LONGHORN
PUBLISHERS PLC
expanding minds

INTEGRATED REPORT & FINANCIAL STATEMENTS 2020

LONGHORN PUBLISHERS PLC

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The Group

Longhorn Publishers PLC was incorporated in Kenya in the 1980s. Since then, the publicly listed Pan-African publishing house has grown its dominance as a leading content developer in the region. The Group's vision is to become the top innovative learning solutions provider in Africa.

Integrated Thinking

Our 2020 Annual Integrated Report is a demonstration of our commitment to, and strategies for, creating value for our clients, shareholders and community. This report aims to inform stakeholders about our financial and non-financial performance in 2020.

The report also provides an opportunity for the Group to evaluate and report its progress, successes, challenges, plans and strategies. The report is prepared for existing and prospective investors and also for other stakeholders for purposes of transparency and accountability. Longhorn's success is underpinned by its ability to deliver value to stakeholders anchored on a keen interest to deliver innovative learning solutions through sustainable business practices.

About Us

Our Purpose

Expanding Minds

Our Vision

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

Our Mission

To enrich lives through knowledge.

Our Core Values

Integrity

Innovation

Professionalism

Get it done

Where Longhorn operates

The Group operates in **9** markets. It has grown its presence across the continent and operates established subsidiaries in **Kenya**, **Uganda**, **Tanzania** and **Rwanda**. The Group has continued its expansion within the continent through establishment of partnerships in **Zambia**, **Malawi**, **DRC**, **Cameroon** and **South Sudan**.

We take pride in delivering world-class learning solutions with a range of educational products and services to institutions, governments, professional bodies and individual learners across Africa.

Regional Ambassadors

The Group has developed **Atlases** and **Kamusi** that have been approved for use in schools in the regional markets we operate in.

Strategic objectives	How we will get there
Scaling up in profitability	Increase our revenue through diversification into regional markets with improved margins from operational efficiencies.
Product diversification	Increase our market share in revision, reference, creative works and tertiary segments by creating unique content aligned with customer needs.
Advancement in digital learning	Provide digital learning solutions by creating innovative content and increasing our portfolio of digital products.
Enhanced customer experience	Provide excellent customer experience and enhanced customer engagement.
Attract, grow and retain the best talent	Build a progressive and collaborative working environment for our staff and enhance an open performance based culture.

Business Model

Our business model strives to oversee an efficient value chain supported by investments that ensure our strategic objectives are met through 4 main stages.

1. Identification of a learning gap and determination of the expected learning outcomes
2. Identification of authors who develop manuscripts that address the identified gaps in the market
3. Production through generation of content and printing
4. Distribution of the books through a network of retailers and partners who in turn sell the products to the ultimate customer.

Value Chain

CAPITAL	PROCESS	OUTPUT
INTELLECTUAL Our business depends largely on intellectual input from various stakeholders including our authors and publishing staff across the region that drive our publications and product development.	• Receipt of manuscripts from authors • Editorial works on approved manuscripts • Digitization and digitalization of works • Generation of apps that supplement the standard forms of learning through print material	Academic and non -academic learning materials available in both print and digital forms.
HUMAN We endeavor to create an environment that attracts, recruits and retains top talent to achieve our strategic goals.	• Competitive recruitment process • Diversification in the composition of staff and board members • Continuous staff training and staff welfare projects • Competitive wages based on industry rates • Agile working environment based on changing environmental factors such as the COVID-19 global pandemic	
SOCIAL Our stakeholders are very important to us so we aim to create an environment that will enable us to holistically grow together.	• Customer appreciation initiatives • Content creation in line with the current environment • Corporate governance • Continuous engagement with our vendors through competitive procurement processes	
FINANCIAL Our financial capital consists of a mix of equity and debt from investors and institutional lenders to support the organization's strategic objectives.	• Continuous monitoring of top line movement • Continuous improvement in operations by employing measures to boost our operational efficiencies	

OUTCOMES

a. Diversification of Products and Regional Markets

KENYA:
- Produced Mastering Primary Series which was launched in December 2019 at the Kenya Primary Schools Heads Association (KEPSHA).
- Received the Kenya Institute of Curriculum Development (KICD) approvals on 5 books, in Competency-based Curriculum (CBC) Grade 5. We were awarded printing & distribution of over 1m copies of CBC Grade 5 CRE book to all public primary schools in Kenya. Additionally, in Feb 2020, we were awarded printing & distribution of about 630,000copies of Social Studies Book 6 to all public primary schools in Kenya.
- Successfully distributed over 2 million copies of Grade 4 English and Social Studies textbooks to all public primary schools in Kenya.

ZAMBIA:
- The government approved atlases for 3 levels: Primary, Junior Secondary and Senior Secondary.
- Developing more than 20 titles for the Zambian market.

MALAWI:
- Submitted 40 titles for Standard 5 and 6 for approval. These include 20 Learners' books and 20 teacher's guides.

UGANDA:
- Currently distributing approximately 550,000 copies of P5 & P7 English readers to over 13,000 government schools.
- The government has approved 24 assorted titles for P5 to P7 of which 14 are Course Books, 9 are readers while 1 is a chart for Mathematics.
- Submitted 38 titles for Senior 1 & 2 for government evaluation and approval and currently developing 35 titles for Senior 3 & 4.

TANZANIA:
- Successfully developed 18 titles for ECDE, 7 titles for Grade 6 and Laboratory Manuals for Biology, Chemistry and Physics.

CAMEROON:
- Distribution of titles submitted and approved in Cameroon is currently ongoing.

DEMOCRATIC REPUBLIC OF CONGO
- Developed and submitted Primary Maths, Primary Science, and Primary Francais textbooks in DRC.

b. Digital Learning
- Introduced a new-skills learning application for young adults dubbed SOMO.
- Introduced a new and improved user interface for our e-Learning platform.
- Availed virtual video classes to both primary and secondary school learners during the COVID-19 pandemic.
- Introduced an e-Learning Java app for offline users.
- CBC Grade 3&4 interactive e-learning content uploaded in our e-Learning platform.
- Introduced expert revision guide for class 7 & 8 and Form 3 & 4 onto our e-Learning platform.

c. Our Customers
- Held a Customer Appreciation Award ceremony at Serena Hotel to appreciate the best customers across the region for the year 2019/20.
- We held customer visits to various bookshops across various regions countrywide where we were able to collect feedback and resolve customer complaints.
- During Customer Service Week, our customer care team visited various bookshops in Nairobi and delivered lunch as part of our customer appreciation activity.

d. Our Communities and Authors
- Ksh 1.2 M in donations during the year.
- Ksh 91M in royalties earned in the year
- Hosted a number of free webinars that covered various topics such as home schooling, reaching out to students remotely and back-to school preparedness.
- Hosted book launch events for our new titles “My First Time” and “The Investment Handbook”.

e. Our Employees
- Total staff count 129
- Total staff salaries and benefits at Ksh 260M
- Attained gender staff ratio of 1:1
- Sponsored 3,105 hours of training through LinkedIn Learning
- Agile working environment that enabled employees to work from home reducing the risk of spreading the COVID-19 virus while also providing protective equipment including hand sanitizer, masks and gloves for employees working from the office.

f. Business Growth
- Investment in regional and product diversification of Ksh 232M
- Half year revenue increase of 4% and opex decrease of 18 % from previous year.
- At full year, as a result of COVID-19 and a strained operating environment, the business performance was adversely affected as captured in the financial statements.

As a publishing firm, we stand at the frontline in ensuring the dissemination of one of society's most crucial needs: education. With such a responsibility, we have engaged different stakeholders in various activities and occasions on how to increase our value across the value chain. Longhorn stakeholders are the individuals, groups of individuals or organisations who have an impact on our business or are affected by it.

Shareholders

As a publicly listed Group, we have constant engagements with our shareholders on an ongoing basis through various channels such as mainstream media, our social media pages and meetings.

Longhorn Chairman speaking during Longhorn 2019 AGM at Nairobi Serena Hotel

Employees

As one of our key strategic objectives as well as an important part of our value chain, the Group aims to attract, develop and retain the right talent. Longhorn has invested in various internal and external training initiatives to all its staff members including LinkedIn Learning, leadership training and webinars. The Group also develops a culture of continuous engagement across various levels through platforms such as town halls and the MD's forum where employees are encouraged to give their views and ideas or air out their grievances. We seek to equip our staff members with market relevant skills that will enable them to better contribute towards attaining the Group's strategic goals and also achieve their personal development goals.

Longhorn Tanzania staff

The Group provides an equal opportunity work environment that encourages diversity.

Educational Institutions & Learners

In line with our mission, Longhorn collaborates with various parties in the education sector including educators, learners and parents, through teacher capacity-building workshops, focus groups and subject contests, all with the goal of availing quality learning materials. Longhorn also works together with subject experts and national examiners to develop materials that are aimed at helping both students and teachers to comprehensively cover the coursework.

Longhorn Kenya staff attending to learners at a Bookfair

Government and Regulators

Governments, through Ministries of Education, provide regulation and approvals for the content that is to be used by the learners. Across the region, various education syllabi are being changed with the aim of adapting learners to the new and fast changing demands of the world today. These include the new Competency Based Curriculum in Kenya and Uganda. From the time the government rolled out centralised procurement, Longhorn has been able to work closely with the Ministry of Education to distribute 8,000,000 copies of Longhorn course books to both primary and secondary public schools in Kenya.

Business Partnership

Our well-established distributors who are experts in their field enable us to deliver our products to our final consumers in an efficient and timely manner for both print and digital materials. Through regional strategic partnerships, Longhorn has been able to grow its presence across the region. We now have over 3500 customers across the region.

Stakeholder's dinner at Nairobi Serena Hotel, September 2019

Our title Elders of the Mace by Mutu wa Gethoi just won the best book under the English Adult Category at this year's Text book Centre Jomo Kenyatta Prize of Literature Awards 2019.

Communities and authors

Longhorn works together with a vast pool of award-winning authors and subject experts to develop books that are relevant to the market needs. We are currently working with over 1,000 authors who have written books ranging from textbooks to revision books, reference materials, readers and motivational books.

We seek to give back to the community in any way we can through donations and various partnerships. We also endeavour to expand minds by hosting discussions through webinars on various issues facing our learners, educators and parents today.

Printers

Longhorn works with selected printing partners that understand our need for timely and quality prints throughout the education year. Our publishing department ensures the printing process is seamless and all our learners needs are met by working tirelessly with our printers to deliver good quality books and prints promptly.

We partnered with Vipingo Development Limited, a Centum group affiliate, to support the Vipingo Development Education programme. The programme saw us provide 4 new classrooms in two primary schools namely: Mkwajuni & Kadzinuni in Kilifi County with Longhorn ECDE, Primary and Secondary books.

Honourable Dr Ines Abdel Dayem, Egypt's Minister of Culture paid a courtesy call to our stand during the official opening of the Nairobi International Bookfair. Our Group MD, Mr Maxwell Wahome, presented her with two of our leading reference materials: Kamusi ya Karne 21 and our Comprehensive Primary School Atlas.

Longhorn Kenya customer service staff visiting booksellers

Learners at the Longhorn Nairobi International Bookfair Stand

Longhorn Kenya staff visiting a bookseller

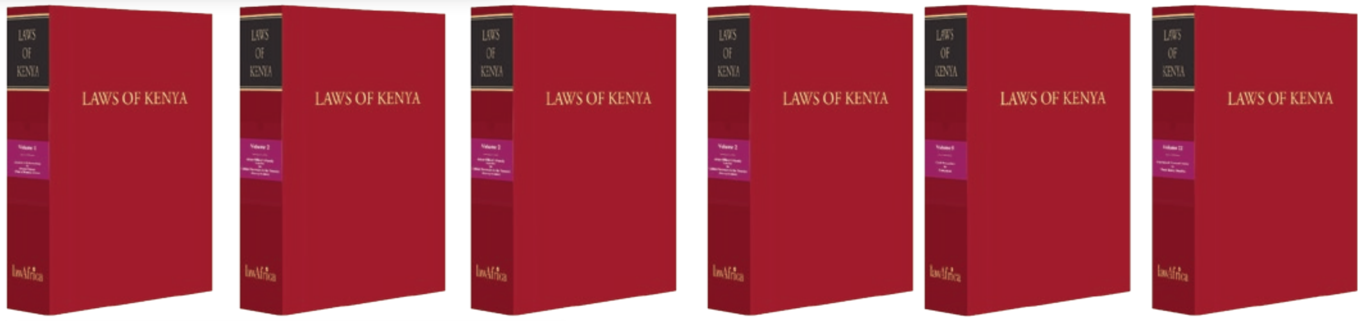
Longhorn Uganda Staff at the Literature and English Workshop, Makerere University

Longhorn staff during book donation

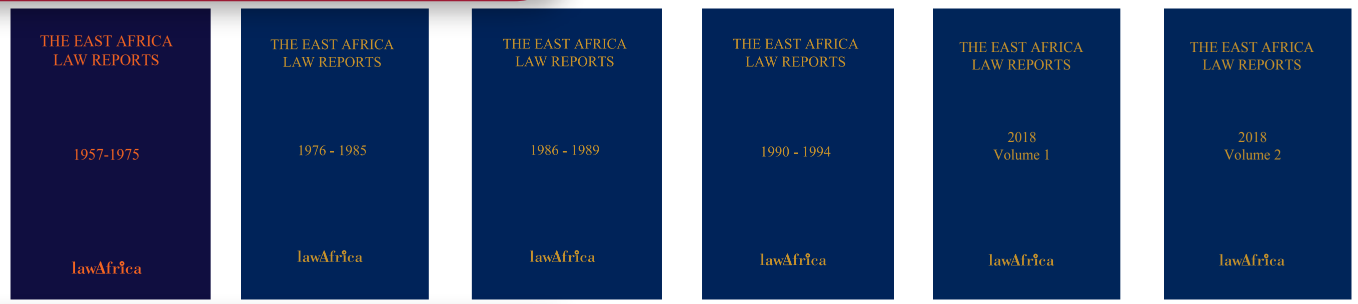
World's best teacher, Peter Tabichi, receiving a donation from Longhorn

lawAfrica
Know. Do. Be More

LAWS OF KENYA



THE EAST AFRICA LAW REPORTS



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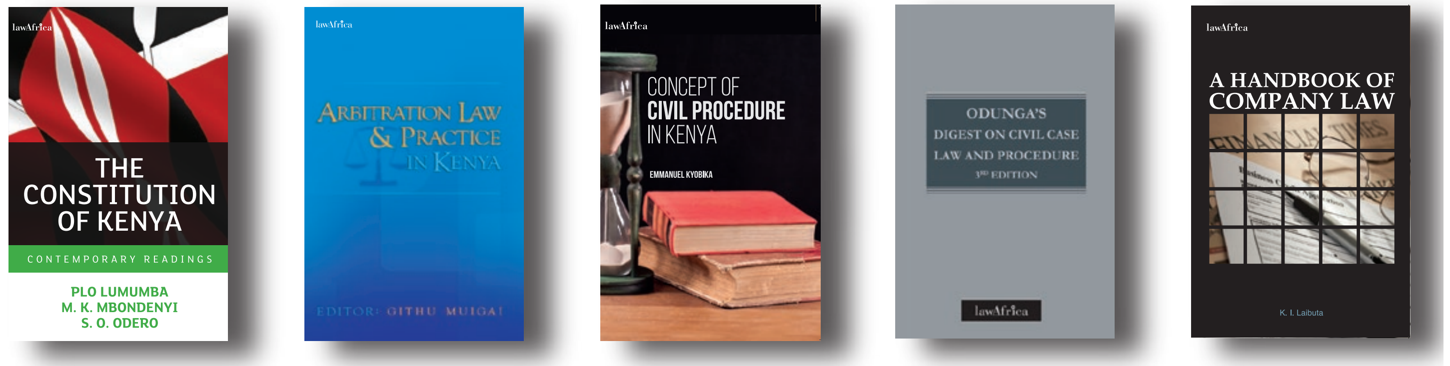
COMMENTARIES



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Longhorn recognises that long-term business success hinges on the Group's ability to integrate its business operations with the SDGs, thus differentiating itself from competitors and building trust among governments, shareholders and customers.

SDG 4 – Quality Education

With quality education as the core mandate of Longhorn Publishers, the Group was able to realise SDG 4 on quality education in the following ways:

- **Workshops**: During the year, the Group was able to organise workshops targeting teachers of different levels in the education system, sensitising them on subtle improvement to different Group products.
- **Release of new products:** Longhorn was able to launch a wide array of books across different segments and regions.
- **One Book Policy:** Over the last two years, Longhorn has been able to work together with the Kenyan government through the Ministry of Education to distribute books to schools in support of the One Book Policy, an initiative meant to eradicate inequality through the provision of quality school-based learning materials.

SDG 9 – Industry, Innovation and Infrastructure

Longhorn recognises that the future of publishing lies in the provision of digital content using innovative user-friendly channels.

- **Dedicated USSD Code *864#** Focusing on access and user friendly channels, Longhorn has dedicated USSD code *864#, to provide easy access to content on the go. This has been made widely available to both smart and feature phones.
- **Digital Platforms:** Since launching, the digital publishing team has been working tirelessly to improve the accessibility and functionality of the e- learning and e-books platforms. Currently, the e-Learning platform has content for the new Competency Based Curriculum for Grade 1 to Grade 4 and the team is working to include content for secondary school.

SDG 17 – Partnerships for the goals

Longhorn Publishers is among the forerunners in the publishing industry in the region that are focused on leveraging technology to enhance learning at every level through our books and digital learning platforms.

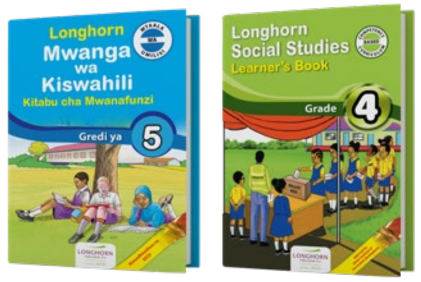
- **Distribution Channels:** The Group was able to hold regional stakeholder engagements with its distributors, where challenges faced by distributors while doing business and possible solutions were discussed during those engagements.
- **Regional Expansion:** Longhorn continues to expand its presence into Francophone countries; with entrance into the Cameroon and DRC markets through strategic alliances being evidence of its commitment to be the number one provider of innovative learning solutions in the continent.
- **Industry partners:** By working together with KEPSA (Kenya Private School Association), Longhorn was able to organize and execute five successful CBC training workshops in five regions. Longhorn continues to work with KPA (Kenya Publishers Association) and KECOBO (Kenya Copyright Board) to eradicate the vice of book piracy. Longhorn also continues to work with select printers to ensure the delivery of quality books and prints promptly.

CBC Readers

The CBC readers are creative works that have been developed in line with the Competency Based Curriculum.

CBC Course Books

The CBC activity books are new course books that have been developed in line with the Competency Based Curriculum.

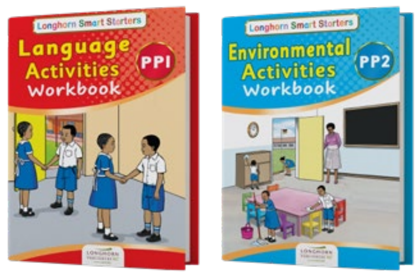


CBC Revision

The CBC revision books come with assessment questions and activities that are meant to further help the learner understand the CBC course work.

ECDE Smart Starters Workbooks

The activity workbooks have been developed to aid early learners to grasp basic life skills through use of fun-filled activities.

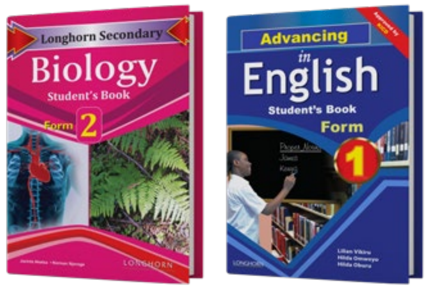


Class 6-8 Course Books

The books have been developed to assist both learners and teachers cover the specific subject syllabus. The books are designed to provide concept definition, practical application and testing of the student's comprehension.

Class 6-8 Revision

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

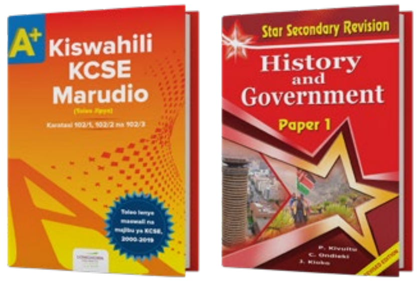


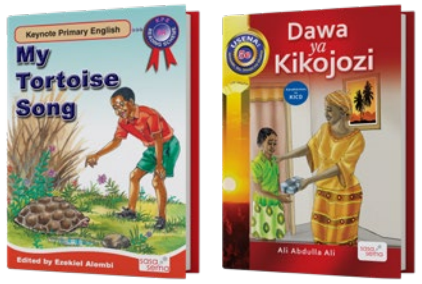
Secondary Course Books

Secondary course books come in comprehensive series for all secondary school subjects and they are written in line with the Secondary syllabus. The books contain easy to understand concept definitions that allow the student better comprehension of the subject matter.

Secondary Revision

Subject teachers and examiners who are experts in their subject areas have authored books that are part of the secondary revision series. The books comprehensively cover Secondary syllabus and are an indispensable supplement to any textbook.



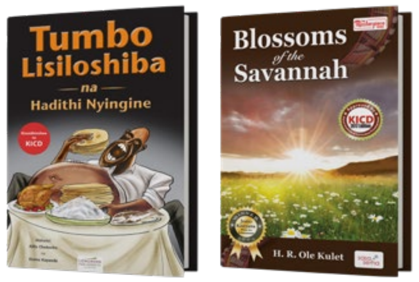


Creative Works

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

Set Books

The set books are recommended for use in teaching literature and fasihi in Secondary schools. The stories are well written to aid the students' comprehension of the written word in both Kiswahili and English.

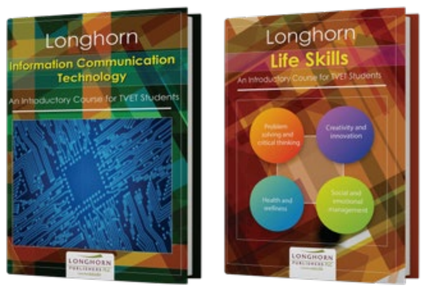


Reference Books

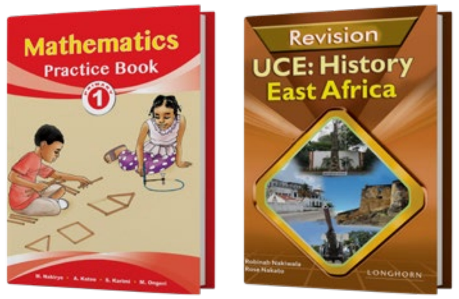
Reference books are developed to help both learners and teachers by providing additional reference to aid in the teaching of subjects such as English, Kiswahili, Geography, History and Government.

Tertiary Books

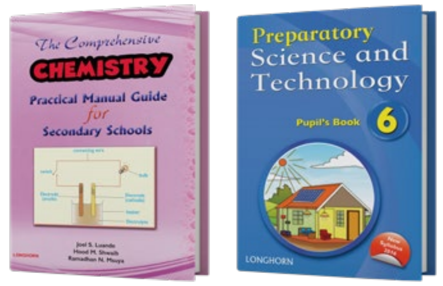
The TVET books are written for Technical and Vocational Education and Training Institutions to equip students with all skills, knowledge and aptitudes required. The books try to use local examples and case studies in order to help students relate learning with their everyday life.



Uganda

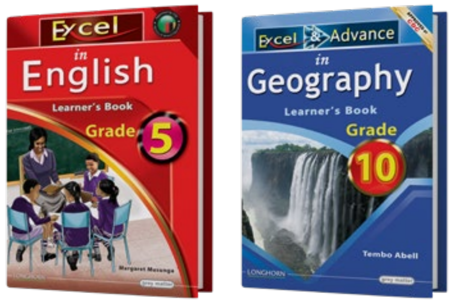


Tanzania

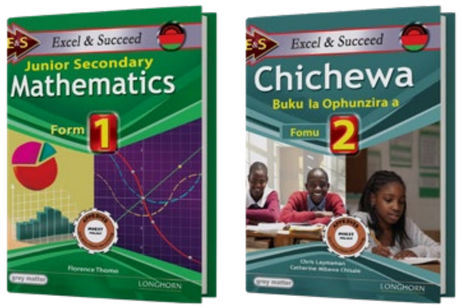


Rwanda

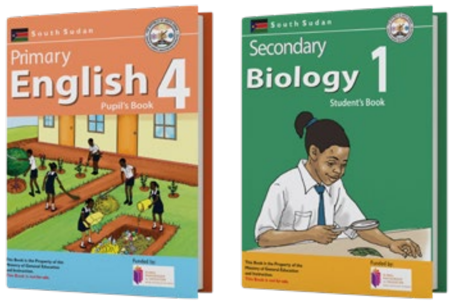
Zambia



Malawi



South Sudan



Cameroon

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

In response to the significant demand for e-Learning content, Longhorn's team of highly qualified and dedicated digital publishing has been working tirelessly to improve the user experience, accessibility and functionality of all new and existing digital platforms.

Longhorn is continuously looking **to build tomorrow's leaders** by providing comprehensive digital learning products and initiatives to millions of learners countrywide.

Earlier this year during the onset of the COVID-19 and school closure period, we partnered with Safaricom, Airtel, and Jamii Telcom to provide free data access to our e-Learning platform to thousands of learners across the country. Learners were able to access e-Learning content on Longhorn's e-Learning portal through the Safaricom network at no data cost of up to 100MB per day and at absolutely no charge on the Airtel and Jamii Telcom network.
Since the school closures in March 2020, Longhorn was able to support distance learning for thousands of students countrywide to ensure continuity and help parents, caregivers and teachers access free remote education resources on the e-Learning platform for three months.

During this period, Longhorn also developed a series of pre-recorded and live virtual classes to engage students in Kenya and Tanzania. The classes were accessible on Zoom, Youtube and our e-Learning platform which saw us grow our e-Learning subscriber base from 250,000 to 620,600 subscribers.

We now have KICD approved interactive digital content for Grade 3 covering 5 subjects. We are on course to get approvals for Grade 4 interactive content.

SOMO

Somo is a platform that provides amazing learning experiences delivered by experts at the top of their fields. The new product will focus on the critical skills that a learner and young adult may need in the modern world, not on specific subjects they might learn in school.

Somo therefore doesn't replace school, it complements it. It also focuses on developing skills and passions that the modern economy values and one won't get those from just having a diploma.

SOMO

Where kids learn from the experts of today to grow into leaders of tomorrow.

A new app from Longhorn

LONGHORN PUBLISHERS

Equizzes

PRIMARY & SECONDARY

LONGHORN PUBLISHERS PLC

expanding minds

KEY FEATURES

- Exams are administered and marked online.
- Instant marking and grading after completion.
- Instant marking guide explaining all the answers.
- Ranking of top performers per subject at 10pm every day.

HOW TO ENROL FOR THE EXAM

1. Open your browser
2. Type https://e-Learning.longhornpublishers.com/qc/
3. Choose take a quiz.
4. Choose login with mobile if you are already registered, otherwise choose register.
5. If not registered, choose register with mobile in the next screen.
6. Create a username, enter your mobile number, select your level either primary or secondary and select register.
7. Enter the OTP number sent to the number you provided and select confirm.
8. Enter your details (name, city and town) and update profile.
9. Select a subscription method and select make payment.
10. With mpesa, confirm payment by entering your mpesa pin.
On successful payment, select continue.
Select attempt quiz now, attempt the quiz and submit the test within the allocated 2 hours once complete.
11. Obtain your marks instantly.

Longhorn has diversified into all segments in the education sector in order to secure the Group's future growth and success in the market. Among these segments is one that deals with professional language services. Longhorn offers high quality, accurate and professional language services to companies and individuals in Africa and the rest of the world.

We offer high-quality translation services for all types of documents: commercial, non-commercial, technical and non-technical documents and subject matter. We strive to achieve a hundred percent satisfaction for our clients.

We have a team of specialist linguists, seasoned translators, and interpreters who handle content in their respective fields to bring out perfect results of the translated content and achieve a seamless messaging from the Source Language to the Target Language while taking cognizance of the cultural nuances that come up with changing backgrounds of the target audience.

For technical documents, we offer translation services in all disciplines, including but not limited to: Humanities, Linguistics, Natural Sciences, Subject-specific Educational Materials, Medicine, Law, Finance, Marketing as well as translation services for patents, websites, contracts, among others.

Our services

- Interpretation
- Translation
- Simultaneous Interpretation Equipment
- Executive Public Address Systems
- Desktop Publishing
- Rapporteur Services
- Transcription
- Software Localization
- Mobile Localization
- Website Localization

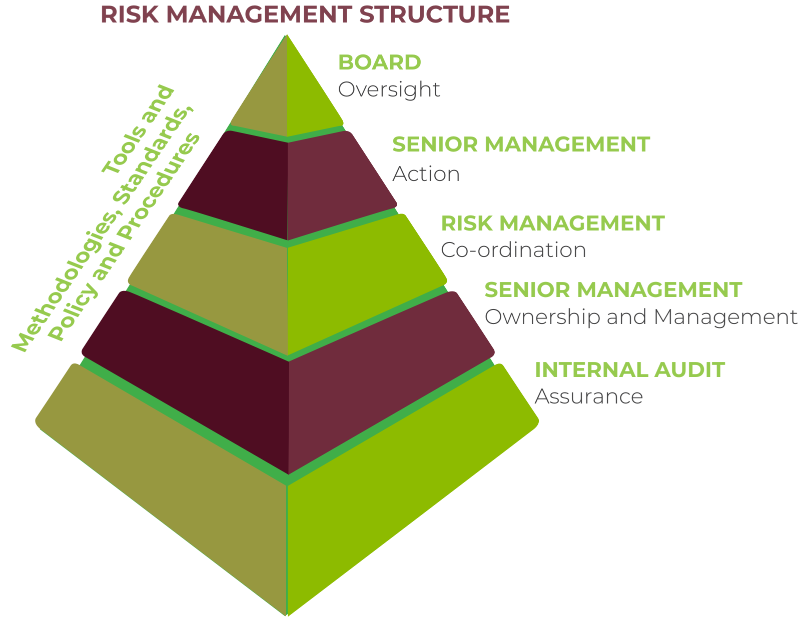
Why Choose Us?

We work with competent and specialized translators	Quality services	Dedicated project managers for each unique project	Quality control and assurance	Confidentiality

Introduction

Longhorn Enterprise Risk Management is a dynamic framework that evolves over time to incorporate developments in tools and practices in the area of risk management. Prudent management of risks is a key element in achieving the Group's strategic objectives.

The Enterprise Risk Management framework is used to promote a risk-aware culture across the organization, to integrate risk management into day-to-day decision making and it aligns with ISO 9001:2015 Risk Management Standard.



Risk management methodology

Risk management is composed of key stages: for Longhorn, the context of the exercise mainly revolves around the strategic plan of the organisation, the plans of the specific business units and the risk appetite of the organisation.

Types of Risk	Mitigation
Business Risk The Corona virus pandemic dealt the most significant adverse impact on business performance in the financial year with the closure of schools and loss of income by our customers through the extensive job losses. However, the Group continues to execute strategies to mitigate the adverse effects of the pandemic on the business. The rapidly changing landscape of the publishing industry exposes the Group to factors that would lower its profits, threaten the Group's ability to meet its target and achieve its financial goals. Uncertainties attributed to the changing landscape include shift towards digital publishing, change in curriculum and the growing competition in Kenya.	**Digital Publishing** – The Group has invested in a well-trained, highly knowledgeable and dedicated team of digital publishers, content providers and digital sales and marketing team that work on the development and provision of digital content. **Curriculum Change** – The Group has invested significantly in skill development and training of staff to ensure our publishing team is conversant with the demands of the new curriculum. **Competition** – The Group has expanded its operations outside Kenya and is currently operating in over 9 countries in Africa. This helps to reduce the contribution of individual countries and spur growth.
Information Risk The confidentiality, integrity and continued availability of the Group's intellectual property is the source of its competitive advantage. As a consequence, events that may potentially compromise these attributes of our intellectual property, including but not limited, to piracy and sabotage, are continuously monitored and protected against to safeguard the Group's competitive advantage.	**Piracy** – The Group has added anti-piracy features on its books in order to reduce piracy of Longhorn products. Active participation in anti-piracy activities that discourage piracy. **Data Integrity** –Through the stringent ICT policy, the Group ensures data movement is centralized and monitored to ensure that proprietary information is not shared.
Operational Risk The reliability and effectiveness of the Group's people, processes and information systems determines the consistency and predictability with which the strategy is executed.	**Processes and Systems** – The Group is ISO 9001:2015 certified. This means that it has documented its processes and systems to enforce consistency in all our operations.
Reputational Risk This is the potential that negative public perception with regard to the Group's generated content on either the print or digital products will cause a decline in the customer and investor confidence, costly litigation or revenue reduction.	**Content Editing** – The Group has invested in a dedicated team of content editors who work to ensure that all content released from the Group meets the Group's quality assurance standards.
Financial Risk The Group's activities expose it to a variety of financial risks key among which are Credit Risk and Liquidity Risk. Credit risk arises out of the sale of products on credit terms. As a result, the credit customer may fail to pay a credit invoice when it falls due. Liquidity risk arises when the business cannot meet its short term debt obligations from a failure to convert assets into cash.	**Credit Risk** – The Group undertakes a rigorous distributor on-boarding process to ensure that the right kind of distributors are included. The distributors' creditworthiness is continuously monitored and appropriate adjustments made. **Liquidity Risk** – The Group maintains adequate cash balances in the bank by continuously monitoring, forecasting actual cash flows and matching the maturity profiles. The Group also maintains cordial relationships with its trade partners to amicably resolve delays whenever they arise.

39 %
PRE-PUBLICATION ASSETS INCREASE

10 %
GROWTH IN REGIONAL CONTRIBUTION TO REVENUE

REVENUE
Kshs 1,067
MILLION

LOSS AFTER TAX
Kshs 226
MILLION

CASHFLOW FROM NORMAL OPERATIONS
Kshs 138
MILLION

> The value of the Group has continued to be enhanced through our investment in new intellectual property in the form of digital platforms and content.
>
> **HON. F.T NYAMMO, OGW, MBS**
> Group Chairman

The business is committed to its key focus areas of digital transformation, regional and product diversification. Our presence in Africa continues to grow having successfully entered Cameroon and we are also on course to enter the Democratic Republic of Congo (DRC).

Our success has been our strong connection with teachers across the region which has provided us with a wide pool of authors for our learning materials. We have also built strong partnerships with the regional governments who continue to trust our ability to develop innovative learning materials for learners.

COVID-19 has completely changed the face of education. The school closure disrupted our operations in the second half of the year. However, we have continued to build our competitive edge in the market by growing our digital presence through our E-learning platforms and the newly launched platform called SOMO which is expected to grow in the coming year.

We anticipate the uptake of digital products to continue growing as educators continue embracing blended learning.

The value of the Group has continued to be enhanced through our investment in new intellectual property in the form of digital platforms and content.

We are positive that the business is on the right path to recovery and growth due to the investments made and the progress that we have seen so far from our regional markets.

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

> Thamani ya kampuni yetu imeendelea kuimarishwa kupitia uwekezaji wetu katika maarifa mapya kimali, katika muundo wa majukwaa ya kidijitali na kimatini.
>
> **HON. F.T NYAMMO, OGW, MBS**
> Mwenyekiti

Biashara yetu imejikita katika maeneo makuu ambayo ni mabadiliko ya kidijitali, kupanua biashara kikanda na kupanua aina za bidhaa. Kuwepo kwetu barani Afrika kunaendelea kukua, ambapo tumefanikiwa kuingia katika soko la Cameroon na pia tuko katika mkondo wa kuingia katika Jamhuri ya Demokrasia ya Kongo (DRC).

Mafanikio yetu yametokana na uhusiano wetu madhubuti na walimu katika kanda nzima, uhusiano ambao umetukirimia waandishi wengi wa matini zetu mbalimbali za kusoma. Pia tumejenga ubia madhubuti na serikali za kanda hii ambazo zimeendelea kuamini uwezo wetu katika kuunda bidhaa vumbuzi za kimasomo kwa wasomaji.

Ugonjwa wa COVID-19 umebadilisha sura ya elimu kabisa. Kufungwa kwa shule kuliboronga shughuli zetu za biashara katika awamu ya pili ya mwaka. Hata hivyo, tumeendelea kujenga ushindani wetu katika soko kwa kukuza kuwepo kwetu kidijitali kupitia programu za kimasomo za kielektroniki, na hasa programu mpya iliyozinduliwa hivi karibuni iitwayo SOMO, ambayo tunatarajia itakua kwa kasi mwaka ujao.

Tunatarajia kukubalika kwa matini za kidijitali kuendelea kukua na kupanuka kadri wakufuu wanavyoendelea kufumbata usomaji chanya.

Thamani ya kampuni yetu imeendelea kuimarishwa kupitia uwekezaji wetu katika maarifa mapya kimali, katika muundo wa majukwaa ya kidijitali na kimatini.

Tuna imani kwamba biashara yetu iko katika mkondo wa kuimarika na kukua kutokana na uwekezaji tuliofanya, pamoja na maendeleo tuliyoshuhudia kufikia sasa kutoka katika masoko yetu ya kanda.

HON. F.T NYAMMO, OGW, MBS
Mwenyekiti

> Our regional diversification strategy is starting to bear fruits with the year-on-year revenue growth of 33% in Tanzania despite having a disrupted fourth quarter following the closure of schools. We expect this growth trajectory to remain in the new financial year.
>
> **MR. MAXWELL WAHOME**
> Group Managing Director

We started the 2019/20 financial year quite strongly and managed to close the first half having recorded a 4% growth in turnover and a profit of Kshs 69 million. The second half of the financial year was significantly affected by the closure of schools due to the government directive aimed at mitigating the spread of COVID-19. As a result, there was a drop in the second half revenue which ultimately led to an overall drop in the full year revenue by 33 %.

Our regional diversification strategy is starting to bear fruits with the year-on-year revenue growth of 33% in Tanzania despite having a disrupted fourth quarter following the closure of schools. We expect this growth trajectory to remain in the new financial year.

We have also successfully received approval for our primary school titles in Uganda and Cameroon and this puts us in a very good position in the coming year where we expect to start serving the new market in Cameroon and expanding our presence in Uganda.

Our strategy to venture into the Francophone markets is now firmly on track as we are currently in advanced stages of developing learning materials for the Democratic Republic of Congo which has over 20 million learners. Our investments in these markets will play a huge part in minimising the risks associated with the Kenya market and stabilise our earnings.

We continue to play a big part in the rollout of the new curriculum having already supplied text books for CBC Grade 4. Longhorn is one of the publishing companies that will be supplying learning materials for CBC Grade 5 when schools resume.

Despite the challenges faced due to the closure of schools, we have remained steadfast in our development of digital products. We recorded a huge growth in subscribers to our e-Learning platform between March and June 2020 where our new users increased by over 200,000. We continue to prioritise customer retention, user experience and great content to keep our users engaged. Digital transformation is a long-term journey, but the key steps have already been made. This will

position the organisation in a growth trajectory in the coming years. Recently, we launched a new learning platform, SOMO which is aimed at developing skills required in the 21st century. This is part of our strategy of diversifying the content that we are providing to also cover non-curriculum content in line with the various customer needs.

Our business outlook remains very positive. With our strong regional diversification plan and increased focus on digital products, we are confident that the business will recover and grow in the coming year.

MR. MAXWELL WAHOME
Group Managing Director

> Mkakati wetu wa kikanda wa kuipanua biashara umeanza kuzaa matunda mwakani katika ukuaji wa mapato ya mwaka kwa asilimia thelathini na tatu (33%) nchini Tanzania, licha ya kuwapo kwa atiati katika robo ya mwisho ya mwaka kufuatia kufungwa kwa shule. Tunatarajia ukuaji huu undelee katika mwelekeo huu katika mwaka mpya wa kifedha.
>
> **MR. MAXWELL WAHOME**
> Mkurugenzi Mtendaji

Tulianza mwaka wa kifedha wa 2019/2020 kwa udhabiti mkubwa na tukafanikiwa kufunga nusu ya kwanza ya mwaka kwa kuandikisha asilimia nne(4%) ya ukuaji katika mauzo pamoja na faida ya shilingi Kshs 69 milioni. Nusu ya pili ya mwaka wa kifedha iliathiriwa sana na kufungwa kwa shule kufuatia agizo la serikali lililolengwa kudhibiti maenezi ya ugonjwa wa COVID-19. Kutokana na hali hii, kulikuwa na kupungua kwa mapato ya nusu ya pili ya mwaka, ambako hatimaye kulisababisha upungufu wa jumla ya mapato ya mwaka mzima kwa asilimia 33%

Mkakati wetu wa kikanda wa kuipanua biashara umeanza kuzaa matunda mwakani katika ukuaji wa mapato ya mwaka kwa asilimia thelathini na tatu (33%) nchini Tanzania, licha ya kuwapo kwa atiati katika robo ya mwisho ya mwaka kufuatia kufungwa kwa shule. Tunatarajia ukuaji huu undelee katika mwelekeo huu katika mwaka mpya wa kifedha.

Pia tumefanikiwa kupata idhibati ya serikali ya vitabu vyetu vya shule za msingi nchini Uganda na Cameroon, na hali hii inatuweka katika nafasi nzuri kibiashara mwaka ujao, ambapo tunatarajia kuanza kulihudumia soko jipya la Cameroon na pia kuendelea kupanua kuwepo kwetu katika soko la Uganda.

Mkakati wetu wa kuingia katika masoko ya nchi za maziwa makuu kunakozungumzwa Kifaransa uko katika njia thabiti kwani sasa tuko katika hatua za mwisho za kuandaa matini za shule za Jamuhuri ya Demokrasia ya Kongo (DRC), ambayo ni nchi yenye zaidi ya idadi ya wanafunzi milioni ishirini. Uwekezaji wetu katika masoko haya utasaidia sana katika kupunguza hatari za kibiashara zinazohusiana na soko la Kenya, na pia kutatusaidia kuleta uthabiti wa mapato yetu.

Tunaendelea kushiriki kwa njia kubwa katika utekelezaji wa mtaala mpya (Kenya), ambapo tayari tumepeleka shuleni vitabu vya Mtaala Mpya wa Gredi ya 4. Longhorn ni moja ya kampuni za uchapishaji ambazo zitakuwa zikipeleka shuleni vitabu vya mtaala mpya wa Gredi ya 5 shule zitakapofunguliwa.

Licha ya changamoto zilizotukumba kutokana na kufungwa kwa shule, tumeendelea kuwa madhubuti katika utengenezaji wa bidhaa za kidijitali. Tulisajili ukuaji mkubwa wa wateja wa mtandaoni waliojisajili katika jukwaa letu la masomo ya kidijitali katikati ya mwezi Machi na Juni, 2020, ambapo idadi ya wateja wapya iliongezeka kwa zaidi ya 200,000. Tunaendelea kupa kipaumbele kubakia kwa wateja waliojisajili katika majukwaa yetu, kutoa tajriba pendwa kwa watumiaji, na kuandaa matini bora zaidi ili kuendelea kuwahusisha katika usomaji na kuwadumisha wateja wetu.

Mabadiliko ya kidijitali ni safari ya muda mrefu, lakini hatua muhimu tayari zishafanyika. Hii italiweka shirika letu katika barabara ya ukuaji katika miaka ijayo. Hivi karibuni, tulizindua jukwaa mpya la masomo ya mtandaoni liitwalo SOMO GROW, ambalo linalenga kukuza stadi zinazohitajika katika Karne ya 21. Hii ni moja ya mikakati yetu ya kupanua matini tunazotoa ili kukidhi mahitaji yasiyokuwa ya kimtaala, kulingana na mahitaji mbalimbali ya wateja.

Dira ya biashara yetu ni angavu. Kwa mpango wetu madhubuti wa upanuzi katika masoko ya kanda hii pamoja na nyongeza ya kipaumbele katika bidhaa za kidijitali, tunaamini kwamba biashara yetu itarudia hali yake ya kawaida na kuendelea kukua katika mwaka ujao.

MR. MAXWELL WAHOME
Mkurugenzi Mtendaji

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

Maxwell Wahome
Group Managing Director

Truphosa Kwaka-Sumba
Director (Non-Executive, Independent)

Samuel Kariuki
Director (Non-Executive)

Fredrick Murimi
Director (Non-Executive)

Emma Miloyo
Director (Non-Executive, Independent)

Raymond Nyamweya
Director (Non-Executive)

Muigai Githu
Director (Non-Executive)

Ali Hussein Kassim
Director (Non-Executive, Independent)

Enid Muriuki
Company Secretary

MAXWELL WAHOME
Group Managing Director

Management Team

Michael Mwaura
Chief Finance & Operations Officer

Maurice Kahara
Chief Commercial Officer

Moses Auta
Head of Publishing

David Kariuki
Chief Internal Auditor

Flavia Larya
MD LawAfrica Publishing Ltd

Charles Sseruwu
Country Manager Uganda

Vivian Temi
Country Manager Tanzania

1. Introduction

At Longhorn Publishers Plc (Longhorn), we believe that embracing good corporate governance practices has enabled us to deliver the desired results in the right way. The Board of Directors therefore appreciates that the effectiveness with which it operates yields a competitive advantage to the Group to meet new demands and grasp new opportunities.

The Board of Longhorn is at the heart of Longhorn's system of corporate governance and is ultimately accountable and responsible for the performance and affairs of the Group. The Board is unreservedly committed to applying the fundamental principles of good governance and has accordingly embraced 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.

At Longhorn, we believe that good corporate governance practices are essential to the delivery of long-term value and sustainability to shareholders and stakeholders. Longhorn seeks to continue to apply the following key principles of good corporate governance which have in return supported its growth as one of the market leaders in the publishing industry:-

(i) **Fairness:** We aim to ensure equal treatment and fairness in dealing with all our stakeholders including employees, shareholders, customers, suppliers and other third parties.

(ii) **Accountability:** We take seriously the obligation and responsibility to give an explanation for the Longhorn's actions and conduct in a balanced and understandable manner as we execute our business purpose. We have taken the responsibility for determining the nature and extent of the significant risks the Board is willing to take with sound risk management and internal control systems. The Board has also established formal and transparent arrangements for corporate reporting and communication with stakeholders at regular intervals.

(iii) **Responsibility:** The Board of Directors having been given authority to act on behalf of the Group has accepted full responsibility for the powers that it is given and the authority that it exercises. The Longhorn Board of Directors are responsible for overseeing the management of the business, affairs of the Group, appointing the chief executive and monitoring the performance of the Group. In doing so, it aims to act in the best interests of the Group.

(iv) **Transparency:** At Longhorn, we endeavor to ensure that stakeholders are informed about the Group's activities in terms of what it plans to do in the future and any risks involved in its business strategies. The Board is always open and willing to provide clear information to shareholders and other stakeholders. This includes disclosure of material matters concerning the Group's performance and activities in a timely and accurate manner.

(v) **Sustainability:** The Board ensures that Longhorn conducts its business with meaningful regard for environmental, health, safety and other sustainability issues relevant to its operations. This also includes monitoring the trends relating to economic, social and environmental sustainability issues and mapping out the issues that are most important to the Group's business.

2. Board and Committees' Charters

The Board Charter defines the governance parameters within which the Board exists, sets out specific responsibilities to be discharged by the Board and directors collectively, as well as certain roles and responsibilities incumbent upon directors as individuals. Some of the salient aspects outlined in the Board Charter are but not limited to the following:

- Board Structure and Composition
- Board Roles and Responsibilities
- Board Operations:
  - ✓ Board meetings and Board Work Plan
  - ✓ Board Committees
  - ✓ Conflict of Interest and Code of Conduct and Ethics
  - ✓ Board Policies
  - ✓ Delegations of Authority and Decision Making
  - ✓ Directors' Orientation and Training
  - ✓ Performance Evaluation
  - ✓ Succession Planning
- Transparency and Disclosure

In addition, each of the Board Committees has a Charter which stipulates its terms and mandate in carrying out the delegated roles by the Board.

3. Board Roles and Responsibilities

In performing its roles and duties, the Longhorn's Board continually endeavors to :

- ❖ define and chart out the Group's vision, mission and values taking cognizance that the Board has ultimate responsibility for the attainment of the Group's objectives;
- ❖ determine the business strategies and plans that underpin the corporate strategy;
- ❖ discuss and approve strategic plans and annual budgets;
- ❖ retain full and effective control over the Group, and monitor management's implementation of the strategic plans and financial objectives as defined by the Board;
- ❖ define levels of materiality, reserving specific powers to itself and delegating other matters, with the necessary written authority, to management;
- ❖ continually monitor the exercise of delegated power by management;
- ❖ ensure that a comprehensive system of policies and procedures is in place and that appropriate governance structures exist to ensure the smooth, efficient and prudent stewardship of the Group;
- ❖ ensure that the business of the Group is managed with a view to ensuring that the Group is ethical in all its dealings and exercises corporate social responsibility;
- ❖ ensure compliance by the Group with all relevant laws and regulations, audit and accounting principles, and such other principles as may be established by the Board from time to time;
- ❖ identify key risks, opportunities and strengths relating to the Group;
- ❖ ensure that the Group's organizational structure and capability are appropriate for implementing the chosen strategies;
- ❖ determine monitoring criteria to be used by the Board;
- ❖ set policies on internal control and obtain regular assurance that the internal control system is functioning effectively and is effective in managing risks;
- ❖ appoint Board members who will add value to the Board processes;
- ❖ appoint the Managing Director, Heads of Departments, external auditors, Company Secretary and other key consultants;
- ❖ review and approve annual audited accounts and related reports;
- ❖ communicate key policies and strategy issues to senior management;
- ❖ identify all stakeholders and ensure effective communication with shareholders and stakeholders.

4. 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 recognizes 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 current structure of the Board of Directors is as follows:

Director	Nationality	Description	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
Mr Ali Hussein Kassim	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 Maxwell Wahome	Kenyan	Executive – Group Managing Director	04/09/2018
Ms Emma Miloyo	Kenyan	Independent Non-executive	01/04/2020

* Represented by Samuel Kariuki

5. Board Operations

The role of the Board is to exercise leadership, enterprise, integrity and judgment in directing the affairs of the Group so as to achieve continuing prosperity for the Group 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 endeavors to, at all times, act in the best interests of the Group.

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

Director	29 August 2019	28 November 2019	17 February 2020	5 June 2020
F T Nyammo	√	√	√	√
M Wahome	√	√	√	√
T Kwaka-Sumba	√	√	√	√
Centum Investment Co. Plc*	√	√	√	√
R Nyamweya	√	√	√	-
A K Hussein	√	√	√	√
S Omanga**	-	√	-	-
M Githu	√	√	√	√
F Murimi	√	√	√	√
E Miloyo***	-	-	-	√

*Centum Investment Co. Plc represented by Samuel Kariuki
** Susan Omanga retired effective 28 November 2019
***Emma Miloyo was appointed effective 1 April 2020

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 scrutinize the Group'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 Group'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 and 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 Group Secretary during the year ended 30 June 2020. Actions to implement the improvement recommendations are ongoing. The Group also participated in the Corporate Governance self-assessment exercise facilitated through the Capital Markets Authority.

6. 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 Committee meetings 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:-

6.1 Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board in discharging its duties relating to the safeguarding of assets, the ensuring adequate systems and control processes, and the preparations of accurate financial statements in compliance with all applicable legal requirements and accounting standards. The Board's Audit & Risk Committee also regularly reviews the effectiveness of the controls. 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 Group'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	29 August 2019	31 October 2019	23 January 2020	23 April 2020	5 June 2020
A K Hussein (Chair)	√	√	√	√	√
T Kwaka-Sumba	√	√	√	√	√
R Nyamweya	√	-	√	√	√
S Omanga*	-	√	-	-	-
F Murimi	√	√	√	√	√
E Miloyo**	-	-	-	-	√

* Susan Omanga retired effective 28 November 2019
**Emma Miloyo was appointed effective 1 April 2020

6.2 Operations and Strategy Committee

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

- Strategic Planning: The Committee reviews, evaluates and, when appropriate, makes recommendations to the Board with respect to the Group's mission and core strategy, the Group's strategic plan objectives and the strategy development processes.
- Mergers and Acquisitions: The Committee reviews, evaluates and, when appropriate, make recommendations to the Board with respect to major acquisition and disposal opportunities.
- Financial Planning: The Committee reviews and when appropriate, make recommendations to the Board with respect to capital structure of the Group, financial plans, the dividend policy and other financing proposals.
- Investment Policy: The Committee reviews and makes recommendations on corporate investment policies.
- Corporate Investment: The Committee reviews, evaluates and provides advice to Management with respect to the Group's corporate social investment activities.

The Committee is comprised of five (5) members, all of whom are non-executive directors.

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

Director	24 July 2019	30 October 2019	22 January 2020	22 April 2020
F Murimi (Chair)	√	√	√	√
S Kariuki*	√	-	√	√
R Nyamweya	√	-	√	√
A K Hussein	√	√	√	√
M Githu	√	-	√	√

*Representing Centum Investment Company PLC

6.3 Nominations, Governance and Human Resources Committee

The role of the Nominations, Governance and Human Resource Committee is to make recommendations regarding the composition, operations and performance of the Board as well as the Group'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 Group's Human Resources management strategy to determine whether the Human Resource plans and initiatives will enable the Group to achieve its strategic objectives;
- Reviewing and when appropriate, recommending to the Board the Group'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
- Otherwise taking a leadership role in shaping the corporate governance of the Group.

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	25 July 2019	31 October 2019	22 January 2020	23 April 2020
T Kwaka-Sumba (Chair)	√	√	√	√
S Kariuki/F Murimi*	√	√	√	√
A K Hussein	√	√	√	√
S Omanga**	√	√	-	-
M Githu	-	√	√	√
E Miloyo***	-	-	-	-

*Representing Centum Investment Company PLC
**Susan Omanga retired effective 28 November 2019
***Emma Miloyo was appointed effective 1 April 2020

7. Separation of oversight and managing roles

At Longhorn, the Board has ensured that there is a clear separation of duties between the Board of Directors and the Management, as well as between the Chairman and Group Managing Director. The role of Chairman and Group Managing Director are not executed by the same person.

8. Company Secretary

The Company Secretary guides the Board of Directors on matters of statutory and regulatory compliance, and good governance. The Secretary also provides guidance to the Directors as to how their responsibilities should be properly discharged in the best interests of the Group, 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 Group 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. The Company Secretary is a registered Practicing Member of the Institute of Certified Secretaries and an Accredited Governance Auditor by the Institute of Certified Secretaries.

9. Board Policies

In addition to the Board Charter, mentioned above, the Board has put in place a number of other policy and procedure documents to guide the Directors and Management on the implementation of their roles and responsibilities and the effective running of the Group's businesses. The Board policies and related governance documents are as summarized hereunder in line with the Board's desire to ensure adequate disclosures to stakeholders.

9.1 Conflict of Interest

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

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

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

9.2 Ethics and Code of Conduct

The Group has developed an Anti-Bribery and Corruption policy stipulating the ethical values, standards as well as specific guidelines that the Group 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.

9.3 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 Group.

9.4 Board Recruitment and Remuneration Policy

The Board has established policies to guide the recruitment and remuneration of the Board in line with the prevailing best practices.

9.5 Communication Policy

The Board has established a Communications Policy to guide the Group's internal and external corporate communication amongst the various stakeholders.

9.6 Stakeholders Engagement and Management Policy

The Board has established a Stakeholder's Engagement and Management Policy to encourage the identification and proactive engagement of all its key stakeholders.

10. Communication with Shareholders

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

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 Group's performance and the projected future for the Group, and respond to the shareholders' queries. The Group, through the office of the Group Secretary and the Chief Operations Officer, responds to any queries from the shareholders from time to time. The Group also communicates with its shareholders through its Share Registrar. Pertinent information on the Group's performance and other activities is posted on the Group's website.

11. Board Induction and Development

The Board ensures that new directors usually receive a comprehensive, formal and tailored induction programme to ensure familiarization with the Group's business and therefore be in a position to effectively contribute to the Board of Directors in the early days of their appointment.

All directors also receive continuing training to extend and refresh their knowledge and skills, which will add to their credibility and effectiveness in the discharge of their responsibilities. The Group provides the necessary resources for implementing these training programmes.

During the period under review, the Directors were taken through a Corporate Governance training provided during the presentation of the FY 2019/2020 Board Evaluation results. The Board also undertook a training on digital transformation targeted at the Group's business and internal processes, during the Board Workshop held on 21 January to 22 January 2020. Various Directors also undertook several LinkedIn trainings on areas that enhance the Board leadership and effectiveness.

12. Board Performance Evaluation

The Board members normally undertake an evaluation of their performance as a Board on an annual basis which is facilitated by an independent Corporate Governance Specialist, and a Board Evaluation Report is compiled with the resulting recommendations. The Board Evaluation Report is tabled at a Board meeting and areas of improvement are highlighted as action points which are tracked at the quarterly Board meetings. The last board evaluation was carried out and the report presented during the Board workshop held on 20 January 2020.

13. Principal Activity

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

14. Compliance

Longhorn's shares are listed on the Nairobi Securities Exchange (NSE). The Group operates within the requirements of the Kenyan Companies Act, Capital Markets Act, NSE listing guidelines and continuing obligations, among other Acts, and adopts certain universally accepted principles in the areas of human rights, employment/labour standards and environment in its commitment to best practice. Additionally, Longhorn prepares its financial statements in accordance with International Financial Reporting Standards (IFRS).

Governance audit: Pursuant to the communication from the Capital Markets Authority (CMA) on review the frequency of the governance audits cycles from one year to two years, Longhorn has requested the CMA to grant the Group an exemption from undertaking the governance audit for the year ending 30 June 2020 based on the extent of implementation of the recommendations arising from the Governance Audit of the prior year.

Legal and Compliance Audit: The Group also undertook a Legal and Compliance Audit for the year ending 30 June 2019 to establish the level of adherence by the Group to applicable laws, regulations and standards and the recommendations from the audit are under implementation. The next audit is due in the year 2021.

15. 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.

16. Capital Structure

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

SCRIBE Services

GOVERNANCE AUDITOR'S REPORT

Introduction

We have performed the Governance Audit for Longhorn Publishers Plc for the year ended 30 June 2019 which comprised the assessment of governance structures, systems, processes and controls established by the Board.

Board Responsibility

The Board is responsible for establishing governance structures, systems, processes and controls that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation, direction and oversight necessary for efficient and effective management of the organization. The Board is responsible for ensuring its proper constitution and independence; ethical leadership and strategic management; transparency and disclosure, compliance with laws and internal policies; shareholders and stakeholders value enhancement and the organisation's sustainability.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence, effectiveness and implementation of good corporate governance consistent with the Board's policies, structures, systems and practices and the applicable legal and regulatory requirements.

We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's governance policies, systems, practices and processes. We believe that our governance audits provide a reasonable basis for our opinion.

OPINION

Full Assurance

In our opinion, the Board has established, implemented and overseen an effective governance framework and control environment consistent with the legal and regulatory requirements, internal policies and good governance practices in the interest of shareholders and stakeholders.

....

CS. BERNARD KIRAGU, ICS GA. No 00159

For SCRIBE SERVICES

October 03, 2019

LONGHORN PUBLISHERS PLC

LONGHORN
PUBLISHERS PLC
expanding minds

Directors' report

The directors submit their report together with the audited financial statements for the year ended 30 June 2020.

BUSINESS REVIEW

The principal activity of Longhorn Publishers Plc (the Group and its subsidiaries) continues to be the publishing of high quality educational and general books and provision of innovative digital learning solutions.

Operating Environment:

The Group operated under a stable environment in the first half of the year where profit stood at Kshs 69 million and significant gains had been made in establishing the Group's products in the region compared to previous years. In March 2020, the COVID-19 crisis and the related mitigating measures implemented by governments in the regions where Longhorn operates, including the suspension of learning in schools and restriction of movement, adversely impacted the business and ultimately the performance for the financial year.

In response to the crisis, the Group has focused on the safety of its staff and protection of the long-term value of shareholders and our partners in the business through several cost-cutting and cash preservation measures.

The directors have assessed the expected impact of COVID-19 on the operations of the Group and formulated responses to the various possible scenarios that may disrupt its operations. Based on the assessment, the directors have concluded that no adjustment on the financial statements as at 30 June 2020 is deemed necessary.

FINANCIAL HIGHLIGHTS:

Revenue for the year decreased by 33% to Kshs 1,067 million compared to prior year. The revenue growth of 4% in the first half of the year was offset by a 62% decline in second half, attributable to the COVID-19 pandemic. Tanzania recorded a revenue growth of 33% while Uganda revenue declined by 15% for the year, against a first half growth of 21% and 15% respectively.

Included under operating expenses are one-off provisions set aside out of prudence for the significant expected credit losses (ECL) following a slowdown in collections from our customers and staff redundancy costs totalling Kshs 91 million, owing to the COVID-19 crisis. Excluding these one-off provisions, the operating expenses for the year decreased by 1% compared to prior year and this trend is expected to continue in future as the Group operates a leaner cost structure. The ECL provisions are expected to reverse and will be booked as gains in the future as collections from customers improve.

Finance costs increased by 58% which was mainly attributable to investments in the regional expansion, product diversification and the digital transformation journey.

To satisfy themselves as to the going concern of the Group given the net current liabilities position of Kshs 56 million, management has undertaken a detailed funding assessment (including a debt maturity analysis) and is focusing on running the operations in a cost-efficient manner. Further, the Group had undrawn funding available as at 30 June 2020 of Kshs 285 million as disclosed in Note 22.

Based on the above, the directors are satisfied that the Group would generate or access sufficient funds to meet all its obligations over the next twelve-month period from the date of the financial statements. Also, the directors are confident that the Group will emerge stronger from the current crisis once the measures are eased across the different countries.

Directors' report

Future outlook:

Digital – The Group has made significant strides towards scaling and fully optimizing its digital learning solutions to support business recovery. There are various products under development for the global market and these will be released to the market in the coming months. The first of these products is called SOMO which focuses on delivering real-world skills to a variety of learners from global experts.

Regional presence – The Group is well poised to take advantage of opportunities in the African markets it operates in given the investments made and relationships built over the last few years. Significant progress has been made in the new markets of DRC and Cameroon which have huge potential.

Product portfolio – The Group has expanded its product base and is set to realise higher returns in the coming years. The significant wins include primary school titles in Uganda, approval for a number of CBC Grade 5 titles in Kenya, additional Tanzania Institute of Education approvals and ongoing delivery of our first orders in Cameroon. The development of titles is ongoing in all the 9 countries we operate in.

Key performance ratios

The table below highlights some of the key performance indicators:

	Group		Company	
Performance ratios	**2020**	**2019**	**2020**	**2019**
Revenue (in Kshs'000)	1,067,926	1,600,397	864,470	1,364,899
Gross profit margin	46%	57%	45%	57%
Operating (loss)/profit margin	(13)%	23%	(15)%	23%
(Loss)/profit after income tax (Kshs'000)	(225,870)	185,125	(214,348)	153,660
Net assets (Kshs'000)	734,765	1,104,304	786,709	1,142,726

DIVIDEND

The directors do not recommend payment of dividends for the year (2019: Kshs 142 million).

DIRECTORS

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

Hon. F. T. Nyammo - Group Chairman
Maxwell Wahome - Group MD and CEO
Raymond Nyamweya
Truphosa Kwaka-Sumba (Mrs)
Susan N. Omanga (Mrs) - Retired on 28th November 2019
Emma Miloyo (Ms) - Appointed on 1 April 2020
Fred Murimi
Ali Hussein Kassim
Muigai Githu
Centum Investment Plc - Represented by Samuel Kariuki

DISCLOSURES TO AUDITOR

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

(a) There was, as far as each director is aware, no relevant audit information of which the Company's and Group's auditor is unaware; and
(b) 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 and Group's auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers LLP continue in office in accordance with the Company's Articles of Association and Section 721 (2) 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

27 August 2020

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 Company and Group 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.

Having made an assessment of the Company's and Group's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

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

Approved by the board of directors on 27 August 2020 and signed on its behalf by:

Hon. F. T. Nyammo
Group Chairman

Maxwell Wahome
Group Managing Director & CEO

Directors' Remuneration Report

Information not subject to audit

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

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

Information subject to audit

The following table shows the remuneration for the directors in respect of qualifying services for the year ended 30 June 2020 together with the comparative figures for the year ended 30 June 2019.

For the year ended 30 June 2019	Salary	Fees	Gratuity	Bonuses	Total
	Kshs 000	Kshs 000	Kshs 000	Kshs 000	Kshs 000
Hon. F. T. Nyammo	-	2,295	-	-	2,295
Simon Ngigi*	4,757	-	3,878	1,926	10,561
Maxwell Wahome*	13,854	-	-	1,251	15,105
Muigai Githu	-	973	-	-	973
Raymond Nyamweya	-	1,248	-	-	1,248
Susan N. Omanga	-	1,091	-	-	1,091
Ali Hussein Kassim	-	2,037	-	-	2,037
Truphosa Kwaka-Sumba	-	1,270	-	-	1,270
Fred Murimi	-	1,335	-	-	1,335
Centum Investment Plc**	-	1,336	-	-	1,336
	18,611	**11,585**	**3,878**	**3,177**	**37,251**
For the year ended 30 June 2020					
Hon. F. T. Nyammo	-	1,824	-	-	1,824
Maxwell Wahome*	18,707	-	-	843	19,550
Muigai Githu	-	802	-	-	802
Raymond Nyamweya	-	747	-	-	747
Susan N. Omanga	-	411	-	-	411
Ali Hussein Kassim	-	1,566	-	-	1,566
Truphosa Kwaka-Sumba	-	806	-	-	806
Emma Miloyo	-	191	-	-	191
Fred Murimi	-	-	-	-	-
Centum Investment Plc**	-	2,117	-	-	2,117
	18,707	**8,464**	**-**	**843**	**28,014**

*Executive director. The rest of the directors are non-executive.
**Centum Investment Plc is represented by Samuel Kariuki.

On behalf of the Board

27 August 2020

Hon. F. T. Nyammo
Group Chairman

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 57 to 95, which comprise the consolidated statement of financial position at 30 June 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 30 June 2020, and the Company statements of profit or loss and other comprehensive income, changes in equity, and cash flows 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 at 30 June 2020 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 (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with 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 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.

With effect from 11 December 2019, PricewaterhouseCoopers, a partnership carrying on business under registration number BN.287839 was converted to PricewaterhouseCoopers LLP (LLP-2Y1AB7), a limited liability partnership under the Limited Liability Partnerships Act, 2011.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu R Njoroge S O Nobert's B Okundi K Saiti

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 disclosed under note 15 of the financial statements, the Group has significant goodwill arising from acquisition of a subsidiary Company. The goodwill is tested annually for impairment by comparing the carrying amount of the individual cash generating unit (CGU) to its recoverable amount. The determination of the recoverable amount being the higher of the value in use and the fair value less costs to dispose, requires an estimation of the fair value of the cash generating unit (CGU). Recoverable amounts are based on management's estimate of variables and market conditions such as future sales growth and the most appropriate discount and long-term growth rates, which makes this an area of focus. Variations in management estimates and judgements could result in material differences in the outcomes of the assessment.	We evaluated management's future cash flow forecasts by comparing them to the recent actual performance and the approved five-year financial budgets of the business. We assessed the reasonableness of management's key assumptions in relation to long term growth rates and discount rates, as detailed below: • Long term growth rates by comparing them to economic and industry forecasts; and • Discount rate by assessing the cost of capital for the Company and comparable organisations, as well as considering country specific factors. We assessed the sensitivity of the assumptions in the goodwill calculations and determined that the calculations were most sensitive to discount rates and the long-term growth rate assumptions as disclosed in Note 15 of the financial statements. We reviewed the adequacy of the disclosures in the financial statements.

Other information

The other information comprises the Directors' report, Directors' Remuneration report and Statement of directors' responsibilities 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 and will 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 have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the 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 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.

Independent auditor's report to the shareholders of Longhorn Publishers Plc (continued)

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

- 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.

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 directors' report on pages 48 to 50 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 52 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

PricewaterhouseCoopers

Certified Public Accountants

Nairobi
28 August 2020

CPA Kang'e Saiti Practising certificate No. 1652.
Signing partner responsible for the independent audit.

Consolidated statement of profit or loss and other comprehensive income

	Notes	2020 Kshs'000	2019 Kshs'000
Revenue	5 (b)	1,067,926	1,600,397
Cost of sales		(580,645)	(694,589)
Gross profit		**487,281**	**905,808**
Other income		1,978	-
Selling and distribution costs		(131,922)	(156,093)
Staff redundancy costs		(22,188)	-
Provisions for expected credit losses		(69,122)	(2,296)
Other administrative expenses	7	(409,452)	(387,082)
Operating (loss)/profit		**(143,425)**	**360,337**
Finance costs	6	(151,929)	(96,369)
(Loss)/profit before income tax		**(295,354)**	**263,968**
Income tax credit/(expense)	9	69,484	(78,843)
(Loss)/profit for the year		**(225,870)**	**185,125**
(Loss)/profit attributable to:			
- Owners of the parent		(225,996)	185,236
- Non-controlling interest		126	(111)
		(225,870)	185,125
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(2,000)	(7,616)
Total comprehensive (loss)/income for the year		**(227,870)**	**177,509**
Earnings per share			
Basic and diluted earnings per share	10	(0.83)	0.68

Company statement of profit or loss and other comprehensive income

	Notes	2020 Kshs'000	2019 Kshs'000
Revenue	5 (b)	864,470	1,364,899
Cost of sales		(478,797)	(584,258)
Gross profit		**385,673**	**780,641**
Other income		1,810	-
Selling and distribution costs		(113,143)	(139,616)
Staff redundancy costs		(22,188)	-
Provisions for expected credit losses		(64,332)	803
Other administrative expenses	7	(320,985)	(324,234)
Operating (loss)/profit		**(133,165)**	**317,594**
Finance costs	6	(150,667)	(96,273)
(Loss)/profit before income tax		**(283,832)**	**221,321**
Income tax credit/(expense)	9	69,484	(67,661)
(Loss)/profit for the year		**(214,348)**	**153,660**
Other comprehensive income		**-**	**-**
Total comprehensive (loss)/ income for the year		**(214,348)**	**153,660**

Consolidated statement of financial position

	Notes	2020 Kshs'000	2019 Kshs'000
ASSETS			
Non-current assets			
Property and equipment	12 (a)	189,535	197,385
Intangible assets (Software)	13 (a)	13,881	8,663
Intangible asset (Pre-publishing costs)	13 (b)	741,839	533,154
Goodwill	15	125,786	125,786
Deferred income tax	16	74,880	5,396
		1,145,921	870,384
Current assets			
Inventories	17	548,710	458,507
Trade and other receivables	18	582,139	920,048
Current income tax		37,161	-
Cash and bank balances	19	136,233	95,295
		1,304,243	1,473,850
TOTAL ASSETS		2,450,164	2,344,234
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium	20	368,289	368,289
Retained earnings		148,401	516,066
Translation reserve		(54,723)	(52,723)
		734,407	1,104,072
Non-controlling interest		358	232
Total equity		734,765	1,104,304
Liabilities			
Non-current liabilities			
Borrowings	22	354,739	-
Current liabilities			
Trade and other payables	21	540,158	548,662
Current income tax		-	38,554
Borrowings	22	800,038	630,547
Bank overdraft	19	20,464	22,167
		1,360,660	1,239,930
TOTAL EQUITY AND LIABILITIES		2,450,164	2,344,234

The financial statements on pages 57 to 95 were approved for issue by the board of directors on 27 August 2020 and signed on its behalf by:

Hon. F. T. Nyammo
Group Chairman

Maxwell Wahome
Group Managing Director & CEO

Company statement of financial position

	Notes	2020 Kshs'000	2019 Kshs'000
ASSETS			
Non-current assets			
Property and equipment	12 (b)	136,908	143,624
Intangible assets (Software)	13 (a)	11,972	7,294
Intangible assets (Pre- publishing costs)	13 (b)	548,166	432,119
Investment in subsidiaries	14	166,594	166,594
Deferred income tax	16	70,128	644
		933,768	750,275
Current assets			
Inventories	17	363,809	340,586
Trade and other receivables	18	539,973	872,266
Due from subsidiary companies	26 (a)	573,600	362,355
Current income tax		37,161	-
Cash and bank balances	19	80,427	79,912
		1,594,970	1,655,119
TOTAL ASSETS		2,528,738	2,405,394
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium	20	368,289	368,289
Retained earnings		145,980	501,997
Total equity		786,709	1,142,726
Liabilities			
Non-current liabilities			
Borrowings	22	354,739	-
Current liabilities			
Trade and other payables	21	544,843	568,524
Due to subsidiary Company	26 (b)	69,083	69,083
Current income tax		-	22,566
Borrowings	22	752,900	580,328
Bank overdraft	19	20,464	22,167
		1,387,290	1,262,668
TOTAL EQUITY AND LIABILITIES		2,528,738	2,405,394

The financial statements on pages 57 to 95 were approved for issue by the board of directors on 27 August 2020 and signed on its behalf by:

Hon. F. T. Nyammo
Group Chairman

Maxwell Wahome
Group Managing Director & CEO

Consolidated statement of changes in equity

	Share capital	Share premium	Retained earnings	Translation reserve	Non-controlling interest	Total equity
	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2019						
As start of year	272,440	368,289	443,673	(45,107)	343	1,039,638
Profit for the year	-	-	185,236	-	(111)	185,125
Other comprehensive loss for the year:						
Exchange difference on translation of foreign operations	-	-	-	(7,616)	-	(7,616)
Transactions with owners:						
Dividends paid - 2018	-	-	(112,843)	-	-	(112,843)
At end of year	272,440	368,289	516,066	(52,723)	232	1,104,304
Year ended 30 June 2020						
As start of year	272,440	368,289	516,066	(52,723)	232	1,104,304
Loss for the year	-	-	(225,996)	-	126	(225,870)
Other comprehensive loss for the year:						
Exchange difference on translation of foreign operations	-	-	-	(2,000)	-	(2,000)
Transactions with owners:						
Dividends paid - 2019	-	-	(141,669)	-	-	(141,669)
At end of year	272,440	368,289	148,401	(54,723)	358	734,765

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total equity
Year ended 30 June 2019	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
As at start of the year	272,440	368,289	461,180	1,101,909
Profit for the year	-	-	153,660	153,660
Dividends paid – 2018 Final	-	-	(112,843)	(112,843)
At end of year	272,440	368,289	501,997	1,142,726
Year ended 30 June 2020				
As at start of the year	272,440	368,289	501,997	1,142,726
Loss for the year	-	-	(214,348)	(214,348)
Dividends paid – 2019 Final	-	-	(141,669)	(141,669)
At end of year	272,440	368,289	145,980	786,709

LONGHORN PUBLISHERS PLC
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Consolidated statement of cash flows

	Notes	2020 Kshs'000	2019 Kshs'000
Cash flows from operating activities			
Cash generated from operations	23	138,960	273,902
Net exchange loss		(509)	(24,393)
Income tax paid		(75,715)	(93,623)
Net cash generated from operating activities		62,736	155,886
Cash flows from investing activities			
Purchase of property and equipment	12 (a)	(3,796)	(11,402)
Proceeds from disposal of property and equipment		57	9,975
Purchase of intangible assets (software)	13 (a)	(10,190)	(7,393)
Purchase of intangible assets (pre-publishing costs)	13 (b)	(232,923)	(154,106)
Net cash used in investing activities		(246,852)	(162,926)
Cash flows from financing activities			
Proceeds from borrowings	22	1,152,978	530,435
Repayments - Principal	22	(628,748)	(675,302)
Repayments - Interest	6	(151,420)	(71,976)
Dividends paid to shareholders		(141,669)	(112,843)
Net cash generated from/(used in) financing activities		231,141	(329,686)
Net increase/(decrease) in cash and cash equivalents		47,025	(336,726)
At start of year		73,128	418,780
Translation differences on cash and cash equivalents		(4,384)	(8,926)
At end of year	19	115,769	73,128

Company statement of cash flows

	Notes	2020 Kshs'000	2019 Kshs'000
Cash flows from operating activities			
Cash generated from operations	23	10,374	222,297
Net exchange loss		(494)	(24,297)
Income tax paid		(59,727)	(91,984)
Net cash (used in)/generated from operating activities		(49,847)	106,016
Cash flows from investing activities			
Purchase of property and equipment	12 (b)	(1,974)	(10,690)
Proceeds from disposal of property and equipment	12 (b)	-	1,650
Purchase of intangible assets (software)	13(a)	(9,325)	(7,394)
Purchase of intangible assets (pre-publishing costs)	13(b)	(172,075)	(114,066)
Net cash used in investing activities		(183,374)	(130,500)
Cash flows from financing activities			
Proceeds from borrowings	22	1,152,618	530,435
Repayments - Principal	22	(625,307)	(673,355)
Repayments - Interest	6	(150,173)	(71,976)
Dividends paid to shareholders		(141,699)	(112,843)
Net cash generated from/(used in) financing activities		235,439	(327,739)
Net increase/(decrease) in cash and cash equivalents		2,218	(352,223)
At start of year		57,745	409,968
At end of year	19	59,963	57,745

Notes

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 address of its registered office is:

LR No. 209/5604
Funzi Road, Industrial Area
P O Box 18033 – 00500
Nairobi
The consolidated financial statements as at and for the year ended 30 June 2020 comprise the Company and its subsidiaries (which together are referred to as the 'Group').

The Company's shares are listed on the Nairobi Securities Exchange.

For Kenyan Companies Act 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss and other comprehensive income, in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

(i) Basis of accounting
The 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, except where otherwise stated in the accounting policies.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the directors to exercise its 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.

(ii) 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 (Kshs) which is the Company's Functional Currency.

All financial information presented in Kenya Shillings have been rounded to the nearest thousand except when otherwise indicated.

(iii) Going concern
The Group's statement of financial position indicates a net current liabilities position of Kshs 56 million (2019: net current asset position of Kshs 234 million). This is attributable to the COVID-19 crisis and the related mitigating measures implemented by governments effective March 2020 in the regions where Longhorn operates, including the suspension of learning in schools.

To satisfy themselves as to the going concern of the Group, management has undertaken a detailed funding assessment (including a debt maturity analysis) and is focusing on running

Notes (continued)

2 Summary of significant accounting policies (continued)

the operations in a cost-efficient manner. Further, the Group had undrawn funding available as at 30 June 2020 of Kshs 285 million as disclosed in Note 22.

Based on the above, the directors are satisfied that the Group would generate or access sufficient funds to meet all its obligations over the next twelve month period from the date of the financial statements. Also, the directors are confident that the Group will emerge stronger from the current crisis once the measures are eased across the different countries.

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

Number	Executive summary
IFRS 16, Leases	This standard is applicable for annual periods beginning on or after 1 January 2019 and is applicable for the Group for the first time for the financial reporting year commencing 1 July 2019. This standard specifies how an entity will recognise, measure, present and disclose leases. The standard introduces a new lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. A lessee will be required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The application of this standard did not have a material impact on the Group.

ii) New and amended standards not yet adopted by the Group

Number	Executive summary
Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material.	This standard is applicable for annual periods beginning on or after 1 January 2020. These amendments to IAS 1 and IAS 8 and consequential amendments to other IFRSs: • use a consistent definition of materiality through IFRSs and the Conceptual Framework for Financial Reporting; • clarify the explanation of the definition of material; and • incorporate some of the guidance in IAS 1 about immaterial information. The amended definition is: *"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."*
Amendments to IFRS 9, Financial Instruments, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosure – Interest rate benchmark reform	This standard is applicable for annual periods beginning on or after 1 January 2020. These amendments provide certain reliefs in connection with interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

Notes (continued)

2 Summary of significant accounting policies (continued)

Application of these standards is not expected to have a material impact on the Group.

(c) Consolidation

The consolidated financial statements include the results of the Company and its subsidiairies. A subsidiary is an entity controlled by Longhorn Publishers Plc. Control is the power to direct the relevant activities of the subsidiary that significantly affects the subsidiary's return so as to have rights to the variable return from its activities.

Where the Group has the ability to exercise joint control over an entity but has rights to specified assets and obligations for liabilities of that entity, the entity is consolidated on the basis of the Group's rights over those assets and liabilities.

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Investments in subsidiaries are accounted for at cost in the Company's financial statements.

(ii) Non-controlling interest (NCI)
NCI are initially measured at their proportionate share of the acquired identifiable net assets at the acquisition date.

(iii) Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair values of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

(iv) Balances and transactions eliminated at consolidation
Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Separate financial statements
In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment and investment in associates is accounted for using the equity method. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Revenue recognition

The Group recognises revenue for sales of books, rights and digital material. Revenue is recognised as and when the Group satisfies a performance obligation by transferring control of a product to a customer.

The Group applies the five-step model as per IFRS 15 - Revenue from contracts with customers, to determine when to recognise revenue and at what amount. The following approach is used:

- Identify the contract with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties, such as Value Added Tax (VAT).

The Group accounts for a contract with a customer only when; there is evidence of an arrangement, the Group can identify each party's rights regarding the goods and services to be transferred, the contract has commercial substance and collectability is reasonably assured.

The performance obligation is the delivery of the books, rights and digital material.

For each of the revenue streams, the Group recognises revenue at a point in time specifically after the performance obligation to the customer has been fulfilled.

The Group policy is to allocate the total transaction price to the performance obligations in the product offer / contract by reference to their relative stand-alone selling prices e.g. books at standard cost price grossed up for margins.

The Group has no contact assets and liabilities due to the nature of the business.

(e) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

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.

(f) Property 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%	Furniture	10%
Motor vehicles	25%	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.

Notes (continued)

(g) Intangible assets

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess consideration transferred over interest in fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purposes of impairment testing, goodwill acquired in business combination is allocated to each of the cash generating units (CGUs) or Groups of cash generating units CGUs that is expected to benefit from the synergies of the combination. Each unit or Group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of the value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

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.

Intellectual property

Intellectual property relates 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.

Pre-publication costs

Pre-publication costs represent direct costs such as editorial, type-setting 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 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 more, being an estimate of the expected operating life cycle of the title.

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.

Notes (continued)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises purchase price and expenditure incurred in bringing them to their existing location and condition.

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

(i) Dividends

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.

(j) Employee benefits

(i) *Group's defined contribution retirement benefits scheme*

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

(ii) Statutory defined contribution pension scheme

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

(iii) Other employee entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. 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 or loss as they fall due.

(k) Financial instruments

(i) Initial recognition

Financial instruments are recognised when, and only when, the Group becomes party to the contractual provisions of the instrument. All financial assets are recognised initially using the trade date accounting which is the date the Group commits itself to the purchase or sale.

(ii) Classification

The Group classifies its financial instruments into the following categories:

a) Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial

Notes (continued)

2 Summary of significant accounting policies (continued)

asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at amortised cost.

b) Financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified and measured at fair value through other comprehensive income.
c) All other financial assets are classified and measured at fair value through profit or loss.
d) Financial liabilities that are held for trading, financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Group may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.
e) All other financial liabilities are classified and measured at amortised cost.

Financial instruments held during the year were classified as follows:

- Trade and other receivables, cash and bank balances and amounts due to subsidiary companies were classified as at amortised cost.
- Trade and other liabilities were classified as at amortised cost.

(k) Financial instruments (continued)

(iii) Initial measurement

On initial recognition:

- Financial assets or financial liabilities classified as at fair value through profit or loss are measured at fair value.
- Trade receivables are measured at their transaction price.
- All other categories of financial assets and financial liabilities are measured at the fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the instrument.

(iv) Subsequent measurement

Financial assets and financial liabilities after initial recognition are measured either at amortised cost, at fair value through other comprehensive income, or at fair value through profit or loss according to their classification.

Interest income, dividend income and exchange gains and losses are recognised in profit or loss.

(v) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined

Notes (continued)

2 Summary of significant accounting policies (continued)

by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All changes in the loss allowance are recognised in profit or loss.

(vi) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. A financial liability is derecognised when it is extinguished, cancelled or expires.

(vii) Offsetting

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

(l) Foreign currency translation

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

Cash and cash equivalents comprise cash in hand, bank balances and 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) 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) Comparatives

Where necessary, comparative figures have been adjusted to confirm with 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.

Notes (continued)

3 Critical accounting estimates and judgements (continued)

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.

Impairment of trade receivables

The loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Note 4 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The carrying amount of the goodwill and the key assumptions made are set out in Note 15.

Useful life of 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 assessment of the recoverability of pre-publication assets is 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.

Income taxes

The Company exercises significant judgement in determining its provision for income taxes when dealing with calculations and transactions for which the ultimate tax position is uncertain during the ordinary course of business. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be payable. Where the final outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax in the period in which such determination is made.

Deferred income tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deferred tax assets can be utilized. When recognizing deferred income tax assets, the Company exercises judgement in determining whether sufficient taxable profits will be available; this is done by assessing its future financial performance.

(ii) Critical judgements in applying accounting policies

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

- The classification of financial assets; and
- Whether financial and non-financial assets are impaired.

Notes (continued)

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks. The Group's overall risk management programme focuses on the unpredictability of the operating environment and 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 mitigate financial risks. The board of directors provide guidance on the overall risk management.

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.

At 30 June 2020, if the currency had weakened/strengthened by 5% (2019: 5%) against the US dollar with all other variables held constant, post-tax loss for the year and equity would have been increased/reduced by Kshs 348,442 (2019: Kshs 760,926), 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 loss after tax of Kshs 7,570,998 (2019: Kshs 3,601,133).

Credit risk

Credit risk arises from cash and short-term investments as well as trade and other receivables. The Group has policies in place to ensure that sales are made to customers with an appropriate credit history. The credit controllers assess the credit quality of each customer, taking into account its financial position, past experience and other factors. For banks and financial institutions, only reputable well-established financial institutions are accepted. For trade receivables, the credit controllers assess the credit quality of each customer, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The Group has two types of financial assets that are subject to the expected credit loss model; i.e. trade and other receivables and cash and cash equivalents. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss is immaterial.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Trade receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 2-5 years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has assessed the impact of macroeconomic factors and the impact was not material.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and where the debtor has been declared insolvent.

Debts that are considered to be non-performing are fully impaired.

Related party receivables

Related party receivable balances are assessed for impairment based on the counterparty's ability to settle on demand.

Cash and bank balances

For cash at bank, management assesses the expected credit loss based on probability of default attached to the various banks by external rating agencies or the Central Bank of Kenya.

The default rates as at 30 June 2020 and 1 July 2019 were 3.8% and 4% respectively.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Group

The table below details the maximum exposure to credit risk:

	Gross amounts	Expected Credit Loss (ECL)	Total
30 June 2020	**Kshs'000**	**Kshs'000**	**Kshs'000**
Trade receivables	616,430	(101,985)	514,445
Staff receivables	5,143	-	5,143
Other receivables	62,551	-	62,551
Bank balances	136,233	-	136,233
	820,357	(101,985)	718,372
30 June 2019			
Trade receivables	851,537	(33,295)	818,242
Staff receivables	20,363	-	20,363
Other receivables	1,244	-	1,244
Bank balances	89,734	-	89,734
	962,878	(33,295)	929,583
Company			
30 June 2020			
Trade receivables	552,386	(80,335)	472,049
Bank balances	59,963	-	59,963
Staff receivables	2,441	-	2,441
Due from subsidiaries	573,559	-	573,559
	1,188,349	(80,335)	1,108,012
30 June 2019			
Trade receivables	827,200	(16,003)	811,197
Bank balances	79,912	-	79,912
Staff receivables	11,664	-	11,664
Due from subsidiaries	362,355	-	362,355
	1,281,131	(16,003)	1,265,128

The movement in expected credit loss provisions has been disclosed under Note 18.

Notes (continued)

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. For balances due within 12 months of year end, the carrying amounts are equal to their undiscounted cash flows as the impact of discounting is not significant.

Group	**Less than 12 Months**	**Between 1-2 years**	**Total**
	Kshs'000	**Kshs'000**	**Kshs'000**
At 30 June 2020			
Trade and other payables	540,158	-	540,158
Borrowings	881,222	414,334	1,295,556
Bank overdraft	20,464	-	20,464
	1,441,844	414,334	1,856,178
At 30 June 2019			
Trade and other payables	548,662	-	548,662
Borrowings	630,547	-	630,547
Bank overdraft	22,167	-	22,167
	1,201,376	-	1,201,376
Company			
At 30 June 2020			
Trade and other payables	544,843	-	544,843
Borrowings	833,671	414,334	1,248,005
Bank overdraft	20,464	-	20,464
	1,398,978	414,334	1,813,312
At 30 June 2019			
Trade and other payables	568,525	-	568,525
Borrowings	580,328	-	580,328
Bank overdraft	22,167	-	22,167
	1,171,020	-	1,171,020

Notes (continued)

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.

The gearing ratios at 30 June 2020 and 30 June 2019 were as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Total equity	734,765	1,104,304	786,709	1,142,726
Borrowings	1,154,777	630,547	1,107,639	580,328
Bank overdraft	20,464	22,167	20,464	22,167
Less: Cash and bank balances	(136,233)	(95,295)	(80,427)	(79,912)
	1,039,008	557,419	1,047,676	522,583
Gearing ratio	141%	50%	133%	46%

Notes (continued)

5 (a) 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 (CODM) in order to allocate resources to the segments and to assess their performances. The CODM is the Group Managing Director.

Only geography applies as products are homogenous. The Group's operations are within four geographical segments, Kenya, Tanzania, Uganda and Rwanda. The table below contains segmental information provided to the CODM for the year ended 30 June 2020.

The CODM 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 CODM.

	Kenya	Tanzania	Uganda	Rwanda	Inter-segment transactions	Total
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
30 June 2020						
Sales and other income	921,827	81,469	54,225	12,383	-	1,069,904
Cost of sales and other expenditure	(1,204,359)	(80,590)	(68,132)	(14,177)	2,000	(1,365,258)
Profit /(loss) before tax	(282,532)	879	(13,907)	(1,794)	-	(295,354)
Assets	2,643,126	185,487	222,530	109,877	(710,856)	2,450,164
Liabilities	1,816,319	222,710	212,702	93,247	(629,579)	1,715,399
30 June 2019						
Revenue and other income	1,399,268	61,108	63,574	76,524	-	1,600,397
Cost of sales and other expenditure	(1,173,957)	(55,773)	(68,544)	(38,155)	-	(1,336,429)
Profit/(loss) before tax	225,234	5,335	(4,970)	38,369	-	263,968
Assets	2,586,600	109,971	138,579	107,009	(597,925)	2,344,234
Liabilities	1,399,538	146,630	115,868	89,009	(511,655)	1,239,390

Inter segment transactions relates to intercompany inventory transactions.

Notes (continued)

5 (b) Revenue

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Sale of books and e-learning materials	1,060,612	1,493,743	857,156	1,313,618
Sale of rights	7,314	106,654	7,314	42,941
	1,067,926	1,600,397	864,470	1,364,899
6 Finance costs				
Interest expense	151,420	71,976	150,173	71,976
Foreign exchange	509	24,393	494	24,297
	151,929	96,369	150,667	96,273

7 Other administrative expenses

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Depreciation (Note 12)	14,012	15,510	8,690	11,001
Amortisation of intangible assets (Note 13)	4,972	3,535	4,647	3,425
Auditors' remuneration	8,525	7,564	4,703	3,720
Staff costs (Note 8)	262,555	260,350	204,795	218,045
Directors' emoluments (Note 26)	28,742	37,976	28,014	37,255
Telephone, email and internet	12,036	11,509	9,647	8,728
Professional fees	18,037	15,290	14,426	9,939
Utilities	13,796	14,069	12,301	12,778
Other expenses	46,777	21,279	33,762	19,343
	409,452	387,082	320,985	324,234

Notes (continued)

8 Staff costs

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Salaries and wages	179,506	183,269	139,868	151,616
Pension costs - NSSF	4,837	2,234	477	381
Pension costs – defined contribution scheme	12,440	10,171	12,440	10,171
Leave pay	(3,939)	3,469	(3,466)	2,676
Other staff costs	45,611	44,336	32,351	36,948
Staff medical expenses	24,099	16,871	23,125	16,253
	262,555	260,350	204,795	218,045

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

	2020	**2019**	**2020**	**2019**
Number of employees	129	150	104	116

9 Income tax expense

	Group		Company	
	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Current tax	-	72,325	-	60,672
Deferred tax (Note 16)	(69,484)	6,518	(69,484)	6,989
Income tax expense	(69,484)	78,843	(69,484)	67,661

The tax on the Company's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2020	**2019**	**2020**	**2019**
	Kshs'000	**Kshs'000**	**Kshs'000**	**Kshs'000**
Profit before income tax	(295,353	263,968	(283,832)	221,321
Tax at the applicable rate of 25% (2019 30%)	(73,838)	79,190	(70,958)	66,396
Tax effects of:				
-Expenses not deductible for tax purposes	5,278	(1,924)	2,398	(312)
(Over)/under provision of deferred tax in prior years	(924)	1,577	(924)	1,577
Income tax (credit)/expense	(69,484)	78,843	(69,484)	67,661

Notes (continued)

10 Earnings per share-Basic and diluted	2020	2019
(Loss)/profit attributable to ordinary shareholders (Sh'000)	(225,995)	185,236
Ordinary/weighted average number of ordinary shares in issue	272,440,000	272,440,000
Basic and diluted earnings per share (Kshs)	(0.83)	0.68

11 Dividends per share

The directors do not recommend payment of dividends for the year (2019 Kshs. 0.42 per share equivalent to Kshs. 141,669,000).

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Notes (continued)

12 (a) Property and equipment - Group

	Land and buildings Kshs'000	Motor vehicles Kshs'000	Furniture and equipment Kshs'000	Total Kshs'000
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
Year ended 30 June 2019				
Opening net book value	180,603	5,070	21,817	207,490
Additions	-	-	11,402	11,402
Disposals	(6,214)	(1,093)	-	(7,307)
Depreciation charge	(4,973)	(4,339)	(6,526)	(15,838)
Depreciation on disposals	328	-	-	328
Exchange adjustment	219	1,178	(87)	1,310
Closing net book value	169,963	816	26,606	197,385
At 30 June 2019				
Cost	209,560	34,577	89,952	334,089
Accumulated depreciation	(39,597)	(33,761)	(63,346)	(136,704)
Net book value	169,963	816	26,606	197,385
Year ended 30 June 2020				
Opening net book value	169,963	816	26,606	197,385
Additions	-	900	2,896	3,796
Disposals	-	-	(32)	(32)
Depreciation charge	(4,909)	(2,024)	(7,079)	(14,012)
Depreciation on disposals	-	-	14	14
Exchange adjustment	297	(71)	2158	2,384
Closing net book value	165,351	621	23,563	189,535
At 30 June 2020				
Cost	209,560	36,570	81,414	327,544
Accumulated depreciation	(44,209)	(35,949)	(57,851)	(138,009)
Net book value	165,351	621	23,563	189,535

Notes (continued)

12 (b) Property and Equipment – Company

	Land and buildings	Motor vehicles	Furniture and equipment	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2019				
Opening net book value	122,844	4,351	16,740	143,935
Additions	-	-	10,690	10,690
Depreciation charge	(3,894)	(1,722)	(5,385)	(11,001)
Closing net book value	118,950	2,629	22,045	143,624
At 30 June 2019				
Cost	155,496	20,962	73,965	250,423
Accumulated depreciation	(36,546)	(18,333)	(51,920)	(106,799)
Net book value	118,950	2,629	22,045	143,624
Year ended 30 June 2020				
Opening net book value	118,950	2,629	22,045	143,624
Additions	-	-	1,974	1,974
Depreciation charge	(3,577)	(245)	(4,868)	(8,690)
Closing net book value	115,373	2,384	19,151	136,908
At 30 June 2020				
Cost	155,496	20,962	75,939	252,397
Accumulated depreciation	(40,123)	(18,578)	(56,788)	(115,489)
Net book value	115,373	2,384	19,151	136,908

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Notes (continued)

13 (a) Intangible assets – Group

	Computer software	Intellectual property	Total
	Kshs'000	Kshs'000	Kshs'000
Year ended 30 June 2019			
Opening net book value	3,205	1,600	4,805
Additions	7,393	-	7,393
Amortisation charge	(2,577)	(958)	(3,535)
Closing net book value	8,021	642	8,663
At 30 June 2019			
Cost	36,138	43,438	79,576
Accumulated amortisation	(28,117)	(42,796)	(70,913)
Net book value	8,021	642	8,663
Year ended 30 June 2020			
Opening net book value	8,021	642	8,663
Additions	10,190	-	10,190
Amortisation charge	(4,330)	(642)	(4,972)
Closing net book value	13,881	-	13,881
At 30 June 2020			
Cost	46,328	43,438	89,766
Accumulated amortisation	32,447	(43,438)	(75,885)
Net book value	13,881	-	13,881

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 Kshs 7,359,000 and authors' contracts and related rights for 53 Sasa Sema Publications Limited's titles for a consideration of Kshs 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 Kshs 5,890,000. The Company also acquired the Sasa Sema brand name including the Company logo at a cost of Kshs 3,000,000. Sasa Sema is now a trading name registered under Longhorn Publishers Plc.

Notes (continued)

13 (a) Intangible assets – Company

	Computer software	Intellectual property	Total
Year ended 30 June 2019	**Kshs'000**	**Kshs'000**	**Kshs'000**
Opening net book value	2,367	958	3,325
Additions	7,394	-	7,394
Amortisation charge	(2,467)	(958)	(3,425)
Closing net book value	7,294	-	7,294
At 30 June 2019			
Cost	32,885	35,798	68,683
Accumulated amortisation	(25,591)	(35,798)	(61,389)
Net book value	7,294	-	7,294
Year ended 30 June 2020			
Opening net book value	7,294	-	7,294
Additions	9,325	-	9,325
Amortisation charge	(4,647)	-	(4,647)
Closing net book value	11,972	-	11,972
At 30 June 2020			
Cost	76,584	35,798	76,584
Accumulated amortisation	(64,612)	(35,798)	(64,612)
Net book value	11,972	-	11,972

Notes (continued)

13 (b) Intangible assets - Pre-publication costs

	Group		Company	
	2020	**2019**	**2020**	**2019**
Year ended 30 June	**Kshs'000**	**Kshs'000**	**Kshs'000**	**Kshs'000**
Opening balance	533,154	403,705	432,119	334,010
Additions	232,923	154,106	172,075	114,066
Transfers to subsidiaries	-	-	(36,571)	-
Amortisation	(24,238)	(24,657)	(19,457)	(15,957)
Closing balance	741,839	533,154	548,116	432,119119
At 30 June				
Cost	790,734	557,811	583,580	448,076
Accumulated amortisation	(48,895)	(24,657)	(35,414)	(15,957)
Net book value	741,839	533,154	548,166	432,119

Amortisation is included in the statement of profit or loss under cost of sales.

14 Investment in subsidiaries – Company

	Country of incorporation	% interest held	2020	2019
			Kshs'000	**Kshs'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 (K) Limited	Kenya	92%	124,129	124,129
			166,594	166,594

Notes (continued)

15 Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets of the subsidiary at the date of acquisition. It relates to the acquisition of a 92% stake in Law Africa Publishing (K) Limited (LAP) 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 CGU is determined based on fair value calculations using cash flow projections covering a five-year period approved by management.

The net cashflows are discounted using the pre-tax weighted average cost of capital. Cashflows beyond the five-year period are extrapolated using the estimated terminal growth rate.

The carrying amount of goodwill at year end was as follows:

	2020	2019
	Kshs'000	Kshs'000
Law Africa Publishing (K) Limited	125,786	125,786

The key assumptions used in the fair value less cost to sell (FVLCS) model are as follows:

Assumption Rate	Rate	Approach used to determine values:
Long term growth rate	5%	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 market.
Pre-tax discount rate	17%	Based on specific risks relating to the industry and country.

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 30 June 2020. As a result, the Group has not recognised an impairment charge (2019: Nil).

Significant estimate: Impact of possible changes in key assumptions

There were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment charge for LAP.

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Notes (continued)

16 Deferred income tax

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 25% (2019: 30%).

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

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Liabilities				
Accelerated capital allowances	20,837	23,773	20,729	23,665
Assets				
Provisions	(40,520)	(29,169)	(35,660)	(24,309)
Tax losses	(55,197)	-	(55,197)	-
Net deferred tax asset	(74,880)	(5,396)	(70,128)	(644)

The movement on the deferred tax account is as follows:

	Group		Company	
	2020	2019	2020	2019
	Kshs' 000	Kshs'000	Kshs' 000	Kshs'000
At the beginning of year	(5,396)	(11,914)	(644)	(7,633)
Movement in profit or loss (Note 9)	(69,484)	6,518	(69,484)	6,989
	(74,880)	(5,396)	(70,128)	(644)

Deferred tax asset relating to subsidiary companies has been recognised to the extent that is recoverable from future profits.

17 Inventories

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Books	614,826	519,740	420,229	394,637
Provision for obsolete inventories	(66,116)	(61,233)	(56,420)	(54,051)
	548,710	458,507	363,809	340,586

The cost of inventories recognised as an expense and included in cost of sales amounted to Kshs 422,104,928 (2019: Kshs 468,955,867).

Notes (continued)

18 Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Gross trade receivables	616,430	851,537	552,384	827,200
Less: Expected credit losses	(101,985)	(33,295)	(80,335)	(16,003)
Net trade receivables	514,445	818,242	472,049	811,197
Staff receivables	5,143	20,363	2,441	11,664
Prepayments	29,527	46,960	27,709	45,115
Other receivables	33,024	34,483	37,774	4,290
	582,139	920,048	539,973	872,266

The carrying value of the above trade and other receivables approximates their fair value.

Movements on expected credit losses on trade receivables are as follows:

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	33,295	30,999	16,003	16,806
Increase /(decrease) in provision	68,690	2,296	64,332	(803)
At end of year	101,985	33,295	80,335	16,003

19 Cash and cash equivalents

Cash at bank and in hand	136,233	95,295	80,427	79,912

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

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Cash at bank and in hand	136,233	95,295	80,427	79,912
Bank overdrafts	(20,464)	(22,167)	(20,464)	(22,167)
	115,769	73,128	59,963	57,745

Notes (continued)

20 Share capital – Group and Company

	Number of shares	Ordinary shares	Share premium
		Kshs'000	Kshs'000
Balance at 1 July 2018, 30 June 2019 and at 30 June 2020	272,440,000	272,440	368,289

Ordinary shares have a par value of Kshs 1. They entitle the holder to participate in dividends and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

The total authorised number of ordinary shares is 785,526,315 with a par value of Kshs 1 per share. All issued shares are fully paid up.

21 Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Trade payables	151,244	254,861	137,595	244,810
Royalty accruals	148,994	136,237	122,271	118,119
Payroll accruals	51,243	12,148	46,543	6,883
Other payables	188,677	145,416	238,434	198,712
	540,158	548,662	544,843	568,524

The carrying value of the above trade and other payables approximates their fair value

22 Borrowings

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
The borrowings are made up as follows:				
Term loans	179,543	141,373	132,405	91,154
Commercial Paper	594,821	223,483	594,821	223,483
Supplier Finance	380,413	265,691	380,413	265,691
Total borrowings	1,154,777	630,547	1,107,639	580,328
Of which:				
Payable within 12 months	800,038	630,547	752,900	580,328
Payable after 12 months	354,739	-	354,739	-
	1,154,777	630,547	1,107,639	580,328

Notes (continued)

22 Borrowings (continued)

Movement in borrowings	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At start of year	630,547	775,414	580,328	723,248
Additions	1,152,978	530,435	1,152,618	530,435
Payments in the year	(628,748)	(675,302)	(625,307)	(673,355)
At end of year	1,154,777	630,547	1,107,639	580,328

Term loans and supplier finance mature within twelve (12) months and nine (9) to fifteen (15) months respectively and bear an average interest rate of 12.5% (2019: 14%).

Commercial papers mature at either six (6) or twelve (12) months and bear an average interest rate of 16% (2019: 16%).

All borrowings are denominated in Kenya shilling.

Bank borrowings are secured by an all asset debenture of Kshs 700,000,000 and a legal charge over LR. No. 209/5604, Funzi Road, Industrial area for Kshs 120,000,000.

The undrawn borrowing facilities amount to Kshs 285,189,000 (2019: Kshs 385,364,000). All facilities are subject to review annually in October.

23 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
(Loss)/Profit before tax	(295,354)	263,968	(283,832)	221,321
Adjustments for:				
Depreciation (Note 12)	14,012	15,838	8,690	11,001
Amortisation of intangible assets (Note 13)	4,972	3,535	4,647	3,425
Amortisation of pre-publishing costs (Note (13b))	24,238	24,657	19,457	15,957
Gain disposal of property and equipment	(39)	(2,996)	-	(1,650)
Net exchange loss (Note 6)	509	24,393	494	24,297
Interest expense (Note 6)	151,420	71,976	150,173	71,976
Transfers of pre-publishing costs to subsidiaries	-	-	25,029	-
Working capital changes:				
- Inventories	(90,203)	(17,810)	(23,223)	42,425
- trade and other receivables	337,909	(126,396)	332,293	(185,207)
- trade and other payables	(8,504)	16,737	(12,109)	30,620
- Increase in amounts due from subsidiaries	-	-	(211,245)	(63,053)
- Decrease in amounts due to subsidiaries	-	-	-	51,185
Cash generated from operations	138,960	273,902	10,374	222,297

Notes (continued)

24 Capital commitments

There were no capital commitments as at 30 June 2020 (2019: Nil)

25 Contingent liabilities

There are currently claims arising 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.

	2020	2019
	Kshs'000	Kshs'000
(a) Due from subsidiaries - Company		
Longhorn Publishers Uganda Limited	183,962	99,365
Longhorn Publishers Tanzania Limited	130,937	74,444
Longhorn Publishers Rwanda Limited	100,338	79,971
Law Africa Publishing (K) Limited	158,363	108,575
	573,600	362,355
(b) Due to subsidiaries - Company		
Longhorn Publishers Rwanda Limited	69,083	69,083

(c) Key management compensation

The remuneration of key management during the year was as follows:

	Group		Company	
	2020	2019	2020	2019
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Salaries and other benefits	74,784	76,382	74,784	69,920
(d) Directors' emoluments				
Fees for services as directors	9,192	12,310	8,464	11,589
Salaries	18,707	18,611	18,707	18,611
Bonuses and benefits	843	7,055	843	7,055
	28,742	37,976	28,014	37,255

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LONGHORN PUBLISHERS PLC

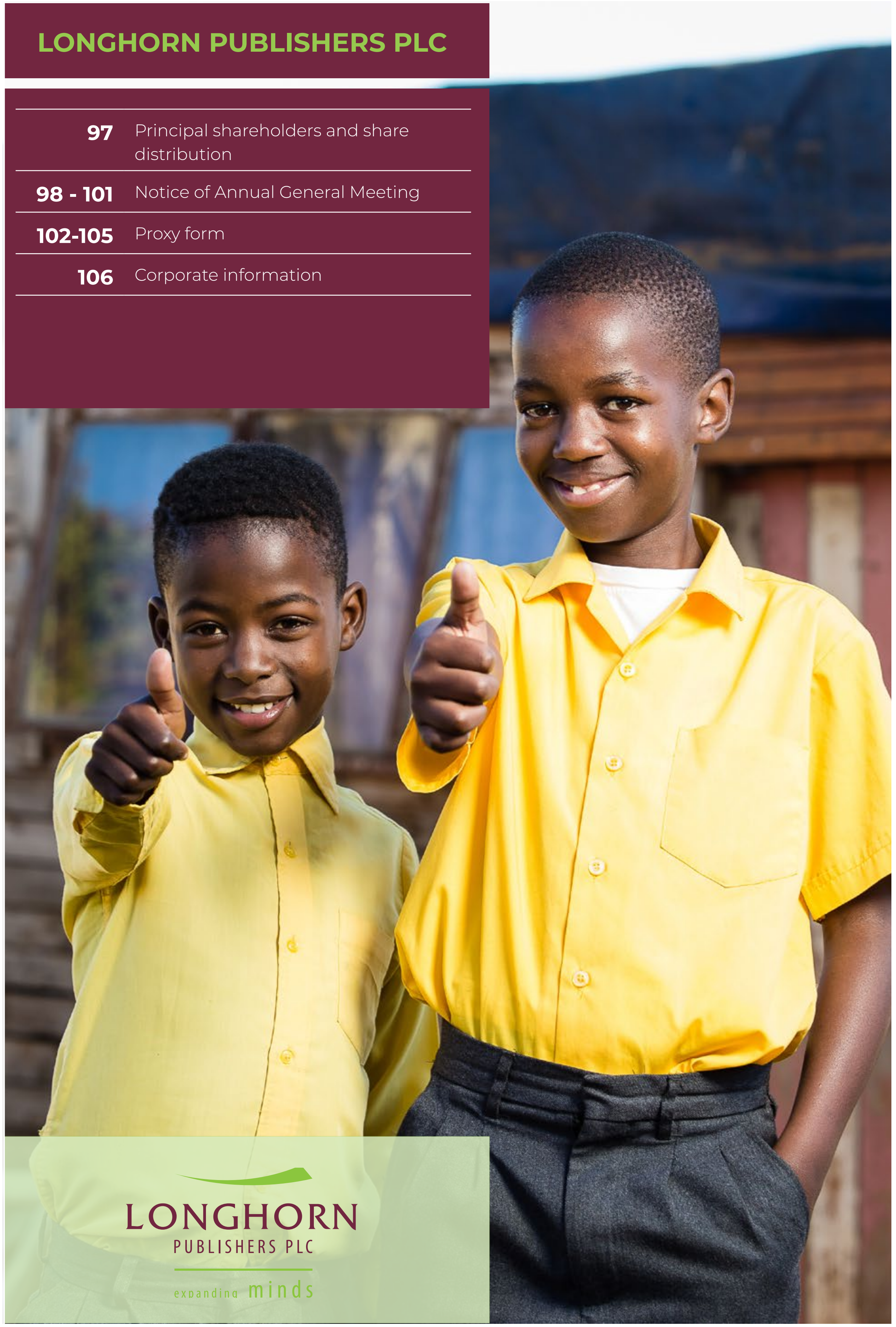


Table A: Top Ten Shareholders as at 30 June 2020

No.	Name of Shareholder	No of Shares	%
1	CFC Stanbic Nominees Ltd A/C R98301	164,014,078	60.20%
2	Pacific Futures and Options Limited	35,011,750	12.85%
3	Francis Thombe Nyammo	16,018,000	5.88%
4	Halifax Capital Corporation Limited	12,238,484	4.49%
5	Kamami Investments Limited	3,114,050	1.14%
6	Text Book Center Limited	2,854,450	1.05%
7	Heer,Gurbir Singh Amrik Singh	1,713,900	0.63%
8	Mrs Jane Kaari Mugiri (Deceased)	1,513,600	0.56%
9	Charles Esonga Onduso	1,500,794	0.55%
10	The Estate of The Late Ephantus M'mwiandi Mugiri	1,477,600	0.54%
11	Others	32,983,767	12.11%
Total Issued Shares		272,440,473	100.00%

Table B: Directors shareholding

Name of Director	No. of Shares	%
CFC Stanbic Nominees Ltd A/C R98301*	164,014,078	60.20
Francis Thombe Nyammo**	16,018,000	5.88
Total	180,032,078	66.08

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

It is highlighted that Muigai Githu has a beneficial interest in Halifax Capital Corporation Limited which holds 12,238,484 shares (4.49%) in the Company.

Table C: Distribution of shareholders as at 30 June 2020

	No. of shareholders	No. of shares	%
Less than 500	1,474	260,189	0.10
501 - 5000	1046	2,119,717	0.78
5001 – 10,000	244	1,831,239	0.67
10,001 – 100,000	306	8,813,586	3.23
100,001 – 1,000,000	36	10,724,316	3.94
Above 1,000,000	17	248,691,426	91.28
Totals	**3,123**	**272,440,473**	**100.00**

TO ALL SHAREHOLDERS

LONGHORN PUBLISHERS PLC

NOTICE is hereby given that the 2020 Annual General Meeting of the Company will be held via electronic communication, on Thursday, 26 November 2020 at 11:00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. The Secretary to read the notice convening the meeting and confirm the presence of quorum.
2. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2020 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.
3. To note that the Directors do not recommended the payment of a dividend in respect of the financial year ended 30 June 2020.
4. To re-elect Directors:-
   4.1 Mr Raymond Nyamweya Ondieki retires 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.
   4.2 Mrs Truphosa Kwaka-Sumba retires at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers herself for re-election.
   4.3 Ms. Emma Miloyo retires at this meeting in accordance with the provisions of Article 98(a) of the Company's Articles of Association and, being eligible, offers herself for re-election.
5. 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 Truphosa Kwaka-Sumba
   - Mr Raymond Nyamweya Ondieki
   - Mr Fredrick Murimi
   - Ms Emma Miloyo
6. To approve the Directors Remuneration Report for the financial year ended 30 June 2020.
7. To re-appoint Messrs PricewaterhouseCoopers LLP as Auditors by virtue of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix the Auditor's remuneration for the ensuing financial year.

SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following Resolution as a Special Resolution as recommended by the Directors:

   Amendments of the Articles of Association
   "That the Articles of Association of the Company be amended by inserting a new Article 54.1 immediately after Article 54 to read as follows:-

   "54.1 The Directors may convene and hold a general meeting by audio/video-conferencing, telephone, closed circuit television, radio, digital or audio/visual communication, or other electronic modes, or a hybrid of any of such means ("virtual meeting"). Notwithstanding that the Members are not present together in one place at the time of the virtual meeting, a resolution passed by the Members constituting a quorum at such a meeting shall be deemed to have been passed at a General Meeting held on the day on which and at the time at which the virtual meeting was held, provided that the Chairman of the meeting is satisfied that adequate facilities are available throughout the meeting to ensure that the members or proxies attending are able to (i) participate in the business for which the meeting has been convened; and (ii) see or hear all persons who speak."

9. To consider and, if thought fit, to pass the following Resolution as a Special Resolution as recommended by the Directors:

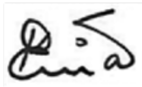
   Registration of a Subsidiary in Delaware, USA
   "That the registration of a subsidiary in the United States of America in partnership with Akili Ventures LLC be and is hereby ratified.

10. To consider and, if thought fit, to pass the following Resolution as a Special Resolution as recommended by the Directors:

    Registration of Longhorn Greymatter SARL
    "That the registration of a subsidiary in the name of Longhorn Greymatter SARL in the Democratic Republic of Congo be and is hereby ratified.

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

BY ORDER OF THE BOARD



ENID MURIUKI (MRS)
COMPANY SECRETARY

Date: 3 November 2020

NOTES:

1. Longhorn Publishers PLC has convened and is conducting the 2020 virtual Annual General Meeting (AGM) following receipt of a No Objection from the Capital Markets Authority.

2. Shareholders wishing to participate in the meeting should register for the AGM by dialing *483*808# for all Kenyan telephone networks and following the various registration prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance, shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 am to 5:00pm East African time from Monday to Friday. Any shareholder outside Kenya should send their details to longhorn2020agm@image.co.ke.

   Registration for the AGM will open on Wednesday, 4th November, 2020 at 11:00 am and will close on Monday, 23rd November, 2020 at 11:00 a.m. East African time.

3. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website www.longhornpublishers.com (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 30 June 2020; (iii) a copy of the High Court Order in Miscellaneous Application No. E680 of 2020; and (iv) a copy of the No Objection issued by the Capital Markets Authority.

4. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:-
   a. sending their written questions by email to agmquestions@image.co.ke; or
   b. shareholders who will have registered to participate in the meeting will be able to ask questions vis SMS by dialing the USSD code above and selecting the option 'Ask Question' on the prompts; or
   c. to the extent possible, physically delivering their written questions with a return postal address or email address to the registered office of the Company, Longhorn Publishers Plc, Funzi Road, Industrial Area, Nairobi or to Image Registrars offices at 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
   d. sending their written questions with a return postal address or email address by registered post to the Company Registrars address: Image Registrars, P. O. Box 9287, 00100 GPO, Nairobi.

5. Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

6. All questions and clarifications must reach the Company on or before Tuesday, 24th November 2020 at 11:00 a.m. East African time. Following receipt of the questions and clarifications, the Directors of the Company will provide written responses to the return postal address or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the Annual General Meeting.

7. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. If the Proxy appointed is not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.

8. A proxy form is available on the Company's website via the link: www.longhornpublishers.com. Physical copies of the proxy form are also available at the Longhorn Publishers Plc offices on Funzi Road, Industrial Area, Nairobi, or from Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

   A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate.

   A completed form of proxy should be emailed to longhorn2020agm@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Tuesday, 24th November, 2020 at 11:00 a.m. East African time.

Notice of Annual General Meeting

   Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than Tuesday, 24th November, 2020 at 11:00 a.m. East African time. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than Wednesday, 25th November, 2020 to allow time to address the issues.

9. The AGM will be streamed live through a link which shall be provided to all shareholders and proxies who will have registered to participate in the Annual General Meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

   Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts. Results of the poll shall be published within 48 hours following conclusion of the AGM on the Company's website.

10. Shareholders are encouraged to continue monitoring the Company's website www.longhornpublishers.com for updates relating to the AGM.

LONGHORN PUBLISHERS PLC
PROXY FORM

I/WE ____

OF ____

Being a member of the above Company, hereby appoint:

____

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 Thursday, 26 November 2020 and at any adjournment thereof.

As witness my/our hand this day of 2020

Signed ______________________________

Signed ______________________________

Kindly mark the box below to instruct your proxy how to vote

RESOLUTION	FOR	AGAINST	ABSTAIN
ORDINARY BUSINESS			
1. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2020 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.			
2. To note that the Directors do not recommended the payment of a dividend in respect of the financial year ended 30 June 2020.			
3. To re-elect Mr Raymond Nyamweya Ondieki who retires 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.			
4. To re-elect Mrs Truphosa Kwaka-Sumba who retires at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers herself for re-election.			
5. To re-elect Ms. Emma Miloyo who retires at this meeting in accordance with the provisions of Article 98(a) of the Company's Articles of Association and, being eligible, offers herself for re-election.			
6. 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 Truphosa Kwaka-Sumba • Mr Raymond Nyamweya Ondieki • Mr Fredrick Murimi • Ms Emma Miloyo			
7. To approve the Directors Remuneration Report for the financial year ended 30 June 2020.			
8. To re-appoint Messrs PricewaterhouseCoopers as Auditors by virtue of Section 721 (2) of the Companies Act, 2015 and to authorise the Directors to fix the Auditor's remuneration for the ensuing financial year.			

SPECIAL BUSINESS

To consider and, if thought fit, to pass the following Resolutions as a Special Resolutions as recommended by the Directors:-

RESOLUTION	FOR	AGAINST	ABSTAIN
9. To approve the Amendments of the Articles of Association by inserting a new Article 54.1 to allow for electronic/virtual general meetings.			
10. To ratify the registration of a subsidiary in the United States of America in partnership with Akili Ventures LLC.			
11. To ratify the registration of a subsidiary in the name of Longhorn Greymatter SARL in the Democratic Republic of Congo.			

LONGHORN PUBLISHERS PLC

ELECTRONIC COMMUNICATIONS CONSENT FORM

Please complete in **BLOCK CAPITALS**

Full name of the Shareholder____

Name of the appointed Proxy(s):____

Address: ____

Mobile Number [ ]

Date: ________________________________

Signature: ______________________________

Please tick **ONE** of the boxes below and return to Image Registrars Limited at P.O. Box 9287- 00100 Nairobi, 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of Registration
I/WE approve to register to participate in the virtual Annual General Meeting to be held on 26th November 2020. [ ]

Consent for use of the Mobile Number provided
I/WE would give my/our consent for the use of the mobile number provided below for purposes of voting at the AGM. [ ]

Notes:

1. If a member is unable to attend personally, this Proxy Form should be completed and emailed to longhorn2020agm@image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 48 hours before the time of holding the meeting i.e. Tuesday, 24th November, 2020 at 11:00 a.m. East African time, or any adjournment thereof.

2. In case of a member being a corporate body, the Proxy Form must be under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.

3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.

4. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.

5. To be valid the form of proxy should be completed, signed and emailed/delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) to longhorn2020agm@image.co.ke or to Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street and address P.O. Box 9287- 00100 Nairobi not later than 11.00 a.m. on Tuesday, 24th November 2020, before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than twenty-four hours before the time appointed for the taking of the poll.

6. In the case of a Company being a shareholder then this proxy form must be executed under its common seal or signed on its behalf by an officer of that Company or an authorized attorney for that Company.

7. An "abstain" vote option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.

Corporate Information

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Tel: +254 26532579/81, +2542558551, +254708282260, +254722204608
Website: www.longhornpublishers.com
Email: enquiries@longhornpublishers.com

Auditor
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PwC Tower, Waiyaki Way, Westlands
P.O Box 43963-00100 Nairobi
Tel +254 (20) 285 5000
Fax: + 254 (20)285 5001
Email: PwC.kenya@ke.PwC.com

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Tel; +254 709 170 000
Website: www.image.co.ke
Email: info@image.co.ke

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