KENYA LITERATURE BUREAU

Annual Report and Accounts

Year Ended 30th June, 2008

Annual Report

and

Accounts

for the Year Ended 30th June 2008

Annual Report

and

Accounts

for the Year Ended 30th June 2008

KENYA LITERATURE BUREAU
PUBLISHERS AND PRINTERS
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BOARD OF DIRECTORS 2007/2008

1. Prof. K. Ole Karei, EBS, PhD
   Chairman

2. Joseph Kinyua
   PS Ministry of Finance
   Alternate Elizabeth Nzyoka

3. Prof. Karega Mutahi
   PS Ministry of Education
   Alternate Leah Rotich

4. Ms Leah Gwiyo
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   Alternate Mrs Joyce N. Kebathi

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   Alternate Joseph G. Mwangi

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   Alternate Vitalis O. Awuor

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   Representative, University of Nairobi

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   Member

9. Aggrey W. Kuboka
   Member

10. Hon. Mrs Grace Ogot
    Member

11. Mrs Mary Gatwiria
    Member

12. Robert Mbato
    Member

13. Mrs Eve A. Obara, MBS
    Managing Director

Prof. K. Ole Karei, EBS, PhD
Chairman

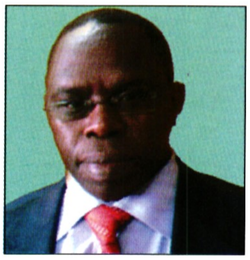
Mrs Eve A. Obara, MBS
Managing Director

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

Elizabeth Nzyoka

Leah Rotich

Mrs Joyce N. Kebathi



Joseph G. Mwangi

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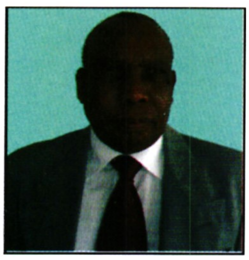


Peter S. Kaaka

Aggrey W. Kuboka

Hon. Mrs Grace Ogot

Mrs Mary Gatwiria

Robert Mbato

Senior Management Team (2007/2008)

Mrs Eve A. Obara, MBS
Managing Director

Steve K. K. Mwenda
Sales and Marketing Manager

Mrs Mary N. Khasiani, MBS
Publishing Manager

Mrs Sarah Majani
Production Manager

Abraham K. Oloo
Finance Manager

Cyrus V. Mwelwa
Corporate Services Manager

Evans T. Nyachieng'a
Human Resources Manager

Chairmans' Report

For the Year Ended 30th June 2008

Once again, I am delighted to present to you the Kenya Literature Bureau's Annual Report and Financial Statements for the year ended 30th June 2008.

As I do so, I note with satisfaction that the Bureau has returned improved results that have strengthened the promise for the company's future success. The business recorded a significant improvement in sales and profitability over the previous year in spite of challenges that called for firm strategic approaches on our part to tackle.

Operating Environment

The Bureau started the year on a difficult footing, owing to the prevailing political events at the time. This adversely affected our sales targets, but I am glad to report that we, nevertheless, were able to get back on track fairly quickly after realigning our business focus. The strategic adjustments put in place to shore up the effects of the slow start enabled us to surpass our sales targets for the year under review.

On the market front, the Bureau enhanced its market share by conducting more teachers' seminars, among other activities, in order to retain our leadership position in the industry.

As part of our business growth and market penetration strategies in the year under review, we won tenders valued at $44,810 (about Ksh 2.5 million at the time of signing the contract in November 2007) for printing of textbooks for the Government of the Southern Sudan.

Financial Results for Financial Year 2007/2008

During the Financial Year ended 30th June 2008, the Bureau registered an increase of Ksh 86.2 million in gross turnover to Ksh 813.7 million, up from Kshs 727.5 million in the previous year. The cost of sales stood at Ksh 311.2 million, compared to Ksh 275.2 million in the previous year.

However, operating costs increased from Ksh 417 million in 2006/2007 to Ksh 450 million in the year under review. The operating profits stood at Ksh 76.9 million as compared to Ksh 57.6 million in the previous year.

I am glad to note that prudent cash flow management resulted in a further increase of Ksh 42 million in fixed deposits, pushing the overall fixed deposit base from 92.5 million the previous year to a new high of Ksh 134.5 million as at 30th June 2008.

Dividends

In line with the prescriptions of good business practice, I am happy to report that the Bureau declared, and paid out, a dividend of Ksh 6 million to the government for the Financial Year 2006/2007. As for the year under review, the Board has made a provision for Ksh 7.6 million to be paid as dividends. In both cases, the payout represents approximately 10% of the net profit for the respective years.

At this rate, my Board's undertaking is that the company will continue to pursue a prudent dividend policy that balances a competitive payout with a strategy to plough back part of our earnings to grow the business.

Performance Contract

The Board of Directors and Management team are on performance contract with the Government through the Bureau's parent-ministry and the Office of the Prime Minister. This arrangement requires the corporation to achieve negotiated and agreed upon targets, based on its financial results and operations.

In the year 2006/07, the Bureau was ranked at position 24 out of 124 state corporations surveyed. Under the commercial corporations category, we took position eight out of 27 entrants.

In the previous year (2005/06), the Bureau had also been ranked well, taking position 41 out of 116 candidates. We were then ranked 13th out of 27 corporations under the commercial category.

In view of the obtaining trend, the Bureau hopes to do even better this year and in the future.

New Titles

In line with our corporate mandate and objectives, we have continued to produce quality textbooks, as well as other reading materials, at favourable prices. In the year under review, we produced 35 new titles, which were submitted to the Kenya Institute of Education for vetting. Some of our old titles were also revised to suit emerging market needs.

Employees

In the year under review, 14 employees were recruited to strengthen the company's human resource capital, while eight others left the company after attaining the mandatory retirement age. At the close of the current Financial Year, the Bureau had 212 employees.

ISO 9001:2000 Certification

I am happy to report that the Bureau was awarded the ISO 9001:2000 Quality Management System certificate, and has already undergone one Compliance Audit so far.

Future Prospects

Having reported the forgoing, it is my conviction that the Bureau has a bright future. On the marketing front, we will increase our school coverage through seminars and school visits.

On the other hand, we are happy that the Ministry of Education has put in place plans for successful implementation of the free secondary education programme. The full and effective realisation of this programme will augur well for our business.

At the same time, the Bureau will continue to tender for printing jobs so as to increase the revenue base and fully utilise our printing capacity.

Appreciation

Finally, I would like to sincerely thank my fellow directors for supporting me all the way, and for their commitment to the cause of the company. The management and staff of the Bureau are also worthy of my praise for their hard work, commitment to duty, and determination to perform better year-on-year.

As I conclude, I cannot forget to thank our customers and other stakeholders for their continued support to our business. We will always count on their partnership as we endeavour to drive this business to new heights of corporate excellence.

Prof. K. Ole Karei, EBS, PhD
Chairman

Statement of Directors' Responsibilities

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

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

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

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

Prof. K. Ole Karei, EBS, PhD
Chairman
18th September 2008

Mrs Eve A. Obara MBS
Managing Director
18th September 2008

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

For the year ended 30 June 2008

I have audited the financial statements of Kenya Literature Bureau for the year ended 30 June 2008 set out on pages 10 to 21 which comprise the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, together with a summary of significant accounting policies and other explanatory notes in accordance with the provisions of Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Directors' Responsibility for the Financial Statements

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

Responsibility of the Controller and Auditor-General

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

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

1. Inventories

As disclosed in Note 6 to the financial statements inventories balance of Kshs 436,929,385 includes printed books figure of Kshs 420,878,611 net of total provision of Kshs 17,810,613 for slow moving books. The books balance is partly made of old titles/slow moving books valued at Kshs 81,399,806 or 19% of printed books figure, which are out of syllabus and are unlikely to sell. There is no specific provision in these financial statements to recognise the likely possibility of not selling the large number of books that are out of syllabus. The provision of Kshs 10,000,000 or 12% for slow moving stocks is considered inadequate. Under the circumstances, it was not possible to confirm that the inventories figure of Kshs 436,929,385 reflected in the balance sheet is fairly stated.

2. Short Term Deposits

As disclosed in Note 9 to the financial statements cash and cash equivalents balance of Ksh 160,756,739 includes short term deposits of Ksh 134,561,302 invested in Kenya Commercial Bank. This amount includes short term deposits of Ksh 133,603,838 invested at interest rates ranging between 2.25% and 7% and Ksh 957,464 in a Savings Simba Account earning interest at the rate of 4%. Investment of the surplus funds in a commercial bank was made contrary to Treasury Circular No. 10 of 15 July 1992 which stipulates that surplus funds be invested in Treasury Bills and Bonds. No approval was sought from Treasury to invest the surplus funds in a commercial bank. The Bureau is therefore in breach of Government regulations.

Opinion

Except for the foregoing reservations, in my opinion, proper books of account have been kept and the accompanying financial statements give a true and fair view of the financial position of the Bureau as at 30 June 2008 and of its profit and cash flows for the year then ended in accordance with the International Financial Reporting Standards and comply with the Kenya Literature Bureau Act, Cap 209 of the Laws of Kenya.

P.N. Komora, CBS
Controller and Auditor-General
Nairobi
08 January 2009

Income Statement
For the Year Ended 30th June 2008

	NOTES	2007/2008 Kshs	2006/2007 Kshs
Turnover	**(2)**	813,785,888	727,501,364
Direct Expenditure	**(3)**	(311,238,342)	(275,217,033)
GROSS PROFIT		**502,547,546**	**452,284,331**
Other Income	**(4)**	24,509,868	22,451,720
Staff Costs	**Appendix I**	126,349,325	128,285,668
Administration Costs	**Appendix I**	73,964,375	68,722,909
Selling Costs	**Appendix I**	249,801,400	220,063,622
NET PROFIT FOR THE YEAR		**76,942,314**	**57,663,852**

Balance Sheet

As at 30th June 2008

ASSETS	NOTES	2007/2008 Kshs	2006/2007 Kshs
Non-Current Assets			
Property, Plant and Equipment	(5)	208,479,381	226,764,584
Current Assets			
Inventories	(6)	436,929,385	436,155,300
Royalty Advance	(7)	590,000	410,000
Receivables	(8)	119,052,621	67,279,794
Cash and Cash Equivalents	(9)	160,756,739	126,871,862
		717,328,745	643,274,896
TOTAL ASSETS		**925,808,126**	**870,039,480**
EQUITY AND LIABILITIES			
Capital and Reserves			
Capital Reserves	(10)	700,000,000	500,000,000
Revenue Reserves		179,195,061	309,424,461
Shareholders Funds		879,195,061	809,424,461
CURRENT LIABILITIES			
Payables	(11)	46,613,065	60,615,019
		46,613,065	60,615,019
TOTAL EQUITY AND LIABILITIES		**925,808,126**	**870,039,480**

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

Prof. K. Ole Karei, EBS, PhD
Chairman
18th September 2008

Mrs Eve A. Obara, MBS
Managing Director
18th September 2008

The notes set out on pages 10 to 21 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 30th June 2008

	NOTES	Capital Reserves Kshs	Revenue Reserves Kshs	Total Reserves Kshs
At 1st July 2006 — as previously stated		**500,000,000**	**257,760,609**	**757,760,609**
Profit for the Year		–	57,663,852	57,663,852
Proposed Dividends — 2006/2007			(6,000,000)	(6,000,000)
Retained Profit for the Year 2006/2007			51,663,852	51,663,852
At 30th June 2007		**500,000,000**	**309,424,461**	**809,424,461**
At 1st July 2007		**500,000,000**	**309,424,461**	**809,424,461**
Prior Year Adjustment — Acc Depreciation	**(15)**		**428,287**	**428,287**
Net Profit for the Year		–	76,942,313	76,942,313
Proposed Dividends — 2007/2008	**(16)**	–	(7,600,000)	(7,600,000)
Retained Profit for the Year — 2007/2008		—	69,770,600	69,770,600
Transfer to Capital Reserves			(200,000,000)	(200,000,000)
Transfer from Revenue Reserves		200,000,000		200,000,000
At 30th June 2008		**700,000,000**	**179,195,061**	**879,195,061**

Cash Flow Statement

For the Year Ended 30th June 2008

	2007/2008 Kshs	2006/2007 Kshs
OPERATING ACTIVITIES		
Operating Profit/(Loss) for the year	76,942,314	57,663,852
Adjustment for:		
Depreciation Expenses	25,334,586	25,274,665
Provision for Slow moving Stocks	10,000,000	5,000,000
Provision for Doubtful Debts	1,000,000	1,000,000
Gross Interest Income	(5,649,116)	(2,246,955)
Provision for Disposal of Library Books	(42,063)	276,385
Profit on disposal of property, plant & equipment	(160,000)	(238,375)
Operating profit before working capital changes	**107,425,721**	**86,729,572**
(Increase)/Decrease in inventories	(774,085)	35,171,449
(Increase)/Decrease in receivables	51,772,827	33,089,648
(Increase)/Decrease in advance royalties	(180,000)	(250,000)
Increase/(Decrease) in payables	(14,001,954)	(65,508,667)
Cash generated from operations	**40,696,855**	**89,232,002**
Net from deposits Interest Income	–	(277,248)
Net cash used in operating activities	**40,696,855**	**88,954,754**
INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(6,621,094)	(2,377,563)
Proceeds from disposal of property, plant & equipment	160,000	1,072,375
Gross Interest income from deposits	5,649,116	2,246,955
Net cash used in investing activities	**(811,978)**	**(941,767)**
FINANCING ACTIVITIES		
Dividends Paid	(6,000,000)	(6,100,000)
Net Cashflows from Financing Activities	**(6,000,000)**	**(6,100,000)**
(Decrease)/Increase in cash & cash equivalents	33,884,877	83,796,521
Cash and Cash Equivalents at the:		
– Start of the year (1st July 2007)	126,871,862	43,075,341
– End of the year (30th June 2008)	**160,756,739**	**126,871,862**

Notes to the Financial Statements

For the Year Ended 30th June 2008

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards under the historical cost convention.

(b) Revenue Recognition

Revenue is recognised when books are sold and/ or when a printing job order is placed and confirmed. Discounts are recognised at the same time as the revenue to which they relate and are charged to profit and loss account. Interest income is accrued on the basis of principal sum outstanding at the agreed interest rate(s).

(c) Property, Plant and Equipment

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

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

Printing machines	5%
Office furniture, fittings and equipment	12.5%
Motor vehicles	20%
Buildings	2.5%
Computers	20%

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

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

Notes to the Financial Statements (Continued)
For the Year Ended 30th June 2008

(d) *Inventories*

Inventories including work in progress are stated at the lower cost and net realisable value. Inventories are valued at actual cost on the first-in-first out basis while work in progress comprises direct material costs, direct labour costs and appropriate production overheads that have been incurred in bringing the inventories to their present condition on percentage of completion basis. Net realisable value is the estimate of selling price in the ordinary course of business, less all selling expenses.

(e) *Royalties Expenses*

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

(f) *Cash and Cash Equivalents*

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, cash at bank, short term deposits held at call with banks and treasury bills. Short term deposits have an average maturity of 90 days at the agreed upon interest rates.

(g) *Principal Activity*

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

(h) *Taxation*

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

(i) *Retirement Benefits*

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

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

(j) *Comparatives*

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

Notes to the Financial Statements (Continued)
For the Year Ended 30th June 2008

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

Particulars	2007/2008 Kshs	2006/2007 Kshs
Sale of books	810,063,287	726,709,864
Printing sales	3,722,601	791,500
	813,785,888	**727,501,364**

3. DIRECT EXPENDITURE

		2007/2008 Kshs	2006/2007 Kshs
Opening inventories			
Printed books		422,832,550	448,171,489
Raw materials		12,362,601	12,799,933
Work in progress		7,658,312	17,177,751
		442,853,463	**478,149,173**
Purchases			
Purchases for the year	**Appendix II**	190,310,350	114,572,624
Production wages	**Appendix II**	44,942,929	46,468,813
Production overheads	**Appendix II**	86,609,809	78,879,886
		321,863,089	**239,921,323**
Closing inventories			
Printed books		438,689,224	422,832,550
Raw materials		11,523,588	12,362,601
Work in progress		3,265,398	7,658,312
		453,478,210	**442,853,463**
COST OF SALES		**311,238,342**	**275,217,033**

4. OTHER INCOME

	2007/2008 Kshs	2006/2007 Kshs
Rental Income	698,013	957,440
Interest Income (Short-term deposits)	4,913,975	1,969,707
Profit on disposal of property, plant & equipment	160,000	238,375
VAT Refund Income	16,577,825	17,292,679
Miscellaneous Income	2,765,380	2,371,683
Canteen Profit or (Loss)	(605,325)	(378,164)
	24,509,868	**22,451,720**

Notes to the Financial Statements (Continued)

For the Period Ended 30th June 2008

5. PROPERTY, PLANT AND EQUIPMENT

Cost or Valuation	Land Kshs	Buildings Kshs	Plant and Equipment Kshs	Motor Vehicles Kshs	Computers Kshs	Furniture and Fittings Kshs	Total Kshs
At 1st July 2007	22,500,000	93,495,778	239,153,228	37,446,861	30,829,723	7,251,572	430,677,162
Additions	0	0	1,386,335	1,906,000	2,176,820	1,151,939	6,621,094
Disposals	0	0	0	(1,483,142)	0	0.00	(1,483,142)
At 30th June 2008	**22,500,000**	**93,495,778**	**240,539,563**	**37,869,719**	**33,006,543**	**8,403,511**	**435,815,114**
DEPRECIATION							
At 1st July, 2007	0	22,486,104	124,064,189	25,811,147	25,897,290	5,653,845	203,912,576
Prior Year Adjustment		0.00	19,235.26	0.00	(439,362.32)	(8,160.00)	(428,287.06)
Charge for the year	0	2,337,394	12,495,332	6,020,045	3,997,568	484,246	25,334,586
Disposals	0	0	0	(1,483,142)	0	0	(1,483,142)
At 30th June 2008	0	**24,823,499**	**136,578,757**	**30,348,051**	**29,455,496**	**6,129,931**	**227,335,733**
Net Book Value							
At 30th June 2008	**22,500,000**	**68,672,279**	**103,960,806**	**7,521,668**	**3,551,047**	**2,273,580**	**208,479,381**
At 30th June 2007	**22,500,000**	**71,009,673**	**115,089,038**	**11,635,714**	**4,932,434**	**1,597,726**	**226,764,585**
Fully Depreciated Assets	**0**	**0**	**9,282,880**	**7,769,492**	**8,679,208**	**4,456,644**	**30,188,225**

Note: The above Fixed Assets amounting to **Kshs 30,188,225** were fully depreciated as at 30.06.2008 and hence did not attract depreciation during the year 2007/2008.

Notes to the Financial Statements (Continued)

For the Year Ended 30th June 2008

6. INVENTORIES

	2007/2008 Kshs	2006/2007 Kshs
Printed Books	438,689,224	422,832,550
Provision for Slow Moving Stocks	(17,810,613)	(7,810,613)
Raw Materials	11,523,588	12,362,601
Canteen Stock	423,365	407,561
Library Books	838,422	704,890
Work in Progress	3,265,398	7,658,312
	436,929,385	**436,155,301**

7. ROYALTY ADVANCE

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

8. RECEIVABLES

	2007/2008 Kshs	2006/2007 Kshs
Trade Receivables — Books	97,880,172	62,230,237
Provision for Bad and Doubtful Debts	(2,842,224)	(1,842,224)
Trade Receivables — Printing	3,983,642	1,415,099
VAT Refund Income Receivable	11,889,887	9,894,739
Accrued Interest Income	559,917	398,633
Other Receivables	5,676,779	7,243,236
Statutory Receivables	1,306,435	0
Deposits and Prepayments (Electricity, Water, Medical)	598,014	498,014
	119,052,621	**67,279,794**

The Statutory Receivables is an amount due from the Kenya Literature Bureau Pension Scheme Fund which the pension fund is expecting to receive from the liquidators of Kenya National Assurance Co.

9. CASH AND CASH EQUIVALENTS

	2007/2008 Kshs	2006/2007 Kshs
Cash on Hand	4,359,704	115,098
Cash at Bank	21,835,733	34,224,824
Short term Deposits	134,561,302	92,531,940
Treasury Bills	0	0
	160,756,739	**126,871,862**

10. CAPITAL RESERVES

The amount of reserves of Kshs 700,000,000.00 comprises Kshs 300,000,000.00 which the Government of Kenya invested when establishing Kenya Literature Bureau through an Act of Parliament Cap. 209 No. 4 of 1980, while Kshs 183,000,000.00 was a transfer from revenue reserves during the financial year 1996/1997, a further transfer of Kshs 200,000,000 from the revenue reserves was made in the financial year 2007/2008. The remaining Kshs 17,000,000 are Revaluation Reserves. The capital reserves are not divided into shares of any class.

11. PAYABLES

	2007/2008 Kshs	2006/2007 Kshs
Trade Payables	7,262,718	18,140,963
Dividend Payable	7,600,000	6,000,000
Accrued Royalties	20,140,814	21,000,000
Audit Fees Provision	350,000	800,000
Statutory Payables	1,465,559	2,066,636
Advance Receipts	36,350	20,000
Accrued Expenses	3,333,910	5,570,404
Rent and Rates Provision	0	34,222
Withholding and Value Added Tax	6,423,713	6,982,794
	46,613,065	**60,615,019**

Notes to the Financial Statements (Continued)
For the Year Ended 30th June 2008

12. CAPITAL EXPENDITURE COMMITMENTS
There were no capital expenditure commitments at 30th June 2008.

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

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

15 PRIOR YEAR ADJUSTMENT
The prior year adjustment relate to a write back of accumulated depreciation which had been charged on fully depreciated assets.

16. DIVIDENDS PAYABLE
The Board of Directors of Kenya Literature Bureau declares and pays a dividend of 10% of the profits for the year to the Government.

Details of Income Statement

For the Year Ended 30th June 2008

	2006/2007	2005/2006
STAFF COSTS	**Kshs**	**Kshs**
Salaries	54,293,359	57,976,649
Gratuity and pension	7,338,602	8,911,383
House allowance	33,087,489	31,547,355
Other personal allowances	15,782,349	13,917,274
Passage and leave allowances	1,975,114	1,860,189
Medical expenses	8,172,271	8,131,655
Overtime costs	718,000	519,387
Staff training	1,318,883	1,508,640
Staff welfare	3,663,258	3,913,138
Total Staff Costs	**126,349,325**	**128,285,670**
Number of Employees		
Management Staff	**60**	**50**
Non-Management and Unionisable Staff	**152**	**163**
Total Establishment	**212**	**213**
ADMINISTRATION COSTS		
Transport operating expenses	6,602,445	4,979,247
Travelling and accommodation	4,855,823	3,838,620
Postal and telegram expenses	216,051	185,998
Telephone expenses	2,602,236	2,347,242
Management board expenses	5,933,091	6,562,871
Electricity and water	1,190,919	1,110,392
Publicity and printing	-	-
Purchase of uniform and clothing	16,355	146,789
Purchase of stationery	2,910,770	3,938,604
Rent and rates	8,096	78,478
Computer expenses	983,731	2,140,256
Hire of casuals	1,225,244	589,394
Miscellaneous charges	499,367	632,507
VAT collection expenses	1,772,791	3,309,514
Maintenance of plant and equipment	4,101,120	2,136,755
Maintenance of buildings	2,620,944	2,789,578
Readership and writing workshops	1,991,024	2,059,182
Security expenses	2,290,995	4,045,358
Library books written off	(42,063)	276,385
Subscription	275,249	-
Donation expenses	319,258	40,184
Promotional samples costs	3,249,543	1,325,387
Slow moving stocks written-off	10,000,000	5,000,000
Bank charges	1,405,318	1,395,239
Legal charges	741,413	531,337
Bad debts expenses	1,000,000	1,000,000
Audit fees	100,000	300,000
Insurance costs	4,722,884	5,440,797
Depreciation expenses	12,371,775	12,522,796
Total Administration Costs	**73,964,375**	**68,722,910**
SELLING COSTS		
Discounts allowed	234,132,465	205,071,773
Advertising and publicity	11,543,157	12,863,048
Agricultural Shows of Kenya	1,015,156	119,028
Packaging, carriage and handling	3,110,622	2,009,774
Total Selling Costs	**249,801,400**	**220,063,623**
TOTAL COSTS	**450,115,101**	**417,072,203**

Appendix II

Details of Income Statement

For the Year Ended 30th June 2008

PURCHASES FOR THE YEAR

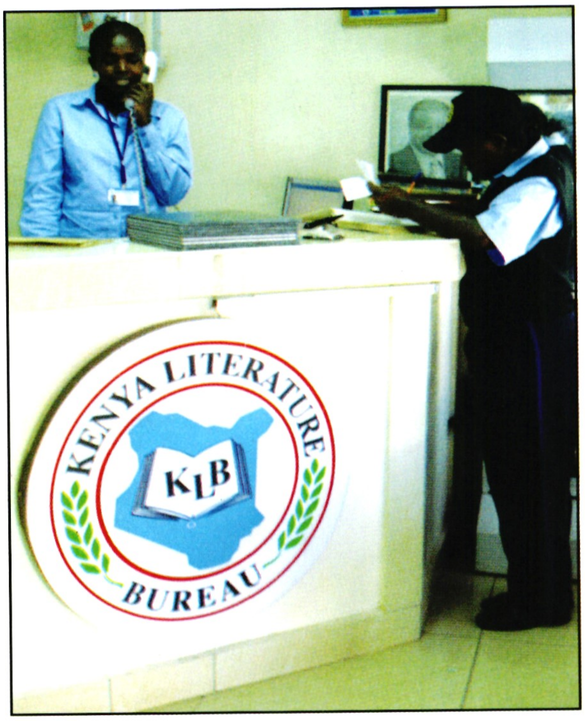
	2007/2008 Kshs	2006/2007 Kshs
Purchase of printing paper	48,434,046	46,485,121
Purchase of inks	501,391	473,915
Purchase of films	1,555,560	615,740
Purchase of plates	520,468	1,498,164
Purchase of printing supplies	2,988,311	4,104,460
Photography, artwork and blocks	1,949,465	3,287,934
Purchase of copyrights	54,000	0
Contracted works	134,307,109	58,107,290
	190,310,350	**114,572,624**

PRODUCTION WAGES

	2007/2008 Kshs	2006/2007 Kshs
Salaries	23,268,582	24,847,136
Gratuity and pension	3,145,115	3,819,164
House allowance	14,180,353	13,520,295
Passage and leave allowances	846,477	797,224
Medical expenses	3,502,402	3,484,994
	44,942,929	**46,468,813**

PRODUCTION OVERHEADS

	2007/2008 Kshs	2006/2007 Kshs
Transport operating expenses	733,605	553,250
Telephone expenses	289,137	260,805
Electricity and water	2,778,811	2,590,916
Purchase of uniform and clothing	16,355	146,789
Staff training	565,235	646,560
Maintenance of plant and equipment	16,404,480	8,547,022
Maintenance of buildings	873,648	929,859
Readership and writing workshops	5,973,072	6,177,544
Overtime costs	6,462,001	4,674,478
Depreciation of plant and equipment	12,495,332	12,377,886
Depreciation of buildings	467,479	373,983
Royalty payments	39,375,772	41,460,540
Standard levy expenses	174,882	140,255
	86,609,809	**78,879,887**



Customer Service desk at the KLB Customer Service Centre – Kijabe.

Prospective buyers sample books at the KLB stand during a book fair in Mombasa.

Prof. Sam Ongeri, the Education Minister donates books to schools when he officially launched a book donation campaign at the KLB headquarters.

The KLB Chairman, Prof. K. Ole Karei (left), and Mrs E. A. Obara, the Managing Director, together with the PS, Prof. Karega Mutahi (partly hidden), unveil the ISO certificate.

Mrs E. A. Obara, the Managing Director, Kenya Literature Bureau, donates food to Mr Gullet Abbas, the Kenya Red Cross Secretary-General, as Mrs M. Gatwiria, a Board member, and Ms Hellen Mungania, the Legal Services Manager, look on.

Ministry of Education PS, Prof. Karega Mutahi addresses the Press after receiving a book donation from Mrs E. A. Obara, the Managing Director, Kenya Literature Bureau.