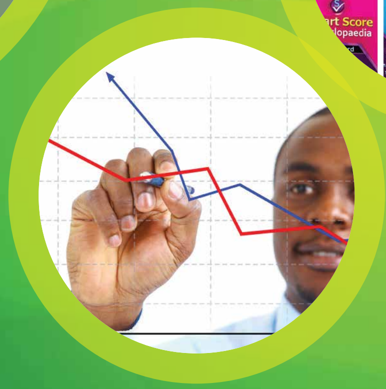
ANNUAL REPORT

AND FINANCIAL STATEMENTS 2015



LONGHORN

PUBLISHERS LIMITED

expanding minds

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CORPORATE INFORMATION

DIRECTORS	F T Nyammo - *Chairman* S Ngigi - *Group Managing Director* R Nyamweya S J Ruto (Mrs) T Kwaka (Ms) S Omanga (Mrs) A H Kassim M Githu Centum Investment Company Limited – represented by J K Muriuki
SECRETARY	Enid Muriuki Livingstone Associates Certified Public Secretary (Kenya) Deloitte Place, Waiyaki Way, Muthangari P O Box 30029 - 00100 GPO NAIROBI
REGISTERED OFFICE	LR No. 209/5604 Funzi Road, Industrial Area P O Box 18033 - 00500 NAIROBI
AUDITORS	Deloitte & Touche Deloitte Place, Waiyaki Way, Muthangari P O Box 40092 - 00100 GPO NAIROBI
LEGAL ADVISERS	Mohammed & Muigai MM Chambers, 4th Floor K-Rep Centre, Wood Avenue, Off Lenana Road Kilimani P O Box 61323 - 00200 NAIROBI
BANKERS	Standard Chartered Bank Kenya Limited Industrial Area Branch P O Box 20143 - 00500 NAIROBI NIC Bank Limited NIC House Branch P O Box 44599 - 00100 GPO NAIROBI Barclays Bank of Kenya Limited Enterprise Road Branch P O Box 18060 - 00500 NAIROBI Kenya Commercial Bank Limited Industrial Area - 4003 P O Box 18031 - 00500 NAIROBI

AGM NOTICE

TO ALL SHAREHOLDERS LONGHORN PUBLISHERS LIMITED

NOTICE is hereby given that the year 2015 Annual General Meeting of the Company will be held at the Nairobi Club, Ngong Road, Nairobi on Monday, 21 December 2015 at 11:00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To table the proxies and confirm the presence of a quorum.

2. To read the notice convening the meeting.

3. To approve the minutes of the Annual General Meeting held on 21 November 2014.

4. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2015 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.

5. To approve the payment of a first and final dividend of Kshs 0.15 per share in respect of the financial year ended 30 June 2015 as recommended by the Directors.

   The dividend will be payable on or before 21 March 2016 to the shareholders on the Register of Members as at the close of business on Monday, 21 December 2015.

6. To re-elect Directors:-
   6.1 In accordance with the provisions of Article 96 of the Company's Articles of Association:-

   a) Mrs Susan Nkirote Omanga retires by rotation at this meeting and being eligible, offers herself for re-election.

   b) Mr Raymond Nyamweya Ondieki retires by rotation at this meeting and, being eligible, offers himself for re-election.

   6.2 In accordance with Article 98(a) of the Company's Articles of Association:-

   a) Dr Sara Jerop Ruto retires at this meeting and, being eligible, offers herself for re-election.

   b) Mrs Truphosa Kwaka-Sumba retires at this meeting and, being eligible, offers herself for re-election.

   c) Mr Muigai Githu retires at this meeting and being eligible, offers himself for re-election.

7. To approve the remuneration of the Directors as indicated in the Financial Statements for the financial year ended 30 June 2015.

8. To appoint Messrs PricewaterhouseCoopers, Certified Public Accountants (K) as Auditors of the Company in place of Messrs Deloitte & Touche who will retire at the conclusion of the year 2015 Annual General Meeting.

SPECIAL BUSINESS

9. To consider and, if thought fit, to pass the following resolutions which will be proposed as Special Resolutions:-

   9.1 Amendment to the Memorandum of Association

   "That the Memorandum of Association of the Company be and is hereby amended by adding the following new object (20) and that the subsequent sub clauses be renumbered accordingly:-

   'To establish and maintain or procure the establishment and maintenance of an Employee Share Ownership Plan (ESOP) to hold 5% (5 per cent) of the fully issued shares of the Company for the benefit of persons who are or were at any time in the employment or service of the Company or of any company which is the holding company of the Company or which is a subsidiary of the Company."

   9.2 Establishment of an Employee Share Ownership Plan

   "That the Directors be and are hereby authorized:-

   (i) To do all acts and things necessary to establish and carry into effect an Employee Share Ownership Plan ('ESOP') by the name "Longhorn Employee Share Ownership Plan Trust" (Longhorn ESOP Trust) including drafting the instruments of the ESOP as the Directors shall deem fit;
   (ii) To obtain all the requisite regulatory approvals in relation to the establishment of the ESOP and the Longhorn ESOP Trust; and
   (iii) To allot and issue shares to the Trustees of the Longhorn ESOP Trust on the terms and conditions as shall be contained in the ESOP Trust Deed and Scheme Rules."

10. To consider and, if thought fit, to pass the following resolutions which will be proposed as Ordinary Resolutions:-

    10.1 Increase in Share Capital

    "That the Nominal Share Capital of the Company be increased from Kshs 146,250,000/- (Kenya Shillings One Hundred Forty Six Million, Two Hundred and Fifty Thousand) ordinary shares of Kshs 1/- each to Kshs 785,526,315/- (Kenya Shillings Seven Hundred and Eighty Five Million Five Hundred and Twenty Six Thousand Three Hundred and Fifteen) by the creation of an additional 639,276,315 (Six Hundred and Thirty Nine Million Two Hundred and Seventy Six Thousand Three Hundred and Fifteen) ordinary shares of Kshs 1/- to rank "pari passu" in all respects with the existing ordinary shares in the capital of the Company."

    10.2 Rights Issue

    a) "That subject to the Company receiving the required regulatory approvals including but not limited to the approval of the Capital Markets Authority, shares be offered to the members of the Company by way of rights to holders of ordinary shares of the Company in such a proportion to the existing shares held by them at the close of business on such a date to be fixed by the Board of Directors and at such a price as shall be determined by the Board."

    b) "That any rights not taken up be offered on terms and conditions as are determined by the Directors and notified to the shareholders through the press."

    c) "That the Board of Directors be empowered to do and effect all acts and things required to give effect to the above resolution, and to deal with fractions in such manner as they think fit subject to the provision of the Articles of Association of the Company.

    10.3 Listing of Rights Issue Shares

    "That subject to the Company receiving all regulatory approvals, the additional resultant shares from the Rights Issue be and are hereby approved for listing at the Nairobi Securities Exchange."

11. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

ENID MURIUKI (MRS)
COMPANY SECRETARY

Date: 30 November 2015

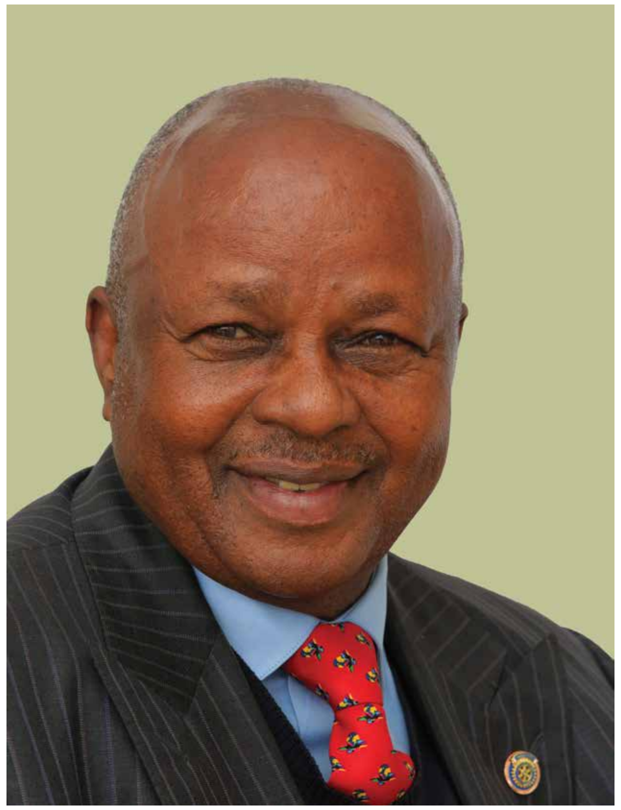
NOTES:

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website www.longhornpublishers.com, or from the Share Registrars, Livingstone Registrars Limited, Deloitte Place, Waiyaki Way, Nairobi.

(ii) To be valid, a form of proxy must be duly completed by the member and must be lodged with the Company Secretary, P O Box 30029, 00100 Nairobi not later than forty eight hours before the time of holding the meeting.

(iii) Pursuant to the provisions of Article 136 of the Company's Articles of Association, a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website (www.longhornpublishers.com) or from the Registered Office of the Company i.e. Longhorn Publishers Limited, Funzi Road, Industrial Area, Nairobi.

CHAIRMAN'S STATEMENT



Hon. Francis Thombe Nyammo
Chairman
(Non-Executive, Non-Independent)

Dear Shareholders

It gives me great pleasure to present to you the highlights of the performance review of your company for the year ended 30 June 2015. The year under review marked the beginning of a defining moment for the company, when it changed its name from Longhorn Kenya Limited to Longhorn Publishers Limited. This was indeed a great stride for the company, as it positioned itself to be a Pan African and not a Kenyan company as it has been known for decades.

The latter part of the year signified the evolution of our business, with the appointment of 3 new board members and the commencement of our plans for strategic business development. The company also inaugurated its new subsidiary in Rwanda, overseen by a new board, as it made efforts to continue growing its footprint in Africa.

The Business Environment

The Kenyan economy grew by 5.4% p.a. in 2014 and this growth trajectory is expected to continue in 2015, with GDP estimated to rise by 6% the year.

The Kenyan publishing industry has seen intense competition with a number of new publishing houses setting up a niche for themselves in the estimated Kshs 12 billion industry. Your Board of Directors has made strategic decisions to ensure that the company's position remains sustainable in the foreseeable future through regional expansion and product diversification strategies.

Industry Overview

The global publishing industry has experienced positive growth over the last five years and it is expected to reach an estimated US Dollar 348 billion in 2017 with a Compound Annual Growth rate (CAGR) of 2.3% over the next five years. Internet publishing, foreign investment and the elimination of regulatory restrictions are expected to boost the publishing industry in the future. The company has strategically positioned itself to take advantage of these changes especially in the digital front.

Performance

The full year sales revenue results for the year ended 30 June 2015 stood at Kshs. 848m compared to the previous year's Kshs.1.396b. This was a 37 % decline fuelled by poor performance in the export market. Export sales stood at Kshs. 43m.

The group recorded a consolidated operating profit of Kshs. 71m which was a decline from the previous year's profit of Kshs.94.9m. This has been attributed to low sales in the export market following low government orders and a competitive and smaller open market in these regions. The group has since strengthened its existing product brands and has been looking for new opportunities in the other African markets like Ethiopia, Zimbabwe and the DRC.

Dividend

Subject to approval by shareholders, the Directors are glad to recommend a dividend of Kshs. 0.15 per share from the results of the year ended 30 June 2015 amounting to Kshs.8.7m, which is 7.5% of the dividend of Kshs. 2.00 per share (Kshs. 117m) paid in the previous year ended June 2013.

Future Outlook

The company continues to lead in its digital offering having made great strides in digitizing all its products. It is with great pride to say that we have grown to a level where our physical books are released concurrently with the digital versions of the same. The company continues to work with likeminded partners, and to this end the company has been able to grow its digital products from html files to interactive and audio content, good for learning at all school levels.

The company continues to grow its footprint in Africa and through its subsidiary offices, the company is looking into making inroads to Central, West and the South African markets.
In order to curve a niche in the reference brand, the company has managed to get an exclusive rights deal to distribute the Cambridge Dictionary and Biblicas NIV Bible in Kenya and the greater East Africa Region. In addition to this, the company has signed distributorship agreements with Bible Society of Kenya and Scripture Union making it the largest distributor of school reference material.

The company's publishing department through its Kamusi Sweep project has managed to produce 2 superior Kamusis, that is, The Kamusi Kuu (an authoritative Kamusi in all matters Kiswahili) and Kamusi Bora ya Watoto to address the junior learners of Kiswahili. The company has also developed 2 new Atlases; Secondary School Atlas for Kenya and The Uganda Primary Atlas. Considering the longevity and sustainability of these products which are not affected by curriculum changes, the company continues to set the pace for publishing in its market.

The Directors are indeed optimistic that the company will continue to grow in high gear as the strategy implementation ventures are rolled out within this financial year.

Join me in congratulating 3 directors who have recently join the Board: Mrs. Sara Ruto, Mrs. Truphosa Kwaka and Mr. Muigai Githu. We are indeed proud to have them on our board, and we look to tap into their experience and expertise to steer the company into greater heights.

In conclusion, I would like to appreciate the contribution of the Board of Directors, Management and staff in supporting the company's growth strategies and ensuring we operate in a profitable and sustainable environment.

I would wish to thank all our stakeholders for the support we received in helping us to raise the company's flag up high.

We thank you all.

Hon. F.T.Nyammo, OGW, MBS
CHAIRMAN **NAIROBI**

CORPORATE GOVERNANCE STATEMENT

The Board and Management of Longhorn Publishers Limited ("Longhorn" or "the Company") aim to comply with established best practice in corporate governance. At the heart of Longhorn's core values is integrity which dictates adherence to a strict Code of Ethics in how we approach our work, business relationships, decisions and actions.

1. Principal Activity

Longhorn is a leading provider of learning materials in the Eastern Africa region with subsidiaries in Uganda, Tanzania and Rwanda, and operations in, Malawi and Zambia. Longhorn's shares are listed on the Nairobi Securities Exchange.

2. Going Concern

The Directors confirm that they are satisfied that Longhorn has adequate resources to continue in business for the foreseeable future and for this reason, continue to adopt the going concern basis when preparing the financial statements.

3. Business Conduct

The business of the Company is conducted within a developed control framework underpinned by policy statements, written procedures and internal control manuals. Key among these is the Company's Board Charter.

In addition, the Company merited and was awarded ISO 2008:9001 certification on 7 May 2013. This renewed commitment to quality has continued to raise the Company's profile. The Board has established a management structure that clearly defines roles and responsibilities. Any delegated authority is documented and communicated.

4. Internal Controls

The Board is responsible for the Company's risk management and internal controls and the Board's Audit & Risk Committee regularly reviews the effectiveness of the controls, and reports to the Board. The Internal Audit and Risk Department assists Management to embed risk management in all business processes, guided by the Company's risk management framework. Risks with a high score (based on their likelihood and impact) are prioritized for mitigation. Internal audit reports are presented regularly to the Audit and Risk Committee of the Board. In addition, the External Auditors independently and objectively review the approach of management to financial reporting.

5. Statutory Accountability

The Company adheres to the Corporate Governance Guidelines issued by the Capital Markets Authority in Kenya to ensure compliance with the principles of corporate governance.

In addition, the Company endeavors to fulfil its legal obligations in relation to its principal activity.

6. Preparation of Financial Statements

The Board is responsible for the preparation of the financial statements. The Board confirms that the results of all subsidiaries have been incorporated in the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

7. Governance Principles

7.1. Conflict of Interest

The directors and employees have a fiduciary duty to make a full and fair disclosure of all matters that could reasonably be expected to impair the objectivity or interfere with the execution of their duties to the Company.

7.2. Insider Trading Policy

The Company has developed a policy on insider trading and all staff and directors have committed themselves to adhere to its stipulations.

7.3. Board Composition

The Board of Longhorn is comprised of eight directors who include one Executive Director and eight Non-Executive Directors.
Five of the Non-executive Directors are Independent Directors and they comprise more than one third of the Board as required under the Corporate Governance Guidelines.

The Chairman of the Board is a Non-Executive Director. Longhorn has a policy to replicate a similar composition in the Boards of the subsidiaries with the discretion to invite additional directors to provide the required expertise and also take into account local participation.

8. Respective Roles of the Chairman and the Managing Director

The division of the responsibilities between the Chairman and the Managing Director are well defined. The Chairman leads the Board in the determination of the strategy, is responsible for organising the business of the Board including ensuring its effectiveness and has no involvement in the daily business of the Company.

On the other hand, the Managing Director has direct charge of the daily business of the Company and is accountable to the Board for the financial and operational performance. The Managing Director works with the Management Committee comprising the Departmental Heads to carry out the responsibility of strategy execution.

9. Appointment of Directors

All Directors are appointed by ordinary resolution of the shareholders of Longhorn in a general meeting. Where a director is appointed by the Board to fill in a casual vacancy during the year, he/she is presented to the shareholders at the next General Meeting following their appointment for re-election. Individuals are appointed to the Board after going through a thorough process to confirm that their skills set match the needs of the Company.

10. Rotation of Directors

The Company's Articles of Association provide that one third of the directors retire by rotation annually and if eligible, submit themselves for re-election at the general meeting.

11. Directors Induction and Development

Upon appointment, directors are provided with information regarding their roles and responsibilities to various stakeholders, all pertinent information about the Company and its operations, as well as information on their statutory obligations particularly in view of the fact that the Company is a public listed entity. In addition to the induction information provided, opportunity for training in corporate governance as well as emerging trends that have an impact on the business of the Company is provided for all directors. The Board has initiated a Board Evaluation programme which appraises the individual directors, Committees and the Board as a whole annually.

12. Provision of Information to the Directors

The non-executive directors receive regular reports and information that enables them to scrutinize the Company's operations and performance on a quarterly basis. Directors may also suggest additional items for discussion at meetings as well as request for additional information or a briefing on any topic prior to meetings. All directors are entitled to seek independent professional advice with respect to the performance of their duties at the Company's expense.

13. Directors' Remuneration

The non-executive directors are remunerated for their services to the Board and Board Committee and the remuneration is disclosed under Note 8 to the financial statements (page 39). The directors' remuneration is tabled for approval at every annual general meeting and this is brought to the attention of the shareholders through the notice convening the Annual General Meeting. The directors are not eligible for pension scheme membership and do not participate in any of the Company's bonus or other incentive schemes. There were no loans advanced to directors at any time during the year.

14. Committees of the Board

Though the Board is responsible for strategy formulation, risk identification, senior management selection and compensation, integrity of financial controls and general compliance, the Board has approved and delegated certain authorities to the Board committees. The Committees have specific mandates that are documented in the respective Terms of Reference as well as in the Board Charter to ensure accountability. The minutes of Board Committees are tabled at Board meetings and Committee decisions and recommendations ratified or approved by the Board as may be applicable.

The following are the Board Committees that existed during the year:

14.1 Audit and Risk Committee

Members of the Audit and Risk Committee are non-executive directors, the majority of whom are independent non-executive directors as required under the Corporate Governance Guidelines issued by the Capital Markets Authority. The Managing Director, the Head of Finance & Strategy and the Internal Auditor are usually in attendance at meetings.

Members: Raymond Nyamweya Ondieki (Chairman); Job Kariru Muriuki (representing Centum); Ali Hussein Kassim.

The role of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparations of accurate financial statements in compliance with all applicable legal requirements and accounting standards.

14.2 Operations and Strategy Committee

Membership of the Operations and Strategy Committee comprises the Managing Director and three non-executive directors while the Heads of Finance & Strategy, Heads of Sales Operations, Marketing & Communication and Publishing are in attendance at meetings. The Operations and Strategy Committee has the role of monitoring strategy implementation and overall Company performance. It is also responsible for senior staff selection and recruitment.

Members: Job Kariru Muriuki (Chairman); Susan Nkirote Omanga; Raymond Nyamweya Ondieki; Ali Hussein Kassim; Sara Jerop Ruto; Muigai Githu.

14.3 Nomination, Governance and Human Resource Committee

Nomination, Governance and Human Resource Committee (NGHRC) has four members, three of whom are independent non-executive directors. The Managing Director and the Head of Finance & Strategy are usually in attendance at Committee meetings. The role of the NGHRC is to assist the Board to achieve optimum composition in terms of skills of those appointed to sit on the Company's Board. It is also responsible for making recommendations on non-executive Directors' remuneration and to address compliance issues relating to regulatory and legal requirements.

Members: Truphosa A Kwaka-Sumba (Chairperson); Job Kariru Muriuki; Susan Nkirote Omanga; Raymond Nyamweya Ondieki; Muigai Githu.

15. Directors Participation in Meetings

The table below shows the attendance at meetings during the year ended 30 June 2015:

	NAME	STATUS	BOD	ARC	OSC	NGHRC
1	Francis Thombe Nyammo	Chairman BOD	7/7	N/A	N/A	N/A
2	James Musyoki Muli [1]	Managing Director (Former)	4/7	5/5	4/6	3/3
3	Raymond Nyamweya Ondieki	Director and Chairman of ARC	6/7	5/5	2/6	0/3
4	Jane W M Briggs [2]	Director	3/7	1/5	2/6	N/A
5	Susan Nkirote Omanga	Director	4/7	N/A	4/6	2/3
6	Centum Investment Company Ltd [3]	Director	7/7	4/5	6/6	3/3
7	John Syekei Nyandieka [4]	Chairman of NGHRC	1/7	N/A	N/A	3/3
8	Ali Hussein Kassim	Director	6/7	5/5	4/6	N/A
9	S J Ruto [5]	Director	3/7	N/A	1/6	N/A
10	T A Kwaka-Sumba [6]	Director	3/7	N/A	N/A	-
11	S Ngigi [7]	Managing Director	1/7	N/A	1/6	N/A
12	M Githu [8]	Director	0/7	N/A	0/6	0/6

BOD – Board of Directors;

ARC – Audit and Risk Committee;

NGHRC – Nomination, Governance and Human Resource Committee.

OSC – Operations and Strategy Committee

1 - James Musyoki Muli resigned with effect from 11 May
2 - J W M Briggs resigned with effect from 21 November 2014
3 - Job Muriuki represents Centum Investment Company Limited
4 - John Syekei Nyandieka resigned with effect from 5 June 2015
5 - S J Ruto was appointed with effect from 1st December 2014
6 - T A Kwaka-Sumba were appointed with effect from 1st December 2014
7 - Simon Ngigi was appointed with effect from 11 May 2015
8 - Muigai Githu was appointed with effect from 20 August 2015
N/A - Not a Member of the Committee

16. Capital Structure

(a). Share Capital

The authorized and issued share capital of Longhorn consists of only ordinary shares as disclosed in Note 21 to the financial statements (page 48).

(b). Top Ten Shareholders as at 30 June 2015

Rank	Name and address of shareholder	No of shares	Percentage of total issued
1	Centum Investment Company Limited P O Box 10518, 00100 Nairobi	45,699,225	31.25%
2	Pacific Futures and Options Limited P O Box 45531, 00100 Nairobi	35,011,750	23.94%
3	Francis Thombe Nyammo P O Box 45531, 00100 Nairobi	16,018,000	10.95%
4	Halifax Capital Corporation Limited P O Box 61323, 00200 Nairobi	4,369,700	2.98%
5	Kamami Investments Limited P O Box 67920, 00100 Nairobi	3,114,050	2.13%
6	Text Book Centre Limited P O Box 47540 , 00100 Nairobi	2,854,450	1.95%

7	Mrs Jane Kaari Mugiri (Deceased) P O Box 55112, 00200 Nairobi	1,513,600	1.03%
8	The Estate of The Late Ephantus M'Mwiandi Mugiri c/o Mrs Jane Kaari Mugiri P O Box 55112, 00200, Nairobi	1,477,600	1.01%
9	Kahuho Holdings Limited P O Box 43392, 00100 Nairobi	1,446,150	0.99%
10	Kanaiyalal Mansukhlal & Shah Lalitaben Kanaiyalal Shah P O Box 41805, 00100 Nairobi	1,416,670	0.97
	Shares held by top 10 shareholders	**112,921,195**	**77.12%**
	Shares held by other shareholders	**33,328,802**	**22.88%**
	Total Issued Shares	**146,249,997**	**100.00%**

(a). Distribution of Shareholders as at 30 June 2015

		No. of Investors	No of Shares	% Holding
1.	Less than 500	467	126,319	0.09%
2.	Between 501 to 5,000	911	1,978,924	1.35%
3.	Between 5,001 and 10,000	272	2,067,661	1.41%
4.	Between 10,001 and 100,000	329	9,297,862	6.36%
5.	Between 100,001 and 1,000,000	42	11,273,049	7.71%
6.	Above 1,000,000	17	121,506,182	83.08%
	Totals	**2,038**	**146,249,997**	**100.00%**

(b). Directors Holding Shares as at 30 June 2015

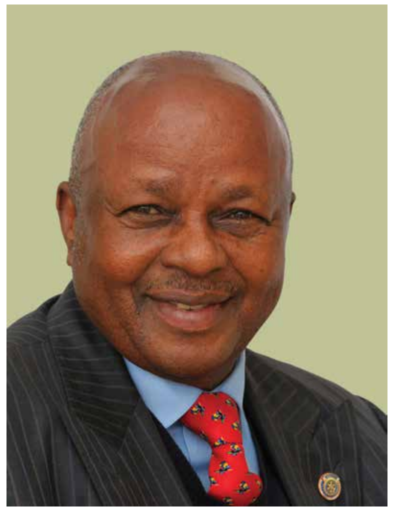
Name	No. of shares held	% of total issued
Centum Investment Company Limited	45,699,225	31.25%
Francis Thombe Nyammo	16,018,000	10.95%
TOTAL	**61,717,225**	**42.2%**

*Francis Thombe Nyammo has a beneficial interest in Pacific Futures and Options Limited which holds 14,004,700 shares (23.94%) of the Company.

F T NYAMMO
Chairman

S NGIGI
Group Managing Director

BOARD OF DIRECTORS


Hon. Francis Thombe Nyammo
Chairman
(Non-Executive, Independent)


Simon Ngigi
Group Manging Director
(Executive)


Raymond Nyamweya Ondieki
Director
(Non-Executive, Independent)


Susan Omanga
Director
(Non-Executive, Independent)


Ali Hussein Kassim.
Director
(Non-Executive, Independent)


Truphosa Kwaka Sumba
Director
(Non-Executive, Independent)


Job Kariru Muriuki
Director
(Representing Centum Investment)


Mr Muigai Githu
Director
(Non-Executive, Independent)


Sara Ruto
Director
(Non-Executive, Independent)

HEADS OF DEPARTMENTS

Simon Ngigi
Group Manging Director (Executive)

Nicholas Oloo
Head Of Finance and Strategy

Geoffrey Gichuki
Head Of Sales Operations

Beatrice Nugi
HOD Publishing

Daisy Rono
HOD Marketing and Communication

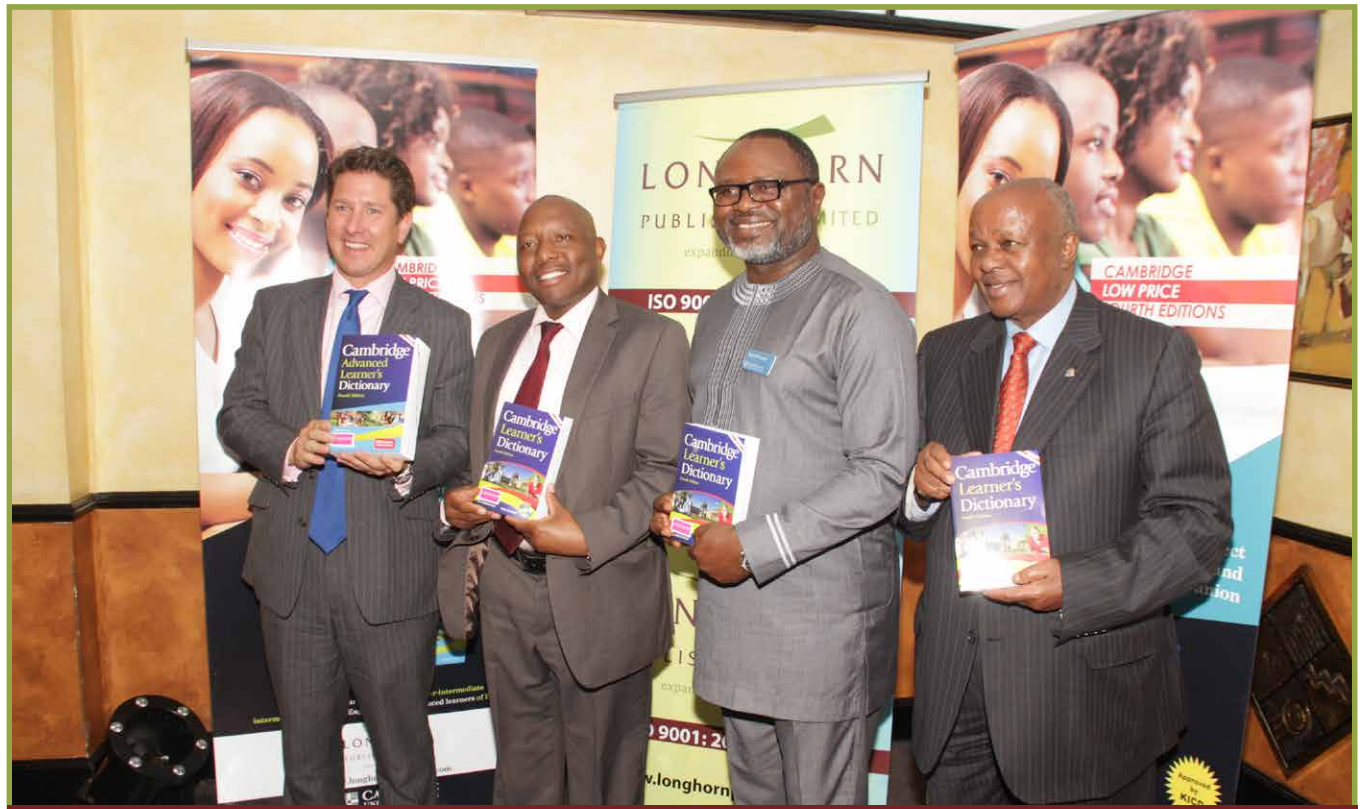
Joseph Gogo
HOD ICT Services

Japheth Rotich
Chief Audit and Risk Officer

Linda Kenelwa
Ag. Chief HR and Admin Officer

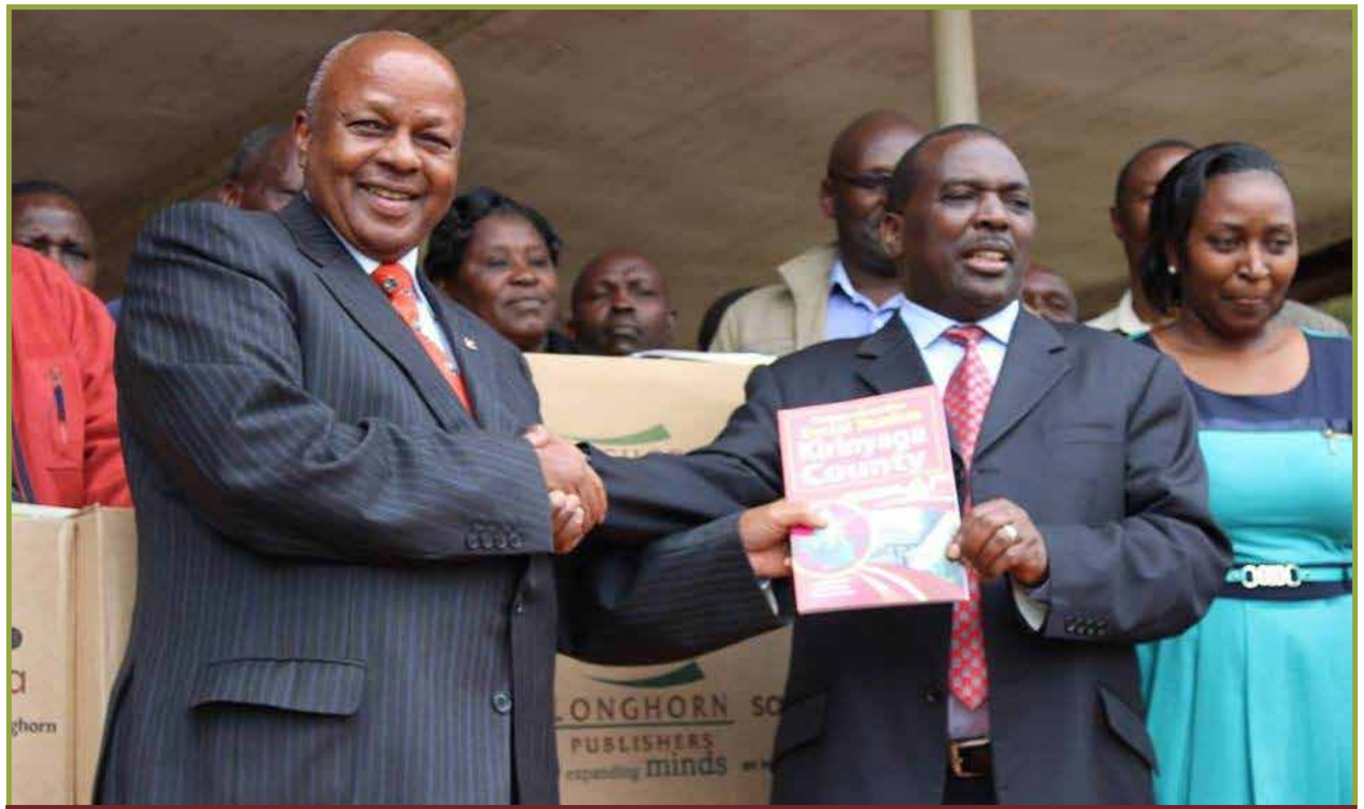
Evans Rotich
Chief Digital Officer

COMPANY HIGHLIGHTS

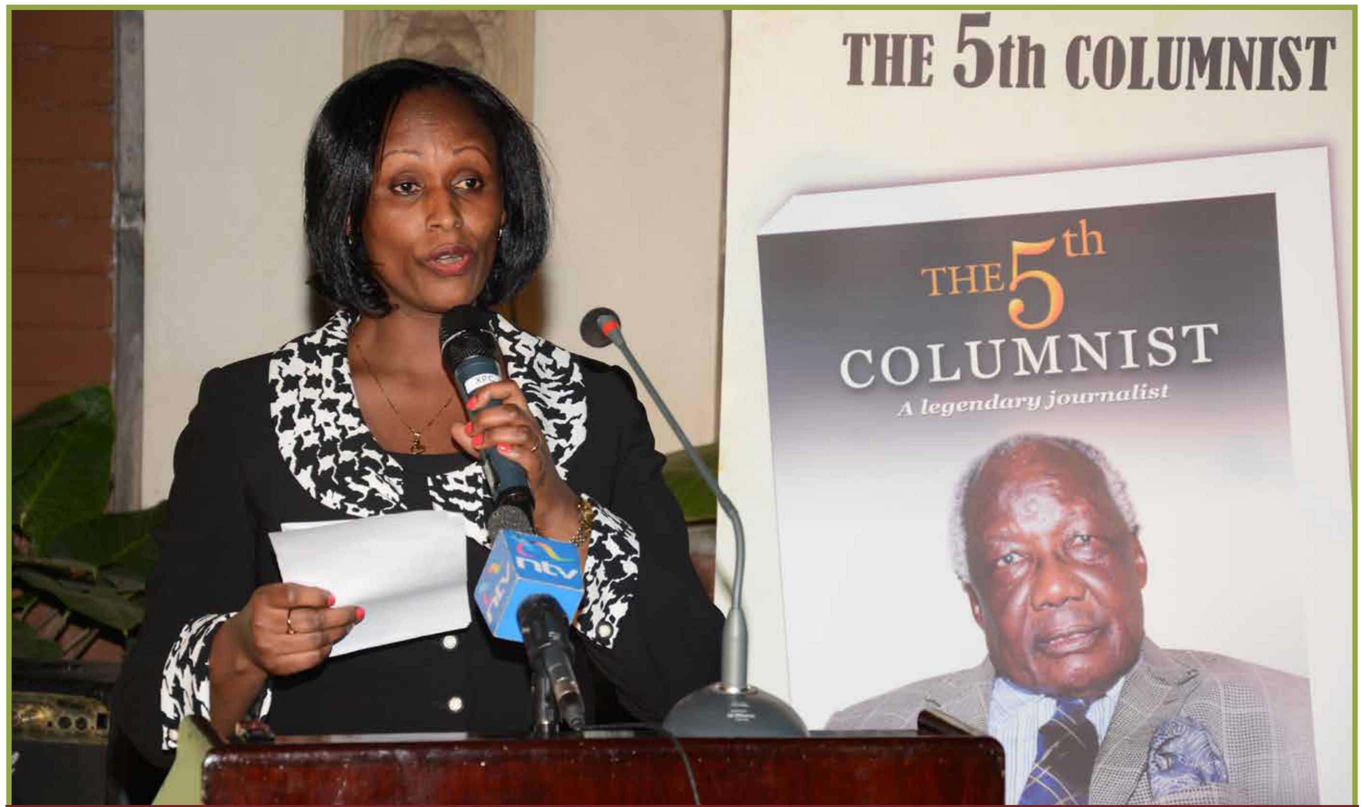


His Exellency Dr. Christian Turner, GMD Longhorn , Simon Ngigi, Rogers Nforgwei of Cambridge and Hon. FT Nyammo Chairman Longhorn Publishers

Longhorn HODs, Japheth Rotich, Evans Rotich and Nick Oloo with the GMD Simon Ngigi (2ndR)during the Press Briefing of Longhorn Reference Material



Longhorn Chairman Hon. FT Nyammo donates books to Kirinyaga Governor Hon. Joseph Ndathi for SST Teachers in the County



5th_columnist author Liz Wanjohi during the Launch of Philip Ochiengs 5th Columnist (2)

Longhorn Kenya and Regional Directors

Burt Award Winners During the Book Launch sponsored by Longhorn Publishers (2)

Customers Pose at the Longhorn Stand during the Nyeri ASK Show

HOD Marketing Ms. Daisy Rono and Children from Korogocho Caretakers Orphanage during a book donation to their school

Staff Team Building at the Nairobi Club

Children of Africa Hope Mission are all smiles during a book donation drive to their school by the Longhorn Marketing Team

REPORT OF THE DIRECTORS

The directors present their report together with the audited financial statements of Longhorn Publishers Limited (formerly Longhorn Kenya Limited) (the "Company") and its subsidiaries (together, the "Group") for the year ended 30 June 2015, which disclose their state of financial affairs.

CHANGE OF COMPANY NAME

With the sanction of the special resolution of the company and with the approval of the Registrar of Companies, the company changed its name from Longhorn Kenya Limited to Longhorn Publishers Limited with effect from 4 December 2014.

ACTIVITIES

The principal activity of the Company and its subsidiaries continues to be the publishing and selling of high quality educational and general books.

RESULTS	**GROUP Sh'000**
Profit before taxation	96,916
Taxation charge	(25,190)
Profit for the year transffered to retained earnings	71,726

DIVIDENDS

An interim dividend relating to the year ended 30 June 2014 of Sh 0.80 per share, equivalent to Sh 46,800,000, was paid in July 2014 and a final dividend relating to the year ended 30 June 2014 of Sh1.20 per share, equivalent to Sh 70,200,000, was paid in February 2015. The directors recommend a dividend payment of Sh 0.15 per share for the year ended 30 June 2015 (2014 – Sh 2 per share).

DIRECTORS

The current board of directors is shown on page 2. Mrs Jane Briggs resigned as a director with effect from 21 November 2014. Mr James Musyoki Muli resigned as a director with effect from 11 May 2015. Mr John Syekei Nyandieka resigned as a director with effect from 5 June 2015. Ms Truphosa Kwaka was appointed as a director with effect from 1 December 2014. Dr Sara Jerop Ruto was appointed as a director with effect from 1 December 2014. Mr Simon Ngigi was appointed as a director with effect from 11 May 2015. Mr Muigai Githu was appointed as a director with effect from 20 August 2015.

AUDITORS

Deloitte & Touche retire from office at the conclusion of the next Annual General Meeting.

BY ORDER OF THE BOARD

Secretary

Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and its subsidiaries at the end of the financial year and of their operating results for that year. It also requires the directors to ensure that the parent company and its subsidiaries keep proper accounting records which disclose with reasonable accuracy, at any time, their group financial position. The directors are also responsible for safeguarding the assets of the group.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the company and its subsidiaries and of their operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain going concerns for at least the next twelve months from the date of this statement.

F T NYAMMO
Chairman

S NGIGI
Group Managing Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LONGHORN PUBLISHERS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Longhorn Kenya Limited (the "Company") and its subsidiaries (collectively the "Group"), set out on pages 7 to 42, which comprise the consolidated and company statements of financial position as at 30 June 2015, and the consolidated and company statements of profit or loss and other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the state of financial affairs of the company and its subsidiaries as at 30 June 2015 and of the group's and company's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Report on Other Legal Requirements

As required by the Kenyan Companies Act we report to you, based on our audit, that:

i) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit;
ii) In our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
iii) The company's statements of financial position (balance sheet) and the statement of profit or loss and other comprehensive income (profit and loss account) are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditors' report is **CPA Fredrick Okwiri – P/No 1699.**

Certified Public Accountants (Kenya)
Nairobi, Kenya

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Sh'000	2014 Sh'000
TURNOVER		848,377	1,396,834
COST OF SALES		(373,729)	(717,561)
GROSS PROFIT		474,648	679,273
OTHER OPERATING INCOME		2,662	5,539
SELLING AND DISTRIBUTION EXPENSES		(92,357)	(209,580)
ADMINISTRATIVE EXPENSES		(279,634)	(307,685)
INTEREST (EXPENSE)/ INCOME		(614)	776
NET FOREIGN EXCHANGE LOSSES	7	(7,789)	(21,097)
PROFIT BEFORE TAXATION	8	96,916	147,226
TAXATION CHARGE	10(a)	(25,190)	(52,293)
PROFIT FOR THE YEAR		71,726	94,933
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(8,668)	321
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		63,058	95,254
EARNINGS PER SHARE - BASIC AND DILUTED	12	0.70	0.93

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Notes	2015 Sh'000	2014 Sh'000
SALES		830,057	1,252,071
COST OF SALES		(375,699)	(722,659)
GROSS PROFIT		454,358	529,412
OTHER OPERATING INCOME		2,647	5,315
SELLING AND DISTRIBUTION COSTS		(85,829)	(157,807)
ADMINISTRATIVE EXPENSES		(250,742)	(272,108)
INTEREST (EXPENSE)/ INCOME		(614)	776
NET FOREIGN EXCHANGE LOSSES	7	(535)	(12,029)
PROFIT BEFORE TAXATION	8	119,285	93,559
TAXATION CHARGE	10(a)	(28,694)	(26,320)
PROFIT FOR THE YEAR		90,591	67,239
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		90,591	67,239

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 Sh'000	2014 Sh'000
ASSETS			
Non current assets			
Property and equipment	14(a)	182,428	165,085
Intangible assets	15(a)	22,985	7,169
Deferred tax asset	17	20,431	26,457
		225,844	198,711
Current assets			
Inventories	18	134,203	104,880
Trade and other receivables	19	305,721	302,665
Tax recoverable	10(c)	11,644	16,199
Cash and bank balances		11,908	130,104
		463,476	553,848
Total assets		689,320	752,559
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	146,250	58,500
Share premium		5,039	5,039
Retained earnings		245,026	378,050
Translation reserve		(15,937)	(7,269)
Equity attributable to owners of the company		380,378	434,320
Current liabilities			
Trade and other payables	22	255,114	315,039
Tax payable	10(c)	1,068	3,200
Borrowings	23(e)	41,677	-
Bank overdraft	23(b)	11,083	-
		308,942	318,239
Total equity and liabilities		689,320	752,559

The financial statements on pages 7 to 42 were approved and authorised for issue by the board of directors on 2015 and were signed on its behalf by

F T NYAMMO
Chairman

S NGIGI
Group Managing Director

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Notes	2015 Sh'000	2014 Sh'000
ASSETS			
Non current assets			
Property and equipment	14(b)	151,179	160,650
Intangible assets	15(b)	4,694	3,644
Investment in subsidiaries	16	25,440	25,440
Deferred tax asset	17	14,474	23,415
		195,787	213,149
Current assets			
Inventories	18	112,792	90,206
Trade and other receivables	19	253,653	236,364
Due from subsidiary companies	20(a)	97,798	66,383
Tax recoverable	10(c)	10,415	16,199
Cash and bank balances		7,768	100,832
		482,426	509,984
Total assets		678,213	723,133
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	146,250	58,500
Share premium		5,039	5,039
Retained earnings		199,569	313,728
Shareholders' funds		350,858	377,267
Current liabilities			
Due to subsidiary companies	20(b)	27,825	39,693
Trade and other payables	22	246,770	306,173
Borrowings	23(d)	41,677	-
Bank overdraft	23(e)	11,083	-
		327,355	345,866
Total equity and liabilities		678,213	723,133

The financial statements on pages 7 to 42 were approved and authorised for issue by the board of directors on 2015 and were signed on its behalf by

F T NYAMMO
Chairman

S NGIGI
Group Managing Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Share capital Sh '000	Share premium Sh'000	Retained earnings Sh'000	Translation reserve Sh'000	Total Sh'000
At 1 July 2013	58,500	5,039	329,917	(7,590)	385,866
Profit for the year	-	-	94,933	-	94,933
Other comprehensive loss for the year	-	-	-	321	321
Total comprehensive income for the year	-	-	94,933	321	95,254
2013 dividends paid	-	-	(46,800)	-	(46,800)
At 30 June 2014	58,500	5,039	378,050	(7,269)	434,320
	======	======	======	======	=======
At 1 July 2014	58,500	5,039	378,050	(7,269)	434,320
Profit for the year	-	-	71,726	-	71,726
Other comprehensive loss for the year	-	-	-	(8,668)	(8,668)
Total comprehensive income for the year	-	-	71,726	(15,937)	63,058
2014 dividends paid	-	-	(117,000)	-	(117,000)
Issue of bonus shares (note 21)	87,750	-	(87,750)	-	-
At 30 June 2015	146,250	5,039	245,026	(15,937)	380,378
	======	======	======	======	=======

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Share capital Sh'000	Share premium Sh'000	Retained earnings Sh'000	Total Sh'000
At 1 July 2013	58,500	5,039	293,289	356,828
Total comprehensive income for the year	-	-	67,239	67,239
Dividends paid - 2013	-	-	(46,800)	(46,800)
At 30 June 2014	58,500	5,039	313,728	377,267
	======	======	======	======
At 1 July 2015	58,500	5,039	313,728	377,267
Issue of bonus shares (note 21)	87,750	-	(87,750)	-
Total comprehensive income for the year	-	-	90,591	90,591
Dividends paid - 2014	-	-	(117,000)	(117,000)
At 30 June 2015	146,250	5,039	199,569	350,858
	======	======	======	=======

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Sh'000	2014 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23(a)	29,689	190,273
Taxation paid	10(c)	(16,711)	(99,189)
Net exchange loss	7	(7,789)	(21,097)
Net cash (used in)/generated from operating activities		5,189	69,987
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14(a)	(35,838)	(9,383)
Purchase of intangible assets	15(a)	(19,714)	(1,711)
Proceeds of disposal of property and equipment		704	2,437
Net cash used in investing activities		(54,848)	(8,657)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings received	23(d)	41,677	-
Dividends paid		(117,000)	(46,800)
Net cash used in financing activities		(75,323)	(46,800)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(124,983)	14,530
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		130,104	123,853
Exchange adjustments		(4,296)	(8,279)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23(b)	825	130,104
		=======	=======

COMPANY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 Sh'000	2014 Sh'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	23(c)	(8,782)	176,687
Taxation paid	10(c)	(13,969)	(89,647)
Net exchange loss	7	(535)	(12,029)
Net cash (used in)/generated from operating activities		(23,286)	75,011
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	14(b)	(3,152)	(7,293)
Purchase of intangible assets	15(b)	(3,090)	(1,711)
Proceeds of disposal of property, plant and equipment		704	2,144
Net cash used in investing activities		(5,538)	(6,860)
CASH FLOWS FROM FINANCING ACTIVITIES			
Bank borrowings received	23(d)	41,677	-
Dividends paid		(117,000)	(46,800)
Net cash used in financing activities		(75,323)	(46,800)
INCREASE IN CASH AND CASH EQUIVALENTS		(104,147)	55,007
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		100,832	79,481
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	23(e)	(3,315)	100,832
		=======	=======

NOTES TO THE FINANCIAL STATEMENTS

1 REPORTING ENTITY

The principal activity of Longhorn Publishers Limited (formerly Longhorn Kenya Limited) ("Company/Parent") and its subsidiaries (together, "the Group") is that of publishing and selling of high quality educational and general books. The company is domiciled in Kenya and is incorporated under the Kenyan Companies Act as a limited liability company. The Company's shares are listed on the Nairobi Securities Exchange (NSE). The company and its subsidiaries operate in Kenya, Uganda, Tanzania, Malawi and Rwanda.

The address of its registered office is as follows:
LR No. 209/5604
Funzi Road, Industrial Area
P O Box 18033 – 00500
Nairobi

2 ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenya Companies Act.

For the Kenyan Companies Act reporting purposes, in these financial statements, the balance sheet is represented by/is equivalent to the statement of financial position and the profit or loss account is equivalent to the statement of profit or loss and other comprehensive income.

Adoption of new and revised International Financial Reporting Standards (IFRSs) and Interpretations (IFRIC)

i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2015

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

As the Group does not have any cash-generating units (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

This amendment did not have any impact on the Group's financial statements as the Group did not restate its prior period financial statements.

ii) Relevant new and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2015

New and Amendments to standards	*Effective for annual periods beginning on or after*
IFRS 9 (2015)	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2017
Amendments to IFRS 11.Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to IAS 16 and IAS 38.Clarification of Acceptable Methods of Depreciation and Amortisation	1January 2016

(iii) Impact of new and amended standards and interpretations on the financial statements for the year ended 30 June 2015 and future annual periods

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The directors of the Group anticipate that the application of IFRS 9 in the future may not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

IFRS 14, Regulatory Deferral Accounts

IFRS 14 permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

Note: Entities which are eligible to apply IFRS 14 are not required to do so, and so can chose to apply only the requirements of IFRS 1 First-time Adoption of International Financial Reporting Standards when first applying IFRSs. However, an entity that elects to apply IFRS 14 in its first IFRS financial statements must continue to apply it in subsequent financial statements. IFRS 14 cannot be applied by entities that have already adopted IFRSs.

The directors of the Group do not anticipate that the application of the standard will have a significant impact on the Group's financial statements

IFRS 15, Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.
The directors of the Group do not anticipate that the application of the standard will have a significant impact on the Group's financial statements

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The directors of the Group do not anticipate that the application of the standard will have a significant impact on the Group's consolidated financial statements.

Annual Improvements 2011-2013 Cycle

Makes amendments to the following standards:

- IFRS 1 — Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).
- IFRS 3 — Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- IFRS 13 —Clarify the scope of the portfolio exception in paragraph 52.
- IAS 40 —Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

These IFRS improvements are effective for accounting periods beginning on or after 1 January 2015. The directors of the Group do not anticipate that the application of these improvements to IFRSs will have a significant impact on the Group's financial statements.

(iv) Early adoption of standards

The Group did not early-adopt new or amended standards in 2015.

Basis of preparation

The financial statements are prepared under the historical cost convention.

Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.
If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

The consolidated financial statements incorporate the financial statements of the company and its subsidiary, Longhorn Publishers Limited which has a financial year end of 30 June 2015.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Revenue recognition

Income is recognised upon dispatch of goods and represents the amounts invoiced net of trade discounts and allowances.

Interest income is accrued on a timely basis when it accrues, by reference to the principal outstanding and the interest rate applicable.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i)Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(ii) Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for business combination.

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any impairment losses.

Depreciation

Depreciation is calculated to write off the cost of property and equipment in equal annual instalments over their expected useful lives.

The annual rates used are:

Leasehold property	2.5%
Motor vehicles	25%
Furniture and equipment	10% - 30%

Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by a company within the Group as a lessee are classified as finance leases. All other leases are classified as operating leases. Payments made by companies within the Group under operating leases are amortised on the straight-line basis over the term of lease.

Assets acquired under finance leases and hire purchase agreements are capitalised at the dates of inception of the related agreements. The interest element of each instalment is charged to the Statement of comprehensive income at the time each instalment falls due.

Intangible assets

Computer software

Expenditure on acquisition or development of computer software is initially recognised at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on the straight line basis over the estimated useful lives.

Intellectual property

Intellectual properties relate to brand names, publishing titles and licences and copyrights acquired. Intellectual properties are initially recognised at cost of acquisition and carried at their cost less any accumulated amortisation and any impairment losses. Amortisation of intellectual properties is calculated on the straight line basis over their estimated useful lives.

Investments in subsidiary

The investment in subsidiaries is carried in the company's statement of financial position at cost less provision for impairment losses. Where in the opinion of the directors there has been impairment in value of an investment, the loss is recognised as an expense in the period that the impairment is identified.

Impairment

At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Inventories

Books and publications in progress are stated at the lower of cost and net realisable value. Cost comprises purchase price and related production expenses.

Net realisable value represents the estimated selling price in the ordinary course of business, less selling expenses. Provision is made for obsolete, slow moving and defective inventories.

Dividends payable

Dividends payable on ordinary shares are charged to retained earnings in the period in which they are declared. Proposed dividends are not accrued for until ratified in an Annual General Meeting.

Employee benefits costs

(i) Group's defined contribution retirement benefits scheme

The Group operates a defined contribution pension scheme for its eligible employees. The assets of the scheme are held in a separate trustee administered fund. The scheme is funded by contributions from both the employees and the Group. The contributions to the defined contribution plan are charged to profit or loss in the year to which they relate.

(ii) Statutory defined contribution pension scheme

The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently at Sh 200 per employee per month in Kenya, 10% of the basic pay per employee per month in Uganda and 20% of the basic pay per employee per month in Tanzania.

(iii) Other employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. Provision is made for the estimated liability in respect of annual leave accrued at the end of the reporting year.

The Group's obligations to retirement benefit schemes are recognised in the profit and loss as they fall due.

Financial instruments

Financial assets and liabilities are recognised in the Group's statement of financial position when the Group has become a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts. Objective evidence of impairment of the receivables is when there is significant financial difficulty of the counter party or when there is a default or delinquency in payment according to agreed terms. When a trade receivable is considered uncollectible it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Term deposits

Term deposits are classified as held to maturity and are measured at amortised cost.

Bank borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on the accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise.

Trade payables

Trade payables are stated at their nominal value.

Foreign currencies

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Assets and liabilities expressed in foreign currencies are translated into Kenya Shillings at the rates of exchange ruling at the end of the reporting period. Transactions during the year which are expressed in foreign currencies are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange resulting from the translation are dealt with in the profit and loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from the bank repayable within three months from the date of advance.

Comparatives

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

In the process of applying the Group's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision only affects that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Equipment and intangible assets

The Group reviews the estimated useful lives of property, equipment and intangible assets at the end of each reporting year. Critical estimates are made by the directors in determining depreciation rates for equipment. The rates used are set out in Note 1 above.

Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Contigent liabilities

The directors evaluate the status of these exposures on a regular basis to assess the probability of the Group incurring related liabilities. However, provisions are only made in the financial statements where, based on the directors' evaluation, a present obligation has been established.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identify, evaluate and hedge financial risks. The board of directors provide guidance on the overall risk management, as well as written policies covering specific areas such as foreign exchange risk, interest rate risk and credit risk.

Market risk

Foreign exchange risk

To manage the foreign exchange risk, the Group negotiates with its bankers to get favourable exchange rates when paying commitments denominated in foreign currencies.

GROUP

The Group has no foreign currency denominated financial instruments and thus is not exposed to foreign exchange risks.

COMPANY	**Longhorn Tanzania Ltd Sh'000**	**Longhorn Uganda Ltd Sh'000**
30 June 2015		
Assets		
Due from subsidiary companies	60,190	15,352
	=======	=======
Liabilities		
Due to subsidiary companies	18,723	17,772
	=======	======
30 June 2014		
Assets		
Due from subsidiary companies	54,481	11,902
	=======	======
Liabilities		
Due to subsidiary companies	8,950	30,743
	=======	======

At 30 June 2015, if the Shilling had weakened/strengthened by 5% against the foreign currencies with all other variables held constant, the impact on pre tax profit for the year and total capital would have been Shs 1,952,350 (2014: Shs 1,432,750) lower/higher, mainly as a result of imports and foreign denominated bank balances.

Price risk

The Group does not hold price sensitive financial instruments hence does not face price risk.

Interest rate risk

The Group is exposed to interest rate risk as it borrows funds at fixed and floating interest rates. The risk is managed through close management monitoring of the interest rates.

An increase/decrease of 5% on average borrowing rates would have resulted in an increase/decrease in profit before taxation of Sh 521,517 (2014: Sh Nil).

Credit risk

Credit risk arises from cash and cash equivalents and from the probability that debtors will default on their contractual obligations resulting in financial loss to the Group. The Group has developed an Order Processing and Credit Control policy framework that describes the procedures of appraising and managing credit customers.

There are enhanced system controls within its Enterprise Resources Planning System (ERP) that ensure that customers with outstanding issues are not supplied without the approval of the authorised Finance personnel.

The Group monitors the debtors' accounts and briefing meetings are held every fortnight between the Finance and Operations (Sales and Marketing team) department to report on the debt position for further action. Each sales representative is charged with the responsibility of collecting the debt that he has created.

GROUP

The amount that best represents the Group's maximum exposure to credit risk is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
30 June 2015				
Trade receivables	32,383	136,336	58,446	227,165
Bank balances	825	-	-	825
	33,208	136,336	58,446	227,990

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
30 June 2014				
Trade receivables	95,021	119,828	57,981	272,830
Bank balances	127,332	-	-	127,332
	222,353	119,828	57,981	400,162

The analysis of the age of receivables that are past due but not impaired is as shown below;

Age in Days	2015 Shs'000	2014 Shs'000
120+ days	136,336	119,828

COMPANY

The amount that best represents the Company's maximum exposure to credit risk as at is made up as follows:

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
30 June 2015				
Trade receivables	35,678	102,247	38,242	176,167
Bank balances	(3,315)	-	-	(3,315)
Due from subsidiaries	89,780	-	-	89,780
	122,143	102,247	38,242	262,632

	Fully performing Sh'000	Past due Sh'000	Impaired Sh'000	Total Sh'000
30 June 2014				
Trade receivables	86,129	68,887	39,808	194,824
Bank balances	98,065	-	-	98,065
Due from subsidiaries	66,383	-	-	359,272
	250,577	68,887	39,808	292,889

Bank balances are held with regulated financial institutions and are fully performing.

The analysis of the age of receivables that are past due but not impaired is as shown below;

Age in Days	2015 Shs'000	2014 Shs'000
120+ days	102,247	68,887

The customers under the fully performing category are paying their debts as they continue trading. The default rate is low. The debt that is past due but not impaired continues to be paid. The finance department is actively following this debt. The debt that is impaired has been fully provided for. However, the finance department is pursuing various measures to recover the impaired debt.

Liquidity risk

The Group manages liquidity risk by maintaining adequate cash balances in the bank by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Excess cash is invested in call deposits which are readily convertible to liquid cash whenever need arises.

The table below analyses the Group's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The trade payables balances are due within 12 months hence their carrying amounts are equal to their undiscounted cash flows as the impact of discounting is not significant.

GROUP

	Less than 1 month Sh'000	Between 1 – 3 months Sh'000	Over 3 months Sh'000	Total Sh'000
At 30 June 2015				
Financial liabilities				
Trade payables	7,979	10,195	53,143	71,317
	======	======	======	=======
At 30 June 2014				
Financial liabilities				
Trade payables	81,651	23,732	26,621	132,004
	======	======	======	=======

COMPANY

	Less than 1 month Sh'000	Between 1 – 3 months Sh'000	Over 3 months Sh'000	Total Sh'000
At 30 June 2015				
Financial liabilities				
Trade payables	7,979	10,195	53,143	71,317
Due to subsidiary companies	14,452	4,367	17,676	36,495
	22,431	14,562	70,819	107,812
	======	======	======	=======
At 30 June 2014				
Financial liabilities				
Trade payables	81,651	23,732	26,621	132,004
Due to subsidiary companies	12,675	8,678	18,340	39,693
	94,326	32,410	44,961	171,697
	======	======	======	=======

5 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity mix.
The capital structure of the Group consists of debt, which includes the borrowings less cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital and retained earnings as disclosed on page 11.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

The constitution of capital managed by Longhorn Kenya Limited is as shown below:

	GROUP	
	2015 Sh'000	**2014 Sh'000**
Share capital	146,250	58,500
Share premium	5,039	5,039
Retained earnings	245,026	378,050
Translation deficit	(15,838)	(7,269)
Equity	380,477	434,320
Borrowings	41,677	-
Less: Cash and cash equivalents	(825)	(130,104)
	40,852	(130,104)
Gearing ratio	11%	Nil
	=======	=======

6 OPERATING SEGMENTS

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker in order to allocate resources to the segments and to assess their performance. In contrast, the predecessor Standard (IAS 14 Segment Reporting) required an entity to identify two sets of segments (business and geographical), using a risks and returns approach, with the entity's 'system of internal financial reporting to key management personnel' serving only as the starting point for the identification of such segments.
Only geography applies as products are homogenous.

The Group's operations are within three geographical segments, Kenya, Tanzania and Uganda. The table below contains segmental information provided to the Chief Operating Decision Maker for the year ended 30 June 2015.

	Kenya Sh'000	**Tanzania** Sh'000	**Uganda** Sh'000	**Eliminated on consolidation** Sh'000	**Total**
30 June 2015					
Sales and other income	832,090	30,817	12,322	(24,804)	850,425
Cost of sales and other expenditure	(712,805)	(37,929)	(27,779)	24,804	(753,509)
Profit/(loss) before taxation	119,285	(7,112)	(15,257)	-	96,916
	=======	======	=======	======	=======

	Kenya	Tanzania	Uganda	Eliminated on consolidation	Total
Assets	686,883	45,849	94,220	(146,203)	680,749
Liabilities	336,025	62,464	22,645	(120,862)	300,272
Capital Expenditure	6,242	2,332	30,354	-	38,928

	Kenya	Tanzania	Uganda	Eliminated on consolidation	Total
	Sh'000	Sh'000	Sh'000	Sh'000	
30 June 2014					
Sales and other income	1,258,162	71,314	233,710	(160,037)	1,403,149
Cost of sales and other expenditure	(1,164,603)	(95,197)	(156,160)	160,037	(1,255,923)
Profit/(loss) before taxation	93,559	(23,883)	77,550	-	147,226
Assets	718,106	48,320	100,719	(119,614)	747,531
Liabilities	340,839	58,503	8,043	(94,174)	313,211
Capital Expenditure	9,004	621	1,469	-	11,094

7 NET FOREIGN EXCHANGE LOSSES

	GROUP		COMPANY	
	2015	**2014**	**2015**	**2014**
	Sh'000	**Sh'000**	**Sh'000**	**Sh'000**
Realised exchange loss/(gain)	1,190	5,257	466	(82)
Unrealised exchange loss	6,599	15,840	69	12,111
	7,789	21,097	535	12,029

8 PROFIT BEFORE TAXATION

The profit before taxation is arrived at after charging/(crediting):

	GROUP 2015	GROUP 2014	COMPANY 2015	COMPANY 2014
Depreciation (note 14)	14,164	14,011	12,276	12,773
Amortisation of intangible assets (note 15)	3,481	3,984	2,040	2,393
Directors' emoluments - fees	4,788	3,681	4,359	2,886
Auditors' remuneration	3,388	3,120	2,239	2,035
Staff costs (Note 9)	192,289	197,449	179,443	184,226
Provision/(recovery) for bad debts	(3,005)	19,033	(1,207)	8,036
Gain on disposal of property and equipment	(357)	(2,194)	(357)	(1,978)

	GROUP		COMPANY	
	2015	2014	2015	2014
	Sh'000	Sh'000	Sh'000	Sh'000

9 STAFF COSTS

Salaries and wages	143,569	131,140	133,533	120,981
Pension costs	4,761	4,843	4,761	4,843
Leave pay	6,519	3,432	6,464	3,422
Staff gratuity	2,868	29,910	1,654	28,689
Social security costs (NSSF)	1,133	1,365	352	348
Staff welfare and training expenses	27,669	21,331	27,369	20,765
Staff medical expenses	5,770	5,428	5,310	5,178
	192,289	197,449	179,443	184,226

10 TAXATION

(a) Taxation charge

Current taxation:				
Tax based on the taxable profit for the year				
-current year	19,753	57,218	19,753	35,141
Deferred taxation (Note 17):				
-current year credit	4,422	(14,027)	8,941	(8,821)
-prior year over provision	1,015	2,682	-	-
-Deferred tax asset not recognised	-	6,420	-	-
	5,437	(4,925)	8,941	(8,821)
Taxation charge	25,190	52,293	28,694	26,320

(b) Reconciliation of expected tax based on accounting profit to tax charge

Profit before taxation	96,916	147,226	119,285	93,559
Tax at the applicable rate	17,147	34,812	23,857	18,712
Tax effect of expenses not deductible for tax purposes	(397)	8,379	4,837	7,608
Prior year over provision – deferred tax	1,015	2,682	-	-
Deferred tax asset not recognised	7,425	6,420	-	-
Taxation charge	25,190	52,293	28,694	26,320

	GROUP 2015 Sh'000	GROUP 2014 Sh'000	COMPANY 2015 Sh'000	COMPANY 2014 Sh'000
(c) Tax movement				
At beginning of the year:				
Recoverable	(16,199)	(2,100)	(16,199)	-
Payable	3,200	39,437	-	38,307
	(12,999)	37,337	(16,199)	38,307
Taxation charge	19,753	57,218	19,753	35,141
Taxation paid	(16,711)	(99,189)	(13,969)	(89,647)
Exchange adjustment	2,690	(85)	-	-
Withholding tax paid	(3,309)	(8,280)	-	-
At end of the year				
Net tax recoverable	(10,576)	(12,999)	(10,415)	(16,199)
Comprising:				
Recoverable	(11,644)	(16,199)	(10,415)	(16,199)
Payable	1,068	3,200	-	-
	(10,576)	(12,999)	(10,415)	(16,199)

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

A profit after taxation of Sh 90,591,000 (2014 – Sh 67,239,000) has been dealt with in the financial statements of Longhorn Publishers Limited (formerly Longhorn Kenya Limited).

12 EARNINGS PER SHARE – BASIC AND DILUTED

	2015	2014
Profit attributable to ordinary shareholders (Sh'000)	71,726	94,933
Weighted average number of ordinary shares in issue (Note 21)	102,375,000	102,375,000
Basic and diluted earnings per share (Sh)	0.70	0.93

13 DIVIDENDS PER SHARE

The directors recommend a dividend payment of Sh 0.15 per share for the year ended 30 June 2015 (2014 – Sh 2 per share, equivalent to Sh 117,000,000).

14 (a) PROPERTY AND EQUIPMENT - GROUP

	Land and buildings Sh'000	Motor vehicles, furniture and equipment Sh'000	Total Sh'000
COST			
At 1 July 2013	157,104	72,558	229,662
Additions	-	9,383	9,383
Disposals	-	(8,085)	(8,085)
Exchange adjustment	-	106	106
At 30 June 2014	157,104	73,962	231,066
At 1 July 2014	157,104	73,962	231,066
Additions	30,321	5,517	35,838
Disposals	-	(1,456)	(1,456)
Exchange adjustment	(3,649)	(766)	(4,415)
At 30 June 2015	183,776	77,257	261,033
DEPRECIATION			
At 1 July 2013	13,665	46,089	59,754
Charge for the year	3,884	10,127	14,011
Eliminated on disposal	-	(7,842)	(7,842)
Exchange adjustment	-	58	58
At 30 June 2014	17,549	48,432	65,981
At 1 July 2014	17,549	48,432	65,981
Charge for the year	3,903	10,261	14,164
Eliminated on disposal	-	(1,109)	(1,109)
Exchange adjustment	-	(431)	(431)
At 30 June 2015	21,452	57,153	78,605
NET BOOK VALUE			
At 30 June 2015	162,325	20,103	182,428
At 30 June 2014	139,555	25,530	165,085

The exchange adjustment arises from the translation of the carrying values relating to assets held by two subsidiaries, Longhorn Publishers (Uganda) Limited and Longhorn Publishers (Tanzania) Limited. Included in motor vehicles, furniture and equipment are fully depreciated assets with a cost of Sh 22,015,261 (2014 – Sh 26,195,806). The nominal annual depreciation charge on these assets would have been Sh 6,296,649 (2014 – Sh 6,757,161).

The historical cost of the leasehold land amounts to Sh 131,033 and is deemed immaterial. Consequently, it has not been reclassified to operating lease prepayments as per the requirements of IAS 17 on leases. The amount is included in the carrying amount of the leasehold property.

14 (b) PROPERTY AND EQUIPMENT- COMPANY

	Land and buildings Sh'000	Motor vehicles, furniture and equipment Sh'000	Total Sh'000
COST			
At 1 July 2013	155,496	66,970	222,466
Additions	-	7,293	7,293
Disposals	-	(6,579)	(6,579)
At 30 June 2014	155,496	67,684	223,180
At 1 July 2014	155,496	67,684	223,180
Additions	-	3,152	3,152
Disposals	-	(1,456)	(1,456)
At 30 June 2015	155,496	69,380	224,876
DEPRECIATION			
At 1 July 2013	13,155	43,015	56,170
Charge for the year	3,884	8,889	12,773
Eliminated on disposal	-	(6,413)	(6,413)
At 30 June 2014	17,039	45,491	62,530
At 1 July 2014	17,039	45,491	62,530
Charge for the year	3,903	8,373	12,276
Eliminated on disposal	-	(1,109)	(1,109)
At 30 June 2015	20,942	52,755	73,697
NETBOOK VALUE			
At June 2015	134,554	16,625	151,179
At 30 June 2014	138,457	22,193	160,650

Included in motor vehicles, furniture and equipment are fully depreciated assets with a cost of Sh 22,015,261 (2014 – Sh 26,195,806). The nominal annual depreciation charge on these assets would have been Sh 6,296,649 (2014 – Sh 6,757,161).

The historical cost of the leasehold land amounts to Sh 131,033 and is therefore immaterial. Consequently it has not been reclassified to operating lease prepayments as per the requirements of IAS 17 on leases. The amount is included in the carrying amount of the leasehold property.

15 (a)INTANGIBLE ASSETS – GROUP

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
COST			
At 1 July 2013	12,316	41,954	54,270
Additions	1,711	-	1,711
Exchange adjustment	14	24	38
At 30 June 2014	14,041	41,978	56,019
At 1 July 2014	14,041	41,978	56,019
Additions	3,090	16,624	19,714
Exchange adjustment	(23)	(642)	(665)
At 30 June 2015	17,108	57,960	75,068
AMORTISATION			
At 1 July 2013	7,764	37,083	44,847
Charge for the year	2,550	1,434	3,984
Exchange adjustment	11	8	19
At 30 June 2014	10,325	38,525	48,850
At 1 July 2014	10,325	38,525	48,850
Charge for the year	2,117	1,364	3,481
Exchange adjustment	(21)	(227)	(248)
At 30 June 2015	12,421	39,662	52,083
NET BOOK VALUE			
30 June 2015	4,687	18,298	22,985
30 June 2014	3,716	3,453	7,169

The exchange adjustment arises from the translation of the values relating to assets held by Longhorn Publishers (Uganda) Limited and Longhorn Publishers (Tanzania) Limited.

The intellectual property arose out of acquisition of selected assets of Delah Publishers Limited in Tanzania in December 2011 and Sasa Sema Publications Limited in April 2007. The Company was awarded publishing rights by Delah Publishers Limited for a consideration of Sh 7,359,000 and authors' contracts and related rights for 53 Sasa Sema Publications Limited's titles for a consideration of Sh 22,110,000. The rights acquired in Sasa Sema Publications Limited included co-publishing and distributorship contracts for 16 titles of Readit Publishers of Tanzania for a consideration of Sh 5,890,000. The Company also acquired the Sasa Sema brand name including the company logo at a cost of Sh 3,000,000. Sasa Sema is now a trading name registered under Longhorn Publishers Limited (formerly Longhorn Kenya Limited). The management expects the payback period of the Delah Publishers Limited to be five years hence the assets are being amortised over a period of five years commencing in December 2011. Sasa Sema intellectual property has been fully amortised.

15 (b) INTANGIBLE ASSETS – COMPANY

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
COST			
At 1 July 2013	11,375	34,840	46,215
Additions	1,711	-	1,711
At 30 June 2014	13,086	34,840	47,926
At 1 July 2014	13,086	34,840	47,926
Additions	3,090	-	3,090
At 30 June 2015	16,176	34,840	51,016
AMORTISATION			
At 1 July 2013	7,049	34,840	41,889
Charge for the year	2,393	-	2,393
At 30 June 2014	9,442	34,840	44,282
At 1 July 2014	9,442	34,840	44,282
Charge for the year	2,040	-	2,040
At 30 June 2015	11,482	34,840	46,322
NET BOOK VALUE			
30 June 2015	4,694	-	4,694
30 June 2014	3,644	-	3,644

The intellectual property arose out of acquisition of selected assets of Sasa Sema Publications Limited concluded in April 2007. The Company was assigned authors' contracts and related rights for 53 Sasa Sema Publications Limited's titles for a consideration of Sh 22,110,000 and co-publishing and distributorship contracts for 16 titles of Readit Publishers of Tanzania for a consideration of Sh 5,890,000.

The Company also acquired the Sasa Sema brand name including the company logo at a cost of Sh 3,000,000. Sasa Sema is now a trading name registered under Longhorn Publishers Limited (formerly Longhorn Kenya Limited). The payback period of the acquired assets was five years and hence the assets were being amortised over a period of five years commencing in May 2007.This has now been fully armotised.

16 INVESTMENT IN SUBSIDIARIES - COMPANY

	2015 Sh'000	2014 Sh'000
Longhorn Publishers (Uganda) Limited – 100% owned	440	440
Longhorn Publishers (Tanzania) Limited – 100% owned	25,010	25,010
Impairment loss	(10)	(10)
	25,440	25,440

The investments in the subsidiaries are stated at cost less accumulated impairment losses. The principal activity of the subsidiaries is the publishing and selling of high quality educational and general books.

17 DEFERRED TAXATION

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30%.

The net deferred taxation asset is attributable to the following items:

	GROUP 2015 Sh'000	GROUP 2014 Sh'000	COMPANY 2015 Sh'000	COMPANY 2014 Sh'000
Liabilities				
Accelerated capital allowances	14,609	13,324	13,997	12,618
Assets				
Losses available for future tax relief	(3,543)	(103)	-	-
Unrealised exchange losses	(1,973)	(4,864)	(14)	(2,422)
Provisions	(36,949)	(41,234)	(28,457)	-
Deferred tax asset not recognised	7,425	6,420	-	(33,611)
	(35,040)	(39,781)	(28,471)	(36,033)
Net deferred tax asset	(20,431)	(26,457)	(14,474)	(23,415)
The movement on the deferred tax account is as follows:				
At beginning of year	(26,457)	(21,364)	(23,415)	(14,594)
Income statement credit (note 10(a))	4,422	(14,027)	8,941	(8,821)
Prior year over provision	1,015	2,682	-	-
Deferred tax asset not recognised	-	6,420	-	-
Exchange adjustment	589	(168)	-	-

At the end of the year	(20,431)	(26,457)	(14,474)	(23,415)
	======	======	======	======

A deferred tax asset relating to the subsidiary company, Longhorn Publishers (T) Limited has not been recognised due to uncertainty about the company's ability to generate sufficient taxable profits in the foreseeable future against which the unused tax losses and unused tax credits can be utilised.

18 INVENTORIES

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Books	237,628	213,426	209,195	192,422
Provision for obsolete inventories	(103,425)	(108,546)	(96,403)	(102,216)
	134,203	104,880	112,792	90,206
	======	======	======	=======

19 TRADE AND OTHER RECEIVABLES

	GROUP 2015 Sh'000	GROUP 2014 Sh'000	COMPANY 2015 Sh'000	COMPANY 2014 Sh'000
Trade receivables	227,165	272,830	176,167	194,824
Less: Provision for bad and doubtful receivables	(53,450)	(57,981)	(33,246)	(39,808)
	173,715	214,849	142,921	155,016
Staff receivables	12,238	9,888	6,188	7,593
Other receivables	24,094	11,658	8,870	9,872
Prepayments	95,674	63,883	95,674	63,883
Withholding tax recoverable	-	2,387	-	-
	305,721	302,665	253,653	236,364
	======	======	======	=======

20 RELATED PARTY BALANCES AND TRANSACTIONS

(a) Due from subsidiaries – Company

	2015 Sh'000	2014 Sh'000
Due on trading account:		
Longhorn Publishers (Uganda) Limited	15,352	11,902
Longhorn Publishers (Tanzania) Limited	68,208	54,481
Longhorn Publishers (Rwanda) Limited	14,238	-
	97,798	66,383
	=======	=======

(b) Due to subsidiaries – Company

	2015 Sh'000	2014 Sh'000
Longhorn (Uganda) Limited	17,772	30,743
Longhorn Publishers (Tanzania) Limited	10,053	8,950
	27,825	39,693
	=======	=======

(c) Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Salaries and other benefits	37,606	37,337	35,678	34,200
	======	======	======	======
Directors' remuneration:				
Fees for services as directors	4,788	3,681	4,359	2,886
	=======	=======	=======	======

21 SHARE CAPITAL

	GROUP 2015 Sh'000	GROUP 2014 Sh'000	COMPANY 2015 Sh'000	COMPANY 2014 Sh'000
Authorised: 146,250,000 (2014 : 60,000,000) ordinary shares of Sh 1 each	146,250	60,000	146,250	60,000
	=======	=======	======	======
Issued and fully paid: 146,249,997 (2014 : 58,500,000) ordinary shares of Sh 1 each	146,250	58,500	146,250	58,500
	=======	======	======	======

In 2015, the company issued 87,749,997 additional shares of Sh 1 each, through a bonus issue of 3 new shares for every 2 share held, to increase the share capital from Sh 58,500,000 to Sh 146,250,000.

22 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2015 Sh'000	2014 Sh'000	2015 Sh'000	2014 Sh'000
Trade payables	71,317	132,004	71,317	132,004
Royalty provisions	102,745	95,778	102,464	95,778
Accruals	7,238	11,028	6,200	5,830
Leave pay provision	4,457	3,818	4,079	3,458
Other payables	59,170	44,837	53,087	42,027
Gratuity provision	8,395	22,546	7,831	22,049
VAT payable	1,792	5,028	1,792	5,027
	255,114	315,039	246,770	306,173
	=======	=======	=======	=======

23 NOTES TO THE STATEMENT OF CASH FLOWS

GROUP

(a) Reconciliation of profit before taxation to cash generated from operations

	2015 Sh'000	2014 Sh'000
Profit before taxation	96,916	147,226
Depreciation (note 14(a))	14,164	14,011
Amortisation of intangible assets (note 15(a))	3,481	3,984
Profit on disposal of equipment	(357)	(2,194)
Net exchange loss (note 7)	7,789	21,097

Working capital changes:

Increase in inventories	(29,323)	(26,241)
Increase in trade and other receivables	(3,056)	(17,905)
(Decrease)/increase in trade and other payables	(59,925)	50,295
Cash generated from operations	29,689	190,273

(b) Cash and cash equivalents

Cash and bank balances	11,908	130,104
Bank overdraft	(11,083)	-
	825	130,104

COMPANY

(c) Reconciliation of profit before taxation to cash generated from operations

Profit before taxation	119,285	93,559
Depreciation (note 14(b))	12,276	12,773
Amortisation of intangible assets (note 15(b))	2,040	2,393
Profit on disposal of equipment	(357)	(1,978)
Net exchange loss	535	12,029
Working capital changes		
Increase in inventories	(22,586)	(19,893)
Increase in trade and other receivables	(17,289)	(16,828)
(Decrease)/increase in trade and other payables	(59,403)	89,729
Movement in related party balances	(43,283)	4,903
Cash generated from operations	(8,782)	176,687

(d) Borrowings

Balance as at beginning of year	-	-
Borrowings received	41,677	-
Balance as at end of year	41,677	-

COMPANY

(e) Cash and cash equivalents

Cash and bank balances	7,768	100,832
Bank overdraft	(11,083)	-
	(3,315)	100,832

The company obtained a Kenya shillings loan of Sh 41.6 million from Standard Chartered Bank of Kenya Limited. The purpose of the loan is to facilitate short term advances for financing expenses on book projects. The facility is secured by a personal guarantee of Sh 240 million by Francis Thombe Nyammo, all assets debenture of Sh 250 million by Longhorn Publishers Limited and legal charge over L.R. No 209/5604 Nairobi. The loan attracts interest at the rate of 18% p.a. and is repayable within 12 months. The overdraft facility attracts interest at the rate of of 9% p.a.

24 CAPITAL COMMITMENTS

There were no capital commitments as at 30 June 2015 (2014 – Nil)

25 CONTINGENT LIABILITIES

There are currently minor claims arising against the Group in the normal course of business. The directors, based on advice received from the Group's lawyers, are of the opinion that no significant liabilities will crystallise.

26 RETIREMENT BENEFITS OBLIGATIONS

The Group makes contributions to a defined contribution scheme and to statutory defined contribution schemes, the National Social Security Fund. Contributions to the Group's plan are determined by the rules of the plan and totalled Sh 4,761,000 (2014 - Sh 4,843,000) in the year.

Contributions to the statutory schemes are determined by local statutes and are currently at Sh 200 per employee per month in Kenya, 10% of the basic pay per employee per month in Uganda and 20% of the basic pay per employee per month in Tanzania. For the year ended 30 June 2015, the Group contributed Sh 1,133,000 (per note 9) (2014 – Sh 1,365,000) to the statutory schemes.

27 INCORPORATION

The Longhorn Publishers Limited (formerly Longhorn Kenya Limited) is domiciled in Kenya and is incorporated under the Kenyan Companies Act.

28 CURRENCY

The financial statements are presented in Kenya Shillings thousands (Sh'000), the Group's functional currency.

APPENDIX I

DETAILED COMPANY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 Sh	2014 Sh
SALES	830,057	1,252,071
COST OF SALES	(375,699)	(722,659)
GROSS PROFIT	454,358	529,412
OTHER OPERATING INCOME (APPENDIX II)	2,647	5,315
SELLING AND DISTRIBUTION COSTS (APPENDIX II)	(85,829)	(157,807)
ADMINISTRATIVE EXPENSES (APPENDIX II)	(250,742)	(272,108)
INTEREST INCOME	(614)	776
NET FOREIGN EXCHANGE LOSSES (APPENDIX II)	(535)	(12,029)
PROFIT BEFORE TAXATION	119,285	93,559

APPENDIX II

DETAILED COMPANY INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	2015 Sh'000	2014 Sh'000
OTHER OPERATING INCOME		
Sundry income	2,455	3,337
Gain on disposal of motor vehicles and equipment	192	1,978
	2,647	5,315
SELLING AND DISTRIBUTION EXPENSES		
Advertising and sales promotion	42,798	60,449
Freight and postage	15,889	81,893
Travel and entertainment	27,142	15,465
	85,829	157,807
ADMINISTRATIVE EXPENSES		
Staff expenses	179,443	184,226
Telephone and stationery	10,161	10,185
Motor vehicle expenses	7,752	8,650
Depreciation	12,276	12,773
Professional fees	9,727	6,276
Insurance	3,204	4,527
Bank charges	6,097	9,772
Amortisation of intangible assets	2,040	2,393
Directors' fees	4,359	2,886
Repairs and maintenance	2,049	3,538
Rates, light and water	4,293	3,633
Auditors remuneration	2,239	2,035
General administration	11,892	12,143
Bad debt (write back)/provision	(6,203)	8,036
Donations and subscriptions	1,413	1,035
	250,742	272,108
NET FOREIGN EXCHANGE LOSSES		
Realised exchange losses	(466)	82
Unrealised exchange losses	(69)	(12,111)
	(535)	(12,029)

LONGHORN PUBLISHERS LIMITED
PROXY FORM

I/WE ____

OF____

Being a member of the above Company, hereby appoint:

OF ____

Whom failing ____

OF ____

or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday, 21 December 2015 and at any adjournment thereof.

As witness my/our hand this day of 2015

Signed ____________________________________

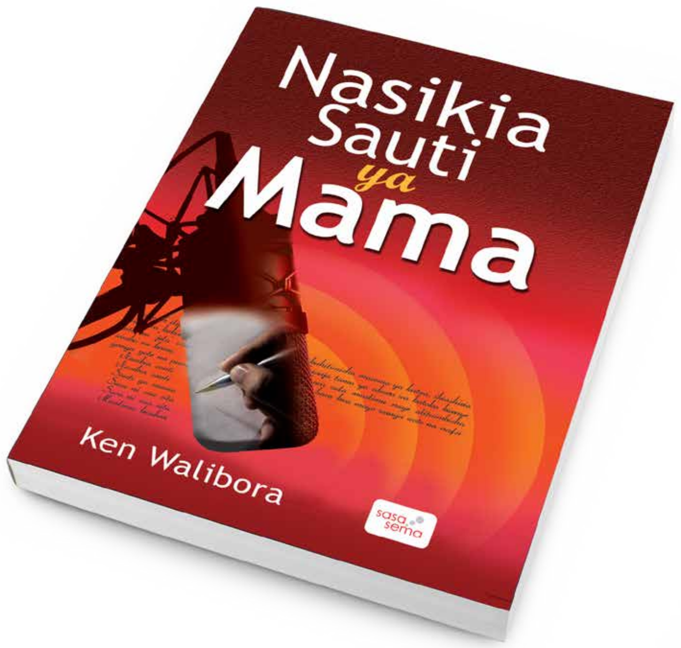
Signed ____________________________________

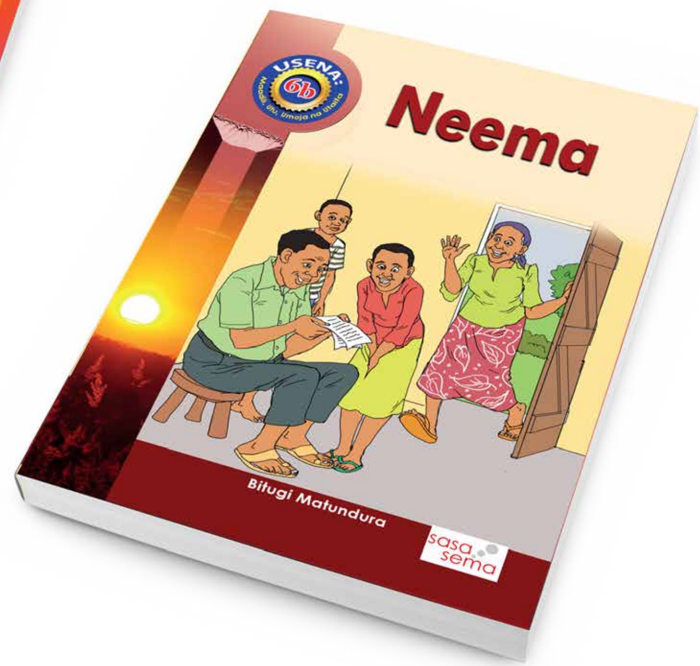
NOTE:

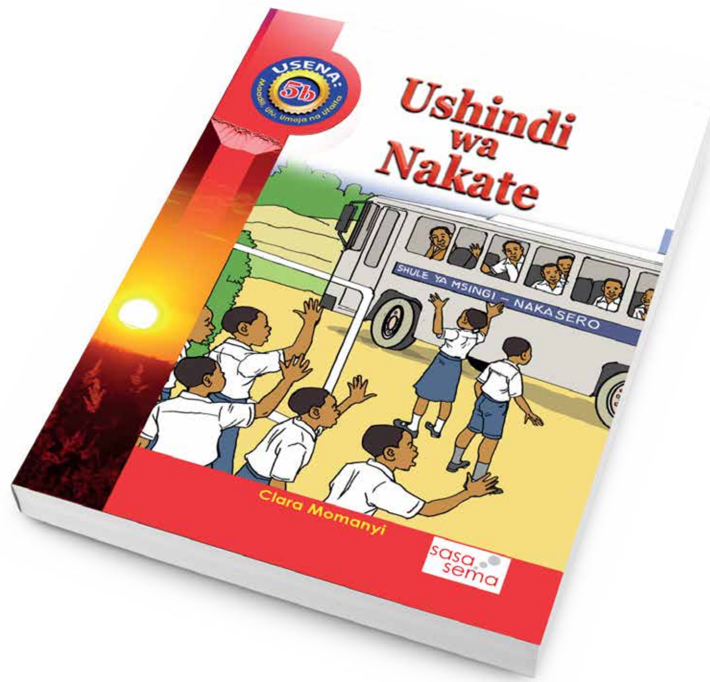
1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.

2. InthecaseofamemberbeingalimitedCompanythisformmustbecompletedunderits common seal or under the hand of an officer or attorney duly authorised in writing.

3. Proxies must bein the hands of the Secretary not later than 48 hours before the time of holding the meeting.







LONGHORN

PUBLISHERS LIMITED

expanding minds

GET IN TOUCH

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sasa sema