REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LITERATURE BUREAU

FOR THE YEAR ENDED 30 JUNE, 2021

KENYA LITERATURE BUREAU

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2021

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

I. KEY CORPORATE INFORMATION

BACKGROUND INFORMATION

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

PRINCIPAL ACTIVITIES

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

VISION

A knowledgeable and inspired society.

MISSION

To provide innovative and competitive publishing and printing solutions.

STRATEGIC OBJECTIVES

1. To grow projected gross revenue from Kshs. 2.718 Billion in 2020/21 to Kshs. 3.198 Billion in 2024/25.
2. To increase customer satisfaction from 80% in 2019/20 to 83% by 2024/25.
3. To improve operational efficiency from 1.205 in 2019/20 to 1.282 in 2024/25 (reduce total operational efficiency from 83% in 2019/20 to 78% in 204/25.
4. To enhance average employee productivity (total revenue to the number of employees) by 2% from Kshs. 13,389 Million to Kshs. 13,609 Million per employee by 2024/25.

CORE VALUES

i) Customer Focus
ii) Integrity
iii) Creativity and Innovation
iv) Quality Publishing and Printing Solutions

DIRECTORS

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

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

CORPORATION SECRETARY

CPA Victor Lomaria, OGW
P.O. Box 30022 - 00100, GPO
NAIROBI, KENYA.

REGISTERED OFFICE & CORPORATE HEADQUARTER

Kenya Literature Bureau Building
Bellevue Area, South C
KLB Road, off Popo Road, off Mombasa Road
P.O. Box 30022 – GPO 00100,
NAIROBI, KENYA

BRANCH

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

CORPORATE CONTACTS

Telephone: (254) 6005595, 020 - 3541196/7
(254) 0711 - 318188, 0732 - 344599
E-mail: info.klb.co.ke
Website: www.klb.co.ke

CORPORATE BANKERS

1. Central Bank of Kenya
   Haile Selassie Avenue
   P. O. Box 6000 – 00200, City Square
   City Square 00200
   NAIROBI, KENYA

2. Kenya Commercial Bank Limited
   Kencom House, Moi Avenue
   P.O. Box 30081 – 00100, GPO
   NAIROBI, KENYA

3. National Bank of Kenya Limited
   National Bank Building, Harambee Avenue
   P. O. Box 72866 – 00200, City Square
   NAIROBI, KENYA

4. HF Group Limited
   Rehani House-Koinange St.
   P.O Box 30088 – 00100,
   NAIROBI, KENYA

INDEPENDENT AUDITORS

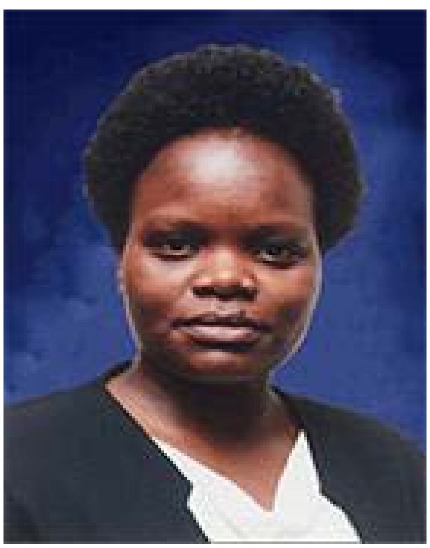
Auditor-General
Anniversary Towers, University Way
P.O. Box 30084 – 00100, GPO
NAIROBI, KENYA

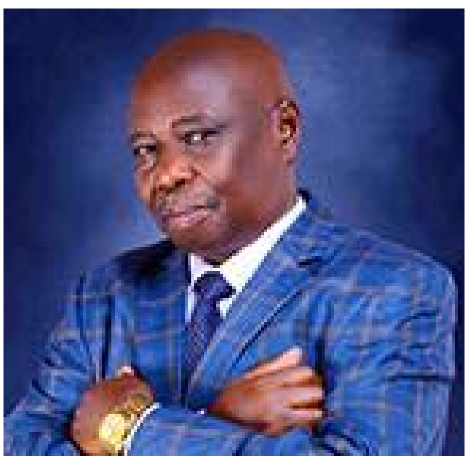
PRINCIPAL LEGAL ADVISERS

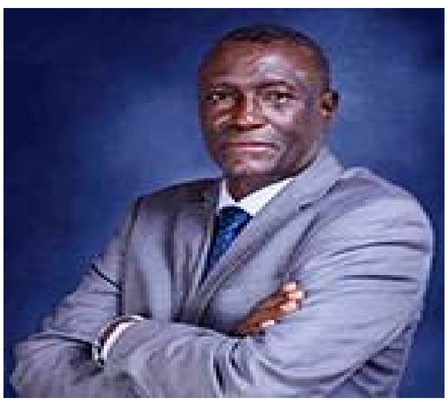
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112 – 00200, City Square
NAIROBI, KENYA

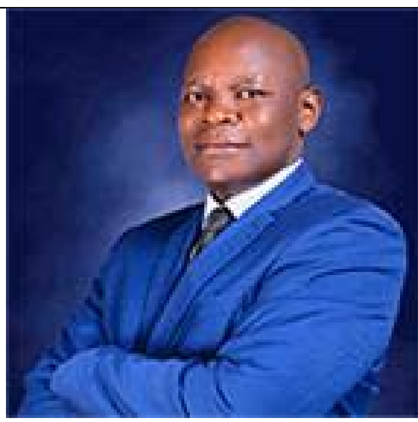
II. THE BOARD OF DIRECTORS

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 1. Hon. Amb. Francis S. K. Bayah, EBS Chairman	Hon. Amb. Francis Bayah (67 years) is the Chairman of the Board of Management of Kenya Literature Bureau. He holds a Bachelor of Education Science degree from the University of Nairobi, Diploma in United Nations and International Understanding from the Institute of United Nations and UNESCO Studies in New Delhi – India, and a Post-Graduate Certificate in Development Economics from University of Michigan. He is currently pursuing Master of Business Administration (Strategic Management) at Mt. Kenya University. He is currently pursuing a PHD degree. He has extensive knowledge and experience in strategic management and administration having served as an Assistant Minister in the Ministry of State for Immigration and Registration of Persons, Kenya's High Commissioner to India, Permanent Secretary in the Ministry of Lands and Settlement and also in the Ministry of Tourism and Information, and as a Member of Parliament for Ganze Constituency. Amb. Bayah also served in the Office of the President as the Provincial Commissioner (PC) of Coast, Western, Eastern and Rift Valley Provinces, District Commissioner (DC) in Nyanza and Rift Valley Provinces, and as District Officer (DO) in Laikipia, Turkana, Embu, Marsabit, Machakos, Taita-Taveta and Homabay. He is a recipient of Presidential Award, the Elder of Burning Spear (EBS), which is a State commendation given to persons who have served with distinction in their various spheres of influence. He was re-appointed to the position on 3 May 2019.
	Mr. Victor Lomaria (52 years) is the Managing Director and Secretary to the Board of Kenya Literature Bureau. He holds a Master's in business administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit. He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the

2. CPA Victor Lomaria, OGW The Managing Director and Secretary to the Board of Management.	Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW), which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September 2016.
 3. Mr. Elyas Abdi Alternate to the PS, Ministry of Education	Mr. Elyas Abdi is a Director General, Basic Education and represents he Principal Secretary, State Department of the Early and Basic education, Ministry of Education in the Board. He was re-appointed to the Board on 24 April 2019. He is a member of Operations & Strategy and Audit Risk Management & Compliance Committees.
 4. CPA Cheryl A. Majiwa Alternate to Cabinet Secretary, National Treasury and Planning	Ms. Cheryl Majiwa (41 years) is the Alternate to the Cabinet Secretary of the National Treasury in the Board of Management as specified under the Kenya Literature Bureau Act, Cap 209. She holds a of Master of Business Administration (Strategic Management) degree from the University of Nairobi, Bachelor of Commerce (Accounting and Finance) degree from Strathmore University, and is a Certified Public Accountant (CPA-K). She has attended various short-term senior management and corporate governance courses. She is an Investment Officer at the Department of Government Investment and Public Enterprises in the National Treasury. She previously worked as the Head of Accounting Unit and Administration in an advertising firm. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Secretariat of the Public Accounting Standards Board (PASB). She joined the Board on 1st April 2016. She is a member of the Finance, Human Resources & General Purpose and Audit Risk Management & Compliance Committees.

 5. Mr. Abdalla C. Bii Representing the National Commission for Science, Technology and Innovation (NACOSTI)	Mr. Abdalla Bii (47 years) is representing the National Commission for Science, Technology and Innovation (NACOSTI) in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He is the Alternate to the Secretary, National Commission for Science, Technology & Innovation. He was re-appointed to the Board on 24 April 2019 and is a member of the Finance, Human Resources & General Purpose and Operations & Strategy Committees.
 6. Mr. John Kenduiwo Representative, University of Nairobi	Mr. John Kenduiwo (64 years) is representing the University of Nairobi in the Board as specified in the Kenya Literature Bureau Act, Cap 209. He holds a Master of Business Administration (MBA) in Operations Management degree and a Bachelor of Science (BSc) degree in Mechanical Engineering from the University of Nairobi. He is the Managing Director, University of Nairobi Enterprises and Services (UNES). He has previously worked as Deputy Managing Director of UNES, Dean of the School of Business at the University of Nairobi, Chairman, the Department of Management Science and as a Senior Lecturer in the Department of Management Science, Faculty of Commerce at the University. He is one of the pioneers of the Module II program in Kenya. In the academia, he has specialized in operations management and strategy, operations research, and competitiveness and improvement approaches. He has held various positions of leadership in the public and private sectors. He was re-appointed to the Board on 24 April 2019. He is a member of the Finance, Human Resources & General Purpose and Operations & Strategy Committees of the Board.

 7. Mrs. Josephine Maangi Independent Director	Mrs. Josephine Maangi (57 years) is a holder of Global Executive Master's in Business Administration (MBA) from the United States International University, Bachelor of Laws (LL. B Hons) from University of Nairobi, and a Post Graduate Diploma in Laws from Kenya School of Law. She is an advocate of the High Court of Kenya and a Commissioner for Oaths and a Notary Public. She is currently a partner in Maangi & Associates Advocates. She was re-appointed to the Board on 24 April 2019 and is the Chairperson of the Operations & Strategy Committee and member of Audit and Risk Management Committee.
 8. Mr. Sammy M. Chepkwony Independent Director	Mr. Sammy Chepkwony (60 years) joined the Board on 1st April 2016. He holds a Bachelor of Business Management (BBM) degree in Micro-Enterprise from Moi University and a Diploma in Cooperative Management from the Cooperative College of Kenya. He previously served as a District Officer in the Office of the President, Assistant Cooperative Officer in the Ministry of Cooperative Development and as a Field Officer in charge of informal sector loans at Kenya Industrial Estates Limited. Mr. Chepkwony was re-appointed to the Board on 24 April 2019. He is the Chairman of the Audit and Risk Management and Compliance Committee and a member of the Operations and Strategy Committee.
 9. Mr. Nicholas Mac'Botongore	Mr. Nicholas Mac'Botongore (59 years) holds a Bachelor of Arts degree in Social Work from the University of Nairobi. He has a certificate in Strategic Leadership Development Program from the Kenya School of Government (KSG) and in Project Management from the Arhus Technical School in Denmark. He is the Assistant Director for Social Development in the Ministry of Labour and Social Protection. He has previously served as the Project Manager, Central Kenya Dry Area Smallholder Community Development Project, Assistant Director of Gender and Social Development (ADGSD), Principal Gender and Social Development Officer (PGSDO), Chief Social Development Officer (CSDO), Senior Social Development Officer (SDO) and as Administrative Finance and Programme Officer at the National Coordinating Committee

Representing Ministry of Labour and Social Protection	Secretariat for the 4th UN Conference on Women (Beijing Conference). He was re-appointed to the Board on 24 April 2019.
 10. Mr. Martin Mburu Independent Director	Mr. Martin Mburu (38 years) holds a Bachelor of Education (Special Education) and Linguistics degree from Kenyatta University. He is currently pursuing a Master's in counselling psychology at the United States International University, Kenya (USIU-K). He holds certificates in education and counselling from Alpha to Omega Learning Centre in Chennai, India and Tumaini Counselling and Seminar Centre. He was previously, the head of Learning Support at Oshwal Academy, Nairobi and previously served as Special Education Teacher at Bright Hills Special School, Nairobi. He was re-appointed to the Board on 24 April 2019. He is the Chairman, Finance, Human Resources & General Purpose Committee and a member of the Operations & Strategy Committee (formerly Technical Committee).
 11. Prof. Winston Akala Independent Director	Prof. Winston Akala (55 years) hold a Doctorate of Philosophy in Education (PHD Education. He is a member of Finance & Human Resources & General Purpose Committee.

 12. Ms. Augusta Muthigani Independent Director	Ms. Augusta Muthigani (59 years) and holds a degree in Education. He is a member of Finance & Human Resources & General Purpose and Audit Risk Management & Compliance Committee.

III. THE MANAGEMENT TEAM

MANAGEMENT TEAM	KEY QUALIFICATIONS AND EXPERIENCE
 1. CPA, Victor Lomaria, OGW The Managing Director and the Secretary to the Board of Management	Mr. Victor Lomaria (52 years) is the Managing Director and Secretary to the Board. He holds a Master's in business administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit. He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW), which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September 2016. His term was renewed with effect from 1st September 2019.
	Mr. Francis Mutunga (46 years) is the Acting General Manager Finance & Administration. He holds a Bachelor of Commerce degree (First Class Honours) and Diploma in Monitoring and Evaluation from Kenyatta University and Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is a Certified Public Accountant CPA (K), Certified Investment and Financial Analyst (CIFA-K), Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and a Certified ISO 9001:2015 Internal Auditor of the Kenya Bureau of

 2. CPA, FA, Francis M. Mutunga Ag. General Manager - Finance & Administration	Standards. He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). He is currently pursuing Master of Business Administration (Finance) degree at Kenyatta University, Nairobi. Certified Pension Trustee from the College of Insurance/ Retirements Benefits Authority and ISO9001:2015 Quality Management System Internal Auditor of the Kenya Bureau of Standards. He is the Performance Contract Co-ordinator. He was appointed to the position on 1 June 2020.
 3. Mr. Evans T. Nyachieng'a Ag. General Manager - Commercial Services	Mr. Evans Nyachieng'a (54 years) is the Acting General Manager Commercial Services. He holds a Master's in business administration (Strategic Management) degree from Kenyatta University and a Bachelor of Arts degree from the University of Nairobi. He also holds a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1 June 2020.
 4. Mr. Bernard O. Obura Sales & Customer Service Branch Manager	Mr. Bernard Obura (46 years) is the Sales and Customer Service Branch Manager. He holds an Executive MBA (Strategic Management) degree from the Jomo Kenyatta University of Agriculture and Technology (JKUAT), and Bachelor of Arts (Mathematics) degree from the University of Nairobi. He also holds a Diploma in Marketing from the MSK-Kenya. He is a Council Member of the Marketing Society of Kenya (MSK) and has over 18 years' experience branding and sales and marketing. He was appointed to the position on 1 June 2020.

 5. Mr. Job M. Idaki Administration Manager	Mr. Job Idaki (54 years) is the Administration Manager. He holds a Bachelor of Education (Language and Literature) degree from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He is currently in the final stages of completing his Master's in business administration (MBA) at the Strathmore School of Business (SBS). He is a certified ISO 9001:2008 Quality Management System series Lead Auditor and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1 August 2014.
 6. Mr. Joseph A. Emojong Production Manager	Mr. Joseph Emojong (47 years) is the Production Manager at Kenya Literature Bureau. He holds a Bachelor of Science (Hons) degree in Graphic Media Studies (GMS) from Hertfordshire University, UK and a diploma in Printing Technology from the Kenya Polytechnic (now Technical University of Kenya). He was appointed to the position on 17 December 2015.
 7. CHRP Roselyn W. Mugavana Human Resources Manager	Mrs. Roselyn Mugavana (49 years) is the Human Resources Manager at Kenya Literature Bureau. She holds a Master of Business Administration (Human Resource Management) degree from the University of Nairobi and Bachelor of Education degree (English and Literature) from Egerton University. She is a Certified Human Resources Professional (CHRP, Kenya), Certified Human Resources Practitioner in good standing, Certified Pension Trustee from the College of Insurance/ Retirements Benefits Authority and ISO9001:2015 Quality Management System Internal Auditor of the Kenya Bureau of Standards. Mrs. Mugavana is a member of the Institute for Human Resources Management (IHRM), Kenya Institute of

	Supplies Management (KISM) Professional Trainers Association (PTA) and the Forum for African Women Educationalists (FAWE). She was appointed to the position on 17 December 2015.
 8. CPA Julius K. Aritho Internal Audit Manager	Mr. Julius Aritho (54 years) is the Internal Audit Manager at Kenya Literature Bureau. He holds a Master of Business Administration (Accounting Option) degree and Bachelor of Commerce (Accounting Option) degree, both from the University of Nairobi. He is a Certified Public Accountant CPA (K) and a Certified ISO9001:2015 Quality Management System Internal Auditor by the Kenya Bureau of Standards. He is member of the Institute of Certified Public Accountants of Kenya and was previously the ISO 9001:2008 Quality Management Representative at Kenya Literature Bureau. He was appointed to the position of Internal Audit Manager on 1 August 2013.
 9. Mr. Kenneth Jumba Publishing Manager	Mr Kenneth Nyabera Jumba (52 years) is a holder of Master of Philosophy in Geography and Bachelor of Arts degrees, both from Moi University. He also holds a Post-Graduate Diploma in Human Resources Management (KNEC) from the Railway training Institute. He has a wealth of experience in publishing spanning over 20 years during which time he attended various career developmental courses in publishing, management, leadership and good corporate governance. He was appointed to the position of Publishing Manager on 4 September 2017.
	Mr. David Kimita (49 years) is the Acting Sales & Marketing Manager at Kenya Literature Bureau. He holds Bachelor of Education (Arts) degree and Diploma in Marketing both from the University of Nairobi. He also holds Masters in Business Administration (Strategic

 10. David Kimita Ag. Sales & Marketing Manager	Management) from KCA University. He has a wealth of experience in sales and marketing in the publishing industry spanning for 17 years. He was appointed to the position on 1st June 2020.

IV. CHAIRMAN'S STATEMENT

On behalf of the Board of Management, I am pleased to present to you the Kenya Literature Bureau's Annual Report and Financial Statements for the financial year ended June 30, 2021.

Activities and the successes during the year under review

It is during the year under review that the fourth cycle Strategic Plan 2020 – 2024 was launched after successfully implementing the previous Strategic Plan 2016 – 2020, whose indicators were achieved beyond the targeted level. The Strategic Plan was premised on four strategic pillars, namely, Financial Sustainability, Customer Centricity, Operational Efficiency and Organizational Capacity Development.

The new Strategic Plan comes to respond to the emerging technological advancements and unpredictable global business trends that have been experienced in the publishing and printing industry. We focus on strengthening our regional footprint as a leading publishing and printing house. This is also in line with our strategic mission of providing innovative and competitive publishing and printing solutions.

Despite the COVID-19 pandemic, which affected businesses around the globe, the Bureau made remarkable strides in the publishing industry due to our increased focus on management of operational costs, enhanced production efficiency and growth in sales. It is our desire to continue implementing the laid down strategies to attain improved financial performance, service delivery and enhance shareholder value.

We have enhanced our commitment towards supporting the Government of Kenya in its educational reform programs and strengthening our regional footprint as a leading publishing and printing house.

To enable the Bureau, meet its revenue and growth targets, we are focusing on improving skilled work force, strong brand focus, upgrade of the printing press, cost reduction initiatives, revenue enhancement initiatives, market expansion and revamping our customer experience to deliver quality products and printing solutions to customers for business growth and improved shareholder value.

During this year the Bureau deployed innovative technologies by developing through in-house human talent and capital the KLB e-book online store and

Mobile application, which were launched together with the Strategic Plan 2020 – 2024. This was a remarkable achievement and came in hardy to mitigate the effects of the disruptions of the business operations by the COVID-19 pandemic.

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

As the Board of Management, we are committed to providing effective leadership in guiding the organisation towards greater prosperity and sustainability. To this end, Bureau has is implementing policies and programmes to enhance and maintain high standards of ethical behaviour in accordance with the Leadership and Integrity Act, 2012 as well as the Public Officer Ethics Act, 2007.

Challenges during the year under review

The year under review was one of the worst ever witnessed by business enterprises due to the emergence of Corona virus disease (COVID-19) pandemic reported in Kenya in March 2020. The pandemic led to closure of learning and teaching institutions from March to September 2020, literary shutting the Bureau's gateway to the market. Even after the basic educations institutions re-opened in October 2020, the business environment remained sluggish, uncertain and unstainable. This greatly impacted on the profitability levels of businesses including the Bureau. Most companies reported huge losses.

In 2020, the World real GDP contracted by 4.2% as compared to a growth of 2.7% in 2019. This was affected by the adverse effects of the COVID-19 pandemic. The Sub-Saharan Africa economy contracted by 1.9% in 2020, as compared to a growth of 3.2% in 2019. In the East Africa Community economy, the real GDP contracted by 0.2% in 2020 as compared to a growth of 6.2% in 2019, while in Kenya, the real GDP contracted by 0.3% in 2020 as compared to a growth of 5% in 2019. The adverse effects of the COVID-19 containment measures were mitigated through the favourable monetary policies that the Government implemented.

At the Bureau, we had to recraft and refocus the Business Continuity Strategies and austerity measures to ensure containment of the costs, with the reduced revenues. Further, the austerity measures implemented by Government agencies led to reduced volume of print sales income.

Future Outlook

The Bureau will continue to implement the Strategic Plan 2020 – 2024 within an improved business environment, now that the Vaccines for the COVID-19 disease have been developed and are under application worldwide. This is expected to further open the economy and reverse the previous losses of business opportunities. The Bureau will continue to implement solid marketing strategies to boost the revenue generation. We will continue to offer high quality printing services to individuals, private institutions and Government Ministries, Departments and Agencies (MDA's).

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

Financial Results

The Bureau recorded profitability of Kshs. 88.4 Million in 2020/21, despite the disruptions in the business environment caused by the adverse effects of the COVID-19 pandemic containment measures. This was compared to the net profit realised in 2019/2020 amounting to Kshs. 229.6 Million. The gross turnover for 2020/21 was Kshs. 1.543 Billion as compared to 3.21 Billion attained in 2019/20. The reduces turnover, resulted form the reduced open market sales, book sales directly to the Government of Kenya (through the Ministry of Education) and reduced print sales and other incomes.

Dividends

The Bureau is a profitable government investment. We have continually honoured our financial obligations to the shareholder and declared dividends based on the policy of ten (10) per cent on the after tax net profits. KLB paid dividends amounting to Kshs. 64.251 Million for the year ended June 30, 2019 based on the audited financial statements for the year 2018/2019. The Board declared a dividend of Kshs. 14.99 Million for the year 2019/20 and is awaiting the finalization of the audit of the financial statements. In the period under review, the Bureau has made provisions for dividend pay-out of Kshs 4.983 Million subject to withholding tax, where applicable, for the year ended June 30, 2021, representing a 66.8 per cent decline from the previous year.

Appreciation

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

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

CHAIRMAN, BOARD OF MANAGEMENT

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The ongoing COVID-19 pandemic has disrupted our lives and tested our resilience in the face of adversity. As this high-stakes crisis evolves, Kenya Literature Bureau has laid down adequate plans to mitigate the effects of the pandemic on our business.

We have continued to develop and submit learning and teaching materials (LTMs) to Kenya Institute of Curriculum Development (KICD) for the new Competency Based Curriculum (CBC) that will see the country smoothly transition from the 8-4-4 system of education to the 2-6-2-3-3 system.

Our strong network of partnerships with the Ministry of Education, Kenya Institute of Curriculum Development (KICD), County Governments, National Government Constituency development Fund (NG-CDF), booksellers and other stakeholders continues to be utilised to animate our business. I am, therefore, pleased to present a review of Bureau's key operational performance and highlights of our strategic priorities for the year ended June 30, 2021.

Corporate Strategy Plan

The third cycle of the Bureau's 2016-2020 Strategic Plan ended giving birth to the fourth Strategic Plan 2020-2024, which was launched on 28th October, 2020. The development of this Strategic Plan was mainly influenced by the ever-changing business operating environment and our desire to be a publisher and printer of choice.

Our mandate is to support the Ministry of Education in the provision of quality learning and teaching materials to towards the achievement of the National Goals of Education. KLB as a state-owned and largest textbook publisher in the country is critical considering the growing need for instructional materials in institutions of learning. In this regard, the company registered remarkable progress in turnover and profitability. The Bureau has diversified its business, pursuing various initiatives aimed at meeting the objectives of the KLB Strategic Plan 2020-2024.
It is during the year under review that the fourth cycle Strategic Plan 2020 – 2024 was launched after successfully implementing the previous Strategic Plan 2016 – 2020, whose indicators were achieved beyond the targeted level. The Strategic Plan was premised on four strategic pillars, namely, Financial Sustainability, Customer Centricity, Operational Efficiency and Organizational Capacity Development.

The new Strategic Plan comes to respond to the emerging technological advancements and unpredictable global business trends that have been experienced in the publishing and printing industry. We focus on strengthening our regional footprint as a leading publishing and printing house. This is also in line with our strategic mission of providing innovative and competitive publishing and printing solutions.

Despite the COVID-19 pandemic, which affected businesses around the globe, the Bureau made remarkable strides in the publishing industry due to our increased focus on management of operational costs, enhanced production efficiency and growth in sales. It is our desire to continue implementing the laid down strategies to attain improved financial performance, service delivery and enhance shareholder value.

We have enhanced our commitment towards supporting the Government of Kenya in its educational reform programs and strengthening our regional footprint as a leading publishing and printing house.

As a major step towards ensuring growth and sustainability of the Bureau, we rolled out plans to implement the fourth cycle of our Strategic Plan. It has taken account of the changing landscape of the publishing and printing industry in Kenya.

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

During this year the Bureau deployed innovative technologies by developing through in-house human talent and capital the KLB e-book online store and Mobile application, which were launched together with the Strategic Plan 2020 – 2024. This was a remarkable achievement and came in hardy to mitigate the effects of the disruptions of the business operations by the COVID-19 pandemic.

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

Challenges during the year under review

In 2020, the World real GDP contracted by 4.2% as compared to a growth of 2.7% in 2019. This was affected by the adverse effects of the COVID-19 pandemic. The Sub-Saharan Africa economy contracted by 1.9% in 2020, as compared to a growth of 3.2% in 2019. In the East Africa Community economy, the real GDP contracted by 0.2% in 2020 as compared to a growth of 6.2% in 2019, while in Kenya, the real GDP contracted by 0.3% in 2020 as compared to a growth of 5% in 2019. The adverse effects of the COVID-19 containment measures were mitigated through the favourable monetary policies that the Government implemented.

The Bureau is a key player in the manufacturing sector. The manufacturing sector slowed down from 2.8% in 2019 to 0.2% in 2020. There are signs of post Covid-19 recovery, since the economy is also opening up.

The year under review was one of the worst ever, witnessed by business enterprises due to the emergence of Corona virus disease (COVID-19) pandemic reported in Kenya in March 2020. The pandemic led to closure of learning and teaching institutions from March to September 2020, literary shutting the Bureau's gateway to the market. Even after the basic educations institutions re-opened in October 2020, the business environment remained sluggish, uncertain and unstainable. This greatly impacted on the profitability levels of businesses including the Bureau. Most companies reported huge losses.

The Bureau was challenged to recraft and refocus our Business Continuity Strategies and austerity measures to ensure containment of the costs, with the reduced revenues and ensure sustainability. Further, the austerity measures implemented by Government agencies led to reduced volume of print sales income.

Financial Results

The Bureau recorded profitability of Kshs. 88.4 Million in 2020/21, despite the disruptions in the business environment caused by the adverse effects of the COVID-19 pandemic containment measures. This was compared to the net profit realised in 2019/2020 amounting to Kshs. 229.6 Million. The gross turnover for 2020/21 was Kshs. 1.543 Billion as compared to Kshs. 3.21 Billion attained in 2019/20. The reduces turnover, resulted from the reduced open market sales, book sales directly to the Government of Kenya (through the Ministry of Education) and reduced print sales and other incomes.

Dividends

The Bureau is a profitable government investment. We have continually honoured our financial obligations to the shareholder and declared dividends based on the policy of ten (10) per cent on the after tax net profits. KLB paid dividends amounting to Kshs. 64.251 Million for the year ended June 30, 2019 based on the audited financial statements for the year 2018/2019. The Board declared a dividend of Kshs. 14.99 Million for the year 2019/20 and is awaiting the finalization of the audit of the financial statements. In the period under review, the Bureau has made provisions for dividend pay-out of Kshs 4.983 Million subject to withholding tax, where applicable, for the year ended June 30, 2021, representing a 66.8 per cent decline from the previous year.

Focus on the Future

In the new Strategic Plan 2020-2024, the Bureau is enhancing the digital capability to take advantage of the emergence of the blended learning, which is premiered as the new norm in the post COVID-19 pandemic period. The Bureau launched its in-house designed e-commerce platform and KLB Android Application to enhance the sale of e-books to our customers within and outside Kenya.

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

Appreciation

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

Thank you all.

CPA Victor Lomaria, OGW
MANAGING DIRECTOR

VI. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2020/21

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

Kenya Literature Bureau has four (4) strategic pillars and objectives within the current Strategic Plan for the FY 2020/21- FY 2024/25. These strategic pillars/ themes/ issues are as follows:

Pillar 1: Financial Sustainability

Pillar 2: Customer Centricity

Pillar 3: Operational Efficiency

Pillar 4: Organizational Capacity Development.

The Bureau develops its annual work plans based on the above four (4) pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Bureau achieved its performance targets set for the FY 2020/2021 period for its four strategic pillars, as indicated in the diagram below:

STRATEGIC PILLAR 1: FINANCIAL SUSTAINABILITY					
Strategic Objective: To grow projected gross revenue from Kshs 2.718Billion in 2020/2021 to Kshs 3.198Billion in 2024/2025(17.67% growth)					
The following activities were partially achieved or not achieved at all under this pillar					
#	Activities	Annual Target 2020-2021	Actual Achievement	Variance	Challenges (2020-2021)
1.	Revenue from sale of books to Government run public schools	1,180,360,000	912,881,875	-267,478,125	1. The Bureau did not get re-order of GoK Books at 10% of the initial order on 8.4.4 and CBC books as projected
2.	Revenue from sale of books to the open market	854,830,000	335,759,928	-519,070,072	1. Effects of COVID 19 e.g. prolonged closure of schools.
3.	Revenue from printing sales	618,200,000	78,979,408	-539,220,592	1. Austerity measures put in place by National and County Governments and agencies on printing works

					2. Effects of COVID 19 on restricted access to most offices 3. Some private schools closed hence reduced business
4.	Revenue from alternative revenue streams & other income	24,610,000	4,124,745	-20,485,255	
5.	Invest funds in high yielding securities	40,000,000	14,000,000	-26.000,000	
	GRAND TOTAL	2.718,000,000	1.560,652,487	1,157,347,513	

STRATEGIC PILLAR 2: CUSTOMER CENTRICITY

Strategic Objective:
To increase customer satisfaction from 81% in 2019/2020 to 83% BY 2024/2025

The following activities were partially achieved or not achieved at all under this pillar

#	Activities	Annual target 2020-2021	Actual	Variance	Challenges for 2020-2021
1.	Review and implement Customer Service Charter	1	0	-1	
		100%	0%	-100%	
2.	Carry out corporate brand audit and implement findings	1	0	-1	Activity had not been budgeted for
3.	Develop and implement KLB brand Manual	100%	0%	-100%	Internal departmental delay in executing this activity
		1	0	-1	
4.	Develop and publish market driven books	436	236	-200	
5.	Conversion of book titles to e-books	230	186	-44	

STRATEGIC PILLAR 3: OPERATIONAL EFFICIENCY AND EFFECTIVENESS

Strategic Objective: To improve total operational efficiency and effectiveness from 1.77 in 2020/2021 to 1.283 in 2024/2025(reduce total costs/total revenue from 83% in 2020/2021 to 78% in 2024/2025)

The following activities were partially achieved or not achieved at all under this pillar

#	Activities	Annual target 2021-2022	Actual	Variance	Challenges for 2020-2021
1	Carry out a comprehensive business process mapping	100%	0%	-100%	
2	Increase machine capacity utilization	60%	27%	-33%	Increase in internal Capacity utilization was pegged on acquisition of the New Production Line Machines
3	Increase machine quality performance	80%	35%	-45%	

STRATEGIC PILLAR 4: ORGANIZATIONAL CAPACITY DEVELOPMENT

Strategic Objective: To enhance average employee productivity from Kshs 13,389,000 in 2020/2021 to Kshs 14,341,000 per employee by 2024/2025 (7.1% growth)

The following activities were partially achieved or not achieved at all under this pillar					
#	Activities	Annual target 2020-2021	Actual	Variance	Challenges for 2020-2021
1	Undertake annual work environment survey and implement findings	1	0	-1	The Business Continuity Plan (BCP) constrained implementation of recommendations
		100%	0%	-100%	
2.	Conduct one legal audit	1	0	-1	Legal audit was not done due to budgetary constraints.
3.	Increase printing capacity – No of machines procured & installed	5	2	-3	
4.	Increase book production volumes – No. of books printed	10 M	6.23M	-1.77M	Effects of Civid-19 affected book printing internally/Externally. School closure due to Covid-19
5.	Enhance fleet capacity – No of vehicles procured	2	0	-2	1, Financial constraints due to Covid-19
6.	Enhance fleet capacity – No of vehicles disposed	5	0	-5	1. Delays in the submission of Valuation Reports by Ministry of Public Works 2. Valuation reports at variance with market realities.
7	Develop and implement equipment replacement policy	1	0	-1	Policy was not developed
		100%	0%	-100%	
8.	No of office equipment procured	10	0	-10	Financial constraints
9.	No. of office furniture procured	5	0	-5	Financial constraints
10.	No. of idle assets disposed	100%	30%	-70%	1. Delays in the submission of Valuation Reports by Ministry of Public Works 2. Valuation reports at variance with market realities.
11	Develop and implement an ERM policy	100%	60%	-40%	

The Strategic Plan activities for year 2020/21 were captured in the Performance Contract for 2020/21 and were cascaded to all the cadres of staff.

VII. CORPORATE GOVERNANCE STATEMENT

Over time Corporate Governance has provided the framework for the attainment of the Bureau's strategic objectives in a globally dynamic business environment. The Bureau has continually operated within a set of rules, practices and process that serve to balance the interest of various stakeholders. Corporate governance encompasses all spheres of management from the strategic initiatives to performance management and corporate disclosure.

The Bureau recognises and embraces the basic principles of corporate governance which include accountability, transparency, fairness and responsibility. This assist the Bureau in enhancing and protecting the shareholder value, continued sustainability, and enhanced promotion of a knowledgeable and inspired society.

Board of Management acknowledges the significant role of the good corporate governance practices and has committed itself to maximise shareholder value in a lawful, ethical and sustainable manner guided by the State Corporations Act Cap 446, Leadership and Integrity Act 2012, Public Officers Ethics Act 2003, Kenya Literature Bureau Act Cap 209 and Mwongozo Code of Governance for State Corporations. This entails the processes and structures used to direct and manage the business affairs of the Bureau, the framework for internal controls and the respective roles of individual Board Members and management.

a) BOARD AND COMMITTEE CHARTERS

The Board and its constituent committee have approved Board Charters that guides the conduct of meetings and other deliberations of the Board and the committees. The Board provides leadership, integrity, enterprise and good judgement in directing the Bureau and acts in the best interest of the business for continued viability and sustainability. The Board of Management confirms that the approved existing Board Charter and their respective Board Committee Charters have been aligned to the provisions of the Mwongozo Code of Governance for State Corporations and other related laws or statutes.

b) THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

As is practice, the Board is generally constituted taking into account sector requirements, age, gender, diversity of skills, academic qualifications and experience needed to help the Bureau achieve its goals and objectives. Five of the current members of the Board, including the Chairman, are independent. The areas of expertise of the members, who served during the financial year, are as follows:

Names of Board Members and their areas of expertise

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

9.	Mr. Martin Mburu	Special Education and Administration
10.	Mr. Elyas Abdi	Education
11.	Prof. Winston J. Akala	Education
12.	Ms. Augusta M. Muthigani	Education

c) APPOINTMENT AND REMOVAL OF BOARD MEMBERS

The Board of Management of the Bureau is appointed as per the provisions of Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012) and as per the State Corporations Act. The appointing authority in case of the Chairman, the President of the Republic of Kenya, while Board members are appointed by the Cabinet Secretary in charge of Education.

The removal of the Board members is also guided by the provisions of Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012), the State Corporations Act and the Provisions of the Mwongozo Code of State Corporations.

d) THE ROLES AND FUNCTIONS OF THE BOARD

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

i) Establishment of the short and long-term goals of the Bureau and strategic plans to achieve those goals;
ii) Approval and review of annual budgets;
iii) Risk management and compliance by ensuring adequate systems of internal controls are in place to ensure business continuity;
iv) Review of financial performance, expenditure and commitments;
v) Setting and periodically reviewing organisational key performance indicators as well as management performance; and
vi) Supporting management to enhance shareholder value.

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

e) ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

f) SUCCESSION PLAN

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

g) BOARD INDUCTION AND TRAINING

The Bureau conducts an annual and rotational Board Induction and Training for its Board members to arm them with knowledge and skills required to execute their Board roles including the committee functions. The training covers the functions, powers, responsibilities and operations of the board of management and includes corporate governance among others.

h) BOARD AND MEMBER PERFORMANCE EVALUATION

The Board conducts an annual evaluation coordinated by the State Corporations Advisory Committee (SCAC) to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director, evaluation of the Chairman by the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer. The Bureau conducts the Board meetings either in person or virtual basis. Due to the COVID-19 pandemic, the Board of Management has been conducting its meetings including Performance Evaluation through the online platforms, where evaluation results are reported and analysed on a real-time basis.

j) BOARD MEETINGS AND ATTENDANCE

i) FULL BOARD OF MANAGEMENT

The Full Board of Management meets at least once in a quarter or more depending on the requirements of the business and in compliance with the Government guidelines on such meetings. The Board has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time to facilitate informed deliberations and decision making and in compliance with the Mwongozo Code of Governance for State Corporations.

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 Bureau's staff in December of each year during the end of year luncheon.

The Board held a total of eight (8) meetings (including special meetings) during the year under review, which were well attended as detailed below:

Full Board meeting attendance

	NAME	POSITION	BOARD MEETINGS (FOUR MEETINGS)
1.	Hon. Amb. Francis S. K. Bayah	Chairman	8/8
2.	Cheryl Majiwa	Alternate, CS National Treasury	8/8
3.	Abdallah Bii	Representing National Commission for Science, Technology & Innovation	8/8
4.	John Kenduiwo	Representing the University of Nairobi	8/8
5.	Nicholas Mac'Botongore	Representing Ministry of Labour, Social Security & Services	8/8
6.	Elyas Abdi	Representing Ministry of Education	7/8
7.	Sammy M. Chepkwony	Member	8/8

8.	Martin Mburu	Member	8/8
9.	Josephine Maangi	Member	8/8
10.	Ms. Augusta M. Muthigani	Member	8/8
11.	Prof. Winston J. Akala	Member	4/8
12.	Victor Lomaria	Managing Director	8/8

j)BOARD COMMITTEES

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

- Audit and Risk Management and Compliance Committee
- Finance Human Resources and General Purpose Committee
- Operation & StrategY Committee

The Board Committees meet at least on quarterly basis. The Managing Director is a member of the Board and the Secretary to all Board Committees, with granted powers to delegate the same to members of Senior Management except the Audit, Risk Management and Compliance Committee, where the Internal Audit Manager is the Secretary.

k) BOARD COMMITTEES' MEMBERSHIP FOR FY 2020/21

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

NO.	NAME	BOARD POSITION	BOARD COMMITTEES		
			FINANCE, HR AND GENERAL PURPOSE	AUDIT, RISK MANAGEMNT AND COMPLIANCE	OPERATION & STRATEGIC COMMITTEE
1.	Hon. Amb. Francis Bayah	Chairman	-	-	-
2.	Ms. Cheryl Majiwa	Alternate to the CS, National Treasury and Planning	✓	✓	-
3.	Mr. Abdalla Bii	Representative, National Commission for Science, Technology and Innovation	✓	-	✓

		(NACOSTI)			
4.	Mr. John Kenduiwo	Representative, the University of Nairobi	✓	-	✓
5.	Mr. Sammy Chepkwony	Member	-	✓ (Chair)	✓
6.	Mrs. Josephine Maangi	Member	✓	-	✓ (Chair)
7.	Mr. Nicholas Mac'Botongore	Representative, the Principal Secretary, Ministry of Labour and Social Protection	-	✓	✓
8.	Mr. Martin Mburu	Member	✓ (Chair)	-	✓
10.	Mr. Elyas Abdi	Representative, the Principal Secretary, State Department of Early and Basic education, Ministry of Education	-	✓	✓
11.	Ms. Augusta M. Muthigani	Member	-	✓	✓
12.	Prof. Winston J. Akala	Member	✓	-	-
13.	Mr. Victor Lomaria	Managing Director/Secretary to the Board	✓	✓ (standing invitation)	✓

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

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

(i) Evaluating the scope, nature and priorities of audit, risk management and compliance.

(ii) Reviewing aspects relevant to governance, internal control procedures, risk management and internal audit.

(iii) Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organization.

(iv) Consideration of audit findings of the internal auditor and management's response.

(v) Consideration of major findings and recommendations of external auditors in their Management Letter and management's response.

(vi) Reviewing the function, independence, operations and findings of the Internal Audit department.

(vii) Reviewing risks affecting the Bureau and management strategies in addressing them;

(viii) Ensuring adherence to the code of ethics; and
(ix) Such other duties or function as may be assigned by the Board which are relevant to audit and investigations.

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

NO.	NAME	POSITION	ATTENDANCE
1.	Mr. Sammy Chepkwony	Chairman	4/4
2.	Mrs. Cheryl Majiwa	Member	4/4
3.	Ms. Augusta M. Muthigani	Member	4/4
4.	Mr. Nicholas Mac'Botongore	Member	4/4
5.	Mr. Elyas Abdi	Member	3/4
6.	Mr. Victor K. Lomaria*	Managing Director	4/4
7.	Mr. Julius K. Aritho*	Internal Audit Manager, Secretary to the Committee	4/4

*In-attendance

FINANCE, HUMAN RESOURCES AND GENERAL PURPOSE COMMITTEE

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

(i) Bureau's budget and financial resources.
(ii) Major resource allocations and capital investments.
(iii) Adherence to procurement laws to ensure processes are cost effective and delivers value for money.
(iv) Operating financial results of the organization.
(v) Organization structure, assignment of senior management responsibilities, their career development and succession.
(vi) Remuneration structure for staff.
(vii) Human Resources Policies.
(viii) Corporate social responsibility (CSR) and environmental stewardship programmes.

(ix) Compliance with the Constitution of Kenya, all applicable laws, regulations, standards and government directives.
(x) Compliance with the organization's Code of Conduct, ethics and governance principles.
(xi) Targets and objectives set out in the agreed performance measurement framework with the Government of Kenya.

The Committee held five (5) meetings during the year under review as tabulated below;

NO.	NAME	POSITION	ATTENDANCE
1.	Mr. Martin Mburu	Chairman	5/5
2.	Mr. John Kenduiwo	Member	5/5
3.	Ms. Cheryl Majiwa	Member	5/5
4.	Mr. Abdalla Bii	Member	5/5
5.	Mrs. Josephine Maangi	Member	5/5
6.	Prof. Winston J. Akala	Member	5/5
7.	Mr. Victor K. Lomaria*	Managing Director	5/5
8.	Mr. Francis M. Mutunga*	Finance Manager, Secretary to the Committee	5/5
9.	Mrs. Roselyn Mugavana*	Human Resources Manager	5/5

*In-attendance

OPERATION & STRATEGY COMMITTEE

The mandate of the Operation & Strategic Committee is to support the Board of Management in its oversight responsiblities over the core business of the Bureau and the implementation of the strategic objectives as spelt out in the Approved Strategic Plan 2020 – 2024.

The committee considers and make recommendations to the Board on Bureau's core business, publishing and printing, as well as new developments and technologies in the industry, including:

(i) Business development strategies and the progress of the implementation of the KLB Strategic Plan 2020 - 2021.

(ii) Market performance of both books and institutional printing sales.

(iii) Bureau's publications (both print and digital), trends and strategies.

(iv) Trading terms reports and, the Bureau's debt and credit management strategies.

(v) Customer satisfaction survey/level.

(vi) Strategies to increase internal production volumes, capacity utilization of production presses/machines and modernization strategy of the printing press.

(vii) Any other function assigned by the Board.

The Committee held four (4) meetings during the year under review as tabulated below:

NO.	NAME	POSITION	ATTENDANCE
1.	Mrs. Josephine Maangi	Chairman	4/4
2.	Mr. John Kenduiwo	Member	4/4
3.	Mr. Abdalla Bii	Member	4/4
4.	Mr. Sammy Chepkwony	Member	4/4
5.	Mr. Martin Mburu	Member	4/4
6.	Ms. Augusta M. Muthigani	Member	4/4
7.	Mr. Nicholas Mac'Botongore	Member	4/4
8.	Mr. Elyas Abdi	Member	4/4
9.	Mr. Victor K. Lomaria*	Managing Director	4/4
10.	Mr. Evans Nyachiengá *	Business Development Manager, Secretary to the Committee	4/4
11.	Mr. David Kimita*	Ag. Sales & Marketing Manager	4/4
12.	Mr. Kenneth Jumba*	Publishing Manager	4/4

*In-attendance

l) DIRECTORS' REMUNERATION

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

m) STAFF REMUNERATION

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

n) CONFLICT OF INTEREST

In the Bureau's Board Charter, Members are required to make a written disclosure of any agenda or transaction, which would constitute a conflict of interest and to abstain from the discussion or voting when such matters are being considered. Individual Board Members exercise independence of judgement and professional competencies for effective governance of the Bureau. During the Board meetings, the Board members are required to declare any conflict of interest with the business of the day, and excuse themselves from any participation in the particular meeting.

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.

o) INTERNAL CONTROLS

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

p) ETHICS AND CONDUCT

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

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

q) GOVERNANCE AUDIT

The Board of Management usually undertakes a Governance Audit after every two (2) years or as it may be necessary. The results of the audit have indicated continuous compliance with the Corporate Governance provisions and guidelines. The next Governance Audit is schedule for the financial year 2021/22.

r) GOING CONCERN

The Board of Management 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.

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Bureau's operational and financial performance

Kenya Literature Bureau exited the third cycle Strategic Plan 2016-2020 and has formulated the fourth cycle Strategic Plan 2020-2024, whose first year of implementation is 2020/21. The Bureau commenced the implementation of the new Strategic Plan, which has provided a re-energised strategic direction based on the following strategic pillars:

1. Financial Sustainability
2. Customer Centricity
3. Operational Efficiency and Effectiveness
4. Organizational Capacity Development

The strategic pillars were formulated based on the following strategic objectives and strategies:

1. To grow projected gross revenue from 2.718 Billion in 2020/21 to 3.198 Billion in 2024/25
   This strategic objective will be achieved through the following strategies:
   a) Grow revenue from the sale of textbooks to the Government run schools
   b) Grow revenue from the sale of books to the open market
   c) Grow revenue from print sales
   d) Grow revenue from partnership with copyright owners
   e) Grow alternative revenue streams
   f) Gros investment income through prudent and optimal investment of funds
   g) Grow net profit
   h) Mobilization of resources from development partners and donor agencies

   The gross turnover for the year 2020/21 reached Kshs. 1.543 Billion as compared to Kshs. 3.21 Billion in year 2019/2020, a drop of 45%. The outbreak of Corona Virus Disease (COVID 19) pandemic has resulted to major disruptions to the business operating environment. The disruptions led to the closure of all learning institutions in the country in March 2020 based on the pandemic containment measures. The scale down of the operations of most businesses and organizations, coupled with adverse effects on the consumer purchasing power, the trading environment, and the prospects thereof, led to lower revenue than targeted.

   The Publishing industry faced one of the worst years. There has been a sharp decline in open market sales and drop in demand for print services based on the Government directed austerity measures. The direct purchase of textbooks by the Government continue to crowd out the prospects of the open market sales.

   The Bureau has been developing and implementing various diversification strategies for alternative revenue streams, in order to mitigate the negative effects on business in the post COVID-19 period. Further, the Bureau has continued with implementation of the Competency

Based Curriculum (CBC) which led to generation of revenue for the CBC classes, while at the same leading to reduced sales from the corresponding 8-4-4 books.

The implementation of the CBC is being done in a way that one class from the Upper Primary and Secondary level (Grade 4, - 6 and 7 to 10) is phased out per year. The Bureau continues to develop learning and teaching materials for the Competency Based Curriculum. During the year under review, the Bureau developed Grade 6 materials and submitted the same to Kenya Institute of Curriculum Development (KICD) for evaluation and approval. The Bureau registered a 50% approval rating, with six (6) materials out of the twelve (12) submitted for the key learning areas being approved by KICD and which are expected to generate increased revenue.

2. To increase customer satisfaction from 80% in 2019/20 to 83% in 2024/25

This strategic objective will be achieved through the following strategies:

a) Increase customer satisfaction level
b) Ensure product and service availability
c) Diversification of products and services
d) Timely delivery of products and services
e) Improve customer experiences
f) Improve quality of products and services
g) Improve corporate image

This was achieved by continually analysing the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services, formulating strategies for the diversification of products and services. The continued compliance with the International Standardization Organization (ISO) 9001:2015 Quality Management System provides an assurance system for the quality of our products and services for our customers.

3. To improve total operational efficiency (out/input) from 1.177 in 2020/21 to 1.283 in 2024/25

This strategic objective will be implemented through the following strategies:

a) Re-engineer Business processes
b) Integrate ICT in key business processes and systems
c) Improve printing press capacity utilization

During the period under review the Bureau achieved operational efficiency ratio of 1.02 against a target of 1.177 leading to an-unfavourable variance of 0.157 in FY 2020/21.

The Bureau continues with the increase in capital investment aimed at improving the publishing and printing processes and 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 and hence leading to operational efficiency.

4. To enhance average employee productivity (total revenue divided by the number of employees) from Kshs. 13,389,000 in 2020/21 to Kshs. 14,341,000 per employee by 2024/25

To achieve this strategic objective, the strategies that will be executed include:
a) Increase production capacity
b) Strengthening Human Resources Planning and implementation
c) Strengthen performance management systems
d) Undertake employee capacity development programs
e) Improve employee welfare
f) Strengthen corporate governance
g) Organizational capacity enhancement
h) Develop and implement Enterprise Risk Management (ERM) Framework
i) Design and implement Strategy, Monitoring, Evaluation framework

During the year under review the Bureau achieved an average employee productivity levels of Kshs. 8.72 Million against a target of Kshs. 12.84 Million leading to an-unfavourable variance of Kshs. 4.12 Million.

The Bureau achieved much progress geared to enhancing the organizational capacity development to serve the increased needs and demands of our valued customers. The modernization of the printing press to increase the production capacity was on course but was halted due to litigations.

The Bureau continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. The Bureau continued to develop and implement effective human resources plans and policies. The Bureau has continued to enjoy cordial relations with the Union organization (non-management staff) and completed the implementation of the Phase Two of the Collective Bargaining Agreement 2017 - 2019. The new Collective Bargaining Agreement 2019 – 2023 was finalized has been awaiting signing, which was halted due to the outbreak of the COVID 19 Pandemic and dispute reported to the Mistry of Labour and Social Protection by the umbrella Union body KUPPRIPUPA. The Bureau continues to improve employee welfare, leading to highly motivated staff and assuring harmonious industrial relations.

During the period, the Bureau continued to strengthen corporate governance systems, enterprise risk management and the strategy monitoring and evaluation framework.

The Bureau undertakes a review of risk factors and develops mitigation plan on a periodical basis. The Bureau ensured continued compliance with the legal and regulatory framework established by the Government as the shareholder in order to promote sustainable business practices.

The Board usually meets as stipulated in the regulatory framework. The Board of Management undertakes its functions mainly through committees that include the
a) Audit & Risk Management and Compliance Committee.
b) Finance, Human Resources & General Purpose Committee.
c) Operations and Strategy Committee.

SECTION B

Bureau's compliance with statutory requirements

The Bureau has been compliant in relation to the various regulatory and statutory requirements. The historical tax demand that was under resolution between Kenya Revenue Authority (KRA) and KLB, was finally resolved positively. The Bureau commits to also comply with all the taxation and other laws.

SECTION C

Key projects and investment decisions, the Bureau's is planning/implementing

The main project is the modernisation of the printing press to improve the production capacity. This project is a key contributor in the achievement of the Manufacturing Pillar of the Government's Big Four Agenda. The main objectives of the project are as follows:

a) To increase on the production capacity in order to run efficiently and increase competitiveness of our products.
b) To modernize the printing press as per the new Strategic Plan 2020-2024 to upgrade the printing technology and to reduce the operational costs. The purchase of the machine is entirely financed by internally generated resources saved over the years.

SECTION D

Major risks facing the Bureau

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 Management under policies approved by the Board of Management. The Board provides principles for overall risk management.

i) Credit risk

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

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

ii) Liquidity risk

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

iii) Market risk

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

Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The company has cash equivalents denominated in foreign currency to the tune of United States Dollars 4,168.40 as at June 30, 2021. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is small.

Interest rate risk

The corporation does not have any borrowings as at June 30, 2021 and hence not exposed to cash flow interest rate risk resulting from changes in market interest rates.

Price risk

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

SECTION E

Material arrears in statutory/financial obligations
The Bureau has no overdue pending bills, has no borrowings, no outstanding staff/pension obligations, no non-payment of dividends and loan redemptions.

SECTION F

The Bureau's financial probity and serious governance issues

The Bureau does not have any financial improbity. In ensuring maintenance of strong financial probity, the Bureau has managed it's resources in a transparency and accountable way, while reporting to the oversight agencies such as the Ministry of Education, the Office of the Auditor General, The National Treasury and Planning among other agencies. There are no governance issues among the Board of Management and top management including related parties and conflict of interest.

SECTION G

The Economic Situation

In 2020, the World real GDP contracted by 4.2% as compared to a growth of 2.7% in 2019. This was affected by the adverse effects of the COVID-19 pandemic. The Sub-Saharan Africa economy contracted by 1.9% in 2020, as compared to a growth of 3.2% in 2019. In the East Africa Community economy, the real GDP contracted by 0.2% in 2020 as compared to a growth of 6.2% in 2019, while in Kenya, the real GDP contracted by 0.3% in 2020 as compared to a growth of 5% in 2019. The adverse effects of the COVID-19 containment measures were mitigated through the favourable monetary policies that the Government implemented.

IX. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Literature Bureau exists to transform lives. This is our purpose; the driving force behind everything we do. Its what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services and improving operational excellence. Below is an outline of the Bureau's policies and activities that promote sustainability.

a) Sustainability strategy and profile

The Bureau has been implementing the Strategic Plan 2020-2024, which has four (4) Strategic Pillars namely, financial sustainability, customer centricity, operational efficiency and effectiveness and organizational capacity development. The strategic objectives thereof, have been crafted to ensure continued sustainability of the Bureau.

b) Environmental Performance

The Bureau's environmental policy is one that supports the conservation and restoration of the environment through well thought out initiatives and plans. The Bureau supports the green economy, where waste and pollution is avoided or eliminated. The Bureau being a manufacturing organization, has been in the fore front in participating in initiatives to conserve the environment in partnership with other organizations including National Environment Management Authority (NEMA). The Bureau has planted trees in Chemusus Forest in Baringo county among other initiatives.

c) Employee Welfare

The Bureau has an approved Human Resources Policies and Procedures manual, 2018 and which has been revised in 2020 and awaiting approval by the Governmental agencies. The Bureau maintains a competitive hiring process, may it be through internal or external advertisement based on the required thresholds. The Bureau's gender ratio is well above the 2/3 required by the Constitution of Kenya and other related laws and regulations. The employee management engagement is undertaken on a quarterly basis, except during the COVID-19 Pandemic period, when gatherings were prohibited.

There exists a Human Resources Advisory Committee, which deals with matters of capacity building and training of staff to improve their knowledge and skills. The annual performance target setting, and appraisals are duly conducted.

The policy has a domesticated policy on safety and complies with the Occupational Safety and Health Act of 2007, (OSHA).

d) Market Place practices

i) Responsible competition practise

The Bureau has been compliant and ensured that non-competitive practises are completely eliminated from all its transactions. The Bureau adheres and promotes anti-corruption practices, responsible political environment, fair competition and respect for the competitors in the publishing and printing industry.

ii) Responsible Supply Chain and supplier relations

The Bureau engages in competitive tendering as per the provisions of the Public Procurement and Disposal Act, 2015 and its attendant regulations. The suppliers are treated fairly and payments are made based on the age of the invoice. The contracts for suppliers are duly honoured based on the delivery of the goods and services in question.

iii) Responsible marketing and advertisement

The Bureau being a commercial state corporation ascribes to fair, ethical trade and marketing practises. Bureau does not engage in trade and marketing practises that jeopardise the interest of organizations or competitors.

iv) Product stewardship

Mainly the Bureau publishes and prints education and knowledge materials, which are of high quality and ensure that the consumer rights are safeguarded.

CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS

In today's unique and dynamic business environment, customers have remained central to organisational growth and sustainability. It has also become critical for the Bureau to channel its communications and engagement programs to effectively address different stakeholder needs.

In this regard, we have entered into mutually beneficial and strategic partnerships with schools and leaders to build and stock libraries with books through our Twachapa, Mwasoma Social Responsibility program. We also work closely with the National Environment Management Authority (NEMA) to plant trees and champion environmental conservation programs across the country.

Going forward, we shall continually align, grow and transform our business to address the changing dynamics of the market. In doing so, we remain conscious of the challenges in the business environment, largely occasioned by high cost of energy and printing paper, which affects cost of production. We take note of the recent policy shifts in the education sector and will remain focused on our corporate strategy and objectives.

X. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2021 which show the state of the Kenya Literature Bureau's affairs

a) Principal Activities

The principal activity of the Kenya Bureau is to provide innovative and competitive and printing solutions and disseminate quality literary, educational, cultural and scientific literature and materials at affordable prices, whilst promoting excellent authorship, creating shareholder value and promoting a knowledgeable and inspired society.

b) Results

The results of the Bureau for the year ended 30 June, 2021 are set out on page 1 to 39. Below is summary of the profit made during the year.

	Amount (Kshs. '000')
Gross Turnover	1,543,386
Gross Profit	709,133
Net Profit before Taxation	88,377
Total Comprehensive Income after Tax	49,835

c) Dividends

Kenya Literature Bureau is wholly owned by the Government of Kenya. The Directors recommends the payment of dividend to the National Treasury on behalf of the Government of Kenya for the year ended 30 June, 2021, amounting to Kshs. 4,983,543 subject to withholding tax where applicable.

d) Directors

The member of the Board of Directors who served during the year are shown on page (iii).

d) Auditors

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

By Order of the Board

CPA, Victor Lomaria, OGW
Secretary to the Board/Managing Director
Date: 28th July 2021

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012, Section 14 of the State Corporations Act, and the Kenya Literature Bureau Act, Cap 209 of 1980 (Revised 2012), require the Board of Management to prepare financial statements in respect of the Bureau, which give a true and fair view of the state of affairs of the Bureau at the end of the financial year and the operating results of the Bureau for that year. The Members of the Board are also required to ensure that the Bureau keeps proper accounting records which disclose with reasonable accuracy the financial position of the Bureau. Board Members are also responsible for safeguarding the assets of the Bureau.

The Board Members 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 June 30, 2021. 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.
vi) Making accounting estimates that are reasonable in the circumstances.

The Board Members responsibility for the Bureau's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the Public Financial Management Act, 2012 and Section 14 of the State Corporations Act and the Kenya Literature Bureau Act. Cap 209 of 1980 (Revised 2012).

The Members are of the opinion that the Bureau's financial statements give a true and fair view of the state of Bureau's transactions during the financial year ended June 30, 2021, and of the Bureau's financial position as at that date. Board Members further confirm the completeness of the accounting records maintained for the Bureau, which have been relied upon in the preparation of the Bureau's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board members to indicate that Kenya Literature 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 28th July 2021 and signed on its behalf by:

Hon. Amb. Francis S. K. Bayah, EBS	CPA, Victor K. Lomaria, OGW
CHAIRMAN	MANAGING DIRECTOR

XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021	2020
		Kshs	Kshs
REVENUES			
Turnover	1 (a)	1,543,385,737	3,210,036,325
Cost of Sales	1 (b)	(834,253,008)	(1,863,159,896)
Gross Profit		**709,132,729**	**1,346,876,429**
Gross Income from investments	7 (a)	14,475,873	32,027,672
Gain/(Loss) on Disposal of Non-financial Assets	2	(1,644,413)	-
Other Income	3	4,827,042	4,838,405
OTHER REVENUES		**17,658,503**	**36,866,077**
TOTAL REVENUES		**1,561,044,240**	**3,246,902,402**
Administration Costs	4 (a)	359,749,136	440,428,904
Selling and Distribution Costs	5	243,101,369	675,364,488
Depreciation - Property, Plant and equipment	10 (b)	34,956,081	37,311,250
Amortization - Intangible assets	11	607,500	1,042,417
OPERATING EXPENSES		**638,414,086**	**1,154,147,059**
TOTAL COSTS		**1,472,667,094**	**3,017,306,955**
OPERATING PROFIT FOR THE YEAR BEFORE TAX		88,377,145	229,595,447
INCOME TAX EXPENSE	8(a)	**27,107,916**	**79,725,538**
TOTAL COMPREHENSIVE INCOME AFTER TAX		**61,269,229**	**149,869,909**

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	Note	2021	2020
Non - Current Assets		Kshs	Kshs
Property, Plant and Equipment	10 (a)	1,490,059,169	1,135,469,201
Intangible Assets	11	306,250	913,750
		1,490,365,420	1,136,382,951
Current Assets			
Inventories	12	1,049,986,950	1,017,988,090
Trade and Other Receivables	13(a)	2,155,803,953	2,244,940,248
Short-term Investments	14	406,274,854	305,914,218
Cash and Bank Balances	15	192,416,408	42,535,522
		3,804,482,165	3,611,378,077
TOTAL ASSETS		**5,294,847,585**	**4,747,761,028**
RESERVES, FUND AND LIABILITIES			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	973,855,036	580,120,938
Revenue Reserves	18	2,301,173,321	2,246,031,014
Shareholder funds		4,275,028,356	3,826,151,952
CURRENT LIABILITIES			
Trade & Other Payables	19	1,019,819,224	921,609,079
		1,019,819,224	921,609,079
TOTAL RESERVES, FUND AND LIABILITIES		**5,294,847,584**	**4,747,761,028**

The financial statements were approved by the Board of Management on 28th July 2021 and signed on its behalf by:

Hon. Amb. Francis S. K. Bayah, EBS	**CPA Francis Mutunga**	**CPA Victor Lomaria, OGW**
Chairman	Ag. GM - Finance & Admin.	Managing Director
	ICPAK M/NO. 6056	

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

XIV. STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES FOR THE YEAR ENDED 30 JUNE 2021

	Capital Fund	Revaluation Reserves	Revenue Reserves	Total Reserves
	Kshs	Kshs	Kshs	Kshs
At 1st July 2019	**1,000,000,000**	**580,120,938**	**2,111,148,096**	**3,691,269,034**
Net Profit for the year	-	-	229,595,447	229,595,447
Prov. For Corporation Tax - 2019/20	-	-	(79,725,538)	(79,725,538)
Dividends Payable - 2019/20	-	-	(14,986,991)	(14,986,991)
At 30 June 2020	**1,000,000,000**	**580,120,938**	**2,246,031,014**	**3,826,151,952**
At 1st July 2020	**1,000,000,000**	**580,120,938**	**2,246,031,014**	**3,826,151,952**
Gain/Loss on Revaluation of Assets	-	393,734,098	-	393,734,098
Net Profit for the year	-	-	88,377,145	88,377,145
Prov. For Corporation Tax - 2020/21	-	-	(27,107,916)	(27,107,916)
Dividends Payable - 2020/21	-	-	(6,126,923)	(6,126,923)
At 30 June 2021	**1,000,000,000**	**973,855,036**	**2,301,173,321**	**4,275,028,356**

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

OPERATING ACTIVITIES	Notes	2021 Kshs	2020 Kshs
Operating profit for the year	6	88,377,145	229,595,447
Adjustments for:			
Depreciation Expenses	10 (a)	51,786,214	54,212,763
Amortization Expenses	11	607,500	1,042,417
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	(8,574,964)	(2,945,753)
Provision for Doubtful Debts	4(a)	(7,645,768)	6,025,602
Interest Income	7 (a)	(14,475,873)	(32,027,672)
Foreign Exchange (Gain)/ Loss	3	(74,568)	(922,334)
(Profit)/Loss on disposal of Assets	2	1,644,413	-
Operating profit before Working Capital Changes		**111,644,099**	**254,980,471**
Increase/Decrease in Inventories	12	(23,423,896)	(321,864,715)
Realised Foreign Exchange Gain/Loss		74,568	922,334
Increase/Decrease in Receivables	13(a)	69,254,423	632,646,408
Increase/Decrease in payables	19	156,334,337	(1,470,660,677)
Cash generated from operations		**313,883,530**	**(903,976,179)**
Dividends Paid	9	(64,251,115)	-
Corporation Tax Paid	8(b)	-	(341,270,317)
Net Cashflows from Operating Activities		**249,632,415**	**(1,245,246,496)**
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	10	(14,495,006)	(23,943,178)
Purchase of Intangible assets	11	-	(350,000)
Disposal of property, plant & equipment	10	208,509	-
Interest income received from Investments	7(b)	14,895,598	28,524,995
Net Cashflows from Investing Activities		**609,100**	**4,231,817**
(Decrease)/ Increase in Cash & Cash Equivalents		**250,241,516**	**(1,241,014,679)**
Cash & Cash Equivalents at the			
- Start of the year (1st July 2020)		348,449,740	1,589,464,419
- End of the period (30th June 2021)	21(b)	**598,691,262**	**348,449,740**

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Actual Vs. Budget Performance Difference	% Change	Remarks
Revenue	**Note**	**2020 - 2021 Kshs**	**2020 - 2021 Kshs**	**2020 - 2021 Kshs**	**2020 - 2021 Kshs**	**2020 - 2021 Kshs**		
Turnover	**(1a)**	3,425,915,493	(964,394,064)	2,461,521,429	1,543,385,737	-918,135,692	**-37%**	The Gross Turnover registered a 37% drop, mainly due to the decline in the open market sales, resulting from economic pressures and the emergence of the COVID-19 Pandemic which led to closure of learning institutions and retail outlets (bookshops) from March 2020 and hence dimming the sales prospects for 2019/2020. The implementation of the Government directed austerity measures by various National and County Government Ministries, Departments and Agencies adversely affected the propsects of the print sales, which dropped by a massive Kshs. 525 Million representing an 87% decline.
Direct Expenditure	**(1b)**	1,438,884,507	(405,045,507)	1,033,839,000	834,253,008	199,585,992	**19%**	This registered an under-commitment of 19% due to the reduced sales demand on account of the impact of Corona Virus Disease (COVID-19) and the reduction in demand for print sales.
Gross Profit		**1,987,030,986**	**(559,348,557)**	**1,427,682,429**	**709,132,729**	-718,549,700	**-50%**	The decline in gross profitability was due to the lower than targeted turnover.
Other Income	**(3)**	5,840,000	(500,000)	5,340,000	3,182,630	(2,157,370)	**-40%**	
Investment Income	**(7a)**	30,000,000	(2,000,000)	28,000,000	14,475,873	(13,524,127)	**-48%**	The decline resulted from depressed income during the COVID-19 Pandemic period when business operations were halted which necessitated reduction in investment portfolio on account of withdrawals to finance business operations.
Total Income		**2,022,870,986**	**(561,848,557)**	**1,461,022,429**	**726,791,231**	(734,231,198)	**-50%**	The 48% drop attributed to the adverse effects due to the economic pressures, the emergence of the COVID-19 Pandemic, the markable drop in the print sales and the decline in the investment income.
Staff Costs	**(4b)**	446,680,000	(33,190,000)	413,490,000	325,120,366	88,369,634	**21%**	Decrease mainly as a result of Business Continuity measures which put on hold some staff recruitment exercise and the renewal of some staff contracts leading to lower than targeted staff costs containment.
Administration Costs	**(4a)**	153,000,000	(48,230,000)	104,770,000	34,628,770	70,141,230	**67%**	This was mainly lower due to the implementation of the Government directed austerity measures and the Business Continuity Plan measures to mitigate the effects of COVID-19 Pandemic.
Selling & Distribution Costs	**(5)**	622,815,493	(96,594,064)	526,221,429	243,101,369	283,120,060	**54%**	This registered an under-commitment of 54% mainly due to lower trade discounts allowed on account of depressed open market sales, scale down of field sales operations after closure of the learning institutions and businesses after the implementation of the COVID-19 Pandemic containment measures.
Depreciation - Property/Plant	**(10b)**	40,223,761	-	40,223,761	35,563,581	4,660,180	**12%**	This is as per depreciation policy.
Total Expenditure		**1,262,719,254**	**(178,014,064)**	**1,084,705,190**	**638,414,086**	446,291,104	**41%**	There was an overall savings on expenses in tandem with the lower than targeted revenues.
Surplus for the period		**760,151,732**	**(383,834,493)**	**376,317,239**	**88,377,145**	(287,940,094)	**-77%**	The operating profit declined by a massive 77% on account of the reduced open market book sales, reduced print sales and thedepressed investment income resulting from the implementation of the Government directed austerity measures, disruptions of the business operations by the emergence of COVID-19 Pandemic and the adverse economic pressures.
Tax Expense	**(8a)**	**228,045,520**	**(115,150,348)**	**112,895,172**	**27,107,916**	(85,787,256)	**-76%**	This is mainly due to the massive reduction in the operating profits.
Surplus/Loss After Tax		**532,106,212**	**(268,684,145)**	**263,422,067**	**61,269,229**	(202,152,838)	**-77%**	This is mainly due to lower than targeted Gross Tunover and the operating profit.

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

The Statement of Actual and Budget Ammounts for the year ended 30th June 2020 has captured the Orginal Approved Budget, The Approved Rationalized Budget and the Approved Budget reallocations and additional financing during the year due to the changes in production related costs for the Government of Kenya tender award for the Printing, Supply and Distribution of Textbooks directly to schools.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Kenya Literature Bureau is established by and derives its authority and accountability from Kenya Literature Bureau Act Cap 209 (Revised 2012). The Bureau is a commercial state corporation and wholly owned by the Government of Kenya and is domiciled in Kenya. The Bureau's principal activity is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials. For reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Relevant n*ew and amended standards and interpretations in issue effective in the year ended 30 June 2021*

Title	Description	Effective Date
IAS 39- Financial Instruments: Recognition and Measurement	IAS 39 "Financial Instruments: Recognition and Measurement" outlines the requirements for the recognition and measurement of financial assets, financial liabilities, and some contracts to buy or sell non-financial items. Financial instruments are initially recognized when an entity becomes a party to the contractual provisions of the instrument and are classified into various categories depending upon the type of instrument, which then determines the subsequent measurement of the instrument (typically amortized cost or fair value). Special rules apply to embedded derivatives and hedging instruments.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 4- Insurance Contracts (Superseded)	IFRS 4 "Insurance Contracts" applies, with limited exceptions, to all insurance contracts (including reinsurance contracts) that an entity issues and to reinsurance contracts that it holds. In light of the IASB's comprehensive project on insurance contracts, the standard provides a temporary exemption from the requirements of some other IFRSs, including the requirement to consider IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" when selecting accounting policies for insurance contracts.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.
IFRS 7- Financial Instrument Disclosures	IFRS 7 "Financial Instruments: Disclosures" requires disclosure of information about the significance of financial instruments to an entity, and the nature and extent of risks arising from those financial instruments, both in qualitative and quantitative terms. Specific disclosures are required in relation to transferred financial assets and a number of other matters.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		application is permitted.
IFRS 16- Leases	IFRS 16 specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained.	The amendments are effective for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Title	Description	Effective Date
IAS 1 — Presentation of Financial Statements	IAS 1 "Presentation of Financial Statements" sets out the overall requirements for financial statements, including how they should be structured, the minimum requirements for their content and overriding concepts such as going concern, the accrual basis of accounting and the current/non-current distinction. The standard requires a complete set of financial statements to comprise a statement of financial position, a statement of profit or loss and other comprehensive income, a statement of changes in equity and a statement of cash flows.	The amendments are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.
IAS 12 — Income Taxes	IAS 12, "Income Taxes" implements a so-called 'comprehensive balance sheet method' of accounting for income taxes which recognizes both the current tax consequences of transactions and events and the future tax consequences of the future recovery or settlement of the carrying amount of an entity's assets and liabilities. Differences between the carrying amount and tax base of assets and liabilities, and carried forward	Earlier application is permitted. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Early adoption is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	tax losses and credits, are recognized, with limited exceptions, as deferred tax liabilities or deferred tax assets, with the latter also being subject to a 'probable profits' test.	
IAS 16 — Property, Plant and Equipment	IAS 16 "Property, Plant and Equipment" outlines the accounting treatment for most types of property, plant and equipment. Property, plant and equipment is initially measured at its cost, subsequently measured either using a cost or revaluation model, and depreciated so that its depreciable amount is allocated on a systematic basis over its useful life.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 37 — Provisions, Contingent Liabilities and Contingent Assets	IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" outlines the accounting for provisions (liabilities of uncertain timing or amount), together with contingent assets (possible assets) and contingent liabilities (possible obligations and present obligations that are not probable or not reliably measurable).	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IAS 41 — Agriculture	IAS 41 "Agriculture" sets out the accounting for agricultural activity – the transformation of biological assets (living plants and animals) into agricultural produce (harvested product of the entity's biological assets). The standard generally requires	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	biological assets to be measured at fair value less costs to sell.	
IFRS 1 — First-time Adoption of International Financial Reporting Standards	IFRS 1 "First-time Adoption of International Financial Reporting Standards" sets out the procedures that an entity must follow when it adopts IFRS for the first time as the basis for preparing its general purpose financial statements. The IFRS grants limited exemptions from the general requirement to comply with each IFRS effective at the end of its first IFRS reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted.
IFRS 3 — Business Combinations	IFRS 3 "Business Combinations" outlines the accounting when an acquirer obtains control of a business (e.g. an acquisition or merger). Such business combinations are accounted for using the 'acquisition method', which generally requires assets acquired and liabilities assumed to be measured at their fair values at the acquisition date.	The amendments are effective for annual periods beginning on or after January 1, 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.
IFRS 17 — Insurance Contracts	IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of IFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect	The IASB tentatively decided to defer the effective date of IFRS 17, Insurance Contracts to annual periods beginning on or after January 1, 2022. [The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	that insurance contracts have on the entity's financial position, financial performance and cash flows.	of the amendment also to annual periods beginning on or after January 1, 2023.]

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

iii) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020/2021.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

Revenue is measured based on the consideration to which the Bureau expects to be entitled in a contract with a customer and excludes amount collected on behalf of third parties. The Bureau recognizes revenue when it transfers control of a product or service to a customer. Revenue is recognised at the fair value of consideration received or expected to be received in the ordinary course of Bureau activities, net of Value-Added Tax (VAT), where applicable, and when specific criteria have been met for each of Bureau’s activities as described below.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

at the date of the transaction.

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

ii) Revenue from printing services is recognized when the printing order is placed, confirmed by the customer, printing executed and delivered made.

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 implicit in lease/rental agreements.

vii) Other income is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

The cost of property, plant and equipment comprises

(i) Its purchase price, including import duties and non-refundable purchase taxes such as Value Added Tax (VAT), after deducting trade discounts and rebates, where applicable;

(ii) Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cots 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:

Freehold Land	Nil
Buildings and civil works	4% [25 years or the unexpired lease period]
Plant and machinery (printing press)	5% [20 years]
Motor vehicles, including motor cycles	25% [4 years]
Computers and related equipment	30% [3 years]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Office equipment, furniture and fittings	12.5% [8 years]

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

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

e) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at costs less accumulated impairment losses.

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

f) Amortisation and impairment of intangible assets

Amortisation is calculated on the straight-line basis over the estimated useful life of the intangible assets.

All intangible assets are 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

g) Investment property

Investment property, which is the property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of the investment property are included in the profit or loss in the period in which they arise. The part of the Bureau's building under rentals has not been segregated as an investment property due to its insignificance.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

h) Right to use asset

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Bureau incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37.

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The

NOTES TO THE FINANCIAL STATEMENTS (Continued)

depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method or actual costs whichever is applicable. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

k) Trade and other receivables

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

l) Taxation

Current income tax

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

m) Deferred tax

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates

NOTES TO THE FINANCIAL STATEMENTS (Continued)

(and tax laws) that have been enacted or substantively enacted at the reporting date.

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

n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. To the extent that variable rate borrowings are used to finance a qualifying asset and are hedged in an effective cash flow hedge of interest rate risk, the effective portion of the derivative is recognized in other comprehensive income and reclassified to profit or loss when the qualifying asset impacts profit or loss. To the extent that fixed rate borrowings are used to finance a qualifying asset and are hedged in an effective fair value hedge of interest rate risk, the capitalized borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o) 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 Central Bank of Kenya and at various approved Commercial Banks at the end of the reporting period. For the purposes of these financial statements, cash and cash

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

p) Borrowings

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

q) 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. The payables are aged based on the normal creditors aging and taking into account the contractual terms and conditions of payment.

r) Retirement benefit obligations

(i) Defined Contribution Scheme

The Bureau operates a Defined Contribution Scheme for the full-time and pensionable employees from 1st April 2011. The scheme is administered by an in-house Board of Trustees and appointed Scheme Administrator 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 full-time and pensionable employees joining the Bureau are registered to 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. 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.

s) Provision for staff leave pay

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

t) 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.

u) Budget information

The original budget for FY 2020/2021 was approved by the Cabinet Secretary, Ministry of Education on recommendation of the National Treasury in July 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The Bureau's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

v) Comparative figures

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

w) 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, 2021.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Bureau based its assumptions and estimates on parameters

NOTES TO THE FINANCIAL STATEMENTS (Continued)

available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Bureau. Such changes are reflected in the assumptions when they occur.

b) Useful lives and residual values

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

i) The condition of the asset based on the assessment of experts employed by the Bureau;
ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
iii) The nature of the processes in which the asset is deployed;
iv) Availability of funding to replace the assets;

c) Provisions

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

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

i) Provision for Slow moving stocks

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

ii) Provision for Bad and doubtful debts

A provision for bad and doubtful debts is made at 5% of the book and print debts outstanding after ninety (90) days as at the end of the financial year and taking into account those debts with specific contractual terms and conditions of payment such as the Government of Kenya supply of learning and teaching materials to public schools under the Ministry of Education and executed by the implementing agency, the Kenya Institute of Curriculum Development (KICD).

XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021	2020
1. (a) TURNOVER	**Kshs**	**Kshs**
Books Sales	1,425,865,066	3,131,011,544
Print Sales	117,520,671	79,024,781
	1,543,385,737	**3,210,036,325**

Turnover comprises gross amount invoiced for sale of books and print sales.

1. (b) COST OF SALES

	2021	2020
Opening inventories		
Printed books	988,910,465	656,101,059
Raw materials	18,192,040	19,068,323
Work in progress	17,193,516	26,849,126
	1,024,296,022	**702,018,507**
Production Costs		
Direct Expenses	110,706,696	153,265,540
Raw Materials	8,984,578	41,929,242
Direct Labour	50,374,205	62,412,659
Overheads	130,224,459	160,594,850
Contracted Works	558,518,432	1,767,235,119
	858,808,371	**2,185,437,410**
Closing inventories		
Printed books	950,671,737	988,910,465
Raw materials	14,095,808	18,192,040
Work in progress	84,083,839	17,193,516
	1,048,851,384	**1,024,296,022**
COST OF SALES	**834,253,008**	**1,863,159,896**

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

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

	2021	2020
Gain on disposal of non-current assets	**(1,644,413)**	**-**

3. OTHER INCOME

	2021	2020
Rental Income	4,008,553	3,064,726
Waste Paper Income	95,765	298,995
Interest on advances	28,527	82,361
Foreign exchange gain/(loss)	74,568	922,334
Miscellaneous income	619,630	469,990
	4,827,042	**4,838,405**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2021 Kshs	2020 Kshs
4 (a).	**ADMINISTRATION COSTS**		
	Staff Costs **4 (b)**	325,120,366	369,417,350
	Management board expenses **4 (c)**	7,489,188	10,683,898
	Foreign exchange loss	-	-
	Transport operating expenses	8,118,863	10,032,249
	Traveling and accomondation	1,320,420	7,652,841
	Postal and telegram expenses	26,550	63,670
	Telephone expenses	4,056,241	4,240,516
	Electricity, Water and Conservancy	1,713,990	2,178,267
	Purchase of uniforms	19,327	3,744
	Purchase of stationery	4,082,109	7,377,144
	Rent & Rates Expenses	55,000	55,000
	Computer expenses	11,990,191	9,913,127
	Hire of casuals	305,209	2,452,371
	Insurance costs	858,883	1,704,722
	Audit fees	1,280,000	920,000
	Consultancy Expenses	180,000	845,514
	Bad Debts Write-off	-	-
	Slow moving stocks provision expenses	(8,574,964)	(2,945,753)
	Provision for Bad & Doubtful Debts	(7,645,768)	6,025,602
	Maintenance of plant and machinery	67,115	1,351,945
	Maintenance of office equipment	770,144	845,649
	Maintenance of buildings	1,962,947	2,469,873
	Security expenses	3,803,612	3,650,513
	Library Expenses	42,610	84,984
	Subscription expenses	381,020	147,100
	Donation expenses	-	170,000
	Bank charges	350,016	448,424
	Legal charges	1,976,067	640,154
	Total Administration Costs	**359,749,136**	**440,428,904**
4 (b).	**STAFF COSTS**		
	Basic Salaries	202,419,490	228,288,561
	Gratuity and pension	23,670,918	27,278,222
	House allowance	42,146,000	41,717,300
	Other personal allowances	23,095,977	20,619,577
	Leave allowances	4,123,398	4,518,110
	Medical expenses	19,422,184	19,693,939
	Overtime costs	3,146,885	15,607,425
	Staff training expenses	2,106,638	4,385,712
	Staff welfare expenses	4,988,875	7,308,504
	Total Staff Costs	**325,120,366**	**369,417,350**
4 (c).	**MANAGEMENT BOARD EXPENSES**		
	Sitting and Lunch Allowances	4,550,200	4,488,000
	Travelling Allowances	717,148	1,986,926
	Chairman's Honoraria	1,044,000	1,044,000
	Accomodation Allowances	1,177,840	3,155,272
	Performance Bonus	-	-
	Board Medical Expenses	-	9,700
	Other Meeting expenses	-	-
	Total Board Expenses	**7,489,188**	**10,683,898**
5.	**SELLING AND DISTRIBUTION COSTS**		
	Sales trade discounts allowed	139,267,209	206,870,300
	Promotional Samples costs	3,075,273	2,235,886
	Advertising, Research and Promotions	7,866,291	20,972,328
	Corporate Affairs expenses	5,264,213	7,941,089
	Business Development Costs	557,568	2,057,381
	Packaging, carriage and handling costs	87,070,816	435,287,504
	Total Selling Costs	**243,101,369**	**675,364,488**
	Total Costs	**602,850,505**	**1,115,793,392**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2021 Kshs	2020 Kshs
6.	**OPERATING PROFIT / (LOSS)**		
	The operating profit is arrived at after charging / (crediting):		
	GROSS TURNOVER	1,543,385,737	3,210,036,325
	COST OF SALES	834,253,008	1,863,159,896
	GROSS TRADING PROFIT	**709,132,729**	**1,346,876,429**
	Income from investments	14,475,873	32,027,672
	Gain on Disposal of Non-financial Assets	(1,644,413)	-
	Other Income (note 3)	4,827,042	4,838,405
	TOTAL REVENUES	**1,561,044,239**	**3,246,902,402**
	Adminstration, Staff, Selling & Distribution Costs (Note 4 & 5)	602,850,505	1,115,793,392
	Depreciation of property, Plant and equipment	34,956,081	37,311,250
	Intangible Assets Amortization Costs	607,500	1,042,417
	TOTAL COSTS	**1,472,667,094**	**3,017,306,952**
	Net operating Profit for the year	**88,377,145**	**229,595,450**
7(a).	**GROSS INCOME FROM INVESTMENTS**		
	Interest Income on Government securities	65,168	23,631,887
	Interest Income on short-term deposists	14,410,705	8,395,785
		14,475,873	**32,027,672**
7(b).	**INTEREST INCOME RECEIVED FROM INVESTMENTS**		
	Interest receivable at beginning of period	4,765,863	6,067,336
	Current years'	14,475,873	32,027,672
	Less: Tax on Interest Received - paid at source	(2,171,379)	(4,804,150)
		17,070,357	33,290,858
	Less: Closing balance for the period	(2,174,760)	(4,765,863)
	Interest received at close of period	**14,895,598**	**28,524,995**
7(c).	**NET INTEREST INCOME**		
	Gross interest income	14,475,873	32,027,672
	Less: Tax on Interest Received	(2,171,379)	(4,804,150)
		12,304,494	**27,223,522**
8.	**INCOME TAX**		
8(a).	**CURRENT TAXATION**		
	-Charge for the year based on adjusted profit for the year at 30%	27,107,916	79,725,538
	- Less Advance/paid at source	(2,171,379)	(4,804,150)
	INCOME TAX EXPENSE	**24,936,537**	**74,921,388**
8(b).	**TAX LIABILITY /(RECOVERABLE)**		
	Tax (credit) at beginning of period	(233,708,485)	32,640,444
	Income Tax Charge based on adjusted profits for the period	24,936,537	74,921,388
		(208,771,948)	107,561,832
	Income Tax paid	-	(341,270,317)
	Tax liability / (credit) at the end of period	**(208,771,948)**	**(233,708,485)**

9. DIVIDENDS PAYABLE

The proposed dividend are accounted for as a separate component of equity and not based on number of ordinary shares since the Government of Kenya is the sole shareholder and the Capital Fund is not divided into any class of shares. The Capital Fund is not divided into any class of shares.

The Board of Management of Kenya Literature Bureau declares and pays a dividend of 10% of the after tax Net profit for the year to the Government. The proposed dividend is payable after audit of the Financial statements. The dividend payable for the year ended 30th June 2019, Kshs. 63.508 Million had not been paid since the audit Certificate for the accounts for FY 2019/2020, was yet to be received from the Office of the Auditor General.

	2021 Kshs	2020 Kshs
Opening balance as at 1st july	78,494,628	63,507,637
Proposed Dividend for the year	6,126,923	14,986,991
Dividend Paid during the year	(64,251,115)	-
Closing balance as at 30th June	**20,370,436**	**78,494,628**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2021	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
At July 1, 2020	493,350,000	435,469,014	323,022,746	7,864,847	85,762,387	36,950,844	19,910,997	1,476,000	**1,403,806,834**
Additions	-	-	-	1,684,679	-	2,734,530	184,723	9,891,074	**14,495,006**
Disposals	-	-	(2,482,900)	(17,000)	-	(454,900)	(18,500)	-	**(2,973,300)**
Gain/Loss on Revaluation	173,900,000	127,214,146	11,535,866	4,202,396	41,022,383	26,108,607	9,750,700	-	**393,734,098**
At June 30, 2021	**667,250,000**	**562,683,160**	**332,075,712**	**13,734,921**	**126,784,770**	**65,339,081**	**29,827,920**	**11,367,074**	**1,809,062,638**
DEPRECIATION									
At June 30, 2020	-	87,720,699	73,557,741	3,917,361	63,239,720	29,337,421	10,564,690	-	**268,337,633**
Adjust for depre. on disposal	-	-	(662,107)	(11,333)	-	(434,605)	(12,333)	-	**(1,120,378)**
Charge for the Year	-	17,418,761	16,058,028	1,006,033	9,813,000	4,990,599	2,499,794	-	**51,786,214**
At June 30, 2021	**-**	**105,139,460**	**88,953,662**	**4,912,061**	**73,052,720**	**33,893,415**	**13,052,151**	**-**	**319,003,469**
NET BOOK VALUE									
At June 30, 2021	**667,250,000**	**457,543,700**	**243,122,050**	**8,822,860**	**53,732,050**	**31,445,666**	**16,775,769**	**11,367,074**	**1,490,059,169**
At June 30, 2020	**493,350,000**	**347,748,314**	**249,465,005**	**3,947,485**	**22,522,667**	**7,613,422**	**9,346,307**	**1,476,000**	**1,135,469,201**
DISPOSAL OF PROPERTY, PLANT & EQUIPMENT									
Disposals proceeds	**-**	**-**	**27,000**	**7,506**	**-**	**107,253**	**66,750**	**-**	**208,509**

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

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	65,339,081	19,601,724
Motor Vehicles	126,784,770	31,696,193
	192,123,851	**51,297,917**

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

	Notes	2020	2019
Cost of Sales (Production Overheads)	Appendix I	16,830,133	16,901,513
Admin Expenses - Depreciation of PPE	10	34,956,081	37,311,250
- Amortization of Intangible assets	11	607,500	1,042,417
Total Depreciation expenses		52,393,714	55,255,180

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2020	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
At July 1, 2019	493,350,000	435,469,014	322,952,918	7,403,387	64,785,388	35,991,952	19,910,997	-	**1,379,863,656**
Reclassification of Assets	-	-	-	-	-	-	-	-	**-**
Additions	-	-	69,828	461,459	20,976,999	958,891	-	1,476,000	**23,943,178**
Disposals	-	-	-	-	-	-	-	-	**-**
At June 30, 2019	**493,350,000**	**435,469,014**	**323,022,746**	**7,864,847**	**85,762,387**	**36,950,844**	**19,910,997**	**1,476,000**	**1,403,806,834**
DEPRECIATION									
At June 30, 2019	-	70,301,939	57,407,768	2,969,542	51,856,145	23,513,700	8,075,777	-	**214,124,870**
Adjust for depre. on disposal	-	-	-	-	-	-	-	-	**-**
Adjust for depre. On Reclassification	-	-	-	-	-	-	-	-	**-**
Charge for the Year	-	17,418,761	16,149,973	947,819	11,383,575	5,823,721	2,488,914	-	**54,212,763**
	-	**87,720,699**	**73,557,741**	**3,917,361**	**63,239,720**	**29,337,421**	**10,564,690**	**-**	**268,337,633**
NET BOOK VALUE									
At June 30, 2020	**493,350,000**	**347,748,314**	**249,465,005**	**3,947,485**	**22,522,667**	**7,613,422**	**9,346,307**	**1,476,000**	**1,135,469,201**
At June 30, 2019	**493,350,000**	**365,167,075**	**265,545,150**	**4,433,845**	**12,929,243**	**12,478,252**	**11,835,220**	**-**	**1,165,738,786**

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Disposals Proceeds	-	-	-	-	-	-	-	-	-

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

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	14,702,146	4,410,644
Motor Vehicles	31,282,787	7,820,697
	45,984,933	**12,231,341**

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

		2020	2019
Cost of Sales (Production Overheads)	**Appendix I**	16,901,513	16,901,513
Admin Expenses - Depreciation of PPE	**10**	34,956,081	37,311,250
- Amortization of Intangible assets	**11**	607,500	1,042,417
Total Depreciation expenses		52,465,094	55,255,180

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
11. INTANGIBLE ASSETS		
COST		
At July 1	21,799,529	21,449,529
Additions	0	350,000
Disposals	-	-
At June 30	**21,799,529**	**21,799,529**
AMORTISATION		
At Jur At July 1	20,885,778	19,843,361
Charge for the year	607,500	1,042,417
Impairment Loss	-	-
At June 30	**21,493,278**	**20,885,778**
NET BOOK VALUE		
At June 30	**306,250**	**913,750**

12. INVENTORIES

	2021 Kshs	2020 Kshs
Printed Books	950,671,737	988,910,465
Provision for Slow Moving Stock	(2,899,966)	(11,474,930)
Raw Materials	14,095,808	18,192,040
Stationery & Other Consumables	2,282,452	3,312,761
Library Books	1,753,080	1,854,237
Work in Progress	84,083,839	17,193,516
	1,049,986,950	**1,017,988,090**
Total excluding provision for slow moving stock	***1,052,886,916***	***1,029,463,020***

13 (a) TRADE AND OTHER RECEIVABLES

	2021 Kshs	2020 Kshs
Trade Receivables - Books	1,632,495,743	1,616,327,818
Provision for Bad & Doubtful debts - Books	(8,430,784)	(15,945,571)
Trade Receivables - Printing	147,309,621	128,613,699
Provision for Bad & Doubtful debts - Printing	(1,635,053)	(1,766,034)
VAT Receivable	91,847,273	201,330,720
Corporation Tax Receivable	208,771,948	233,708,485
Accrued Interest Income	2,174,760	4,765,863
Other Receivables {inclusive of staff receivables Note **13 (c)**}	77,298,885	71,496,685
Deposits and Prepayments	5,971,560	6,408,584
	2,155,803,953	**2,244,940,248**
Total excluding prov. For bad debts, Corporation tax & accrued int.	***1,954,923,082***	***2,024,177,505***

13 (b) TRADE RECEIVABLES

	2021 Kshs	2020 Kshs
Gross trade receivables	1,779,805,364	1,744,941,517
Provision for doubful receivables	(10,065,837)	(17,711,605)
	1,769,739,527	**1,727,229,912**

At 30th June, the ageing analysis of the gross trade receivables was as follows:

	2021 Kshs	2020 Kshs
Less than 30 days	548,941,895	155,694,036
Between 30 and 60 days	35,121,674	21,368,851
Between 61 and 90 days	50,296,669	2,832,551
Over 90 days	1,131,817,950	1,565,046,078
	1,766,178,188	**1,744,941,517**

13 (c) STAFF RECEIVABLES

	2021 Kshs	2020 Kshs
Gross staff loans and advances	1,412,448	1,642,623
Less: Amounts due within one year	(1,021,531)	(1,122,496)
Amounts due after one year	**390,917**	**520,128**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021 Kshs	2020 Kshs
14. SHORT-TERM INVESTMENTS		
Short Term Deposits with Kenya Commercial Bank	348,193,174	228,434,688
Treasury Bills with Central Bank of Kenya	-	46,639,525
Mortgage & Car Loan Deposits - HF Group & KCB	58,081,680	30,840,005
	406,274,854	**305,914,218**

The weighted average effective interest rate on short term bank deposits at the year-end was 6.36%, while the for investments in Treasury bills was 7.09%.

15. CASH AND BANK BALANCES

Cash on Hand	-	7,548
Cash at Bank	192,416,408	42,527,974
	192,416,408	**42,535,522**

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

16. CAPITAL FUND

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

Capital Fund	1,000,000,000	1,000,000,000
	1,000,000,000	**1,000,000,000**

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 surlpuses are not distributable. Revaluation of assets was done in 2014/2015 for the assets in the books as at May 31, 2015.

Revaluation Reserves	973,855,036	580,120,938
	973,855,036	**580,120,938**

18. REVENUE RESERVES

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

Retained Earnings	2,301,173,321	2,246,031,014
	2,301,173,321	**2,246,031,014**

19. TRADE AND OTHER PAYABLES

Trade Payables	827,338,966	730,471,883
Dividend Payable	20,370,436	78,494,628
Accrued Royalties	52,238,371	35,713,062
Withholding VAT Payable	7,101,100	7,650,329
Audit Fees Provision	2,020,000	1,840,000
NSSF Liability	11,000,000	17,000,000
Other Payables	35,531,946	25,935,991
Corporation Tax Payable	-	-
Accrued Expenses	1,965,413	1,354,730
Withholding Tax Due	5,427,087	6,941,294
Inventory Clearing Accounts	56,825,904	16,207,162
	1,019,819,224	**921,609,079**
Total excluding provision for dividend & corporation tax, payable	***999,448,788***	***843,114,451***

20. RETIREMENT BENEFIT OBLIGATIONS

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

21. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit/(loss) to cash generated from /(used in) operations

	2021 Kshs	2020 Kshs
Operating profit for the year	88,377,145	229,595,447
Adjustments for:		
Depreciation Expenses	51,786,214	54,212,763
Amortization Expenses	607,500	1,042,417
(Decrease)/Increase in Prov. for Slow Moving Stock	(8,574,964)	(2,945,753)
Provision for Doubtful Debts	(7,645,768)	6,025,602
Foreign Exchange (Gain)/ Loss	(74,568)	(922,334)
Net Interest Income	(14,475,873)	(32,027,672)
(Profit)/Loss on disposal of Assets	1,644,413	-
Operating profit before Working Capital Changes	**111,644,099**	**254,980,471**
(Increase)/Decrease in Inventories	(23,423,896)	(321,864,715)
Realised Foreign Exchange Gain/Loss	74,568	922,334
(Increase)/Decrease in Receivables	69,254,423	632,646,408
(Increase)/Decrease in Payables	156,334,337	(1,470,660,677)
Cash generated from operations	**313,883,530**	**(903,976,179)**

(b) Analysis of cash and cash equivalents

	2021 Kshs	2020 Kshs
Short Term Deposits with Kenya Commercial Bank	348,193,174	228,434,688
Treasury Bills with Central Bank of Kenya	-	46,639,525
Mortgage & Car Loan Deposits - HF Group & KCB	58,081,680	30,840,005
Cash at bank	192,416,408	42,527,974
Cash at hand	-	7,548
	598,691,262	**348,449,740**

(c) Analysis of dividend paid

	2021 Kshs
2017 Dividends paid	15,159,556
2018 Dividends paid	22,013,076
2019 Dividends paid	48,803,380
2020 Dividends paid	64,251,115
	150,227,127

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021	2020
	Kshs	Kshs

22. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya Iis the principal shareholder of Kenya Literature Bureau, holding 100% of the Bureau's equity interest.
There were no other Bureau's transanctions 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 employement contract with the employee is in force.

(c) Directors' renumeration and related costs

	2021 Kshs	2020 Kshs
Allowances and other emoluments and costs for directors	**7,489,188**	**10,683,898**

The rise in directors' renumeration resulted from the exit of the former Board and appointment of new Board and releated costs of induction.

(d) Key management compensation

	2021 Kshs	2020 Kshs
Salaries and other employment benefits	58,471,916	56,198,124
Managing Director's Gratuity benefits	-	-
	58,471,916	**56,198,124**

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

23. CAPITAL COMMITMENTS

Amounts authorised and contracted for as at 30th June 2020 includes:

	2021 Kshs	2020 Kshs
Buildings & Civil Works - Printing Press Area - Optimization Works	-	10,980,610
Buildings & Civil Works - Printing Press Area - Electrical Installations	-	17,630,685
Plant & Equipment - Printing Machine	-	122,500,760
Plant & Equipment - Binding Line	-	103,294,771
Plant & Equipment - Air Compressor / other	2,945,000	3,416,200
Motor Vehicles	310,345	-
Furniture & Fittings	44,310	-
Computer Equipment	495,555	1,749,484
Office Equipment	583,793	-
	4,379,003	**259,572,510**

24. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Receivables from exchange transactions	1,766,178,188	634,360,238	1,131,817,950	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	192,416,408	192,416,408	-	-
Total	**1,958,594,596**	**826,776,647**	**1,131,817,950**	**-**
At 30 June 2020				
Receivables from exchange transactions	1,744,941,517	179,895,439	1,565,046,078	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	42,527,974	42,535,522	-	-
Total	**1,787,469,491**	**222,430,961**	**1,565,046,078**	**-**

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

The Bureau has significant concentration of credit risk on amounts due for over ninety (90) days Kshs. 1.57 Billion.

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

ii) Liquidity risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	128,225,434	53,171,012	645,488,312	826,884,758
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**128,225,434**	**53,171,012**	**645,488,312**	**826,884,758**
At 30 June 2020				
Trade payables	120,223,875	318,187,260	327,772,950	766,184,085
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**120,223,875**	**318,187,260**	**327,772,950**	**766,184,085**

iii) Market risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

a) Foreign currency risk

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

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial assets(investments, cash ,debtors)	2,754,495,215	-	2,754,495,215
Liabilities			
Trade and other payables	(1,019,819,224)	-	(1,019,819,224)
Borrowings	-	-	-
Net foreign currency asset/(liability)	**1,734,675,991**	**-**	**1,734,675,991**

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2020			
Financial assets(investments, cash ,debtors)	2,593,389,987	-	2,593,389,987
Liabilities			
Trade and other payables	(921,609,079)	-	(921,609,079)
Borrowings	-	-	-
Net foreign currency asset/(liability)	**1,671,780,908**	**-**	**1,671,780,908**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Market risk (Continued)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on Profit before tax	Effect on equity
	%	Kshs	Kshs
2021			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant
2020			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant

b) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Bureau analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts.
The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs Nil (2020: KShs Nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs Nil (2020 – KShs Nil).

iv) Capital Risk Management

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

	2020/2021	2019/2020
	Kshs	Kshs
Revaluation reserve	973,855,036	580,120,938
Retained earnings	2,301,173,321	2,246,031,014
Capital reserve	1,000,000,000	1,000,000,000
Total funds	**4,275,028,356**	**3,826,151,952**
Total borrowings (Nil)	-	-
Less: cash and bank balances	(192,416,408)	(42,535,522)
Net debt/(excess cash and cash equivalents)	N/A	N/A
Gearing	**0%**	**0%**

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.

26 EVENTS AFTER THE REPORTING PERIOD

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

27 CURRENCY

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX I

DETAILS OF PRODUCTION COSTS

	2021 Kshs	2020 Kshs
Institutional Printing Services	39,542,035	60,342,837
Photography, Artwork & Blocks	914,392	4,072,755
Readership, Writing Workshops	12,943,422	22,222,965
Standard Levy	33,207	128,477
Royalty Expenses	57,273,640	66,498,506
Direct Costs	**110,706,696**	**153,265,540**
Contracted Works	**558,518,432**	**1,767,235,119**
Printing Papers Issues	6,683,101	36,184,120
Inks Issues	212,942	824,214
Plates Issues	888,978	1,585,122
Printing Supplies Issues	1,199,557	3,335,786
Direct Material Costs	**8,984,578**	**41,929,242**
Basic Salary Allocation	35,678,717	37,639,726
House Allow Allocation	9,816,000	10,718,800
Other Allow Allocation	3,136,223	3,364,878
Leave Allow Allocation	970,712	987,817
Overtime Allow Allocation	772,554	9,701,438
Direct Labour Costs	**50,374,205**	**62,412,659**
Transport Exp Allocation	1,432,741	1,661,820
Basic Salary Allocation	49,494,862	49,076,966
Depr Of Plant Exp Allocation	12,846,422	12,919,978
Electricity, Water Exp Allocation	5,141,970	6,534,802
Insurance Exp Allocation	572,589	1,136,482
Telephone Exp Allocation	1,352,080	1,434,195
Maint Of Plant Allocation	604,032	12,167,505
Maint Of Buildings Allocation	654,316	823,291
Pensions Allocation	15,780,612	18,185,482
House Allow Allocation	11,740,400	11,939,400
Maint Of O/Equip Allocation	85,572	93,961
Other Allow Allocation	5,015,260	5,117,292
Depr Of Buildings Exp Allocation	3,483,752	3,483,752
Uniforms Exp Allocation	19,327	3,744
Depr Of Furn Exp Allocation	499,959	497,783
Stationery Exp Allocation	453,748	802,367
Leave Allow Allocation	1,045,627	1,023,775
Casual Wages Allocation	1,280,914	9,809,483
Security Exp Allocation	1,135,112	1,431,674
Overtime Exp Allocation	151,883	1,640,522
Training Exp Allocation	1,404,425	2,923,808
Welfare Exp Allocation	3,325,917	4,757,812
Medical Exp Allocation	12,702,940	13,128,959
Overhead Costs	**130,224,459**	**160,594,850**
Total Production Costs	**858,808,371**	**2,185,437,410**