REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA LITERATURE BUREAU

FOR THE YEAR ENDED 30 JUNE, 2023

KENYA LITERATURE BUREAU

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2023

Prepared in accordance with the International Financial Reporting Standards (IFRS)

Publishing and Printing for YOU

Vision

"A knowledgeable and inspired society"

Mission

"To provide innovative and competitive publishing and printing solutions"

Core Values

- Customer Focus
- Integrity
- Creativity and Innovation
- Quality **Publishing** and **Printing** Solutions

South C, Bellevue Area, KLB road, Off Popo Road

P.O. Box 30022-00100 Nairobi, Kenya

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Kenya Literature Bureau

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Kenya Literature Bureau

1. ACRONYMS AND GLOSARY OF TERMS

IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
CBC	Competency Based Curriculum
EYE	Early Year Education
KICD	Kenya Institute of Curriculum Development
GoK	Government of Kenya
MoE	Ministry of Education
KCPE	Kenya Certificate of Primary Education
KCSE	Kenya Certificate of Secondary Education

2. KEY CORPORATE INFORMATION

a) 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.

b) PRINCIPAL ACTIVITIES

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

VISION

A knowledgeable and inspired society.

MISSION

To provide innovative and competitive publishing and printing solutions.

STRATEGIC OBJECTIVES

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

CORE VALUES

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

c) DIRECTORS

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

1. Dr. Rispah Wepukhulu, Phd - Board Chairperson – Appointed on 10 March 2023
2. Mr. Victor K. Lomaria - Managing Director - Appointed on 1 September, 2016 and serving second term
3. Ms. Cheryl Majiwa - Alternate to the Cabinet Secretary, National Treasury - Re-appointed on 1 April, 2016 and term continues until further notice as per National Treasury letter of 28 October 2019
4. Mr. Elyas Abdi - Representative of the Ministry of Education – Re-appointed in November 2022
5. Mr. Michael O. Monari - Member – Appointed on 10 March 2023
6. Mrs. Edise W. Ndirangu - Member - Appointed on 10 March 2023
7. Ms. Doris Shianda - Member - Appointed on 10 March 2023
8. Mr. David K. Kimeto - Member - Appointed on 10 March 2023
9. Mr. Marcelino S. Lesaigor - Member – Appointed on 10 March 2023

d) CORPORATE SECRETARY

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

e) 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

f) BRANCH

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

g) CORPORATE CONTACTS

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

h) 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

i) INDEPENDENT AUDITORS

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

j) PRINCIPAL LEGAL ADVISERS

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

3. THE BOARD OF DIRECTORS

DIRECTOR'S NAME	KEY QUALIFICATIONS AND EXPERIENCE
 1. **Dr. Rispah N. Wepukhulu, PhD** **Chairperson, Board of Management**	Dr. Rispah N. Wepukhulu, PhD (52 years) was appointed the Chairperson of Board of Management, on 10th March 2023. She holds Doctor of Philosophy (Education Communication and Technology), Master of Philosophy (Education Communication and Technology) and Bachelor of education (Arts) all from Moi University. She is a senior lecturer and Director, Institute of Gender and Development Studies at Kababii University. She has previously worked as a Senior Lecturer and Dean, Faculty of Education and Social Sciences, Chair of 13 departments, all at Kababii University. She also worked as a lecturer and Warden of Female Hostel in Masinde Muliro University of Science and Technology among other teaching positions. She has held various administrative and leadership positions at Kibabii University, Commission for University Education among others. She has attended professional courses and training in mediation/alternative dispute resolution, strategic leadership development program, gender mainstreaming, digital teaching material development, peer reviewer training, enterprise risk management, grant proposal writing among others. She has attended various conferences, seminars and workshops and supervised various postgraduate students. She has professional research interests emerging Gender and Ethical issues and trends in education and Management.
 2. **CPA Victor Lomaria, OGW** Managing Director and Secretary to the Board of Management.	Mr. Victor Lomaria (54 years) is the Managing Director and Secretary to the Board. He holds a Master's in business administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K). He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit. He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He is a serving Council member of the Kenya Publishers Association (KPA) and a member of Taskforce on Restructuring of Government Printer. 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.
 **3. Dr. Elyas Abdi, PhD** Alternate to the PS, State Department of Basic education, Ministry of Education	Dr. Elyas Abdi (53 years) is a Director General, Basic Education and represents the Principal Secretary, State Department of the Basic Education, Ministry of Education in the Board. He was re-appointed to the Board on November 2022. 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 (43 years) is the Alternate to the Cabinet Secretary of the National Treasury in the Board of Management as specified under the Kenya Literature Bureau Act, Cap 209. She holds a of Master of Business Administration (Strategic Management) degree from the University of Nairobi, Bachelor of Commerce (Accounting and Finance) degree from Strathmore University and is a Certified Public Accountant (CPA-K). She has attended various short-term senior management and corporate governance courses. She is an Investment Officer at the Department of Government Investment and Public Enterprises in the National Treasury. She previously worked as the Head of Accounting Unit and Administration in an advertising firm. She is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and the Secretariat of the Public Accounting Standards Board (PASB). She joined the Board on 1st April 2016. She is a member of the Finance, Human Resources & General Purpose and Audit Risk Management & Compliance Committees. She was re-appointed on 1 April, 2016 and term continues until further notice as per National Treasury letter of 28 October 2019.

 **5. Mr. Michael O. Monari** Independent Director	Mr. Michael O. Monari (60 years) is a holder of MSc Degree in Global Management from University of Salford (UK), Social Finance Executive Diploma from University of Oxford (UK) and Executive Business Finance Programme from University of Strathmore (Kenya). He is a seasoned Financial Services Provider (FSP), Career Banker and Social Finance Expert. He has extensive corporate and retail banking expertise, operations, business acquisition and project management, all gained in private and public institutions in Africa and Europe. He was appointed to the Board on 10 March 2023 and is the Chairman of the Finance, Human Resources & General Purpose.
 **6. Mrs. Edise W. Ndirangu** Independent Director	Mrs. Edise W. Ndirangu (47 years) is a holder of Masters in Theology (Counselling) from St. Paul University, Bachelor of Divinity from St. Paul University Bachelor of Counselling Psychology from Mount Kenya University. She also holds higher Diploma in Theological Education by extension from presbyterian University of East Africa and a higher Diploma in Guidance and Psychological Counselling from Methodist University. She holds various certificates in other levels of academia. She has undertaken various research work and holds various leadership positions in institutions and the community. She is a lecturer in Theology at St. Paul University. She is a member of the Kenya Counselling and Psychological Association (KCPA) She is the Chairperson of the Operations and Strategy Committees of the Board. She was appointed on 10 Marc 2023.

 **7. Ms. Doris Shianda** Independent Director	Mrs. Doris Shianda (46 years) is a holder of Master's in Business Administration - Finance from the Egerton University, Bachelor of Education Science from Egerton University and is a Microsoft Certified Systems Administrator (MCSA). She has a wealth of banking and finance expertise and currently works as a Senior Manager with Kenya Commercial Bank Ltd. She is an associate member of Chartered Management Institute. She is a member of Operations & Strategy Committee and Finance and Human Resources and General Purpose Committees. She was appointed to the Board on 10 March 2023.
 **8. Mr. David K. Kimeto** Independent Director	Mr. David K. Kimeto (63 years) is a career teacher and was appointed to the Board on 10 March 2023. He holds Bachelor in Education from Moi University and Primary School Management Certificate. He has attended various courses and management training on school management, curriculum administration, school development plan among others. He has worked in various positions in Education including Head Teacher, Deputy Head Teacher, Curriculum Support Officer, Area Education Officer, Quality Assurance and Standards Officer, Zonal Inspector of Schools among other positions. He has held various administrative and leadership roles in the education sector.
 **9. Mr. Marcelino S. Lesaigor** Independent Director	Mr. Marcelino S. Lesaigor (42 years) is an advocate of the High Court of Kenya. He holds a Bachelor in Law degree and a Post Graduate Diploma in Law. He is an advocate and Manging Partner and Co-founder of Hashim & Lesaigor Associates Advocates. He has wealth of experience as a litigation advocate, legal research and drafting legal opinions. He has worked in various law firms on matters related to the Supreme Court, Court of Appeal, High Court and other Courts in the Country. He has also worked as a constitutional and human rights legal counsel. He was appointed to the Board on 10 March 2023.

4. THE KEY MANAGEMENT TEAM

<table>
<tr><th>KEY MANAGEMENT TEAM</th><th>KEY QUALIFICATIONS AND EXPERIENCE</th></tr>
<tr><td>
1. CPA, Victor Lomaria, OGW
Managing Director and the Secretary to the Board of Management</td><td>Mr. Victor Lomaria (54 years) is the Managing Director and Secretary to the Board. He holds a Master's in business administration (Finance) degree and a Bachelor of Commerce, both from the University of Nairobi. He is a Certified Public Accountant of Kenya, CPA (K).
He has attended various courses and seminars in risk management, leadership, corporate governance, ethics and integrity training, credit management, ICPAK annual seminars and risk-based Information Technology audit.
He is a member of the Certified Public Accountants of Kenya (ICPAK) and the Institute of Internal Auditors (IAA). He is a serving Council member of the Kenya Publishers Association (KPA) and a member of Taskforce on Restructuring of Government Printer.

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.</td></tr>
<tr><td>
2. CPA, FA, Francis M. Mutunga
Ag. General Manager - Finance & Administration</td><td>Mr. Francis Mutunga (48 years) is the Acting General Manager Finance & Administration. He holds a Bachelor of Commerce degree (First Class Honours), Diploma in Monitoring and Evaluation from Kenyatta University and Diploma in Marketing Management from the Kenya Institute of Management (KIM). He is a Certified Public Accountant CPA (K), Certified 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.
He is also a member of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Investments and Financial Analysts (ICIFA). He is a global Financial and Investment Advisor with GLOBSED, a professional, humanitarian and climate change volunteer network world-wide. He is currently pursuing Master of Business Administration (Finance) degree at Kenyatta University, Nairobi. Certified Pension Trustee from the College of</td></tr>
</table>

	Insurance/ Retirements Benefits Authority and ISO9001:2015 Quality Management System Internal Auditor of the Kenya Bureau of Standards. He is the Performance Contract Co-ordinator. He has been Chairing various Senior Management Sub-committees dealing with various assignments. He was appointed to the position on 1 June 2020.
 **3. Mr. Evans T. Nyachieng'a** Ag. General Manager - Commercial Services	Mr. Evans Nyachieng'a (56 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 (48 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 (55 years) is the Administration Manager. He holds a Bachelor of Education (Language and Literature) degree from Kenyatta University and a Higher Diploma in Human Resources Management (KNEC) from Railway Training Institute. He is currently in the final stages of completing his Master's in business administration (MBA) at the Strathmore School of Business (SBS). He is a certified ISO 9001:2008 Quality Management System series Lead Auditor and is a member of the Institute of Human Resources Management (IHRM). He was appointed to the position on 1 August 2014.

 **6. Mr. Jackson Musau** Ag. Production Manager	Mr. Jackson Musau (52 years) is the Ag. Production Manager at Kenya Literature Bureau with effect from March 2022. He holds a Bachelor of Science degree from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He holds a Post Graduate Diploma in Education form Kenyatta University and Master in Business Administration from University of Nairobi. He also from Africa Nazarene University. He was appointed to the position on 10th February 2022.
 **7. CHRP Roselyn W. Mugavana** Human Resources Manager	Mrs. Roselyn Mugavana (51 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 (56 years) is the Internal Audit Manager at Kenya Literature Bureau. He holds a Master of Business Administration (Accounting Option) degree and Bachelor of Commerce (Accounting Option) degree, both from the University of Nairobi. He is a Certified Public Accountant CPA (K) and a Certified ISO9001:2015 Quality Management System Internal Auditor by the Kenya Bureau of Standards. He is member of the Institute of Certified Public Accountants of Kenya and was previously the ISO 9001:2008 Quality Management Representative at Kenya Literature Bureau. He was appointed to the position of Internal Audit Manager on 1 August 2013.

 **9. Mr. Kenneth Jumba** Publishing Manager	Mr Kenneth Nyabera Jumba (54 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 (51 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.

5. CHAIRMAN'S STATEMENT

I am pleased to present to you the Annual Report and Financial Statements for the financial year ended June 30, 2023 for Kenya Literature Bureau.

The past year has been marked by significant progress and accomplishments for the Bureau. We have continued our mission mandate of promoting literacy and preserving our cultural heritage through the provision of quality educational materials and publications.

Business Operating Environment

The World real Gross Domestic Product (GDP) decelerated by 3.4% in 2022, as compared to 6% in 2021. This was majorly contributed by the post COVID-19 tightening of monetary policies of most economies in the world, the continued supply chain disruptions, sanctions against Russia on invasion of Ukraine, strengthening of the United States Dollar against major currencies among others.

In the sub-Saharan Africa, the economy decelerated by 3.9% in 2022 as compared to 4.8% in 2021. The East Africa Community economy real Gross domestic Product declined to 4.9% in 2022 as compared to 6.7% in 2021.

The global inflation rate settled at 8.7% in 2022 from 4.7% in 2021, mainly due to high energy prices, supply chain disruptions associated with the Russia-Ukraine war and significant currency depreciation.

In Kenya, the real Gross Domestic Product (GDP) declined to 4.8% in 2022 as compared to the revised growth of 7.6% in 2022. The growth was spread across the sectors but was more pronounced in the service-oriented activities.

The manufacturing sector, where the Bureau plays a critical role, grew by 2.7% in 2022 in real value added as compared to a 7.3 in 2021. The manufacturing sector share of GDP was 7.8% in 2022.

Activities and the successes during the year under review

The Bureau continued with the third year of the implementation of the fourth cycle Strategic Plan 2020 – 2024. The Strategic Plan is premised on the four strategic pillars, namely, Financial Sustainability, Customer Centricity, Operational Efficiency and Organizational Capacity Development.

1. **Quality Educational Materials**: The Bureau remained steadfast in its commitment to providing high-quality educational and knowledge materials. Our dedicated team of authors, editors, and illustrators worked diligently to develop new and revised publications that align with the evolving educational landscape in Kenya.
2. **Digital Transformation**: Embracing the digital era, the Bureau made substantial investments in digital content development and distribution. This shift has enabled us to reach a broader audience, especially in remote areas and overseas, and has improved access to educational resources. We continued to develop interactive digital content, promotes versatility in educational resources access and usage.
3. **Partnerships and Collaborations**: We expanded our collaborations with educational institutions, government agencies, and other stakeholders to enhance the reach and impact of our publications. These partnerships have helped us better understand the evolving needs of the education sector. We continued to partner with the Kenya National Examinations Council to print and distribute their Examinations feedback reports for KCPE and KCSE.

The Bureau continued to upskill its employees by providing sponsorship on some academic programmes which deal with the much-needed technical skills such as printing technology. We implemented various training intervention programmes and sponsored staff to seminars, conferences, workshops, sensitization trainings among others. This was geared towards capacity building to enable the Bureau to meet its revenue and growth targets.

We redirected our energies and focused on strong brand position, market expansion and the revamping our customer experience to deliver quality products and printing solutions to customers for business growth and improved shareholder value.

Despite the challenges brought about by the ongoing global pandemic and its impact on the education sector, the Bureau has achieved significant successes:

1. **Increased Market Penetration**: Our efforts in promoting and marketing our products and services have borne fruits by expanding our market reach. The digital transformation has allowed us to reach a wider audience,

ensuring that students and educators across the country have access to our materials.

2. **Improved Product Quality**: We have received positive feedback from educators and others alike regarding the quality and relevance of our educational materials.
3. **Financial Sustainability**: Despite the economic uncertainties, the Bureau has maintained a stable financial position, ensuring that we can continue our mission to serve the educational needs of our nation.
4. **Modernization of printing press**: The year under review has registered a remarkable achievement following the purchase and installation of the new web offset printing machine and the Binding and trimming line. This has gone a long way in boosting internal printing capacity and hence reducing the production turnaround time. This is part of the modernization strategy which is being implemented in phases.

Stakeholder engagement and Corporate Social Investment

The Bureau as a corporate citizen, continued with its focus of meeting and exceeding the stakeholder needs and expectations. The Bureau donated various books to school libraries hosting the less fortunate and marginalized societies throughout the country.

As part of the stakeholder engagement, the Bureau sponsored key stakeholder events (conferences, seminars, workshops e.t.c). These included the Ministry of Education (conferences requiring pooled resources), Kenya Primary Schools Heads Association (KEPSHA), Kenya Secondary Schools Primary School Heads Association (KESSHA), Kenya Private Schools Association (KPSA), Wildlife Clubs of Kenya (Art and Easy Competition) among others.

The Bureau also participated in the Nairobi International Bookfair, held in September 2022. This is an event that attracts readers and publishers from all walks of life and helps the publishers show case their offerings.

Challenges during the year under review

While celebrating our successes, we acknowledge the challenges that lie ahead:

1. **Continued Digital Transition**: The transition to digital materials remains a work in progress, and we must remain agile in adapting to new technologies and pedagogical approaches.
2. **Resource Constraints**: Financial resources are essential for our expansion and growth. We need to explore innovative ways to secure funding and investment for our long-term sustainability.
3. **Economic growth**: The fundamentals of the economy continue to fluctuate and leading to adverse effects in the short-run, with the economy expected to rebound back on track in the medium term.

Future Outlook:

As we look ahead, the Bureau remains dedicated to its core mission of advancing literacy and education in Kenya. Our focus for the coming year and beyond includes:

1. **Digital Learning Solutions**: We will continue to invest in digital learning solutions and resources to ensure that we remain at the forefront of educational innovation.
2. **Digitization of services** to make them accessible to the customers and other stakeholders.
3. **Partnerships and Collaboration**: Strengthening our collaborations with government agencies, educational institutions, and other stakeholders to ensure that our materials are in line with national curriculum standards and policies.
4. **Financial Sustainability**: Exploring avenues for sustainable funding and investment to support our growth and expansion initiatives.
5. **Community Engagement**: Engaging with local communities to better understand their unique educational needs and ensuring that our publications reflect local contexts.
6. **Review of Strategic Plan**: In the coming year, we have targeted to review the Strategic Plan 2020 -2024 to align the same with Medium Term IV and the Bottom Up Economic Transformations Agenda (BETA). This will also help to align the plan with the report by the Presidential Working Party on Educations Reforms, which was released in August 2023. Critical recommendation on reforming the Competency Based Curriculum (CBC), will have an impact on the future of a greater market segment for which the Bureau has developed and distributed books.

We will continue to implement solid and aggressive marketing strategies to boost and maximize the revenue generation. We will continue to offer high quality print solutions to individuals, private institutions and Government Ministries, Departments and Agencies (MDA's).

We will continually work with the Ministry of Education and the Kenya Institute of Curriculum Development (KICD) in ensuring learning materials are availed for the new CBC as well as those of the 8-4-4 system of education. We intend to enhance institutional printing capacity, and venture into production of branded exercise books. There is immense opportunity for growth of our business, and we will strategically position ourselves to expand our business in order to maximise shareholder value.

We assure the Government and our stakeholders that, the Board of Management is committed to providing effective leadership in guiding the organisation towards greater prosperity and sustainability. To this end, Bureau has been implementing policies and programmes to enhance and maintain high standards of ethical behaviour in accordance with the Leadership and Integrity Act, 2012 as well as the Public Officer Ethics Act, 2007 among other laws and regulations.

Financial Results

The gross turnover realized amounted to Kshs. 2.743 Billion as compared to Kshs. 2.676 Billion in 2021/22, which was a 2.5% performance improvement, mainly due rise in book sales to the Government Order for distribution to the public primary and secondary schools.

We registered a gross profit of Kshs. 1.027 Billion as compared to Kshs. 1.137 Billion in FY 2021/22. This represented a contraction of 9.7%, mainly due to higher costs of sales. Other revenues grew to Kshs. 37.188 Million as compared to Kshs. 60.869 Million in FY 2021/22. The other income declined by 39% mainly due to the reduced investment income. This was due to the lower interest rate regime and the reduced stock of investments. The total revenues (appropriations in aid) amounted to Kshs. 2.78 Billion in FY 2022/23 as compared to Kshs. 2.737 Billion in FY 2021/2022, representing a growth of 1.6%.

Dividends

The Bureau being a commercial state corporation has been over time maintained its status as a profitable government investment, operating with internally generated funds since 1993 and declaring dividend on a yearly basis, in addition to the great contribution the country's tax revenue.

The Bureau continues to meet its financial obligations to the shareholder and declared dividends based on the **approved policy of ten (10) per cent on the after-tax net profits.** The Bureau paid dividends amounting to Kshs. 28.893 Million for the years ended 30 June, 2019, 2020, 2021 and 2022 based on the audited financial statements and despite the adverse effects of COVID-19 Pandemic which disrupted institutional and school learning in 2020 and 2021.

In the year under review, the Board declared a dividend of Kshs. 18.88 Million for the FY 2022/23 ended 30th June 2023, subject to withholding tax, where applicable, whose payment will be awaiting the finalization of the audit of the financial statements. This represented a 121.5% growth as compared with the same period FY 2021/2022, when Kshs. 8.522 Million was declared.

Appreciation

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

Dr. Rispah Wepukhulu, PhD

CHAIRMAN, BOARD OF MANAGEMENT

6. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to present the Annual Report and Financial Statements for the financial year ended 30th June 2023, which provides a review of the Bureau's key operational performance and highlights of our strategic priorities.

The Bureau has continued to develop learning and teaching materials to support the Government in the implementation of both the Competency Based Curriculum (CBC) and the outgoing 8-4-4 education system. The materials were submitted to Kenya Institute of Curriculum Development (KICD) for evaluation and approval.

We continue to build strong stakeholder networks and partnerships with the Ministry of Education, Kenya Institute of Curriculum Development (KICD), County Governments, National Government Constituency development Fund (NG-CDF), booksellers and other stakeholders including Kenya Primary Schools Heads Association (KEPSHA), Kenya Secondary Schools Primary School Heads Association (KESSHA), Kenya Private Schools Association (KPSA) among others.

Corporate Strategy Plan

We continue to implement the fourth cycle Strategic Plan 2020-2024, which was in the third year in the financial year 2022/2023.

We are focused on our mandate to support the Ministry of Education in the provision of quality learning and teaching materials to towards the achievement of the National Goals of Education. We as a commercial state-owned and the largest textbook publisher in the country, is a critical player in supporting and meeting the growing need for instructional materials in institutions of learning and teaching.

The Bureau continued with the third year of the implementation of the fourth cycle Strategic Plan 2020 – 2024. The Strategic Plan is premised on the four strategic pillars, namely, Financial Sustainability, Customer Centricity, Operational Efficiency and Organizational Capacity Development. Our main focus has been on:

1. **Quality Educational Materials**: The Bureau remained steadfast in its commitment to providing high-quality educational and knowledge materials. Our dedicated team of authors, editors, and illustrators worked

diligently to develop new and revised publications that align with the evolving educational landscape in Kenya.

2. **Digital Transformation**: Embracing the digital era, the Bureau made substantial investments in digital content development and distribution. This shift has enabled us to reach a broader audience, especially in remote areas and overseas, and has improved access to educational resources. We continued to develop interactive digital content, promotes versatility in educational resources access and usage.
3. **Partnerships and Collaborations**: We expanded our collaborations with educational institutions, government agencies, and other stakeholders to enhance the reach and impact of our publications. These partnerships have helped us better understand the evolving needs of the education sector.
4. **Strong brand position**: We redirected our energies and focused on strong brand position, market expansion and the revamping our customer experience to deliver quality products and printing solutions to customers for business growth and improved shareholder value.

Achievements during the year under review:

1. **Increased Market Penetration**: Our efforts in promoting and marketing our products and services have borne fruits by expanding our market reach. The digital transformation has allowed us to reach a wider audience, ensuring that students and educators across the country have access to our materials.
2. **Improved Product Quality**: We have received positive feedback from educators and others alike regarding the quality and relevance of our educational materials.
3. **Financial Sustainability**: Despite the economic uncertainties, the Bureau has maintained a stable financial position, ensuring that we can continue our mission to serve the educational needs of our nation.
4. **Modernization of printing press**: The year under review has registered a remarkable achievement following the purchase and installation of the new web offset printing machine and the Binding and trimming line. This has gone a long way in boosting internal printing capacity and hence reducing the production turnaround time. This is part of the modernization strategy which is being implemented in phases.

5. **Partnerships and collaborations:** The Bureau has enhanced the capacity for collaborations and partnerships, which are mutually beneficial. We continued to partner with the Kenya National Examinations Council to print and distribute their Examinations feedback reports for KCPE and KCSE.

We continue to diversify our business, expand our markets and clientele, pursue various initiatives aimed at achieving the objectives set in the Strategic Plan 2020-2024.

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

We have enhanced our commitment towards supporting the Government of Kenya in its educational reform programs through the development, marketing and distribution of Competency Based Curriculum (CBC)materials throughout the country and strengthening our regional footprint as a leading publishing and printing house.

We continue to invest in human capital to boost capacity building, to improve the staff knowledge, skills and competences, motivation, attraction and retention. We continue to promote the entrenched a customer-centric culture and preventive maintenance culture in order to improve efficiency and output in all areas of our business. Our employees are committed to excellence in performance, service delivery, innovation and productivity.

Operating Environment

The World real Gross Domestic Product (GDP) decelerated by 3.4% in 2022, as compared to 6% in 2021. This was majorly contributed by the post COVID-19 tightening of monetary policies of most economies in the world, the continued supply chain disruptions, sanctions against Russia on invasion of Ukraine, strengthening of the United States Dollar against major currencies among others.

In the sub-Saharan Africa, the economy decelerated by 3.9% in 2022 as compared to 4.8% in 2021. The East Africa Community economy real Gross domestic Product declined to 4.9% in 2022 as compared to 6.7% in 2021.

The global inflation rate settled at 8.7% in 2022 from 4.7% in 2021, mainly due to high energy prices, supply chain disruptions associated with the Russia-Ukraine war and significant currency depreciation.

In Kenya, the real Gross Domestic Product (GDP) declined to 4.8% in 2022 as compared to the revised growth of 7.6% in 2022. The growth was spread across the sectors but was more pronounced in the service-oriented activities.

The manufacturing sector, where the Bureau plays a critical role, grew by 2.7% in 2022 in real value added as compared to a 7.3 in 2021. The manufacturing sector share of GDP was 7.8% in 2022.

Challenges during the year under review

The Bureau registered great successes during the year under review, but we also acknowledge the challenges that lie ahead:

1. **Continued Digital Transition**: The transition to digital materials remains a work in progress, and we must remain agile in adapting to new technologies and pedagogical approaches.
2. **Resource Constraints**: Financial resources are essential for our expansion and growth. We need to explore innovative ways to secure funding and investment for our long-term sustainability.
3. **Economic growth**: The fundamentals of the economy continue to fluctuate and leading to adverse effects in the short-run, with the economy expected to rebound back on track in the medium term.

In the year 2022, the business environment had started off sluggishly with uncertainty due to the General elections. This greatly impacted on the level of achievement of the Strategic Plan objectives and targets for the Bureau. However, the Bureau managed to register improvement in performance as compared to the financial year 2021/22.

Financial Results

Revenues

The gross turnover realized amounted to Kshs. 2.743 Billion as compared to Kshs. 2.676 Billion in 2021/22, which was a 10% performance improvement, mainly due rise in book sales to the Government Order for distribution to the public primary and secondary schools.

We registered a gross profit of Kshs. 1.027 Billion as compared to Kshs. 1.137 Billion in FY 2021/22. This represented a contraction of 9.7%, mainly due to higher costs of sales. Other revenues grew to Kshs. 37.188 Million as compared to Kshs. 60.869 Million in FY 2021/22. The other income declined by 39% mainly due to the reduced investment income. This was due to the lower interest rate regime and the reduced stock of investments. The total revenues (appropriations in aid) amounted to Kshs. 2.78 Billion in FY 2022/23 as compared to Kshs. 2.737 Billion in FY 2021/2022, representing a growth of 1.6%.

Operating expenses

The operating expenses amounted to Kshs. 895.72 Million as compared to Kshs. 1.061 Billion in FY 2021/22. Out of this amount Kshs. 302.372 Million related to the trade discount allowed expenses to customers, as compared to Kshs. 409.775 Million in FY 2021/22 representing 21.9% decline.

The operating expenses declined by 15.65% mainly due to lower selling and distribution costs Kshs. 418.757 Million (inclusive of trade discounts) as compared to the previous year of Kshs. 587.005 Million. This reflects the lower than targeted open market sales during the year.

In the year under review, the total costs amounted to Kshs. 2.611 Billion as compared to Kshs. 2.6 Billion in FY 2021/22, representing a 0.4% increase, mainly due rising costs of production inputs, adverse foreign exchange rates and rising fuel costs among others.

Profitability

The Bureau registered a pre-tax profit of Kshs. 168.69 Million in FY 2022/23 as compared to Kshs. 136.805 Million in FY 2021/22. This was an impressive performance improvement of 23.3%, which was an indication of positive recovery despite the depressed open market sales activities. The book sales to the Government of Kenya through the Ministry of Education and the print sales, boosted the profitability for the year.

Financial position and Liquidity

As at the end of the financial year 2022/23, the Bureau's net asset worth was registered at Kshs. 4.396 as compared to Kshs. 4.352 Billion in the year 2021/22, representing a growth of 1.02%. The non-current assets amounted to Kshs. 1.841 Billion as compared to Kshs. 1.597 Billion in the previous year representing a 15% growth due to the purchase of new Web offset Printing Machine and Binding and Trimming line among other assets.

The current assets reduced to Kshs. 4.02 Billion in FY 2022/23 as compared to Kshs. 4.414 Billion in FY 2021/22. The current liabilities reduced to Kshs. 1.463 Billion as compared to Kshs. 1.659 Billion FY 2021/22 representing 11.8% decline due to the liquidation of the matured financial obligations.

The Bureau has over the years maintained a solid financial position with acid test ratio being 1.423 times, which indicates the extent to which the liquid assets can cover the current liabilities. The Bureau closed the financial year with a cash and cash equivalents of Kshs. 307.127 Million in FY 2022/23, which is deemed favourable after the payment of matured liabilities.

Dividends

The Bureau being a commercial state corporation has been over time maintained its status as a profitable government investment, operating with internally generated funds since 1993 and declaring dividend on a yearly basis, in addition to the great contribution the country's tax revenue.

The Bureau continues to meet its financial obligations to the shareholder and declared dividends based on the **approved policy of ten (10) per cent on the after-tax net profits**. The Bureau paid dividends amounting to Kshs. 28.893 Million for the years ended 30 June, 2019, 2020, 2021 and 2022 based on the audited financial statements and despite the adverse effects of COVID-19 Pandemic which disrupted institutional and school learning in 2020 and 2021.

In the year under review, the Board declared a dividend of Kshs. 18.88 Million for the FY 2022/23 ended 30th June 2023, subject to withholding tax, where applicable, whose payment will be awaiting the finalization of the audit of the financial statements. This represented a 121.5% growth as compared with the same period FY 2021/2022, when Kshs. 8.522 Million was declared.

Appreciation

Finally, may I take this opportunity to sincerely thank the Government of Kenya (GoK), through the Ministry of Education, the Board, our stakeholders, management and staff whose valued contribution, support and commitment has significantly led to the impressive financial performance, despite the business disruptions experienced in the previous year.

CPA Victor Lomaria, OGW
MANAGING DIRECTOR

7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Kenya Literature Bureau has been implementing the fourth generation Strategic Plan 2020 – 2024. The Bureau reviews the strategic plan implementation on an annual basis.

The operations of the Bureau are anchored within a framework of four (4) strategic pillars and objectives under the approved Strategic Plan for the FY 2020/21- FY 2024/25.

These strategic pillars/ themes/ issues are including:

Pillar 1: Financial Sustainability, which entails promoting revenue growth and cost reduction and management to enhance organizational sustainability.

Pillar 2: Customer Centricity, which entails focus on the needs and expectations of the customer/citizen and other stakeholders.

Pillar 3: Operational Efficiency, which entails enhanced operational efficiency in service delivery processes and procedures leading to operational effectiveness.

Pillar 4: Organizational Capacity Development, which entails the programmes and projects that promote the employee and organization capacity to efficient service delivery.

Strategic Objectives

KLB Strategic Plan 2020-2024 has the following strategic objectives:

1. To grow projected gross revenue from Kshs 2.718 Billion in 2020/2021 to Kshs 3.198 B in 2024/2025
2. To increase customer satisfaction from 80% in 2019/2020 to 83% by 30th June 2024
3. To improve total efficiency and effectiveness from 1.77 in 2020/2021 to 1.283 in 2024/2025
4. To enhance average employee productivity from Kshs 13.3m in 2020/2021 to Kshs 14.3 Million by 30th June 2024/2025.

The Bureau developed its annual work plan for FY 2022/2023 based on the above four (4) pillars/Themes/Issues. The assessment of the Bureau's performance against its annual work plan is done on a quarterly basis. The FY 2022/23 was the 3rd year of implementation of the Strategic Plan.

Overview of the strategic plan 2020-2024 for the last three (3) years (2020-2023)

In the past three years 2020-2023), the Bureau achieved an overall implementation rating of 78.8% comprising 69.1% on Financial Sustainability, 80.1% on Customer Centricity, 96% on Operational Efficiency and effectiveness and 69.3% on Organizational Capacity Development.

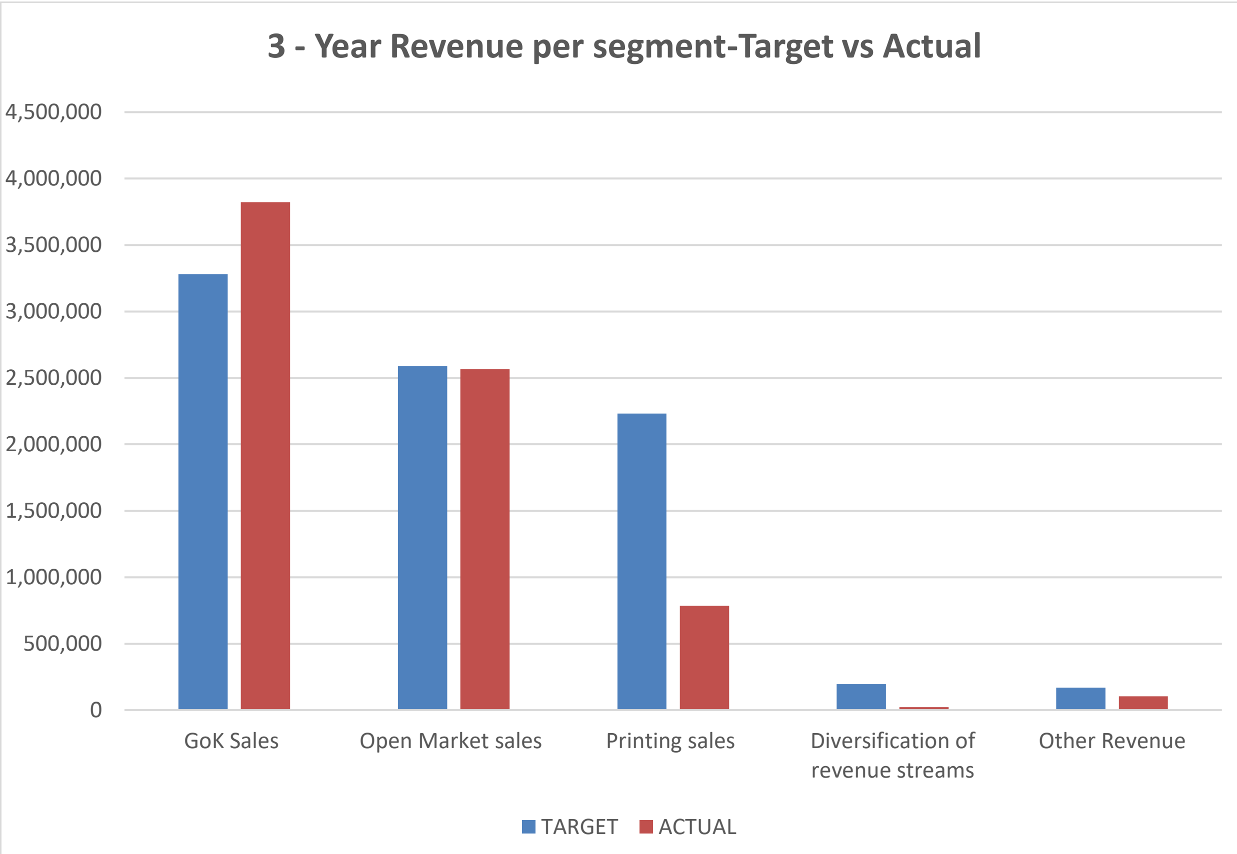
PILLAR	FY 2020/2021	FY 2021/2022	FY 2022/2023	AVERAGE
Financial Sustainability	62.7%	61.7%	82.9%	**69.1%**
Customer Centricity	80%	78.8%	81.6%	**80.1%**
Operational Efficiency & Effectiveness	90%	95%	105%	**96.7%**
Organizational Capacity Development	63%	62%	83%	**69.3%**
Annual Average	**73.9%**	**74.4%**	**88.1%**	**78.8%**

1. Financial Sustainability Pillar

The Bureau projected to grow projected revenue from **Kshs. 2.718B** in 2020/2021 to **Kshs 3.198B** in **2024/2025**.

- By the end of the third year of the SP implementation cumulative revenue was at **Kshs**. **7.2B** as compared to a target of **Kshs**. **8.1B**.
- This indicates a negative variance of **Kshs**. **0.93B** and an achievement rate of **88.9%**
- The shortfall of **Kshs 0.93B** was from projections made on print sales and diversification to other revenue streams business which was affected by the austerity measures introduced by the National Government Ministries,

Departments and Agencies (MDAs) and County Governments which show huge reduction on the budget on printing activities.



2. Customer Centricity Pillar

	STRATEGY	TARGET	ACTUAL	VARIANCE	REMARKS
2.1	Increase Customer Satisfaction	Achieve Customer Satisfaction Level of 82%	Internal Customer satisfaction survey was carried out and the Bureau was rated at 82%	0%	The projected 83% rating by end of the SP Implementation is expected to be attained.
2.2	Ensure product and service availability	Develop and publish 475 market driven books	Developed and published 326 titles	-149 titles	The remaining titles to be developed in 2023-2024

		761 titles to be converted to e-titles	Converted 644 titles into e-books	-117 Titles	The remaining titles to be converted in 2023-2024
		Processing of 213 unsolicited manuscripts	156 manuscripts were processed	-57 Manuscripts	To be processed this current year
2.3	Diversification of products & services	Design & develop 12 alternative products & services	4 products and only one service was developed	-8 products & services	More products to be developed
2.4	**Timely delivery of products & services**	**Design & implement- six (6) effective delivery channels**	**Three channels were designed and implemented**	**-3**	**50%**
		Process & respond to customer inquiries within 24 hrs	The turnaround time of 24 hours was achieved	0	100%
		Process and deliver customer orders within 24 hours	The turnaround time of 24 hours and 7 days was achieved	0	100%
2.5	Improve customer experience	Review and implement customer service charter	Reviewed and implementation ongoing	0%	100%
		Design and implement two (2) customer loyalty Programs	The customer loyalty programs were not designed and hence not implemented	0%	100%
		The 52 weekly newsletters & 12 monthly bulletins to be published	52 newsletters & 12 bulletins published as per plan.	Nil	100%

2.6	Improve quality of products & services	**75 titles submitted to KICD for approval**	45 titles submitted to KICD were approved	30 Titles	60%
2.7		**Undertake twelve (12) quality inspection reports for raw materials**	Twelve (12) quality inspection reports for raw materials undertaken	Nil	100%
		Undertake twelve (12) quality inspection reports for service rendered	Twelve (12) quality inspection reports for service rendered carried out	Nil	100%
		Carry out twelve (12) quality inspection reports for finished products (Internal and external supply for quality standards)	Twelve (12) quality inspection reports for finished products done	Nil	100%
		Carry out three (3) Supplier Performance evaluation reports	Three (3) Supplier Performance Evaluation reports done	Nil	100%
2.7	Improve Corporate image	**Carry out a corporate brand audit and implement findings**	Brand audit was carried out	0%	100%
		Develop & implement KLB brand manual	KLB brand manual developed	0%	100%
		Carry out 16 interviews for CEO	10 interviews for the CEO	-6	62.5%

		& mgt to build strategic media relationships	and management were carried out		
		Carry out six (6) corporate social value programs	5 programs were carried out	-1	83.3%

3. Operational efficiency and effectiveness Pillar

#	STRATEGY	TARGET	ACTUAL	VARIANCE	%
3.1	Re-Engineer Business process	Acquire & maintain ISO 27001:2013 certification	The certification for ISO 27001:2013 not yet achieved	50%	50%
		Maintaining ISO 9001:2015 certification	Certification maintained	0%	100%
		Outsource non-core services	3 Non core services were out sourced	Nil	100%
3.2	**Integrate ICT in key busine ss processes & systems**	**3 processes to be integrated**	5 processes integrated	Nil	100%

		16 systems to be installed and integrated	20 systems were installed & integrated	Nil	100%
3.3	Improve printing press capacity	**Increase machine capacity utilization at 85%**	Capacity utilization at 27%	63%	27%

4. Organizational Capacity Development Pillar

#	STRATEGY	TARGET	ACTUAL	VARIANCE	%
4.1	Strengthen human resource management planning	Review and implement organizational structure	Organogram revised	0%	100%
		Carry out recruitment & placement of 25 qualified staff	16 staff out of .25 were recruited	-36%	64%
		Design & implement three (3) succession management plan	Three succession plans have been put in place	Nil	100%
		Carry out three (3) Training Needs Assessment (TNA)	Three (3)Training Needs Assessment were carried out	Nil	100%
4.2	**Strengthen performance management system**	**Prepare & submit four (4) performance contracting reports**	12 quarterly reports generated	Nil	100%
		The revenue target for three years per employee was Kshs. 42.62M	The actual revenue per employee for three years was Kshs. 35.89M	-6.73M	84%
4.3	Improve employee welfare	**Carry out annual work environment survey and implement findings**	Annual work environment survey carried out	Nil	100%
4.4		**Develop & implement three (3) board work plans**	Three (3) board work plans developed	Nil	100%

	Strengthen corporate governance	**Review four (4) board committee charters**	4 board committee charters reviewed	Nil	100%
		Comply with the constitution of Kenya and other laws	Complied with the constitution and other laws	Nil	100%
		Review & implement the Corruption Prevention Plan (CPP)	CPP reviewed and implemented	Nil	100%
4.5	**Organizational capacity enhancement**	**Carry out renovation of KLB building 2nd floor western wing**	Renovation of 2nd floor western wing not done	-100%	0%
		Expansion of warehouse	Expansion of warehouse not done	-100%	0%
		Undertake production floor optimization	Production floor redone	Nil	100%
		Procure & install five printing machine to increase capacity	Procured three machines: Web machine, binding machine, air compressor, Electric Distribution board & Forklift	Nil	100%
		Project to print 30m books	18.1M books were printed	-11.9M	60.3%
4.5	**Organizational capacity enhancement**	**Procure 8 vehicle to enhance fleet capacity**	Only two(2) vehicles were procured	-6	25%
		Procure 47 office equipment	35 various equipment were procured	-12	74%
		Procure office 21pieces of furniture	67 pieces of furniture were procured	+45	319%
		Procure 26 ICT hardware	25 ICT hardware were procured	-1	96%
		Dispose idle assets	All the vehicles planned for disposal were disposed	Nil	100%
4.6	**Develop & implement enterprise risk management (ERM) framework**	**Develop an ERM policy**	ERM policy was developed	Nil	100%

4.7	Design & implement monitoring & evaluation framework	**Develop the annual corporate work plan**	Three annual work plans were developed	Nil	100%
		Develop a monitoring & evaluation framework	An M & E framework was developed	Nil	100%
		Evaluate strategic plan implementation	Strategic plan has been evaluated quarterly and midterm review carried out	Nil	100%

The Strategic Plan activities for year 2022/23 were captured in the signed Performance Contract for FY 2022/23 and were cascaded to all the cadres of staff through the Balanced Score Performance Management System.

8. CORPORATE GOVERNANCE STATEMENT

Corporate Governance is the structure of the rules, practices and processes used to direct and manage an organization. In the Bureau Corporate Governance has been entrenched through various instruments. It has provided the framework for the attainment of the Bureau's strategic objectives in a globally dynamic business environment. The Bureau has continually operated within corporate governance principles that serve to balance the interest of various stakeholders. Corporate governance encompasses all spheres of management from the strategic initiatives to performance management and corporate disclosure.

The Board and Management recognises and embraces the basic principles of corporate governance which include accountability, transparency, fairness and responsibility. This promotes the enhancement and protection of the shareholder value, continued sustainability, and enhanced promotion of a knowledgeable and inspired society.

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

a) BOARD AND COMMITTEE CHARTERS

The Board and its constituent committee have approved Board Charters that guides the conduct of meetings and other deliberations of the Board and the committees. The Board provides leadership, integrity, enterprise and good judgement in directing the Bureau and acts in the best interest of the business for continued viability and sustainability. The Board of Management confirms that the approved existing Board

Charter and their respective Board Committee Charters have been aligned to the provisions of the *Mwongozo Code of Governance for State Corporations* and other related laws or statutes.

b) THE COMPOSITION OF THE BOARD OF MANAGEMENT

The Board of Management comprises nine [9] members: the Chairman, Managing Director, five [5] independent directors and two [2] directors representing various governmental agencies as per the Kenya Literature Bureau Act Cap 209 of 1980 (Revised 2012).

In line with the Mwongozo Code of Governance, 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. Six (6) of the members of the Board, including the Chairman, are independent. The areas of expertise of the members, who served during the financial year, are as follows:

Names of Board Members and their areas of expertise

	NAME	AREA OF EXPERTISE
1.	Dr. Rispah N. Wepukhulu, PhD	Education and Administration
2.	CPA, Victor Lomaria, OGW	Accounting, Investment and Financial Management
3.	Dr. Elyas Abdi, PhD	Education and Administration
4.	CPA, Cheryl Majiwa	Accounting, Investment and Financial Management
5.	Mr. Michael Monari	Corporate Governance, Banking and Finance
6.	Mrs. Edise W. Ndirangu	Theology and Counselling
7.	Mr. David K. Kimeto	Education and Administration
8.	Ms. Doris Shianda	Banking and Finance
9.	Mr. Mercelino S. Lesaigor	Legal jurisprudence

c) APPOINTMENT AND REMOVAL OF BOARD MEMBERS

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

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

d) THE ROLES AND FUNCTIONS OF THE BOARD

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

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

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

e) ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

f) SUCCESSION PLAN

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

g) BOARD INDUCTION AND TRAINING

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

h) BOARD AND MEMBER PERFORMANCE EVALUATION

The Board conducts an annual evaluation coordinated by the State Corporations Advisory Committee (SCAC) to assess its effectiveness in discharging its mandate. The process entails a self-evaluation for each director, evaluation of the Chairman by the Board on the overall Board interactions and conduct of business meetings and evaluation of the Chief Executive Officer. The Bureau conducts the Board meetings either in person or virtual basis.

i) BOARD MEETINGS AND ATTENDANCE

i) FULL BOARD OF MANAGEMENT

The Full Board of Management meets at least once in a quarter or more depending on the requirements of the business up to a maximum of six (6) and in compliance with the Government guidelines on such meetings. The Board has a formal schedule of matters to be discussed. The members receive adequate notice and detailed reports in good time to facilitate informed deliberations and decision making and in compliance with the *Mwongozo Code of Governance for State Corporations*.

The Board promotes an environment of innovative thinking, consultation, cordial relations, information sharing, and openness in communication. The Board has an opportunity to meet with all the Bureau's staff in December of each year during the end of year luncheon.

Board Appointment

The Chairman and the Board members were appointed on 10th March 2023. The Board was inaugurated on 31st May 2023 by the Cabinet Secretary for Education, Hon. Ezekiel Machogu, CBS. This is the only meeting that the Board held during the year under review.

The Board held a total of seven (7) meetings (including special meetings) during the year under review, which were well attended as detailed below:

Full Board Inauguration meeting membership attendance

NO.	NAME	POSITION	BOARD MEETINGS (ONE MEETINGS)
1.	Dr. Rispah N. Wepukhulu, PhD	Chairperson	1/1
2.	CPA, Victor Lomaria, OGW	Managing Director	1/1
3.	Dr. Elyas Abdi, PhD	Representing Ministry of Education	1/1
4.	CPA, Cheryl Majiwa	Alternate, CS National Treasury	1/1
5.	Mr. Michael Monari	Independent Member	1/1
6.	Mrs. Edise W. Ndirangu	Independent Member	1/1
7.	Mr. David K. Kimeto	Independent Member	1/1
8.	Ms. Doris Shianda	Independent Member	1/1
9.	Mr. Mercelino S. Lesaigor	Independent Member	1/1

j) BOARD COMMITTEES

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

a) **Audit and Risk Management and Compliance Committee**

b) **Finance Human Resources and General Purpose Committee**

c) **Operation & Strategy Committee**

Good Corporate governance practices dictate that factors such as minimum number of members per committee, diverse competencies, mix of skills and experience be taken into consideration in constituting committee membership.

In constituting the Committees, the Office of the President circular No. OP/CAB.9/1A dated 11th March 2020 on Management of State Corporations) issued by the Head of Public Service, applies as follows:

i) The number of members to any Committee should be no more than one third (1/3), meaning four (4) members per Committee. Further, members can only sit in a maximum of two (2) committees. Any exceptions must secure written approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee.
ii) The Board shall appoint the chairpersons of each Committee, with priority given to Independent Directors to serve in such capacities. The Board Chairpersons shall not sit in Committees as members or in attendance.
iii) Except the members representing the National Treasury and parent Ministry, a member serving in the Board Audit Committee shall not be appointed member of Finance Committee and vice versa. The constitution of the Audit Committee should strictly comply with National Treasury circulars issued from time to time.
iv) The Committee members shall serve for a continuous period of up to twelve (12) months, and thereafter be subject to rotation except for the National Treasury and Parent Ministry representatives.

v) The number of members to any Committee should be no more than one third (1/3), meaning four (4) members per Committee. Further, members can only sit in a maximum of two (2) committees. Any exceptions must secure written approval of the respective Cabinet Secretary in consultation with State Corporations Advisory Committee.

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

k) BOARD COMMITTEES' MEMBERSHIP FOR FY 2022/23

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

AUDIT RISK MANAGEMENT & COMPLIANCE COMMITTEE

NO.	NAME	POSITION
1	Mr. David Kimeto	Chairman
2	Ms. Cheryl Majiwa	Member
3	Mr. Marcelino Lesaigor	Member
4	Representative of the Ministry of Labour and Social Protection	Member

OPERATIONS AND STRATEGY COMMITTEE

NO.	NAME	POSITION
1	Mrs. Edise Ndirangu	Chairperson
2	Ms. Doris Shianda	Member
3	Dr. Elyas Abdi, PhD	Member
4	Representative of the University of Nairobi	Member

FINANCE, HUMAN RESOURCE & GENERAL-PURPOSE COMMITTEE

NO.	NAME	POSITION
1	Mr. Michael Monari	Chairperson
2	Ms. Cheryl Majiwa	Member
3	Ms. Doris Shianda	Member
4	Representative of National Commission for Science,	Member

	Technology & Innovation (NACOSTI)	

AUDIT, RISK MANAGEMENT AND COMPLIANCE COMMITTEE

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

(i) Evaluating the scope, nature and priorities of audit, risk management and compliance.
(ii) Reviewing aspects relevant to governance, internal control procedures, risk management and internal audit.
(iii) Ensuring that the Internal Audit function is adequately resourced and has appropriate standing within the organization.
(iv) Consideration of audit findings of the internal auditor and management's response.
(v) Consideration of major findings and recommendations of external auditors in their Management Letter and management's response.
(vi) Reviewing the function, independence, operations and findings of the Internal Audit department.
(vii) Reviewing risks affecting the Bureau and management strategies in addressing them;
(viii) Ensuring adherence to the code of ethics; and
(ix) Such other duties or function as may be assigned by the Board which are relevant to audit and investigations.

The Committee was appointed on 31st May 2023 and hence did not hold any meeting during the year under review since the quarterly meetings were slated for July 2023.

FINANCE, HUMAN RESOURCES AND GENERAL PURPOSE COMMITTEE

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

(i) Bureau's budget and financial resources.
(ii) Major resource allocations and capital investments.

(iii) Adherence to procurement laws to ensure processes are cost effective and delivers value for money.
(iv) Operating financial results of the organization.
(v) Organization structure, assignment of senior management responsibilities, their career development and succession.
(vi) Remuneration structure for staff.
(vii) Human Resources Policies.
(viii) Corporate social responsibility (CSR) and environmental stewardship programmes.
(ix) Compliance with the Constitution of Kenya, all applicable laws, regulations, standards and government directives.
(x) Compliance with the organization's Code of Conduct, ethics and governance principles.
(xi) Targets and objectives set out in the agreed performance measurement framework with the Government of Kenya.

The Committee was appointed on 31st May 2023 and hence did not hold any meeting during the year under review since the quarterly meetings were slated for July 2023.

OPERATION & STRATEGY COMMITTEE

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

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

(i) Business development strategies and the progress of the implementation of the KLB Strategic Plan 2020 - 2024.
(ii) Market performance of both books and institutional printing sales.
(iii) Bureau's publications (both print and digital), trends and strategies.
(iv) Trading terms reports and, the Bureau's debt and credit management strategies.
(v) Customer satisfaction survey/level.
(vi) Strategies to increase internal production volumes, capacity utilization of production presses/machines and modernization strategy of the printing press.
(vii) Any other function assigned by the Board.

The Committee was appointed on 31st May 2023 and hence did not hold any meeting during the year under review since the quarterly meetings were slated for July 2023.

l) DIRECTORS' REMUNERATION

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

m) STAFF REMUNERATION

Staff remuneration is based on the sustained performance by the employees and budget and is subject to the approval of the Board and the Salaries and Remuneration Commission (SRC). 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 objectives, and this informs the individual performance and contribution to the company performance and achievement of the overall goals.

n) CONFLICT OF INTEREST

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

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

o) INTERNAL CONTROLS

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

p) ETHICS AND CONDUCT

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

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

q) GOVERNANCE AUDIT

The Board of Management usually undertakes a Governance Audit after every two (2) years or as it may be necessary. The results of the audit have indicated continuous compliance with the Corporate Governance provisions and guidelines. The next Governance Audit is schedule for the financial year 2023/2024.

r) GOING CONCERN

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

9. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The operational and financial performance

The Bureau is implementing the fourth cycle Strategic Plan 2020-2024, whose first year of implementation was 2020/21. The Bureau embarked on continued implementation of the Strategic Plan, which has provided a re-energised strategic direction based on the following strategic pillars:

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

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

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

The Bureau has diversified its revenue streams and expanded its product and service range to include the Early Year Education (EYE) books, formerly known as Tusome, which are now published, printed and distributed by the Bureau. The Bureau has also established a niche under the Autobiography segment, where eminent persons launched their memoirs.

Revenues

The gross turnover realized amounted to Kshs. 2.743 Billion as compared to Kshs. 2.676 Billion in 2021/22, which was a 2.5% performance improvement, mainly due rise in book sales to the Government Order for distribution to the public primary and secondary schools.

We registered a gross profit of Kshs. 1.027 Billion as compared to Kshs. 1.137 Billion in FY 2021/22. This represented a contraction of 9.7%, mainly due to higher costs of sales. Other revenues grew to Kshs. 37.188 Million as compared to Kshs. 60.869 Million in FY 2021/22. The other income declined by 39% mainly due to the reduced investment income. This was due to the lower interest rate regime and the reduced stock of investments. The total revenues (appropriations in aid) amounted to Kshs. 2.78 Billion in FY 2022/23 as compared to Kshs. 2.737 Billion in FY 2021/2022, representing a growth of 1.6%.

Operating expenses

The operating expenses amounted to Kshs. 895.72 Million as compared to Kshs. 1.061 Billion in FY 2021/22. Out of this amount Kshs. 302.372 Million related to the trade discount allowed expenses to customers, as compared to Kshs. 409.775 Million in FY 2021/22 representing 21.9% decline.

The operating expenses declined by 15.65% mainly due to lower selling and distribution costs Kshs. 418.757 Million (inclusive of trade discounts) as compared to the previous year of Kshs. 587.005 Million. This reflects the lower than targeted open market sales during the year.

In the year under review, the total costs amounted to Kshs. 2.611 Billion as compared to Kshs. 2.6 Billion in FY 2021/22, representing a 0.4% increase, mainly due rising costs of production inputs, adverse foreign exchange rates and rising fuel costs among others.

Profitability

The Bureau registered a pre-tax profit of Kshs. 168.69 Million in FY 2022/23 as compared to Kshs. 136.805 Million in FY 2021/22. This was an impressive performance improvement of 23.3%, which was an indication of positive recovery despite the depressed open market sales activities. The book sales to the Government of Kenya through the Ministry of Education and the print sales, boosted the profitability for the year.

Financial position and Liquidity

As at the end of the financial year 2022/23, the Bureau's net asset worth was registered at Kshs. 4.396 as compared to Kshs. 4.352 Billion in the year 2021/22, representing a growth of 1.02%. The non-current assets amounted to Kshs. 1.841 Billion as compared to Kshs. 1.597 Billion in the previous year representing a 15% growth due to the purchase of new Web offset Printing Machine and Binding and Trimming line among other assets.

The current assets reduced to Kshs. 4.02 Billion in FY 2022/23 as compared to Kshs. 4.414 Billion in FY 2021/22. The current liabilities reduced to Kshs. 1.463 Billion as compared to Kshs. 1.659 Billion FY 2021/22 representing 11.8% decline due to the liquidation of the matured financial obligations.

The Bureau has over the years maintained a solid financial position with acid test ratio being 1.423 times, which indicates the extent to which the liquid assets can cover the current liabilities. The Bureau closed the financial year with a cash and cash equivalents of Kshs.

307.127 Million in FY 2022/23, which is deemed favourable after the payment of matured liabilities.

Dividends

The Bureau being a commercial state corporation has been over time maintained its status as a profitable government investment, operating with internally generated funds since 1993 and declaring dividend on a yearly basis, in addition to the great contribution the country's tax revenue.

The Bureau continues to meet its financial obligations to the shareholder and declared dividends based on the **approved policy of ten (10) per cent on the after-tax net profits**. The Bureau paid dividends amounting to Kshs. 28.893 Million for the years ended 30 June, 2019, 2020, 2021 and 2022 based on the audited financial statements and despite the adverse effects of COVID-19 Pandemic which disrupted institutional and school learning in 2020 and 2021.

In the year under review, the Board declared a dividend of Kshs. 18.88 Million for the FY 2022/23 ended 30th June 2023, subject to withholding tax, where applicable, whose payment will be awaiting the finalization of the audit of the financial statements. This represented a 121.5% growth as compared with the same period FY 2021/2022, when Kshs. 8.522 Million was declared.

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

   This strategic objective will be achieved through the following strategies:

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

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

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

   This strategic objective is being implemented through the following strategies:

   a) Re-engineer Business processes.

b) Integrate ICT in key business processes and systems.
c) Improve printing press capacity utilization.
d) Digitization of services.

We have continued to increase the capital investment aimed at improving the publishing and printing infrastructure, processes and systems. Acquisition of plant and machinery including the new Web Offset Printing Machine and the Binding and Trimming Line acquired in FY 2022/23, ICT equipment, motor vehicles and the full implementation of the automated systems such as Accpac financial system and the Human Resources Management Information System resulting in remarkable improvement in the Bureau's technology infrastructure and yielding operational efficiency.

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

To achieve this strategic objective, the strategies that will be executed include:

a) Increase production capacity.
b) Strengthening Human Resources Planning and implementation.
c) Strengthen performance management systems.
d) Undertake employee capacity development programs.
e) Improve employee welfare.
f) Strengthen corporate governance.
g) Organizational capacity enhancement.
h) Develop and implement Enterprise Risk Management (ERM) Framework.
i) Design and implement Strategy, Monitoring, Evaluation framework.

The Bureau registered good progress geared towards enhancing the organizational capacity development to serve the increased needs and demands from our esteemed customers. The modernization of the printing press to increase the internal production capacity has been implemented, with further capita investment planned in the coming years.

The Bureau continues to invest in human capital to ensure that we attract and retain competent and skilled employees. The development and implementation of effective human resources plans and policies was undertaken. 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 and had been awaiting signing, which was halted due to a dispute filed in court in relation to the request for the provision of CBA counteroffer to the umbrella Union body Kenya Union of Printing, Publishing, Paper Manufacturer's, Pulp and Packaging Industries (KUPPRIPUPA).

We continue to improve employee welfare, leading to highly motivated staff and assuring harmonious industrial relations.

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

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

The Board usually meets as stipulated in the regulatory framework. The Board of Management undertakes its functions mainly through committees that include the

a) Audit & Risk Management and Compliance Committee.
b) Finance, Human Resources & General Purpose Committee.
c) Operations and Strategy Committee.

SECTION B

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

The principal project is the modernisation of the printing press to improve the production capacity. This project is a key contributor in the achievement of the Bottom-Up Economic Transformation Agenda (BeTA). The main objectives of the project are as follows:

a) To increase on the production capacity in order to run efficiently and increase competitiveness of our products.
b) To modernize the printing press as per the new Strategic Plan 2020-2024 to upgrade the printing technology and to reduce the operational costs. The purchase of the machine is entirely financed by internally generated resources saved over the years.
c) To modernize the Information Communication and Technology (ICT) to adapt to the rapid advancement of technological changes and meet customers' needs and expectations.
d) To modernize the fleet of sales and marketing and pool vehicles to reduce on running and maintenance costs.

SECTION C

Compliance with statutory requirements

The Bureau has been compliant with the various regulatory and statutory requirements. The historical tax demand that was under resolution between Kenya Revenue Authority (KRA) and KLB, was finally resolved positively in FY 2022/23. The Bureau commits to also comply with all the taxation and other laws.

SECTION D

Major risks facing the Bureau

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

i) Credit risk

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

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

ii) Liquidity risk

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

iii) Market risk

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

Currency risk

Currency risk arises on financial instruments denominated in foreign currency. The company has cash equivalents denominated in foreign currency to the tune of United States Dollars 4,168.40 as at June 30, 2023. However, the currency risk arising from them is minimal since the amount held in relation to the total cash and cash equivalents is small.

Interest rate risk

The corporation did not have any borrowings as at June 30, 2023 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 had no materials arrears in statutory or other financial obligations.

SECTION F

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

10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Introduction:

At the Kenya Literature Bureau (KLB), our main mandate is to advance literacy and education in Kenya. We recognize that sustainability is not just about environmental responsibility; it is also about our ability to maintain and continue offering services to the citizens of our country over the long-term. This report outlines our sustainability strategy and profile, environmental performance, employee welfare initiatives, marketplace practices, and our corporate social responsibility/community engagements.

The Bureau operates within the principles of **planet, people and profits**. The Bureau exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/citizen first, delivering relevant goods and services and improving operational excellence. We focus our energies and contributions on the economy, ecological and social impacts of the larger society and design policies and activities that promote sustainability:

a) Sustainability strategy and profile

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

Sustainable Efforts: The Bureau has embraced sustainability as a core component of our organizational strategy. Our efforts are aligned with the United Nations Sustainable Development Goals, particularly Goal 4, which focuses on quality education for all. We are committed to providing quality educational materials that empower learners across Kenya.

Political and Macroeconomic Trends: We closely monitor political and macroeconomic trends that affect sustainability priorities. This includes government policies on education, environmental regulations, and economic factors that impact our operations.

International Best Practices: The Bureau benchmarks against international best practices in sustainability, drawing inspiration from leading organizations worldwide to continuously improve our sustainability initiatives.

Key Achievements and Challenges: Over the past year, we have made significant progress in reducing our carbon footprint by planting more trees in collaboration with stakeholders, promoting diversity and inclusion, and enhancing the quality of our educational materials. Challenges include the need for further digitalization and ensuring equitable access to education.

b) Environmental Performance

Environmental Policy: The Bureau has a robust environmental policy that guides our operations. This policy includes commitments to reduce energy consumption, minimize waste, and promote eco-friendly practices within our organization.

Successes**:** Our waste management policy has improved recycling rates and we have initiated a biodiversity preservation program on our premises.

The Bureau supports the green economy, where waste and pollution is avoided or eliminated. The Bureau being a manufacturing organization has been in the fore front to participate and contribute to initiatives that conserve the environment in partnership with other organizations including National Environment Management Authority (NEMA).

Shortcomings**:** While we have made progress, we acknowledge shortcomings in fully transitioning to renewable energy sources and reducing transportation emissions. These areas are under active consideration for improvement.

In the FY 2022/2023, The Bureau has established trees and fruits nursery beds in order to grow more seedlings and contribute to the National Forest Restoration campaign. The Bureau continues to use the borehole water as part of the natural resources and uses the energy savings bulbs to conserve the energy.

Waste reduction and recycling are key principles of environmental conservation and sustainability at the Bureau. The Bureau has set monitoring metrics with a focus of attaining waste reduction and implementation of recycling methods.

c) Employee Welfare

The Bureau is cognizant that the people or employees are critical in all its operations and sustainability. The Bureau has therefore set a conducive environment for the employees to explore their potential. The Bureau has an approved Human Resources Policies and Procedures manual, 2018 and which was revised in 2020 and awaiting approval by the Governmental agencies.

Employment Policies: Our hiring policies emphasize diversity and gender equality. We actively engage stakeholders in the recruitment process to ensure a balanced workforce that reflects our community.

Skills Development: The Bureau invests in skills development and career advancement for our employees. We have implemented appraisal and reward systems that recognize and motivate high performers.

Safety and Compliance: We are committed to complying with the Occupational Safety and Health Act of 2007 (OSHA) to ensure the safety of our employees in the workplace.

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

The Bureau undertakes sensitization sessions to the employees and their families in relation to employee health and wellness, stress management, Breast Cancer awareness, gender mainstreaming, offer free voluntary HIV/AIDS counselling and testing, among other programs.

d) Market Place practices

i) Responsible competition practise

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

ii) **Responsible Supply Chain and supplier relations**

The Bureau being a commercial state corporation and driven by the need to obtain value for money, engages in competitive tendering as per the provisions of the Public Procurement and Disposal Act, 2015 and its attendant regulations of 2022. The suppliers are treated fairly and payments are made based on the aging of the invoice. The contracts for suppliers are duly honoured based on the delivery of the goods and services in question.

iii) **Responsible marketing and advertisement**

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

iv) **Product stewardship**

Mainly the Bureau publishes and prints education and knowledge materials, which are of high quality and ensure that the consumer rights are safeguarded. The Bureau also offers competitive print solutions to Government and private firms and individuals.

e) CORPORATE SOCIAL RESPONSIBILITY/COMMUNITY ENGAGEMENTS

The existence and the operation of the Bureau is premised on the principles of the three "Ps" namely ***planet, people and profits***. We recognize that we exist to serve our customers'/citizens.

We operate in a unique and dynamic business environment, where customers have remained central to organisational growth and sustainability. It is therefore critical for the Bureau to direct its communications and engagement programs to effectively address different needs and expectations of the stakeholder.

The Bureau established the Customer Social Investment (CSI) campaign branded ***Twachapa, Mwasoma***, where we partnered with various stakeholders' stock school and community libraries with books.

We have also undertaken sponsorships of seminars, conferences, workshops for such stakeholders as the Ministry of Education (conferences requiring pooled resources), Kenya Primary Schools Heads Association (KEPSHA), Kenya Secondary Schools Primary School Heads Association (KESSHA), Kenya Private Schools Association (KPSA), Wildlife Clubs of Kenya (Art and Easy Competition) among others. We have also worked closely with communities during the World Literacy Day. Kenya Wildlife Service under the theme, *habitat restoration for a better future*.

In the past year, KLB has engaged in several CSR activities, including charitable giving in cash and materials, corporate social investment, and community engagements. These initiatives have positively impacted our society, fostering stronger relationships with the communities we serve.

The Bureau participated in a KPA Corporate Social Responsibility (CSR) on 2nd June 2023, at Eldoret School for hearing impaired, where, together with other publishers, they donated food, books, and other sanitary materials to the students.
The impact of participating in this event was to improve access to resources and support education; the books donated can help improve literacy, language skills and overall educational outcomes. This event was also impactful in strengthening the relationship with both the community and their publishing partners.

On 21st March 2023, Kenya Literature Bureau (KLB) managing director Mr Victor Lomaria led other publishers in book donations to schools in Uasin Gishu and Nandi counties.

We remain committed to sustainability and will continue to adapt and improve our practices to ensure a brighter future for Kenya's education and environment.

11. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30 June, 2023 which show the state of the Kenya Literature Bureau's affairs.

a) Principal Activities

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

b) Results

The results of the Bureau for the year ended 30 June, 2023 are set out on page 1 to 38.

Below is summary of the profit made during the year.

	2023 Amount (Kshs.)	2022 Amount (Kshs.)
Gross Turnover	2,742,632,258	2,676,210,441
Gross Profit	1,027,226,119	1,137,893,138
Net Profit before Taxation	168,693,828	136,804,815
Total Comprehensive Income after Tax	188,785,317	85,222,083

c) Dividends

Kenya Literature Bureau is wholly owned by the Government of Kenya. The Directors recommends the payment of dividend to the National Treasury on behalf of the Government of Kenya for the year ended 30 June, 2023, amounting to Kshs. 18,878,532 subject to withholding tax where applicable.

d) Directors

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

e) Auditors

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

By Order of the Board

CPA, Victor Lomaria, OGW
Secretary to the Board/Managing Director
Date: 26th July 2023

12. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Board Members are responsible for the preparation and presentation of the Bureau's financial statements, which give a true and fair view of the state of affairs of the Bureau for and as at the end of the financial year ended June 30, 2023. This responsibility includes:

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

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

The Members are of the opinion that the Bureau's financial statements give a true and fair view of the state of Bureau's transactions during the financial year ended June 30, 2023, and of the Bureau's financial position as at that date. Board Members further confirm the completeness of the accounting records maintained for the Bureau, which have been relied upon in the preparation of the Bureau's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Bureau's financial statements were duly approved by Management on 26th July 2023, and signed on behalf of the Kenya Literature Bureau by:

DR. Rispah Wepukhulu, PhD	**CPA, Victor K. Lomaria, OGW**
CHAIRPERSON, BOARD OF MANAGEMENT	**MANAGING DIRECTOR/ SECRETARY TO THE BOARD**

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REPORT OF THE AUDITOR-GENERAL ON KENYA LITERATURE BUREAU FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Literature Bureau set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2023 and the statement of profit or loss and other comprehensive income, statement of changes in capital fund and reserves, statement of cash flows and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Literature Bureau as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Public Finance Management Act, 2012 and the Kenya Literature Bureau Act, 2012.

Basis for Qualified Opinion

1. Variances Between the Financial Statements and Supporting Ledger

The statement of profit or loss and other comprehensive income and as disclosed in Notes 1(a) and 1(b) to the financial statements reflects amounts of Kshs.2,742,632,258 and Kshs.1,715,406,139 in respect of turnover and cost of sales respectively. Included in the revenues and expenses are amounts of Kshs.2,273,800,867, Kshs.1,458,313,591 and Kshs.1,714,992,606 in respect of book sales turnover, printed books opening inventory and printed books closing inventory sales as disclosed in Notes 1(a) and 1(b) to the financial statements. However, the supporting ledger provided for audit review reflects a balance of Kshs.2,271,837,881, Kshs.744,472,305 and Kshs.770,426,846 resulting to unexplained and unreconciled variances of Kshs.1,962,986, Kshs.713,841,286 and Kshs.944,565,760 respectively.

In the circumstances, the accuracy, occurrence and completeness of the turnover and cost of sales amounting to Kshs.2,742,632,258 and Kshs.1,715,406,139 could not be confirmed.

2. Inaccurate and Unsupported Inventories Balance

The statement of financial position reflects a balance of Kshs.1,937,221,030 in respect of inventories as disclosed in Note 12 to the financial statements and which includes printed books balance of Kshs.1,714,992,606. However, the system generated ledger reflects a closing balance of Kshs.770,426,846, resulting to an unexplained and unreconciled variance of Kshs.944,565,760. Further, the closing inventories balance in the system was measured using weighted average cost method whereas the financial statements inventories balance was measured using the lower of cost and net realizable value method. In addition, there were no stock take reports provided for verification. No explanation was provided for use of the two methods and their effect on the closing stocks balance.

In the circumstances, the valuation, accuracy and completeness of the printed books balance of Kshs.1,714,992,606 could not be confirmed.

3. Overstatement and Improper Recognition of Turnover

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.2,742,632,258 in respect of turnover as disclosed in Note 1(a) to the financial statements. The Bureau entered into various contracts with Kenya Institute of Curriculum Development (KICD) in respect of framework agreements for printing, packaging, and distribution of books to both primary and secondary schools. However, the Management recognized revenue earned for two contracts KICD/KLB/FA/031/SET BOOKS/2020/2021and KICD/KLB/GRADE 7/01/2023 on printing of Set Books-Samaritan and Grade 7 Visual Arts & CRE amounting to Kshs.6,848,575 and Kshs.5,145,970, respectively totalling to Kshs.11,994,545 whose books had not been delivered to KICD during the year under review. Review of delivery notes revealed that the customers had not endorsed the same as at the closure of the financial year to acknowledge delivery and transfer of control.

This was contrary to International Financial Reporting Standard (IFRS) 15 which requires recognition of revenue when an entity transfers control of a product or service to a customer. Further, summary of accounting policies Note 4(a)(i) indicates that turnover is stated when the customer has accepted the products and service and collectability of the related receivables which contradicts the Bureau's treatment of turnover in the financial statements where the turnover is recognized when the books are still in transit.

In the circumstances, the accuracy and completeness of the turnover amounting to Kshs.11,994,545 could not be confirmed.

4. Inaccuracies in the Cost of Sales

The statement of profit or loss and other comprehensive income reflects Kshs.1,715,406,139 in respect to cost of sales as disclosed in Note 1(b) to the financial statement. Review of the Accounting Management System and internal control environment in regards to the system revealed weak internal controls as detailed below;

4.1 Stock with Negative Closing Balances

Analysis of the Bureau's stock movement schedule in the system revealed instances where stocks had negative weighted average values amounting to Kshs.1,545,162, thus reducing the reported stock balance by the same amount.

4.2 Sales with no Corresponding Invoice Amounts and not in the System

The Bureau made sales amounting to Kshs.210,464,292 which were not supported with corresponding invoice numbers or amounts and were not in the system, making it impossible to confirm the accuracy of the sales amount.

4.3 Stocks with Zero Quantities and Positive Values

Review of the stock balances in the ledger revealed instances where some stocks had zero quantities and positive values. The valuation of the stock caused an over valuation of the stock balances in the ledger by Kshs.1,411,627.

4.4 Unsupported Work in Progress

Included in the cost of sales of Kshs.1,715,406,139 are opening and closing work in progress amounts of Kshs.122,652,849 and Kshs.202,204,335 respectively. Review of the Bureau's system revealed that there was no module for accounting for work in progress integrated in the SAGE ACCPAC reporting system. Further, no documents were provided to support movement of work in progress.

In the circumstances, the valuation, accuracy and completeness of the cost of sales amounting to Kshs.1,715,406,139 could not be confirmed.

5. Inaccuracies in the Accrued Royalties

The statement of financial position reflects a balance of Kshs.1,462,945,940 in respect of trade and other payables as disclosed in Note 19 to the financial statements which includes accrued royalties balance of Kshs.143,789,741. However, the supporting ledger submitted for audit review reflects amounts of Kshs.140,461,835 resulting to an unexplained and unreconciled variance of Kshs.3,327,906.

In the circumstances, the accuracy and completeness of accrued royalties balance of Kshs.3,327,906 could not be confirmed.

6. Slow Moving Books

As previously reported, the statement of profit or loss and other comprehensive income reflects an amount of Kshs.1,715,406,139 in respect of cost of sales as disclosed in Note 1(b) to the financial statements which includes closing inventory of printed books balance of Kshs.1,714,992,606. Included in the balance are slow moving stocks balance of Kshs.23,224,327 for the following books;

Title	Amount in Year 2021/2022 (Kshs)	Amount in Year 2020/2021 (Kshs)
Atlas/wall maps/charts/inflatable globes	10,069,047	12,295,665
Uganda Titles	7,887,094	8,337,294
Rwanda Books	4,928,352	5,546,849
E- Books	339,834	350,453
Old Editions Titles	-	2,469,399
Total	**23,224,327**	**28,999,660**

Further, as disclosed in Note 12 to the financial statements, the Bureau had a total of Kshs.2,895,185 in respect of provision for slow moving stocks as at 30 June, 2023 whose details were not provided for audit. In addition, there was no material movement of stock for E-Books valued at Kshs.339,834 which is likely to be written off and hence a loss to the Bureau.

In the circumstances, value for money for the slow moving stock balance of Kshs.23,224,327 could not be confirmed.

7. Unanalyzed Bank and Cash Balances

The statement of financial position reflects a balance of Kshs.32,878,372 in respect of bank and cash balances as disclosed in Note 15 to the financial statements. However, detailed analysis of the bank and cash balances as per the revised financial reporting template was not provided.

In the circumstances, the existence, completeness, presentation and disclosure of the financial statements could not be confirmed.

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 qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.1,797,271,864 and Kshs.1,064,414,714 respectively, resulting to an under-collection of Kshs.732,857,150 or 41% of the budget. Similarly, the Bureau expended an amount of Kshs.895,720,886 against an approved budget of Kshs.1,508,739,385, resulting to an under expenditure of Kshs.613,018,499 or 41% of the budget.

The under-collection and under expenditure affected the planned activities and may have impacted negatively on service delivery to the stakeholders.

My opinion is not modified in respect to this matter.

Key Audit Matters

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

Other Matter

1. Long Outstanding Trade and Other Receivables

The statement of financial position reflects a balance of Kshs.1,774,194,811 in respect of trade and other receivables as disclosed in Note 13(a) to the financial statements. Included in the balance are trade receivables balances of Kshs.332,270,893 which have been outstanding for over ninety (90) days. However, further analysis of over 90 days old debtors revealed debts dating back twelve (12) years amounting to Kshs.80,135,570 which comprise Governments Institutions which owe the Bureau an amount of Kshs.46,596,303.

In the circumstances, the accuracy, completeness and recoverability of long outstanding receivables balance of Kshs.80,135,570 could not be confirmed.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not disclosed all the prior year audit matters as provided by the Public Sector Accounting Standards Board templates and therefore, the prior year audit matters could not be confirmed whether they were resolved.

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, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else 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

1. Irregular Outsourcing of Printing Services

The statement of profit or loss and other comprehensive income reflects an amount of Kshs.1,715,406,139 in respect of cost of sales as disclosed in Note 1(b) to the financial statements which includes contracted works amount of Kshs.1,439,661,381. Examination of supporting payment vouchers and schedules revealed that the Bureau outsources the bulk of its printing works, thus digressing from its core function of printing and publishing in the country.

During the year under review, the Bureau outsourced printing works costing Kshs.1,439,661,381 out of the total production costs of Kshs.2,055,066,351 representing seventy percent 70% of the total printing works. Therefore, the Bureau printing press did only Kshs.615,404,970 or thirty (30%) which points to underutilization of Bureau's printing service. As disclosed in the previous financial year, the outsourced printing services was at seventy-nine (79%) of the production costs.

Further, Section 4(a) of the Bureau Act, 2012 provides that one of the functions of the Bureau is to carry on the business of publishing, printing and distributing literary, educational, cultural and scientific books, periodicals, journals, magazines, digital and electronic materials and works of every description. This means that the outsourcing of printing services is not anchored in law.

In the circumstances, Management was in breach of the law.

2. Non-Compliance with One-Third of Basic Salary Rule

As previously reported, during the year ended 30 June, 2023, various employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section 19 of the Employment Act, 2007 as detailed in the schedule below:

Month	No. of Employees
July, 2022	2
August, 2022	3
September, 2022	19
October, 2022	17
November, 2022	11
December, 2022	3
January, 2023	77
February, 2023	2
March, 2023	1
May, 2023	5

The Management was in breach of the law and this may expose the staff to pecuniary embarrassment.

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 controls, 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 the Board of Directors

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the consolidated financial statements, Management is responsible for assessing the Bureau's ability to continue as a going concern, disclosing, as applicable, matters related to sustainability of services and using the applicable 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.

The Board of Directors is 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 overall 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 controls 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 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 controls.

- 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 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 Company to cease 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 controls 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.

FCPA Nancy Gathungu, CBS
<u>AUDITOR-GENERAL</u>

Nairobi

29 January, 2024

14. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023	2022
		Kshs	Kshs
REVENUES			
Revenue from Contracts with Customers	1 (a)	2,742,632,258	2,676,210,441
Cost of Sales	1 (b)	(1,715,406,139)	(1,538,317,303)
Gross Profit		**1,027,226,119**	**1,137,893,138**
Finance Income	7 (a)	28,672,203	51,513,444
Other Gains/(Losses)	2	(510,317)	(1,418,054)
Other Income	3	9,026,709	10,773,808
OTHER REVENUES		**37,188,594**	**60,869,198**
TOTAL REVENUES		**2,779,820,852**	**2,737,079,639**
Administration Costs	4 (a)	491,737,125	474,951,540
Selling and Distribution Costs	5	403,983,761	587,005,981
TOTAL OPERATING EXPENSES		**895,720,886**	**1,061,957,521**
TOTAL COSTS		**2,611,127,025**	**2,600,274,824**
PROFIT/(LOSS) FOR THE YEAR BEFORE TAXATION		168,693,828	136,804,815
INCOME TAX EXPENSE/(CREDIT)	8(a)	**(20,091,490)**	**51,582,732**
PROFIT/(LOSS) AFTER TAXATION		**188,785,317**	**85,222,083**

15. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

ASSETS	Note	2023	2022
Non - Current Assets		**Kshs**	**Kshs**
Property, Plant and Equipment	10 (a)	1,693,588,072	1,454,410,674
Intangible Assets	11	1,565,500	43,750
Investment in Staff Mortgage & Car loans	14(b)	145,324,300	142,324,300
TOTAL NON-CURRENT ASSETS		**1,840,477,872**	**1,596,778,724**
Current Assets			
Inventories	12	1,937,221,030	1,598,759,139
Trade and Other Receivables	13(a)	1,774,424,677	1,664,986,570
Short-term Deposits	14(a)	274,248,570	681,834,041
Bank and Cash Balances	15	32,878,372	468,008,685
TOTAL CURRENT ASSETS		**4,018,772,649**	**4,413,588,434**
TOTAL ASSETS		**5,859,250,521**	**6,010,367,158**
EQUITY, RESERVES AND LIABILITIES			
Capital Fund	16	1,000,000,000	1,000,000,000
Revaluation Reserves	17	973,855,036	973,855,036
Revenue Reserves	18	2,422,219,676	2,377,873,196
Shareholder funds		4,396,074,712	4,351,728,232
CURRENT LIABILITIES			
Trade & Other Payables	19	1,463,175,806	1,658,638,922
TOTAL CURRENT LIABILITIES		1,463,175,806	1,658,638,922
TOTAL EQUITY, RESERVES AND LIABILITIES		**5,859,250,521**	**6,010,367,158**

The financial statements were approved by the Board of Management on 26th July 2023 and signed on its behalf by:

CPA Victor Lomaria, OGW	**CPA, FA, Francis Mutunga**	**Dr. Rispah Wepukhulu, PhD**
Managing Director/Secretary to the Board	**Ag. GM - Finance & Admin.**	**Chairperson, Board of Management**
	ICPAK M/NO. 6056	

16. STATEMENT OF CHANGES IN CAPITAL FUND AND RESERVES FOR THE YEAR ENDED 30 JUNE 2023

	Capital Fund	Revaluation Reserves	Revenue Reserves	Total Reserves
	Kshs	Kshs	Kshs	Kshs
At 1st July 2021	**1,000,000,000**	**973,855,036**	**2,301,173,321**	**4,275,028,357**
Net Profit for the year	-	-	136,804,815	136,804,815
Prov. For Corporation Tax - 2021/22	-	-	(51,582,732)	(51,582,732)
Dividends Payable - 2021/22	-	-	(8,522,208)	(8,522,208)
At 30 June 2022	**1,000,000,000**	**973,855,036**	**2,377,873,196**	**4,351,728,232**
At 1st July 2022	**1,000,000,000**	**973,855,036**	**2,377,873,196**	**4,351,728,232**
KRA Tax Demand/Contigent Liability	-	-	(125,560,306)	(125,560,306)
Net Profit for the year	-	-	168,693,828	168,693,828
Prov. For Corporation Tax - 2022/23	-	-	20,091,490	20,091,490
Dividends Payable - 2022/23	-	-	(18,878,532)	(18,878,532)
At 30 June 2023	**1,000,000,000**	**973,855,036**	**2,422,219,676**	**4,396,074,712**

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2023

	Notes	2023 Kshs	2022 Kshs
OPERATING ACTIVITIES			
Operating profit for the year	6	168,693,828	136,804,815
Adjustments for:			
Depreciation Expenses	10 (a)	61,459,425	57,529,856
Amortization Expenses	11	498,250	262,500
(Decrease)/Increase in Prov. for Slow Moving Stock	4(a)	572,752	(577,533)
Provision for Doubtful Debts	4(a)	1,143,621	(1,018,597)
Interest Income	7(a)	(28,672,203)	(51,513,444)
Foreign Exchange (Gain)/ Loss	3	(1,584,582)	(2,050,590)
(Profit)/Loss on disposal of Assets	2	510,317	1,418,054
Operating profit before Working Capital Changes		**202,621,408**	**140,855,061**
Increase/Decrease in Inventories	12	(339,034,643)	(548,194,655)
Realised Foreign Exchange Gain/Loss		1,584,582	2,050,590
Increase/Decrease in Receivables	13(a)	(212,173,442)	507,393,834
Increase/Decrease in payables	19	(185,449,003)	630,297,490
Cash generated from operations		**(532,451,098)**	**732,402,320**
Dividends Paid	9	(28,892,644)	-
Corporation Tax Paid	8(b)	-	(56,374,042)
Net Cashflows from Operating Activities		**(561,343,742)**	**676,028,278**
INVESTING ACTIVITIES			
Purchase of property, plant & equipment	10	(301,665,142)	(23,990,984)
Purchase of Intangible assets	11	(2,020,000)	-
Transfer to Mortgage & Car loan Investment	14(b)	(3,000,000)	(142,324,300)
Disposal of property, plant & equipment	10(a)	518,000	691,575
Interest income received from Investments	7(b)	24,795,100	40,746,900
Net Cashflows from Investing Activities		**(281,372,041)**	**(124,876,809)**
(Decrease)/ Increase in Cash & Cash Equivalents		**(842,715,784)**	**551,151,469**
Cash & Cash Equivalents at the			
- Start of the year (1st July 2022)		1,149,842,726	598,691,257
- End of the period (30th June 2023)	21(b)	**307,126,942**	**1,149,842,726**

18. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

		Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Actual Vs. Budget Performance Difference	% Change	Remarks
Revenue	**Note**	**2022 - 2023 Kshs**	**2022 - 2023 Kshs**	**2022 - 2023 Kshs**	**2022 - 2023 Kshs**	**2022 - 2023 Kshs**		
Turnover	**(1a)**	3,097,880,282	863,333,120	3,961,213,402	2,742,632,258	(1,218,581,144)	**-31%**	The Gross Turnover registered a 25% reduction, mainly due to the decline in the open market sales and Governmet of Kenya sales.
Direct Expenditure	**(1b)**	1,381,893,962	840,697,576	2,222,591,538	1,715,406,139	507,185,399	**23%**	This registered an under-commitment of 16% due to the reduced volume of production actitivies and sales demand for the open market and the reduction in demand for print sales.
Gross Profit		**1,715,986,320**	**22,635,544**	**1,738,621,864**	**1,027,226,119**	(711,395,745)	**-41%**	The decline in gross profitability was due to the lower than targeted turnover.
Other Income	**(2&3)**	10,150,000	3,500,000	13,650,000	8,516,392	(5,133,608)	**-38%**	
Investment Income	**(7a)**	45,000,000	-	45,000,000	28,672,203	(16,327,797)	**-36%**	Unfavourable due to decrease in the stock of investment portfolio on account of withdrawals to finance production and other operational activities and the lower interest rates.
Total Income		**1,771,136,320**	**26,135,544**	**1,797,271,864**	**1,064,414,714**	(732,857,150)	**-41%**	The 37% reduction attributed to lower than targeted turnover due to remarkable reduction in open market books.
Staff Costs	**(4b)**	514,220,000	(59,500,000)	454,720,000	353,692,281	101,027,719	**22%**	Decrease mainly on account of the implementation of the Business Continuity measures which put on hold non-critical expenses leading to lower costs.
Administration Costs	**(4a)**	121,615,000	5,135,000	126,750,000	90,635,712	36,114,288	**28%**	This was mainly lower due to the implementation of austerity measures, cost containment measures and the Business Continuity Plan measures.
Selling & Distribution Costs	**(5)**	751,980,282	115,269,614	867,249,896	403,983,761	463,266,135	**53%**	This registered an under-commitment of 52% mainly due to lower trade discounts allowed on account of depressed open market sales.
Depreciation - Property/Plant	**(10b)**	73,439,612	(13,420,123)	60,019,489	47,409,132	12,610,357	**21%**	This is as per the depreciation policy.
Total Expenditure		**1,461,254,894**	**47,484,491**	**1,508,739,385**	**895,720,886**	613,018,499	**41%**	There was an overall savings on expenses in tandem with the lower than targeted revenues.
Surplus/(Deficit) for the period		**309,881,426**	**(21,348,947)**	**288,532,479**	**168,693,828**	(119,838,651)	**-42%**	The operating profit was below the target on account of the reduced open market book sales.
Tax Expense/(Credit)	**(8a)**	**92,964,428**	**(6,404,684)**	**86,559,744**	**(20,091,490)**	(106,651,234)	**-123%**	This is mainly due to the lower than targeted operating profits.
Surplus/Loss After Tax		**216,916,998**	**(14,944,263)**	**201,972,735**	**188,785,318**	(13,187,418)	**-7%**	This is mainly due to lower than targeted Gross Tunover and the operating profit.

The Statement of Actual and Budget Ammounts for the year ended 30th June 2023 has captured the Orginal Approved Budget, The Approved Rationalized Budget and the Approved Budget reallocations and additional financing during the year due to the changes in production related costs for the Government of Kenya tender award for the Printing, Supply and Distribution of Textbooks directly to schools.

19. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

The financial statements have been prepared in accordance with the Public Financial Management Act of 2012, the State Corporations Act Cap 446, Kenya Literature Bureau Act Cap 209, and International Financial Reporting

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

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

i) ***New and amended standards and interpretations in issue effective in the year ended 30 June 2023***

Title	Description	Effective Date
IFRS 17 Insurance Contracts (issued in May 2017)	The new standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. The objective is to ensure that entities provide relevant information in a way that faithfully represents those contracts. The Bureau does not issue insurance contracts.	Effective for annual periods beginning on or after 1st January 2023.
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify the changes in the accounting policies from the changes in accounting estimates, which has been applied in the financial statements for the financial year ended 30th June 2023.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material	The amendments are effective for annual periods

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Accounting Policies (issued in February 2021)	accounting policy information rather than their significant accounting policies. The Bureau has applied the amended IAS 1 and has disclosed material accounting policy as opposed to significant accounting policy. This has brought no change in accounting policies disclosed.	beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Title	Description	Effective Date
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

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

iii) **Early adoption of standards**

Kenya Literature Bureau did not early – adopt any new or amended standards in year 2022/2023.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF ACCOUNTING POLICIES

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

a) Revenue recognition

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

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

As per International Accounting Standards 21 on the Effects of changes in Foreign Exchange Rates, revenue realised in foreign currency is initially recognised in the functional, by applying to the foreign currency amount, the spot exchange rate between the functional currency and the foreign currency 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 print services** is recognized when the print order is placed, confirmed by the customer, printing executed and delivered of the items thereof made.

iii) **Grants from National Government** are recognised in the year in which the Bureau actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are

NOTES TO THE FINANCIAL STATEMENTS (Continued)

recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

iv) **Finance income** comprises interest receivable from bank deposits and investment in securities and is recognised in profit or loss on a time proportion basis using the effective interest rate method.

v) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.

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

vii) **Other income** is recognised as it accrues.

b) In-kind contributions

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

c) Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

re-valued through periodic valuations carried out by independent external valuers.

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

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

The cost of property, plant and equipment comprises:

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

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

d) Depreciation and impairment of property, plant and equipment

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

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

Freehold Land	Nil
Buildings and civil works	4% [25 years or the unexpired lease period]
Plant and machinery (printing press)	5% [20 years]

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Motor vehicles, including motor cycles	25% [4 years]
Computers and related equipment	30% [3 years]
Office equipment, furniture and fittings	12.5% [8 years]

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

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

e) Intangible assets

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

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

f) Amortisation and impairment of intangible assets

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The amortization is calculated over three (3) years at the rate of 30%.

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

g) Investment property

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

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

h) Right to use asset

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the entity expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

i) Fixed interest investments (bonds)

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

j) Inventories

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

k) Trade and other receivables

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

m) Deferred tax

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

n) Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

borrowing costs reflect the hedged interest rate. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o) Cash and cash equivalents

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

p) Borrowings

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

q) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the consideration

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

r) Retirement benefit obligations

(i) Defined Contribution Scheme

The Bureau operates a Defined Contribution Scheme for the full-time and pensionable employees from 1st April 2011. The scheme is administered by an in-house Board of Trustees and appointed Scheme Administrator and is funded by contributions from both the Bureau and its employees. The current rate of contribution by the employer is 15.4%, while the employee is at 7.7%.

(ii) Defined Benefits Scheme

The Bureau operates a defined benefit scheme which remains a closed fund for employees that were aged above 45 years as at 1st April 2011. The scheme does not admit new members. All full-time and pensionable employees joining the Bureau are registered to the Defined Contribution Scheme after probation. The year end of the two schemes is 31st December. The current rate of contribution by the employer is 17.1%, while the employee is at 8.5%.

The actuarial valuation of the defined benefit scheme is undertaken after every three (3) years after which a surplus is retained in the scheme, while the actuarial deficit is paid by the sponsor over a period of time as per the Remedial Plan approved by the Board of Management and submitted to the Retirement Benefits Authority (RBA).

(iii) National Social Security Fund

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

s) Provision for staff leave pay

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2022/2023 was approved by the Cabinet Secretary, Ministry of Education on recommendation of the National Treasury in July 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

per the statement of financial performance has been presented under section 18 of these financial statements.

v) Service concession arrangements

The Bureau analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Bureau recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Bureau also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

w) Comparative figures

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

x) 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, 2023.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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.

b) Useful lives and residual values

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

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

c) Provisions

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

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

i) **Provision for Slow moving stocks**

A provision for slow moving stocks is made at the rate 10% of the slow-moving titles determined at the end of the financial year based on the annual title sales, nature/category of the title, the status of the Curriculum in force and the state of the market. This excludes the titles produced for direct sale to the Government of Kenya or the County Governments to be distributed to the public schools.

ii) **Provision for Bad and doubtful debts**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

the debt owed by the Government of Kenya through the Ministry of Education/ Kenya Institute of Curriculum Development (KICD), for the sale of GoK branded books, which have separate and distinct contractual terms.

19. NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023	2022
1. (a) REVENUE FROM CONTRACT WITH CUSTOMERS	**Kshs**	**Kshs**
Sale of Books	2,273,800,867	2,477,217,943
Sale of Print Services	468,831,391	198,992,498
	2,742,632,258	**2,676,210,441**

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

(b) COST OF SALES

	2023	2022
Opening inventories		
Printed books	1,458,313,591	950,671,737
Raw materials	15,143,422	14,095,808
Work in progress	122,652,849	84,083,839
	1,596,109,861	**1,048,851,384**
Production Costs		
Direct Expenses	378,497,236	204,264,959
Raw Materials	18,522,984	10,210,273
Direct Labour	91,394,092	99,258,091
Overheads	126,990,658	131,551,911
Contracted Works	1,439,661,381	1,640,290,546
	2,055,066,351	**2,085,575,780**
Closing inventories		
Printed books	1,714,992,606	1,458,313,591
Raw materials	18,573,132	15,143,422
Work in progress	202,204,335	122,652,849
	1,935,770,073	**1,596,109,861**
COST OF SALES	**1,715,406,139**	**1,538,317,303**

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

2. OTHER GAINS AND LOSSES

	2023	2022
Gain on disposal of non-current assets	**(510,317)**	**(1,418,054)**

3. OTHER INCOME

	2023	2022
Rental Income	6,428,324	1,781,494
Waste Paper Income	319,700	338,877
Interest on advances	37,555	26,318
Foreign exchange gain/(loss)	1,584,582	2,050,590
Miscellaneous income	656,548	6,576,530
	9,026,709	**10,773,808**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023 Kshs	2022 Kshs
4 (a).	**ADMINISTRATION COSTS**		
	Staff Costs **4 (b)**	353,692,281	353,627,917
	Management board expenses **4 (c)**	2,478,195	10,091,734
	Foreign exchange loss	-	-
	Transport operating expenses	14,367,057	13,458,273
	Traveling and accomondation	6,405,645	7,814,167
	Postal and telegram expenses	25,450	24,450
	Telephone expenses	3,916,645	4,043,045
	Electricity, Water and Conservancy	2,548,563	1,956,519
	Purchase of uniforms	60,000	169,794
	Purchase of stationery	6,164,772	6,631,663
	Rent & Rates Expenses	55,000	56,650
	Computer expenses	14,836,734	16,361,069
	Hire of casuals	1,257,166	1,491,144
	Insurance costs	3,255,059	1,319,955
	Audit fees	965,518	1,135,172
	Consultancy Expenses	10,180,000	180,000
	Bad Debts Write-off	-	-
	Slow moving stocks provision expenses	572,752	(577,533)
	Provision for Bad & Doubtful Debts	1,143,621	(1,018,597)
	Maintenance of office equipment	2,412,587	852,848
	Maintenance of buildings	4,804,320	4,020,804
	Security expenses	3,988,843	4,490,566
	Library Expenses	65,020	50,250
	Subscription expenses	171,770	204,480
	Donation expenses	20,000	410,000
	Bank charges	3,464,436	638,303
	Legal charges	7,476,559	3,649,044
	Depreciation	46,910,882	43,607,324
	Amortization	498,250	262,500
	Total Administration Costs	**491,737,125**	**474,951,540**
(b).	**STAFF COSTS**		
	Basic Salaries	208,802,451	192,859,061
	Gratuity and pension	45,233,951	51,780,984
	House allowance	40,230,400	40,509,012
	Other personal allowances	17,143,861	16,244,298
	Leave allowances	4,333,825	4,135,053
	Medical expenses	19,740,620	19,852,383
	Overtime costs	7,966,485	12,468,422
	Staff training expenses	3,525,412	7,573,605
	Staff welfare expenses	6,715,277	8,205,097
	Total Staff Costs	**353,692,281**	**353,627,917**
(c).	**MANAGEMENT BOARD EXPENSES**		
	Sitting and Lunch Allowances	255,345	4,550,200
	Travelling Allowances	294,450	717,148
	Chairman's Honoraria	957,000	1,044,000
	Accomodation Allowances	491,400	1,177,840
	Performance Bonus	-	-
	Board Medical Expenses	-	9,700
	Other Meeting expenses	480,000	-
	Total Board Expenses	**2,478,195**	**7,498,888**
5.	**SELLING AND DISTRIBUTION COSTS**		
	Sales trade discounts allowed	302,371,733	409,775,268
	Promotional Samples costs	3,343,054	2,449,799
	Advertising, Research and Promotions	18,359,812	18,414,687
	Corporate Communications expenses	8,147,706	5,901,816
	Business Development Costs	817,488	706,765
	Packaging, carriage and handling costs	70,943,967	149,757,646
	Total Selling and Distribution Costs	**403,983,761**	**587,005,981**
	Total Costs	**895,720,886**	**1,061,957,521**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

		2023 Kshs	2022 Kshs
6.	**OPERATING PROFIT / (LOSS)**		
	The operating profit/(Loss) is arrived at after charging / (crediting):		
	Staff Costs (Note 4)	353,692,281	353,627,917
	Depreciation of property, Plant and equipment	46,910,882	43,607,324
	Amortization Intangible Assets	498,250	262,500
	Provision For Bad & Doubtful Debts	1,143,621	(1,018,597)
	Directors Emoluments - Fees	2,478,195	7,498,888
	Gain on Disposal of Non-financial Assets	(510,317)	(1,418,054)
	Foreign Exchange Gain/(Loss)	(1,584,582)	(2,050,590)
	Income from investments	(28,672,203)	(51,513,444)
	Rent Receivable	(6,428,324)	(1,781,494)
	Other Income (note 3)	(1,013,804)	(6,941,725)
7(a).	**GROSS INCOME FROM INVESTMENTS**		
	Interest Income on Government securities	12,118,357	3,437,644
	Interest Income on short-term deposists	16,553,846	48,075,800
		28,672,203	**51,513,444**
(b).	**INTEREST INCOME RECEIVED FROM INVESTMENTS**		
	Interest receivable at beginning of period	5,214,290	2,174,760
	Current years'	28,672,203	51,513,444
	Less: Tax on Interest Received - paid at source	(4,300,829)	(7,727,014)
		29,585,664	45,961,190
	Less: Closing balance for the period	(4,790,563)	(5,214,290)
	Interest received at close of period	**24,795,100**	**40,746,900**
(c).	**NET INTEREST INCOME**		
	Gross interest income	28,672,203	51,513,444
	Less: Tax on Interest Received	(4,300,829)	(7,727,014)
		24,371,374	**43,786,430**
8.	**INCOME TAX EXPENSE/(CREDIT)**		
(a).	**Income Tax Charge/(Credit)**		
	-Charge for the year based on adjusted profit/(Loss) for the year at 30%	(20,091,490)	51,582,732
	- Less Advance/paid at source	(4,300,829)	(7,727,014)
	Total	**(24,392,319)**	**43,855,718**
(b).	**Reconciliation of Tax Expense/(Credit) to Expected Tax Based on Accounting Profit**		
	Tax (credit) at beginning of period	(221,290,272)	(208,771,948)
	Income Tax Charge based on adjusted profits for the period	(24,392,319)	43,855,718
		(245,682,591)	(164,916,230)
	Tax Refund	233,505,597	-
	Income Tax paid - Prior years' balances - Offset	(22,104,815)	(36,370,350)
	Income Tax paid - Current years' advance - Offset	(53,724,528)	(20,003,692)
	Tax liability / (credit) at the end of period	**(88,006,337)**	**(221,290,272)**

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 for the year ended 30th June 2023, Kshs. 18.9 Million, is payable after audit of the Financial statements.

	2023 Kshs	2022 Kshs
Opening balance as at 1st july	28,892,644	20,370,436
Proposed Dividend for the year	18,878,532	8,522,208
Dividend Paid during the year	(28,892,644)	-
Closing balance as at 30th June	**18,878,532**	**28,892,644**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2023	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
At July 1, 2022	667,250,000	467,671,487	246,479,350	10,143,101	62,431,650	32,981,455	17,954,899	6,515,034	**1,511,426,976**
Capitalization of Assets	-	-	-	-	-	-	-	-	**-**
Additions	-	577,000	136,611,000	675,186	-	3,343,320	2,714,920	157,743,715	**301,665,142**
Disposals	-	-	(225,000)	-	(1,370,900)	(64,350)	-	-	**(1,660,250)**
At June 30, 2023	**667,250,000**	**468,248,487**	**382,865,350**	**10,818,288**	**61,060,750**	**36,260,425**	**20,669,819**	**164,258,749**	**1,811,431,868**
DEPRECIATION									
At June 30, 2022	-	18,688,145	12,198,069	1,256,661	13,249,879	9,491,311	2,132,239	-	**57,016,304**
Adjust for depre. on disposal	-	-	(11,250)	-	(599,769)	(20,914)	-	-	**(631,933)**
Charge for the Year	-	18,722,246	12,881,930	1,312,258	15,522,231	10,457,412	2,563,347	-	**61,459,425**
At June 30, 2023	**-**	**37,410,391**	**25,068,749**	**2,568,919**	**28,172,342**	**19,927,809**	**4,695,586**	**-**	**117,843,796**
NET BOOK VALUE						-	-		
At June 30, 2023	**667,250,000**	**430,838,096**	**357,796,601**	**8,249,369**	**32,888,408**	**16,332,616**	**15,974,233**	**164,258,749**	**1,693,588,072**
At June 30, 2022	**667,250,000**	**448,983,342**	**234,281,281**	**8,886,441**	**49,181,771**	**23,490,145**	**15,822,660**	**6,515,034**	**1,454,410,674**

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

Disposals proceeds	**-**	**-**	**161,000**	**-**	**355,000**	**2,000**	**-**	**-**	**518,000**

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

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	36,260,425	10,878,128
Motor Vehicles	61,060,750	15,265,188
	97,321,175	**26,143,315**

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

	Notes	2023	2022
Cost of Sales (Production Overheads)	Appendix I	14,548,543	13,922,532
Admin Expenses - Depreciation of PPE	10	46,910,882	43,607,324
- Amortization of Intangible assets	11	498,250	262,500
Total Depreciation expenses		61,957,675	57,792,356

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10 (a). PROPERTY, PLANT AND EQUIPMENT

2022	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
COST OR VALUATION									
At July 1, 2021	667,250,000	562,683,160	332,075,712	13,734,921	126,784,770	65,339,081	29,827,920	11,367,074	**1,809,062,638**
Capitalization of Assets	-	-	-	-	-	-	-	(8,937,054)	**(8,937,054)**
Additions	-	10,127,787	3,357,300	1,320,241	10,289,600	2,568,965	1,179,130	4,085,014	**32,928,038**
Disposals	-	-	-	-	(1,590,000)	(1,033,175)	-	-	**(2,623,175)**
At June 30, 2022	**667,250,000**	**572,810,947**	**335,433,012**	**15,055,163**	**135,484,370**	**66,874,871**	**31,007,050**	**6,515,034**	**1,830,430,446**
DEPRECIATION									
At June 30, 2021	-	105,139,460	88,953,662	4,912,061	73,052,720	33,893,415	13,052,151	-	**319,003,469**
Adjust for depre. on disposal	-	-	-	-	(265,000)	(248,552)	-	-	**-513,552**
Charge for the Year	-	18,688,145	12,198,069	1,256,661	13,514,879	9,739,863	2,132,239	-	**57,529,856**
At June 30, 2022	**-**	**123,827,605**	**101,151,731**	**6,168,722**	**86,302,599**	**43,384,726**	**15,184,390**	**-**	**376,019,773**
NET BOOK VALUE									
At June 30, 2022	**667,250,000**	**448,983,342**	**234,281,281**	**8,886,441**	**49,181,771**	**23,490,145**	**15,822,660**	**6,515,034**	**1,454,410,674**
At June 30, 2021	**667,250,000**	**457,543,700**	**243,122,050**	**8,822,860**	**53,732,050**	**31,445,666**	**16,775,769**	**11,367,074**	**1,490,059,169**

DISPOSAL OF PROPERTY, PLANT & EQUIPMENT

	Land	Buildings & Civil Works	Plant and Machinery	Office Equipment	Motor Vehicles	Computers & Related Equipment	Office Furniture and Fittings	Capital Work in Progress	Total
Disposals Proceeds	**-**	**-**	**-**	**-**	**560,000**	**131,575**	**-**	**-**	**691,575**

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

	Cost or Valuation	Normal annual depreciation charge
Computer and related equipment	66,874,871	20,062,461
Motor Vehicles	135,484,370	33,871,093
	202,359,241	**53,933,554**

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

		2022	2021
Cost of Sales (Production Overheads)	**Appendix I**	13,922,532	16,830,133
Admin Expenses - Depreciation of PPE	**10**	46,910,882	34,956,081
- Amortization of Intangible assets	**11**	498,250	607,500
Total Depreciation expenses		**61,331,664**	**52,393,714**

		2023 Kshs	2022 Kshs
11.	**INTANGIBLE ASSETS**		
	COST		
	At July 1	21,799,529	21,799,529
	Additions	2,020,000	-
	Disposals	-	-
	At June 30	**23,819,529**	**21,799,529**
	AMORTISATION		
	At July 1	21,755,778	21,493,278
	Charge for the year	498,250	262,500
	Impairment Loss	-	-
	At June 30	**22,254,028**	**21,755,778**
	NET BOOK VALUE		
	At June 30	**1,565,500**	**43,750**

Note: Intangible assets amounting to Kshs 21,799,529 were fully amortized as at the end of financial year.

		2023 Kshs	2022 Kshs
12.	**INVENTORIES**		
	Printed Books	1,714,992,606	1,458,313,591
	Provision for Slow Moving Stock	(2,895,185)	(2,322,433)
	Raw Materials	18,573,132	15,143,422
	Stationery & Other Consumables	2,224,652	3,022,310
	Library Books	2,121,490	1,949,401
	Work in Progress	202,204,335	122,652,849
		1,937,221,030	**1,598,759,139**
	Total excluding provision for slow moving stock	***1,940,116,214***	***1,601,081,571***
13 (a)	**TRADE AND OTHER RECEIVABLES**		
	Trade Receivables - Books	1,300,083,414	1,203,060,257
	Provision for Bad & Doubtful debts - Books	(6,495,544)	(6,519,951)
	Trade Receivables - Printing	306,811,871	166,377,342
	Provision for Bad & Doubtful debts - Printing	(3,695,317)	(2,527,288)
	VAT Receivable	31,191,361	60,714,192
	Corporation Tax Receivable	88,006,336	221,290,271
	Income Tax Refund - Asset	32,115,948	-
	Accrued Interest Income	4,790,563	5,214,290
	Other Receivables {inclusive of staff receivables Note **13 (c)**}	13,842,410	8,852,113
	Deposits and Prepayments	7,773,634	8,525,344
		1,774,424,677	**1,664,986,570**
	Total excluding prov. For bad debts, Corporation tax & accrued int.	***1,659,702,690***	***1,447,529,248***
(b)	**TRADE RECEIVABLES**		
	Gross trade receivables	1,606,895,285	1,369,437,599
	Provision for doubful receivables	(10,190,861)	(9,047,240)
		1,596,704,424	**1,360,390,359**

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

	2023 Kshs	2022 Kshs
Less than 30 days	1,222,203,087	707,457,566
Between 30 and 60 days	45,054,974	59,391,906
Between 61 and 90 days	7,366,331	26,946,223
Over 90 days	332,270,893	575,641,904
	1,606,895,285	**1,369,437,599**

		2023 Kshs	2022 Kshs
(c)	**STAFF RECEIVABLES**		
	Gross staff loans and advances	1,058,438	983,765
	Less: Amounts due within one year	(550,484)	(625,494)
	Amounts due after one year	**507,954**	**358,271**

	2023 Kshs	2022 Kshs
14(a) SHORT-TERM DEPOSITS		
Short Term Deposits with Kenya Commercial Bank	153,242,975	624,046,931
Treasury Bills with Central Bank of Kenya	121,005,595	57,787,110
	274,248,570	**681,834,041**

The weighted average effective interest rate on short term bank deposits at the year-end was 8.08%, while the for investments in Treasury bills was 9.61%.

	2023 Kshs	2022 Kshs
(b). LONG-TERM INVESTMENTS		
Mortgage Deposits - HF Group & KCB	118,000,000	115,000,000
Car Loan Deposits - HF Group	20,000,000	20,000,000
Investment Gain	7,324,300	7,324,300
	145,324,300	**142,324,300**

15. CASH AND BANK BALANCES

	2023 Kshs	2022 Kshs
Cash on Hand	210,145	244,480
Cash at Bank	32,668,227	467,764,205
	32,878,372	**468,008,685**

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.

	2023 Kshs	2022 Kshs
Capital Fund	1,000,000,000	1,000,000,000
	1,000,000,000	**1,000,000,000**

17. REVALUATION RESERVES

Revaluation reserves relates to the revaluation of certain items of property, plant and equipment. As indicated in the Statement of Changes in Equity, this is stated after transfer of excess depreciation net of related deferred tax on retained earnings. Revaluation surlpuses are not distributable. Revaluation of assets was done in 2020/2021 for the assets in the books as at May 31, 2021.

	2023 Kshs	2022 Kshs
Revaluation Reserves	973,855,036	973,855,036
	973,855,036	**973,855,036**

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.

	2023 Kshs	2022 Kshs
Retained Earnings	2,422,219,676	2,377,873,196
	2,422,219,676	**2,377,873,196**

19. TRADE AND OTHER PAYABLES

	2023 Kshs	2022 Kshs
Trade Payables	1,181,210,104	1,364,484,587
Dividend Payable	18,878,532	28,892,644
Accrued Royalties	143,789,741	55,511,323
Withholding VAT Payable	27,470,564	27,195,703
Audit Fees Provision	1,034,483	2,206,896
NSSF Liability	-	5,000,000
Other Payables	25,993,782	27,997,756
Actuarial Decifit Liability	-	15,440,000
Accrued Expenses	1,642,419	1,261,631
Withholding Tax Due	10,092,596	6,850,787
Inventory Clearing Accounts	53,063,586	123,797,594
	1,463,175,806	**1,658,638,922**
Total excluding provision for dividend & corporation tax, payable	***1,444,297,274***	***1,629,746,278***

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.
A provivisional accrual deficit of Ksh 199,703,000 is currently under review to be submitted to the Retirement Benefits Authority (RBA) after approval by Board of Management.

21. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2023 Kshs	2022 Kshs
Operating profit or Loss before tax	168,693,828	136,804,815
Adjustments for:		
Depreciation	61,459,425	57,529,856
Amortization	498,250	262,500
(Decrease)/Increase in Prov. for Slow Moving Stock	572,752	(577,533)
Provision for Doubtful Debts	1,143,621	(1,018,597)
Foreign Exchange (Gain)/ Loss	(1,584,582)	(2,050,590)
Net Interest Income	(28,672,203)	(51,513,444)
(Profit)/Loss on disposal of Assets	510,317	1,418,054
Operating profit before Working Capital Changes	**202,621,408**	**140,855,061**
(Increase)/Decrease in Inventories	(339,034,643)	(548,194,655)
Realised Foreign Exchange Gain/Loss	1,584,582	2,050,590
(Increase)/Decrease in Receivables	(212,173,442)	507,393,834
(Increase)/Decrease in Payables	(185,449,003)	630,297,490
Cash generated from operations	**(532,451,098)**	**732,402,320**

(b) Analysis of cash and cash equivalents

	2023 Kshs	2022 Kshs
Short Term Deposits with Kenya Commercial Bank	153,242,975	624,046,931
Treasury Bills with Central Bank of Kenya	121,005,595	57,787,110
Cash at bank	32,668,227	467,764,205
Cash at hand	210,145	244,480
	307,126,942	**1,149,842,726**

(c) Analysis of dividend paid

	2023 Kshs	2022 Kshs
2020 Dividends paid	14,986,991	
2021 Dividends paid	6,126,923	
2022 Dividends paid	8,522,208	
	29,636,122	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2023	2022
	Kshs	Kshs

22. RELATED PARTY DISCLOSURES

(a) Government of Kenya

The Government of Kenya Iis the principal shareholder of Kenya Literature Bureau, holding 100% of the Bureau's equity interest.
There were no other Bureau's transanctions involving the Government of Kenya.

(b) Employees

The Bureau provides certain qualifying employees with car loans in a funded arrangement with Kenya Commercial Bank Ltd, on terms more favourable than available in the market. The benefit obtained by the staff is subjected to income tax as required under the Kenya Income Tax Act. The cars are registered in joint names of the Bank and the employees for the car loan. The short-term deposits with principal amount of Kshs. 10 million are held for the purpose and earn a lower interest rate than the market rate. The Bureau is only liable when the employement contract with the employee is in force.

(c) Directors' renumeration and related costs

	2023 Kshs	2022 Kshs
Allowances and other emoluments and costs for directors	**2,478,195**	**10,091,734**

The decline in directors' renumeration resulted from the exit of the former Board on 23rd April 2022.
The appointment of new Board was done on 10th March 2023.

(d) Key management compensation

	2023 Kshs	2022 Kshs
Salaries and other employment benefits	59,324,679	56,230,527
Managing Director's Gratuity benefits	-	-
	59,324,679	**56,230,527**

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 2023 includes:

	2023 Kshs	2022 Kshs
Plant & Equipment - Web Offset Printing Machine	-	123,903,000
Plant & Equipment - Book Binding Line	-	141,453,000
Furniture & Fittings	-	2,150,810
Computer Equipment	6,961,802	12,812,211
Office Equipment	-	2,335,345
	6,961,802	**282,654,366**

24. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

i) Credit risk (Continued)

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Receivables from exchange transactions	1,606,895,285	1,274,624,391	332,270,893	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	32,668,227	32,878,372	-	-
Total	**1,639,563,512**	**1,307,502,764**	**332,270,893**	**-**
At 30 June 2022				
Receivables from exchange transactions	1,369,437,599	793,795,695	575,641,904	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	467,764,205	468,008,685	-	-
Total	**1,837,201,804**	**1,261,804,380**	**575,641,904**	**-**

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

The Bureau has significant concentration of credit risk on amounts due for over ninety (90) days Kshs. 332.3 Million. Of this amount, M/s Lisa Paperworks Ltd owed Kshs. 8,633,336.62 for which a legal suit was instituted and judgement entered in favour of the Bureau on 25th July 2023, awarding the full claim (Kshs. 8,633,226.62), interest at Kshs. 6,043,286.62 and costs at Kshs. 271,500, totaling to **Kshs. 14,948,052**. The Bureau is following up the settlement thereof.

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.

ii) Liquidity risk management (Continued)

	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2023				
Trade payables	994,216,416	147,316,909	39,676,781	1,181,210,106
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**994,216,416**	**147,316,909**	**39,676,781**	**1,181,210,106**
At 30 June 2022				
Trade payables	1,314,200,156	88,441,365	27,674,346	1,430,315,867
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	**1,314,200,156**	**88,441,365**	**27,674,346**	**1,430,315,867**

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.

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 2023			
Financial assets(investments, cash ,debtors)	2,081,551,619	-	2,081,551,619
Liabilities			
Trade and other payables	(1,463,175,806)	-	(1,463,175,806)
Borrowings	-	-	-
Net foreign currency asset/(liability)	**618,375,813**	**-**	**618,375,813**

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

	Ksh	Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2022			
Financial assets(investments, cash ,debtors)	2,814,829,295	-	2,814,829,295
Liabilities			
Trade and other payables	(1,658,638,922)	-	(1,658,638,922)
Borrowings	-	-	-
Net foreign currency asset/(liability)	**1,156,190,373**	**-**	**1,156,190,373**

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
2023			
Rwandan Francs	10%	Insignificant	Insignificant
USD	15%	Insignificant	Insignificant
2022			
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.

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 (2023: KShs Nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs Nil (2022 – 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:

	2022/2023	2021/2022
	Kshs	**Kshs**
Revaluation reserve	973,855,036	973,855,036
Retained earnings	2,422,219,676	2,377,873,196
Capital reserve	1,000,000,000	1,000,000,000
Total funds	**4,396,074,712**	**4,351,728,232**
Total borrowings (Nil)	-	-
Less: cash and bank balances	(32,878,372)	(468,008,685)
Net debt/(excess cash and cash equivalents)	N/A	N/A
Gearing	**0%**	**0%**

25 INCORPORATION

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

26 EVENTS AFTER THE REPORTING PERIOD

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

27 CURRENCY

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

APPENDIX I

DETAILS OF PRODUCTION COSTS

	2023	2022
	Kshs	Kshs
Institutional Printing Services	98,093,726	62,066,832
Photography, Artwork & Blocks	1,728,469	1,530,400
Readership, Writing Workshops	29,787,635	40,394,106
Standard Levy	27,000	20,431
Royalty Expenses	248,860,405	100,253,190
Direct Costs	**378,497,236**	**204,264,959**
Contracted Works	**1,439,661,381**	**1,640,290,546**
Printing Papers Issues	14,889,320	7,827,379
Inks Issues	487,945	354,938
Plates Issues	1,287,937	598,142
Printing Supplies Issues	1,857,782	1,429,814
Direct Material Costs	**18,522,984**	**10,210,273**
Basic Salary Allocation	64,863,600	65,773,705
House Allow Allocation	15,008,400	16,103,952
Other Allow Allocation	5,005,290	5,322,297
Leave Allow Allocation	1,582,978	1,629,317
Overtime Allow Allocation	4,933,823	10,428,821
Direct Labour Costs	**91,394,092**	**99,258,091**
Transport Exp Allocation	2,343,275	2,370,882
Basic Salary Allocation	20,231,372	21,507,220
Depr Of Plant Exp Allocation	10,291,424	9,758,455
Electricity, Water Exp Allocation	7,645,689	5,668,222
Insurance Exp Allocation	2,170,039	879,970
Telephone Exp Allocation	1,307,794	1,346,312
Maint Of Plant Allocation	11,468,114	18,347,304
Maint Of Buildings Allocation	1,640,911	1,334,291
Pensions Allocation	30,155,967	22,191,850
House Allow Allocation	4,604,400	5,033,000
Maint Of O/Equip Allocation	259,499	94,761
Other Allow Allocation	2,347,572	2,431,983
Depr Of Buildings Exp Allocation	3,744,449	3,737,629
Uniforms Exp Allocation	60,000	169,794
Depr Of Furn Exp Allocation	512,670	426,448
Stationery Exp Allocation	651,697	736,851
Leave Allow Allocation	430,232	472,035
Casual Wages Allocation	5,028,665	5,964,576
Security Exp Allocation	1,329,614	1,335,936
Overtime Exp Allocation	1,065,259	2,379,647
Training Exp Allocation	2,140,073	5,056,356
Welfare Exp Allocation	4,448,639	5,470,065
Medical Exp Allocation	13,113,302	14,838,324
Overhead Costs	**126,990,658**	**131,551,911**
Total Production Costs	**2,055,066,351**	**2,085,575,780**