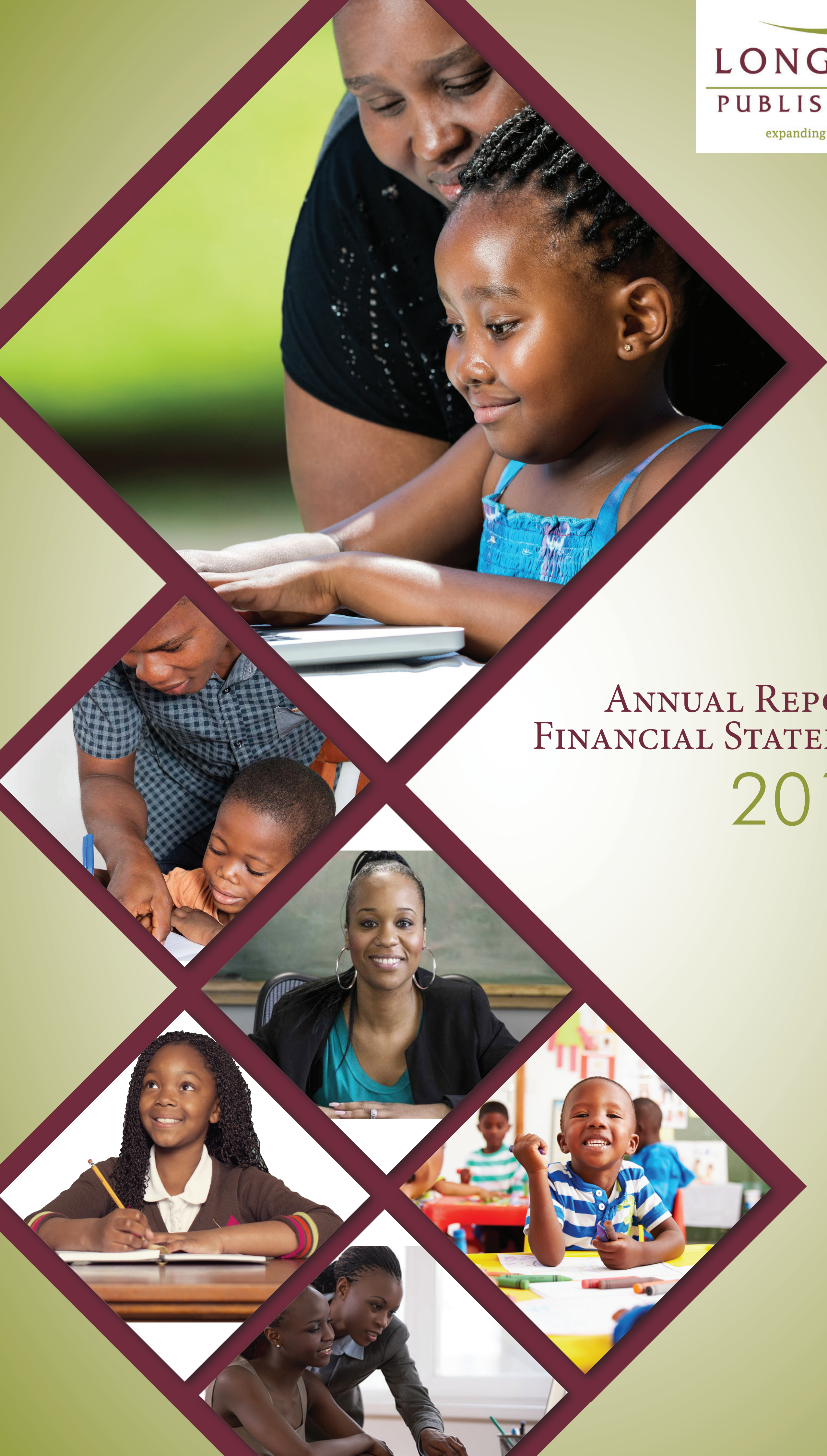


LONGHORN
PUBLISHERS PLC
expanding minds

Annual Report & Financial Statements 2018

With changes in the curriculum, new opportunities have been unravelled for all stakeholders. New Products and markets will be explored as the company continues to be the leading provider of innovative learning solutions.

Contents

THE COMPANY

Longhorn Publishers Plc is a Pan-African publishing house that is publicly listed in the Nairobi Securities Exchange. The company has grown its dominance in the publishing sector by establishing its presence throughout the region.

OUR MARKETS

In the East African region, the Company has fully incorporated subsidiaries in Uganda, Tanzania, Rwanda and Zambia.
Through distributor agreements, the Company has been able to expand its operations across the African continent to include Malawi, Zambia, South Sudan and Senegal.

PRODUCTS

In January 2018, Longhorn developed learning materials in line with the new Competency-Based Curriculum where a significant number of her titles were approved by Kenya Institute for Curriculum Development. In addition, the Company was awarded three setbooks to be used in all secondary schools in Kenya in teaching Literature and Fasihi for the next four years. These are: **Tumbo Lisiloshiba**, **Blossoms of the Savannah** and **Inheritance**.

The Company's leadership in developing creative works was rewarded by winning the prestigious Burt Award for the book, **A Boy Named Koko**. The company also won the coveted Jomo Kenyatta Prize for literature through the title, **The Elephant Dance**.

DIGITAL LEARNING

The Company has made huge strides in developing learning materials that are now accessible from anywhere in the world. At the moment, the Company has digitised over 60% of its products which are availed as interactive eBooks, audio books, video-animated stories, ePubs and mobile applications. The platforms are available on Android, iOS and Windows Application.

CERTIFICATION

In September 2017, the Company received ISO 9001:2015 Certification, affirming Longhorn's commitment toward continuous improvement of its processes and procedures in an effort to deliver value to all its stakeholders.

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

OUR ROLE IN DELIVERING THE COMPETENCY-BASED CURRICULUM PRODUCTS

WHAT IS COMPETENCY-BASED CURRICULUM (CBC)?

In the Kenyan context, Competency is the "ability to apply appropriate knowledge and skills to successfully perform a function." The CBC is therefore designed to emphasise the importance of developing skills and knowledge (competencies) and also applying those competencies to real life situations.

WHAT IS COMPETENCY-BASED LEARNING?

It refers to systems of instruction, assessment, grading and academic reporting that are based on students demonstrating that they have learned the knowledge and skills they are expected to learn as they progress through their education.

VISION, MISSION AND VALUES OF CBC

VISION: To enable every Kenyan to become an engaged, empowered and ethical citizen.

MISSION: Nurturing every learner's potential

VALUES: Love, Responsibility, Respect, Unity, Peace, Patriotism, Integrity

WHAT ARE COMPETENCIES?

Competencies are a collection of trainable skills, knowledge, abilities, behaviour, attitude, aptitude, confidence, experience, talent and proficiency.

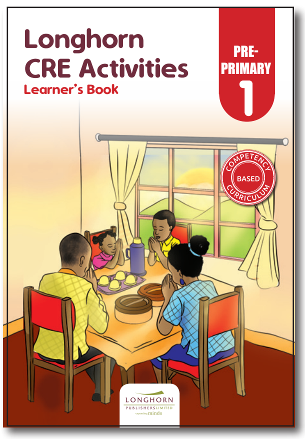
Longhorn Publishers Plc has developed CBC books in line with the new Competency-Based Curriculum. Our products have the following attributes:

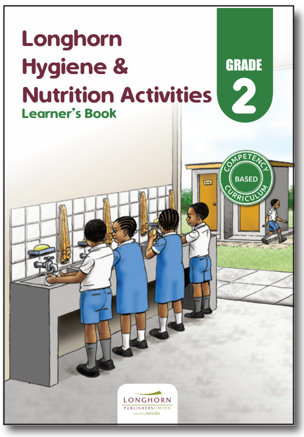
- Empower learners in basic analysis of problems in order to develop appropriate solutions in their day-to-day lives.
- Present concepts and content through very interesting learner-centered activities set in the environment.
- Involve the learner in the learning process through engaging activities that promote active participation.
- Use easy-to-understand language to communicate concepts and content clearly.
- Provide concise notes and numerous examples on each concept.

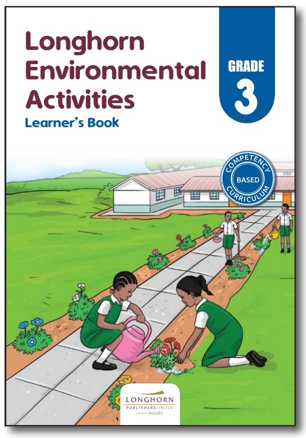
OUR ROLE IN DELIVERING THE COMPETENCY-BASED CURRICULUM PRODUCTS

Core capabilities tackled by our Competency-Based Curriculum products include:

1. Digital Literacy
2. Communication and Collaboration
3. Critical thinking and Problem-solving
4. Citizenship
5. Learning to Learn
6. Self-Efficacy
7. Imagination and Creativity



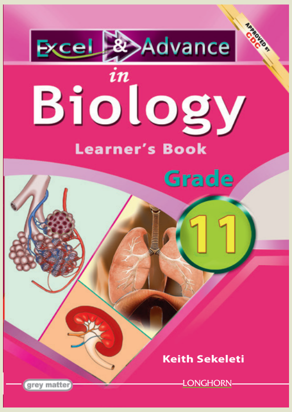


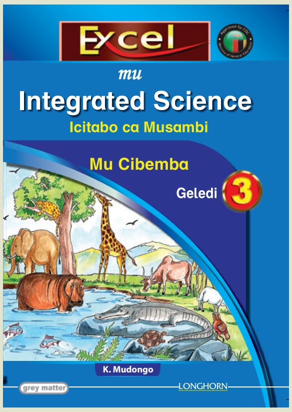


REGIONAL MARKETS

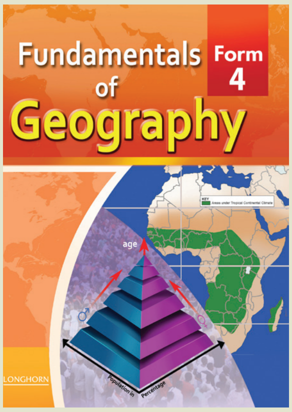
Longhorn Publishers Plc has developed various country-specific products with a view to growing the regional markets.

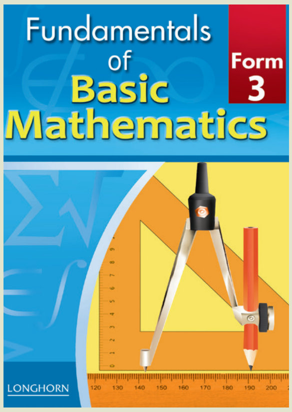
ZAMBIA



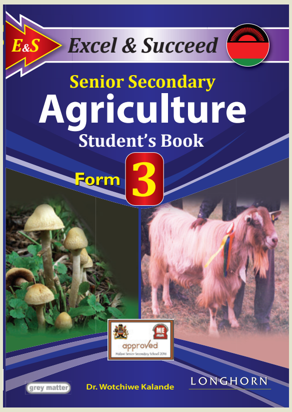


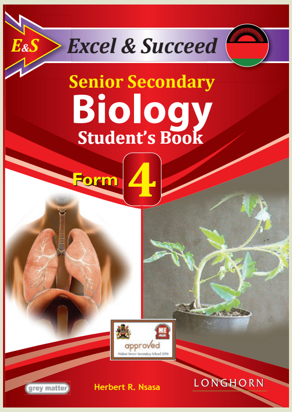
TANZANIA



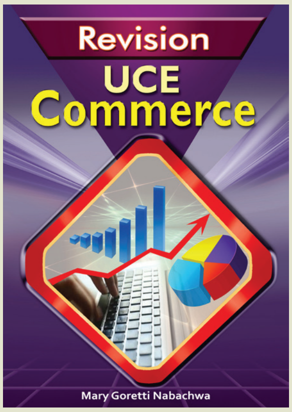


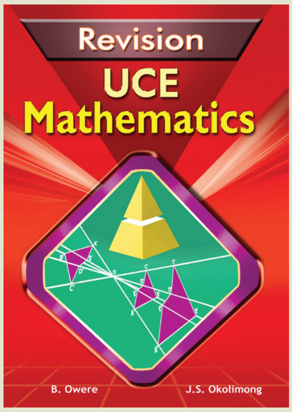
MALAWI



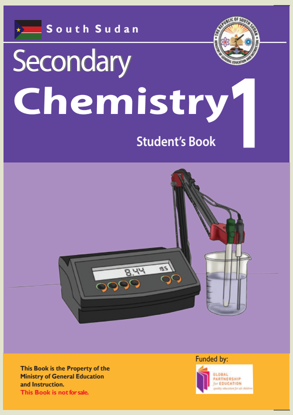


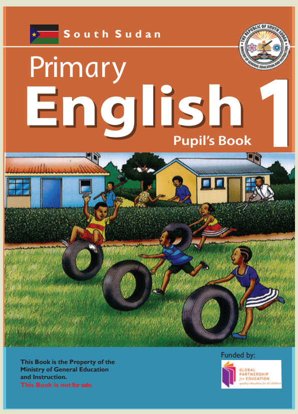
UGANDA





SOUTH SUDAN

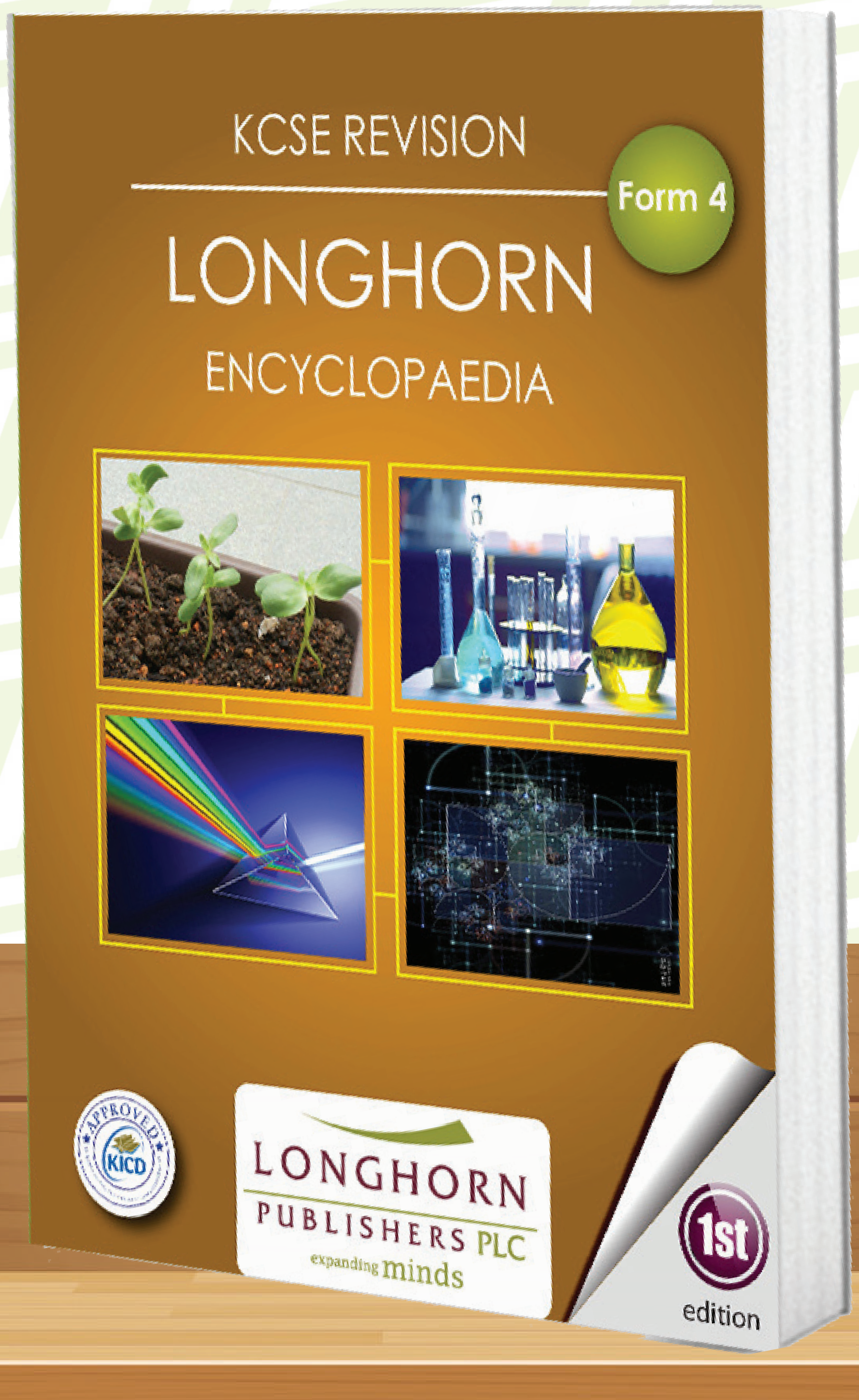




SENEGAL

BUSINESS MODEL

The key aspects of our value chain are summarised below:


KCSE REVISION
Form 4
LONGHORN
ENCYCLOPAEDIA
APPROVED
KICD
LONGHORN
PUBLISHERS PLC
expanding minds
1st
edition

BUSINESS RISK AND OPPORTUNITIES

Longhorn Publishers Plc continues to be responsive to the changes affecting the industry. In this regard, we have identified significant business risks, measures to mitigate these risks and opportunities as shown below:

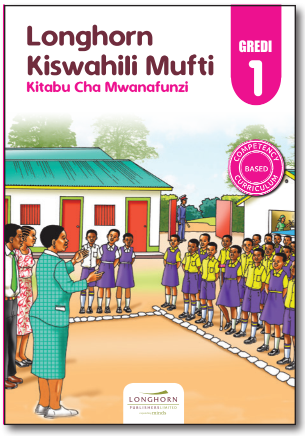
	RISK	OPPORTUNITIES
1	**Piracy** Resulting in loss of revenue for publishers	Longhorn Publishers Plc has been working with the Kenya Publishers Association and Kenya Copyright Board in combating the piracy menace. We have added security tags that verify a product's authenticity. This security feature has reduced the degree of piracy. In addition, Longhorn Publishers Plc has diversified into digital publishing which has been enhanced with security features to minimise piracy.
2	**Education Policy Change** The move from knowledge-based curriculum to competency-based curriculum will mean a complete overhaul of Longhorn's course books. The Company will need to invest significantly so as to have the right products for this new curriculum.	Longhorn Publishers Plc has now developed products aligned to the new curriculum and trained thousands of teachers on how to deliver the curriculum.
3	**Shift to Digital Publishing** This shift to digital publishing is a major disruption to the traditional publishing business.	Longhorn Publishers Plc has been able to work with digital service providers and digital platform vendors to deliver content to the end user. Longhorn Publishers Plc, has been able to convert over 60% of its content to digital format. In addition, the company has a dedicated team that specialises in development of content for the digital platforms .

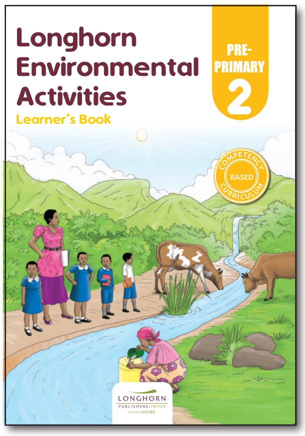
LONGHORN PRODUCTS

Longhorn has diversified into all segments in the education sector in order to secure the Company's future growth and success in the market.

COMPETENCY-BASED CURRICULUM BOOKS

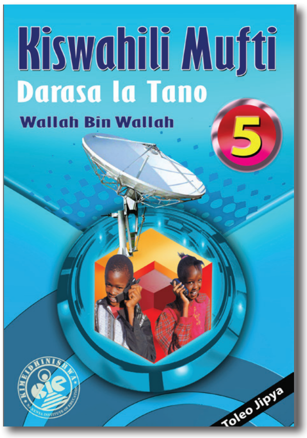
Longhorn CBC Activity Books are based on the new competency-based curriculum. They promote the acquisition of core competencies, relevant skills, positive attitudes and values by learners. The books also promote practical application of the knowledge gained in class.

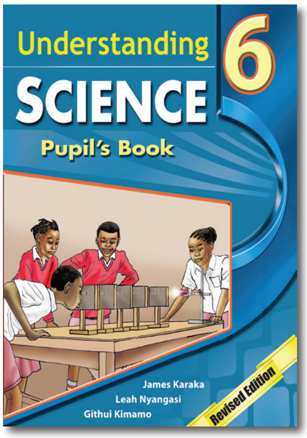




UPPER PRIMARY COURSE BOOKS

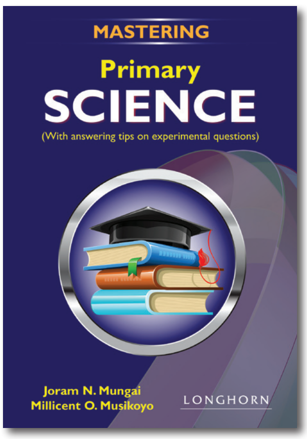
Longhorn Upper Primary course books have been developed to help both the pupil and the teacher to better cover the Primary school syllabus. The books contain accurate and up-to-date content in a language that is easy to understand the pupil to comprehend the subject matter easily.

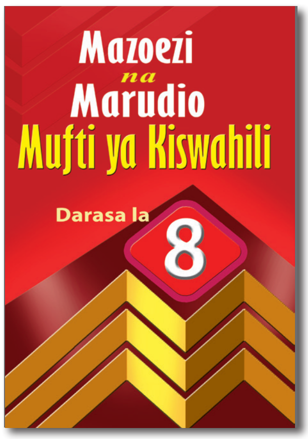




PRIMARY REVISION

Longhorn revision books are developed to prepare the learner for their final exams in specific subjects. The revision books come with questions and answers that cover the subject areas for the specific class.

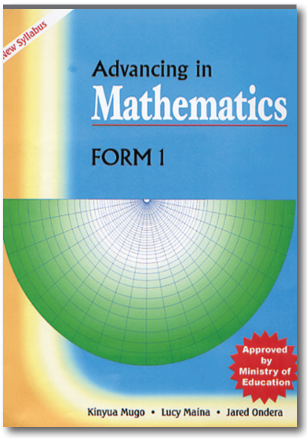


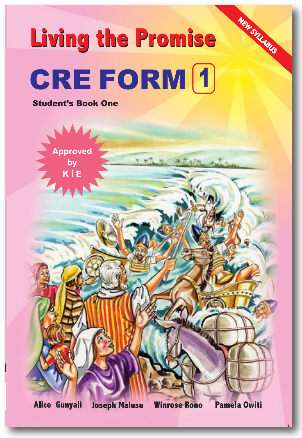


LONGHORN PRODUCTS

SECONDARY COURSE BOOKS

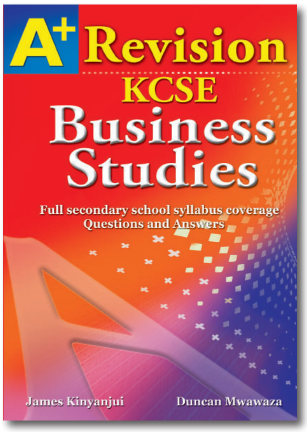
Longhorn Secondary course books have been developed to help both the student and the teacher to better cover the secondary syllabus. The books contain accurate and up-to-date content in a language that is easy to understand and to comprehend the subject matter easily.

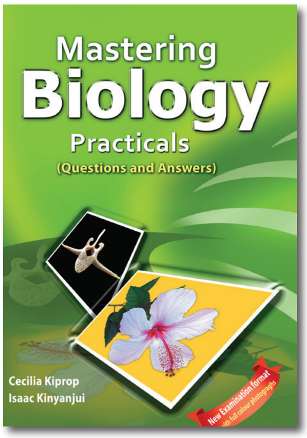


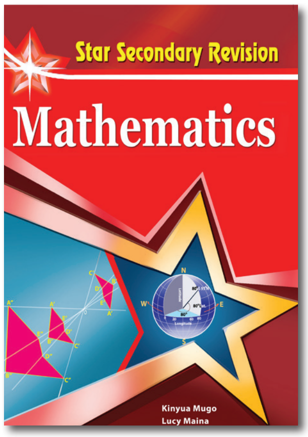


SECONDARY REVISION BOOKS

Longhorn Secondary revision books 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 well prepared for their final exams.

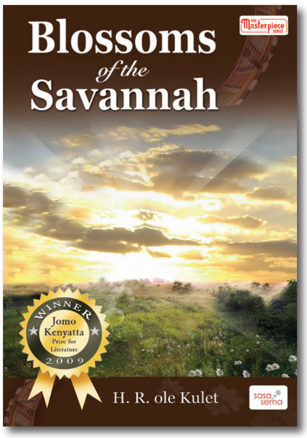


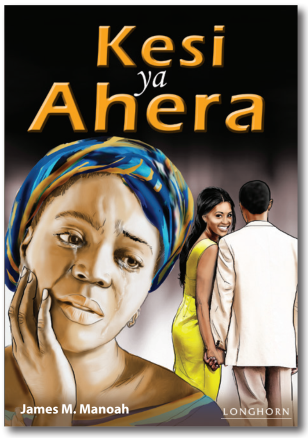




CREATIVE WORKS

Longhorn creative works have been authored by popular award-winning authors. The themes of the books are both current and well researched to give the reader an enjoyable literary journey.

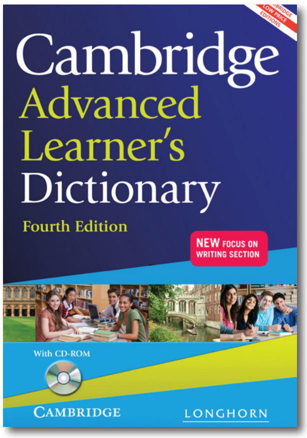


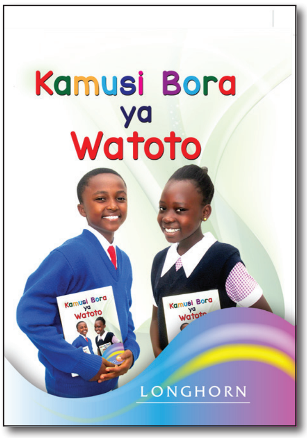


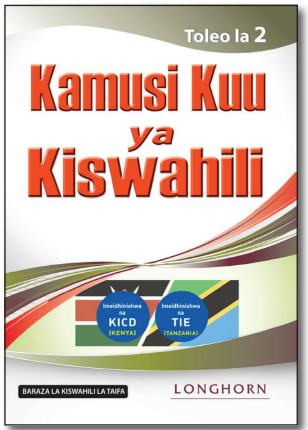
LONGHORN PRODUCTS

REFERENCE BOOKS

Longhorn reference books are developed to help both learners and teachers to better understand the subject by providing them with the correct reference information.



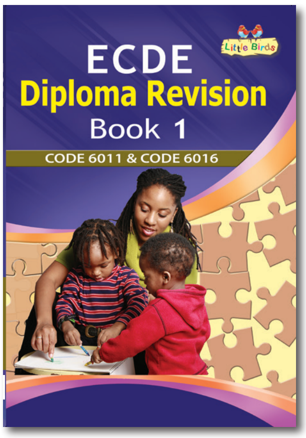


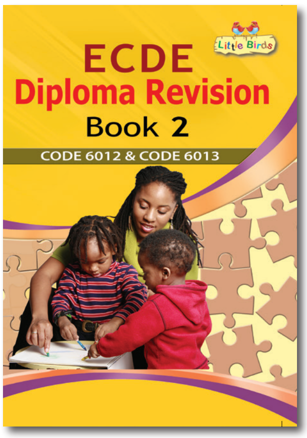


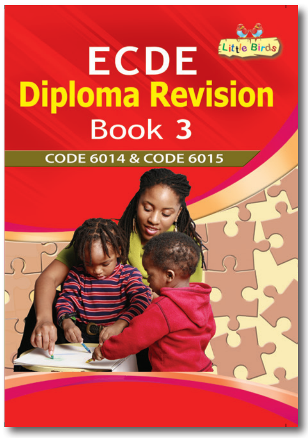
TERTIARY BOOKS

Longhorn Tertiary books have been developed in line with the TVET curriculum. They offer practical examples that can be easily applied in the work environment.

These books have been authored by experts in the specific field of study.

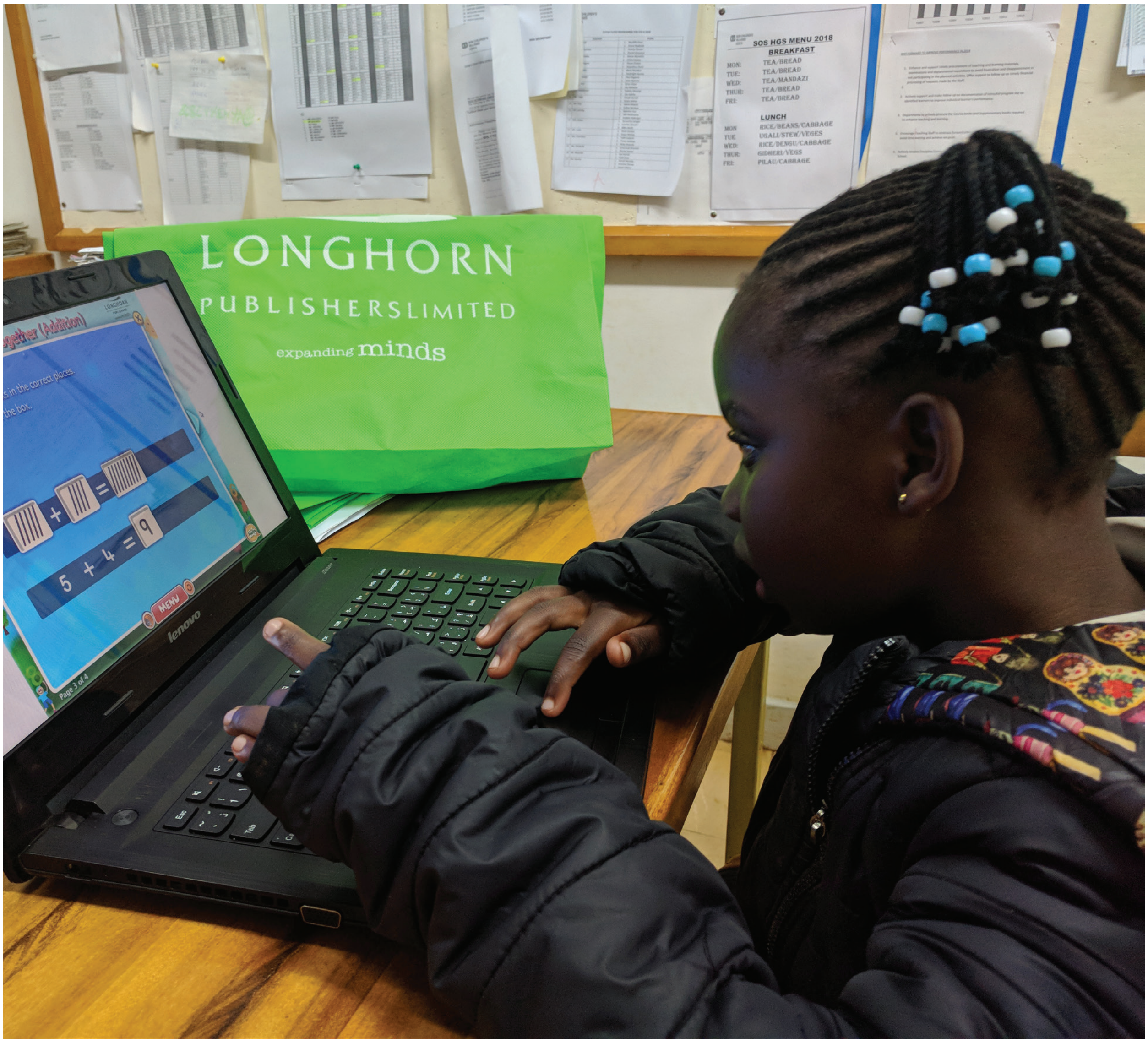






DIGITAL LEARNING

The Company has made significant investments in digital publishing and is keen to ensure that the end user is provided with relevant and high quality materials. The products and platforms have been developed after an intensive market research, product experimentation and with the use of new technological innovations.



DIGITAL LEARNING

Longhorn has digitized over 300 of its products and availed all in various digital formats. Some of the products include interactive eBooks, audio books, video-animated stories and mobile publications. The materials are learner-engaging and have won the hearts of many students regionally.

To disseminate digitised material, Longhorn Publishers PLC discovered that the Company's product wouldn't reach the end users if there was no tool to enable content access. This gave rise to an idea of building two proprietary digital distribution platforms. These are Longhorn eLearning Platform and Longhorn eBook Store.

Longhorn eLearning Platform is uniquely developed to deliver personalised eLearning products in various digital formats to the learners. The platform is integrated with a lot of interactive facets and materials, graphical representation of student's performance and comprehensive progress reports, all aimed at enabling the user obtain maximum utilisation of digital content and the opportunities that abound in digital technologies.

The students, teachers/instructors and the general readership have found the platform extremely useful in teaching and learning. The application is user-friendly and is creatively designed to ensure the user can navigate through the platform easily, access eLearning materials faster, utilise content pleasantly and in the process obtain a greater fulfilment in user experience. At the moment, over 200,000 learners are accessing our eLearning materials daily in over 210 schools in Kenya.

Longhorn eBook Store is the largest library in the region with a variety of eBooks. We have populated the platform with eLearning materials, educational books, fiction and nonfiction materials relevant for pupils, students and candidates in tertiary colleges and universities as well as books for the general readership. The platform carries a host of eBooks in digital formats. The books range from curriculum books, ECDE materials, children and adult readers, biographies, novels, novellas, autobiographies, motivational books and reference materials.

Both platforms are available on Android, iOS and Windows applications. We have also developed country specific eBooks which include curriculum-approved books for Kenya, Uganda, Tanzania, Rwanda, Malawi and Zambia.

eCommerce is key for content access. Our platform is built on an eCommerce software which enables the user to access the digital products efficiently and effectively as and when need arises.

> *"Longhorn eBook Store is the largest library in the region with a variety of eBooks. We have populated the platform with eLearning materials, educational books, fiction and nonfiction materials relevant for pupils, students and candidates in tertiary colleges and universities as well as books for the general readership.*

As a Company, we are proud of the continued cordial relationship with our technology partners. With Samsung East Africa, for instance, we have deployed mega eLearning solutions in more than 50 schools in Kenya, Uganda and Tanzania. We are proud of the continued partnership with 6 technology companies who are today helping us achieve the 2020 Longhorn Digital Goal.

We believe that this initiative is a noble idea targeting to bring forth a new crop of technology-competent leaders and workers in line with the dictates of this tech-savvy generation. Buoyed by the success of our experimental projects and programmes, we are convinced beyond a shadow of doubt that our eLearning platforms will revolutionise education in Africa.

We have also made significant progress with our eRetailers who have continuously supported us by delivering digitised materials to the end users in the region. Longhorn Publishers PLC has partnered with Google Play Store, Amazon.com and Worldreader to deliver over 300 of Longhorn's digitised learning materials to the end user.

STRATEGY

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 Plc has identified 4 key strategic pillars in which it will focus its energies and resources. These are:

1. Expansion and diversification
2. Digital growth
3. Customer experience
4. People

EXPANSION & DIVERSIFICATION

The Company will continue with its geographical expansion and product diversification strategy in order to reduce its reliance on the Kenyan coursebook market.

DIGITAL GROWTH

The Company's digital learning solutions provide a new channel that enables the company to provide its content to a wider market. Longhorn has developed an e-Learning platform that enables the distribution of its digital content to grow.

CUSTOMER EXPERIENCE

The Company will seek to provide the best customer experience through the development of relevant content that addresses the market needs. The company will also streamline the channels of content distribution to ensure that the products reach as many customers as possible.

PEOPLE

The Company's most valuable asset is its people and that's why the company will continue to focus on attracting, developing and retaining the best employees.

FINANCIAL HIGHLIGHTS

GROUP'S REVENUE	GROUP'S PROFIT AFTER TAX
Shs 1.7B	Shs 183M

Key performance indicators

17%
growth in turnover

Rise in gross margin percentage from

52%

to

54%

Total Dividend Payout

Shs 115m

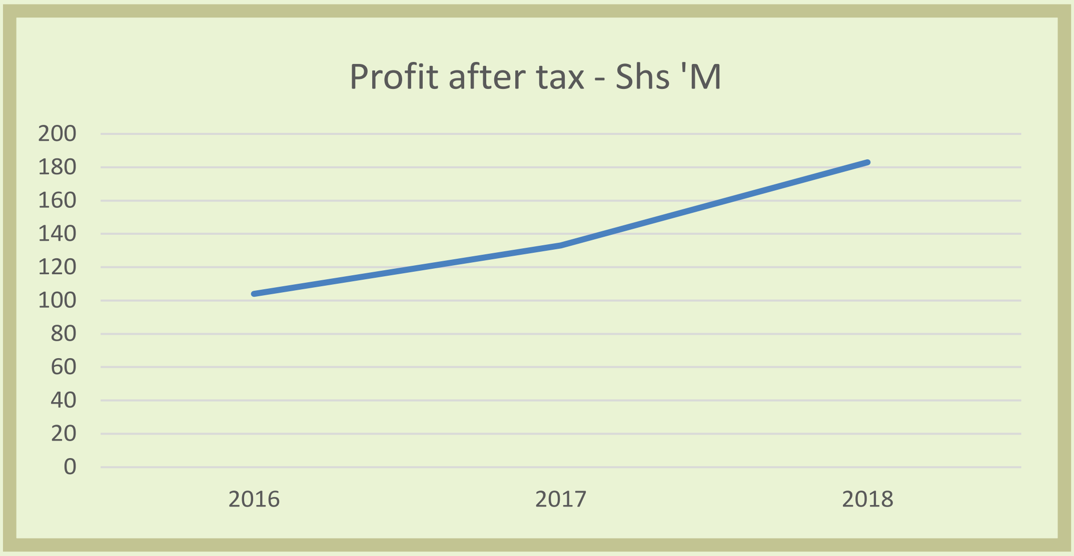
10%
growth in dividend payout

FINANCIAL HIGHLIGHTS

The Company's profitability has grown by 38% largely due to its commitment in implementing the 2015-2018 strategy that emphasised on regional expansion, product diversification and innovation.

Summary of the group performance for the year ended 30th June 2018

	2018 Shs'M	2017 Shs'M	Change %	Trend
Turnover	1,696	1,452	17%	
Gross profit margin %	54%	52%	4%	
Total operating expenses	(1,338)	(1,222)	9%	
Earnings before interest and taxes (EBIT)	358	232	54%	
Profit after tax	183	133	38%	



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

38% growth in profit after tax

"The Company was able to record a 38% increase in profit after tax for the year ended 30 June 2018.

Group Chairman
Hon F. T. Nyammo, OGW, MBS

THE CHAIRMAN'S STATEMENT

My fellow shareholders,

The just concluded financial year has been exciting for Longhorn Publishers Plc because, despite the challenging operating environment that prevailed over much of the previous financial year, the Company was able to record a 38% increase in profit after tax for the year ended 30 June 2018. Profit rose to Shs. 183 million from Shs. 133 million in the previous year.

Focus on Strategy

Longhorn's stellar performance was bolstered by the Company's dedication in implementing the 2015-2018 strategy that emphasised on diversification of the Company's products. This diversification ensured that the Company was able to deliver to its customers quality materials that cater for their needs.

Geographical expansion remains a key pillar in Longhorn's strategy and the Company was able to grow its operations across the region.

Longhorn continued its dominance in the digital learning space by consistently improving the content and user experience on all its digital platforms.

The Company understands that having competent and motivated staff is the key to successful execution of our strategy. As a result, we have invested heavily in ensuring that our team works in an environment that encourages performance. We plan to achieve this through the implementation of the Culture Change Programme that was launched in January 2018.

Digital Learning

The Board and Management of Longhorn Publishers Plc are committed to grow the Company's digital offerings.

The Company has firmly embraced the shift to digital publishing and invested heavily in developing and improving its portable and seamless digital learning solutions. We have also entered into partnerships with organisations such as Amazon, World Reader and Inlango.

Future Outlook

The recently rolled out 2018-2021 strategy will enable the Company to firmly exploit the numerous opportunities that have been presented by the roll out of the new curriculum and the shift to digital publishing. I am confident that the Company's profitability will continue to improve and my fellow shareholders can expect greater returns on their investment.

HON. F.T NYAMMO, OGW, MBS
Group Chairman

KAULI YA MWENYEKITI

Wanahisa wenzangu,

Mwaka wa kifedha ambao umekamilika umekuwa wa kusisimua kwa Kampuni ya Uchapishaji ya Longhorn kwa sababu, licha ya mazingira magumu ya kibiashara yaliyokuwapo mwaka wa kifedha uliopita, kampuni iliweza kurekodi ongezeko la faida kwa asilimia 38, baada ya kodi ya mapato katika mwaka wa kifedha uliokamilika tarehe 30 Juni 2018. Faida hii iliongezeka hadi shilingi za Kenya milioni 183 kutoka shilingi za Kenya milioni 133 za mwaka wa kifedha uliopita.

Kulenga mkakati

Matokeo mazuri ya Longhorn yaliimarishwa na kujitolea kwa Kampuni katika kutekeleza mkakati wa 2015-2018 ambao ulisisitiza upanuzi wa bidhaa za kampuni. Upanuzi huu ulihakikisha kuwa kampuni imeweza kutoa kwa wateja wake bidhaa bora zaidi ambazo zinakidhi mahitaji yao kwa ukamilifu.

Upanuzi wa biashara kijiografia unasalia kuwa nguzo kuu katika mkakati wa Longhorn na hivyo kampuni iliweza kukuza shughuli zake katika ukanda mzima.

Kampuni ya Uchapishaji ya Longhorn imeendeleza umahiri wake katika uwanda wa masomo ya kidijiti kwa kuboresha bidhaa zake na kuelimisha wateja wake juu ya namna ya kuzitumia katika mawanda yote ya matumizi ya kidijiti.

Kampuni inaelewa kuwa kuwepo kwa wafanyakazi walio na umilisi na waliomotishwa ni muhimu sana katika ufanisi wa kutekeleza mkakati wetu. Kutokana na hili, tumewekeza sana katika kuhakikisha kwamba wafanyakazi wote wanafanya kazi katika mazingira yanayoimarisha utendaji wao. Tumepanga kutimiza haya kupitia utekelezaji wa Programu ya Mabadiliko ya Utamaduni wa wafanyakazi ambayo ilizinduliwa mwezi Januari 2018.

Elimu ya kidijiti

Kampuni inapoanza utekelezaji wa mkakati wa 2018-2021, bodi ya wakurugenzi pamoja na usimamizi wote wa Kampuni ya Longhorn wamejitolea kukuza bidhaa za kidijiti.

Kampuni imekumbatia kwa dhati uhamisho wa kuingia katika uchapishaji wa kidijiti na imewekeza zaidi katika uandaaji na uboreshaji wa bidhaa za kidijiti zenye uwezo wa kuhawilishwa kwa urahisi na zinazoweza kutumika bila kukwaza. Pia, tumeingia katika mikataba na mashirika yanayouza bidhaa za kidijiti kama vile: Amazon, World Reader na iMlango.

Mustakabali

Mkakati mpya wa 2018-2021 ambao umetekelezwa utaiwezesha kampuni kuendeleza zaidi fursa kadhaa ambazo zimeibuliwa na mtaala mpya pamoja na uhamisho wa kuingia katika uchapishaji wa kidijiti. Nina imani kuwa faida ya kampuni itaendelea kuboreka. Hivyo wanahisa wenzangu watarajie faida zaidi katika uwekezaji wao.

MHESHIMIWA F.T NYAMMO, OGW, MBS
Mwenyekiti.

"Longhorn will increase its focus on growing its digital offering, regional expansion and development of innovative content to drive growth in the business.

Incoming Group Managing Director
Maxwell Wahome

MANAGING DIRECTOR'S STATEMENT

It gives me great pleasure to present to you the Longhorn 2017/2018 Annual Report. The previous financial year has seen the Company make remarkable strides with regard to ensuring the continued profitability in the business.

Performance

Longhorn Publishers Plc was able to record a 38% growth in profits, which translates to Shs 183 million, an increase from Shs 133 million recorded in the previous year. The Company attributes this favourable performance to its investment in growing its product portfolio and continuous investment in its digital product range.

This remarkable performance was a culmination of the 2015-2018 strategy which focused on the opening up of new markets and diversifying into products that are not affected by curriculum changes.

The Company has continued to improve its operational efficiencies and this has contributed to a 54% increase in the Earnings Before Interest and Taxes(EBIT) which grew from Shs 232 Million in 2017 to Shs 358 million in the year ended 30 June 2018.

The Company remains financially stable having recorded a 76% growth in the cash generated from business operations in the 2017/2018 financial year.

Our Markets

Our regional markets have continued to grow as we intensify our efforts in developing new products and increasing our marketing activities. By working together with celebrated authors in the different countries, Longhorn Publishers Plc has been able to produce quality learning materials that have been approved for use in schools in the different countries.

In June 2018, we successfully completed the development of learning materials for South Sudan which covered Primary 1 to Secondary 4. This project, executed in conjunction with UNICEF South Sudan demonstrated our expertise and ability to develop innovative learning materials across the continent.

In Kenya, Longhorn completed the development of New Curriculum learning materials for Pre–Primary 1 to Grade 3 and received approvals for a significant number of our titles.

The Company played a huge role in improving the quality of education in Kenya having successfully delivered over 3 million books to 22,000 schools in the country in the Kenya Secondary Quality Improvement Project (SEQUIP) which was funded by the Government of Kenya and the World Bank.

Our dominance in the development of creative works was evident following the award of three Secondary School Set Books; *Tumbo Lisiloshiba, Blossoms of the Savanna* and *Inheritance*. In addition, our two publications: *The Warm Heart of Africa* and *Its Far Too Much* were also awarded as the set books for all Primary Teacher Training Colleges in Kenya. Our leadership in creative works was recognised after winning the prestigious CODE BURT Award with our book titled *A Boy Named Koko* as well as the coveted Jomo Kenyatta prize for Literature through our book, *The Elephant Dance*.

Future Outlook

As we embark on a new strategic plan for year 2018 -2021, the following are the key focus areas that will drive growth in the business:

- *Digital Offering:* We expect this market to grow significant over the coming year. Longhorn has digitized over 300 products which are now available through Android, iOS and Windows devices. We will continue developing more innovative content in order to improve the learning experience.
- *Regional Expansion:* This remains a key pillar in our new strategic plan. We plan to deepen our presence in existing markets and open up new ones within the Southern Africa region.
- *Innovative Content Creation:* Development of innovative content is key to a sustainable business. We will continuously improve existing content while adding new content that captures the emerging trends in the market. We expect to grow our presence in creative works as well as the tertiary education sector.

Appreciation

I wish to appreciate the Longhorn Publishers Plc Board of Directors, whose guidance and support has been invaluable especially with regard to strategic advice and support in achieving the Company's strategic objectives.

I would also like to appreciate the Management Team, staff and booksellers for their commitment in achieving the favourable financial results during the previous year.

Mr. Maxwell Wahome,
Incoming Group Managing Director

KAULI YA MENEJA MKURUGENZI

Ninaona fahari kuu kuwasilisha kwenu ripoti ya Longhorn; mwaka 2017/2018. Mwaka wa kifedha uliopita umeiwezesha Longhorn kupiga hatua nzuri katika kuhakikisha kuwa kuna mwendelezo wa faida katika biashara. Katika mwaka wa kifedha uliokamilika tarehe 30 mwezi Juni 2018, kampuni imesalia kulenga kutekeleza mkakati wa kibiashara wa 2015-2018 kwa ukamilifu.

Utendaji

Kampuni ya Uchapishaji ya Longhorn iliweza kurekodi ongezeko la faida la asilimia 38 ambayo ni sawa na shilingi za Kenya milioni 183, ambalo ni ongezeko kutoka shilingi za Kenya milioni 133 za mapato ya mwaka uliopita. Kampuni inaegemeza matokeo haya mazuri katika uwekezaji katika kukuza mawanda ya bidhaa zake na uwekezaji endelevu wa bidhaa za kidijiti.

Matokeo haya mazuri yanatokana na mkakati wa 2015/2018 ambao ulilenga kufungua masoko mapya pamoja na kunuwaisha bidhaa ambazo haziathiriwi kamwe na mabadiliko ya mitaala.

Kampuni imeendelea kuuboresha utendaji wake na hili limechangia katika ongezeko la asilimia 54 ya mapato kabla ya kuondoa riba na kodi ya mapato ambayo yaliongezeka kutoka shilingi za Kenya milioni 232 katika mwaka wa 2017 hadi shilingi za Kenya milioni 358 katika mwaka uliokamilika tarehe 30 mwezi Juni 2018.

Kampuni imesalia kuwa imara kifedha kutokana na ongezeko la ukuaji wa asilimia 76 katika mapato yaliyotokana na shughuli za biashara katika mwaka wa 2017/2018.

Masoko yetu

Masoko yetu ya kikanda yamezidi kukua kadri tunavyozidisha jitihada za kuandaa bidhaa mpya na kuongeza shughuli zetu za kutangaza bidhaa. Kwa kufanya kazi pamoja na waandishi watajika katika mataifa mbalimbali, Longhorn imeweza kuandaa bidhaa za elimu za ubora wa juu zilizoidhinishwa kutumika katika shule za nchi mbalimbali.

Mnamo mwezi Juni 2018, tulifanikiwa kukamilisha kuandaa bidhaa za kielimu za Sudani Kusini za kuanzia darasa la kwanza (shule za msingi) hadi kidato cha nne (shule za sekondari). Mradi huu uliofanywa kwa ushirikiano na UNICEF, Sudani Kusini ulidhihirisha umahiri na uwezo wetu wa kuandaa bidhaa bora na za kubuni za elimu katika bara zima.

Nchini Kenya, Longhorn ilikamilisha uandaaji wa vitabu vya Mtaala mpya vya Chekechea hadi Gredi ya 3 na kupata uidhinisho wa idadi kubwa ya vitabu hivyo.

Kampuni ilichangia pakubwa katika kuendeleza ubora wa elimu nchini Kenya kwa kufaulu katika kusambaza zaidi ya nakala za vitabu milioni 3 katika shule za sekondari zipatazo elfu ishirini na mbili (22,000) kote nchini katika Mradi wa Kuendeleza Ubora wa Elimu ya Sekondari (SEQUIP), ambao ulifadhiliwa na serikali ya Kenya pamoja na Benki Kuu ya Dunia.

Utawala wetu katika uandaaji wa kazi za kubuni ulithibitika kutokana na kupewa nafasi tatu za vitabu vya fasihi vya kutahiniwa katika shule za sekondari vikiwemo: Tumbo Lisiloshiba, Blossoms of the Savanna na Inheritance. Pia, machapisho yetu mawili: The Warm Heart of Africa na Its Far Too Much yaliteuliwa kuwa vitabu vya fasihi kwa vyuo vyote vya mafunzo ya elimu ya msingi nchini Kenya. Uongozi wetu katika kazi za kubuni ulitambulika baada ya kuzoa tuzo ya BURT kupitia kwa kitabu chetu: A Boy Named Koko pamoja na tuzo ya Jomo Kenyatta ya Fasihi kupitia kwa kitabu chetu: The Elephant Dance.

Mustakabali wetu

Tunapoanzisha mkakati mpya wa mwaka 2018-2021, vifuatavyo ndivyo vitengo vikuu vitakavyoendesha ukuaji katika biashara yetu:

- Ukuaji wa kidijitali: Tunatarajia soko hili litapanuka zaidi katika mwaka ujao. Longhorn ina zaidi ya bidhaa 300 za kidijitali ambazo sasa zinapatikana kupitia kwa vyombo vya kidijiti katika programu tumikizi za: Android, IOS na Windows. Tutaendelea kuandaa bidhaa vumbuzi zaidi za kidijiti ili kuendeleza tajriba ya usomaji.
- Ukuaji wa kikanda: Huu unasalia kuwa mhimili mkuu katika mkakati wetu mpya. Tunapanga kukita mizizi zaidi katika maeneo tuliko sasa pamoja na kuanzisha masoko mapya katika ukanda wa Afrika Kusini.
- Uundaji wa bidhaa vumbuzi: Uundaji wa bidhaa vumbuzi ni muhimu katika biashara endelevu. Tutaendelea kuboresha bidhaa zilizoko huku tukiendelea kuongeza bidhaa mpya ambazo zinaakisi mabadiliko yanayoibuka katika masoko. Tunatarajia kukuza uwepo wetu sokoni katika bidhaa za kazi za kubuni pamoja na bidhaa za sekta ya elimu ya vyuoni.

Shukrani

Ningependa kuwashukuru wakurugenzi wote wa Bodi ya Longhorn kwa ushauri na msaada wao wa kipekee ambao ni msaada mkubwa katika kuafikia mkakati na malengo ya kimkakati ya kampuni.

Pia, ningependa kuwashukuru mameneja pamoja na wafanyakazi wote kwa kujitolea kwao katika kufanikisha matokeo mazuri ya kifedha mwaka uliopita.

Tunatazamia mwaka wa kifedha wa 2018-2019 uwe wa kuweka rekodi. Kwa ushirikiano wenu, tunaahidi kutimiza haya.

Bwana Maxwell Wahome,

Meneja Mkurugenzi

BOARD OF DIRECTORS

HON. F.T NYAMMO, OGW, MBS
Group Chairman

Hon. F.T. Nyammo was appointed as the Chairman on the Board in 1977.

He brings to the Board extensive expertise in the areas of leadership and management and is also a professional in banking and insurance. He previously served as a Member of Parliament from 2007-2012.

Hon. F.T. Nyammo holds a Bachelor of Arts degree from the University of London and has undergone Management and Corporate Governance training locally and internationally.

SIMON NGIGI
Outgoing Group Managing Director

Simon Ngigi is the Outgoing Group Managing Director, a position he held since May 2015.

During his tenure, Simon guided the Company into diversifying its product portfolio to include Reference and Tertiary products as well as driving the growth and expansion agenda into partnerships in Senegal and South Sudan.

Simon has over 20 years' experience in finance, strategy, leadership and management. He has previously worked in the Motor, Pharmaceutical and Publishing Industries.

He holds a Bachelor of Commerce degree from the University of Nairobi. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and has attended a wide range of business and management courses both locally and internationally.

MAXWELL WAHOME
Incoming Group Managing Director

Maxwell Wahome is the Incoming Group Managing Director for Longhorn Publishers Plc.

He previously served the Company as Chief Finance and Operations Officer, a position he held for two years.

Maxwell is an expert in finance and strategy having previously worked for over 10 years with PricewaterhouseCoopers, Nairobi and Johannesburg. He also has vast experience in the manufacturing, service, mining and FMCG sectors.

He holds a Bachelor of Commerce degree (Accounting) from the University of Nairobi. He is a Certified Public Accountant and a Certified Information Systems Auditor (CISA).

He is currently pursuing a Masters degree in Strategic Planning from the Heriot-Watt University (UK).

BOARD OF DIRECTORS

TRUPHOSA KWAKA-SUMBA
Director (Non-Executive, Independent)

Truphosa Kwaka-Sumba was appointed an Independent Non-Executive Director of Longhorn Publishers Plc in November 2014 and is currently the Principal at St. Pauls University - Nairobi Campus. She also volunteers as a writer/columnist for the Leadership Journal.

Truphosa brings to the Board extensive expertise in the areas of leadership and management having worked as a motivational speaker, writer and trainer in leadership and management.

She holds a Masters degree in Development Administration and Management from the Institute for Development Policy and Management, University of Manchester. Truphosa chairs the Nominations, Governance and HR Committee.

SAMUEL KARIUKI
Director (Non-Executive)

Samuel Kariuki was appointed as an Alternate Director to Centum Investment Company Plc.

Samuel holds a Masters of Business Administration degree in Strategic Planning from Heriot-Watt University (UK), a Bachelor of Science degree in Applied Accounting from Oxford Brookes University (UK) and Bachelor of Technology degree in Chemical and Process Engineering from Moi Univeristy. He is a Fellow of the Association of Chartered Certified Accountants (FCCA) and a Member of the Institute of Certified Public Accountants of Kenya. He is also a Certified Information Systems Auditor and a Member of the Information Systems Audit and Control Association (ISACA).

He is a Certified Executive Coach and an Archbishop Desmond Tutu Fellow.

FREDRICK MURIMI
Director (Non-Executive)

Fredrick Murimi was appointed a Non-Executive Director of Longhorn Publishers Plc in April 2017 and serves as the Managing Director - Centum Capital, a subsidiary of Centum Investment Company Plc. In this role, he serves as the Group's Chief Investment Officer for Centum's private equity portfolio spread across several sectors including Financial Services, FMCG, Power, Agribusiness, Healthcare and Education. He also sits on the board of several companies including Almasi Beverages Limited, Isuzu East Africa Limited and NAS Servair.

Fred has over 10 years' experience in the investment industry. Prior to joining Centum, Fred worked in the investment banking industry with Dyer & Blair Investment Bank and later with Renaissance Capital as Vice President – Legal & Compliance. Fred has also worked with the Capital Markets Authority, Kenya.

He holds a Bachelor of Laws degree (LL.B) from University of Nairobi, a Master of Business Administration (MBA) degree from USIU–Africa and is qualified as a Certified Public Accountant (CPA) and as a Certified Public Secretary (CPS). He is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya (LSK) and the Institute of Certified Public Secretaries of Kenya (ICPSK).

Fred is an Archbishop Desmond Tutu Fellow. Fred chairs the Operations and Strategy Committee.

BOARD OF DIRECTORS

SUSAN OMANGA
Director (Non-Executive, Independent)

Susan Omanga was appointed an Independent Non-Executive Director of Longhorn Publishers Plc in 2010 and is currently the Chief Executive Officer and Founder of Exclamation Marketing Ltd.

Susan brings to the Board extensive experience in marketing, corporate communications, and brand development. In the past she worked in senior marketing positions at Colgate Palmolive, Boots Kenya, Barclays Bank, and Standard Chartered Bank.

She currently sits on the Boards of UAP-Old Mutual Holdings, KETEPA, United Bank of Africa (UBA), and is an Advisory Board member at Acumen East Africa. Previously, she served as a non-executive Director in the Group Board of KCB where she was Chairperson of KCB Foundation, Director S&L Mortgages and Director KCB Uganda.

She holds a Bachelor of Science Degree in Business Management with a Minor in Advertising from Rocky Mountain College, Billings Montana, USA. She is the Honorary Consul for Jamaica to the Republic of Kenya.

MR. RAYMOND NYAMWEYA
Director (Non-Executive)

Raymond Nyamweya was appointed a Non-Executive Director of Longhorn Publishers Plc in 2004 and is currently a Managing Partner of Rose Avenue Consulting Group.

Raymond brings to the Board his extensive experience in financial management and strategy development and implementation.

He holds an MBA degree and a Bachelor of Commerce Degree (Accounting Option) from the University of Nairobi. He is also a Certified Public Accountant (Kenya) and a Certified Public Secretary (Kenya). Raymond is a Director of Africa Merchant Assurance Company (AMACO) and a Director/Trustee of Micro Enterprise Support Program Trust (MESPT), a DANIDA funded Trust whose objective among others is to alleviate poverty in Kenya

Raymond chairs the Pensions Trustees Committee.

MUIGAI GITHU
Director (Non-Executive)

Muigai Githu was appointed a Non-Executive Director of Longhorn Publishers Plc in August 2015 and is a Practicing Lawyer specialising in the areas of Corporate Commercial Law and Intellectual Property Law.

Muigai holds a Masters Degree in International Commercial Law, with a Speciality in foreign direct investment from the University of Kent, an LLB Degree from the University of Kent, United Kingdom and a Diploma from the Kenya School of Law.

BOARD OF DIRECTORS

ALI HUSSEIN KASSIM
Director (Non-Executive, Independent)

Ali Hussein Kassim was appointed an Independent Non-Executive Director of Longhorn Publishers Plc in February 2014. He is currently the Chief Executive Officer and Co-Founder of FinteXX Technology - a Pan African Fintech company. He is also a Principal at AHK & Associates which is a Digital Transformation Consultancy.

He is a Founding Member of Demo Venture, serves as an advisory board member of DEMO Africa and is also a Trustee of the Kenya ICT Action Network (KICTANet) and chairs the National BlockChain Working Group at KICTANet.

Ali also serves as a Board member in Law Africa, a leading Law Publisher in East Africa and Alive & Kicking, a social Enterprise with operations in 3 African countries. His board experience also includes a six-year term as a board member at the Kenya Network Information Centre - the .keRegistry between 2006-2012. He was the founding CEO of Wunderman (Kenya), a Global Digital top ten Agency.

Ali brings to the Board extensive experience in ICT Strategy, marketing, CRM, new media & business development in various industries and has assisted blue chip brands in East Africa (Kenya Airways, Nation Media Group, KREP Bank, Jubilee Insurance, KWFT, Gulf African Bank, Standard Chartered and Sameer Investments among others) with their digital strategies. Ali Chairs the Audit and Risk Committee.

ENID MURIUKI
Company Secretary

Enid is a Certified Public Secretary and a Certified Governance Auditor with 18 years' experience in matters of corporate governance and statutory compliance.

Enid has extensive experience working with boards in the establishment of good governance structures and practices, guiding Directors and Management to better understand their roles and responsibilities under the governance framework, and advising on companies' compliance with their constitutive documents, the Companies Act and other relevant regulations.

She is a member of the Institute of Certified Public Secretaries of Kenya.

MANAGEMENT TEAM

MAURICE KAHARA
Chief Commercial Officer

Maurice Kahara was appointed the Chief Commercial Officer in October 2017 and has an illustrious career spanning 17 years with the company.

Maurice oversees Longhorn Publishers Plc commercial function across the segments for the entire Group.

He is highly experienced in editorial, sales and marketing divisions, having overseen growth of Kenya sales turnover by 46% over the last 3 years.

He holds a Bachelor's Degree in Education (Communication & Linguistics) from Maseno University and is currently pursuing his Masters Degree in Corporate & Business Management at Kenya Methodist University.

MOSES AUTA
Head of Publishing

Moses Auta was appointed the Head of Publishing in June 2017 and has an illustrious career spanning 16 years with the Company.

Moses is responsible for the long-term profitable publishing plans in line with the division's overall Publishing Strategy.

He has vast experience in publishing and editorial divisions, having overseen development, submission and approval of key products across the segments for the entire Group.

Moses holds a Bachelor's Degree in Information Science from Moi University and is currently pursuing a Master of Philosophy Degree in Communication Studies from the same University.

LOREEN MUHANDO
Head of Human Capital & Administration

Loreen Okang'a-Muhando was appointed the Head of Human Capital & Administration in August 2016.

Loreen provides leadership and direction on the people agenda, working with partners and staff to drive Longhorn's Strategy & Growth.

She holds a Bachelor of Education Degree, Arts from Kenyatta University, a Higher National Diploma in Human Resource and is currently pursuing a Master's Degree in Strategic Communication at Daystar University. She is also pursuing a Diploma towards becoming a Certified Engagement and Productivity Coach from CDI-Africa.

Loreen has over a decade of experience with knowledge of Private & Public organizations both domestically and internationally in FMCG, Telecommunication and Financial Services. As an accomplished HR practitioner, she leverages her background in People Strategy Formulation & Execution to drive the Longhorn Organizational Design and Development and People as well as Culture Transformation to ensure achievement of long-term success.

MANAGEMENT TEAM

EVANS ROTICH
Chief Digital Officer

Evans Rotich was appointed the Chief Digital Officer in August 2015.

He is responsible for driving growth through the development and distribution of digital learning resources.

Evans has vast experience in the publishing industry as a Science (Biology, Chemistry, Agriculture, Home science and Primary Science), E-learning and Examination editor. He also worked as a Biology and Chemistry teacher at Kerotet Girls High School for 4 years.

Evans holds a Bachelor's Degree (B.Ed Science) from Moi University and is currently pursuing a Masters degree in Computer System from Jomo Kenyatta University. He has gone through various short career courses from a number of technology firms locally and globally.

JOE GOGO
Group Head of ICT

Joe was appointed the Group Head of ICT in October 2014.

He is responsible for delivery of high quality ICT solutions and services to the company.

Joe has over 10 years' experience in the ICT field having worked in various sectors like NGOs, Government and the private sector.

Joe holds an MBA in Strategic Management and a BSC degree in Computer Science including trainings in CCNA, PMP, Microsoft Exchange Serve 2013, MCITP Server Administration and Server Virtualization.

NOTICE OF ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS
LONGHORN PUBLISHERS PLC

NOTICE is hereby given that the year 2018 Annual General Meeting of the Company will be held at the Nairobi Serena Hotel, Kenyatta Avenue, Nairobi on Friday, 23 November 2018 at 11:00 a.m. to transact the following 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 8 December 2017.
3. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2018 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.
4. To approve a final dividend of Kshs. 0.42 per share in respect of the financial year ended 30 June 2018 as recommended by the Directors. The dividend will be payable on or before 22 February 2019 to the shareholders on the Register of Members as at the close of business on 23 November 2018.
5. To re-elect Directors:-

    5.1 Mr Muigai Githu 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.

    5.2 Mr Fredrick Murimi 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 Mr Ali Hussein Kassim 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.

6. Pursuant to Section 769(1) of the Companies Act 2015, to elect the following directors, being members of the Board Audit & Risk Committee, to continue to serve as members of the Committee:-
    - Mr Ali Hussein Kassim (Chairman)
    - Mrs Susan Omanga
    - Mrs Truphosa Kwaka-Sumba
    - Mr Raymond Nyamweya Ondieki
    - Mr Fredrick Murimi
7. To approve the Directors' Remuneration and the Directors' Remuneration Report for the financial year ended 30 June 2018.
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.
9. Any other business of which due notice has been given.

BY ORDER OF THE BOARD

ENID MURIUKI (MRS)

COMPANY SECRETARY

Date: 31 October 2018

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, PO Box 30029, 00100 Nairobi or at the offices of Longhorn Publishers Plc, 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 Plc, Funzi Road, Industrial Area, Nairobi.

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

The Board of Directors of Longhorn Publishers Plc ("the Company") is at the core of Longhorn's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Company.

The Board regards good corporate governance as critical to the success of the business of the Company and is unreservedly committed to applying the fundamental principles of good governance, namely: transparency, integrity, accountability and responsibility, in all dealings and in respect and on behalf of the Company.

The Board accordingly embraces the principles of good governance as set out in the Code of Corporate Governance practices for Issuers of Securities to the Public 2015.

In addition to the above compliance, the Board has also ensured implementation of internal control systems that support good governance, as well as systems to ensure business partners are also complying with the highest standards of integrity and business ethics.

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

BOARD COMPOSITION

The Board is composed of nine directors who include one Executive Director and eight Non-Executive Directors. Three of the Non-executive Directors are Independent Directors. The Chairman of the Board of Directors 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 a variety of skills and expertise including in business management, information technology, marketing and public relations, governance and leadership, legal, banking and finance, accounting, strategy and human resources.

The members of the Board of Directors are as follows:-

Director	Nationality	Title	Date of appointment
Hon Francis T Nyammo	Kenyan	Non-Executive	01/07/1977
Centum Investment Company Plc	Body Corporate	-	22/02/2008
Mr Raymond Nyamweya	Kenyan	Non-Executive	01/04/2004
Mrs Susan Omanga	Kenyan	Independent Non-executive	15/11/2010
Mr Ali Hussein Hussein	Kenyan	Independent Non-executive	01/03/2014
Mrs Truphosa Kwaka-Sumba	Kenyan	Independent Non-executive	01/12/2014
Mr Muigai Githu	Kenyan	Non-Executive	20/08/2015
Mr Fredrick Murimi	Kenyan	Non-Executive	21/04/2017
Mr Samuel Kariuki	Kenyan	Non-Executive	29/05/2018
Mr Simon Ngigi*	Kenyan	Executive – Outgoing Group Managing Director	11/05/2015
Mr Maxwell Wahome**	Kenyan	Executive – Incoming Group Managing Director	04/09/2018

*Simon Ngigi resigned as Group Managing Director W.E.F 3rd September 2018.

**Maxwell Wahome was appointed Group Managing Director W.E.F 4th September 2018

CORPORATE GOVERNANCE STATEMENT

Board Operations

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 key responsibilities of the Board of Directors include oversight of strategy formulation, risk identification and mitigation, senior management selection and compensation, integrity of financial controls and general compliance. The Board endeavours to, at all times, act in the best interests of the Company.

The Board meets at least once every quarter but meets more regularly should circumstances warrant. The Chairman, working closely with the Company Secretary and in consultations with the Group Managing Director, comes up with an Annual Board Work Plan for the Board and the agenda for Board meetings.

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

DIRECTOR	7 SEPTEMBER 2017	25 NOVEMBER 2017	23 FEBRUARY 2018
F T Nyammo	√	√	√
S Ngigi	√	√	√
T Kwaka-Sumba	√	√	√
Centum Inv Co. Ltd	√	√	√
R Nyamweya	√	√	√
A K Hussein	-	√	√
S Omanga	√	√	√
M Githu	√	√	√
F Murimi	√	√	√

The Group Managing Director ensures that non-executive directors receive reports and information on a quarterly basis, or on a more regular basis if warranted, which enables them to scrutinise the Company's operations and performance. Directors may also suggest items for discussion at meetings as well as request for additional information or a briefing on any topic prior to meetings.

The Board of Directors is committed to continually improving its effectiveness and has in place a programme for continuous Board development. New Directors are also appropriately inducted regarding the Company's business and the operating environment, their roles and responsibilities to various stakeholders, including their statutory obligations. Directors can also take independent professional advice if and when deemed necessary.

The Board is also keen to assess its performance in line with the provisions of the Code for Corporate Governance for Issuers of Securities to the Public, 2015. The Board, with the assistance of an external consultant, conducted an evaluation of the performance of the Board and its Committees, individual directors, the Chairman and the Company Secretary. Actions to implement the improvement recommendations are ongoing. The Company also participated in the Corporate Governance self-assessment exercise facilitated through the Capital Markets Authority.

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:

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, 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. Specifically, the Committee has oversight over the following areas:-

- Financial reporting and disclosure matters which includes review of periodic accounts before their publishing as well as considering the internal and external audit findings in order to identify any material weaknesses in financial and accounting control systems.

- Risk Management and Internal Controls which includes review of the Company's risk management processes and assessing the adequacy of the overall control environment, as well as monitoring compliance with relevant legislation.
- Oversight over External Audit/Auditors activities including the independence, objectivity and effectiveness of the External Auditor.
- Oversight over Internal Audit activities including, review of the Internal Audit Charter, internal audit plans and reports, as well as the structuring and resourcing of the team.

The Audit & Risk Committee has five members, three of whom are independent non-executive directors.

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

Member	30 August 2017	28 November 2017	26 January 2018
R Nyamweya	√	√	√
A K Hussein	√	√	√
M Githu*	-	√	-
F Murimi	√	√	√
T Kwaka-Sumba***	-	-	-
S Omanga***	-	-	-

* M Githu ceased to be a Member effective February 2018
*** T Kwaka-Sumba was appointed effective February 2018
*** S Omanga was appointed effective February 2018

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. Specifically, the committee reviews, evaluates and when appropriate, makes recommendations to the Board on the following matters:

- Strategic Planning: With respect to the Company's mission and core strategy, the Company's strategic plan objectives and the strategy development processes.
- Mergers and Acquisitions: With respect to major acquisition and disposition opportunities.
- Financial Planning: With respect to capital structure of the Company, financial plans, the dividend policy and other financing proposals.
- Investment Policy: On corporate investment policies.
- Corporate Investment: Provides advice to Management with respect to the Company's corporate social investment activities.

A summary of attendance at the Operations and Strategy Committee meetings held in the course of the year is shown below:

Director	2 August 2017	30 November 2017	25 January 2018	30 May 2018
F Murimi (Chair)	√	√	√	√
R Nyamweya	√	√	√	√
A K Hussein	√	√	√	√
S Omanga*	√	√	√	-
T Kwaka-Sumba**	√	√	√	-
M Githu ***	-	-	-	√
Centum****	-	-	-	√

* S Omanga ceased to be a Committee Member effective February 2018
** T Kwaka-Sumba ceased to be a Committee Member effective February 2018
*** M. Githu was appointed a Committee Member effective February 2018
**** Centum's representative appointed to the Committee effective February 2018

CORPORATE GOVERNANCE STATEMENT

Nominations, Governance and Human Resources Committee

The role of the Nominations, Governance and Human Resources Committee is to make recommendations regarding the composition, operations and performance of the Board as well as the Company's human resources. Specifically, the Committee is responsible for:

- Assessing and recommending to the Board for its selection, suitable candidates to serve on the Board;
- Making recommendations as to the size, composition, structure, operations, performance and effectiveness of the Board;
- Recommending the level of remuneration of directors and any reviews to the Board of Directors;
- Leading the Board in the annual review of its performance as well as the performance of the Board Committees;
- Overseeing the performance and succession planning process for the Managing Director and the Senior Management team;
- Reviewing and monitoring the Company's Human Resources management strategy to determine whether the Human Resource plans and initiatives will enable the Company to achieve its strategic objectives;
- Reviewing and when appropriate, recommending to the Board the Company's Human Resources policies as well as make recommendations to the Board regarding incentive compensation plans;
- Developing and recommending to the Board a set of corporate governance principles, including independence standards; and
- Taking a leadership role in shaping the corporate governance of the Company.

The Nominations, Governance and Human Resource Committee has five members, three of whom are independent non-executive directors.

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

Director	2 August .2017	28 November 2017	25 Jan 2018	3 May 2018
T Kwaka-Sumba (Chair)	√	√	√	√
R Nyamweya*	√	√	√	-
A K Hussein	√	√	√	√
S Omanga	√	√	√	-
Centum Investment Co. Ltd	√	√	√	√
M Githu	√	√	√	√

* R Nyamweya ceased to be a Committee Member effective February 2018

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 interest 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. The Secretary also ensures that formal records of Board discussions are maintained and follows up to ensure timely execution of agreed actions.

Conflict of Interest

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

It is the responsibility of every director 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 has adopted a conflict of interest policy and ensures that business transactions are conducted at arm's length.

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.

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.

Communication with Shareholders

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

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.

Principal Activity

Longhorn is a leading provider of innovative learning materials & solutions in the East & Central African 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.

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.

Capital Structure

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

Shareholder	No. of Shares	Percentage
CFC Stanbic Nominees Limited A/c R98301	164,014,078	60.20
Pacific Futures and Options Limited	35,011,750	12.85
Francis Thombe Nyammo	16,018,000	5.88
Halifax Capital Corporation Limited	12,238,484	4.49
Kamami Investments Limited	3,114,050	1.14
Text Book Centre Limited	2,854,450	1.05
Mrs Jane Kaari Mugiri (Deceased)	1,513,600	0.56
The Estate of The Late Ephantus M'Mwiandi Mugiri c/o Mrs Jane Kaari Mugiri	1,477,600	0.54
Kahuho Holdings Limited	1,446,150	0.53
Kanaiyalal Mansukhlal & Shah Lalitaben Kanaiyalal Shah	1,408,970	0.52
Others	33,343,341	12.24
Total issued Shares	**272,440,473**	**100.00**

- Centum Investment Company Plc has a beneficial interest in 164,014,078 shares (60.2%) held by CFC Stanbic Nominees Limited A/c R98301.
- Hon. Francis Thombe Nyammo holds 16,001,001 (5.88%) shares and also 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 12,238,484 (4.49%) in the Company.

	No. of shareholders	No. of shares	%
Less than 500		144,563	0.05
501 - 5000	999	2,135,485	0.78
5001 – 10,000	289	2,150,047	0.79
10,001 – 100,000	351	10,385,151	3.81
100,001 – 1,000,000	46	13,611,414	5.00
Above 1,000,000	18	244,013,813	89.57
Totals	**2,300**	**272,440,473**	**100.00**

DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 30th June 2018.

BUSINESS REVIEW

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

During the year, the Group's revenue increased by Shs 244,544,000 (17% increase compared to prior year) which is attributable to good performance in local and regional markets driven by growth in market size and obtaining government orders. Sales volumes increased by 82% from 3.4M copies to 6.2M copies. As a result, the Group's profit after tax was Shs 183,604,000 which is 38% higher compared to the previous year is 133,876,000. This is because of increased sales and cost management initiatives.

KEY PERFORMANCE RATIOS

The table below highlights some of the key performance indicators:

Performance ratios	Group		Company	
	2018	2017	2018	2017
Revenue in (Shs '000')	1,696,318	1,451,774	1,519,132	1,282,658
Gross profit as a percentage of revenue	54%	52%	54%	53%
Operating profit as a percentage of revenue	21%	16%	24%	19%
Profit after income tax (Shs '000'.)	183,604	133,876	195,867	156,259
Net assets (Shs '000')	1,039,638	945,706	1,101,909	985,050

DIVIDEND

The consolidated net profit for the year of Shs 183,604,000 (2017: Shs 133,876,000) has been added to retained earnings. The directors recommend the approval of a final dividend of Shs 115,000,000 (2017: Shs 80,000,000).

DIRECTORS

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

- Hon. F. T. Nyammo - Group Chairman
- Simon Ngigi - Group Managing Director (Resigned on 3rd September, 2018)
- Raymond Nyamweya
- Truphosa Kwaka-Sumba (Mrs)
- Susan N. Omanga (Mrs)
- Ali Hussein Kassim
- Muigai Githu
- Centum Investment PLC
- Fredrick Murimi

AUDITOR

DISCLOSURES TO AUDITOR

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.

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 AUDITOR

PricewaterhouseCoopers have expressed willingness to 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

31 August 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Kenyan 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 of their profit or loss for that year. 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 2015. 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 suitable accounting policies and then apply them consistently; 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 the 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 31/08/2018 and signed on its behalf by:

__________________________ __________________________

Hon. F T Nyammo Simon Ngigi

DIRECTORS' REMUNERATION REPORT

INFORMATION NOT SUBJECT TO AUDIT

The remuneration for Non-executive directors is determined by the Board of Directors with the support of the Nominations, & Governance, Remuneration & Human Resources 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 & Governance, Remunerations & Human Resources Committee.

INFORMATION SUBJECT TO AUDIT

The following table shows remuneration for the Executive Director, Chairman and Non-Executive directors in respect of qualifying services for the year ended 30 June 2018 together with the comparative figures for the year ended 30 June 2017. The aggregate Directors' emoluments are shown on page 87.

	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 2017						
Hon. F. T. Nyammo	-	1,365	-	1,800	-	3,165
Simon Ngigi	15,600	-	1,200	-	48	16,848
Muigai Githu	-	609	-	-	-	609
Raymond Nyamweya	-	967	-	-	-	967
Susan N. Omanga	-	624	-	-	-	624
Ali Hussein Kassim	-	981	-	-	-	981
Sara Ruto	-	333	-	-	-	333
Truphosa Kwaka (Mrs)	-	781	-	-	-	781
Centum Investment Plc	-	1,049	-	-	-	1,049
	15,600	6,709	1,200	1,800	48	25,357
For the year ended 30 June 2018						
Hon. F. T. Nyammo	-	1,520	-	595	-	2,115
Simon Ngigi	14,955	-	1,926	-	578	17,459
Muigai Githu	-	690	-	-	-	690
Raymond Nyamweya	-	766	-	-	-	766
Susan N. Omanga (Mrs)	-	589	-	-	-	589
Ali Hussein Kassim	-	801	-	-	-	801
Truphosa Kwaka (Mrs)	-	725	-	-	-	725
Centum Investment Plc	-	1,658	-	-	-	1,658
	14,955	6,749	1,926	595	578	24,803

On behalf of the Board

________________________ **31 August 2018**

Hon. F. T. Nyammo

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS PLC

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Longhorn Publishers Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 48 to 87, which comprise the consolidated statement of financial position as at 30 June 2018 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, together with the Company statement of profit or loss and other comprehensive income, Company statement of financial position as at 30 June 2018, the statement of changes in equity and statement of cash flows for 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 accompanying financial statements of Longhorn Publishers Plc give a true and fair view of the financial position of the Group and the Company as at 30 June 2018 and of their 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 judgement, 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 opinion on these matters.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS PLC (CONTINUED)

Key audit matter	How our audit addressed the matter
Valuation of goodwill As explained under note 15 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 involve significant judgement about the future results of the business and 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 challenged management on the adequacy of their sensitivity calculations. We satisfied ourselves that this has been appropriately disclosed in the financial statements. We found the assumptions to be consistent and in line with our expectations.

Other information

The other information comprises the directors' report, statement of directors' responsibilities and directors' remuneration report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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 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 rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS PLC (CONTINUED)

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 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.

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.

- 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 Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LONGHORN PUBLISHERS PLC (CONTINUED)

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

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 directors' report on pages 40 to 41 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part in the directors' remuneration report on page 43 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

Certified Public Accountants

Nairobi, 31/08/2018

CONSOLIDATED STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2018 Shs'000	2017 Shs'000
Revenue	5	1,696,318	1,451,774
Cost of sales		(781,140)	(702,173)
Gross profit		915,178	749,601
Other income		229	2,352
Distribution costs		(134,591)	(169,445)
Administrative expenses		(422,452)	(350,812)
Operating profit		358,364	231,696
Finance costs	6	(85,218)	(52,549)
Profit before income tax		273,146	179,147
Income tax expense	9	(89,542)	(45,271)
Profit for the year		183,604	133,876
Profit / (loss) attributable to:			
- Owners of the parent		183,031	133,973
- Non - controlling interest		573	(97)
		183,604	133,876
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(10,664)	(15,250)
Total comprehensive income for the year		172,940	118,626
Earnings per share			
Basic and diluted earnings per share	10	0.67	0.49

The notes on pages 56 to 87 are an integral part of these financial statements.

COMPANY STATEMENT OF PROFIT & LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 30 June 2018 Shs'000	2017 Shs'000
Revenue		1,519,132	1,282,658
Cost of sales		(697,089)	(607,594)
Gross profit		822,043	675,064
Other income		969	575
Distribution costs		(118,788)	(152,956)
Administrative expenses		(346,848)	(274,516)
Operating profit		357,376	248,167
Finance costs	6	(76,805)	(47,954)
Profit before income tax		280,571	200,213
Income tax expense	9	(84,704)	(43,954)
Profit for the year		195,867	156,259
Other comprehensive income		-	-
Total comprehensive income for the year		195,867	156,259

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 Shs'000	2017 Shs'000
ASSETS			
Non-current assets			
Property and equipment	12(a)	207,490	220,949
Intangible assets	13(a)	4,805	7,877
Intangible asset (Pre- publishing cost)	13(b)	403,705	243,652
Goodwill	15	125,786	125,786
Deferred income tax	16	11,914	9,595
		753,700	607,859
Current assets			
Inventories	17	440,697	445,525
Trade and other receivables	18	793,652	784,819
Cash and bank balances	19	419,480	20,531
		1,653,829	1,250,875
TOTAL ASSETS		2,407,529	1,858,734
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium		368,289	368,289
Retained earnings		443,673	339,650
Translation reserve		(45,107)	(34,443)
		1,039,295	945,936
Non-controlling interest		343	(230)
Total equity		1,039,638	945,706
Liabilities			
Current liabilities			
Trade and other payables	21	722,540	553,196
Current income tax		59,852	16,756
Borrowings	22	584,799	334,194
Bank overdraft	19	700	8,882
Total liabilities		1,367,891	913,028
TOTAL EQUITY AND LIABILITIES		2,407,529	1,858,734

The financial statements on pages 48 to 87 were approved for issue by the board of directors on 31 August 2018 and signed on its behalf by:

Hon. F. T. Nyammo

Simon Ngigi

The notes on pages 56 to 87 are an integral part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018 Shs'000	2017 Shs'000
ASSETS			
Non-current assets			
Property and equipment	12	143,935	158,452
Intangible assets	13 (a)	3,325	6,184
Intangible assets (Pre- publishing cost)	13 b	334,010	227,402
Investment in subsidiaries	14	166,594	166,594
Deferred income tax	16	7,633	476
		655,497	559,108
Current assets			
Inventories	17	383,011	328,868
Trade and other receivables	18	687,059	625,096
Due from subsidiary companies	26 (a)	299,302	239,021
Cash and bank balances	19	410,179	9,035
		1,779,551	1,202,020
TOTAL ASSETS		2,435,048	1,761,128
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium		368,289	368,289
Retained earnings		461,180	344,321
Total equity		1,101,909	985,050
Liabilities			
Current liabilities			
Borrowings	22	532,632	280,886
Trade and other payables	21	728,520	477,911
Due to subsidiary company	26 (b)	17,898	-
Bank overdraft	19	211	11,821
Current income tax		53,878	5,460
Total liabilities		1,333,139	776,078
TOTAL EQUITY AND LIABILITIES		2,435,048	1,761,128

The financial statements on pages 48 to 87 were approved for issue by the board of directors on 31 August 2018 and signed on its behalf by:

Hon. F. T. Nyammo

Simon Ngigi

The notes on pages 56 to 87 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 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)
At end of year	272,440	368,289	339,650	(34,443)	(230)	945,706
Year ended 30 June 2018						
As start of year	272,440	368,289	339,650	(34,443)	(230)	945,706
Profit for the year	-	-	183,031	-	573	183,604
Other comprehensive loss for the year						
Exchange difference on transaction of foreign operations	-	-	-	(10,664)	-	(10,664)
Transactions with owners						
Dividends:						
- 2017 dividends paid	-	-	(79,008)	-	-	(79,008)
At end of year	272,440	368,289	443,673	(45,107)	343	1,039,638

The notes on pages 56 to 87 are an integral part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2017	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Total equity Shs'000
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)
At end of year	272,440	368,289	344,321	985,050
Year ended 30 June 2018				
As at start of the year	272,440	368,289	344,321	985,050
Profit for the year	-	-	195,867	195,867
Dividends paid				
- 2017 dividends paid	-	-	(79,008)	(79,008)
At end of year	272,440	368,289	461,180	1,101,909

The notes on pages 56 to 87 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2018 Shs'000	2017 Shs'000
Cash flows from operating activities			
Cash generated from operations	23	505,011	280,189
Net exchange gain		(6,803)	6,040
Income tax paid		(48,766)	(36,932)
Net cash generated from operating activities		449,442	249,297
Cash flows from investing activities			
Purchase of property and equipment	12	(18,445)	(5,488)
Proceeds from disposal of vehicles, property and equipment		4,418	18,504
Purchase of intangible assets	13 (a)	(1,328)	(4,694)
Investment in subsidiary		-	(23,426)
Purchase of intangible assets (pre-publishing costs)	13 (b)	(182,793)	(104,465)
Net cash used in investing activities		(198,148)	(119,569)
Cash flows from financing activities			
Net bank borrowings received/(paid)	22	250,605	(197,775)
Dividends paid to shareholders		(79,008)	(120,354)
Net cash generated/(used in) from financing activities		171,597	(318,129)
Net increase/(decrease) in cash and cash equivalents		422,891	(188,401)
At start of year		11,649	204,049
Translation differences on cash and cash equivalents		(15,761)	(3,999)
At end of year	19	418,780	11,649

The notes on pages 56 to 87 are an integral part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS

	Notes	Year ended 30 June 2018 Shs'000	2017 Shs'000
Cash flows from operating activities			
Cash generated from operations	23	428,131	252,628
Net exchange (loss)/gain		(6,737)	5,685
Income tax paid		(43,443)	(37,287)
Net cash generated from operating activities		377,951	221,026
Cash flows from investing activities			
Purchase of property and equipment	12	(12,047)	(1,800)
Proceeds from disposal of property and equipment		4,418	8,138
Purchase of intangible assets		(958)	(2,487)
Investment in subsidiary		-	(23,901)
Purchase of intangible assets (pre-publishing costs)	13(b)	(129,348)	(88,215)
Net cash used in investing activities		(137,935)	(108,265)
Cash flows from financing activities			
Net bank borrowings received/(paid)	22	251,746	(195,842)
Dividends paid to shareholders		(79,008)	(120,354)
Net cash generated from/(used in) financing activities		172,738	(316,196)
Net increase/(decrease) in cash and cash equivalents		412,754	(203,435)
At start of year		(2,786)	200,649
At end of year	19	409,968	(2,786)

The notes on pages 56 to 87 are an integral part of these financial statements.

1. General Information

Longhorn Publishers Plc is a limited liability company incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The Consolidated financial statements of the group as at and for the year ended 30 June 2018 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 Statement of profit or loss and other comprehensive income, 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, 2015. 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

Amendments to IAS 7, Statement of cash flows on disclosure initiative (effective for annual periods beginning on or after 1 January 2017) These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses (effective for annual periods beginning on or after 1 January 2017) These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

Annual improvements 2014–2016 – IFRS 12, 'Disclosure of interests in other entities' regarding clarification of the scope of the standard (effective for annual periods beginning on or after 1 January 2017) This amendment clarifies 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.

2. Summary of significant accounting policies (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

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 has estimated the impact of the new standard on the Group's financial statements. If IFRS 15 had been adopted in the current financial year, the reported revenues would not be affected. The directors, therefore, have concluded that the adoption of the new standard will not have a significant impact on the Group. The new standard is effective for annual periods beginning on or after 1 January 2018.

IFRS 9 Financial instruments'

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 Profit or loss.

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.

Contemporaneous documentation is still required but is not different to that currently prepared under IAS 39. The standard is expected to impact mainly impairment provision on receivables but it's not currently considered likely to have any major impact on the Group's current accounting. The standard is mandatory for financial years commencing on or after 1 January 2018.

2 Summary of significant Accounting policies (continued)

(a) Basis of preparation (continued)

IFRS 16 Leases

Nature

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases.

The accounting for lessors will not significantly change.

Impact

The standard is expected to have a significant impact.

Date of adoption

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(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.

2 Summary of significant accounting policies (continued)

(b) Consolidation Principles (continued)

(i) Subsidiaries (continued)

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.

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 measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interests in the acquiree (if any) over the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed. If, after reassessment, the net of the acquisition date fair values of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquire (if any), such excess is recognised immediately in profit or loss as bargain purchase gain.

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 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.

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 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.

Dividend income is recognised when the right to receive payment is established.

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 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)

(i) Intellectual property

Intellectual property 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 life of ten years.

(ii) Pre-publication costs

Pre-publication costs represent direct costs such as printing costs, type-setting costs and staff costs incurred in the development of titles prior to their publication. These costs are carried forward in current intangible assets where the title will generate probable future economic benefits and costs can be measured reliably. These costs are amortised upon publication of the title over estimated economic lives of ten years or less, being an estimate of the expected operating life cycle of the title. The investment in pre-publication has been disclosed as part of the investing activities in the cash flow statement.

(iii) Impairment

At the end of each reporting period, the Group reviews the carrying amounts of its 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.

2 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Other employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual 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.

(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.

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.

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.

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.

- *Income taxes*

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.

- *Impairment of goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

For purposes of impairment testing, 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.

- *Intellectual property and pre-publication assets*

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. The estimated lifecycle is 10 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.

3 Critical accounting estimates and judgements (continued)

(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 2018, if the currency had weakened/strengthened by 5% (2017: 5%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been increased/reduced by Shs 867,706 (2017: 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 20,468,000 (2017: Shs 11,696,000).

4 Financial risk management objectives and policies (continued)

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.

Group

The table below details the maximum exposure to credit risk:

	Fully performing	Past due but not impaired	Impaired	Total
30 June 2018	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Trade receivables	250,457	458,858	30,999	740,314
Staff receivables	-	13,043	-	13,043
Other receivables	43,111	-	-	43,111
Bank balances	419,480	-	-	419,480
	713,048	471,901	30,999	1,215,948
30 June 2017				
Trade receivables	553,659	133,270	34,466	721,395
Staff receivables	-	10,365	-	10,365
Other receivables	59,641	-	-	59,641
Bank balances	20,531	-	-	20,531
	633,831	143,635	34,466	811,932

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

	2018	2017
	Shs'000	**Shs'000**
Age in Days:		
120+ days	471,901	143,635

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 year end is made up as follows

	Fully performing	Past due but not impaired	Impaired	Total
	Sh'000	Sh'000	Sh'000	Sh'000
30 June 2018				
Trade receivables	264,272	367,577	16,806	648,655
Bank balances	410,179		-	410,179
Staff receivables	-	7,127	-	7,127
Other receivables	31,419	-	-	31,419
Due from subsidiaries	-	299,302	-	299,302
	705,870	674,006	16,806	1,396,682
30 June 2017				
Trade receivables	464,971	130,233	17,941	613,145
Bank balances	9,035	-	-	9,035
Staff receivables	-	4,245	-	4,245
Other receivables	2,777	-	-	2,777
Due from subsidiaries	-	239,021	-	239,021
	476,783	373,499	17,941	868,223

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

	2018	2017
	Shs'000	Shs'000
Age in Days		
120+ days	353,767	379,619

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 2018				
Trade and other payables	101,522	79,021	541,996	722,539
Borrowings	-	-	584,799	584,799
Bank overdraft	-	700	-	700
	101,522	79,721	1,126,795	1,308,038
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
Company				
At 30 June 2018				
Trade and other payables	98,044	80,804	555,343	734,191
Borrowings	-	-	532,632	532,632
Bank overdraft	-	211	-	211
	98,044	81,015	1,087,975	1,267,034
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

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 2018 the group's strategy, which remained the same as 2017, was to maintain a gearing ratio below 40%. The gearing ratios at 30 June 2018 and 30 June 2017 were as follows:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Share capital	272,440	272,440	272,440	272,440
Share premium	368,289	368,289	368,289	368,289
Reserves	398,566	305,207	461,180	344,321
Equity	1,039,295	945,936	1,101,909	985,050
Borrowings	584,799	334,194	532,632	280,886
Overdraft	700	8,882	211	11,821
Less: Cash and cash equivalents	(419,480)	(20,531)	(410,179)	(9,035)
	166,019	322,545	122,664	283,672
Gearing ratio:	16%	34%	11%	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, Zambia and Rwanda. The table below contains segmental information provided to the Chief Operating Decision Maker for the year ended 30 June 2018.

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 COD.

5 Operating segments (continued)

	Kenya	Tanzania	Uganda	Rwanda	Inter segment transactions	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
30 June 2018						
Sales and other income	1,601,684	45,760	46,486	2,388	-	1,696,318
Cost of sales and other expenditure	(720,659)	(24,350)	(30,731)	(5,400)	-	(781,140)
Profit/(loss) before taxation	289,905	(11,548)	(2,200)	(3,011)	-	273,146
Assets	2,822,931	99,605	72,228	35,799	(349,081)	2,681,482
Liabilities	1,459,618	71,695	115,998	49,078	(273,439)	1,422,950

	Kenya	Tanzania	Uganda	Rwanda	Inter segment transactions	Total
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	(4,108)	(14,437)	(1,302)	-	179,147
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

6 Finance costs

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Interest expense	78,415	58,589	70,068	53,639
Exchange losses/(gain)	6,803	(6,040)	6,737	(5,685)
	85,218	52,549	76,805	47,954

7 Profit before taxation

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

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation (Note 12)	21,545	27,537	15,142	19,217
Amortisation of intangible assets (Note 13)	5,156	4,798	3,817	3,727
Directors' emoluments (Note 26)	27,788	28,472	24,803	25,357
Auditors' remuneration	11,810	8,005	6,922	3,698
Staff costs (Note 8)	251,365	210,695	208,772	168,851
(Recovery)/provision of bad debts	(3,467)	(20,138)	(1,135)	(11,347)
(Gain)/loss on disposal of property and equipment	10,282	(1,493)	11,422	665

8 Staff costs

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

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and wages	166,534	160,482	131,929	128,926
Pension costs	9,389	10,421	9,235	9,794
Leave pay	14,989	14,224	13,772	12,500
Other staff costs	44,814	8,542	38,489	1,362
Staff medical expenses	15,639	17,026	15,347	16,269
	251,365	210,695	208,772	168,851

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

Number of employees	193	114	168	80

9 Income tax expense

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Current tax	91,861	39,702	91,861	39,702
Deferred tax (Note 16)	(2,319)	5,569	(7,157)	4,252
Income tax expense	89,542	45,271	84,704	43,954

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:

	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	273,146	179,147	280,571	200,213
Tax at the applicable rate 30% (2017: 20%)	81,945	35,829	84,171	40,043
Tax effects of:				
-Expenses not deductible for tax purposes	533	2,313	533	2,319
-Tax losses where no deferred tax is recognised	4,859	5,537	-	-
Under /(over) provision of deferred tax in prior years	2,205	1,592	-	1,592
Income tax expense	89,542	45,271	84,704	43,954

10 Earnings per share-Basic and diluted

	2018	2017
Profit attributable to ordinary shareholders (Sh'000)	183,604	133,973
Ordinary/Weighted average number of ordinary shares in issue	272,440,000	272,440,000
Basic and diluted earnings per share (Sh)	0.67	0.49

11 Dividends per share

The directors recommend a dividend payment of Shs 0.42 per share, equivalent to Shs 115,000,000 for the year ended 30 June 2018 (2017: Shs 0.30 per share equivalent to Shs 80,000,000).

12 (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 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	49,381	15,451	230,355
Year ended 30 June 2017				
Opening net book value	165,523	49,381	15,451	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	26,834	15,299	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
Year ended 30 June 2018				
Opening net book value	178,816	26,834	15,299	220,949
Additions	5,167	-	13,278	18,445
Disposals	-	(28,938)	-	(28,938)
Depreciation charge	(4,607)	(10,178)	(6,760)	(21,545)
Depreciation on disposals	-	14,238	-	14,238
Exchange adjustment	1,227	3,114	-	4,341
Closing net book value	180,603	5,070	21,817	207,490
At 30 June 2018				
Cost	215,774	35,670	78,550	329,994
Accumulated depreciation	(35,171)	(30,600)	(56,733)	(122,504)
Net book value	180,603	5,070	21,817	207,490

12 (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 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
Year ended 30 June 2018				
Opening net book value	126,746	22,780	8,926	158,452
Additions	-	-	12,047	12,047
Disposals	-	(27,655)	(905)	(28,560)
Depreciation charge	(3,902)	(7,271)	(3,969)	(15,142)
Depreciation on disposals	-	16,497	641	17,138
Closing net book value	122,844	4,351	16,740	143,935
At 30 June 2018				
Cost	155,496	20,962	63,275	239,733
Accumulated depreciation	(32,652)	(16,611)	(46,535)	(95,798)
Net book value	122,844	4,351	16,740	143,935

13 (a) Intangible assets - Group

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 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
Year ended 30 June 2018			
Opening net book value	7,846	31	7,877
Additions	69	1,259	1,328
Exchange adjustment	-	756	756
Amortisation charge	(4,710)	(446)	(5,156)
Closing net book value	3,205	1,600	4,805
At 30 June 2018			
Cost	28,745	43,438	72,183
Accumulated amortisation	(25,540)	(41,838)	(67,378)
Net book value	3,205	1,600	4,805

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 Plc

13 (a) Intangible assets - Company

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 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
Year ended 30 June 2018			
Opening net book value	6,184	-	6,184
Additions	-	958	958
Amortisation charge	(3,817)	-	(3,817)
Closing net book value	2,367	958	3,325
At 30 June 2018			
Cost	25,491	35,798	61,289
Accumulated amortisation	(23,124)	(34,840)	(57,964)
Net book value	2,367	958	3,325

13 (b) Intangible assets - Publication costs

		Group		Company
	2018	2017	2018	2017
	Sh'000	Sh'000	Sh'000	Sh'000
Opening balance	243,652	144,930	227,402	144,930
Additions	127,118	68,965	73,673	52,132
Staff cost	55,675	36,083	55,675	36,083
Amortisation	(22,740)	(5,743)	(22,740)	(5,743)
Exchange adjustment	-	-583	-	-
Closing balance	403,705	243,652	334,010	227,402

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.

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

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

14 Intangible assets - Publicacation costs

	Country of incorporation	% interest held	2018 Shs'000	2017 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	337
Law Africa Publishers	Kenya	92%	124,129	124,129
			166,594	166,594

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

15 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the share of the net identifiable assets of the subsidiary at the date of acquisition. Goodwill is monitored by the directors at the level of the related cash generating unit (CGU) as follows:

	2018 Shs'000	2017 Shs'000
Law Africa Publishing Limited	125,786	125,786

Goodwill is monitored by management at the group level and management considers the whole business (Law Africa Publishers) to be one cash generating unit for the purpose of testing the impairment of goodwill. The computation of the recoverable amounts for the purposes of Goodwill testing is done on fair value less cost to sell basis or value in use calculations using discounted cashflows as follows:

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 Fair Value less cost to sell model as a result of this expenditure.

15 (b) Goodwill (Continued)

Assumption	Approach used to determine values:
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 2018 by Shs 22,538,810.

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 2018 by Shs. 49,010,858.

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

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 (%)	+10%
Average annual growth rate (%)	+64%

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

16 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (2017: 20%). The change on the tax rate from 20% to 30% is due to the expiry of the 5 year period from listing where companies are taxed at a rate of 20%

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

	Group		Company	
	2018	2017	2018	2017
	Sh'000	Shs'000	Shs'000	Shs'000
Liabilities				
Accelerated capital allowances	20,698	15,542	20,391	15,542
Assets				
Losses available for future tax relief	-	(9,119)	-	-
Unrealised exchange gains	-	407	-	407
Provisions	(30,408)	(16,425)	(28,024)	(16,425)
Tax losses	(2,204)	-	-	-
Net deferred tax asset	(11,914)	(9,595)	(7,633)	(476)

The movement on the deferred tax account is as follows:

	Group		Company	
	2018	2017	2018	2017
	Shs' 000	Shs'000	Shs' 000	Shs'000
At the beginning of year	(9,595)	(15,164)	(476)	(4,728)
Charge to income statement (Note 9)	(2,319)	3,977	(7,157)	2,660
Under/ (over) provision in prior year	-	1,592	-	1,592
	(11,914)	(9,595)	(7,633)	(476)

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. Tax loss carried forward is Ksh 62,396,000 (2017: Ksh 50,162,000)

17 Inventories

	Group		Company	
	2018	2017	2018	2017
	Shs'000	Shs'000	Shs'000	Shs'000
Books	506,476	511,641	442,958	383,526
Provision for obsolete inventories	(65,779)	(66,116)	(59,947)	(54,658)
	440,697	445,525	383,011	328,868

17 Deferred income tax

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 511, 298, 592 (2017: 523, 393, 000).

18 Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	Sh'000	Shs'000	Shs'000	Shs'000
Trade receivables	740,314	721,395	665,461	613,145
Less: Provision for bad and doubtful receivables	(30,999)	(34,466)	(16,806)	(17,941)
	709,315	686,929	648,655	595,204
Staff receivables	13,043	10,365	7,127	4,245
Prepayments	28,183	27,884	27,429	22,870
Other receivables	43,111	59,641	3,848	2,777
	793,652	784,819	687,059	625,096

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

	Group		Company	
	2018	2017	2018	2017
	Sh'000	Shs'000	Shs'000	Shs'000
At start of the year	34, 466	54,604	17,941	29,288
Unused amounts reversed	(3,467)	(20,138)	(1,135)	(11,347)
At end of year	30,999	34,466	16,806	17,941

19 Cash and cash equivalents

Cash at bank and in hand	419,480	20,531	410,179	9,035

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

	Group		Company	
	2018	2017	2018	2017
	Sh'000	Shs'000	Shs'000	Shs'000
Cash at bank and in hand	419,480	20,531	410,179	9,035
Bank overdrafts	(700)	(8,882)	(211)	(11,821)
	418,780	11,649	409,968	(2,786)

20 Share capital

Group and Company	2018	2017
	Shs'000	Shs'000
Authorised		
785,526,315 (2017: 785,526,315) ordinary shares of Shs.1 each	785,526	785,526
Issued and fully paid		
272,440,000 (2017: 272,440,000) ordinary shares of Shs.1 each	272,440	272,440

21 Trade and other payables

	2018	2017	2018	2017
	Sh'000	Shs'000	Shs'000	Shs'000
Trade payables	169,689	154,351	160,882	108,921
Royalty accruals	129,123	112,527	119,055	103,768
Payroll accruals	7,188	7,232	5,084	4,988
Other payables	416,540	279,086	443,499	260,234
	722,540	553,196	728,520	477,911

22 Borrowings

Group and Company

At start of the year	334,194	476,728	280,886	476,728
Borrowings received/ (paid)	250,605	(142,534)	251,746	(195,842)
	584,799	334,194	532,632	280,886

Bank borrowings mature within twelve (12) months and bear an average interest rate of 14% (2017: 14%). 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 (2017: 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 discounting is not material.

23 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Profit before tax	273,146	179,147	280,571	200,213
Adjustments for:				
Depreciation (Note 12)	21,545	27,537	15,142	19,217
Amortisation of intangible assets (Note 13)	5,156	4,798	3,817	3,727
Amortisation of intellectual property Note (13b)	22,740	5,743	22,740	5,743
Loss/(Profit) on disposal of equipment	10,282	(1,493)	7,004	(665)
Net exchange loss (Note 6)	6,803	(6,040)	6,737	(5,685)
Working capital changes:				
inventories	4,828	89,279	(54,143)	106,086
trade and other receivables	(8,833)	(102,931)	(61,963)	(189,425)
trade and other payables	169,344	84,149	250,609	113,417
Decrease in amounts due from subsidiaries			(42,383)	
Cash generated from operations	505,011	280,189	428,131	252,628

24 Capital commitments

There were no capital commitments as at 30 June 2018 (2017: Nil)

25 Contingent liabilities

There are currently 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.

26 Related party transactions

The ultimate parent of the Group is Centum Investment Company Plc, incorporated in Kenya. There are other companies that are related to Longhorn Publishers Plc 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 Plc. The amounts due from and due to related parties are in respect of transactions arising in the normal course of business.

26 Related party transactions

Related party transactions

	2018	2017
	Shs'000	**Shs'000**
(a) Due from subsidiaries-Company		
Longhorn Publishers (Uganda) Ltd	90,069	59,898
Longhorn Publishers (Tanzania) Ltd	91,749	85,756
Longhorn Publishers (Rwanda) Ltd	61,058	53,353
Law Africa Publishing Ltd	56,426	40,014
	299,302	239,021
(b) Due to subsidiaries-Company		
Longhorn Publishers Uganda Ltd	14,063	-
Longhorn Publishers Rwanda Limited	3,835	-
	17,898	-
(c) Loan from the Parent (Centum Investments Plc)	133,978	70,000

(d) Loan from Centum Investments Plc is denominated in Kenya Shillings. The loan was in form of a commercial paper issued at an interest rate of 20%. The loan was subsequently repaid in July 2018.

	2018	2017
Cash banked at Sidian Bank Limited	-	105,452

(e) Key management compensation

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

		Group		Company
	2018	**2017**	**2018**	**2017**
	Sh'000	**Shs'000**	**Shs'000**	**Shs'000**
Salaries and other benefits	66,472	60,511	60,872	55,570

(d) Directors emoluments

	Group		Company	
	2018	**2017**	**2018**	**2017**
	Sh'000	**Shs'000**	**Shs'000**	**Shs'000**
Fees for services as directors	9,734	9,824	6,749	6,709
Salary	14,955	15,600	14,955	15,600
Bonuses and benefits	3,099	3,048	3,099	3,048
	27,788	28,472	24,803	25,357

NOTES

NOTES

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, 23 November 2018 and at any adjournment thereof.

As witness my/our hand this day of 2018

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.

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