

REPUBLIC OF KENYA



Enhancing Accountability

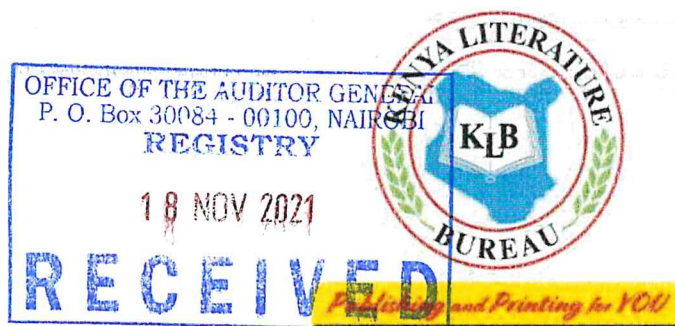
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THE NATIONAL ASSEMBLY PAPERS LAID	
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THE AUDITOR-GENERAL

ON

KENYA LITERATURE BUREAU

**FOR THE YEAR ENDED
30 JUNE, 2020**



KENYA LITERATURE BUREAU

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE 2020

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

**Annual Reports and Financial Statements
For the year ended 30 June 2020**

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I. KEY CORPORATE INFORMATION

BACKGROUND INFORMATION

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

PRINCIPAL ACTIVITIES

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

VISION

To be the leading publisher and printer of quality knowledge materials.

MISSION

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

STRATEGIC OBJECTIVES

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

CORE VALUES

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

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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

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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

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

PRINCIPAL LEGAL ADVISERS

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

II. THE BOARD OF DIRECTORS

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 <p>1. Hon. Amb. Francis S. K. Bayah, EBS Chairman</p>	<p>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.</p> <p>He has extensive knowledge and experience in strategic management and administration having served as an Assistant Minister in the Ministry of State for Immigration and Registration of Persons, Kenya's High Commissioner to India, Permanent Secretary in the Ministry of Lands and Settlement and also in the Ministry of Tourism and Information, and as a Member of Parliament for Ganze Constituency.</p> <p>Amb. Bayah also served in the Office of the President as the Provincial Commissioner (PC) of Coast, Western, Eastern and Rift Valley Provinces District Commissioner (DC) in Nyanza and Rift Valley Provinces, and a District Officer (DO) in Laikipia, Turkana, Embu, Marsabit, Machakos, Taita Taveta and Homabay. He is a recipient of Presidential Award, the Elder of Burning Spear (EBS), which is a State commendation given to persons who have served with distinction in their various spheres of influence. He was re-appointed to the position on 3 May 2019.</p>
 <p>2. CPA Victor Lomaria, OGW The Managing Director and Secretary to the Board of Management.</p>	<p>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).</p> <p>He has attended various courses and seminars in risk management leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW) which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September 2016.</p>

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3. Mr. Elyas Abdi

Alternate to the PS, Ministry of Education

Mr. Elyas Abdi is a Director General, Basic Education and represents the Principal Secretary, State Department of the Early and Basic education Ministry of Education in the Board. He was re-appointed to the Board on 24 April 2019. 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 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 Investments 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.



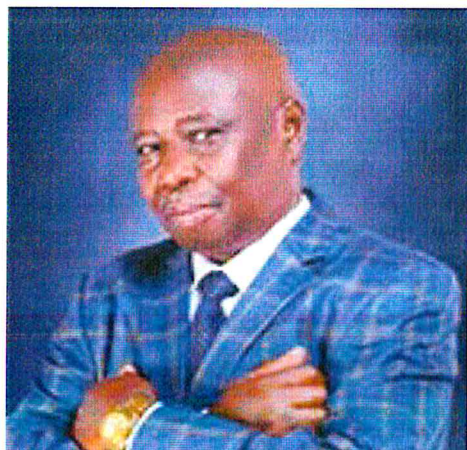
5. Mr. Abdalla C. Bii

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.

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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).

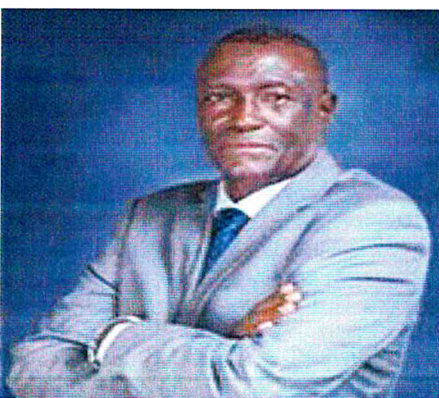
He has previously worked as Deputy Managing Director of UNES, Dean of the School of Business at the University of Nairobi, Chairman, the Department of Management Science and as a Senior Lecturer in the Department of Management Science, Faculty of Commerce at the University. He is one of the pioneers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

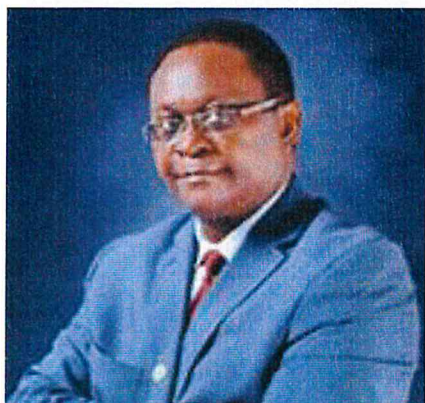


8. Mr. Sammy M. Chepkwony
Independent Director

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.

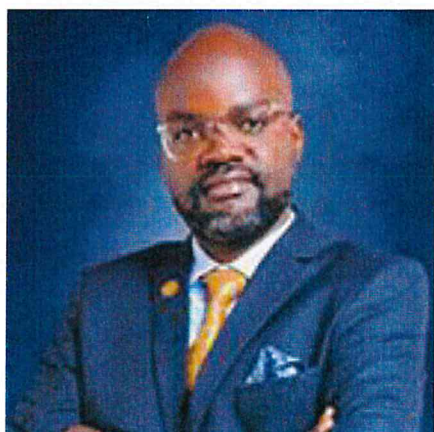
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9. Mr. Nicholas Mac'Botongore
Representing Ministry of Labour and
Social Protection

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.

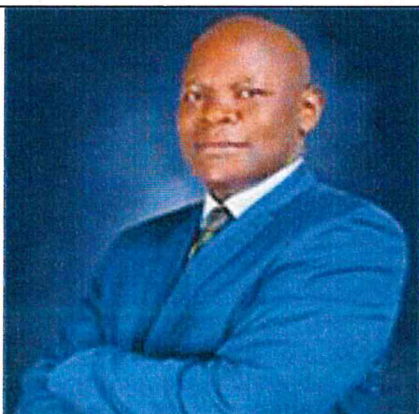
He is the Assistant Director for Social Development in the Ministry of Labour and Social Protection. He has previously served as the Project Manager Central Kenya Dry Area Smallholder Community Development Project Assistant Director of Gender and Social Development (ADGSD), Principal Gender and Social 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 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 Hill 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) holds a Doctorate of Philosophy in Education (PhD Education). He is a member of Finance & Human Resources & General Purpose Committee.

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12. Ms. Augusta Muthigani
Independent Director

Ms. Augusta Muthigani (59 years) and holds a degree in Education. She 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
 <p>1. CPA, Victor Lomaria, OGW The Managing Director and the Secretary to the Board of Management</p>	<p>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).</p> <p>He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.</p> <p>He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He previously served as the Chief Operating Officer (COO) at the Higher Education Loans Board (HELB) and as the chairman of Operations Committee of the Association of Higher Education Financing Agencies (AHHEFA), a lobby that brings together 10 African countries to deliberate on higher education financing. He is a recipient of Presidential Award, the Order of the Grand Warrior (OGW), which is a State commendation given to persons in recognition of outstanding or distinguished services rendered to the nation in various capacities and responsibilities. He joined the Board on 1 September 2016. His term was renewed with effect from 1st September 2019.</p>
 <p>2. CPA, FA, Francis M. Mutunga Ag. General Manager - Finance & Administration</p>	<p>Mr. Francis Mutunga (45 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).</p> <p>He is a Certified Public Accountant CPA (K), Certified Investment and Financial Analyst (CIFA-K), Certified Pension Trustee from College of Insurance/Retirement Benefits Authority and a Certified ISO 9001:2015 Internal Auditor of the Kenya Bureau of Standards.</p> <p>He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). He is currently pursuing Master of Business Administration (Finance) degree at Kenyatta University, Nairobi. He is the Performance Contract Co-ordinator. He was appointed to the position on 1 June 2020.</p>

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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.

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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.

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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.



10. David Kimita
Ag. Sales & Marketing Manager

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 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.

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IV. CHAIRMAN'S STATEMENT

It is yet another year that on behalf of the Board of Management, I present to you the Kenya Literature Bureau's Annual Report and Financial Statements for the year ended 30th June, 2020. In the year under review, there has been a great deal of opportunities and challenges which the Bureau and indeed the most businesses have had to confront. On the overall performance, we registered a resilient performance which decline as compared to the previous year due to the emergence of the COVID-19 Pandemic and the implementation of the austerity measures as directed by the Government which led to a decline in open market book and print sales. The resilient performance was supported by our increased focus on management of operational costs and enhanced production efficiency despite the adverse business operating environment. These strategies enabled us to record improved financial performance, service delivery and enhanced shareholder value. As a leading publishing and printing house in the country, KLB has over the years enhanced its commitment towards supporting the Government of Kenya in its educational programs aimed at achieving the three global Education For All (EFA) objectives of access, equity and quality.

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

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

ECONOMY AND THE BUSINESS ENVIRONMENT

The national economy continued to recover during the period under review. In 2019, the country's economy grew by 5.4 per cent, up from 6.1 per cent in 2018, which is largely due to the impressive growth in agriculture, manufacturing and transport services unlike in the

previous year where adverse weather and the uncertainty created by the prolonged electioneering exercise slowed economic growth.

Favourable fiscal policies and the ongoing reforms in the education sector aimed at ensuring the desired 1:1 learner to textbook ratio is achieved and accountability in the management of tax payers money was enhanced. However, the economic pressures resulted in reduced purchasing power from customers and hence the decline of the open market sales and institutional print sales.

STRATEGIC POSITIONING

The third cycle of the KLB Strategic Plan 2016 - 2020 ended during this financial year and we had to chart a new Strategic direction with a new Strategic Plan 2020-2024, which has been finalized. The Bureau met and exceeded the targets in the exiting Plan, yielding greater results from institutional print sales and the engagements with County Governments in Early Learning and the Technical and Vocational Education and Training (TVET). The Bureau has continued to offer high quality printing services to individuals, private institutions and Government Ministries, Departments and Agencies (MDA's).

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

OVERVIEW OF FINANCIAL RESULTS

KLB recorded an improved financial performance compared to the previous year, registering a profit before taxation of Kshs 229.6 Million in 2020 compared to 909.6 Million in 2019. This represented a 74.8% decline mainly due to the implementation of the Government directed austerity measures, the emergence of the COVID-19 Pandemic with the containment measures that led to the closure of learning institutions and businesses. These factors adversely affected the realisation of the targeted gross turnover. Gross revenue declined to Kshs. 3.21 Billion in 2020 from Kshs. 5.33 Billion in 2019. The open market book sales and the print sales bore the blunt of the adverse economic pressures and were lower than targeted. We have continued to expand our range of general readers and technical books for TVETs.

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DIVIDENDS

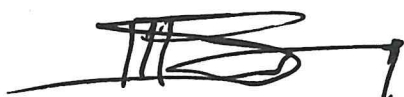
The Bureau has continually honoured its financial obligations to the shareholder and declared dividends based on the policy of ten (10) percent of the after tax net profits. The Board of Management has declared dividends amounting to Kshs. 14.99 Million for the year ended 30th June 2020 as compared to Kshs. 63.5 Million for the year ended 30th June, 2019. This decline resulted from the decline in the operating profits on account of the adverse business operating environment.

FUTURE PROSPECTS

The Bureau has developed a new Strategic Plan 2020-24 which is expected to form the basis of the Post Covid-19 Recovery Strategy. The Government has increased the investment in education and with the continued implementation of the new Competency-Based Curriculum (CBC), we expect there will be tremendous prospects for recovery and growth in the medium term. The Bureau will continue to support the Ministry of Education and work with the Kenya Institute of Curriculum Education (KICED) in ensuring learning materials are availed for the new curriculum as well as the smooth transition from the 8-4-4 system of education to the new 2-6-2-3-3 system of education. We have plans to diversify revenue streams and develop alternate products to complement the main income streams and mitigate the adverse effects brought about by the COVID-19 Pandemic. We have crystalized plans to enhance institutional printing, and venture into production of branded exercise books. We believe that there is immense opportunity for recovery and growth of our business and KLB is strategically positioning itself to expand its business in order to maximise shareholder value.

APPRECIATION

Finally, 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 sustainability and growth.



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

CHAIRMAN, BOARD OF MANAGEMENT

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V. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is yet another time when am called and please to present the financial performance review for the financial year ended 30th June 2020. This year's performance has been achieved in the midst of various opportunities and challenges. Some of the opportunities that have shaped the financial performance for 2019/2020 include:

- a) The continued implementation Competency Based Curriculum (CBC) which has now been rolled out from Pre-primary 1 to Grade 4 and expected to be rolled out to Grade 5 in 2021. To facilitate and support the Ministry of Education on the achievement of 100% implementation, the Bureau will continue to provide quality learning and knowledge materials that are critical in nurturing talents and skills to drive Kenya's Vision 2030 and the Big Four Agenda.
- b) The direct procurement and distribution of books by the Government, which brought in additional revenues.
- c) The partnerships with the various County Governments for the provision of quality learning and teaching materials.
- d) The continued partnership with the County Governments for the printing services and supply of branded writing materials.
- e) The partnership with various Ministries, Departments and Agencies for printing services/solutions.
- f) The solid partnerships with the National Government-Constituency Development Fund in the provision of learning and teaching materials through their the Members of Parliament.

The Bureau has taken stock of the opportunities and has literary taken advantage of the same to ensure financial sustainability, meet and exceed customers and stakeholder expectations and improve organizational capacity development.

During the year under review, there were challenges, which the Bureau and indeed most businesses had to confront, some of which included:

- a) The reduced prospects for print sales on account of the implementation of the Government directed austerity measures by Ministries, Departments and Agencies including form the National and County Governments.
- b) The emergence of the Corona Virus Disease (COVID-19) Pandemic, which resulted in the Government establishing containment measures that led to the closure of learning institutions and hence dealing a blow to the open market and print sales.
- c) The economic pressures which, resulted in reduced purchasing power and hence leading to lower turnover.
- d) The implementation of the Government directives on reducing the investment in securities, which led to the reduction on the stock of investments and hence reduced investment income. In addition, the interest rates for the treasury bills and indeed most of the securities declined on account of closure of the economy on account of COVID-19.

CORPORATE STRATEGY AND PLAN

In its Strategic direction, the Bureau has over the years continued to support the Ministry of Education in the provision of quality learning and teaching materials to support the

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achievement of the National Goals of Education. KLB as state-owned and largest textbook publisher in the country is critical considering the growing need for instructional materials in institutions of learning. In this regard, the company registered remarkable progress in turnover and profitability, though the same fell below the targeted levels. The Bureau continues to diversify its business, pursuing various priority initiatives aimed at meeting the objectives of the KLB Strategic Plan 2016-2020.

In laying focus onto the future, and towards enhancing growth and sustainability of the Bureau, we have rolled out plans to unveil the fourth cycle of our Strategic Plan 2020-2024 which will guide our business for the next five years. The Strategic Plan has taken account of the changing landscape of the publishing and printing industry in Kenya.

KLB continues to invest in its human resource to enhance the staff competence, motivation, attraction and retention. We have inculcated the customer-centric culture and preventive maintenance culture in order to improve efficiency and output in all areas of our business processes. Our employees continue to be committed to excellence in performance, service delivery, innovation and productivity.

PERFORMANCE REVIEW

During the year under review, the Bureau continued to signed partnerships with County Governments and other institutions to offer general printing services as well as to publish and supply branded instruction materials to Early Childhood Development Education (ECDE) and Technical Vocational Education and Training (TVET) centres. This is hoped to continue generating a sizeable share of revenue to the Bureau.

The profit before tax declined by 74.8% to Kshs. 229.6 Billion in 2019/20 as compared to Kshs 909.6 Million achieved in 2018/19, mainly due to the emergence of the COVID-19 Pandemic which led to closure of learning institutions and business hence leading to lower open market book and print sales. During the same period, Gross turnover amounted to Kshs. 3.21 Billion as compared to 5.33 Billion in 2018/19. This represented a 40% decline due to the adverse contributing factors.

The Bureau has maintained favourable liquidity ratios over the years making us a profitable government investment. However, the adverse economic and environmental factors have contributed to a positive financial performance and positions, but which has lagged behind the targeted levels. The operations and capital investments are fully self-funded from own-generated funds including during the COVID-19 Pandemic period. This has affirmed the sound leadership and prudence in management of the company resources. The future strategies employed will not only sustain the Bureau, but also enable it to positively contribute to Kenya's economic growth and development.

STRATEGIC PLAN 2016-2020 IMPLEMENTATION

During the period under review, the Bureau focussed on six major strategic objectives prioritised in the Strategic Plan 2016 – 2020 as summarized below:

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1. **To be the Industry's Market leader** – The gross turnover for the year ending 30 June 2020 amounted to Kshs 3.21 Billion as compared to Kshs 5.33 Billion the previous year, which represents a 40% decline due to the emergence of the COVID-19 Pandemic in March 2020, leading to the closure of the learning institutions and businesses and hence resulting in lower than targeted open market book sales. The implementation of the Government directed austerity measures lead to reduced prospects for the institutional printing sales from Ministries, Departments and Agencies, both at the National and County Government levels. On the new Strategic Plan 2020-2024, the Bureau has crafted strategies that will enhance recovery during the Post COVID-19 period and facilitate to overcome the expected challenges.

The implementation of the new Competency-Based Curriculum (CBC) in Pre-Primary I, Pre-Primary II, Grade 1-4 and now with the expected Grade 5 rollout in 2021, the Bureau expects to recover and achieved growth in turnover and profitability. We will continue to support the Ministry of Education and work with the Kenya Institute of Curriculum Development (KICD) to deliver quality literacy materials for learners in schools.

2. **To improve quality of products and services** – The Bureau has continued to grow and secure its market share and to grow revenues through innovation, product development and enhanced customer-centricity for quality service delivery. ISO 9001:2015 Quality Management System (QMS) standards has been integrated in all operational areas for greater efficiency, through-put and output.

The quality of products and services have been affirmed with the Bureau scoring a 92% approval rating for Grade 5 books (11 out of 12 books approved) presented for evaluation at KICD. It is during the same year that the Bureau received the approval for Grade 4 Competency Based Curriculum books. This was been ensured through the continuous improvement processes as espoused under the ISO 9001:2015.

3. **To upgrade corporate infrastructure** – The Bureau has continued with the modernisation strategy of the current publishing and printing infrastructure through acquisition of new equipment and technology for improved technical and operational efficiency. The modernisation strategy was approved by the Board of Management, the Ministry of Education and the National Treasury and Planning.
4. **To strengthening institutional capacity** – The Bureau has focused on satisfying, meeting and indeed exceeding the increased customer and stakeholder needs and expectations. It has invested in its human resources and built the capacity of its staff to attract and retain competent and skilled personnel. The Bureau has over the years, enjoyed industrial harmony and improved productivity levels in all areas of our business processes.
5. **To ensure effective corporate governance, controls and sound resource management** – During the year under review, and as part of the corporate governance, the Board of Management meetings were held at least once every Quarter, with some special meetings held to tackle special board business.

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The Board functions through three [3] committees namely: Audit, Risk Management and Compliance Committee; Finance, Human Resource and General Purpose Committee; and Operations and Strategy Committee (formerly Technical Committee). These committees deal with the core functions of the Bureau and which determine the performance of our business and ultimately generate value and enhanced satisfaction to our stakeholders. We have continually reviewed the human capital risk factors and mitigation plans in compliance with existing policies and legislative instruments.

BUSINESS REVIEW

The Bureau being a commercial State Corporation under the Ministry of Education, competes on a fair platform with other players in the publishing industry. We, therefore, continually review our business and operationally strategize to remain at the top. We have increased our product portfolio to include branded exercise books for county government's schools and individual schools. The Bureau has so far partnered with over thirty-two (32) County Governments in the provision of quality branded learning and teaching materials to pupils in their Early Childhood Development Education (ECDE) centres including branded writing materials. This step has given the Bureau impetus to market its products and services including the printing services to public and private firms, seeing it as an untapped revenue source.

The Bureau continues to reserve thirty [30] per cent procurement opportunities for women, youth and persons with disabilities, as well as mainstreaming gender and disability at the workplace, in compliance to existing government policies and regulations.

PERFORMANCE CONTRACT AND ISO 9001:2015 QUALITY MANAGEMENT SYSTEM

The 2019/2020 Performance Contract was successfully negotiated and implemented. Most of the targets were achieved despite the very difficult operating environment. This achievement was largely due to the commitment and support of the Board of Management and staff who have shown remarkable commitment to duty. We have also committed to achieve quality standards in service delivery and product development as specified in the ISO 9001:2015 Quality Management System.

DIVIDENDS

KLB has continually paid dividends to the Government of Kenya (GoK) at a rate of 10 per cent since 2006/07 financial year. The dividends are declared based on the policy of ten (10) percent of the after tax net profits. For the year ended 30 June, 2019, KLB declared dividends amounting to Kshs 63.5 Million up from Kshs 48.8 Million in the year ended 30 June 2018. The Board of Management has declared a dividend pay-out of Kshs 14.99 Million for the year ended 30 June 2020, which has declined due to reduced operating profit on account of the adverse business factors including the emergence of the COVID-19 Pandemic, which impacted negatively on most business operations.

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FOCUS ON THE FUTURE

The Bureau has exited the third cycle Strategic Plan 2016-2020 and whose targets were achieved as planned. We have developed a new Strategic Plan 2020-24, which will enable the Bureau to chart a new Strategic Direction especially during the Post COVID-19 Pandemic period.

In the new Strategic Plan 2020-24, the Bureau is increasing enhancing the digital capability to take advantage of the emergence of the blended learning, which is premised as the new norm in the Post COVID-19 Pandemic period. The Bureau plans to launch 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.

Despite the continued challenges in the business environment, customers have remained central to organisational growth and financial sustainability. It has also become critical for the Bureau to channel its communications and engagement programs to effectively address different stakeholder needs. We have over the years entered into mutually beneficial and strategic partnerships with schools and leaders to build and stock libraries with books through our *Twachapa*, *Twasoma* Social Responsibility and environmental sustainability programs. We have also supported the National Environment Management Authority (NEMA) to plant trees and champion environmental conservation programs across the country.

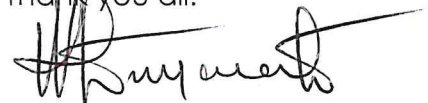
Going into the future, we expected to continually align, grow and transform our business to address the changing dynamics of the market. In so doing, we remain conscious of the challenges in the business environment, largely occasioned by high cost of energy and printing paper, which affects cost of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

Our focus will be in the following priority areas: securing tender to publish, print and distribute new Competency-Based Curriculum (CBC) textbooks; grow institutional printing; secure publishing and printing contracts with the County Governments; diversify revenue streams and develop alternative products. We target to leverage on our heritage to foster relations and to sustainably build our business.

APPRECIATION

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

Thank you all.



**CPA Victor Lomaria, OGW
MANAGING DIRECTOR**

VI. CORPORATE GOVERNANCE STATEMENT

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

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

THE COMPOSITION OF THE BOARD OF MANAGEMENT

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

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

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

Names of Board Members and their areas of expertise

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

THE ROLE OF THE BOARD

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

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

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(vi) Supporting management to enhance shareholder value.

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

ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

SUCCESSION PLANNING

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

BOARD EVALUATION AND PERFORMANCE

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

BOARD MEETINGS AND ATTENDANCE

The Full Board meets at least once in a quarter or more depending on the requirements of the business and has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time to facilitate informed deliberations and decision making. The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication. The Board has an opportunity to meet with all the KLB staff in December of each year.

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

Board meeting attendance

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

BOARD COMMITTEES

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

- i) Audit and Risk Management and Compliance Committee
- ii) Finance Human Resources and General Purpose Committee
- iii) Operation & Strategic Committee

The Board Committees meet at least on quarterly basis. The Managing Director is 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.

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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 MANAGEMENT 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)	✓ (standing invitation)	✓ (standing invitation)

1.0 AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

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

- (i) Evaluating the scope, nature and priorities of audit, risk management and compliance.
- (ii) Reviewing aspects relevant to governance, internal control procedures, risk management and internal audit.

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- (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
2.	Mrs. Cheryl Majiwa	Member	2
3.	Ms. Augusta M. Muthigani	Member	4
4.	Mr. Nicholas Mac'Botongore	Member	2
5.	Mr. Elyas Abdi	Member	2
6.	Mr. Victor K. Lomaria*	Managing Director	1
7.	Mr. Julius K. Aritho*	Internal Audit Manager, Secretary to the Committee	4

*In-attendance

2.0 FINANCE, HUMAN RESOURCES AND GENERAL PURPOSE COMMITTEE

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

- (i) KLB's budget and financial resources.

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- (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 seven meetings during the year under review as tabulated below;

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

*In-attendance

3.0 OPERATION & STRATEGIC COMMITTEE

The mandate of the Operation & Strategic Committee is to support the KLB Board of Management in its oversight responsibilities over the core business of the Bureau and the implementation of the strategic objectives as spelt out in the KLB Strategic Plan 2016 – 2020.

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The committee will consider and make recommendations to the Board on KLB's core business, publishing and printing, as well as new developments and technologies in the industry, including;

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

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

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

*In-attendance

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DIRECTORS' REMUNERATION

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

STAFF REMUNERATION

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

CONFLICT OF INTEREST

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

INTERNAL CONTROLS

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

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CODE OF CONDUCT

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

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

GOING CONCERN

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

VII. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Bureau's operational and financial performance

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

1. **To be the Industry's Market leader** – The gross turnover for the year reached Kshs. 3.21 Billion as compared to Kshs. 5.33 Billion in year 2018/2019, a drop of 74.8%. The emergence of **Corona Virus Disease (COVID 19)** pandemic has caused major disruptions to the business operating environment. This led to the closure of all learning institutions in the country in March 2020 as per of the disease containment measures. The scale down of the operations of most businesses and organizations, coupled with negative effects on the consumer purchasing power, adversely affected the trading environment, and the prospects thereof.

The Publishing industry faced one of the worst quarters. There has been a sharp decline in open market sales and drop in demand for printing 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 is working on various strategies to push up the sales demand. Further, the continued implementation of the Competency Based Curriculum (CBC) has led to increased revenue generation 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 fourth quarter, the Bureau developed Grade 5 materials and submitted the same to Kenya Institute of Curriculum Development (KICD) for evaluation and approval. The Bureau registered a 92% approval rating, with eleven (11) materials out of the twelve (12) submitted for the key learning areas being approved by KICD.

2. **To improve on quality of products and services** - This was achieved by continually analysing the needs, tastes and preferences of the consumers and used the feedback to develop improved products and services. The continued compliance with the International Standardization Organization (ISO) 9001:2015 Quality Management System provides an assurance system for the quality of our products and services for our customers.
3. **To upgrade Corporate Infrastructure** – The Bureau continues with increasing capital investment aimed at improving the publishing and printing systems. Acquisition of plant and machinery, ICT equipment, motor vehicles and the full implementation of the automated systems such as Accpac financial system and the Human Resources Management Information System has led to improvement of the Bureau's technology infrastructure.
4. **To strengthening institutional capacity** – The Bureau achieved much progress geared to enhance the institutional capacity to serve the increased needs and demands of our valued customers. The Bureau continues to invest in human capital investment to ensure that we attract and retain competent and skilled employees. This has resulted in improved productivity levels.

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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 awaiting signing, which was halted due to the COVID 19 Pandemic. The Bureau continues to improve employee welfare, leading to highly motivated staff and assuring harmonious industrial relations.

5. **To ensure effective corporate governance, controls and sound resource management** – The Bureau undertakes a review of risk factors and develops mitigation plan on a periodical basis. The Bureau ensured continued compliance with the legal and regulatory framework established by the Government as the shareholder in order to promote sustainable business practices. The Board usually meets 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.
 - b) Finance, Human Resources & General Purpose.
 - c) Operation & Strategic committee.

SECTION B

Bureau's compliance with statutory requirements

The Bureau has been compliant in relation to the various regulatory and statutory requirements. There exists a historical issue, which is under deliberations with Kenya Revenue Authority as detailed below:

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

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

SECTION C

Key projects and investment decisions, the 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

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of our products.

- b) To modernize the printing press as per our Strategic Plan 2016-2020 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 36,684.60 as at 30th June 2020. However, the currency risk arising from them is

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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 30th June 2020 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 its 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.

VIII. CORPORATE SOCIAL RESPONSIBILITY/SUSTAINABILITY STATEMENT

KLB is committed to expanding its role as an educational institution that serves the society beyond book publishing and printing. It is, therefore, working with all stakeholders to champion corporate social responsibility initiatives in communities within which it operates, taking deliberate measures to serve and uplift their living standards. The Bureau has focused on the 3-ps which include the People, Planet and Profits as its pillars in conducting business operations.

During the year under review the Bureau has continued to sponsor various initiatives in environmental conservation and book donation. They include:

a) Twachapisha, Mwasoma

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

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

b) Environmental Conservation

KLB partnered with schools and other stakeholders to promote environmental conservation and awareness creation, a step that has seen us plant trees in schools and sponsor annual national environmental events such as World Wetlands Day (WWD) in February 2020. The Bureau conducted an Energy Audit and is implementing recommendations of the audit.

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IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2020 which show the state of the Kenya Literature Bureau's affairs

Principal Activities

The principal activity of the Kenya Bureau is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials at affordable prices, whilst promoting excellent authorship and creating shareholder value.

Results

The results of the Bureau for the year ended 30 June, 2020 are set out on page 1 to 39.

Below is summary of the profit made during the year.

	Amount (Kshs. Million)
Turnover	3,210
Gross Profit	1,347
Total Comprehensive Income after Tax	150

Dividends

Kenya Literature Bureau is wholly owned by the Government of Kenya. The Directors recommends the payment of dividend for the year ended 30 June, 2020, amounting to Kshs. 14,986,991 subject to withholding tax where applicable.

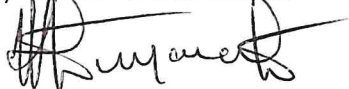
Directors

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

Auditors

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

By Order of the Board



CPA, Victor Lomaria, OGW

Secretary to the Board

NAIROBI.

Date: 28th July 2020

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X. 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.

Members of the Board are also responsible for the preparation and presentation of the Bureau's financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended on 30th June 2020. 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 30th June 2020, and of the Bureau's financial position as at that date. Board Members further confirm the completeness of the accounting records

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For the year ended 30 June 2020

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 2020** signed on behalf of the Board of Management by:



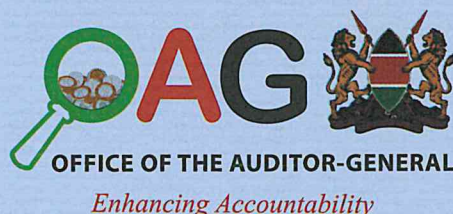
Hon. Amb. Francis S. K. Bayah, EBS
CHAIRMAN, BOARD OF MANAGEMENT



CPA, Victor K. Lomaria, OGW
MANAGING DIRECTOR

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 1 to 39, which comprise the statement of the financial position as at 30 June, 2020, the statement of comprehensive income, statement of changes in capital funds and reserves, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Kenya Literature Bureau as at 30 June, 2020, and of its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Literature Bureau Act, 1980 as revised in 2012 and the Public Finance Management Act, 2012.

Basis for Opinion

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

Emphasis of Matter

Contingent Liabilities

As disclosed in Note 24, a contingent liability exists from a demand notice based on tax audit conducted by Kenya Revenue Authority for the years 2007 to 2010 amounting to Kshs.125,560,306 being principal amounts for which a waiver of penalties and interests was approved by the Ministry of Finance in April, 2013. Although the Bureau explained that discussions are ongoing with Kenya Revenue Authority with a view of having the

liabilities waived, the negotiations have been ongoing for nine years an indication of lack of urgency to conclude the matter. However, should such negotiations between the two parties fail to materialize, the bureau stands to suffer financial loss to the tune of over Kshs.125,560,306.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in

an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bureau's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Bureau to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Bureau to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

11 November, 2021

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

XII. STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Kshs	2019 Kshs
REVENUES			
Turnover	1 (a)	3,210,036,325	5,329,935,432 Restated
Cost of Sales	1 (b)	<u>(1,863,159,896)</u>	<u>(3,311,047,580)</u>
Gross Profit		<u>1,346,876,429</u>	<u>2,018,887,852</u>
Gross Income from investments	7 (a)	32,027,672	59,259,916
Gain/(Loss) on Disposal of Non-financial Assets	2	-	254,250
Other Income	3	<u>4,838,405</u>	<u>15,319,355</u>
OTHER REVENUES		<u>36,866,077</u>	<u>74,833,521</u>
TOTAL REVENUES		<u>3,246,902,402</u>	<u>5,404,768,953</u>
Administration Costs	4 (a)	440,428,904	465,621,134
Selling and Distribution Costs	5	675,364,488	674,731,128
Depreciation - Property, Plant and equipment	10 (b)	37,311,250	41,805,065
Amortization - Intangible assets	11	<u>1,042,417</u>	<u>1,998,068</u>
OPERATING EXPENSES		<u>1,154,147,059</u>	<u>1,184,155,395</u>
TOTAL COSTS		<u>3,017,306,955</u>	<u>4,495,202,974</u>
OPERATING PROFIT FOR THE YEAR BEFORE TAX		229,595,447	909,565,979 Restated
INCOME TAX EXPENSE	8(a)	<u>79,725,538</u>	<u>274,489,609</u> Restated
TOTAL COMPREHENSIVE INCOME AFTER TAX		<u>149,869,909</u>	<u>635,076,370</u>

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

ASSETS	Note	2020	2019
		Kshs	Kshs
Non - Current Assets			
Property, Plant and Equipment	10 (a)	1,135,469,201	1,165,738,786
Intangible Assets	11	913,750	1,606,167
		<u>1,136,382,951</u>	<u>1,167,344,953</u>
Current Assets			
Inventories	12	1,017,988,090	693,177,622
Trade and Other Receivables	13(a)	2,244,940,248	2,651,205,246
Short-term Investments	14	305,914,218	586,896,219
Cash and Bank Balances	15	42,535,522	1,002,568,200
		<u>3,611,378,077</u>	<u>4,933,847,286</u>
TOTAL ASSETS		<u>4,747,761,028</u>	<u>6,101,192,239</u>
RESERVES, FUND AND LIABILITIES			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	580,120,938	580,120,938
Revenue Reserves	18	2,246,031,014	2,111,148,096 Restated
Shareholder funds		<u>3,826,151,952</u>	<u>3,691,269,034</u>
CURRENT LIABILITIES			
Trade & Other Payables	19	921,609,079	2,409,923,209 Restated
		<u>921,609,079</u>	<u>2,409,923,209</u>
TOTAL RESERVES, FUND AND LIABILITIES		<u>4,747,761,028</u>	<u>6,101,192,239</u>

The financial statements were approved by the Board of Management on 28th July 2020.

and were signed on its behalf by:



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



CPA Francis Mutunga
Ag. GM - Finance & Admin.



CPA Victor Lomaria, OGW
Managing Director

ICPAK M/No. 6056

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

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

XIV. STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES FOR THE YEAR ENDED 30 JUNE 2020

	Capital Fund	Revaluation Reserves	Revenue Reserves	Total Reserves	
	Kshs	Kshs	Kshs	Kshs	
At 1st July 2018	1,000,000,000	580,120,938	1,539,579,363	3,119,700,301	
Net Profit for the year	-	-	909,565,979	909,565,979	Restated
Prov. For Corporation Tax - 2018/19	-	-	(274,489,609)	(274,489,609)	
Dividends Payable - 2018/19	-	-	(63,507,637)	(63,507,637)	
At 30 June 2019	1,000,000,000	580,120,938	2,111,148,096	3,691,269,034	Restated
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	

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

		2020	2019
OPERATING ACTIVITIES	Notes	Kshs	Kshs
Operating profit for the year	6	229,595,447	909,565,979 Restated
Adjustments for:			
Depreciation Expenses	10 (a)	54,212,763	57,954,097
Amortization Expenses	11	1,042,417	1,998,068
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	(2,945,753)	2,880,495
Provision for Doubtful Debts	4(a)	6,025,602	2,927,019
Interest Income	7 (a)	(32,027,672)	(59,259,916)
Foreign Exchange (Gain)/ Loss	3	(922,334)	1,025,064
(Profit)/Loss on disposal of Assets	2	-	(254,250)
Operating profit before Working Capital Changes		254,980,471	916,836,556
Increase/Decrease in Inventories	12	(321,864,715)	(161,017,705)
Realised Foreign Exchange Gain/Loss		922,334	(1,025,064)
Increase/Decrease in Receivables	13(a)	632,646,408	564,725,043
Increase/Decrease in payables	19	(1,470,660,677)	(321,210,113)
Cash generated from operations		(903,976,179)	998,308,716
Dividends Paid	9	-	(48,803,380)
Corporation Tax Paid	8(b)	(341,270,317)	(296,198,939)
Net Cashflows from Operating Activities		(1,245,246,496)	653,306,397
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	10	(23,943,178)	(54,882,025)
Purchase of Intangible assets	11	(350,000)	(425,000)
Disposal of property, plant & equipment	10	-	360,000
Interest income received from Investments	7(b)	28,524,995	62,529,102
Net Cashflows from Investing Activities		4,231,817	7,582,077
(Decrease)/ Increase in Cash & Cash Equivalents		(1,241,014,679)	660,888,474
Cash & Cash Equivalents at the			
- Start of the year (1st July 2019)		1,589,464,419	928,575,945
- End of the period (30th June 2020)	21(b)	348,449,740	1,589,464,419

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

		Original Budget (Rationalized)	Adjustments	Final Budget	Actual on Comparable Basis	Actual Vs. Budget Performance Difference	% Change	Remarks
Revenue	Note	2019 - 2020 Kshs	2019 - 2020 Kshs	2019 - 2020 Kshs	2019 - 2020 Kshs	2019 - 2020 Kshs		
Turnover	(1a)	4,527,188,047	(122,921,140)	4,404,266,887	3,210,036,325	-1,194,230,562	-27%	The Gross Turnover registered a 27% 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 prospects of the print sales, which dropped by a massive Kshs. 525 Million representing an 87% decline.
Direct Expenditure	(1b)	2,106,624,046	66,637,023	2,173,261,069	1,863,159,896	310,101,173	14%	This registered an under-commitment of 14% 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		2,420,564,001	(189,558,183)	2,231,005,818	1,346,876,429	-884,129,389	-40%	The decline in gross profitability was due to the lower than targeted turnover.
Other Income	(3)	5,740,000	(400,000)	5,340,000	4,838,405	(501,595)	-9%	
Investment Income	(7a)	52,000,000	(17,000,000)	35,000,000	32,027,672	(2,972,328)	-8%	The decline resulted from the depressed interest rates on Treasury bills and reduction in investment in the securities as per the directives by the Government. The interest rates further declined during the COVID-19 Pandemic period when business operations were halted. There was also the reduction in investment portfolio on account of withdrawals to finance business operations. These factors contributed to the decline in investment income.
Total Income		2,478,304,001	(206,958,183)	2,271,345,818	1,383,742,504	(887,603,312)	-39%	The 39% drop attributed to the adverse effects due to the economic pressures, the emergence of the COVID-19 Pandemic, the remarkable drop in the print sales and the decline in the investment income.
Staff Costs	(4b)	443,542,140	(2,728,940)	440,813,200	369,417,350	71,395,850	16%	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)	149,064,000	(23,544,999)	125,519,001	71,011,554	54,507,447	43%	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)	822,423,986	43,936,884	866,360,870	675,364,488	190,996,382	22%	This registered an under-commitment of 22% 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)	94,250,000	(42,448,503)	51,801,497	38,353,667	13,447,830	26%	This is as per depreciation policy.
Total Expenditure		1,509,280,146	(24,785,578)	1,484,494,568	1,154,147,059	330,347,509	22%	There was an overall savings on expenses in tandem with the lower than targeted revenues.
Surplus for the period		969,023,855	(182,172,405)	786,851,250	228,595,448	(557,255,802)	-71%	The operating profit declined by a massive 71% on account of the reduced open market book sales, reduced print sales and the depressed 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)	290,707,157	(54,651,782)	236,055,375	79,725,538	(156,329,837)	-66%	This is mainly due to the massive reduction in the operating profits and the reduction of the corporate rate of taxation from 30% to 25% from 1st January 2020.
Surplus/Loss After Tax		678,316,699	(127,520,824)	550,795,875	149,869,910	(400,925,965)	-73%	This is mainly due to lower than targeted Gross Turnover 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 Amounts for the year ended 30th June 2020 has captured the Original 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. The Bureau is wholly owned by the Government of Kenya and is domiciled in Kenya. The Bureau's principal activity is to publish, print and disseminate quality literary, educational, cultural and scientific literature and materials. For reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income in these financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

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

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For the year ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard/Amendment to a standard	Effective date	Impact
IFRS 16: Leases	1 January, 2019	<p>The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.</p> <p>Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
IFRIC 23: Uncertainty Over income tax treatments	Interpretation	<p>The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:</p> <ul style="list-style-type: none"> a) Whether tax treatments should be considered collectively b) Assumptions for taxation authorities' examinations c) The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates d) The effect of changes in facts and circumstances <p>The interpretation has been factored in the financial statements.</p>
Amendments to IFRS 9 titled Prepayment	1 January,	The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to

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For the year ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Features with Negative Compensation (issued in October 2017)	2020	<p>measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)	1 January 2020	<p>The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IFRS 3 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017	1 January 2020	<p>The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IFRS 11 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017	1 January 2020	<p>The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 12 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017	1 January 2020	<p>The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to</p>

Annual Report and Financial Statements For the year ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		<p>where the entity originally recognised the transactions to which they are linked.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 23 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017	1 January 2020	<p>The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>
Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)	1 January 2020	<p>The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.</p> <p>Based on the Directors' assessment, this amendment does not have an impact on the Bureau's financial statements for the foreseeable future.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard/Amendment to a standard	Effective date	Impact
IFRS 17 Insurance Contracts (Issued 18	1 January 2021	IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach

Annual Report and Financial Statements
For the year ended 30 June, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

May 2017)		<p>for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.</p> <p>The Directors do not plan to apply the Standard until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Bureau's financial statements.</p>
Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)	1 January 2020	<p>Together with the revised <i>Conceptual Framework</i> published in March 2018, the IASB also issued <i>Amendments to References to the Conceptual Framework in IFRS Standards</i>. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised <i>Conceptual Framework</i>. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised <i>Conceptual Framework</i>.</p> <p>The Directors do not plan to apply the amendments until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the Bureau's financial statements.</p>

iii) Early adoption of standards

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

**Annual Report and Financial Statements
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

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

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

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

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For the year ended 30 June, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

b) In-kind contributions

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

c) Property, plant and equipment

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

Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items and are recognised in profit or loss in the income statement.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

The cost of property, plant and equipment comprises

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

d) Depreciation and impairment of property, plant and equipment

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

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

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

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

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

e) Intangible assets

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

f) Amortisation and impairment of intangible assets

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

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

g) Investment property

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

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

h) Finance and operating leases

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Fixed interest investments (bonds)

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

j) Inventories

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

k) Trade and other receivables

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

l) Taxation

Current income tax

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Deferred tax

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

m) Cash and cash equivalents

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

n) Borrowings

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

o) Trade and other payables

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

p) Retirement benefit obligations

(a) Defined Contribution Scheme

The Bureau operates a defined contribution scheme for the permanent 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(b) Defined Benefits Scheme

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

(c) National Social Security Fund

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

q) Provision for staff leave pay

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

r) Exchange rate differences

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

s) Budget information

The original budget for FY 2019-2020 was approved by the National Treasury in July 2019. 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

**Annual Report and Financial Statements
For the year ended 30 June, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

t) Comparative figures

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

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

State all judgements, estimates and assumptions made: Examples

**Annual Report and Financial Statements
For the year ended 30 June, 2020**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 12 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, nature/category of the title and the state of the market.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

ii) Provision for Bad and doubtful debts

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

KENYA LITERATURE BUREAU
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XVII. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
1. (a) TURNOVER	Kshs	Kshs
Books Sales	3,131,011,544	4,736,486,609
Print Sales	79,024,781	593,448,823 Restated
	<u>3,210,036,325</u>	<u>5,329,935,432</u>

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

1. (b) COST OF SALES

Opening inventories		
Printed books	656,101,059	478,071,057
Raw materials	19,068,323	14,910,089
Work in progress	26,849,126	47,927,979
	<u>702,018,507</u>	<u>540,909,126</u>
Production Costs		
Direct Expenses	153,265,540	209,478,260
Raw Materials	41,929,242	86,221,358
Direct Labour	62,412,659	73,641,221
Overheads	160,594,850	180,899,661
Contracted Works	1,767,235,119	2,921,916,462
	<u>2,185,437,410</u>	<u>3,472,156,962</u>
Closing 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
	<u>1,024,296,022</u>	<u>702,018,507</u>
COST OF SALES	<u>1,863,159,896</u>	<u>3,311,047,580</u>

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

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

Gain on disposal of non-current assets	<u>-</u>	<u>254,250</u>
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3. OTHER INCOME

Rental Income	3,064,726	3,085,220
Waste Paper Income	298,995	918,394
Interest on advances	82,361	120,987
Foreign exchange gain/(loss)	922,334	-
Miscellaneous income	469,990	102,860
Vat Refund Income	-	11,091,893
	<u>4,838,405</u>	<u>15,319,355</u>

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2020 Kshs	2019 Kshs
4 (a). ADMINISTRATION COSTS			
Staff Costs	4 (b)	369,417,350	373,534,010
Management board expenses	4 (c)	10,683,898	14,087,186
Foreign exchange loss		-	1,025,064
Transport operating expenses		10,032,249	10,745,541
Traveling and accomodation		7,652,841	10,712,941
Postal and telegram expenses		63,670	400,925
Telephone expenses		4,240,516	4,667,500
Electricity, Water and Conservancy		2,178,267	3,235,692
Purchase of uniforms		3,744	353,294
Purchase of stationery		7,377,144	9,104,802
Rent & Rates Expenses		55,000	381,492
Computer expenses		9,913,127	6,675,044
Hire of casuals		2,452,371	4,498,735
Insurance costs		1,704,722	2,294,930
Audit fees		920,000	1,028,000
Consultancy Expenses		845,514	180,000
Bad Debts Write-off		-	-
Slow moving stocks provision expenses		(2,945,753)	2,880,495
Provision for Bad & Doubtful Debts		6,025,602	2,927,019
Maintenance of plant and machinery		1,351,945	1,584,175
Maintenance of office equipment		845,649	710,162
Maintenance of buildings		2,469,873	5,665,717
Security expenses		3,650,513	4,077,641
Library Expenses		84,984	121,681
Subscription expenses		147,100	203,540
Donation expenses		170,000	140,000
Bank charges		448,424	1,649,085
Legal charges		640,154	2,736,463
Total Administration Costs		440,428,904	465,621,134
4 (b). STAFF COSTS			
Basic Salaries		228,288,561	213,167,359
Gratuity and pension		27,278,222	40,594,758
House allowance		41,717,300	42,635,950
Other personal allowances		20,619,577	20,534,472
Leave allowances		4,518,110	5,732,535
Medical expenses		19,693,939	17,588,696
Overtime costs		15,607,425	19,096,104
Staff training expenses		4,385,712	6,818,704
Staff welfare expenses		7,308,504	7,365,433
Total Staff Costs		369,417,350	373,534,010
4 (c). MANAGEMENT BOARD EXPENSES			
Sitting and Lunch Allowances		4,488,000	4,323,840
Travelling Allowances		1,986,926	1,754,868
Chairman's Honoraria		1,044,000	870,000
Accommodation Allowances		3,155,272	4,961,692
Performance Bonus		-	873,000
Board Medical Expenses		9,700	-
Other Meeting expenses		-	1,303,786
Total Board Expenses		10,683,898	14,087,186
5. SELLING AND DISTRIBUTION COSTS			
Sales trade discounts allowed		206,870,300	216,295,727
Promotional Samples costs		2,235,886	2,530,957
Advertising, Research and Promotions		20,972,328	26,479,060
Corporate Affairs expenses		7,941,089	15,126,813
Business Development Costs		2,057,381	10,964,860
Packaging, carriage and handling costs		435,287,504	403,333,710
Total Selling Costs		675,364,488	674,731,128
Total Costs		1,115,793,392	1,140,352,262

KENYA LITERATURE BUREAU
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kshs	2019 Kshs Re-stated
6. OPERATING PROFIT / (LOSS)		
The operating profit is arrived at after charging / (crediting):		
GROSS TURNOVER	3,210,036,325	5,329,935,432 Restated
COST OF SALES	1,863,159,896	3,311,047,580
GROSS TRADING PROFIT	1,346,876,429	2,018,887,852
Income from investments	32,027,672	59,259,916
Gain on Disposal of Non-financial Assets	-	254,250
Other Income (note 3)	4,838,405	15,319,355
TOTAL REVENUES	3,246,902,401	5,404,768,953
Administration, Staff, Selling & Distribution Costs (Note 4 & 5)	1,115,793,392	1,140,352,262
Depreciation of property, Plant and equipment	37,311,250	41,805,065
Intangible Assets Amortization Costs	1,042,417	1,998,068
TOTAL COSTS	3,017,306,952	4,495,202,973
Net operating Profit for the year	229,595,449	909,565,980
7(a). GROSS INCOME FROM INVESTMENTS		
Interest Income on Government securities	23,631,887	51,213,736
Interest Income on short-term depositors	8,395,785	8,046,180
	32,027,672	59,259,916
7(b). INTEREST INCOME RECEIVED FROM INVESTMENTS		
Interest receivable at beginning of period	6,067,336	18,225,509
Current years'	32,027,672	59,259,916
Less: Tax on Interest Received - paid at source	(4,804,150)	(8,888,988)
	33,290,858	68,596,438
Less: Closing balance for the period	(4,765,863)	(6,067,336)
Interest received at close of period	28,524,995	62,529,102
7(c). NET INTEREST INCOME		
Gross interest income	32,027,672	59,259,916
Less: Tax on Interest Received	(4,804,150)	(8,888,988)
	27,223,522	50,370,929
8. INCOME TAX		
8(a). CURRENT TAXATION		
-Charge for the year based on adjusted profit for the year at 30%	79,725,538	274,489,609 Restated
- Less Advance/paid at source	(4,804,150)	(8,888,988)
INCOME TAX EXPENSE	74,921,388	265,600,621
8(b). TAX LIABILITY /(RECOVERABLE)		
Tax (credit) at beginning of period	32,640,444	63,238,762
Income Tax Charge based on adjusted profits for the period	74,921,388	265,600,621
	107,561,832	328,839,383
Income Tax paid	(341,270,317)	(296,198,939)
Tax liability / (credit) at the end of period	(233,708,485)	32,640,444 Restated
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.		
Opening balance as at 1st July	63,507,637	48,803,380
Proposed Dividend for the year	14,986,991	63,507,637
Dividend Paid during the year	-	(48,803,380)
Closing balance as at 30th June	78,494,628	63,507,637

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
<u>COST OR VALUATION</u>									
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, 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
<u>DEPRECIATION</u>									
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
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
<u>NET BOOK VALUE</u>									
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	-	-	-	-	-	-	-	-	-
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Property, plant and equipment include the following items that are fully depreciated:

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

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

	Notes	2020	2019
Cost of Sales (Production Overheads)	Appendix I	16,901,513	16,149,032
Admin Expenses - Depreciation of PPE	10	37,311,250	41,805,065
- Amortization of Intangible assets	11	<u>1,042,417</u>	<u>1,998,068</u>
Total Depreciation expenses		<u>55,255,180</u>	<u>59,952,165</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2019	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
<u>COST OR VALUATION</u>			Re-stated						
At July 1, 2018	493,350,000	432,107,228	285,192,650	7,126,051	66,054,388	25,272,087	17,148,227	-	1,326,250,630
Reclassification of Assets	-	-	-	-	-	-	-	-	-
Additions	-	3,361,785	37,760,268	277,336	-	10,719,865	2,762,770	-	54,882,025
Disposals	-	-	-	-	(1,269,000)	-	-	-	(1,269,000)
At June 30, 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
<u>DEPRECIATION</u>									
At June 30, 2018	-	52,995,237	42,152,829	2,063,258	37,289,710	17,175,917	5,657,072	-	157,334,023
Adjust for depre. on disposal	-	-	-	-	(1,163,250)	-	-	-	(1,163,250)
Adjust for depre. On Reclassification	-	-	-	-	-	-	-	-	-
Charge for the Year	-	17,306,701	15,254,939	906,284	15,729,685	6,337,783	2,418,705	-	57,954,097
	-	70,301,939	57,407,768	2,969,542	51,856,145	23,513,700	8,075,777	-	214,124,870
<u>NET BOOK VALUE</u>									
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
At June 30, 2018	493,350,000	379,111,991	243,039,821	5,062,793	28,764,677	8,096,170	11,491,155	-	1,168,916,607

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Disposals Proceeds	-	-	-	-	360,000	-	-	-	360,000
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Property, plant and equipment include the following items that are fully depreciated:

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

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

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

KENYA LITERATURE BUREAU
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FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	Kshs
11. INTANGIBLE ASSETS		
COST		
At July 1	21,449,529	21,024,529
Additions	350,000	425,000
Disposals	-	-
At June 30	<u>21,799,529</u>	<u>21,449,529</u>
AMORTISATION		
At July 1	19,843,361	17,845,293
Charge for the year	1,042,417	1,998,068
Impairment Loss	-	-
At June 30	<u>20,885,779</u>	<u>19,843,361</u>
NET BOOK VALUE		
At June 30	<u>913,750</u>	<u>1,606,167</u>
12. INVENTORIES		
Printed Books	988,910,465	656,101,059
Provision for Slow Moving Stock	(11,474,930)	(14,420,684)
Raw Materials	18,192,040	19,068,323
Stationery & Other Consumables	3,312,761	3,702,227
Library Books	1,854,237	1,877,571
Work in Progress	17,193,516	26,849,126
	<u>1,017,988,090</u>	<u>693,177,622</u>
<i>Total excluding provision for slow moving stock</i>	<u>1,029,463,020</u>	<u>707,598,305</u>
13 (a) TRADE AND OTHER RECEIVABLES		
Trade Receivables - Books	1,616,327,818	2,152,082,834
Provision for Bad & Doubtful debts - Books	(15,945,571)	(10,032,702)
Trade Receivables - Printing	128,613,699	447,429,521
Provision for Bad & Doubtful debts - Printing	(1,766,034)	(1,653,301)
VAT Receivable	201,330,720	22,590,700
Corporation Tax Receivable	233,708,485	-
Accrued Interest Income	4,765,863	6,067,336
Other Receivables (inclusive of staff receivables Note 13 (c))	71,496,685	31,391,494
Deposits and Prepayments	6,408,584	3,329,364
	<u>2,244,940,248</u>	<u>2,651,205,246</u>
<i>Total excluding prov. For bad debts, Corporation tax & accrued int.</i>	<u>2,024,177,505</u>	<u>2,656,823,913</u>
13 (b) TRADE RECEIVABLES		
Gross trade receivables	1,744,941,517	2,599,512,355
Provision for doubtful receivables	(17,711,605)	(11,686,003)
	<u>1,727,229,912</u>	<u>2,587,826,352</u>
At 30th June, the ageing analysis of the gross trade receivables was as follows:		
Less than 30 days	155,694,036	2,024,957,270
Between 30 and 60 days	21,368,851	303,333,202
Between 61 and 90 days	2,832,551	37,516,126
Over 90 days	1,565,046,078	233,705,756
	<u>1,744,941,517</u>	<u>2,599,512,355</u>
13 (c) STAFF RECEIVABLES		
Gross staff loans and advances	1,642,623	3,138,058
Less: Amounts due within one year	(1,122,496)	(2,343,771)
Amounts due after one year	<u>520,128</u>	<u>794,287</u>

KENYA LITERATURE BUREAU
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FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020	2019
	Kshs	Kshs
14. SHORT-TERM INVESTMENTS		
Short Term Deposits with Kenya Commercial Bank	228,434,688	11,104,010
Treasury Bills with Central Bank of Kenya	46,639,525	530,081,180
Mortgage & Car Loan Deposits - HF Group & KCB	30,840,005	45,711,029
	305,914,218	586,896,219
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	42,527,974	1,002,568,200
	42,535,522	1,002,568,200
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 surpluses are not distributable. Revaluation of assets was done in 2014/2015 for the assets in the books as at May 31, 2015.		
Revaluation Reserves	580,120,938	580,120,938
	580,120,938	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	2,246,031,014	2,111,148,096
	2,246,031,014	2,111,148,096
19. TRADE AND OTHER PAYABLES		
Trade Payables	730,471,883	2,091,572,984
Dividend Payable	78,494,628	63,507,637 Restated
Accrued Royalties	35,713,062	118,459,572
Withholding VAT Payable	7,650,329	-
Audit Fees Provision	1,840,000	920,000
NSSF Liability	17,000,000	23,500,000
Other Payables	25,935,991	29,484,470
Corporation Tax Payable	-	32,640,444 Restated
Accrued Expenses	1,354,730	4,348,130
Withholding Tax Due	6,941,294	8,903,809
Inventory Clearing Accounts	16,207,162	36,586,164
	921,609,079	2,409,923,209
Total excluding provision for dividend & corporation tax, payable	843,114,451	2,313,775,128
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.		

KENYA LITERATURE BUREAU
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kshs	2019 Kshs
21. NOTES TO THE STATEMENT OF CASH FLOWS		
(a) Reconciliation of operating profit/(loss) to cash generated from /(used in) operations		
Operating profit for the year	229,595,447	909,565,979 Restated
Adjustments for:		
Depreciation Expenses	54,212,763	57,954,097
Amortization Expenses	1,042,417	1,998,068
(Decrease)/Increase in Prov. for Slow Moving Stock	(2,945,753)	2,880,495
Provision for Doubtful Debts	6,025,602	2,927,019
Foreign Exchange (Gain)/ Loss	(922,334)	1,025,064
Net Interest Income	(32,027,672)	(59,259,916)
(Profit)/Loss on disposal of Assets	-	(254,250)
Operating profit before Working Capital Changes	254,980,471	916,836,556
(Increase)/Decrease in Inventories	(321,864,715)	(161,017,705)
Realised Foreign Exchange Gain/Loss	922,334	(1,025,064)
(Increase)/Decrease in Receivables	632,646,408	564,725,043
(Increase)/Decrease in Payables	(1,470,660,677)	(321,210,113)
Cash generated from operations	(903,976,179)	998,308,716
(b) Analysis of cash and cash equivalents		
Short Term Deposits with Kenya Commercial Bank	228,434,688	11,104,010
Treasury Bills with Central Bank of Kenya	46,639,525	530,081,180
Mortgage & Car Loan Deposits - HF Group & KCB	30,840,005	45,711,029
Cash at bank	42,527,974	1,002,568,200
Cash at hand	7,548	-
	348,449,740	1,589,464,419
(c) Analysis of dividend paid		
2016 Dividends paid	13,419,470	
2017 Dividends paid	15,159,556	
2018 Dividends paid	22,013,076	
2019 Dividends paid	48,803,380	
	99,395,482	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020 Kshs	2019 Kshs
22. RELATED PARTY DISCLOSURES		
(a) Government of Kenya		
The Government of Kenya is the principal shareholder of Kenya Literature Bureau, holding 100% of the Bureau's equity interest.		
There were no other Bureau's transactions involving the Government of Kenya.		
(b) Employees		
The Bureau provides certain qualifying employees with car loans in a funded arrangement with Kenya Commercial Bank Ltd, on terms more favourable than available in the market. The benefit obtained by the staff is subjected to income tax as required under the Kenya Income Tax Act. The cars are registered in joint names of the Bank and the employees for the car loan. The short-term deposits with principal amount of Kshs. 10 million are held for the purpose and earn a lower interest rate than the market rate. The Bureau is only liable when the employment contract with the employee is in force.		
(c) Directors' remuneration and related costs		
Allowances and other emoluments and costs for directors	10,683,898	14,087,186
The rise in directors' remuneration resulted from the exit of the former Board and appointment of new Board and related costs of induction.		
(d) Key management compensation		
Salaries and other employment benefits	56,198,124	54,945,509
Managing Director's Gratuity benefits	-	-
	<u>56,198,124</u>	<u>54,945,509</u>

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

23. CAPITAL COMMITMENTS

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

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	7,186,379
Plant & Equipment - Binding Line	103,294,771	-
Plant & Equipment - Air Compressor	3,416,200	-
Motor Vehicles	-	18,083,621
Computer Equipment - Heavy Duty Colour Printer	1,749,484	71,121
Office Equipment	-	1,194,544
	<u>259,572,510</u>	<u>26,535,665</u>

24. CONTINGENCIES

A contingent liability exists from a demand notice based on the tax audit conducted by Kenya Revenue Authority (KRA) for the years 2007 to 2010 amounting to Kshs 125,560,306 being principal amount for which a waiver for penalties and interest was approved by then Minister for Finance in April 2013.

The Bureau has held various positive meetings with the officials of Kenya Revenue Authority and the National Treasury and which have not been finalized, with a view to abandoning the principal tax as had been earlier agreed. During the discussions, KRA agreed to stay the demand notice pending the outcome of the matter.

24. CONTINGENCIES (Continued)

The KRA has indicated commitment to the positive resolution of the matter.

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

25. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
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	-
At 30 June 2019				
Receivables from exchange transactions	2,599,512,355	2,365,806,599	233,705,756	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	1,002,568,200	1,002,568,200	-	-
Total	3,602,080,555	3,368,374,799	233,705,756	-

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

The Bureau has significant concentration of credit risk on amounts due for over ninety (90) days Kshs. 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 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
At 30 June 2019				
Trade payables	1,534,763,044	209,798,816	347,185,959	2,091,747,819
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	1,534,763,044	209,798,816	347,185,959	2,091,747,819

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 2020			
Financial assets(investments, cash ,debtors)	2,593,389,988	-	2,593,389,988
Liabilities			
Trade and other payables	(921,609,079)	-	(921,609,079)
Borrowings	-	-	-
Net foreign currency asset/(liability)	1,671,780,909	-	1,671,780,909

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

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

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
2019			
Rwandan Francs	10%	Insignificant	Insignificant
USD	10%	Insignificant	Insignificant
2018			
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:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	580,120,938	580,120,938
Retained earnings	2,246,031,014	2,111,148,096
Capital reserve	1,000,000,000	1,000,000,000
Total funds	3,826,151,952	3,691,269,034
Total borrowings (Nil)	-	-
Less: cash and bank balances	(42,535,522)	(1,002,568,200)
Net debt/(excess cash and cash equivalents)	N/A	N/A
Gearing	0%	0%

26 INCORPORATION

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

27 EVENTS AFTER THE REPORTING PERIOD

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

28 PRIOR YEAR ADJUSTMENT

The prior year adjustment has been made in line with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors; to correct an erroneous double invoicing of the printing services rendered to M/s The Judiciary in 2018/2019 amounting to Kshs. 10,621,121. The adjustment has affected the line items of gross turnover, operating profit, taxation charge for the year, Trade Receivables-Printing retained earnings and the dividend payable. The affected line items have been indicated as restated.

29 CURRENCY

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

KENYA LITERATURE BUREAU
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2020
NOTES TO THE FINANCIAL STATEMENTS (Continued)

APPENDIX I

DETAILS OF PRODUCTION COSTS

	2020	2019
	Kshs	Kshs
Institutional Printing Services	60,342,837	22,212,610
Photography, Artwork & Blocks	4,072,755	1,246,273
Readership, Writing Workshops	22,222,965	35,286,973
Standard Levy	128,477	257,808
Royalty Expenses	66,498,506	150,474,596
Direct Costs	153,265,540	209,478,260
 Contracted Works	 1,767,235,119	 2,921,916,462
 Printing Papers Issues	 36,184,120	 74,707,927
Inks Issues	824,214	1,454,688
Plates Issues	1,585,122	4,762,604
Printing Supplies Issues	3,335,786	5,296,138
Direct Material Costs	41,929,242	86,221,358
 Basic Salary Allocation	 37,639,726	 41,895,419
House Allow Allocation	10,718,800	11,981,400
Other Allow Allocation	3,364,878	3,525,772
Leave Allow Allocation	987,817	1,065,522
Overtime Allow Allocation	9,701,438	15,173,108
Direct Labour Costs	62,412,659	73,641,221
 Transport Exp Allocation	 1,661,820	 1,896,272
Basic Salary Allocation	49,076,966	45,025,688
Depr Of Plant Exp Allocation	12,919,978	12,203,951
Electricity, Water Exp Allocation	6,534,802	9,707,076
Insurance Exp Allocation	1,136,482	1,529,954
Telephone Exp Allocation	1,434,195	1,555,833
Maint Of Plant Allocation	12,167,505	14,257,578
Maint Of Buildings Allocation	823,291	1,888,572
Pensions Allocation	18,185,482	27,063,172
House Allow Allocation	11,939,400	11,664,300
Maint Of O/Equip Allocation	93,961	78,907
Other Allow Allocation	5,117,292	5,257,235
Depr Of Buildings Exp Allocation	3,483,752	3,461,340
Uniforms Exp Allocation	3,744	353,294
Depr Of Furn Exp Allocation	497,783	483,741
Stationery Exp Allocation	802,367	1,011,645
Leave Allow Allocation	1,023,775	1,284,998
Casual Wages Allocation	9,809,483	17,994,941
Security Exp Allocation	1,431,674	1,359,214
Overtime Exp Allocation	1,640,522	1,640,064
Training Exp Allocation	2,923,808	4,545,802
Welfare Exp Allocation	4,757,812	4,910,289
Medical Exp Allocation	13,128,959	11,725,797
Overhead Costs	160,594,850	180,899,661
 Total Production Costs	 2,185,437,410	 3,472,156,962

CASH & CASH EQUIVALENTS

A/C NO.	DETAIL	AMOUNT
409	BANK BALANCE - KCB REVENUE COLLECTIONS	20,965,177.46
410	BANK BALANCE - KCB DISBURSEMENTS	13,442,850.64
411	BANK BALANCE - US\$ ACCOUNT	3,907,731.64
412	BANK BALANCE - PUBLISHING FUND	3,519,043.96
413	BANK BALANCE - VOTED FUND	660,810.95
414	BANK BALANCE - BUILDING FUND	32,359.65
418	PETTY CASH BALANCE	7,548.00
	SUB-TOTAL	42,535,522.30
434	TREASURY BILLS	46,639,525.00
436	SHORT TERM DEPOSITS	228,434,687.60
446	HFC - Mortgage Deposit	15,533,473.94
446	HFC - Car Loan Deposit	6,629,812.68
446	KCB - Mortgage Deposit	8,676,718.55
	SUB-TOTAL	305,914,217.77
	TOTAL	348,449,740.07

TRADE & OTHER RECEIVABLES

A/C NO.	DETAIL	AMOUNT
429	BOOKS DEBTORS CONTROL	1,616,327,818.10
543	PROVISION FOR BAD & DOUBTFUL DEBTS - BOOKS	(15,945,571.07)
431	PRINTING DEBTORS CONTROL	128,613,698.74
530	PROVISION FOR BAD & DOUBTFUL DEBTS - PRINTING	(1,766,034.02)
	TOTAL	1,727,229,911.75

VAT RECEIVABLE

A/C NO.	DETAIL	AMOUNT
527	VAT INPUT / OUTPUT	201,330,719.57
	SUB-TOTAL	201,330,719.57

546	CORPORATION TAX CREDIT	233,708,484.97
	SUB-TOTAL	233,708,484.97

ACCRUED INTEREST INCOME

A/C NO.	DETAIL	AMOUNT
433	ACCRUED INTEREST (TREASURY BILLS)	3,305,082.55
438	ACCRUED INTEREST (DEPOSITS)	1,460,780.25
	SUB-TOTAL	4,765,862.80

OTHER RECEIVABLES

A/C NO.	DETAIL	AMOUNT
432	RENTAL DEBTORS	1,664,072.32
435	VAT Income Receivable (Debtor)	4,001,137.53
439	KCB - CAR LOAN DEBTORS	42,164.50
440	SALVAGE VALUE /MISC. DEBTOR (CASH)	1,462,058.45
446	HFC - MORTGAGE & CAR LOAN DEBTORS	62,704,295.29
450	SALARY ADVANCE DEBTORS	297,575.27
451	MEDICAL ADVANCES DEBTORS	592,611.02
452	LAPTOP ADVANCE DEBTORS	88,000.00
454	STAFF EDUCATION LOANS	520,127.86
456	SURCHARGE - STAFF	102,144.75
461	AP/AR CLEARING	22,497.59
	SUB-TOTAL	71,496,684.58

DEPOSITS & PREPAYMENTS

A/C NO.	DETAIL	AMOUNT
441	MEDICAL DEPOSIT	4,100,000.00
442	ELECTRICITY & WATER DEPOSIT	1,027,864.00
443	GUARANTEE / BOND DEPOSITS	1,179,220.00
445	TELEPHONE DEPOSITS	101,500.00
SUB-TOTAL		6,408,584.00

GRAND TOTAL	2,244,940,247.67
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TRADE AND OTHER PAYABLES

A/C NO.	DETAIL	AMOUNT
500	TRADE CREDITORS CONTROL	730,471,883.05
501	ACCRUED EXPENSES	1,354,729.64
502	ROYALTY CREDITORS CONTROL	35,713,061.53
533	NSSF LIABILITY	17,000,000.00
540	PROVISION FOR AUDIT FEE	1,840,000.00
544	DIVIDENDS PAYABLE	78,494,627.92
SUB-TOTAL		864,874,302.14

522	WITHHOLDING (2%) VAT	6,159,822.82
525	WITHHOLDING (6%) VAT	1,490,506.37
SUB-TOTAL		7,650,329.19

523	WITHHOLDING TAX_ROYALTIES	6,701,317.16
526	WITHHOLDING TAX_GENERAL	239,977.07
SUB-TOTAL		6,941,294.23

OTHER PAYABLES

A/C NO.	DETAIL	AMOUNT
430	WASTE PAPER DEBTORS	3,031.85
460	SAFARI IMPREST DEBTORS	1,050.00
520	DEBT COLLECTION COMMISSIONS	1,223,373.95
529	ADVANCE COLLECTIONS - BOOKS DEBTORS	9,102,264.06
531	WASTE PAPER DEPOSIT	70,000.00
534	RENTAL DEPOSIT	461,000.00
535	STAFF BENEVOLENT FUND	1,438,600.00
536	TENDER DEPOSIT	20,000.00
537	OUTSTANDING DEPOSITS	548,406.10
538	ADVANCE COLLECTIONS - PRINTING DEBTORS	5,452,269.05
551	STAFF ADVANCES CLEARING ACCOUNT	9,000.00
585	P.A.Y.E.	7,425,996.06
590	PENSION FUND CLEARANCE	97,000.00
595	NET PAY CLEARING ACCOUNT	2,000.00
596	CANTEEN IMPREST CLEARANCE	48,000.00
597	INSURANCE PREMIUMS CLEARANCE	34,000.00
SUB-TOTAL		25,935,991.07

CLEARING ACCOUNTS

A/C NO.	DETAIL	AMOUNT
902	PAYABLES CLEARING - FINISHED GOODS	10,606,199.91
913	NON-STOCK CLEARING	5,086,812.94
914	PAYABLES CLEARING - RAW MATERIALS	513,754.69
919	IMPREST CLEARING	394.41
SUB-TOTAL		16,207,161.95

GRAND TOTAL	921,609,078.58
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