Treasury Bills with Central Bank of Kenya	82,193,725	100,000,000
	<u>428,828,171</u>	<u>398,401,220</u>

The weighted average effective interest rate on short-term bank deposits at the year-end was 9.20% while for investment in Treasury bills was 9.023%

15. CASH AND BANK BALANCES

Cash on Hand	200,000	659,870
Cash at Bank	<u>118,569,231</u>	<u>34,455,497</u>
	<u>118,769,231</u>	<u>35,115,367</u>

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

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

17. REVALUATION RESERVES

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

Revaluation Reserves	<u>580,120,938</u>	<u>406,887,671</u>
	<u>580,120,938</u>	<u>406,887,671</u>

18. REVENUE RESERVES

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

Retained Earnings	<u>765,795,260</u>	<u>375,632,902</u>
	<u>765,795,260</u>	<u>375,632,902</u>

19. TRADE AND OTHER PAYABLES

Trade Payables	195,962,331	114,296,990
Dividend Payable	13,397,790	10,700,995
Accrued Royalties	39,784,585	57,912,605
VAT payable	12,947,493	—
Audit Fees Provision	812,000	812,000
Other Payables	11,503,061	7,466,712
Corporation Tax Payable	—	35,245,282
Accrued Expenses	4,998,919	6,671,923
Withholding Tax Due	3,362,020	734,408
Inventory Clearing Accounts	<u>11,911,079</u>	<u>28,451,018</u>
	<u>294,679,278</u>	<u>262,291,933</u>

20. RETIREMENT BENEFIT OBLIGATIONS

The Bureau operates a defined contribution scheme for the full time employees from 1st April 2011. The scheme is administered by an in-house Board of Trustees and is funded by contributions from both the Bureau and its employees. Further, the Bureau operates a defined benefit scheme which remains a closed fund for employees that were aged above 45 years as at 1st April 2011. The scheme does not admit new members. All permanent staff joining the Bureau are registered for the defined contribution scheme after probation. The year end of the two schemes is 31st December. The Bureau also contributes to the statutory National Social Security Fund (NSSF). This is defined contribution scheme registered under the National Social Security Act. The Bureau's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs. 200 per employee per month.

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2015

	2015	2014 (Restated)
	Kshs	Kshs
21. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of operating profit/(loss) to cash generated from/(used in) operations		
Operating profit for the year	176,323,821	165,045,064
Adjustments for:		
Depreciation Expenses	51,676,992	51,258,420
(Decrease)/Increase in Prov. for Slow Moving Stock	(821,414)	(2,158,563)
Provision for Doubtful Debts	1,164,030	2,321,134
Net Interest Income	(27,874,083)	(25,037,055)
Foreign Exchange (Gain)/Loss	(606,906)	-
Profit/Loss on disposal of Assets	<u>(1,651,250)</u>	<u>(360,080)</u>
Operating profit before Working Capital Changes	199,425,001	191,068,920
(Increase)/Decrease in Inventories	90,363,400	(122,408,623)
(Increase)/Decrease in Receivables	(65,680,653)	9,343,446
(Increase)/Decrease in Payables	64,935,831	37,874,685
Cash generated from operations	<u>289,043,579</u>	<u>115,878,427</u>
(b) Analysis of cash and cash equivalents		
Short Term Deposits with Kenya Commercial Bank	346,634,446	298,401,220
Treasury Bills with Central Bank of Kenya	82,193,725	100,000,000
Cash at bank	118,569,231	34,455,497
Cash in hand	200,000	659,870
	<u>547,597,402</u>	<u>433,516,587</u>
(c) Analysis of dividend paid		
2011 Dividends paid	7,189,267	
2012 Dividends paid	9,165,303	
2013 Dividends paid	10,001,069	
2014 Dividends paid	-	
	<u>26,355,639</u>	

Notes to the Financial Statements (*Continued*)

For the Period Ended 30th June, 2015

	2015 Kshs	2014 Kshs
22. RELATED PARTY DISCLOSURES		
(a) Government of Kenya		
The Government of Kenya is the principal shareholder of Kenya Literature Bureau, holding 100% of the Bureau's equity interest. There were no other Bureau's transactions involving the Government of Kenya.		
(b) Employees		
The Bureau provides certain qualifying employees with car loans in a funded arrangement with Kenya Commercial Bank Ltd, on terms more favourable than available in the market. The benefit obtained by the staff is subjected to income tax as required under the Kenya Income Tax Act. The cars are registered in joint names of the Bank and the employees for the car loan. The short-term deposits with principal amount of Kshs. 10 million are held for the purpose and earn a lower interest rate than the market rate. The Bureau is only liable when the employment contract with the employee is in force.		
(c) Directors' remuneration		
Allowances and other emoluments for directors	4,672,805	7,298,661
23. CAPITAL COMMITMENTS		
Amounts authorised and contracted for includes;		
Plant and Equipment	19,945,000	19,257,327
Furniture and Fittings	–	658,210
Computer Equipment	–	550,210
	<u>19,945,000</u>	<u>20,465,747</u>
24. CONTINGENCIES		
(i) A contingent liability exists from a demand notice issued by National Social Security Fund for penalties and interest on contributions arrears dating back to 1993 amounting to Kshs 27,650,838 which is still in dispute. The Bureau has engaged in fruitful discussions, which are at an advanced stage for waiver of the said penalties and interest. Further, NSSF have agreed to halt any further demand notice and accumulation of the amounts. The amount, which may be settled in future, cannot be measured with sufficient reliability.		
(ii) A contingent liability exists from a demand notice based on the tax audit conducted by Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs 125,560,306 (being principal amount) for which a waiver for penalties and interest was approved by then Minister for Finance in April 2013. The Bureau has held successful negotiations with the officials of Kenya Revenue Authority and the National Treasury, with a view to abandoning the principal tax as had been earlier agreed. During the discussions, KRA agreed to stay the demand notice pending the outcome of the matter. The amount payable, which may be settled in future, cannot be measured with sufficient reliability. The current tax obligations have been liquidated as per Income Tax Act, and there are no outstanding liabilities.		
25. INCORPORATION		
Kenya Literature Bureau is incorporated in Kenya under the Act of Parliament Cap. 209 of 1980 (Revised 2012) and is domiciled in Kenya.		

*Appendix I***Notes to the Financial Statements (*Continued*)**For the Period Ended 30th June, 2015

DETAILS OF PRODUCTION OVERHEADS	2014/2015 Kshs	2013/2014 (Restated) Kshs
Basic Salaries	32,846,415	29,664,905
House Allowance	10,746,124	10,873,905
Other Personal Allowance	3,912,617	3,631,129
Leave Allowance	887,896	846,539
Gratuity and Pensions	17,844,371	16,374,232
Transport Operating Expenses	1,852,939	1,565,658
Telephone Expenses	753,026	712,835
Electricity, Water and Conservancy	7,969,197	7,978,405
Purchase of Uniform and Clothing	86,193	164,790
Stationery Expense	477,280	449,124
Hire of Casuals	3,914,870	4,422,675
Staff Training and Recruitment Expenses	2,011,922	1,624,174
Staff Welfare Expenses	2,638,897	2,773,294
Medical Expenses	7,033,566	7,125,896
Insurance Expenses	1,080,588	1,225,935
Maintenance of Plant and Equipment	18,295,172	34,569,339
Maintenance of Buildings	2,061,711	1,090,509
Depreciation Expenses	18,166,910	17,277,632
Security Expenses	1,307,920	1,620,480
Overtime Allowances	428,542	441,382
	<u>134,316,156</u>	<u>144,432,837</u>

... Our History and Milestones

Kikamba Bible Launch

Prof. John S. Mbiti, a renowned author and lecturer on religious matters and material, translated the New Testament section of the Bible from its original Greek version to Kikamba. This text has been published by Kenya Literature Bureau, keeping our promise of promoting local authorship while making history as the first African Publishing House to produce any version of the Bible.



Prof. John Mbiti unveils The Kikamba Bible at Mulango Primary School, Kitui County in the presence of the Hon. Chief Justice Dr. Willy Mutunga and Managing Director, KLB Mrs. Eve A. Obara.



Students of God's Favour School, Kayole display books donated to them by the Chief Editor Caro Wanjiku and Public Relations Manager, Diana Olenja, on behalf of Kenya Literature Bureau.



Ambassador Robert Godec signs Kenya Literature Bureau's visitor's book during the 2014 Nairobi International Book Fair.



KLB's Chief Editor e-books presents a gift of e-learning materials to the Cabinet Secretary of MoEST, Hon. Fred Matiang'i.



As part of KLB's CSR, Mrs. Eve Obara presented a cheque to Mater Hospital's Patron, Mrs. Maria Ngugi.



Celebrating local authorship Author Pat Wambui Ngurukie autographs *The Ceo's Wife* at the KLB stand during the 18th Nairobi International BookFair.



Members of KLB Management led by MD Mrs. Eve Obara during the signing ceremony of the CBA 2015 - 2017.



KLB Managing Director Mrs. Eve Obara donates books to Mulango Primary School, Kitui County, as part of the Imarisha Kimasomo campaign.



Chief Justice, Dr. Willy Mutunga awards top performing booksellers during the 2014 End Year Luncheon held at KLB Headquarters.



Through the Imarisha Kimasomo program, the Garsen MP Ibrahim Ahmed Sane is seen here receiving donations from KLB's Business Development Manager, Mr. Evans Nyachieng'a. Looking on is Mr. Joseph Emojong.



A display showing some of Kenya Literature Bureau's publications.



Kenya Literature Bureau seeks to reach even the marginalised communities. Seen here is Mrs. Eve Obara and Mrs. Halima Ware after the former paid the Managing Director a visit to discuss partnership opportunities.