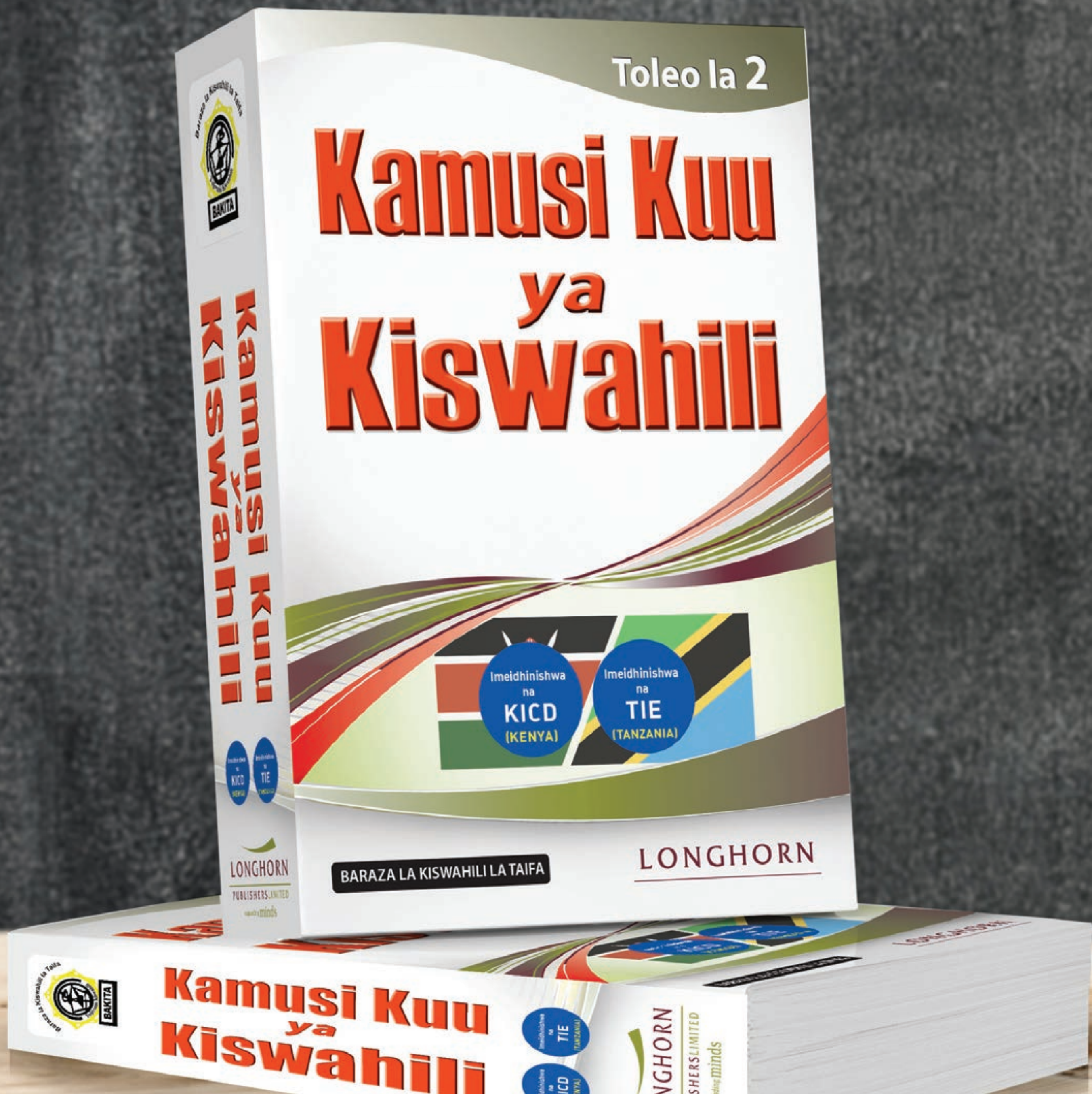
ANNUAL REPORT &
FINANCIAL STATEMENTS
2017

EXPAND, DIVERSIFY & INNOVATE

LONGHORN
PUBLISHERS LIMITED
expanding minds

Kamusi zetu ni za kipekee na zimetungwa na ustadi. Zinashughulikia mambo mengi kuhusu lugha ya Kiswahili kama maneno mapya ya kiteknolojia na uchumi, misemo na vitendawili ya kisasa, nahau na pia methali.

Kamusi zetu zimeidhinishwa na KICD na Baraza La Kiswahili La Taifa(BAKITA).



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THE COMPANY

Longhorn Publishers Limited was incorporated as a Kenyan owned company in the 1980s; during that time the Company specialised in publishing school based learning materials for the Kenyan market. Since then, the company has grown to be one of the leading publishers of innovative learning solutions in Africa with presence in several countries across the continent.

The Company has grown its presence within the East African region by establishing subsidiaries in Uganda, Tanzania and Rwanda. The Company has continued its dominance within the continent through the establishment of distributorship agreements in Zambia, Malawi and more recently Senegal and South Sudan.

Over the years the Company has been able to grow its product portfolio to include leisure reading materials, reference books and learning materials for the tertiary level. This move to diversify Longhorn's product portfolio has been in an effort to stay relevant in meeting the growing needs of its customers.

In 2015 the Company was able to successfully launch its digital learning platforms and two Kamusi Android Applications. This was in response to the growing shift towards digital publishing and digital learning. Longhorn Publishers Ltd is committed to be the leading provider of digital learning solutions across the African Region.

The Company has been able to remain consistent in its commitment towards meeting and exceeding its customers expections with regards to product diversification and service delivery. This commitment has been realised in 2017 when the Company attained 9001:2015 ISO certification.

THE VISION

To be the number one provider of innovative learning solutions in Africa

THE MISSION

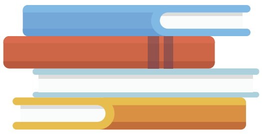
To enrich lives through knowledge

CORE VALUES

1. Integrity
2. Innovation
3. Professionalism
4. Get it done

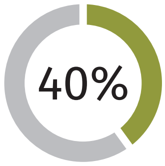
KEY MILESTONES

1965-1970



- Company changes name to Longman Kenya Limited in 1969

1970 -1980



- Local publishing program started
- Longman UK sells 40% of its shareholding to Kenyans in 1980

1980 -1993

- Longman Uk sells a further 20% of its shareholding
- Longman UK divests completely from the company
- Company changes its name to Longhorn Kenya Ltd

1995

- Longhorn Publishers Uganda is incorporated as a wholly owned subsidiary of Longhorn Kenya

2005 - 2007

- Longhorn Tanzania Ltd is incorporated in May 2005
- Longhorn launches its Sasa Sema imprint after acquiring the intellectual property of Sasa Sema Publication Ltd

2009 - 2010

- Longhorn enters the Rwanda Market

2011-2012

- Listing through introduction in 2012

2012

- Won the Burt Award for **The Devil's Hill**
- Won the Jomo Kenyatta Prize for **Literature for The Vanishing Herds and the Death Trap**

KEY MILESTONES *(Continued)*

2013

- Won the Jomo Kenyatta Prize for Literature for **Nimefufuka and Blossoms of Savannah**

2013 - 2015

- Longhorn acquires two Tanzanian Publishers: Apex Publishers and Delah Publishers
- Longhorn sets foot into Malawi and Zambia.
- Longhorn officially opens Rwanda Office
- Longhorn attains ISO 9001:2008 certification August 2013
- Longhorn Kenya changes name to Longhorn Publishers Limited

2014

- Won the Wahome Mutahi Prize for **The Last Word**
- Won the Burt Award for **Ask the Stars** and **Was Nyakeeru my Father**

2016

- Longhorn has a successful rights issue aimed at expanding its product portfolio
- Longhorn acquires exclusive distributorship rights for the Cambridge Dictionaries in the region
- Longhorn enters into an exclusive distributorship agreement with Biblica for the distribution of religious material
- Longhorn launches its digital platforms and Kamusi android applications

2016

- Won the Burt Award for **Ghost and the Fortune Hunter**
- During the 19th NIBF Longhorn Publishers won the Best Overall Stand
- Longhorn was awarded with a Chief Information Officer Award during the 6th Annual Chief Information Officer Conference

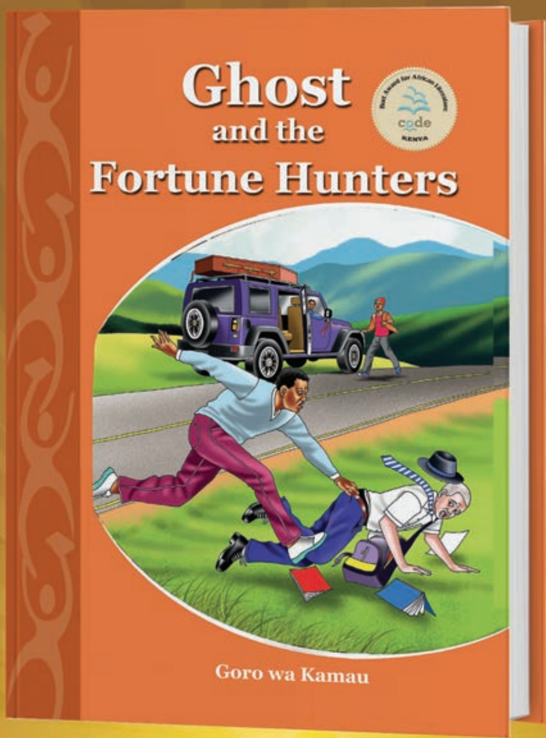
2017

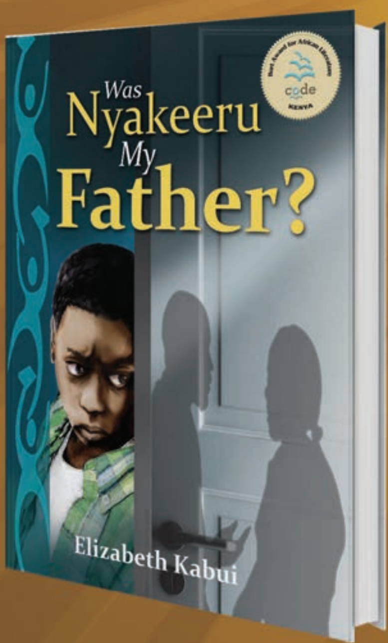
- Attained ISO 9001:2015 Certification
- Won the Jomo Kenyatta Prize for **Literature for Elephant Dance** and **Ghost and the Fortune Hunter**
- Won the Butt Award for **A boy named Koko**

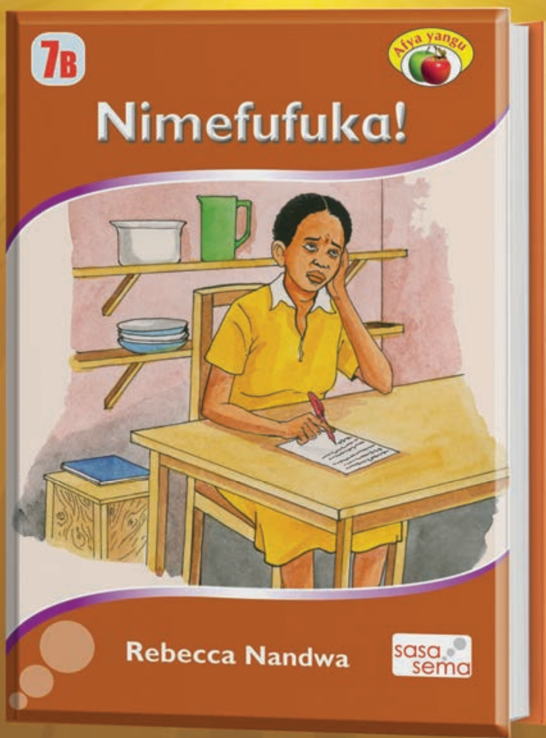
2017

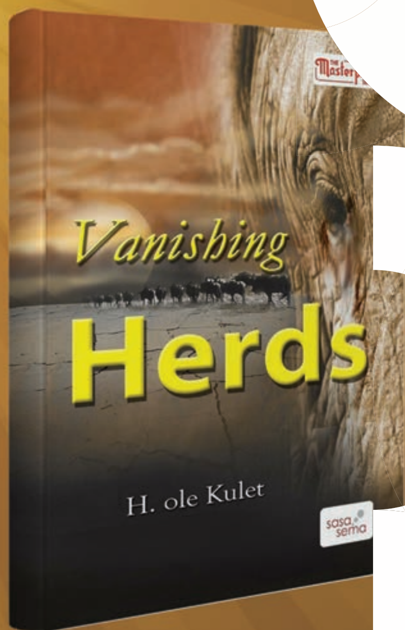
- Longhorn sets foot into Senegal

OUR AWARD WINNING BOOKS







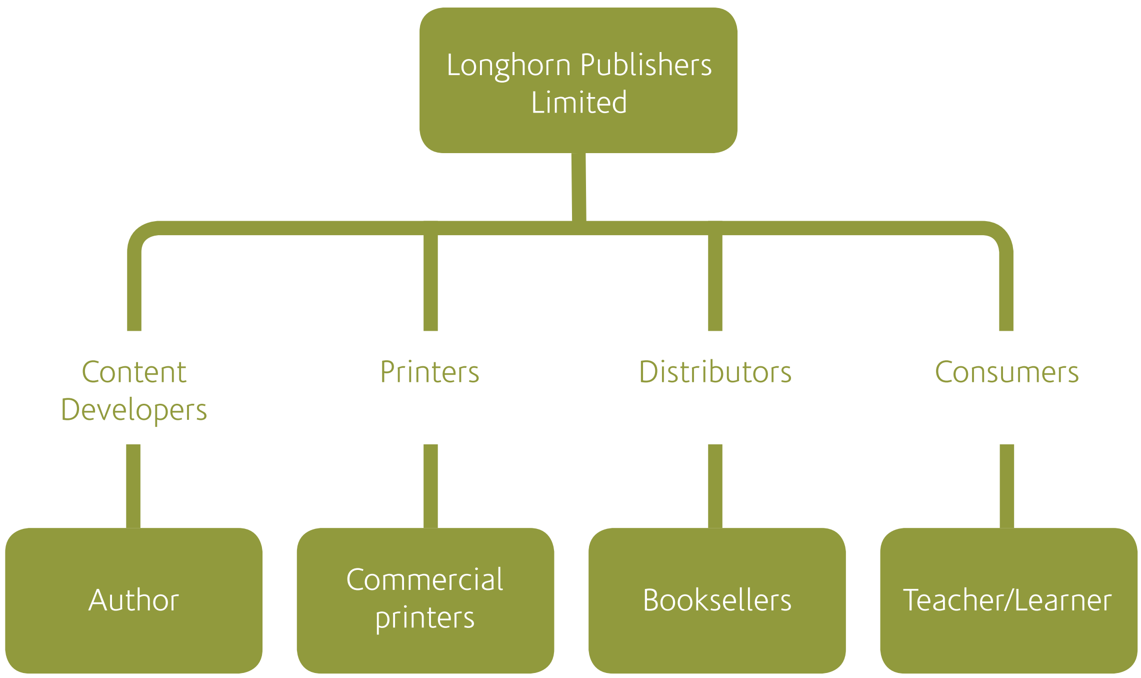


BUSINESS MODEL

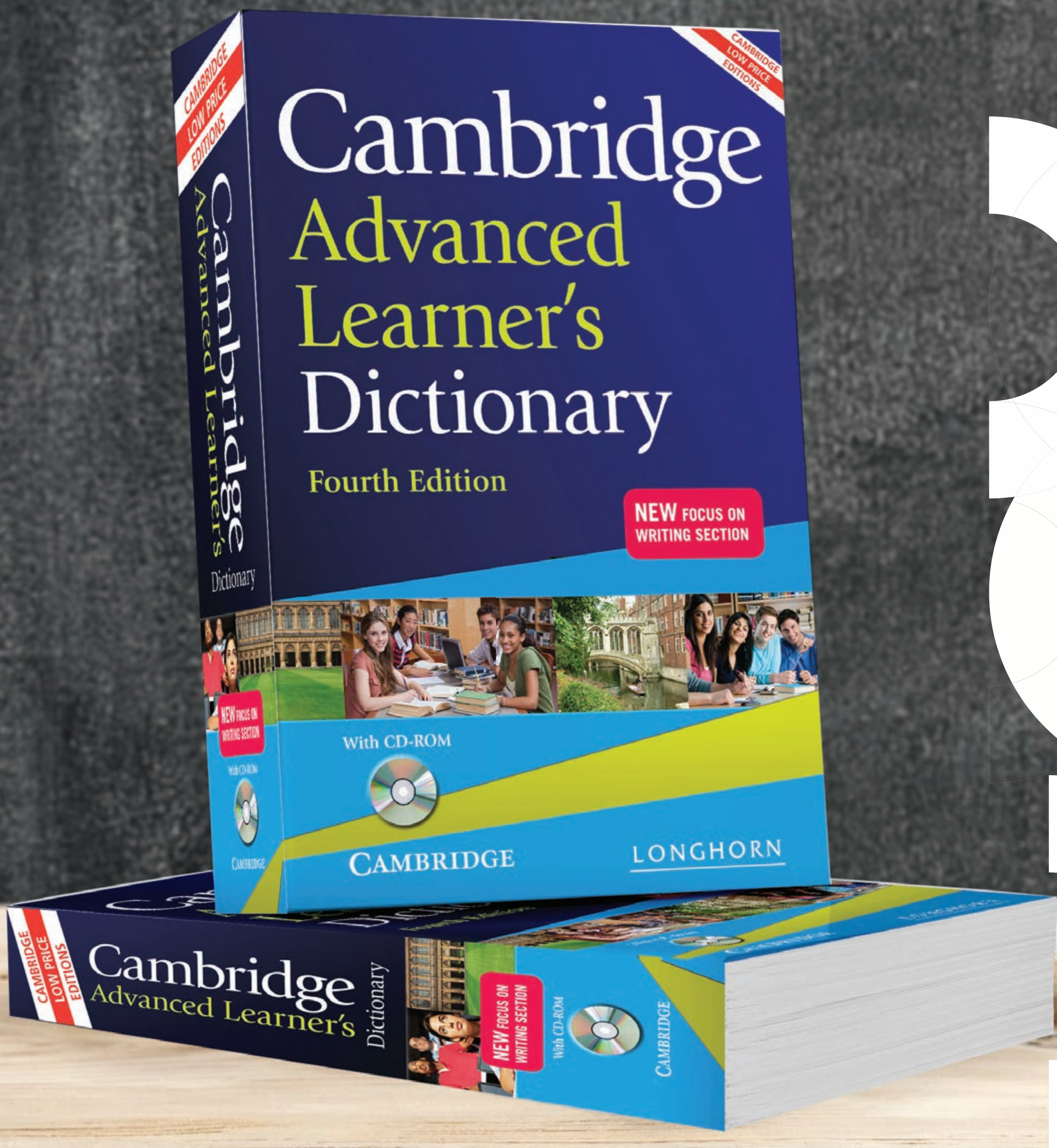
Our business seeks to deliver innovative learning solutions to our customers. The key aspects of our value chain are as follows:

- Identification of authors who develop manuscripts which address the identified learning gaps in the market
- Through the use of editors, illustrators and designers, we convert the manuscripts into books which are sent to commercial printers both locally and internationally for printing.
- Distribute the books mainly through an existing network of bookshops who in turn sell the products to the ultimate consumer.

Longhorn Publishers Ltd seeks to use an efficient and effective model to deliver value to the end user in the shortest time possible.

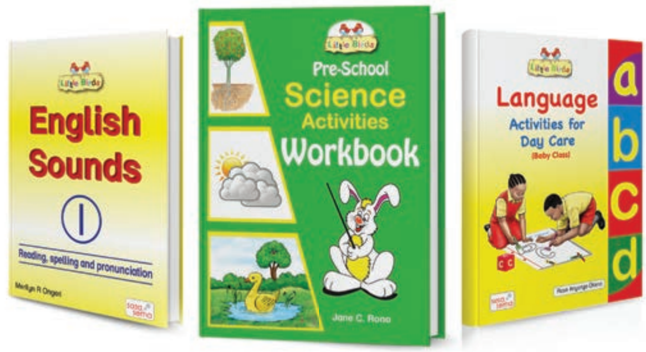


Our dictionaries offer clear definitions for thousands of words and phrases as well as giving examples making learning easier. Our Dictionaries have been approved by the Kenya Institute of Curriculum Development (KICD) for use in Primary and Secondary schools.



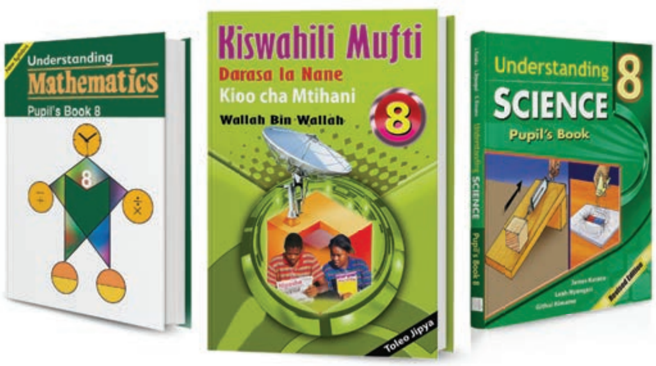
LONGHORN PRODUCTS AND BRANDS

ECDE WORKBOOK



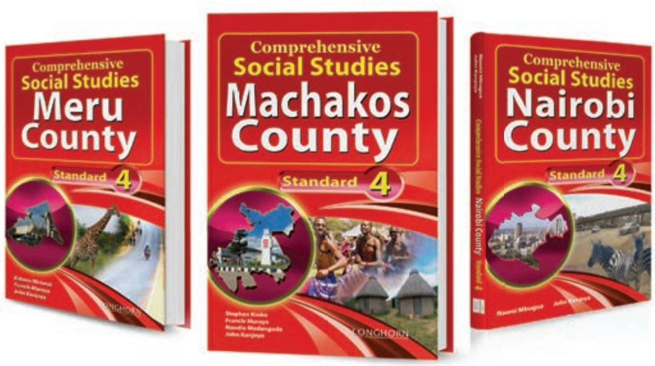
The Little Bird Series has been developed for use in teaching young learners in Baby Class, Nursery and Pre-unit. The books have fun filled activities that help the child with his/her learning.

PRIMARY COURSE BOOKS



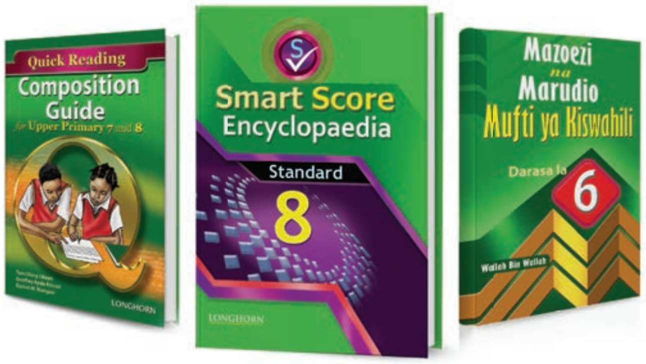
These are books that are developed to assist both the learner and the teacher cover the specific subject syllabus. Course Books are designed to provide concept definition, practical application and testing of the student's comprehension.

PRIMARY COUNTY SERIES



The County Book Series provides the learners with a detailed and accurate account of the county in which they reside. The books cover social, economic and political activities in the specific county.

PRIMARY REVISION

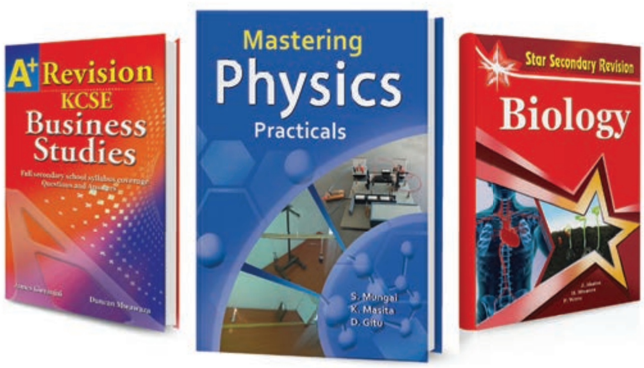


Primary Revision Books are developed to prepare the learner for their final exams in specific subjects. Revision books consist of short notes, questions and answers that cover the subject areas for a particular class.

SECONDARY COURSE BOOKS

Secondary Course Books have been developed to help both the student and the teacher to better cover the secondary syllabus. The books contain easy to understand concept definitions that allow the student better comprehension of the subject matter.

SECONDARY REVISION BOOKS

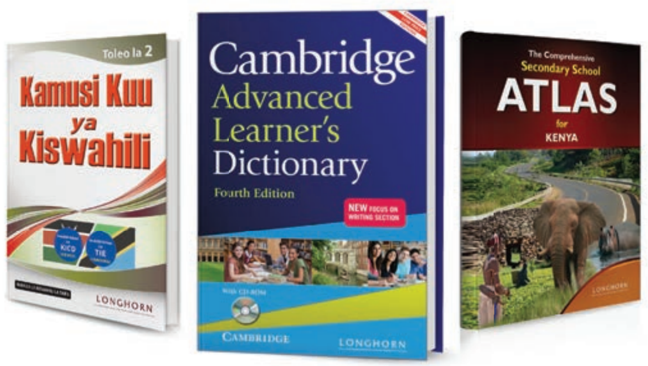


Secondary Revision Series have been authored by qualified examiners with many years of experience. The books provide the learner with exam worthy questions to ensure the learner is better prepared for his/her final exams.

CREATIVE WORKS

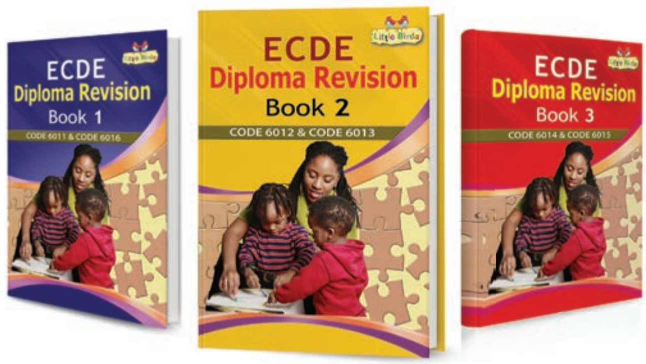
Creative Books include novels, novellas and story books that are meant to inform and entertain the reader. The stories are written by recognised and award winning authors who are able to weave entertaining and interesting stories that leave the reader asking for more.

REFERENCE BOOKS



Reference Books are developed to help both learners and teachers in providing additional reference to aid in the teaching subjects such as kiswahili, english, social studies and CRE.

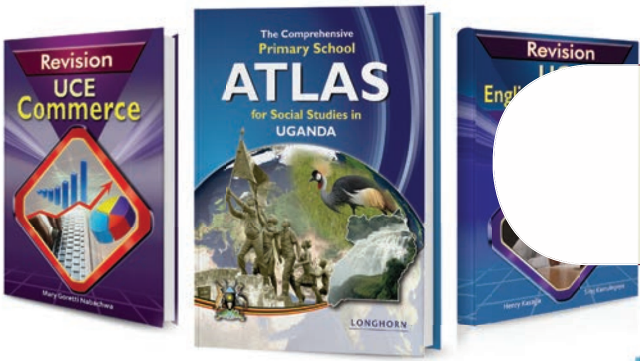
TERTIARY BOOKS



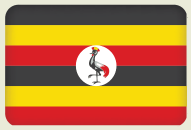
Longhorn Publishers has a wide variety of Tertiary Books aimed at providing knowledge for students in Universities, Colleges and Polytechnics. Our products cover a wide array of skills such as Carpentry, Masonry, Medicine, Architecture, etc.

REGIONAL BOOKS

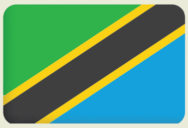
Longhorn Publishers Ltd is committed to providing learning solutions across the region by developing quality approved titles that aid the teacher and the learner in covering the school syllabus.

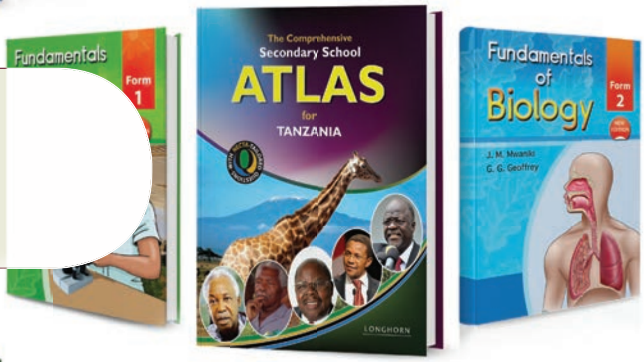


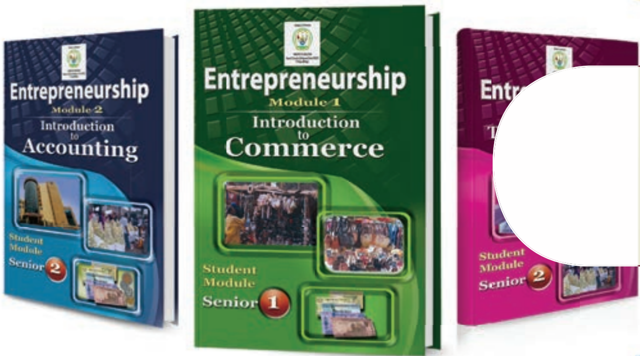
UGANDA



TANZANIA

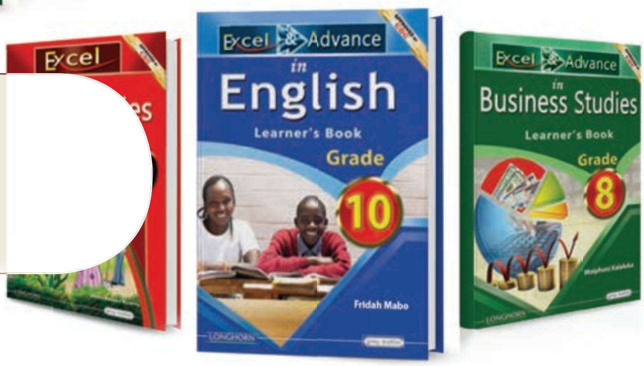






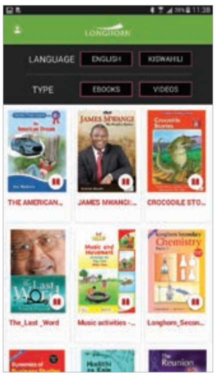
RWANDA

ZAMBIA



DIGITAL LEARNING

The front end of Longhorn eLearning Platform; web-based portal




Longhorn eReader Android APP, downloadable from Google Play Store for offline access.

Longhorn Publishers is proud to be a leader in innovative digital materials across the region. The company has made enormous investments in digital publishing and is keen on ensuring that the end user is provided with relevant and high quality materials. The products and platforms have been developed as a result of intensive market research, product experimentation and innovations.

At the moment, the company has digitised over 60% of its products and availed all in various digital formats. Some of the products are interactive eBooks, audio books, video-animated stories for children, ePubs and mobile applications.

The platforms are available as Android Applications, iOS Applications, desktop application for offline access. You can also sample our products through the following links https://elearning.longhornpublishers.com and https://ebooks.longhornpublishers.com.

We have also ensured that the nation's specific eBooks are included. Curriculum books for Kenya, Uganda, Tanzania, Rwanda, Malawi and Zambia are now available for global access.

STRATEGY

LONGHORN PUBLISHERS LTD 2018

To guide the Company into a focused future and to fulfil its core mandate of creating value for shareholders, customers and staff, the management of Longhorn Publishers Limited (LPL) has identified 4 key strategic pillars in which it will focus its energies and resources. These pillars are as follows:

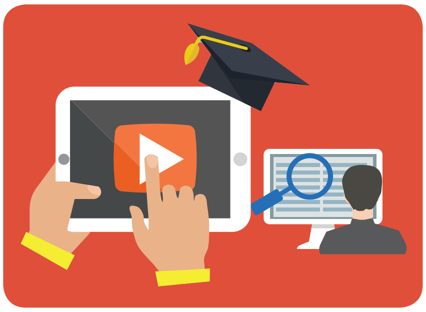
1. Customer Focus
2. Growth
3. Leadership
4. Innovation

CUSTOMER FOCUS

By enhancing quality through provision of value-added packaging that will exceed customer expectations. Longhorn Publishers Ltd seeks to grow its customer satisfaction index to a weighted average of 90%. If this is achieved, it will propel Longhorn Publishers Limited to increase its market share in the region.

GROWTH

Longhorn Publishers Ltd will work towards creating sustainable growth in the areas of Market Share, Revenue, Brand Equity, Geographical Reach, Profitability, Skills Development and Diversification. All these should empower Longhorn Publishers Ltd to take advantage of opportunities and overcome threats that present themselves in the market.



INNOVATION

The company invests heavily in research into new ideas, improving efficiency in product development using technology, transforming existing products and services as well as inventing yet unknown/ unique products. Longhorn Publishers Ltd does not seek to imitate existing ideas or implement old ideas in its pursuit of developing the company's innovative and entrepreneurial spirit.

LEADERSHIP

Longhorn Publishers Ltd recognises that leadership entails providing direction through capacity building, empowering people, driving a positive culture, ensuring effective communication and enhancing the general wellbeing of the staff. Leadership is provided at Longhorn Publishers Limited by the Board of Directors, Group MD, Senior Management and Section Heads.

BUSINESS RISK AND MITIGATION

Longhorn Publishers Ltd continues to be agile to the changes affecting the industry. In this regard, we have identified significant business risks and put in place adequate measures to mitigate these risks.

NO.	BUSINESS RISK	MITIGATION
1.	**Curriculum Change** The move from knowledge based curriculum to competence based curriculum will mean a complete overhaul of Longhorn's course books. Longhorn will need to invest significantly so as to have the right products for the new curriculum.	We have invested significantly in skill development and training of staff to ensure that our publishing team is conversant with the demands of the new curriculum. We have over the years participated in developing books for skill based curriculum in other countries in the region with considerable success.
2.	**Shift to Digital Publishing** This shift in trend from physical books to digital books is a major disruption to traditional publishing.	We have been able to work with digital service providers and digital platform vendors to deliver content to the end user. We have been able to convert over 60% of our content to digital format. We have a dedicated team of digital publishers, content providers and a digital sales and marketing team that works on the development and provision of digital content. We have identified digital publishing as a significant area for growth.
3.	**Piracy** Resulting in loss of revenue for publishers.	We have been working with the Kenya Publishers Association and the Kenya Copyright Board (KECOBO) in combating the piracy menace. We have added anti-piracy features on our popular products in order to reduce this vice. We have diversified into digital publishing and have developed digital products with enhanced security features to minimise piracy.

FINANCIAL HIGHLIGHTS

GROUP'S REVENUE

Shs 1.45B

GROUP'S PROFIT AFTER TAX

Shs 134M

Final Dividend

Shs 80m

Interim Dividend

Shs 25m

Total Dividend

Shs 105m

Key performance indicators

9% decrease in operating costs

Rise in gross margin percentage from 50% to 52%

Increased revenue contribution from regional markets

10% growth in dividend payout

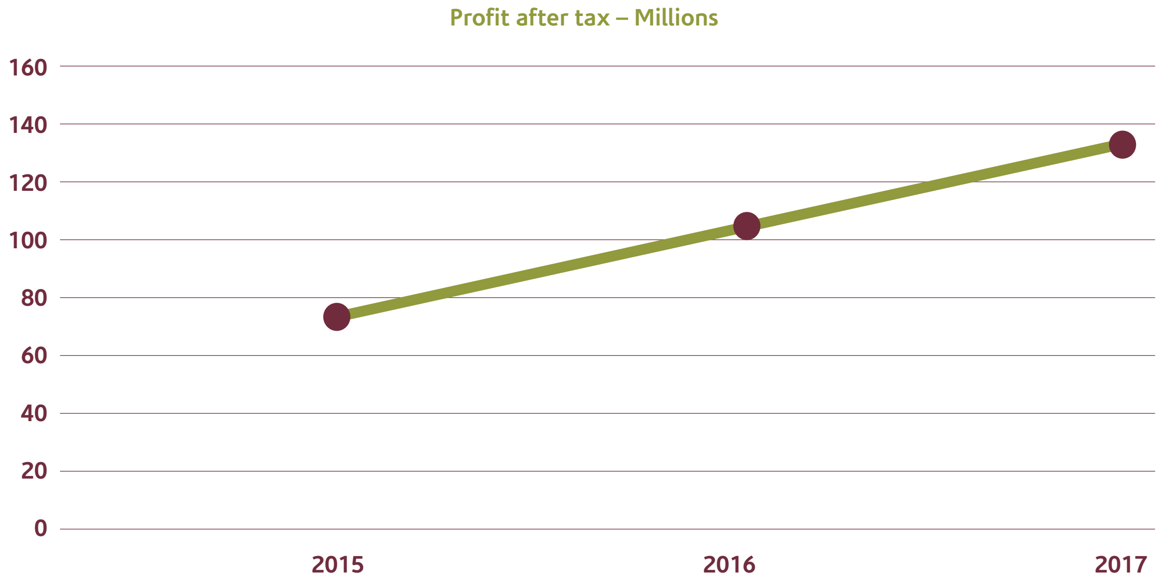
PERFORMANCE 2016 - 2017

The company's profitability has grown by 29% largely due to improved operating efficiencies. The sales of digital products have more than doubled during this period demonstrating the significant contribution that digital products will play in our future performance.

SUMMARY OF THE GROUP'S PERFORMANCE FOR THE YEAR ENDED

	2017 Shs Million	2016 Shs Million	Change %	Trend
Turnover	1,452	1,504	(3%)	↓
Gross profit margin %	52%	50%	2%	↑
Total operating expense	(1,220)	(1,339)	(9%)	↓
Profit before interest & taxes Operating profit	232	164	41%	↑
Profit before income tax	179	139	29%	↑
Profit after tax	134	104	29%	↑

PROFIT AFTER TAX - 3YEAR TREND

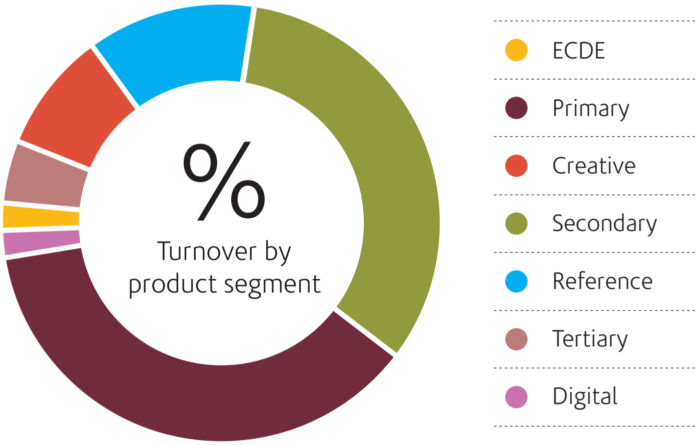


Profit after tax has continuously grown over the last 3 years as illustrated above.

Longhorn's diversification into digital products, reference and tertiary materials enabled the business to minimise the reliance on primary school textbooks hence mitigating potential risks around the changes in the Kenya School Curriculum.

TURNOVER BY PRODUCT SEGMENT

Shs' Millions



30%
decline in short term borrowings

146%
increase in cash generated from operating activities

SUMMARISED GROUP BALANCE SHEET AS AT 30TH JUNE 2017

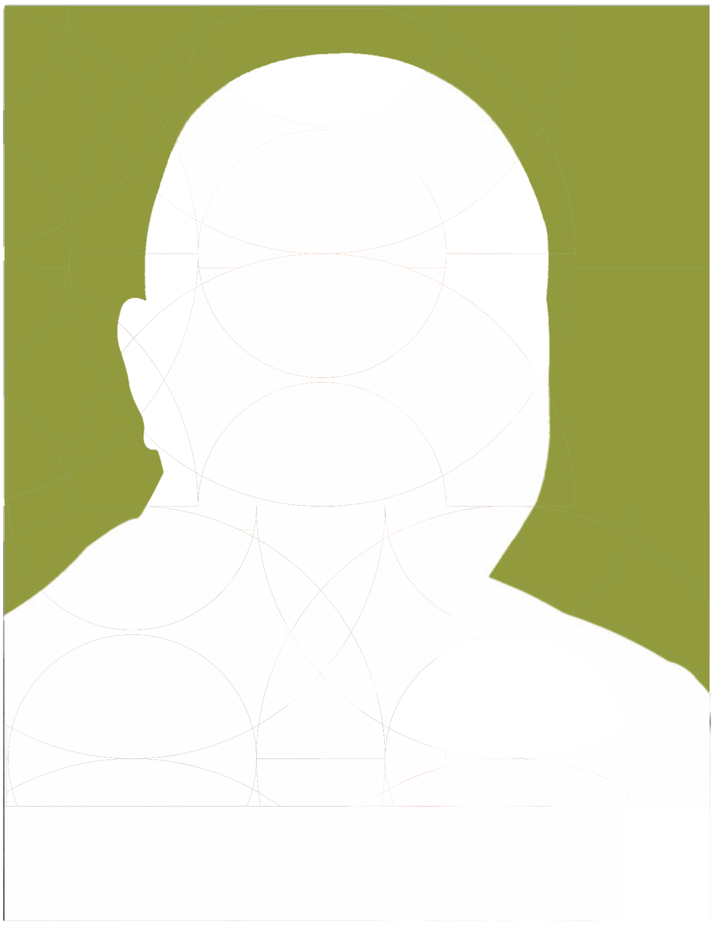
	June 17 Shs Million	June 16 Shs Million	Change %
Non-Current Asset	608	499	22%
Current Assets	1,251	1,368	-9%
Current Liabilities	579	443	31%
Short term Borrowing	334	447	-30%
Equity	946	948	0%

SUMMARISED GROUP CASH FLOW STATEMENT AS AT 30TH JUNE 2017

	June 17 Shs Million	June 16 Shs Million
Cash generated from (used) in Operating activities	243	530
Cash used in investing activities	(114)	(183)
Cash used in financing activities	(318)	901

The Company's financial position remains strong, having generated cash amounting to Shs 243 Million from operating activities. This enabled the Company to reduce its short term borrowings by 30%.

CHAIRMAN'S STATEMENT



"Longhorn Publishers Ltd recorded a profit of KES 134 million, a 29% increase from KES 104 million posted in the prior year.

Dear Shareholders

It is with great pleasure that I present to you the highlights of the performance review of your Company for the year ended 30th June 2017 and the future outlook. The period under review has been a year of significant progress for Longhorn Publishers Ltd based on the company's pursuit to grow its profits through regional expansion, innovation and product diversification.

THE BUSINESS ENVIRONMENT

The growth of the Kenyan economy is projected to decelerate to 5.5%, a 0.5 percentage point mark down from the 2016 forecast, according to the World Bank's Kenya Economic Update. Given the fact that 2017 is an election year, there has been a mood of skeptical investment in the country by both foreign and local investors.

The Kenyan Publishing Industry has seen a number of changes and regulations that have disrupted the industry; the looming change of curriculum for ECDE Class 1, 2 and 3 will mean that existing stocks of course books would inevitably be rendered obsolete.

The push towards offering digital learning material to schools both private and public has meant publishers need to invest in innovation so as to stay relevant.

Your Board of Directors working together with Longhorn's Management team has made strategic decisions that ensure the Company's position remains stable in the foreseeable future, through investing in product diversification and growing the Longhorn digital product range so as to mitigate the disruptions that the industry is currently facing.

PERFORMANCE

Longhorn Publishers Ltd recorded a profit of KES 134 million, a 29% increase from KES 104 million posted in the previous year that ended 30th June 2016. Longhorn Publishers Ltd has been able to consistently grow it profits because the Company has invested in a strong management team. The team has been able to reduce production and operational costs by 9% which has in turn contributed to the increase in profit.

The Management has ensured that the Company's liquidity position remains strong having generated KES 243 million from operating activities, this in turn has enabled the Company to reduce its short term borrowing by 30%.

DIVIDEND

Subject to approval by shareholders, the Directors are glad to recommend a final dividend of KES 0.29 per share from the results of the year ended 30th June 2017 amounting to KES 80 million.

FUTURE OUTLOOK

Longhorn Publishers Ltd continues to be the leading provider of innovative learning solutions, not only in Kenya but in the countries we operate.

The launch of Longhorn's digital product line in 2016 marked the beginning of the Company's dominance in digital publishing, with over 300 titles converted into digital format and made available at competitive prices on Longhorn's digital platforms. The Company has invested in hiring a dedicated digital publishing team that works on the development, marketing and sales of digital learning solutions.

The Company's presence in Senegal is evidence that Longhorn Publishers Ltd has embarked on a journey of being a Pan-African Publishing Company with a mission of providing learning solutions to schools across the continent.

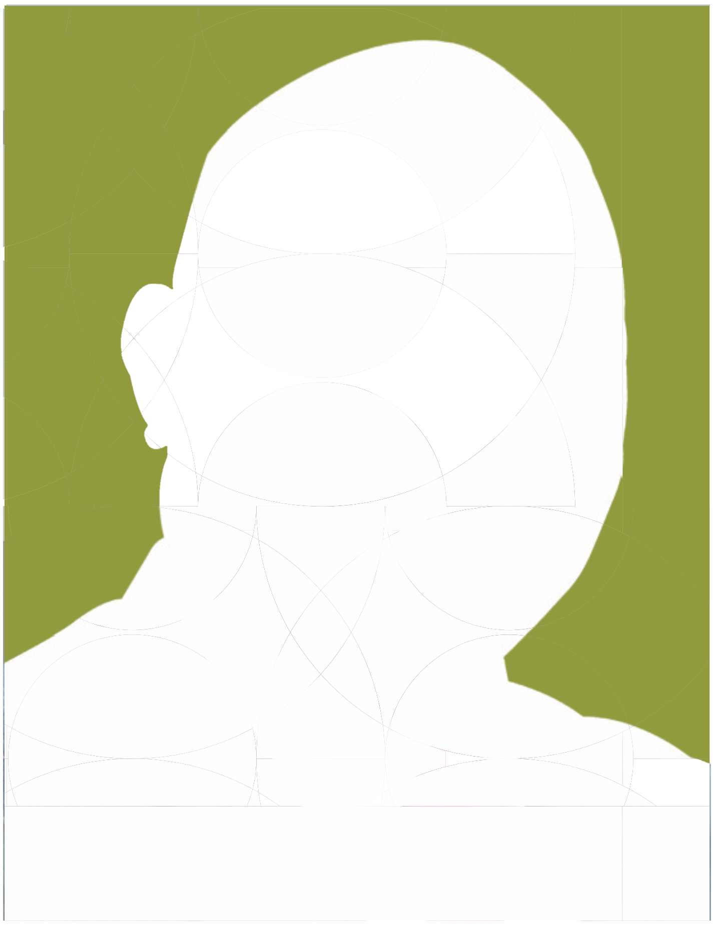
The launch of the Kamusi Kuu ya Kiswahili in Dodoma at the Tanzanian parliament shows Longhorn's commitment to grow its product portfolio to include products that are not affected by curriculum change. During the Kenyan launch of the Kamusi Kuu ya Kiswahili at the KICD, the Kamusi received the endorsement by the Africa Ambassador of Kiswahili; Mama Salma Kikwete and by the C.S Education Hon Dr. Fred Matiang'i. The endorsement is proof that Longhorn books are recognised for their quality and relevance in covering subject matter.

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 wish to thank all our stakeholders for the support we received in the previous financial year and we believe in working together to make the current financial year even a bigger success.

Hon. FT Nyammo
Chairman

MANAGING DIRECTOR'S STATEMENT



"Longhorn Publishers Ltd's push into other countries across the continent has ensured an increase in revenue contribution of 30% from the regional market up from 20% in the previous financial year.

Dear Shareholders,

It gives me great pleasure to present to you the Longhorn 2016/2017 Annual Report; the previous financial year has seen Longhorn Publishers Ltd make substantial strides with regards to ensuring the continued profitability. During the year ended 30th June 2017 the Company remained focused towards regional expansion, growing the Company's product portfolio and continued innovation in the area of digital publishing.

PERFORMANCE

The Company for the year ended 30th June 2017 was able to record a 29% growth in profits to record profits of KES 134 million. This growth was driven by emphasis on cost management and production efficiencies.

The company attributes its favourable performance to its adoption of a Pan-African business model, investment in growing its product portfolio and continuous investment in its digital product range. For the year ended 30th June 2017, the sales of Longhorn digital content had more than doubled; this is attributed to an increase in the number strategic partners offering digital solutions and the conversion of over 300 Longhorn titles into digital format.

In line with the Company's strategic plan of geographical diversification, the sales from Uganda, Tanzania, Malawi, Zambia and Rwanda contributed 30% of the group turnover as compared to 20% in the previous year.

Longhorn's diversification into digital products, reference and tertiary materials enabled the business to minimise the reliance on Primary School textbooks hence mitigating potential risks around the changes in the Kenya School Curriculum.

REGIONAL EXPANSION

Longhorn Publishers Ltd has been able to establish distributorship partnership agreements in Ethiopia, South Sudan and Senegal. Longhorn Publishers Ltd's push into other countries across the continent has ensured an increase in revenue contribution of 30% from the regional market up from 20% in the previous financial year.

The Longhorn subsidiaries in Uganda, Tanzania and Rwanda have continued to play a crucial part; this is because Longhorn has invested in developing, marketing and selling books for the school use specific to the countries.

By working together with celebrated authors in the different countries, Longhorn Publishers Ltd has been able to produce quality learning materials that have been approved for use in schools in the different countries. In the coming financial year Longhorn Publishers Ltd looks to continue its entry into Francophone countries, through strategic partnership. This entry will be driven by extensive market research into the sustainability and profitability of entering the market.

PRODUCT DIVERSIFICATION

In the year ended 30th June 2017, the Company launched the 2nd Edition of the Kamusi Kuu ya Kiswahili in Tanzania Parliament presided over by The Tanzanian Prime Minister, Hon Kassim Majaliwa Kassim, a first of its kind. In July 2017, the same product was launched in Kenya presided by Hon Dr. Fred Matiang'i, the CS for Education and H.E Mama Salma Kikwete, the Kiswahili Ambassador to Africa. Longhorn Publishers Ltd has affirmed its position as the powerhouse in Kiswahili publishing in the region. In the previous financial year 2016/2017 Longhorn Publishers Ltd was able to acquire majority ownership of Law Africa and distributorship right of the CBS tertiary learning material; this was done so as to grow the Longhorn tertiary product line which had previously been without any learning material.

Longhorn continues to distribute the Cambridge Learners and Cambridge Advanced Learners dictionary as well the Bibilica bibles as part of Longhorn's reference product line.

The investment the Company has made in growing the Tertiary and Reference product lines is meant to mitigate against any loss of revenue that comes from changes in curriculum that greatly affect course books.

INNOVATION

Longhorn Publishers Ltd diversification into digital products, reference books and tertiary books enabled us to minimise the reliance on primary school textbooks, mitigating potential risks around the changes in the Kenya school curriculum. Our sales of digital products have more than doubled in the previous financial year.

The Company has developed proprietary eLearning platforms and digitised over 300 products including Longhorn eBooks Store, Longhorn eLearning Platform, Kamusi Kuu ya Kiswahili and Kiswahili ya Karne ya 21 applications which are now available worldwide on various digital platforms. This is an area where the Company will continue to make investments as we strengthen our position to be the leading provider of innovative learning solutions in Africa.

FUTURE OUTLOOK

1. Further expansion within the continent: Longhorn is looking into Francophone countries.
2. Curriculum change in Kenya: Longhorn Publishers has invested in commissioning credible authors and editors to work on books that will be approved for use in teaching the new competence based curriculum.
3. Continued partnership with the County governments in offering training for the county government ECDE teachers and Vocational Training instructors.
4. Continuous investment in Longhorn digital publishing, that will see Longhorn improve on its current digital products as well as develop more digital learning solutions.
5. Working together with the Kenya Publishers Association and other interest groups to combat piracy, which continues to contribute to a loss of Company's revenue.

APPRECIATION

I wish to appreciate the Longhorn Board of Directors, who continue to be a resource with regards to strategic advise and support in achieving the Company's strategic objectives. I would also like to appreciate the Management Team and staff for their commitment in achieving the favourable financial results during the previous year.

Mr. Simon Ngigi
Group Managing Director

BOARD OF DIRECTORS

Hon. Francis T. Nyammo
Chairman

Mr. Simon Ngigi
Group Managing Director
Executive

Mr. Fred Murimi
Director
(Non Executive Independent)

Mr. Raymond Nyamweya
Director
(Non Executive)

Mrs. Susan Omanga
Director
(Non Executive Independent)

Mr. Ali Hussein Kassim
Director
(Non Executive Independent)

Mrs. Truphosa K. Sumba
Director
(Non Executive Independent)

Mr. Muigai Githu
Director
(Non Executive)

Dr. Farai Shonhiwa
Director (Representing Centum Investment Ltd)

MANAGEMENT TEAM

Mr. Simon Ngigi
Group Managing Director

Mr. Maxwell Wahome
Chief Operations Officer

Mr. Maurice Kahara
Chief Commercial Officer

Mr. Moses Auta
Head of Publishing

Mr. Evans Rotich
Chief Digital Officer

Ms. Loreen Okanga
Head of Human Resource & Administration

Mr. Japheth Rotich
Chief Audit and Risk Officer

NOTICE OF ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

LONGHORN PUBLISHERS LIMITED

NOTICE is hereby given that the year 2017 Annual General Meeting of the Company will be held at the Hilton Hotel, Mama Ngina Street, Nairobi on **Friday, 8 December 2017 at 11:00 a.m.** to transact the following business:

ORDINARY BUSINESS

1. The Secretary to read the notice convening the meeting and confirm the presence of a quorum.
2. To approve the minutes of the Annual General Meeting held on 28 October 2016.
3. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2017 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.
4. To approve a final dividend of Kshs 0.29 per share in respect of the financial year ended 30 June 2017 as recommended by the Directors. The dividend will be payable on or before 7 March 2018 to the shareholders on the Register of Members as at the close of business on 8 December 2017.
5. To re-elect Directors:-

   5.1 Mrs Susan Nkirote Omanga retires by rotation at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers herself for re-election.

   5.2 Mr Raymond Nyamweya Ondieki retires by rotation at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers himself for re-election.

   5.3 Mrs Truphosa Kwaka-Sumba retires by rotation at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers herself for re-election.
6. Pursuant to Section 769(1) of the Companies Act 2015, the following directors, being members of the Board Audit & Risk Committee be elected to continue to serve as members of the Committee:-
   - Raymond Nyamweya Ondieki
   - Fredrick Murimi
   - Ali Hussein Kassim
   - Muigai Githu
7. To approve the remuneration of the Directors for the financial year ended 30 June 2017.
8. To re-appoint Messrs PricewaterhouseCoopers as Auditors by virtue of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix the Auditor's remuneration for the ensuing financial year.

SPECIAL BUSINESS

9. To pass the following resolution as a Special Resolution:

   "That the name of the Company be changed from Longhorn Publishers Limited to Longhorn Publishers Plc pursuant to the provisions of Section 53 of the Companies Act, 2015 with effect from the date set out in the Certificate of Change of Name issued in this regard by the Registrar of Companies."
10. To consider and, if deemed appropriate, to pass the following resolution as a Special Resolution:

    "That subject to complying with all relevant laws and regulations, the proposed sale of the property known as LR 209/5604 be and is hereby approved, and the Directors be and are hereby authorised to execute any agreements and to take the steps reasonably necessary to effect the sale of the said property."
11. To consider and, if deemed appropriate, to pass the following resolution as a Special Resolution:

    "THAT Pursuant to Para8graph G.05 of the 5th Schedule to the Capital Markets (Securities)(Public Offers Listing and Disclosures) Regulations 2002, the proposed sale of the Company's shares in LawAfrica Publishing Limited (being 92% of the issued share capital of LawAfrica Publishing Limited) be and is hereby approved by the Shareholders, and the Board is hereby authorized to negotiate, prepare and execute any documents and make any arrangements and filings necessary to give effect to the above resolution."
12. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

ENID MURIUKI (MRS)
COMPANY SECRETARY

DATE: 15 NOVEMBER 2017

NOTES:

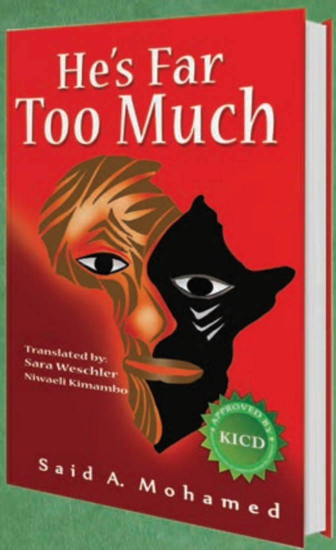
(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website www.longhornpublishers.com, or from the Share Registrars, Livingstone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

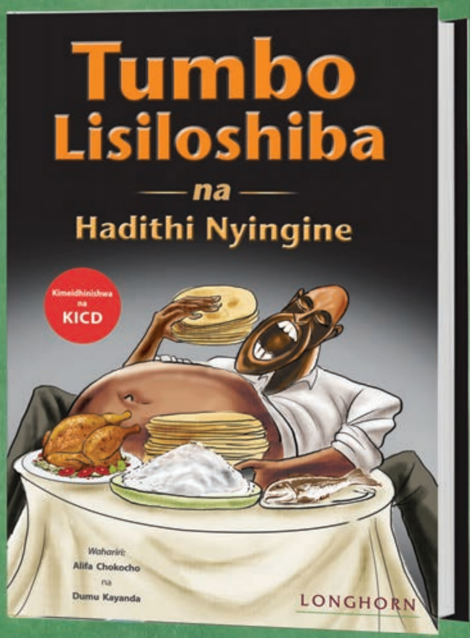
(ii) To be valid, a form of proxy must be duly completed by the member and must be lodged with Livingstone Registrars Limited, Deloitte Place, Waiyaki Way, P. O. Box 30029, 00100 Nairobi or at the offices of Longhorn Publishers Limited, Funzi Road, Industrial Area, P. O. Box 18033, 00500 Nairobi, not later than forty eight hours before the time of holding the meeting.

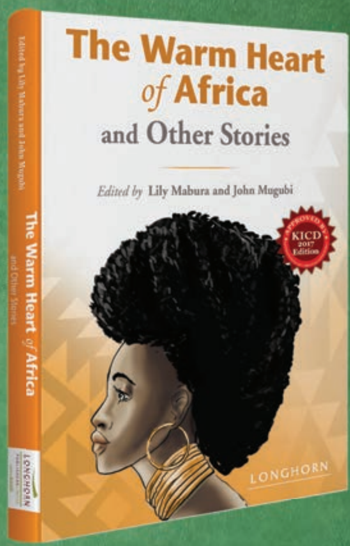
(iii) Pursuant to the provisions of Article 136 of the Company's Articles of Association, a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website (www.longhornpublishers.com) or from the Registered Office of the Company i.e. Longhorn Publishers Limited,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

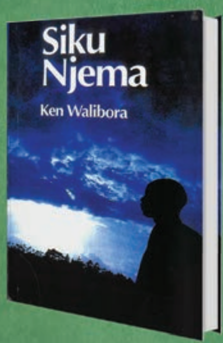
LONGHORN PUBLISHER LTD - SET BOOKS

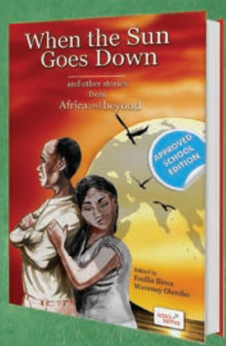
Over a span of over 10 years Longhorn Publishers Ltd has developed popular and recognised set books that have been used across schools in Kenya and the region in the teaching of literature and fasihi.











REGIONAL - SET BOOKS

CORPORATE GOVERNANCE STATEMENT

1. Overview

Longhorn Publishers Limited ("Longhorn" or "the Company") continues to be committed to the highest standard of corporate governance and business ethics. The Board and Management ensures that the Company complies with all requirements of a publicly listed company, including compliance with the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 which have been issued by the Capital Markets Authority ("CMA"). The Company also adheres to other regulations issued by the CMA and the Nairobi Securities Exchange as well as the Constitution of Kenya and all other relevant laws of the land.

At the heart of Longhorn's core values is integrity that dictates adherence to a strict Code of Ethics in how we approach our work, business relationships, decisions and actions.

We believe that good corporate governance practices are essential to the delivery of long term value and sustainability to shareholders and stakeholders.

2. Composition of the Board

The Board of Longhorn is comprised of nine directors who include one Executive Director and eight Non-Executive Directors. Three of the Non-executive Directors are Independent Directors as required under the Code of Corporate Governance Practices for Issuers of Securities to the Public 2015.

The Chairman of the Board is a Non-Executive Director.

The Board appreciates the importance of diversity in its composition and recognises its role in bringing different perspectives to the Board's deliberations. The Board is appropriately diversified in terms of appropriate mix of skills, knowledge, expertise, gender and age which aids the effective performance of its role. The Board members possess key skills and areas of expertise including in business management, information technology, marketing and public relations, governance and leadership, legal, banking and finance, accounting, strategy and human resources.

3. Role of the Board

The role of the Board is to exercise leadership, enterprise, integrity and judgment in directing the affairs of the Company so as to achieve continuing prosperity for the Company and its shareholders. The Board endeavors to, at all times, act in the best interests of the Company in a manner based on transparency, integrity, accountability and responsibility.

The Board is responsible for oversight of strategy formulation, risk identification and mitigation, senior management selection and compensation, integrity of financial controls and general compliance.

4. Responsibilities of the Chairman and of the Group Managing Director

The roles of the Chairman and Group Managing Director are clearly separated and well defined in the Charter which has been adopted by the Board, to ensure true accountability of management to shareholders through the Board.

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 day-to-day management of the business of the Company.

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

5. Appointment of Directors

All Directors are appointed in accordance with the provisions of Articles of Association of the Company. 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 are aligned with the needs of the Company.

6. 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.

This provides an opportunity for shareholders to reflect on the composition of the Board and refresh, if necessary.

7. 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, opportunities for training in corporate governance as well as emerging trends that impact on the business of the Company is provided for directors from time to time.

8. Provision of Information to 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 or on a more regular basis if warranted. 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.

Directors are also kept fully informed of key activities of the Company.

All directors are entitled to seek independent professional advice with respect to the performance of their duties at the Company's expense.

9. Directors' Remuneration

The Board of Longhorn recognises the importance of remunerating its Directors fairly and responsibly. The remuneration should be sufficient to attract, motivate and retain directors to run the Company effectively. The remuneration should also be consistent with recognized best practice standards and is competitive in line with remuneration for other directors in competing sectors and reflect the individual Directors' responsibilities.

The non-executive directors are remunerated for their services to the Board and Board Committee and the remuneration is disclosed under Note 8 (page 39) to the financial statements. Directors are also reimbursed reasonable costs incurred in the performance of their duties to the Company.

The directors' remuneration is tabled for approval at every 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.

10.Board Operations

The Board is responsible for its agenda. The Chairman, working closely with the Company Secretary and in consultations with the Group Managing Director, come up with an annual Board Work Plan and agenda for Board meetings.

The Board meets at least once every quarter but meets more regularly should circumstances warrant additional meetings to the regular scheduled meetings.

A summary of attendance at Board meetings held in the course of the year is shown below:-

Director	18.08.2016	28.10.2016	25.11.2016	23.02.2017	11.05.2017	22.05.2017	06/06/2017
F T Nyammo	√	√	√	√	√	√	√
S Ngige	√	√	√	√	√	√	√
T Kwaka-Sumba	√	√	-	√	√	√	√
Centum Inv Co. Ltd	√	√	√	√	√	√	-
R Nyamweya	√	√	√	√	√	√	√
A K Hussein	√	√	√	√	√	√	√
S Omanga	√	√	√	-	√	√	√
M Githu	√	-	√	-	-	-	-
Dr S Ruto***	-	-	-	n/a	n/a	n/a	n/a
F Murimi**	n/a	n/a	n/a	n/a	√	√	√

** F Murimi appointed as Director w.e.f 21 April 2017
*** Resigned w.e.f 15 February 2017

11.Committees of the Board

The Board has approved and delegated certain authorities to its 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 subsequent Board meetings and Committee decisions and recommendations ratified or approved by the Board as may be applicable.

The Board has established three standing committees as follows:-

11.1.1. Audit and Risk Committee

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

The Board's Audit & Risk Committee also 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 at the quarterly Audit and Risk Committee meetings.

In addition, the External Auditors independently and objectively review the approach of management in preparation of financial statements and financial reporting.

Membership of the Audit & Risk Committee during the year comprised of Raymond Nyamweya Ondieki (Chairman), Fredrick Murimi, Ali Hussein Kassim and Muigai Githu.

A summary of attendance at the Audit & Risk Committee meetings held in the course of the year is shown below:-

Member	27.07.2016	17.08.2016	18.11.2016	27.01.2017	27.04.2017	11.05.2017
R Nyamweya	√	√	√	√	√	√
J Muriuki*	√	√	√	√	n/a	n/a
A K Hussein	√	√	-	√	√	√
M Githu	√	√	√	√	√	-
F Murimi*	n/a	n/a	n/a	n/a	√	√

* F Murimi appointed as Director w.e.f 21 April 2017 and replaced J. Muriuki on the committee

11.1.2. Operations and Strategy Committee

The Operations and Strategy Committee is responsible for oversight over strategic and financial planning for the business including supporting the development of the plans and monitoring their implementation. The Committee also guides the development and implementation of corporate and social investment policies, and in assessing the Company's merger and acquisition opportunities.

Membership of the Operations and Strategy Committee is comprised of Fredrick Murimi (Chairman); Susan Nkirote Omanga; Raymond Nyamweya Ondieki; Ali Hussein Kassim and Truphosa Kwaka-Sumba.
A summary of attendance at the Operations and Strategy Committee meetings held in the course of the year is shown below:-

Director	27.07.2016	03.11.2016	26.01.2017	26.04.2017	11.05.2017
J Muriuki*	√	√	√	n/a	n/a
F Murimi*	n/a	n/a	n/a	√	√
R Nyamweya	√	√	√	√	√
A K Hussein	√	-	√	√	√
S Omanga	-	√	-	-	√
T Kwaka-Sumba	√	√	√	√	√
Dr S Ruto**	√	√	n/a	n/a	n/a

* F Murimi appointed as Director w.e.f 21 April 2017 and replaced J Muriuki on the Committee
** Resigned w.e.f 15 February 2017

11.1.3. Nominations, Governance and Human Resource Committee

The role of the Nominations, Governance and Human Resource Committee is to make recommendations regarding the composition, operations and performance of the Board; facilitate the nomination of directors to the Board; making recommendations on non-executive Directors' remuneration and generally overseeing the governance mandate of the Board.

The Committee is also responsible for reviewing and monitoring the human resources strategies and policies to ensure appropriate initiatives are implemented in relation to staff engagement to enable the Company to achieve its strategic objectives. The Committee also oversees the Board's and Management succession planning process.

The Nominations, Governance and Human Resource Committee has four members comprising Truphosa Kwaka-Sumba (Chairperson), Fred Murimi; Susan Nkirote Omanga; Raymond Nyamweya Ondieki, Muigai Githu, Ali Hussein Kassim.

A summary of attendance at Nominations, Governance and Human Resources Committee meetings held in the course of the year is shown below:-

Director	27.07.2016	03.11.2016	26.01.2017	26.04.2017	11.05.2017
T Kwaka-Sumba	√	√	√	√	√
J Muriuki*	√	√	√	n/a	n/a
R Nyamweya	√	√	√	√	√
A K Hussein	√	√	√	√	√
S Omanga	-	√	-	-	√
F Murimi*	n/a	n/a	n/a	√	√
M Githu	-	-	√	√	-

* F Murimi appointed as Director w.e.f 21 April 2017 and replaced J Muriuki on the Committee

12.Conflict of Interest

The directors of the Company are under a fiduciary duty to act honestly and in the best interests of the Company. Directors should avoid putting themselves in positions where their self-interests conflict with their duty to act in the best interests of the Company.

It is the responsibility of every directors to disclose to the Board any real or potential conflicts of interest which come to their attention, whether direct or indirect. The Board Charter provides ways of resolving conflict of interest situations including disclosure and refraining from voting or from discussions, exclusion from portions of board meetings where the matter is being discussed, or resignation in the case of a permanent conflict of interest.

The Board ensures that business transactions are conducted at arm's length.

13.Ethics and Code of Conduct

The Company has developed an Anti-Bribery and Corruption policy stipulating the ethical values, standards as well as specific guidelines that the Company adheres to, in its interaction with its internal and external stakeholders.

The Board has ensured that proper mechanisms are in place to monitor and assess adherence to the prescribed Anti-Bribery and Corruption policy, and ensures that all Directors and employees adhere to the prescribed Anti-Bribery and Corruption policy.

14.Whistle Blowing Policy

The Board has established whistle-blowing mechanisms to encourage stakeholders to bring out information helpful in enforcing good corporate governance practices and adherence to the Anti-Bribery and Corruption policy for the overall benefit of the Company.

15.Company Secretary

The Company Secretary guides the Board of Directors on matters of statutory and regulatory compliance, and good governance. The Secretary also provides guidance to the Directors as to how their responsibilities should be properly discharged in the best interests of the Company, facilitates the induction for new Directors and assists with Directors' professional development as required.

In consultation with the Chairman and the Group Managing Director, the Company Secretary ensures effective information flow within the Board and its Committees, between Senior Management and non-executive Directors. This includes distribution of Board papers and minutes and communication of resolutions from Board meetings.

The Secretary also guides the Company in taking the initiative to not only disclose corporate governance matters as required by law but also information that is of importance to shareholders and stakeholders in decision making.

16.Communication with Shareholders

Longhorn is committed to ensure that shareholders, investors and the financial markets are provided with appropriate and timely information about its performance. This is achieved through the release of our half-year and annual results in the local press, distribution of annual reports and holding of investor and other briefings as appropriate.

The Annual General Meeting provides a good opportunity for shareholder engagement and, in particular, for the Chairman and the Group Managing Director to inform shareholders of the Company's performance and the projected future for the Company, and respond to the shareholders'queries. The Company, through the office of the Company Secretary and the Chief Operations Officer, responds to any queries from the shareholders from time to time.

Pertinent information on the Company's performance and other activities is posted on the Company's website.

17.Principal Activity

Longhorn is a leading provider of innovative learning materials & solutions in the East & Central Africa region with subsidiaries in Uganda, Tanzania and Rwanda, and operations in, Malawi, Zambia and Senegal.

Longhorn's shares are listed on the Nairobi Securities Exchange.

18.Going Concern

After assessing a wide range of information relating to present and projected future conditions of profitability, cashflows, capital and other resources, the Directors confirm that they are satisfied that Longhorn has adequate resources to continue in business for the foreseeable future. For this reason, Longhorn continues to adopt the going concern basis when preparing its financial statements.

19.Business Conduct

The business of the Company is conducted within a developed control framework underpinned by policy statements, written procedures and internal control manuals.

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.

20.Subsidiaries

The Company has established subsidiaries in Uganda, Tanzania and Rwanda and the subsidiaries are management by Board of Directors comprising a majority of independent locally based directors. Longhorn ensures that the same high standards of corporate governance are cascaded to the subsidiaries.

The Board confirms that the results of all Longhorn's subsidiaries have been incorporated in the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS).

21.Capital Structure

A. Share Capital

The issued and fully paid up share capital of Longhorn Publishers Limited is KES 272,440,473/- made up of 272,440,473 Ordinary Shares of KES 1/- each.

B. Top Ten Shareholders as at 30 June 2017

Shareholder	No. of Shares	%
1. CfC Stanbic Nominees Limited A/C R98301	164,014,078	60.20
2. Pacific Futures and Options Limited	35,011,750	12.85
3. Francis Thombe Nyammo	16,018,000	5.88
4. Halifax Capital Corporation Limited	11,391,184	4.18
5. Kamami Investments Limited	3,114,050	1.14
6. Text Book Centre Limited	2,854,450	1.05
7. Mrs Jane Kaari Mugiri (Deceased)	1,513,600	0.56
8. The Estate of The Late Ephantus M'Mwiandi Mugiri C/o Mrs Jane Kaari Mugiri	1,477,600	0.54
9. Kahuho Holdings Limited	1,446,150	0.53
10. Kanaiyalal Mansukhlal & Shah Lalitaben Kanaiyalal Shah	1,408,970	0.52
Others	34,190,641	12.55
Total issued Shares	**272,440,473**	**100.00**

C. Directors Holding Shares

Name of Director	No. of Shares	%
Francis Thombe Nyammo	16,018,000	5.88
Centum Investment Company Limited (shares held in the name of CfC Stanbic Nominees Limited A/C R9830)	164,014,078	60.20
Total	**180,032,078**	**66.08**

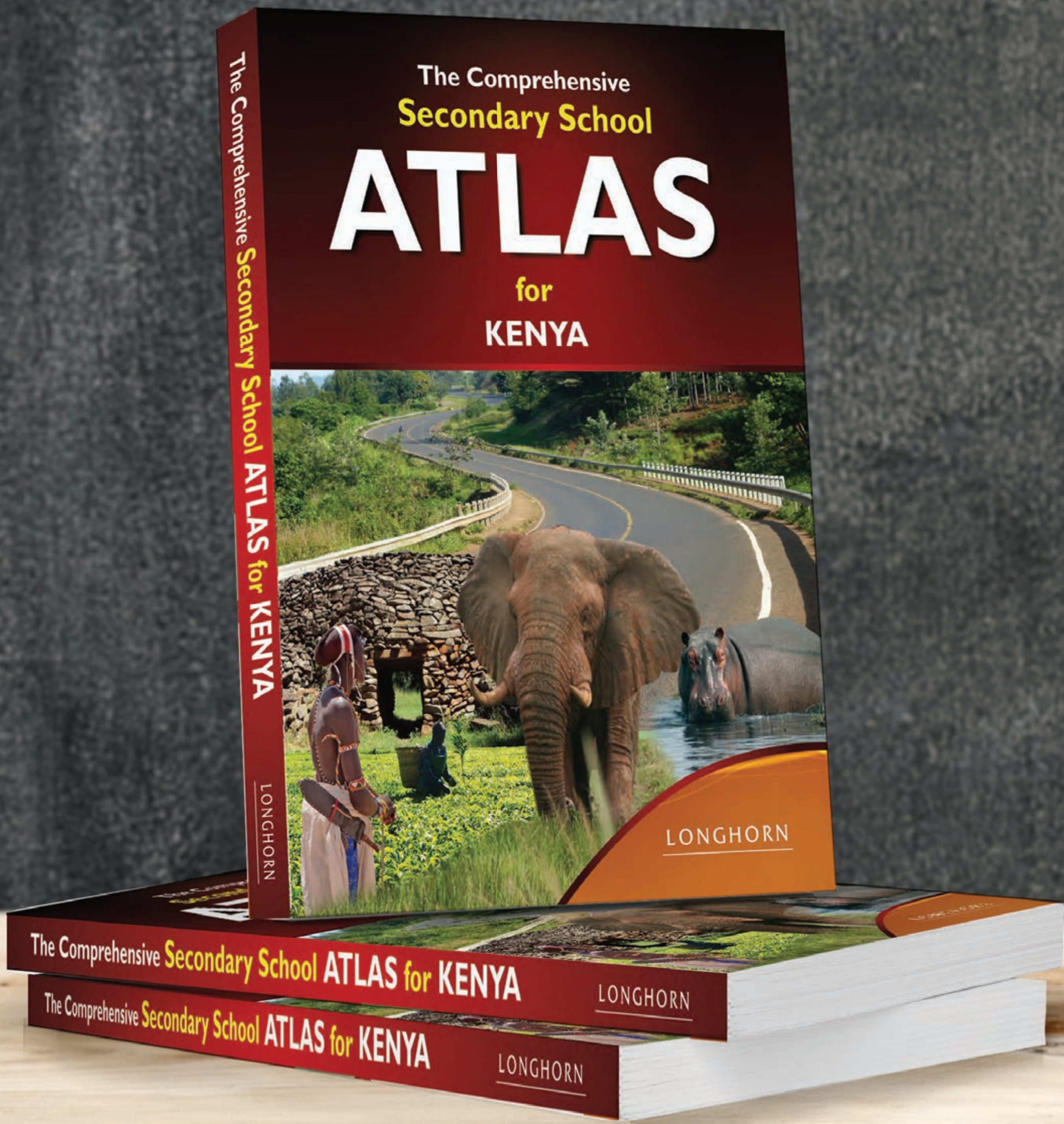
Francis Thombe Nyammo has a beneficial interest in Pacific Futures and Options Limited which holds 35,011,750 shares (12.85%) in the Company.

Muigai Githu has a beneficial interest in Halifax Capital Corporation Limited which holds 11,391,184 shares (4.18%) in the Company.

D. Distribution of shareholders as at 30 June 2017

	No. of shareholders	No. of shares	%
Less than 500	699	161,299	0.06
501 - 5000	1,037	2,210,117	0.81
5001 – 10,000	279	2,102,228	0.77
10,001 – 100,000	345	10,044,161	3.69
100,001 – 1,000,000	47	13,252,742	4.86
Above 1,000,000	15	244,669,926	89.81
Totals	**2,422**	**272,440,473**	**100.00**

With their systematic content presentation and modern coverage of constitutional changes in the country as well as other developments around the world, our Atlases are the best complimentary books to the school curriculum especially for Geography, History and Government students.



FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 30 June 2017.

BUSINESS REVIEW

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

During the year, the Group's revenue decreased by Shs 51,738,000 (3% decrease compared to prior year) which is attributable to a decline in sales volumes in Kenya. Despite the drop in turnover, the Group recorded a profit after tax of Shs 133,876,000, which is a 29% increase from the prior year. This was attributable to increased emphasis on cost management and production efficiencies.

Key performance ratios

The table below highlights some of the key performance indicators:

Performance ratios	Group 2017	Group 2016	Company 2017	Company 2016
Revenue in (Shs '000')	1,451,774	1,503,512	1,282,658	1,421,176
Gross profit as a percentage of revenue	53%	50%	52%	50%
Operating profit as a percentage of revenue	16%	11%	19%	14%
Profit before income tax (Shs.)	133,876	104,063	156,259	131,905
Net assets (Shs '000')	945,936	947,567	985,050	949,145

DIVIDEND

The consolidated net profit for the year of Shs 133,876,000 (2016: Shs 104,063,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 80,000,000 (2016: Shs 95,354,000).

DIRECTORS

The directors who held office during the year and to the date of this report were:

F T Nyammo	Chairman
S Gachomo	Group Managing Director
R Nyamweya	
S J Ruto (Dr)	(Resigned on 15 February 2017)
F N Murimi	(Appointed on 21 April 2017)
T Kwaka - Sumba (Mrs)	
S Omanga (Mrs)	
A H Kassim	
M Githu	
Centum Investment Company Limited	

AUDITOR

DISCLOSURES TO AUDITORS

The directors confirm that with respect to each director at the time of approval of this report:

There was, as far as each director is aware, no relevant audit information of which the company's auditor is unaware; and each director had taken all steps that ought to have been taken as a director so as to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITORS

PricewaterhouseCoopers continue in office in accordance with the Company's Articles of Association and Section 721 of the Kenyan Companies Act, 2015.

The directors monitor the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

SECRETARY
7 September 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Group keeps proper accounting records that are sufficient to show and explain the transactions of the Group; disclose with reasonable accuracy at any time the financial position of the Group; and that enables them to prepare financial statements of the Group that comply with prescribed financial reporting standards and the requirements of the Companies Act. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act 2015. They also accept responsibility for:

i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

In preparing the financial statements, the directors have assessed the Group's and Company's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the directors to indicate that the Group and Company will not remain a going concern for at least the next twelve months from the date of this statement.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 7 September 2017and signed on its behalf by:

F T Nyammo

S Gachomo

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

The remuneration for Non-executive directors is determined by the Nominations and Governance Committee and reviewed on an annual basis based on the company's performance. The remuneration comprises of a monthly allowance, sitting allowances for board and committee meetings and a travel allowance.

The Executive director's remuneration is fixed in the employment contract and reviewed periodically by the Nominations and Governance Committee.

INFORMATION SUBJECT TO AUDIT

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive directors in respect of qualifying services for the year ended 30 June 2017 together with the comparative figures for 2016. The aggregate Directors' emoluments are shown on page 84.

	Salary Shs 000	Fees Shs 000	Bonuses Shs 000	Expense allowances Shs 000	Estimated value for non-cash benefits Shs 000	Total Shs 000
For the year ended 30 June 2016						
Hon. F.T Nyammo	-	975	-	1,800	-	2,775
Simon Gachomo	15,600	-	-	-	48	15,648
Githu Mungai	-	530	-	-	-	530
Raymond Nyamweya	-	530	-	-	-	530
Susan Omanga	-	530	-	-	-	530
Ali Hussein Kassim	-	632	-	-	-	632
Sarah Ruto	-	530	-	-	-	530
Truphosa Kwaka	-	530	-	-	-	530
Centum Investment	-	632	-	-	-	632
	15,600	4,889	-	1,800	48	22,337
For the year ended 30 June 2017						
Hon. F.T Nyammo	-	1,365	-	1,800	-	3,165
Simon Gachomo	15,600	-	1,200	-	48	16,848
Githu Mungai	-	609	-	-	-	609
Raymond Nyamweya	-	967	-	-	-	967
Susan Omanga	-	624	-	-	-	624
Ali Hussein Kassim	-	981	-	-	-	981
Sarah Ruto	-	333	-	-	-	333
Truphosa Kwaka	-	781	-	-	-	781
Centum Investment	-	1,049	-	-	-	1,049
	15,600	6,709	1,200	1,800	48	25,357

By order of the Board

______________________________ **7 SEPTEMBER 2017**

DIRECTOR

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS LIMITED

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Longhorn Publishers Limited (the Company) and its subsidiaries (together, the Group) set out on pages 44 to 84, which comprise the consolidated statement of financial position at 30 June 2017 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the separate statement of financial position of the Company at 30 June 2017 and the statements of comprehensive income, changes in equity and cash flows of the Company for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company at 30 June 2017 and of the Group and Company financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate Company opinion on these matters.

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Partners: A Eriksson K Muchiru M Mugasa F Muriu P Ngahu A Murage S N Ochieng' R Njoroge B Okundi K Saiti

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS LIMITED (Continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Goodwill As explained under note 16 of the financial statements, the directors assess the impairment of goodwill arising from acquisition at the cash generating unit level using fair value calculations. We focussed on the goodwill impairment assessment because fair value calculations involves significant judgements about the future results of the business, discount rates applied on the future cash flow forecasts.	We evaluated and challenged the composition of management's future cash flow forecasts and the underlying assumptions based on the historical performance of the business, industry-specific reports and the macro economic outlook. We assessed the projected cash flows against the approved strategic and business plan of the cash generating unit. We independently assessed the reasonableness of the five year forecast cash flows based on recent actual performance and the projected growth. We also challenged management's assumptions in relation to the: • Long term growth rates by comparing them to economic and industry forecasts; and • Post-tax discount rate by assessing the cost of capital for the company and comparable organisations, as well as considering country specific factors We found the assumptions to be consistent and in line with our expectations. We challenged management on the adequacy of their sensitivity calculations. We satisfied ourselves that this has been appropriately disclosed in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the Director's report, Statement of Director's responsibilities and Directors' remuneration report but does not include the financial statements and our auditor's report and the Chairman's statement, Group Managing Director's statement, Corporate governance statement and Company highlights which are expected to be made available to us after this date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the reports listed above, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance.

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS LIMITED (Continued)

Responsibilities of management and those charged with governance for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS LIMITED (Continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Kenyan Companies Act, 2015

Report of the directors

In our opinion the information given in the report of director's report on pages 1 to 2 is consistent with the financial statements.

As required by the Kenyan Companies Act 2015 we report to you, based on our audit, that:

Directors' remuneration report

We are unable to confirm whether the directors' remuneration report set out on page 4 has been prepared in accordance with the Companies Act, 2015 because the regulations required to give guidance on the content and format of the directors' remuneration report under section 660 of the Act have not yet been gazetted.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kang'e Saiti – Practicing Certificate No. P/1652.

Certified Public Accountants

PricewaterhouseCoopers

Nairobi **7 SEPTEMBER 2017**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2017 Shs'000	2016 Shs'000
Revenue	5	1,451,774	1,503,770
Cost of sales		(702,173)	(748,082)
Gross profit		749,601	755,430
Other income		2,352	3,259
Distribution costs		(169,445)	(194,314)
Administrative expenses		(350,812)	(400,096)
Operating profit		231,696	164,279
Finance costs	6	(52,549)	(25,002)
Profit before income tax		179,147	139,277
Income tax expense	9	(45,271)	(35,214)
Profit for the year		133,876	104,063
Profit / (loss) attributable to:			
- Owners of the parent		133,973	104,063
- Non - controlling interest		(97)	-
		133,876	104,063
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(15,250)	(3,256)
Total comprehensive income for the year		118,626	100,807
Earnings per share			
Basic and diluted earnings per share	11	0.49	0.66

The notes on pages 52 to 84 are an integral part of these financial statements.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2017 Shs'000	2016 Shs'000
Revenue		1,282,658	1,421,176
Cost of sales		(607,594)	(714,294)
Gross profit		675,064	706,882
Other income		575	3,609
Distribution costs		(152,956)	(172,734)
Administrative expenses		(274,516)	(341,847)
Operating profit		248,167	195,910
Finance costs	6	(47,954)	(24,503)
Profit before income tax		200,213	171,407
Income tax expense	9	(43,954)	(39,502)
Profit for the year		156,259	131,905
Other comprehensive income		-	-
Total comprehensive income for the year		156,259	131,905

The notes on pages 52 to 84 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2017 Shs'000	2016 Shs'000
ASSETS			
Non-current assets			
Property and equipment	13	220,949	230,355
Intangible assets	14	7,877	7,942
Intangible asset (Pre- publishing cost)	14	243,652	144,930
Goodwill	16	125,786	-
Other investments		-	100,565
Deferred income tax	17	9,595	15,164
		607,859	498,956
Current assets			
Inventories	18	445,525	506,324
Trade and other receivables	19	784,819	644,777
Cash and bank balances	20	20,531	216,887
		1,250,875	1,367,988
TOTAL ASSETS		1,858,734	1,866,944
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	21	272,440	272,440
Share premium		368,289	368,289
Retained earnings		339,650	326,031
Translation reserve		(34,443)	(19,193)
		945,936	947,567
Non-controlling interest		(230)	-
Total equity		945,706	947,567
Liabilities			
Current liabilities			
Trade and other payables	22	553,196	425,779
Current income tax		16,756	4,032
Borrowings	23	334,194	476,728
Bank overdraft	20	8,882	12,838
Total liabilities		913,028	919,377
TOTAL EQUITY AND LIABILITIES		1,858,734	1,866,944

The financial statements on pages 44 to 84 were approved for issue by the board of directors on 7 September 2017and signed on its behalf by:

F T Nyammo **S Gachomo**

The notes on pages 52 to 84 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2017 Shs'000	2016 Shs'000
ASSETS			
Non-current assets			
Property and equipment	13	158,452	183,342
Intangible assets	14	6,184	7,424
Intangible assets (Pre- publishing cost)		227,402	144,930
Investment in subsidiaries	14	166,594	42,128
Other investments	15	-	100,565
Deferred income tax	17	476	4,728
		559,108	483,117
Current assets			
Inventories	18	328,868	434,954
Trade and other receivables	19	625,096	574,426
Due from subsidiary companies	27	239,021	100,266
Cash and bank balances	20	9,035	212,886
		1,202,020	1,322,532
TOTAL ASSETS		1,761,128	1,805,649
		=======	=======
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	21	272,440	272,440
Share premium		368,289	368,289
Retained earnings		344,321	308,416
Total equity		985,050	949,145
Liabilities			
Current liabilities			
Trade and other payables	22	477,911	354,115
Due to subsidiary company	27	-	10,379
Borrowings	23	280,886	476,728
Bank overdraft	20	11,821	12,237
Current income tax		5,460	3,045
Total liabilities		776,078	856,504
TOTAL EQUITY AND LIABILITIES		1,761,128	1,805,649
		=======	=======

The financial statements on pages 44 to 84 were approved for issue by the board of directors on 7 September 2017 and signed on its behalf by:

F T Nyammo **S Gachomo**

The notes on pages 52 to 84 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Translation reserve	Non-controlling interest	Total equity
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 30 June 2016						
As start of year	146,250	5,039	245,026	(15,937)	-	380,378
Profit for the year	-	-	104,063	-	-	104,063
Other comprehensive loss for the year						
Exchange difference on transaction of foreign operations	-	-	-	(3,256)	-	(3,256)
Transactions with owners						
Dividends:						
- 2014 dividends paid	-	-	(23,058)	-	-	(23,058)
- Issue of ordinary shares	126,190	-	-	-	-	126,190
- Share Premium	-	363,250	-	-	-	363,250
Balance at 30 June 2016	272,440	368,289	326,031	(19,193)	-	947,567
	======	======	======	======	======	======
Year ended 30 June 2017						
As start of year	272,440	368,289	326,031	(19,193)	-	947,567
Profit for the year	-	-	133,973	-	(97)	133,876
Other comprehensive loss for the year						
Exchange difference on transaction of foreign operations	-	-	-	(15,250)	-	(15,250)
Transactions with owners						
Acquisition of Law Africa					(133)	(133)
Dividends:						
- 2016 dividends paid	-	-	(95,354)	-	-	(95,354)
- 2017 Interim dividends paid	-	-	(25,000)	-	-	(25,000)
Balance at 30 June 2017	272,440	368,289	339,650	(34,443)	(230)	945,706
	======	======	======	======	======	======

The notes on pages 52 to 84 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Total equity Shs'000
Year ended 30 June 2016					
At start of the year		146,250	5,039	199,569	350,858
Profit for the year		-	-	131,905	131,905
Other comprehensive income		-	-	-	-
Transactions with owner:					
Rights Issue of Shares		126,190	403,810	-	530,000
Rights issue of shares	12	-	(40,560)	-	(40,560)
Dividend paid- 2015	12	-	-	(23,058)	(23,058)
Balance at 30 June 2016		272,440	368,289	308,416	949,145
		======	======	======	======
Year ended 30 June 2017					
As at start of the year		272,440	368,289	308,416	949,145
Profit for the year		-	-	156,259	156,259
Dividends paid					
- 2016 dividends paid		-	-	(95,354)	(95,354)
- 2017 Interim dividends paid		-	-	(25,000)	(25,000)
Balance at 30 June 2017		272,440	368,289	344,321	985,050
		======	======	======	======

The notes on pages 52 to 84 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2017 Shs'000	2016 Shs'000
Cash flows from operating activities			
Cash generated from /(absorbed in) operations	24	274,446	(521,637)
Net exchange gain / (loss)		6,040	7,478
Income tax paid		(36,932)	(16,296)
Net cash generated from/ (used in) operating activities		243,554	(530,455)
Cash flows from investing activities			
Purchase of property and equipment	13	(5,488)	(75,908)
Proceeds from disposal of property and equipment		18,504	796
Purchase of intangible assets		(4,694)	(6,828)
Prepayment for investment in subsidiaries		-	(100,565)
Investment in subsidiary		(23,426)	-
Investment in new book titles		(98,722)	-
Net cash used in investing activities		(113,826)	(182,505)
Cash flows from financing activities			
Net bank borrowings (paid)/ received	23	(197,775)	435,051
Dividends paid to shareholders		(120,354)	(23,058)
Proceeds from issuance of shares		-	489,441
Net cash (used in)/ generated from financing activities		(318,129)	901,434
Net (decrease) /increase in cash and cash equivalents		(188,401)	188,474
Cash and cash equivalents at beginning of year		204,049	825
Translation differences on cash and cash equivalents		(3,999)	14,750
Cash and cash equivalents at end of year	20	11,649	204,049

The notes on pages 52 to 84 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2017 Shs'000	2016 Shs'000
Cash flows from operating activities			
Cash generated from /(absorbed in) operations	24	246,885	(500,696)
Net exchange gain/(loss)		5,685	(7,977)
Income tax paid		(37,287)	(16,296)
Net cash generated/(used in) operating activities		215,283	(524,969)
Cash flows from investing activities			
Purchase of property and equipment	13	(1,800)	(53,937)
Proceeds from disposal of property and equipment		8,138	5,518
Purchase of intangible assets		(2,487)	(6,828)
Investment in subsidiary		(23,901)	(117,253)
Investment in new book titles		(82,472)	-
Net cash used in investing activities		(102,522)	(172,500)
Cash flows from financing activities			
Net bank borrowings (paid)/ received	23	(195,842)	435,051
Dividends paid to shareholders		(120,354)	(23,058)
Proceeds from issuance of shares		-	489,440
Net cash generated (used in) /generated from financing activities		(316,196)	901,433
Net (decrease) /increase in cash and cash equivalents		(203,435)	203,964
Cash and cash equivalents at beginning of year		200,649	(3,315)
Cash and cash equivalents at end of year	20	(2,786)	200,649

The notes on pages 52 to 84 are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General information

Longhorn Publishers Limited is a limited liability company incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya. The Consolidated financial statements of the group as at and for the year ended 30 June 2017 comprise the company and its subsidiaries (which together are referred to as the 'Group'). The address of its registered office is:

LR No. 209/5604
Funzi Road, Industrial Area
P O Box 18033 – 00500
Nairobi

For Kenyan Companies Act reporting purposes. The balance sheet is represented by the statement of financial position and the profit and loss amount by the Income statement, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below and relate to both the company's and the group's activities. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the Kenyan Companies Act. The measurement basis applied is the historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the company

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 July 2016:

Annual Improvements to IFRSs 2012-2014 Cycle. The latest annual improvements, effective 1 January 2016, clarify:-

- IFRS 2 – clarifies the definition of 'vesting condition' and now distinguishes between 'performance condition' and 'service condition'
- IFRS 3 – clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date.
- IFRS 3 – clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement
- IFRS 8 – requires disclosure of the judgements made by management in aggregating operating segments and clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.
- IFRS 13- confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial.

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards adopted by the company (continued)

- IFRS 13 – clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9
- IAS 16 and IAS 38 – clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts
- IAS 24 – where an entity receives management personnel services from a third party (a management entity), the fees paid for those services must be disclosed by the reporting entity, but not the compensation paid by the management entity to its employees or directors.
- IAS 40 – clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination.
- IAS 27 - In this amendment the IASB has restored the option to use the equity method to account for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.
- IAS 19 - The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

(ii) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017, and have not been applied in preparing these financial statement. None of these is expected to have a significant effect on the financial statements of the company, except the following set out below.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The group is assessing the impact of IFRS 15.

IFRS 16, 'Leases' sets out the principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. In the new standard, lessees will be required to recognise assets and liabilities arising from all leases (with limited exceptions) on the balance sheet. The model reflects that, at the start of a lease, the lessee obtains the right to use an asset for a period of time and has an obligation to pay for that right. Exceptions have been provided for short-term leases (less than 12 months), and leases for which the underlying asset is of low value (such as laptops and office furniture). A lessee will be required to measure lease liabilities at the present value of future lease payments and recognise an equivalent lease assets including costs directly related to entering into the lease. Lease assets will be amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed. Lessor accounting has not substantially changed in the new standard. IFRS 16 supersedes IAS 17, 'Leases', IFRIC 4, 'Determining whether an Arrangement contains a Lease', SIC 15, 'Operating Leases - Incentives' and SIC 27, 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted. The group is assessing the impact of IFRS 16.

Amendment to IAS 12 – Income taxes, The amendment was issued to clarify the requirements for recognising deferred tax assets on unrealised losses. The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarifies certain other aspects of accounting for deferred tax assets.

The amendment clarifies the existing guidance under IAS 12. It does not change the underlying principles for the recognition of deferred tax assets.

Amendment to IAS 7 – Cash flow statements, In January 2016, the International Accounting Standards Board (IASB) issued an amendment to IAS 7 introducing an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRIC 23, 'Uncertainty over income tax treatments: IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. This is effective period beginning on or after 1 January 2019.

2 Summary of significant accounting policies (continued)

Changes in accounting policy and disclosures (continued)

(ii) New standards and interpretations not yet adopted (continued)

IAS 1, 'Presentation of financial statements' These amendments are as part of the IASB initiative to improve presentation and disclosure in financial reports. Effective for annual periods beginning on or after 1 January 2017.

Annual improvements 2014. These set of amendments, effective 1 January 2017, impacts 3 standards:

- IFRS 1,' First-time adoption of IFRS', regarding the deletion of short term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information (para B17 of IFRS 12). Previously, it was unclear whether all other IFRS 12 requirements were applicable for these interests. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value. IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss (FVTPL). The Board clarified that this election should be made separately for each associate or joint venture at initial recognition. Effective 1 January 2018.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the company.

(b) Consolidation principles

(i) 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 to direct the activities of 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.

Intercompany transactions balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transactions provides evidence of an impairment of the transferred asset.

The group applies the acquisition method of accounting 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 remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

2 Summary of significant accounting policies (continued)

(b) Consolidation principles (continued)

(i) Subsidiaries (continued)

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 remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(ii) 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.

(iii) 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.

(iv) Separate financial statements

In the separate financial statements, investments in subsidiaries and associates are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.
Dividend income is recognised when the right to receive payment is established.

2 Summary of significant accounting policies (continued)

(c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of value-added tax (VAT), returns, rebates and discounts.

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the group and when specific criteria have been met for each of these activities. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised as follows:

Sales of goods are recognised in the period in which the group has delivered products to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery does not occur until the products have been accepted by the customer.

Accumulated experience is used to estimate and provide for discounts and returns. The volume discounts are assessed based on anticipated annual purchases.

(d) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

a) Current income tax

The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

b) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2 Summary of significant accounting policies (continued)

(e) Property, plant and equipment

All property and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Leasehold property	2.5%
Motor vehicles	25%
Furniture	10%
Computers	30%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in profit or loss.

(f) 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 profit or loss at the time each instalment falls due.

(g) 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 of 3 years.

2 Summary of significant accounting policies (continued)

(g) Intangible assets(continued)

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 of 5 years.

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.

(h) 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.

(i) Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting. Proposed dividends are disclosed separately within equity until declared.

(j) Employee benefits

(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.

2 Summary of significant accounting policies (continued)

(k) Financial instruments

(i) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The group recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(ii) Classification and measurement

The group classifies its financial assets into loans and receivables while financial liabilities are classified into other financial liabilities. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the group intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables comprise loans and advances to customers, term deposits, other receivables, cash and bank balances and balances due from group companies. These are measured at amortised cost using the effective interest method, less any impairment losses.

Held to maturity financial assets

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

Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include trade payables and bank borrowings.

(iii) De-recognition

A financial asset is derecognised when the group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(iv) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(v) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

2 Summary of significant accounting policies (continued)

(l) Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the Functional Currency'). The financial statements are presented in Kenya Shillings in thousands (Shs) which is the group's Functional Currency.

(b) Transactions and balances

Foreign currency transactions are translated into the Functional Currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(m) 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.

(n) 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

(o) Share capital

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as deduction from the proceeds.

(p) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any differences between proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings, using the effective interest method.

2 Summary of significant accounting policies (continued)

(q) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Provisions

Provisions are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(s) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(t) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Managing Director who makes strategic decisions.

(u) Earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares.
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Comparatives

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

3 Critical accounting estimates and judgements

(i) Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful life of assets

The group depreciates its assets over their estimated useful lives, as more fully described in the accounting policy for property, plant and equipment. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

Taxation

Judgment is required in determining the provision for income taxes due to complexity of legislation.

There are many transactions and calculations for which ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded such differences will impact the income tax and deferred tax provision in the period in which such determination is made.

Impairment losses

At the end of each reporting period, the Company reviews the carrying amounts of its investments to determine whether there is any indication that those investments have suffered an impairment loss. An investment is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of an asset (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the investment that can be reliably estimated. If any such indication exists, the recoverable amount of the investment is estimated in order to determine the extent of the impairment loss.

(ii) Critical judgements in applying accounting policies

In the process of applying the group's accounting policies, directors have made judgements in determining:

- Whether financial and non-financial assets are impaired; and
- determination of net realisable value of inventories

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

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, and recognised assets and liabilities.

Management's policy to manage foreign exchange risk is to hold foreign currency bank accounts to hedge against any foreign currency denominated amounts payable.

Group and company

At 30 June 2017, if the currency had weakened/strengthened by 5% (2016: 5%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been Shs 8,998,000 (2016: Shs 1,197,000) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances

(ii) Price risk

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

(iii) 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 monitoring of the interest rates.

An increase/decrease of 5% on average borrowing rates would have resulted in an increase/decrease in profit after taxation of Shs 11,696,000 (2016: Shs 16,685,000).

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 debts.

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

Group

The table below details the maximum exposure to credit risk:

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
30 June 2017				
Trade receivables (Note 19)	553,659	133,270	34,466	721,395
Staff receivables (Note 19)	-	10,365	-	10,365
Other receivables	75,568	-	-	75,568
Bank balances	20,531	-	-	20,531
	649,758	143,635	34,466	827,859

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
30 June 2016				
Trade receivables (Note 19)	373,313	203,889	54,604	631,806
Staff receivables (Note 19)	26,992	-	-	26,992
Other receivables	40,583	-	-	40,583
Bank balances	216,887	-	-	216,887
	657,775	203,889	54,604	916,268

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

	2017 Shs'000	2016 Shs'000
Age in Days:		
120+ days	143,635	203,889

4 Financial risk management objectives and policies (Continued)

Credit risk (continued)

Company

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

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
30 June 2017				
rade receivables	464,971	130,233	17,941	613,145
Bank balances	9,035	-	-	9,035
Staff receivables	-	4,245	-	4,245
Other receivables	13,690	-	-	13,690
Due from subsidiaries	-	239,021	-	239,021
	487,696	373,499	17,941	879,136
	======	======	======	======

	Fully performing Shs'000	Past due but not impaired Shs'000	Impaired Shs'000	Total Shs'000
30 June 2016				
Trade receivables	326,744	207,285	29,288	563,317
Bank balances	212,886	-	-	212,886
Staff receivables	7,982	-	-	7,982
Other receivables	32,415	-	-	32,415
Due from subsidiaries	-	100,266	-	100,266
	580,027	307,551	29,288	916,866

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

	2017 Shs'000	2016 Shs'000
Age in Days		
120+ days	130,233	207,285
	======	======

The past due but not impaired debts relate to customer who have extended trading terms due to their large volume of business. Subsidiaries also have extended payment terms in order to accommodate the cyclical nature of their business.

4 Financial risk management objectives and policies (Continued)

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 Shs'000**	**3-12 months Shs'000**	**Total Shs'000**
At 30 June 2017				
Trade and other payables	21,648	73,811	457,737	553,196
Borrowings	-	-	334,194	334,194
Bank overdraft	-	8,882	-	8,882
	21,648	82,693	791,931	896,272
At 30 June 2016				
Trade and other payables	-	-	425,779	425,779
Borrowings	-	-	476,728	476,728
Bank overdraft	-	12,838	-	12,838
	-	12,838	902,507	915,345
Company				
At 30 June 2017				
Trade and other payables	21,391	33,321	423,199	477,911
Borrowings	-	-	280,886	280,886
Bank overdraft	11,821	-	-	11,821
	33,212	33,321	704,085	770,618
At 30 June 2016				
Trade and other payables	-	-	354,115	354,115
Due to subsidiary companies	-	-	10,379	10,379
Borrowings	-	-	476,728	476,728
Bank overdraft	12,237	-	-	12,237
	12,237	-	841,222	853,459

4 Financial risk management objectives and policies (Continued)

Capital 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.

During 2017 the group's strategy, which remained the same as 2015, was to maintain a gearing ratio below 40%. The gearing ratios at 30 June 2017 and 2016 is as follows:

	Group		Company	
	2017 Shs'000	**2016 Shs'000**	**2017 Shs'000**	**2016 Shs'000**
Share capital	272,440	272,440	272,440	272,440
Share premium	368,289	368,289	368,289	368,289
Reserves	305,207	306,838	344,321	308,416
Equity	945,936	947,567	985,050	949,145
Borrowings	334,194	476,728	280,886	476,728
Less: (Cash and cash equivalents)/ net overdrafts	(11,649)	(204,049)	2,786	(200,649)
	322,545	272,679	283,672	276,079
Gearing ratio:	34%	29%	29%	29%

5 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 performances. The Chief Operating Decision Maker (CDO) is the Group Managing Director.

Only geography applies as products are homogenous.

The group's operations are within four geographical segments, Kenya, Tanzania, Uganda and Rwanda. The table below contains segmental information provided to the Chief Operating Decision Maker for the year ended 30 June 2017.

The Chief Operating Decision Maker assesses the performance of the operating segments based on a measure of profit before tax.

There is no inter segment revenue reported in the financial information provided to the CDO.

5 Operating segments (continued)

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Inter segment transactions Shs'000	Total Shs'000
30 June 2017						
Sales and other income	1,337,640	46,261	58,406	9,467	-	1,451,774
Cost of sales and other expenditure	(629,875)	(35,727)	(31,082)	(5,489)	-	(702,173)
Profit/(loss) before taxation	198,994	(4,158)	(14,437)	(1,320)		179,079
Assets	1,939,383	31,494	44,154	7,338	(163,635)	1,858,734
Liabilities	873,830	12,122	345	4,339	22,392	913,028
Capital Expenditure	1,800	-	-	-	-	1,800
30 June 2016						
Sales and other income	1,424,785	33,829	42,312	5,844	-	1,506,770
Cost of sales and other expenditure	(1,253,378)	(46,054)	(57,701)	(10,362)	-	(1,367,495)
Profit/(loss) before taxation	171,407	(12,225)	(15,389)	(4,516)	-	139,277
Assets	1,842,108	62,597	113,344	29,017	(180,122)	1,866,944
Liabilities	853,460	89,935	57,972	35,097	(117,087)	919,377
Capital Expenditure	53,937	13,892	6,707	1,372	-	75,908

6 Finance costs

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Interest expense /(income)	58,589	32,480	53,639	(32,480)
Exchange (gains)/ losses	(6,040)	(7,478)	(5,685)	7,977
	52,549	25,002	47,954	(24,503)

7 Profit before taxation

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

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Depreciation (Note 13)	27,537	24,749	19,217	19,849
Amortisation of intangible assets (Note 14)	4,798	5,341	3,727	4,098
Directors' emoluments	6,458	6,031	6,709	4,889
Auditors' remuneration	8,005	6,328	3,698	3,231
Staff costs (Note 8)	210,695	252,236	168,851	225,624
(Recovery)/ Provision of bad debts	(20,138)	1,154	(11,347)	(3,958)
(Gain)/ loss on disposal of property and equipment	(1,493)	(192)	665	(192)

8 Staff costs

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Salaries and wages	160,482	187,726	128,926	167,706
Pension costs	10,421	8,697	9,794	8,697
Leave pay	14,224	13,196	12,500	12,947
Other staff costs	8,542	29,344	1,362	23,042
Staff medical expenses	17,026	13,273	16,269	13,232
	210,695	252,236	168,851	225,624

The average number of employees during the year was as follows;

	Group 2017	Group 2016	Company 2017	Company 2016
Number of employees	114	116	80	96

9 Income tax expense

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Current tax	39,702	30,004	39,702	29,756
Deferred tax	5,569	5,210	4,252	9,746
Income tax expense	45,271	35,214	43,954	39,502

The tax on the company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Profit before income tax	179,147	139,277	200,213	171,407
Tax at the applicable rate 20% (2016: 20%)	35,829	27,855	40,043	34,281
Tax effects of:				
- Expenses not deductible for tax purposes	2,313	8,012	2,319	6,121
- Tax losses where no deferred tax is recognised	5,537	247	-	-
Under /(over) provision of deferred tax in prior years	1,592	(900)	1,592	(900)
Income tax expense	45,271	35,214	43,954	39,502

10 Profit attributable to shareholders

A profit after taxation of Sh 133,973,000 (2016: Shs 104,063,000) has been dealt with in the financial statements of Longhorn Publishers Limited.

11 Earnings per share-Basic and diluted

	2017	2016
Profit attributable to ordinary shareholders (Sh'000)	133,973	104,063
Ordinary/Weighted average number of ordinary shares in issue	272,440,000	156,766,000
Basic and diluted earnings per share (Sh)	0.49	0.66

12 Dividends per share

The directors recommend a final dividend payment of Shs 0.30 per share, equivalent to Shs 80,000,000, for the year ended 30 June 2017 (2016: Sh 0.35 per share, equivalent to Shs 95,354,000).

13 (a) Property and equipment - Group

	Land and buildings Shs'000	Motor vehicles Shs'000	Furniture and equipment Shs'000	Total Shs'000
At 1 July 2015				
Cost	183,776	30,001	47,687	261,464
Accumulated depreciation	(21,452)	(21,066)	(36,518)	(79,036)
Net book value	162,324	8,934	11,170	182,428
Year ended 30 June 2016				
Opening net book value	162,324	8,934	11,170	182,428
Additions	9,469	57,303	9,136	75,908
Disposals	-	(13,593)	(66)	(13,659)
Depreciation charge	(4,874)	(15,158)	(4,717)	(24,749)
Depreciation on disposals	-	11,017	(71)	10,946
Exchange adjustment	(1,396)	877	-	(519)
Closing net book value	165,324	49,379	15,453	230,355
At 30 June 2016				
Cost	191,849	74,589	56,756	323,194
Accumulated depreciation	(26,326)	(25,208)	(41,305)	(92,839)
Net book value	165,523	49,379	15,453	230,355
Year ended 30 June 2017				
Opening net book value	165,523	49,379	15,453	230,355
Additions	-	-	5,488	5,488
Acquisition of subsidiary	27,014	-	3,544	30,558
Disposals	(9,483)	(12,191)	(516)	(22,190)
Depreciation charge	(4,550)	(14,096)	(8,891)	(27,537)
Depreciation on disposals	312	4,644	223	5,179
Exchange adjustment	-	(904)	-	(904)
Closing net book value	178,816	26,832	15,301	220,949
At 30 June 2017				
Cost	209,380	61,494	65,272	336,146
Accumulated depreciation	(30,564)	(34,660)	(49,973)	(115,197)
Net book value	178,816	26,834	15,299	220,949

13 (b) Property and Equipment – Company

	Land and buildings Shs'000	Motor vehicles Shs'000	Furniture and equipment Shs'000	Total Shs'000
At 1 July 2015				
Cost	155,496	25,314	44,066	224,876
Accumulated depreciation	(20,942)	(18,375)	(34,380)	(73,697)
Net book value	134,554	6,939	9,686	151,179
Year ended 30 June 2016				
Opening net book value	134,554	6,939	9,686	151,179
Additions	-	47,103	6,834	53,937
Disposals	-	(12,500)	(76)	(12,576)
Depreciation charge	(3,904)	(11,688)	(4,257)	(19,849)
Depreciation on disposals	-	10,651	-	10,651
Closing net book value	130,650	40,505	12,187	183,342
At 30 June 2016				
Cost	155,496	59,917	50,824	266,237
Accumulated depreciation	(24,846)	(19,412)	(38,637)	(82,895)
Net book value	130,650	40,505	12,187	183,342
Year ended 30 June 2017				
Opening net book value	130,650	40,505	12,187	183,342
Additions	-	-	1,800	1,800
Disposals	-	(11,300)	(491)	(11,791)
Depreciation charge	(3,904)	(10,520)	(4,793)	(19,217)
Depreciation on disposals	-	4,095	223	4,318
Closing net book value	126,746	22,780	8,926	158,452
At 30 June 2017				
Cost	155,496	48,617	52,133	256,246
Accumulated depreciation	(28,750)	(25,837)	(43,207)	(97,794)
Net book value	126,746	22,780	8,926	158,452

14 (a) Intangible assets- Group

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 2015			
Cost	17,108	57,960	75,068
Accumulated amortisation	(12,421)	(39,662)	(52,083)
Net book value	4,687	18,298	22,985
Year ended 30 June 2016			
Opening net book value	4,687	18,298	22,985
Additions	6,828	-	6,828
Amortisation charge	(4,098)	(1,243)	(5,341)
Exchange adjustment	7	(16,537)	(16,530)
Closing net book value	7,424	518	7,942
At 30 June 2016			
Cost	23,943	41,423	65,366
Accumulated amortisation	(16,519)	(40,905)	(57,424)
Net book value	7,424	518	7,942
Year ended 30 June 2017			
Opening net book value	7,424	518	7,942
Additions	4,694	-	4,694
Acquisition of subsidiary	39	-	39
Amortisation charge	(4,311)	(487)	(4,798)
Closing net book value	7,846	31	7,877
At 30 June 2017			
Cost	28,676	41,423	70,099
Accumulated amortisation	(20,830)	(41,392)	(62,222)
Net book value	7,846	31	7,877

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.

14 (b) Intangible assets- Company

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 2015			
Cost	16,176	34,840	51,016
Accumulated amortisation	(11,482)	(34,840)	(46,322)
Net book value	4,694	-	4,694
Year ended 30 June 2016			
Opening net book value	4,694	-	4,694
Additions	6,828	-	6,828
Amortisation charge	(4,098)	-	(4,098)
Closing net book value	7,424	-	7,424
At 30 June 2016			
Cost	23,004	34,840	57,844
Accumulated amortisation	(15,580)	(34,840)	(50,420)
Net book value	7,424	-	7,424
Year ended 30 June 2017			
Opening net book value	7,424	-	7,424
Additions	2,487	-	2,487
Amortisation charge	(3,727)	-	(3,727)
Closing net book value	6,184	-	6,184
At 30 June 2017			
Cost	25,491	34,840	60,331
Accumulated amortisation	(19,307)	(34,840)	(54,147)
Net book value	6,184	-	6,184

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). 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.

14 (b) Intangible assets- Prepublication Costs

	Group 2017 Sh'000	Group 2016 Sh'000	Company 2017 Sh'000	Company 2016 Sh'000
Pre-publication costs	243,652	144,930	227,402	144,930
	======	======	======	======

Pre-publication assets represent direct costs incurred in the development of educational programmes and titles prior to their publication. These costs are recognised as non- current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably.

Pre-publication assets are amortised upon publication of the title over estimated future printing runs, being an estimate of the expected operating lifecycle of the title, with a higher proportion of the amortisation taken in the earlier years.

The assessment of the recoverability of pre-publication assets involve a significant degree of judgement based on historical trends and management estimation of future potential sales. An incorrect amortisation profile could result in excess amounts being carried forward as intangible assets that would otherwise have been written off to the income statement in an earlier period.

Reviews are performed regularly to estimate recoverability of pre-publication assets.

Amortisation is included in the income statement in cost of goods sold.

15 Investment in subsidiaries - Company

	Country of incorporation	% interest held	2017 Shs'000	2016 Shs'000
Longhorn Publishers (Uganda) Limited	Uganda	100%	440	440
Longhorn Publishers (Tanzania) Limited	Tanzania	100%	41,688	41,688
Longhorn Publishers (Rwanda) Limited	Rwanda	100%	-	-
Longhorn Publishers (Zambia) Limited	Zambia	100%	337	-
Law Africa Publishing Limited	Kenya	92%	124,129	-
			166,594	42,128
			======	======
Other Investments - Law Africa			-	100,565
			======	======

The investments in the subsidiaries and other investments are stated at cost less accumulated impairment losses.

16 Business combination

The goodwill relates to the acquisition of a 92% stake in Law Africa Publishing Limited effective 1 July 2016. The directors monitor goodwill impairment at the level of the acquired entity, being the cash generating unit (CGU. The recoverable amount of the cash generating unit (CGU) is determined based on fair value calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.

The terminal value is based a rate that does not exceed the long term average growth rate in the publishing industry.

The key assumptions used in the FVLCS model are as follows:

Assumption	**Approach used to determine values:**
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast
Budgeted average gross margin	Based on past performance and management expectations of the future.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is based on long term growth rate forecasts for the industry.
Post-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the industry include regulatory environment, market competition, and barriers to entry.

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 30 June 2017 by Shs 8,428,653.

Significant estimate: Impact of possible changes in key assumptions

If the post-tax discount rate applied to the cash flow projection of the CGU had been 2% higher than management have estimated and all other assumptions in the table above unchanged, the goodwill would be impaired.

If the post-tax discount rate applied to the cash flow projection of the CGU had been 2% lower than management estimates and all other assumptions unchanged, the recoverable value would have exceeded the carrying net asset amount (including goodwill) of the CGU at 30 June 2017 by Shs. 33,474,614.

16 Business combination (continued)

The recoverable amount of the CGU would equal its carrying amount (including goodwill) if the key assumptions, individually and independently from other assumptions, changed as follows:

	Percentage change
Long term growth rate (%)	-30.3%
Pre-tax discount rate (%)	+5.0%
Average annual growth rate (%)	-2.3%

The directors and management have considered and assessed reasonably possible changes for other key assumptions and have not identified any instances that could cause the carrying amount to exceed its recoverable amount.

Management has determined the values assigned to each of the key assumptions used as follows:

Fair value of assets acquired	**Shs'000**
Property plant and equipment	30,558
Intangible asset	39
Trade and other receivables	37,111
Inventory	28,480
Deferred tax asset	56
Cash at bank	475
Fair value of liabilities	
Trade and other payables	(35,159)
Current tax payable	(8,109)
Borrowings	(55,241)
Fair value of net assets / (liabilities) acquired	(1,790)
Non-controlling interest	133
Consideration paid	124,129
Goodwill	125,786

Goodwill of Shs 125,786,000 is arising from the cost and revenue synergies and from assets and benefits that cannot be separately recognised. The directors have assessed the goodwill for any impairment but no indicators of impairment have been identified.

17 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 20%.

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

	Group		Company	
	2017 Sh'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Liabilities				
Accelerated capital allowances	15,542	16,721	15,542	16,306
Assets				
Losses available for future tax relief	(9,119)	(9,119)	-	-
Unrealised exchange gains/(losses)	407	(1,243)	407	(5)
Provisions	(16,425)	(21,523)	(16,425)	(21,029)
	(25,137)	(31,885)	(16,018)	(21,034)
Net deferred tax asset	(9,595)	(15,164)	(476)	(4,728)

The movement on the deferred tax account is as follows:

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
At the beginning of year	(15,164)	(20,431)	(4,728)	(14,474)
Charge to income statement (Note 9)	3,977	6,110	2,660	10,646
Under/ (over) provision in prior year (Note 9)	1,592	(900)	1,592	(900)
Exchange adjustment	-	57	-	-
	(9,595)	(15,164)	(476)	(4,728)

Deferred tax asset relating to a subsidiary company, Longhorn Publishers (Tanzania) 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	
	2017 Sh'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Books	511,641	572,921	383,526	499,391
Provision for obsolete inventories	(66,116)	(66,597)	(54,658)	(64,437)
	445,525	506,324	328,868	434,954

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 523,393,000 (2016: 507,691,000).

19 Trade and other receivables

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Trade receivables	721,395	631,806	613,145	563,317
Less: Provision for bad and doubtful receivables	(34,466)	(54,604)	(17,941)	(29,288)
	686,929	577,202	595,204	534,029
Staff receivables	10,365	26,992	4,245	7,982
Prepayments and other receivables	87,525	40,583	25,647	32,415
	784,819	644,777	625,096	574,426

Movements on the provision for bad and doubtful receivables are as follows:

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
At start of year	54,604	53,450	29,288	33,246
Provision in the year	-	1,154	-	-
Unused amounts reversed	(20,138)	-	(11,347)	(3,958)
At end of year	34,466	54,604	17,941	29,288

20 Cash and cash equivalents

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Sh'000	Company 2016 Shs'000
Cash at bank and in hand	20,531	216,887	9,035	212,886

For purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Cash at bank and in hand	20,531	216,887	9,035	212,886
Bank overdrafts	(8,882)	(12,838)	(11,821)	(12,237)
	11,649	204,049	(2,786)	200,649

21 Share capital

Group and Company	2017 Shs'000	2016 Shs'000
Authorised		
785,526,315 (2016: 785,526,315) ordinary shares of Shs.1 each	785,126	785,126
	======	======
Issued and fully paid		
272,440,000 (2016: 272,440,000) ordinary shares of Shs.1 each	272,440	272,440
	======	======

22 Trade and other payables

	Group 2017 Sh'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Trade payables	154,351	55,703	108,921	48,221
Royalty provisions	112,527	74,536	103,768	74,536
Payroll provisions	7,232	4,661	4,988	3,974
Other payables	279,086	290,879	260,234	227,384
	553,196	425,779	477,911	354,115
	======	======	======	======

23 Borrowings

Group and Company

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
At start of the year	476,728	41,677	476,728	41,677
Borrowings (paid)/ received	(142,534)	435,051	(195,842)	435,051
	334,194	476,728	280,886	476,728
	======	======	======	======

Bank borrowings mature within twelve (12) months and bear an average interest rate of 14% (2016: 17%). All borrowing are denominated in Kenya shilling.

Bank borrowings are secured by an all asset debenture of shs 250,000,000 and a legal charge over LR. No. 209/5604, Funzi Road, industrial area for shs 125,000,000.

The undrawn facilities borrowing facilities amount to Shs 64,000,000 (2016: Shs 50,000,000). All facilities are subject to review annually in October.

The fair value of current borrowings equals their carrying amount as the impact of discount is not material

24 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

	Group 2017 Shs'000	Group 2016 Shs'000	Company 2017 Shs'000	Company 2016 Shs'000
Profit before tax	179,147	139,277	200,213	171,407
Adjustments for:				
Depreciation (Note 13)	27,537	24,749	19,217	19,849
Amortisation of intangible assets (Note 14)	4,798	5,341	3,727	4,098
Profit on disposal of equipment	(1,493)	1,916	(665)	(3,593)
Net exchange loss (Note 6)	(6,040)	(7,478)	(5,685)	7,977
Working capital changes:				
- inventories	89,279	(372,121)	106,086	(322,162)
- trade and other receivables	(102,931)	(483,986)	(189,425)	(468,171)
- trade and other payables	84,149	170,665	113,417	(89,899)
Cash generated from operations	274,446	(521,637)	246,885	(500,696)

25 Capital commitments

There were no capital commitments as at 30 June 2017 (2016: Nil)

26 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 crystallize.

27 Related party transactions

The ultimate parent of the Group is Longhorn Publishers Limited, incorporated in Kenya. There are other companies that are related to Longhorn Publishers Limited through common shareholdings or common directorships.

A related party for the purposes of these financial statements is a company which, directly or indirectly, has common ownership with Longhorn Kenya Limited. The amounts due from and due to related parties are in respect of transactions arising in the normal course of business.

	2017 Shs'000	2016 Shs'000
(a)Due from subsidiaries-Company		
Longhorn Publishers (Uganda) Ltd	59,898	37,743
Longhorn Publishers (Tanzania) Ltd	85,756	21,207
Longhorn Publishers (Rwanda) Ltd	53,353	41,316
Law Africa publishing Ltd	40,014	-
	239,021	100,266
(b)Due to subsidiaries-Company		
Longhorn Publishers (Uganda) Ltd	-	1,372
Longhorn Publishers (Tanzania) Ltd	-	6,126
Longhorn Publishers (Rwanda) Limited	-	2,881
	-	10,379

27 Related party transactions (continued)

(c) Key management compensation

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

		Group		Company
	2017	2016	2017	2016
	Sh'000	Shs'000	Shs'000	Shs'000
Salaries and other benefits	46,404	41,412	46,404	41,412
	======	======	======	======

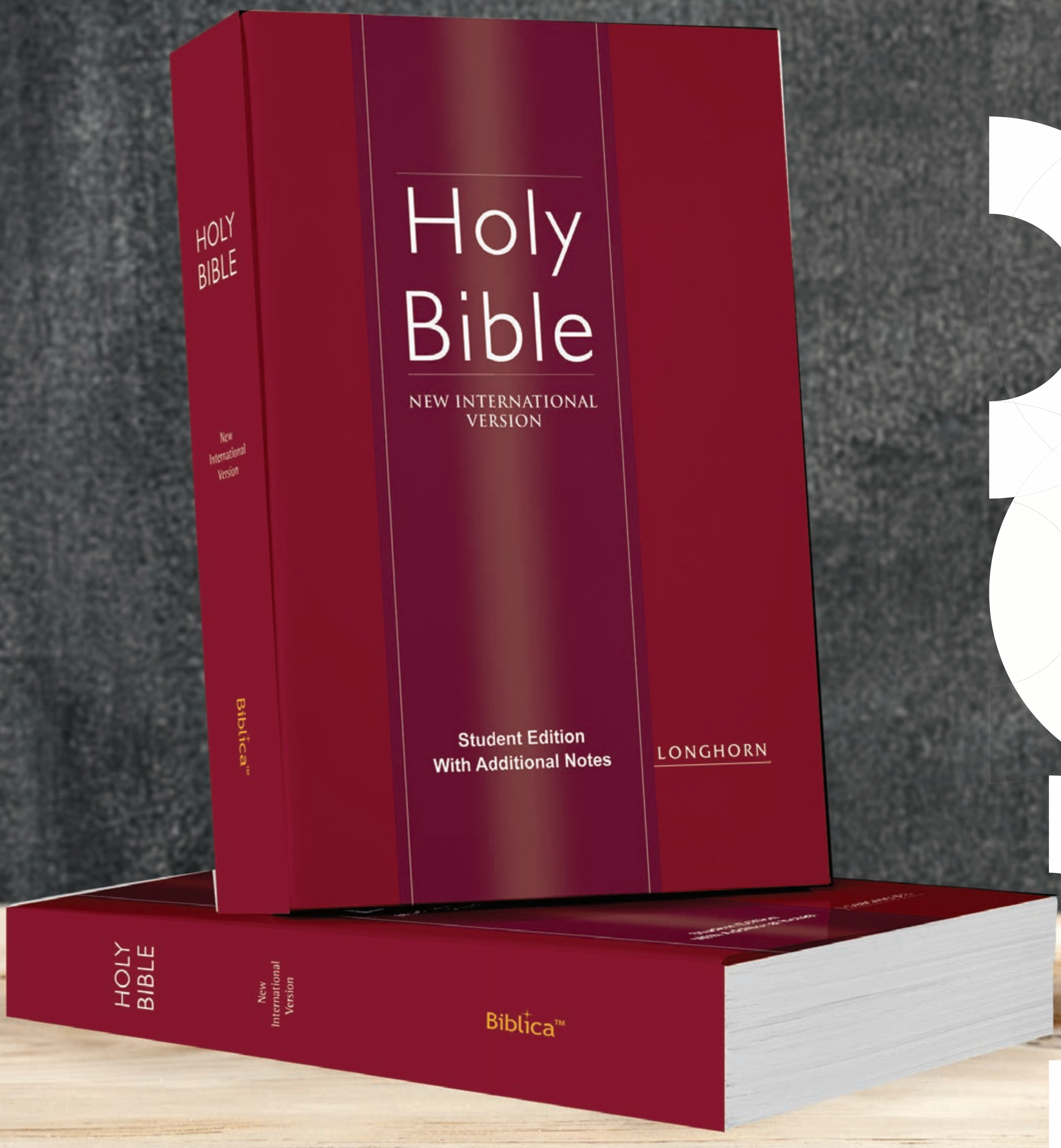
(d) Directors emolument

Fees for services as directors	9,824	6,031	6,709	4,889
	======	======	======	======

28 Subsequent events

In July 2017, the company announced plans to restructure the Company in order to enhance the business performance and profitability.

An excellent reference to Longhorn CRE secondary text book. It offers comprehensive bible guide together with biblical timelines, bible index and maps.



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 Friday, 8 December 2017 and at any adjournment thereof.

As witness my/our hand this_______________________day of_______________________2017

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) In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.

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

NOTES

NOTES

NOTES


ax+bx²=c
2x+3x²=6
5/1.25 = 25/6.25 = 1/4

LONGHORN PUBLISHERS LIMITED ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

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