LONGHORN PUBLISHERS PLC

expanding minds

INTEGRATED REPORT & FINANCIAL STATEMENTS 2019

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ABOUT THIS REPORT

The Company

Longhorn Publishers PLC was incorporated in Kenya in the 1980s. Since then, the Company has grown its presence to 9 countries within the African continent. The Company is committed to expand minds through the provision of innovative print and digital learning solutions.

Integrated Thinking

In 2019, Longhorn Publishers PLC released its first annual integrated report covering the financial year, ended 30 June 2019.

Integrated reporting enables Longhorn to communicate its strategic commitments to create short, medium and long term values for all its stakeholders. It also provides an opportunity for the Company 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 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.

Our Mission

To enrich lives through knowledge.

Our Core Values

1 Integrity

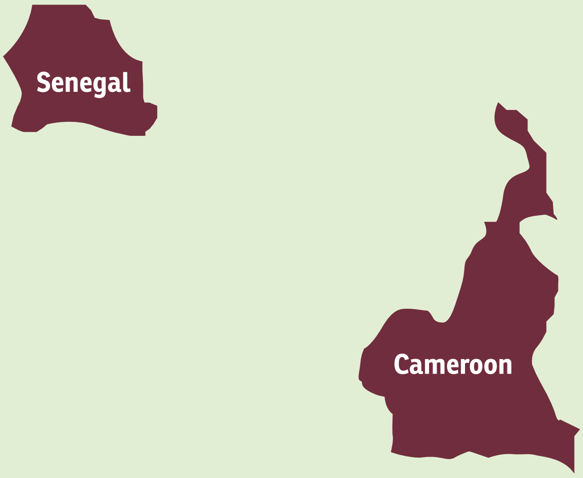
2 Innovation

3 Professionalism

4 Get it done

ABOUT US

Geographical Footprint

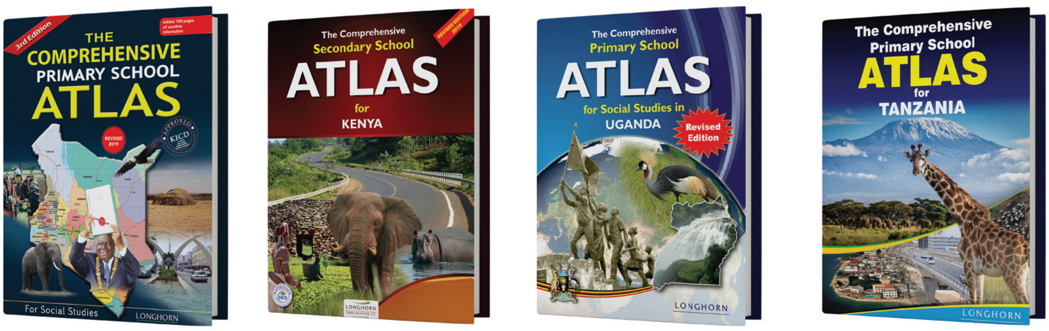


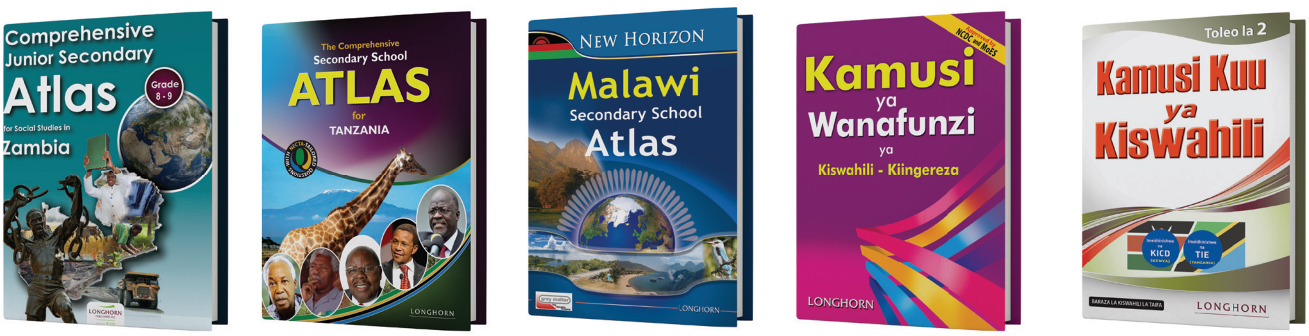
The Group operates in **9** markets. It has grown its presence across the continent and operates established subsidiaries in **Kenya**, **Uganda**, **Tanzania** and **Rwanda**. The Company has continued its expansion within the continent through establishment of partnerships in **Zambia**, **Malawi**,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

We report our presence within the continent because this is how we deliver learning solutions through provision of a range of educational products and services to institutions, governments, professional bodies and individual learners in our key markets across Africa.

Regional Ambassadors

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





BUSINESS UPDATE

Curriculum Change

1. Successfully distributed over **2 million** books to more than **22,000** public schools.
2. Development of interactive digital content for **Grade 1 - 3.**
3. Released **6 workbooks** to support the roll out of the new curriculum.
4. Released **50 titles of CBC Readers and Smart Starters** to support the early learners in improving their learning experience while addressing the curriculum change.

Digital Transformation

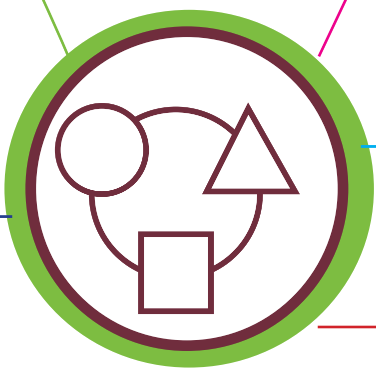
1. Introduced new learning channels through our dedicated **USSD code *864#** to facilitate the distribution of content all over the country.
2. Availed Kamusi on mobile phone platforms.
3. Enhanced content in our eLearning platform to include comprehensive content for Primary School learners.
4. We are re-purposing one of our set books – Blossoms of the Savannah into a TV series.

BUSINESS UPDATE

Regional Diversification

1. Developing more than **80** new titles for Primary Schools in Uganda, Tanzania and Zambia.
2. In the process of developing **29** titles in both English and French for Cameroon.

Product Diversification



1. Released new Primary School Atlas with the latest information covering each county.
2. Released 3rd edition of Kamusi ya Karne ya 21 with over 5,000 new head words.
3. Released Longhorn Technical, Vocational Education and Training (TVET) series to be used as instructional material.
4. Launched Competence Based Curriculum (CBC), Workbook, Encyclopaedia for Pre Primary and Primary Schools, and Longhorn KCSE Encyclopaedia for Secondary schools.
5. Launched Programme of Pastoral Instructions (PPI) for use in Catholic Sponsored Secondary Schools, in partnership with Kenya Commission of Catholic Bishops.

What does the future hold?

1. Significant business growth from the new digital channels and increasing our content base to start providing corporate eLearning and legal materials.
2. Increased regional market development in Uganda, Tanzania, Rwanda, Zambia, Malawi, South Sudan, Senegal and Cameroon through new products.
3. Customer focus through improved customer experience and enhanced engagement.
4. Focus on people by attracting, growing and retaining the best talent.

LONGHORN STRATEGY

Strategic Objectives	How we will get there	How we performed
Growth in profitability.	**Increase and diversify revenue from regional markets with improved margins.**	• Developed 80 new titles for Primary Schools in Uganda, Tanzania and Zambia. • Developed 29 titles for Cameroon market. • Developed curriculum materials for CBC Grade 1-3.
Product diversification.	**Increase market share in revision, reference, creative works and tertiary.**	• Launch of 3rd edition of Kamusi ya Karne ya 21 with over 5,000 new headwords. • Revised and released new Primary Atlas with an additional 100 pages that cover counties. • Released 6 workbooks, 50 CBC readers and Encyclopaedia to support roll out of CBC. • Released Longhorn KCSE Encyclopaedia.
Enhanced customer experience.	**Improve customer experience and enhance engagement.**	• Increased customer engagement. • Organised stakeholder engagements in Kisumu, Mombasa and Nakuru. • Dedicated weekly customer visits.
Growth in digital learning offering.	**Create innovative content for the digital channels and increase the number of digital products.**	• Grew digital offerings through USSD, eLearnings and product repurposing.
Attract, grow and retain best talent.	**Build a healthy working environment for staff and enhancing an open performance based culture.**	• Attained gender staff ratio of 1:1. • Partnered with LinkedIn to offer online training to staff with a total of 2,689 hours of learning completed.

VALUE CREATION

The Group's value creation process is attained through our business model, which acquires inputs in the form of capital (Intellectual, Human, Social, and Financial) and transforms it through our business activities and interactions to produce outputs and outcomes for the stakeholders.

Our capitals

Intellectual Capital

This is in the form of intellectual property that the Group holds in form of print and digital products.

- Total number of titles – **over 4000**
- Number of digital products -**121**
- Number of digital platforms – **2**
- Number of Apps – **4** and
- Dedicated USSD Code - ***864#.**

Human Capital

The members of staff, management and leadership, comprising their collective expertise, experience and knowledge.

- Staff head count - **150**
- Male to female ratio - **1:1**

Social Capital

These are the key assets as they indicate relationships with the stakeholders.

- Authors – **1,067**
- Taxes – **Ksh 78,843,000** remitted to the government
- Illustrators – **15**
- Customers – **2,488**

Financial Capital

The Company's funding that is used to run the activities of the company and generate profits, come from investors and institutional lenders.

- Revenue **Kshs 1.60 billion (2018: 1.69 billion)**
- Profit – **Kshs 185 million (2018: 183 million)**
- Share price **Ksh 7.8** as at 30 June 2019 (30 June 2018: Ksh4.2)
- Dividend **Kshs 142 million** from **115 million** in 2018

Processes

Intellectual Capital

- Increased number of authors.
- Increased digital content accessibility and improved user experience.
- Grew product segments in both print and digital to improve on diversity.

Talent Management

- Diversified the team through focused recruitment that seeks to identify the most competitive skills.
- Increased training for staff through partnership with LinkedIn learning.
- Diverse board experience.

Social Engagements

- Increased customer engagement.
- Increased customer visits.
- Partnership and strategic alliances across the region.
- Partnerships with governments and private sector education players.
- Timely remittance of statutory obligations.

Financial Management

- Better cost control.
- Increased return on assets
- Clear communication of strategy to the market.
- Regional expansion into Francophone Africa.

VALUE CREATION

Outcomes

Communities and authors
- Total value of books donated Kshs 3,808,000.
- Total books distributed for one book policy and CBC roll out were over 6,000,000 books in both Primary and Secondary Public Schools.
- Authors received Kshs 131,422,000 in royalties.

Employees
- Kshs 260,350,000 Salaries and benefits paid at year ended 30 June 2019. (2018: Kshs 251,365,000)
- Male to female ratio 1:1
- Staff cost to income ratio -16% at year ended 30 June 2019 (2018: 15%)

Governments
- Taxes paid 2018 in the form of PAYE, VAT and Witholding tax total Kshs 206,612,478

Customers engagements
- Of the 170 complaints received, 90% were resolved within the first contact. (2018: 132 complaints)

Business Growth
- Return on equity (ROE) – 17% at year ended 30 June 2019. (2018: 18%)
- Return on assets – 7.9% at year ended 30 June 2019. (2018: 7.6%)
- Earnings per share – Ksh 0.68 at year ended 30 June 2019. (2018: 0.67)
- Dividends per share Ksh 0.52 at year ended 30 June 2019. (2018: 0.42)
- Share price growth 84 %
- Market share in Kenya 24.5%

Products

Academic and non-academic learning materials that are available in both print and digital format.

Outputs

- Share price appreciation.
- Increase in dividend payout.
- Return of investments.
- Return on equity.

LONGHORN STAKEHOLDERS

Longhorn stakeholders are the individuals and organisations who impact on our business or are affected by our business.

Shareholders	Longhorn engages its shareholders on an ongoing basis through our investor briefings, annual general meetings and constant communication using various channels such as social media.	2,601 shareholders.
Employees	One of Longhorn's strategic objectives is to attract, develop and retain the right talent. The Company has invested in availing on the go training to all its staff members through Linkedin Learning to help compliment classroom training. The purpose of the training is to equip staff members with market relevant skills that will enable the staff member to not only better contribute towards attaining the Company's strategic goals but also achieve personal development goals. The Company provides an equal opportunity work environment that is not discriminatory with regard to various diversities.	150 Total staff count. Total number of training hours completed 2,689. Male to female staff ratio 1:1.
Education Institutions & Learners	Longhorn collaborates with educators and learners through teacher capacity building workshops, subject contests and availing quality learning materials. We have been working together with subject experts and national examiners to develop reading and revision materials that are aimed at helping both student and teacher to comprehensively cover the syllabuses.	121 Workshops and subject contests.
Government and Regulators	From the time the government rolled out centralised procurement, Longhorn has been able to work closely with the Ministry of Education to distribute **6,000,000** copies of Longhorn course books distributed to both primary and secondary public schools. We have been a responsible corporate in tax payment of Kshs 260 million across the region.	22 approved titles for the new CBC.
Business Partnership	Working together with well established distributors who are experts in their field, Longhorn has been able to deliver products to the end user in an efficient and timely manner. Through regional strategic distributorship partnerships, we have grown presence across the region for both print and digital materials.	2,488 book distributors, 26 digital partners and eRetailers and 3 regional partnerships.
Communities and authors	Longhorn has worked together with the Rotary Club Karen through the Longhorn CSR initiative known as Soma Caravan to provide quality education material for vulnerable and marginalised groups and communities. Longhorn works together with award winning authors and subject experts to develop books that are relevant to the market needs.	8 communities reached. Kshs 3,808,000 value of books given as donations. Kshs 131,422,000 total royalties paid in 2018.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SUSTAINABLE DEVELOPMENT GOALS

For sustainable development

Longhorn recognises that long-term business success hinges on the Company's ability to integrate its business operations with the SDGs, by doing so the Company will be able to consolidate a strong licence to operate thus differentiating itself from competitors and building trust among governments, shareholders and customers. We have identified 3 of the 17 SDGs as most relevant to our business and stakeholders, and on which we can have most impact. This include: SDG 4, SDG 9 and SDG 17. We also reviewed the 169 SDG targets to help identify connections between the goals and classified them according to a comparative level of relevance to our business.

Better Business, Better World.

SDG 4 – Quality Education

CBC Workshops – During the year the Company was able to organise a total of five workshops targeting Grade 1 to Grade 4 teachers. The purpose of the workshops was to help the teachers understand the expectations of Competency Based Curriculum and ultimately equip them to become better teachers thus achieving the government's goal of a smooth roll out and implementation of Competency Based Curriculum.

4 QUALITY EDUCATION

The workshops were held in the following regions: Nairobi, Mombasa, Nakuru and Kapsabet and were attended by over 1,200 teachers.

In addition, the Company was able to organise Kiswahili workshops facilitated by renowned Kiswahili author Wallah Bin Wallah. The workshops targeted Grade 1 to Grade 3 Kiswahili and Kiswahili literacy teachers of the new CBC. The workshops were carried out in four regions and attended by over 900 teachers of Kiswahili.

Release of New Products: Longhorn revised and launched 3rd edition of the Kenya Institute of Curriculum Development (KICD) approved Kamusi ya Karne ya 21. The new edition has been revised to include 5,000 new headwords. The Company was able to revise both its Primary and Secondary Atlas to include current information in the subject areas of Social Studies for Primary and Geography, History & Government for Secondary. The Company launched Longhorn Secondary Encyclopaedia; the revision text has been authored by national examiners with an aim to prepare the learner for the final national exams.

For regional markets the Company developed 80 new titles for Primary Schools for Uganda, Tanzania, Malawi and currently developing 29 titles in Cameroon.

One Book Policy – Longhorn has worked with Ministry of Education to distribute over 6,000,000 books to both primary and Secondary Schools. This was in support of the noble government initiative that is meant to eradicate inequality through the provision of quality school based learning material under the One Book Policy.

Donation- During the financial year Longhorn was able to donate books worth Ksh 3,808,000 to needy communities, institutions of learning, education based organisations and other institutions such as the Lang'ata Womens Prison.

SDG 9 – Industry, Innovation and Infrastructure

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

The Company has made significant investment into the provision of digital content through easy to access and user friendly channels. Longhorn digital content has now been made widely available to both smart phones and feature phones through Longhorn's dedicated USSD code *864# which provides learning on the go.

Since the launch of Longhorn's eLearning platform and eBook store the digital publishing team has been working tirelessly to improve the accessibility and functionality of the two platforms. Currently the eLearning platform has content for Competency Based Curriculum for Grade 1 to Grade 3 and the team is working to include content for Secondary School.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

SDG 17 – Partnerships for the goals

Government: Longhorn has worked together with governments across the continent through sale of rights in Rwanda, book distribution through one book policy in Kenya and change and improvement of curriculum in Kenya, Uganda, Malawi and Zambia.

Regional Expansion: Longhorn continues to expand its presence into the Africa markets. The Company's entrance into the various markets is through strategic alliances with like minded publishing houses. This is evident 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 organise and execute five successful CBC training workshops in five regions.

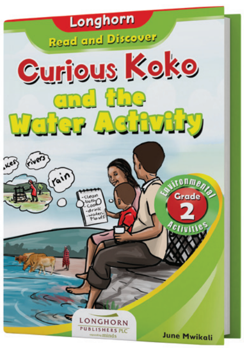
Longhorn continues to work with KPA (Kenya Publishers Association) and KECOBO (Kenya Copyright Board) to eradicate the vice of book piracy. Book piracy continues to rob authors of their intellectual property as well as their income in the form of lost royalties.

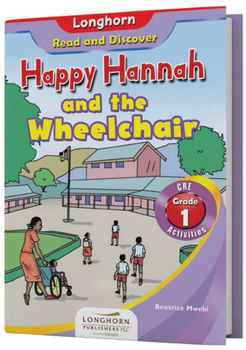
Distribution Channels: The Company was able to hold regional stakeholder engagements with its distributors; to deepen engagements with distributors.

Authorship and teachers: Longhorn achieved a 41% market growth in Tanzania, Rwanda and Uganda. This growth was brought about by the Company's push towards developing new market-specific products. By identifying and engaging local authors, the Company was able to develop products that were more readily adopted by the open market as well as government.

LONGHORN PRODUCTS AND BRANDS

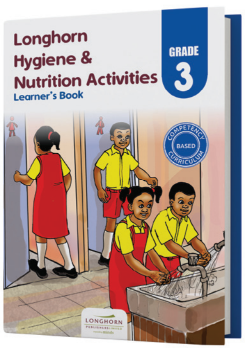
CBC Readers

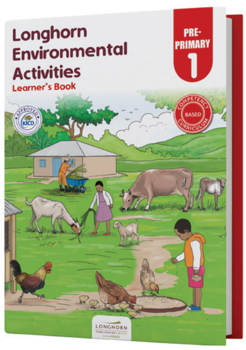




The CBC readers have been developed in line with Competency Based Curriculum.

CBC Course Books





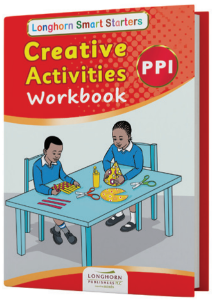
The CBC activity books are new course books that have been developed in line with Competency Based Curriculum.

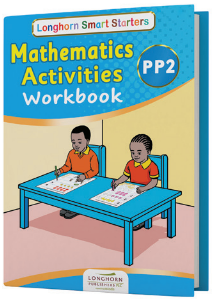
LONGHORN PRODUCTS

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.

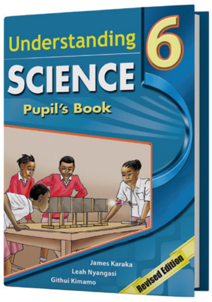
ECDE Workbook





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

Class 5-8 Course Books

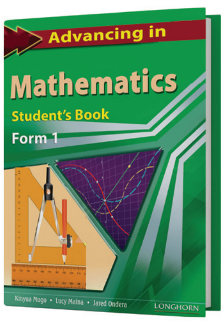


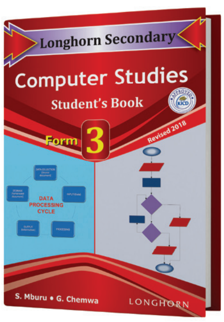
The books have been developed to assist both learners and teachers cover the specific subject syllabus. The books are designed to provide concept definition, practical application and testing of the student's comprehension.

Class 5-8 Revision

The revision books are developed to prepare the learner 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

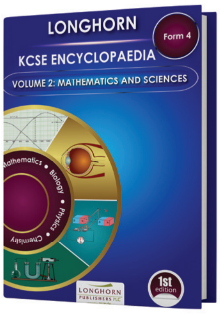


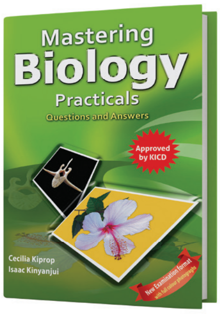


Secondary course books come in comprehensive series for all Secondary School subjects and they are written in line with the Secondary syllabus. The books contain easy to understand concept definitions that allow the student better comprehension of the subject matter.

LONGHORN PRODUCTS

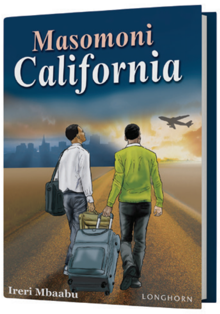
Secondary Revision

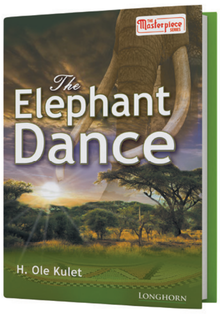




Subject teachers and examiners who are experts in their subject areas have authored books that are part of the Secondary revision series. The books comprehensively cover Secondary syllabus and are an indispensable supplement to any textbook.

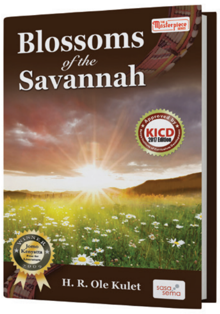
Creative Works





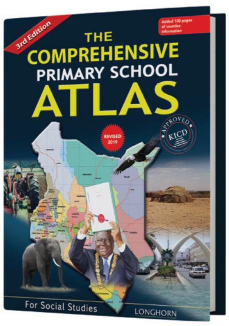
Creative works include novels, novellas and storybooks that are meant to inform and entertain the reader. The stories are written by recognised and award winning authors who are able to weave entertaining and interesting stories that leave the reader asking for more.

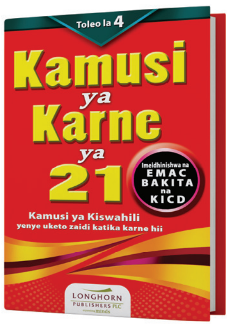
Set Books



The setbooks 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.

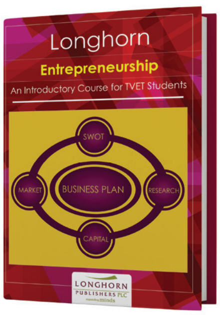
Reference Books

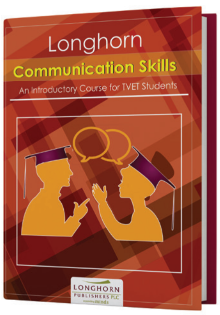




Reference books are developed to help both learners and teachers by providing additional reference to aid in the teaching of subjects such as English, Kiswahili, Geography, History and Government.

Tertiary Books



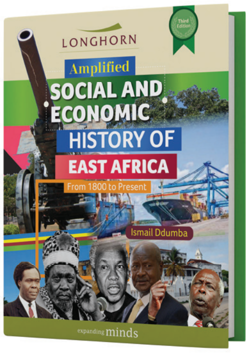


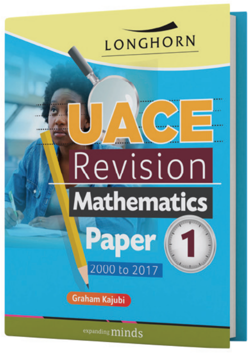
The TVET books are written for Technical and Vocational Education and Training Institutions to equip students with all skills, knowledge and aptitudes required. The books try to use local examples and case studies in-order to help students relate learning with their everyday life.

REGIONAL BOOKS

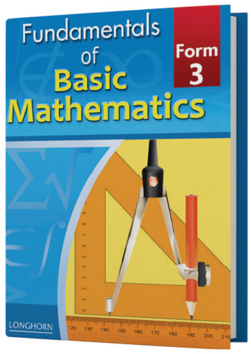
Longhorn Publishers PLC is committed to providing learning solutions across the region by developing quality approved titles that aid the teacher and the learner in covering the syllabus.

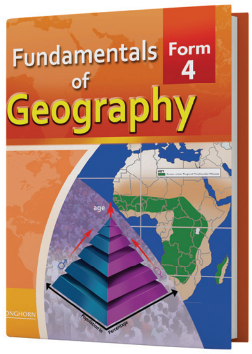
Uganda



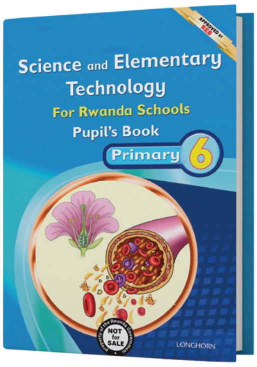


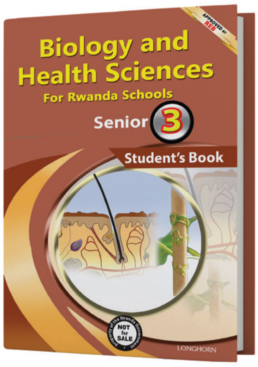
Tanzania



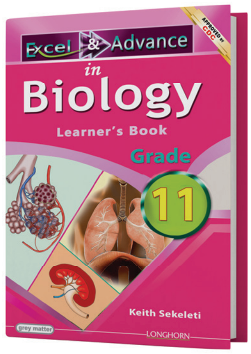


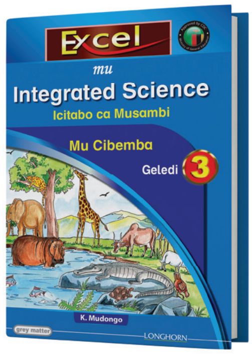
Rwanda



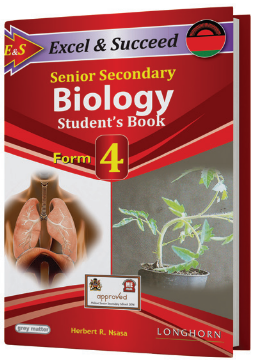


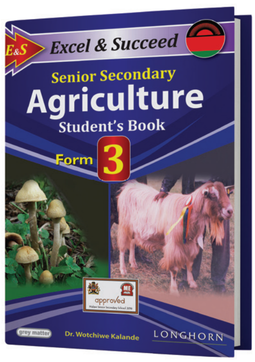
Zambia





Malawi

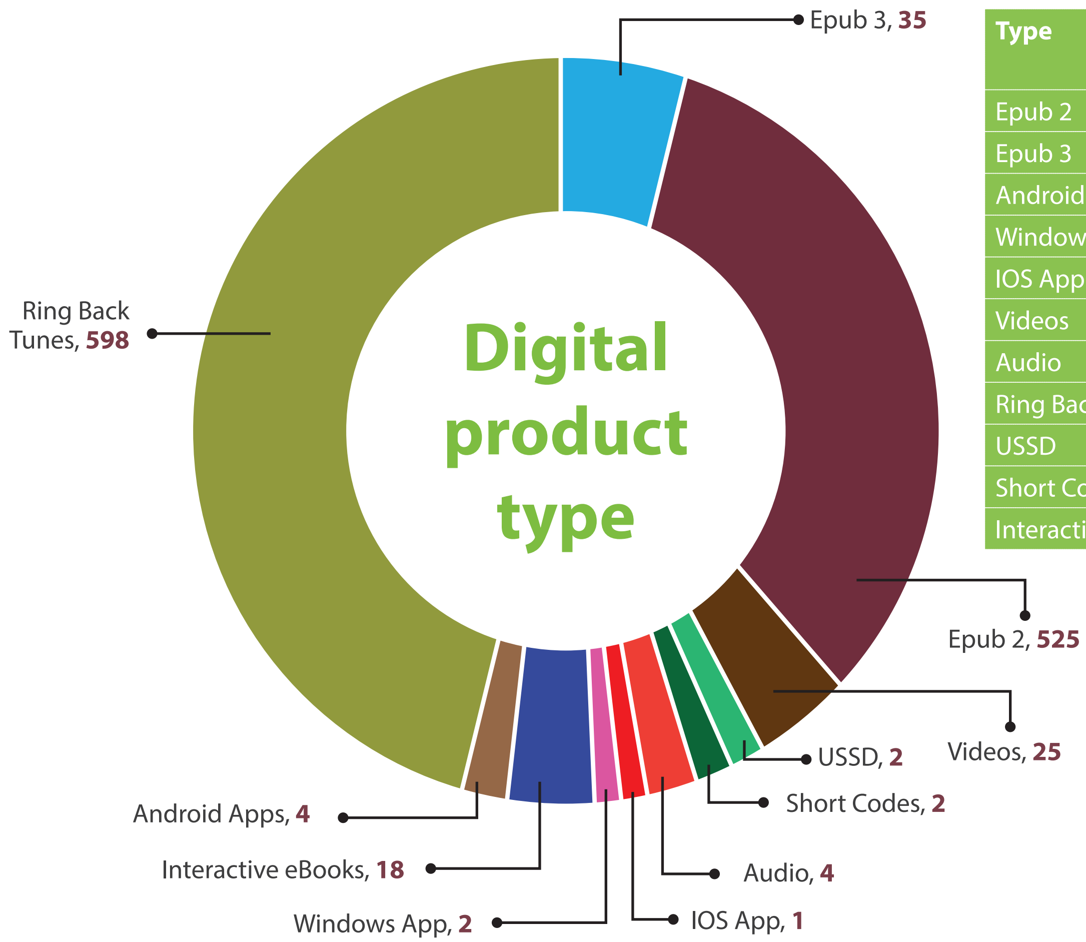




Senegal

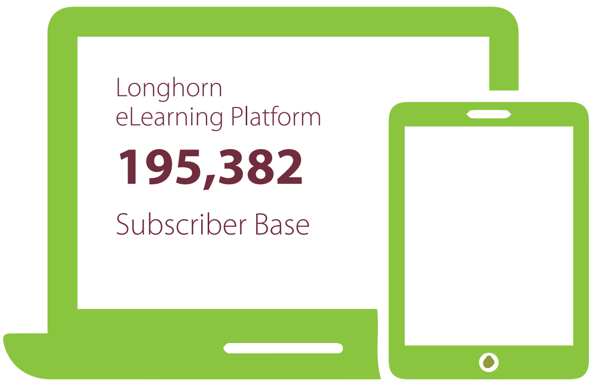
LONGHORN DIGITAL

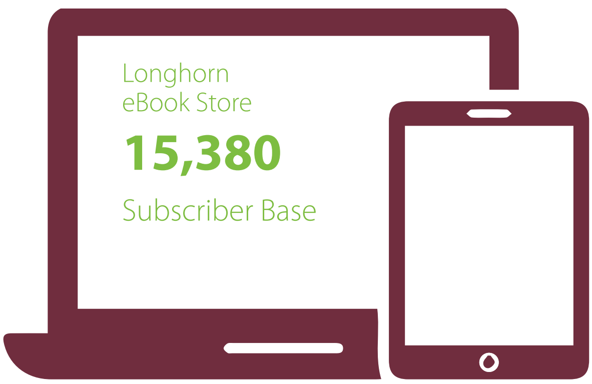
Since the launch of the platforms, the Company's team of highly qualified and dedicated digital publishing team have been working tirelessly to improve accessibility and functionality of the platforms. In addition the Company has invested in the development of content and improved user experience of platforms.



Type	Number of products
Epub 2	525
Epub 3	35
Android Apps	4
Windows App	2
IOS App	1
Videos	25
Audio	4
Ring Back Tunes	598
USSD	2
Short Codes	2
Interactive eBooks	18

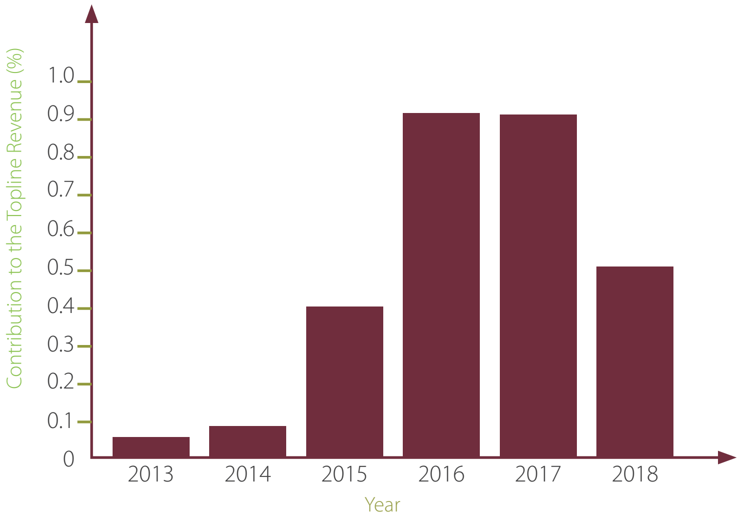
Digital Platform and Subscriber Base





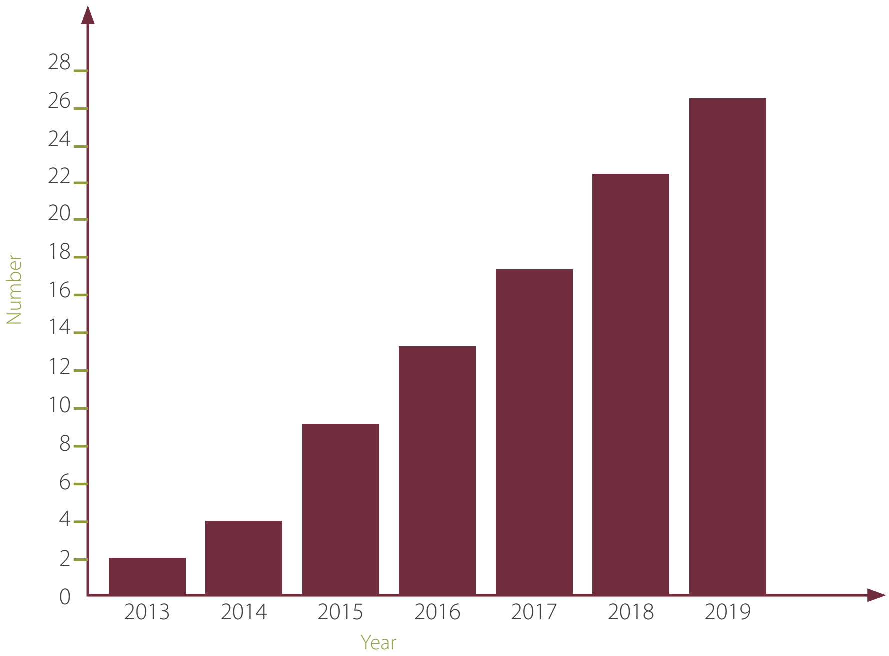
LONGHORN DIGITAL

Contribution to the topline revenue



Longhorn relies on digital partners and eRetailers to distribute and sell Longhorn digital learning solutions through either their established platforms or devices.

Growth in Digital Partners/eRetailers



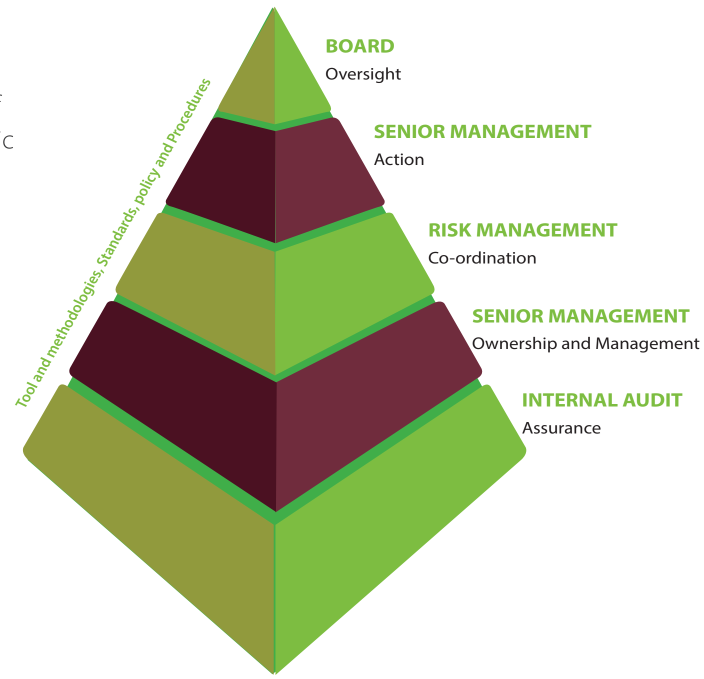
RISK MANAGEMENT

Introduction

Longhorn ERM 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 Company's strategic objectives.

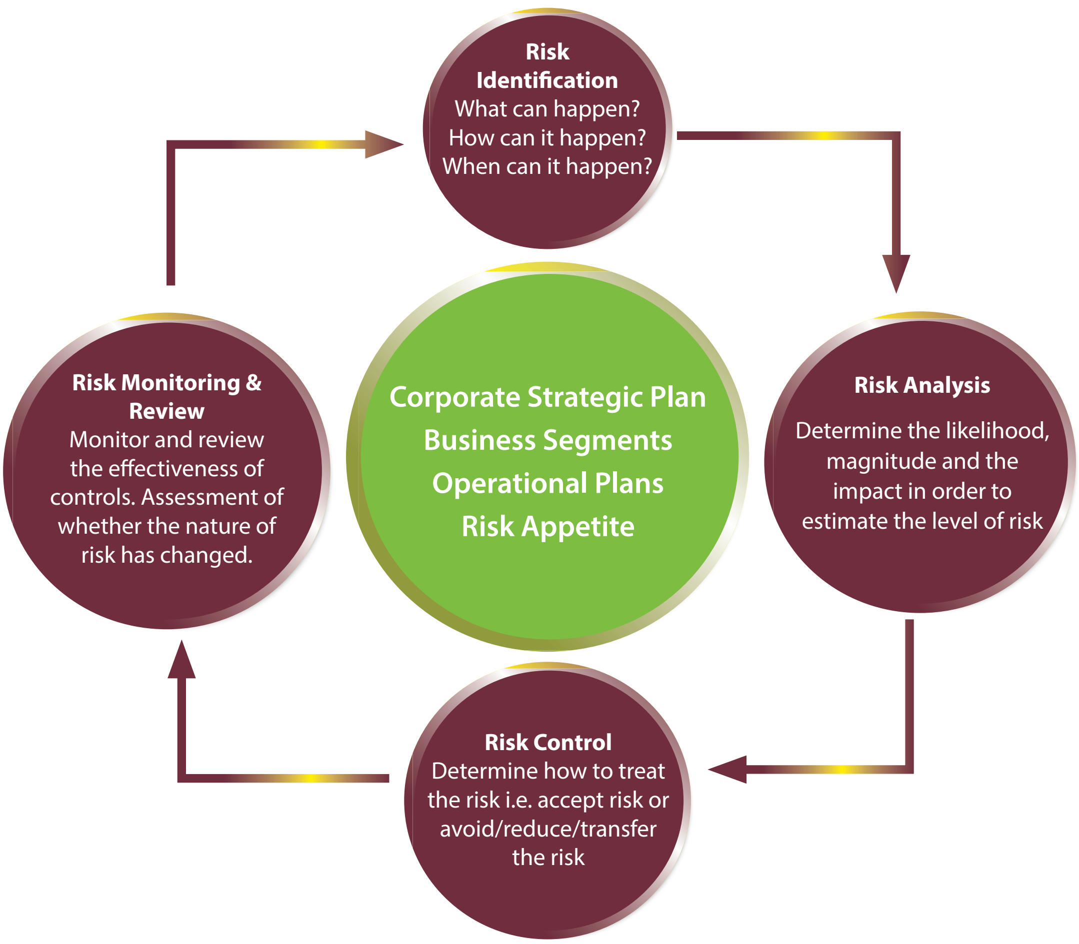
The ERM framework is used to promote a risk aware culture across the organisation, with the aim of integrating risk management into day to day decision making and it aligns to ISO 9001:2015 Risk Management Standard.

RISK MANAGEMENT STRUCTURE



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.



RISK MANAGEMENT

Risk categorization

Types of Risk	Mitigation
Business Risk The rapidly changing landscape of the publishing industry exposes the Company to factors that would lower its profits, threaten the Company's ability to meet its target and achieve its financial goals. Business risks include Shift towards Digital Publishing, Change in Curriculum and Growing Competition in Kenya.	Digital Publishing –The Company 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 Company 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 Company 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 Company faces loss of intellectual property through piracy and weakness in data integrity.	Piracy –The Company has added anti-piracy features on its books in order to reduce piracy of Longhorn products. Data Integrity –Through the stringent ICT policy the Company ensures data movement is centralised and monitored to ensure that proprietary information is not shared. Active participation in anti-piracy activities that discourage piracy.
Operational Risk The Company faces the risk of losses resulting from inadequate or failed internal processes and systems.	Processes and Systems – The Company in accordance to ISO 9001:2008 has documented its processes and systems, that are constantly being reviewed by the Audit and Risk department to ensure that any risks are identified and addressed.
Reputational Risk Potential that negative public perception with regard to Longhorn generated content on either the Company's print or digital products that will cause a decline in the customer and investor confidence, costly litigation or revenue reduction.	Content Editing – The Company has invested in a dedicated team of content editors who work to ensure that all content released from the Company is accurate.
Financial Risk The Company's activities exposes it to a variety of financial risks including Credit Risk and Liquidity Risk.	Credit Risk – The Company undertakes a rigorous distributor on boarding process to ensure that the right kind of distributors are included. The distributors' credit worthiness is continuously monitored and appropriate adjustments made. Liquidity Risk – The Company maintains adequate cash balances in the bank by continuous monitoring, forecast of actual cash flows and matching the maturity profiles.

FINANCIAL HIGHLIGHTS

GROUP'S REVENUE

Shs 1.6B

GROUP'S PROFIT AFTER TAX

Shs 185M

Total Dividend Payout

Shs 142m

Key Performance Indicators

23%
Growth in Dividend from Ksh 0.42 to Ksh 0.52

84%
increase in Share Price from Ksh 4.25 in July '18 to Ksh 7.8 in June '19

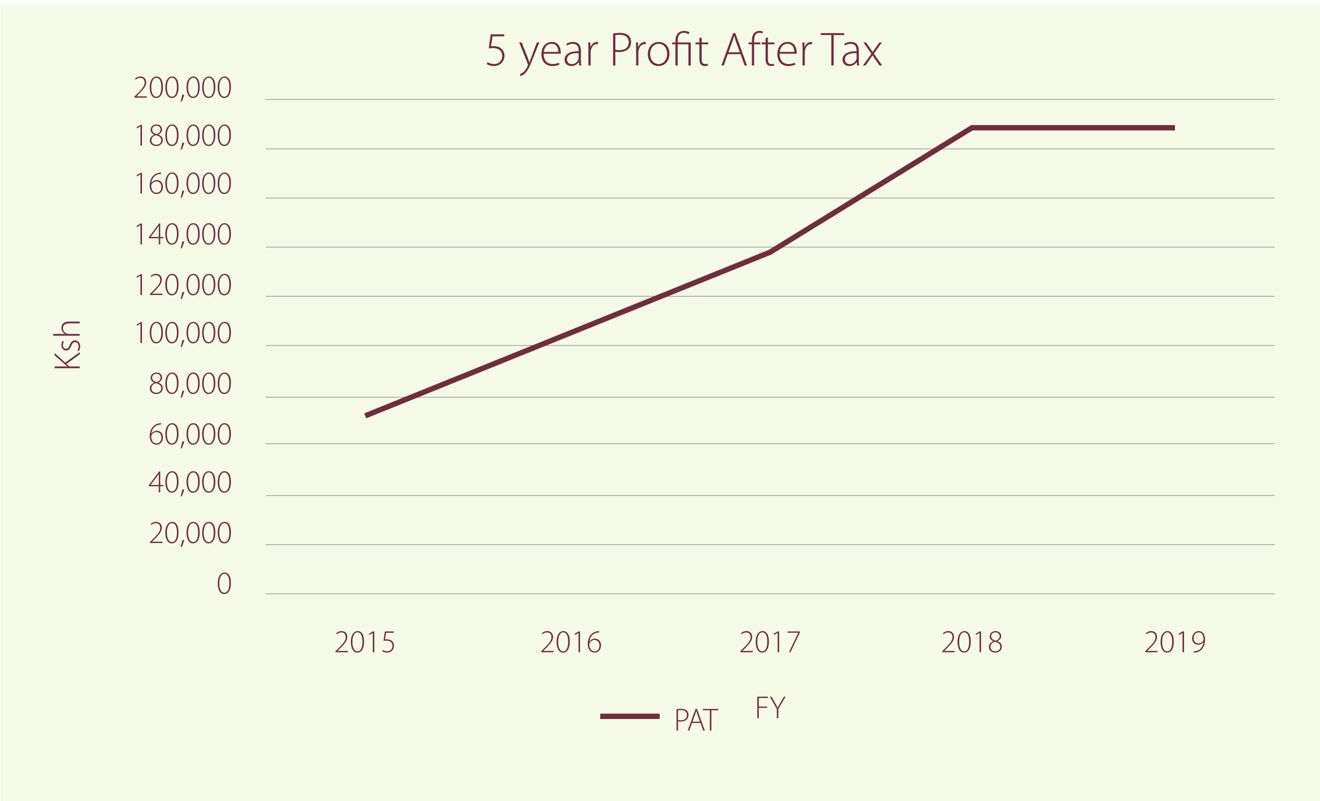
41%
increase in revenue contribution from the region

FINANCIAL HIGHLIGHTS

The improved performance in profit, despite the reduction in revenue generated, was as a result of operational efficiencies achieved through improvements in product cycle which has consequently reduced product origination and printing costs, resulting in a 6 % increase in operating profit margins.

Summary of the group performance for the year ended 30th June 2019				
	2019 Shs'M	2018 Shs'M	Change %	Trend
Turnover	1.60	1.69	-6%	↓
Gross profit margin %	57%	54%	6%	↑
Total operating expenses	545	557	-2%	↓
Earnings before interest and taxes (EBIT)	360	358	1%	↑
Profit after tax	185	183	1%	↑

Regional markets contribution to overall revenue increased by 41%. This was brought about by the successful implementation of the 2018-2021 Strategic Plan which focuses on product diversification for the regional markets.



Group Chairman's Statement

My Fellow Shareholders,

In yet another year of excellent performance, I am happy to report to the shareholders that the Board, Management and Staff of Longhorn have worked hard to ensure that the Company has once again reported an increase in profit after tax to Kshs 185 million from Kshs 183 million.

The Company has made significant investments in the areas of digital publishing and regional expansion that have resulted in the good performance of the group.

THE BOARD

Board Meetings

The Board's meetings have focused on strategy, talent management, transparency and overseeing the overall running of the Company. During the year the Board has overseen the growth and development of the Company's Digital Publishing section, to include new channels of accessibility as well as improvement of user experience. The Board has also been keen in ensuring that the Company continues its regional expansion into Cameroon through partnership with a local Publishing house.

In addition, we have considered the business ongoing operations with regards to the roll out of the CBC (Competency Based Curriculum) from PP1 to Grade 4, partnering with Kenya Institute of Curriculum Development (KICD) and the Ministry of Education. The Company has been able to develop books that are currently in use in the roll out of the new curriculum

Board Changes

Longhorn has a fully engaged Board, including a strong Non-Executive team with a breadth of experience and perspectives. We were pleased to welcome Mr Maxwell Wahome to the Longhorn Board following his appointment as Group Managing Director on 4th September in 2018. In the financial year that has ended, Mr Wahome has been able to steer the Company towards growing its digital publishing section through the continuous improvement in the accessibility of Longhorn digital products making them available on mobile phones. Mr Wahome has continued to guide the Company in growing its presence into Francophone Africa as evidenced by Longhorn's entrance into Cameroon through strategic alliances.

During 2018 financial year, Mr. Simon Ngigi, the then Group Managing Director left the Company to pursue professional interests outside publishing. The Board joins me in thanking Mr Ngigi for his commitment and contribution to Longhorn.

Board Evaluation

The 2018 Board evaluation, which was overseen by the Nominations, Governance and Human Resource Committee chaired by Director Truphosa Kwaka Sumba, confirmed that we have an effective and well –functioning Board that has an appropriately balanced agenda. This has ensured progress during the year in continuing to develop and articulate the Longhorn strategy.

Dividend

The Board continues to pay attention to ensuring optimal allocation of capital; this is achieved through maintaining a strong balance sheet so as to achieve a progressive dividend policy. It is through this commitment that I am proud to report a 23% increase in dividend payout from Kshs 0.42 to Kshs 0.52 per share.

Accountability

Longhorn aims to communicate to both its shareholders and stakeholders in a transparent manner.The Audit and Risk Committee led by Director Ali Hussein, plays a key role in monitoring and evaluating the Company's risk management processes, providing independent oversight of the Company's internal control programmes and business transformation projects e.g Regional Expansion.

I would like to appreciate the Board of Longhorn Publishers PLC for the superior job of ensuring the Company's prosperity; their critical role is essential to the delivery of long term value and sustainability of shareholders and stakeholders.

Sustainability

I am optimistic about the future of the Company. We look forward to continuously support the Management in fulfilling the strategic objectives that have been set out in the 2018 -2021 Strategy Map.

The Board working together with the Management of the Company will focus in growing the following areas that we believe are pivotal in the sustainability of the Company in the coming financial year.

- Digital Publishing – New product development, increased accessibility and improvement of user experience.
- Regional Expansion – Growing existing markets through development of products that are driven by the market needs as well as venturing into new territories that have previously been dominated by foreign publishing companies.
- Competency Based Curriculum – Working together with government regulators such as KICD to publish books that comprehensively cover teaching and learning of the new curriculum.
- Diversification – Adding new revenue streams that are independent from our traditional channels.
- Talent Management – The company continues to attract and retain the right talent to help accomplish the strategy.

I wish to once again thank the Board, Management and Staff of Longhorn Publishers PLC for the first rate work they have done in the previous financial year and I wish to encourage them to continue in the same spirit.

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

Kauli ya mwenyekiti

Wenye hisa wenzangu,

Katika mwaka mwingine wa utendaji bora, nina furaha kuripoti kwa wenye hisa kuwa Bodi, Usimamizi na Wafanyakazi wa Longhorn wamefanya kazi kwa bidii kuhakikisha kuwa kampuni kwa mara nyingine tena imeongeza faida yake baada ya kulipa ushuru kutoka shilingi za Kenya milioni 183 hadi shilingi za Kenya milioni 185.

Kampuni imewekeza katika maeneo ya uchapishaji wa kidijitali na upanuzi wa kimaeneo ambapo uwekezaji huu umesababisha utendaji bora wa kampuni.

BODI

Mikutano ya Bodi

Mikutano ya Bodi imeangazia mikakati, ukuzaji vipawa, uwazi na uangalizi wa kijumla wa uendeshaji wa kampuni. Katika mwaka huu, Bodi imesimamia ukuaji wa kitengo cha Uchapishaji wa Kidijitali wa kampuni ili kujumuisha nyenzo mpya za upatikanaji pamoja na uimarishaji wa uzoefu wa wateja wetu. Bodi pia imekuwa makini kuhakikisha kuwa kampuni inaendeleza upanuzi wa kimaeneo hadi nchini Kameruni kupitia kwa ushirikiano na mashirika ya uchapishaji ya nchini Kameruni.

Kwa kuongezea, tumekuwa sehemu ya uanzilishi wa Mtaala wa Umilisi (Competency Based Curriculum) kuanzia Chekechea (PP1) hadi Gredi ya 4 (Grade 4). Kampuni kwa ushirikiano na Taasisi ya Ukuzaji Mitaala Nchini (Kenya Institute of Curriculum Development) na Wizara ya Elimu imeweza kuchapisha vitabu ambavyo vinatumika kwa sasa.

Mabadiliko ya Bodi

Longhorn ina bodi na wanakamati wengine walio na uzoefu na mitazamo mipana. Tuna furaha kumkaribisha Bwana Maxwell Wahome kwa Bodi ya Longhorn kufuatia uteuzi wake kama Meneja Msimamizi wa kampuni mnamo tarehe 4/09/2018. Katika mwaka wa kifedha ambao umekamilika, Bwana Wahome ameweza kuongoza kampuni katika ukuaji wa kitengo cha uchapishaji wa kidijitali kupitia kwa uimarishaji wa upatikanaji wa bidhaa za kidijitali za Longhorn kwenye rununu. Bwana Wahome ameendelea kuongoza kampuni katika ukuaji wake katika mataifa ya Afrika Magharibi kama inavyoshuhudiwa wakati huu ambapo Longhorn imeingia nchini Kameruni kupitia kwa ushirikiano wa kimkakati.

Katika mwaka wa kifedha wa 2018, tulimpa Bwana Simon Ngigi kwaheri, aliyekuwa Meneja Msimamizi wa wakati huo, ambaye aliondoka kwenye kampuni kujiendeleza kimaisha nje ya uchapishaji. Bodi inajiunga nami katika kumshukuru Bwana Ngigi kwa kujitolea kwake pamoja na mchango wake kwa kampuni.

Tathmini ya Bodi

Tathmini ya kampuni ya mwaka 2018 ambayo iliongozwa na Mkurugenzi Truphosa Kwaka Sumba kama mwenyekiti kwa uangalizi wa Kamati ya Uteuzi, Uongozi na Maslahi ya Wafanyakazi ilibaini kuwa Bodi ya Longhorn ni imara na inafanya kazi inavyohitajika. Bodi imezingatia usawa wa kijinsia, hali ambayo imeifanya kusonga mbele na kuendelea kuimarisha na kutekeleza mikakati ya kampuni.

Mgao wa Kampuni

Bodi inaendelea kuwa makini kuhakikisha kuwa kuna mgao mzuri wa kifedha; hii inawezekana kupitia kwa udumishaji wa mapato na uwekezaji wa mikopo ili kuafikia sera ya maendeleo. Ni kupitia kwa kujitolea huku ambapo ninajivunia kuripoti ongezeko la asilimia 23 (23%) kwenye mgao unaolipwa (dividend paid) kutoka shilingi 0.42 hadi shilingi 0.52 za Kenya.

Uwajibikaji

Kampuni inalenga kuwasiliana na wenye hisa wake na wawekezekaji wake kwa namna ya uwazi. Kamati ya Ukaguzi na Masuala ya Tahadhari (Audit and Risk Committee) inayoongozwa na Mkurugenzi Ali Hussein ina wajibu mkubwa wa kuchunguza na kutathmini michakato ya kampuni ya kukabiliana na hatari, kupeana maoni huru ya namna ya kuendesha shughuli za kampuni pamoja na miradi ya kuleta mageuzi ya kibiashara kama vile upanuzi wa kimaeneo kwa namna ya usawa na unaoeleweka kwa wenye hisa na wawekezaji.

Ningependa kuwatambua wote wanaounda Bodi ya Longhorn PLC kwa kazi nzuri ya uangalizi. Wajibu wao ni muhimu katika uzalishaji wa thamana ya muda mrefu na uendelevu wa wenye hisa na wawekezaji.

UENDELEVU

Nina imani kuhusu mustakabali wa kampuni, tunatazamia kuendeleza ushirikiano wetu na usimamizi wa kampuni katika kuafikia malengo yake yaliyowekwa kwenye Ramani ya Kimkakati ya 2018 – 2020.

Bodi kwa ushirikiano na usimamizi wa kampuni inalenga kukuza maeneo yafuatayo ambayo tunaamini ni msingi wa uendelevu wa kampuni katika mwaka ujao wa kifedha.

- Uchapishaji wa Kidijitali – Uzalishaji wa bidhaa mpya, uimarishaji wa upatikanaji na uimarishaji wa uzoefu wa wateja.
- Upanuzi wa kimaeneo – Kukuza masoko yaliyoko kupitia kwa kuimarisha bidhaa ambazo zinasukumwa na mahitaji ya soko sawia na uwekezaji kwenye maeneo mapya ambayo awali yalitawaliwa na makampuni ya uchapishaji ya kigeni.
- Mtaala wa Umilisi – Tunashirikiana na wadhibiti wa serikali kama vile Taasisi ya Ukuzaji Mitaala Nchini (KICD) ili kuchapisha vitabu ambavyo vinaangazia kwa ukamilifu ufundishaji na ujifunzaji wa mtaala mpya.
- Upanuzi – Kuongeza nyenzo mpya za ushuru ambazo ni huru kinyume na nyenzo zilizopo.
- Ukuzaji wa vipawa – Kampuni inaendelea kutambua na kukuza vipawa muhimu ili kuafikia mikakati yake.

Ningependa kwa mara nyingine kutoa shukrani zangu kwa Bodi, Usimamizi na Wafanyakazi wote wa Kampuni ya Longhorn PLC kwa kazi nzuri ambayo wamefanya katika mwaka wa kifedha uliokamilika. Ningependa kuwahimiza waendelee na moyo uo huo.

HON. F.T NYAMMO, OGW, MBS
Mwenyekiti

Group Managing Director Statement

Highlights of the year

The year 2019 was an exciting period for Longhorn. This was because the Company experienced significant growth in its regional businesses, specifically in Uganda and Tanzania where both markets recorded 41% growth. The main catalyst for this growth was the significant investment in developing products that were specific to each market, making adoption of Longhorn books in schools and in the open market quicker and broader.

There was also improvement of our key Reference products, namely the Kamusi and Atlases. The revised editions had improved sales which contributed to the improved performance of the Company in the year.

The Company continued to make noticeable strides in the area of Digital Publishing by further investing in product development as well as continuous improvement in user experience. Through this investment, the Company seeks to position itself as the leading EdTech (Education Technology) business in the region.

Roll out of the Competency Based Curriculum - CBC

The roll out of the Competency Based Curriculum in Kenya was marked by a great deal of uncertainty during the first half of the year. However, by the second half of that same year, Longhorn was able to weather the storm and deliver products that were well received by the market. The Company was able to realise significant growth in the market especially in the ECDE and Primary Course Books segments and we expect further growth in the Revision and Reference segments next year.

Increased competition in the Kenyan publishing industry

The advent of the Competency Based Curriculum brought with it an increase in the number of publishing companies within the industry. Nonetheless, Longhorn has been able to cope with this increased competition by working together with key industry stakeholders, particularly teachers of the Competency Based Curriculum, through capacity-building workshops that the Company has organised and facilitated across the country.

One book policy

The government's initiative to eradicate inequality through the provision of quality school-based learning materials through the One Book Policy is a noble initiative for which Longhorn would like to applaud the government. Through this initiative, local publishers have been able to distribute over thirty million books to all public Primary and Secondary Schools across the country. Longhorn Publishers PLC is proud to have been part of this initiative, having distributed six million books. We plan to continue working with the government with a view of bringing into reality the government's vision of a 1:1 student to book ratio.

Longhorn digital publishing

Since the launch of the Longhorn eBook Store, eLearning Platform and Kamusi applications, our digital publishing team has been working tirelessly to improve the accessibility and functionality of its platforms and applications. Currently, close to 200,000 learners are using the platform as part of their learning tools. With this in mind, the Company will continue investing in the development of relevant content for all learners and improvement of user experience of its platforms in the years to come.

Product diversification

Longhorn recognises product diversification as one of the key pillars that will ensure the continuity of the Company in the years to come and that is why significant investment has been made to ensure Longhorn digital content is made widely available through a dedicated USSD code *864#. This has ensured that content can now be accessed using both feature phones and smart phones.

Piracy

Piracy continues to be a key business risk that not only robs the industry of 30% of its revenue but also robs the government of revenue in form of VAT that is charged on every book sold. Piracy also continues to rob our authors of their intellectual property as well as income in form of author royalties. Longhorn has worked tirelessly with regulators such as KECOBO (Kenya Copyright Board) to minimize the impact. As a Company, Longhorn has invested in key security features in a number of our more popular titles such as the set-books in an effort to mitigate the risk that is brought about by piracy. The Company will continue working closely with relevant authorities and the Kenya Publishers Association to ensure we eradicate this vice.

Longhorn subsidiaries

As mentioned earlier, the last financial year was particularly positive for Longhorn subsidiaries as the Company experienced 41% market growth in Rwanda, Tanzania and Uganda. We continue to extend our presence in other countries in Africa, especially the Francophone countries. The Company's entrance into the Cameroon market through a strategic alliance is evidence of our commitment to be the leading provider of innovative learning solutions in the continent.

What the future holds for Longhorn

Digital - The Company is currently in a race to be the leading provider of innovative learning solutions in Africa. We believe this will be achieved through delivery of digital content not only through existing platforms but also through new platforms. As the digital front-runner in the industry, we have noticed that demand for digital content is growing significantly. For this reason, the Company will continue investing in improving the channels for delivery of digital content.

Regional – Regional expansion remains a focal point in Longhorn's strategy, despite the fact that the Company currently operates in nine countries across the continent. We still see potential for expansion into new markets especially in countries where market-specific products are needed for both public schools and the open market.

Products – Longhorn will continue to grow its Creative segment because we still believe that the world is yet to read the true African story. The Company will continue working with and identifying new authors who will bring forth stories that touch on the lives of our people and societies in an effort to improve the reading culture.

Mr. Maxwell Wahome

Group Managing Director

Kauli ya Meneja Mkurugenzi

Vidokezo vya mwaka

Mwaka huu wa 2019 umekuwa wenye msisimko kwa kampuni. Hii ni kwa sababu kampuni imeshuhudia ufanisi mkubwa katika maeneo yake ya biashara, hasa Uganda na Tanzania huku masoko yote mawili yakirekodi asilimia 41 ya ukuaji. Kichocheo kikubwa cha ukuaji huu kilikuwa ni uwekezaji ambao kampuni imefanya katika kuendeleza bidhaa zake katika masoko husika kiasi kwamba vitabu ya Longhorn vinakubalika shuleni na kwenye masoko kwa wepesi na kwa wingi.

Kuna pia hali ya kuimarika kwenye bidhaa zetu za marejeleo, hasa kamusi na atlasi zetu. Matoleo yaliyofanyiwa masahihisho yameimarisha mauzo ambayo yamechangia kwa utendaji bora zaidi wa kampuni mwaka huu.

Kampuni iliendelea kupiga hatua kwenye eneo la Uchapishaji wa Kidijitali kwa kuwekeza katika bidhaa endelevu pamoja na kuimarisha matumizi kwa watumiaji wa bidhaa hizi. Kupitia kwa uwekezaji huu, kampuni inalenga kujiweka katika uongozi wa biashara ya Elimu ya Kiteknolojia almaarufu EdTech (Education Technology) katika eneo hili.

Kuanzishwa kwa Mtaala wa Umilisi – CBC

Kuanzishwa kwa Mtaala wa Umilisi nchini Kenya kulishuhudia hali ya misukosuko hasa katika nusu ya kwanza ya mwaka huu wa 2019 kwenye kampuni. Hata hivyo, nusu ya mwisho wa mwaka huu, kampuni imeweza kukabiliana na mawimbi haya na kukuza bidhaa ambazo zimepokelewa vizuri sokoni. Kampuni imeweza kukua kwenye soko lake hasa kwenye kitengo cha chekechea (ECDE) na kitengo cha vitabu vya kiada vya wanafunzi wa shule za msingi. Hivyo, tunatarajia kuimarisha kitengo cha vitabu vya marudio na marejeleo mwaka ujao.

Kuongezeka kwa ushindani katika uchapishaji nchini Kenya

Majilio ya Mtaala wa Umilisi nchini ulisababisha kuongezeka kwa idadi ya mashirika ya uchapishaji nchini. Hata hivyo, Kampuni ya Longhorn PLC imeweza kukabiliana na ongezeko la ushindani huu kwa kushirikiana na washikadau wakuu hasa walimu wa Mtaala huu wa Kiumilisi kupitia mafunzo ya pamoja ambayo Kampuni imeratibu na kuyafanikisha katika maeneo yote ya nchi.

Sera ya kitabu kimoja

Mpango wa serikali wa kukomesha upendeleo kupitia kwa usambazaji wa nyenzo bora za ujifunzaji zinazoegemezwa kwa shule kupitia sera ya kitabu kimoja ni mpango muhimu sana ambao Kampuni ya Longhorn PLC ingependa kuishukuru serikali. Kupitia kwa mpango huu, wachapishaji wa humu nchini wameweza kusambaza zaidi ya vitabu milioni thelathini kwa shule za umma za msingi na za upili katika taifa zima. Kampuni ya Longhorn PLC inajivunia kuwa sehemu ya mpango huu kwa kusambaza vitabu milioni sita. Tunapanga kuendelea kushirikiana na serikali kwa lengo la kuiwezesha serikali kufikia ruwaza yake ya kumsambazia kila mwanafunzi kitabu kwa mgao wa mwanafunzi mmoja kitabu kimoja (1:1).

Uchapishaji wa kidijitali wa Longhorn

Tangu kuzinduliwa kwa mifumo ya Longhorn eBook Store, Jukwaa la eLearning na Kamusi applications, kikosi chetu cha uchapishaji wa kidijitali kimekuwa kikifanya kazi bila kuchoka ili kuimarisha upatikanaji na utendakazi wa majukwaa yake. Kwa sasa, takriban wanafunzi laki mbili (200,000) wanatumia jukwaa hili kama sehemu yao ya vifaa vya kujifunzia. Tukizingatia hili, kampuni itaendelea kuwekeza katika kuendeleza bidhaa zinazohitajika kwa wanafunzi wote na kuimarisha matumizi ya watumiaji wa majukwaa haya katika miaka ijayo.

Upanuzi wa bidhaa

Kampuni inatambua upanuzi wa bidhaa kama mhimili mojawapo ambao utahakikisha kuwa kampuni inaendelea katika miaka ijayo. Hii ndiyo maana uwekezaji zaidi umefanywa kuhakikisha kuwa bidhaa za Longhorn za kidijitali zinapatikana kwa urahisi kupitia kwa *864#. Hii imehakikisha kuwa bidhaa hizi za kidijitali zinaweza kupatikana kwa simu zote; za zamani na kisasa.

Wizi wa kitaaluma

Wizi wa kitaaluma unasalia kuwa tishio kubwa kiasi cha kwamba kando na kuinyang'anya kampuni asilimia 30 ya mapato yake, unainyang'anya serikali asilimia 30 ya ushuru wake. Wizi wa kitaaluma pia unawanyang'anya waandishi wetu mali yao ya kimaarifa pamoja na mirabaha. Longorn imeshirikiana na wadhibiti kama vile Bodi ya Kenya ya Hakimiliki (KECOBO) kupunguza athari za wizi huu. Kama kampuni, Longhorn imewekeza katika vipengele vya kiusalama katika baadhi ya machapisho yetu maarufu kama vile vitabu vya hadithi vinavyosomwa katika shule za upili katika harakati za kupunguza makali yanayosababishwa na wizi huu wa kitaaluma. Kampuni itaendelea kushirikiana kwa karibu na watawala husika na Shirika la Wachapishaji Nchini (KPA) kuhakikisha kuwa tunayamaliza maovu haya.

Kampuni tanzu za Longhorn

Kama ilivyotajwa hapo awali, mwaka wa kifedha uliopita ulikuwa wenye faida kwa makampuni tanzu ya Longhorn kwa kuwa kampuni iliandikisha ongezeko la asilimia 41 katika masoko ya Rwanda, Tanzania na Uganda. Tunaendelea kupanua uwepo wetu katika mataifa mengine ya Afrika, hasa mataifa ya Afrika Magharibi. Uwepo wa Longhorn katika soko la nchi ya Cameroon kupitia kwa mkakati wa ushirikiano ni dhihirisho la juhudi zetu za kusalia mstari wa mbele katika usambazaji wa bidhaa za ujifunzaji za kiuvumbuzi. Bidhaa hizi zitapeana suluhu kwa masuala mbalimbali barani.

Mustakabali wa Longhorn

Dijitali – Tuko mbioni kuwa mstari wa mbele katika kusambaza bidhaa za kiuvumbuzi za kupeana suluhu kwa masuala mbalimbali katika Afrika. Tunaamini kuwa hatua hii itafanikishwa kupitia kwa usambazaji wa bidhaa za kidijitali kupitia kwa majukwaa yaliyoko na majukwaa mengine mapya. Kama kampuni iliyo katika mstari wa mbele katika kusambaza bidhaa za kidijitali, tumegundua kuwa uhitaji wa bidhaa za kidijitali unaongezeka kila uchao. Kwa sababu hii, tutaendelea kuwekeza katika kuboresha mbinu za kusambaza bidhaa hizi za kidijitali.

Maeneo – Upanuzi wa kimaeneo unasalia kuwa mkakati muhimu sana, kando na kuwa tayari tuna huduma zetu katika mataifa tisa barani Afrika. Tungali tunaona uwezo katika kujipenyeza katika masoko mapya katika mataifa ambapo bidhaa zetu mpya zinazolenga masoko hayo zinatakikana katika shule za umma na masoko huru.

Bidhaa – Kampuni ya Uchapishaji ya Longhorn PLC itaendelea kukua katika kitengo cha kazi za kiubunifu kwa sababu tunaendelea kuamini kuwa ulimwengu haujasoma kazi asilia za kiubunifu za Kiafrika. Kampuni itaendelea kufanya kazi na kuwabaini watunzi wapya ambao watatunga hadithi za kugusa maisha ya watu katika jamii katika juhudi za kuimarisha utamaduni wa usomaji.

Mr. Maxwell Wahome

Meneja Mkurugenzi

Board of Directors

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)

Susan Omanga
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

Management Team

MAXWELL WAHOME
Group Managing Director

Joseph Kiruri

Chief Finance & Operations Officer

Maurice Kahara

Chief Commercial Officer

Moses Auta

Head of Publishing

Loreen Okang'a Muhando

Head of Human Capital & Administration

Charles Kithika

Head of IT & Product Development

Lilian Karanja

Head of Marketing & Communication

Evans Rotich

Business Development Manager-Digital

David Kariuki

Chief Internal Auditor

NOTICE OF ANNUAL GENERAL MEETING

TO ALL SHAREHOLDERS

LONGHORN PUBLISHERS PLC

NOTICE is hereby given that the year 2019 Annual General Meeting of the Company will be held at the Nairobi Serena Hotel, Kenyatta Avenue, Nairobi on Thursday, 28 November 2019 at 11:00 a.m. to transact the following ordinary business:-

1. The Secretary to read the notice convening the meeting and confirm the presence of a quorum.

2. To approve the minutes of the Annual General Meeting held on 23 November 2018.

3. To receive, consider and adopt the Financial Statements for the financial year ended 30 June 2019 together with the Chairman's Statement, and the Directors' and Auditors' reports thereon.

4. To approve a final dividend of Kshs. 0.52 per share in respect of the financial year ended 30 June 2019 as recommended by the Directors. The dividend will be payable on or before 26 February 2020 to the shareholders on the Register of Members as at the close of business on 28 November 2019.

5. To re-elect Directors:-
   5.1 Hon. Francis Thombe Nyammo retires by rotation at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association, and further pursuant to Clause 2.5 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. Notice has been received of the intention to propose the following Resolution as an Ordinary Resolution at the Annual General meeting:

   "That Hon. Francis Thombe Nyammo, being over 70 years, be and is hereby re-elected a Director of the Company."

   5.2 Centum Investment Company PLC retires at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, being eligible, offers itself for re-election.

   5.3 Mrs. Susan Nkirote Omanga retires by rotation at this meeting in accordance with the provisions of Article 96 of the Company's Articles of Association and, does not offer herself for re-election.

6. Pursuant to Section 769(1) of the Kenyan 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

7. To approve the Directors Remuneration Report for the financial year ended 30 June 2019.

8. To re-appoint Messrs PricewaterhouseCoopers as Auditors by virtue of Section 721 (2) of the Kenyan Companies Act, 2015 and to authorise the Directors to fix the Auditor's remuneration for the ensuing financial year.

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

BY ORDER OF THE BOARD

ENID MURIUKI (MRS)
COMPANY SECRETARY

Date: 5 November 2019

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

(i) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company. A form of proxy may be obtained from the Company's website **(www.longhornpublishers.com)** or from the Share Registrars, Image Registrars, 5th Floor, Barclays Plaza, Loita Street, P. O Box 9287 – 00100, Nairobi **(www.image.co.ke)**.

(ii) To be valid, a form of proxy must be duly completed by the member and must be lodged with the Share Registrars, 5th Floor, Barclays Plaza, Loita Street, P. O Box 9287 – 00100, Nairobi or at the offices of Longhorn Publishers Plc, Funzi Road, Industrial Area, P. O Box 18033, 00500 Nairobi, not later than forty eight hours before the time of holding the meeting.

(iii) Pursuant to the provisions of Article 136 of the Company's Articles of Association, a copy of the entire Annual Report and Accounts may be viewed on and obtained from the Company's website (www.longhornpublishers.com) or from the Registered Office of the Company i.e. Longhorn Publishers Plc, Funzi Road, Industrial Area, Nairobi, or from the Share Registrars office on 5th Floor, Barclays Plaza, Loita Street, Nairobi.

CORPORATE GOVERNANCE STATEMENT

Introduction

Governance experts have emphasized that a country's economy depends on the drive and efficiency of its companies. Good corporate governance requires that organizations deliver the desired results in the right way hence giving an organization a competitive edge. It is thus important that the effectiveness with which companies' boards operate yields a competitive advantage to the organization by embracing innovation and adopting sound corporate governance practices so that they can meet new demands and grasp new opportunities.

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

The Board regards good corporate governance as critical to the success of the business of the Company and is unreservedly committed to applying the fundamental principles of good governance and accordingly embraces the principles of good governance as set out in the Code of Corporate Governance practices for Issuers of Securities to the Public 2015.

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

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 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 Company 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 company, appointing the chief executive and monitoring the performance of the company. In doing so, it aims to act in the best interests of the Company.

(iv) Transparency: At Longhorn, we endeavor to ensure that stakeholders are informed about the Company'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 Company'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 matters and mapping out the issues that are most important to the Company's business.

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
    - Conflicts 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.

CORPORATE GOVERNANCE STATEMENT

Board Roles and Responsibilities

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

- define and chart out the Company's vision, mission and values taking cognizance that the Board has ultimate responsibility for the attainment of the Company'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 Company, 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 Company;
- ensure that the business of the Company is managed with a view to ensuring that the Company is ethical in all its dealings and exercises corporate social responsibility;
- ensure compliance by the Company 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 Company;
- ensure that the Company'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 and
- identify all stakeholders and ensure effective communication with shareholders and stakeholders.

Board Composition

The Board is composed of nine directors who include one Executive Director and eight Non-Executive Directors. Three of the Non-executive Directors are Independent Directors. The Chairman of the Board of Directors is a Non-Executive Director.

The Board appreciates the importance of diversity in its composition and 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:-

CORPORATE GOVERNANCE STATEMENT

Board Composition

Hon. Francis T Nyammo
Kenyan
Non-Executive

Appointment Date:
01/07/1977

Centum PLC represented by:
Mr. Samuel Kariuki
Kenyan
Non-executive

Appointment Date:
22/02/2008

Mr. Raymond Nyamweya
Kenyan
Non-executive

Appointment Date:
01/04/2004

Mrs. Susan Omanga
Kenyan
Independent Non-executive

Appointment Date:
15/11/2010

Mr. Ali Hussein Kassim
Kenyan
Independent Non-executive

Appointment Date:
01/03/2014

Mrs. Truphosa Kwaka-Sumba
Kenyan
Independent Non-executive

Appointment Date:
01/12/2014

Mr. Muigai Githu
Kenyan
Non-executive

Appointment Date:
20/08/2015

Mr. Fredrick Murimi
Kenyan
Non-executive

Appointment Date:
21/04/2017

Mr. Maxwell Wahome
Kenyan
Executive – Group Managing Director

Appointment Date:
04/09/2018

CORPORATE GOVERNANCE STATEMENT

Board Operations

The role of the Board is to exercise leadership, enterprise, integrity and judgment in directing the affairs of the Company so as to achieve continuing prosperity for the Company and its shareholders. The key responsibilities of the Board of Directors include oversight of strategy formulation, risk identification and mitigation, senior management selection and compensation, integrity of financial controls and general compliance. The Board endeavors to, at all times, act in the best interests of the Company.

The Board meets at least once every quarter but meets more regularly should circumstances warrant. The Chairman, working closely with the Company Secretary and in consultation 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	31 August 2018	19 November 2018	18 February 2019	7 June 2019
F. T. Nyammo	√	√	√	√
M. Wahome*	-	√	√	√
T. Kwaka-Sumba	√	√	√	√
Centum Investment Co. PLC**	√	√	√	√
R. Nyamweya	√	-	√	√
A. K. Hussein	√	√	√	√
S. Omanga	√	-	√	-
M. Githu	√	√	√	√
F. Murimi	√	√	√	√

*Appointed as a Director on 4 September 2018

** Represented by Mr. Samuel Kariuki

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 Company's operations and performance. Directors may also suggest items for discussion at meetings as well as request for additional information or a briefing on any topic prior to meetings.

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

The Board is also keen to assess its performance in line with the provisions of the Code for Corporate Governance for Issuers of Securities to the Public, 2015. The Board, with the assistance of an external consultant, conducted an evaluation of the performance of the Board and its Committees, individual directors, the Chairman and the Company Secretary during the year ended 30 June 2019. Actions to implement the improvement recommendations are ongoing. The Company also participated in the Corporate Governance self-assessment exercise facilitated through the Capital Markets Authority.

Committees of the Board

The Board has approved and delegated certain authorities to its Board Committees. The Committees have specific mandates that are documented in the respective Terms of Reference as well as in the Board Charter to ensure accountability. The minutes of Board 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:-

CORPORATE GOVERNANCE STATEMENT

A. K. Hussein (Chairperson)

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 of adequate systems and control processes, and the preparations of accurate financial statements in compliance with all applicable legal requirements and accounting standards. The Board's Audit & Risk Committee also regularly reviews the effectiveness of the controls. Specifically, the Committee has oversight over the following areas:-

- Financial reporting and disclosure matters which includes review of periodic accounts before their publishing as well as considering the internal and external audit findings in order to identify any material weaknesses in financial and accounting control systems.
- Risk Management and Internal Controls which includes review of the Company's risk management processes and assessing the adequacy of the overall control environment, as well as monitoring compliance with relevant legislation.
- Oversight over External Audit/Auditors activities including the independence, objectivity and effectiveness of the External Auditor.
- Oversight over Internal Audit activities including, review of the Internal Audit Charter, internal audit plans and reports, as well as the structuring and resourcing of the team.

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

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

Member	2 November 2018	19 November 2018	7 February 2019	7 May 2019
A. K. Hussein (Chair)	√	√	√	√
F. Murimi	√	√	√	√
R. Nyamweya	√	-	√	√
T. Kwaka Sumba	√	√	√	√
S. Omanga	√	-	√	√

CORPORATE GOVERNANCE STATEMENT

F. Murimi (Chairperson)

Operations and Strategy Committee

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

- Strategic Planning: The Committee reviews, evaluates and, when appropriate, makes recommendations to the Board with respect to the Company's mission and core strategy, the Company's strategic plan objectives and the strategy development processes.
- Mergers and Acquisitions: The Committee reviews, evaluates and, when appropriate, makes recommendations to the Board with respect to major acquisition and disposition opportunities.
- Financial Planning: The Committee reviews and when appropriate, makes recommendations to the Board with respect to the capital structure of the Company, 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 Company's corporate social investment activities.

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

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

Member	1 November 2018	23 January 2019	23 April 2019	8 May 2019
F. Murimi (Chair)	√	√	√	√
R. Nyamweya	√	-	√	√
A. K Hussein	√	√	√	√
M. Githu	√	√	√	-
S. Kariuki*	√	√	√	√

*Representing Centum Investment Company PLC

CORPORATE GOVERNANCE STATEMENT

T. Kwaka Sumba (Chairperson)

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 Company's human resources. Specifically, the Committee is responsible for:-

- Assessing and recommending to the Board for its selection, suitable candidates to serve on the Board;
- Making recommendations as to the size, composition, structure, operations, performance and effectiveness of the Board;
- Recommending the level of remuneration of directors and any reviews to the Board of Directors;
- Leading the Board in the annual review of its performance as well as the performance of the Board Committees;
- Overseeing the performance and succession planning process for the Managing Director and the Senior Management team;
- Reviewing and monitoring the Company's Human Resources management strategy to determine whether the Human Resource plans and initiatives will enable the Company to achieve its strategic objectives;
- Reviewing and when appropriate, recommending to the Board the Company's Human Resources policies as well as making 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 Company.

The Nominations, Governance and Human Resources 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:-

Member	31 July 2018	2 November 2018	7 February 2019	7 May 2019
T. Kwaka-Sumba (Chair)	√	√	√	√
A. K Hussein	√	√	√	√
S. Omanga	√	√	√	√
S. Kariuki/F. Murimi*	√	√	√	√
M. Githu	√	-	√	-

*Representing Centum Investment Company PLC

CORPORATE GOVERNANCE STATEMENT

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 Group Chairman and Group Managing Director are not executed by the same person.

Company Secretary

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

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

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

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

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.

Conflict of Interest

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

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

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

Ethics and Code of Conduct

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

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

Whistle Blowing Policy

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

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.

Communication Policy

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

Stakeholders Engagement and Management Policy

The Board has established a stakeholders engagement and management policy to encourage the identification and proactive engagement of all its key stakeholders.

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.

CORPORATE GOVERNANCE STATEMENT

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

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

Board Induction and Development

The Board ensures that new Directors receive a comprehensive, formal and tailored induction programme to ensure familiarization with the Company'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 Company provides the necessary resources for implementing these training programmes. During the period under review, some of the trainings/ workshops that the Directors attended included the following:-

(i) Corporate Governance training provided during the presentation of the FY 2018/2019 Board Evaluation results.

(ii) Training on Digital Evolution specifically related to the Publishing Sector

(iii) KPMG's Audit Committee Institute breakfast forum focused on key trends impacting organisations as well as on Environmental, Social and Governance (ESG) Risk & Reward

(iv) Workshop by the Capital Markets Authority and IFC on Disclosure & Transparency and Integration of Environmental, Social and Governance Issues in the Kenyan context.

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 7 December 2018.

Principal Activity

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

Compliance

Longhorn's shares are listed on the Nairobi Securities Exchange (NSE). The Company 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).

During the period under review, the Board, commissioned a Governance Audit which was undertaken by competent professionals accredited by the Institute of Certified Secretaries, in line with the requirements of the Code of Corporate Governance Practices for Issuers of Securities to the Public (the Code), 2015. The salient findings and recommendation from the Governance Auditor's report are as reflected below:-

The Board was found to have 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.

The Board performed well in the following areas:

1. Diversity of Skills: Individual directors were found to possess extensive experience in a variety of disciplines and are drawn from different age brackets, gender and cultural backgrounds;
2. Board meetings are appropriate in terms of numbers and are appropriately organized, as meeting papers are circulated well in advance;
3. The Board has ensured equality and diversity in hiring and retention of staff. Significant improvement was seen in gender balance and in the initiatives that had been undertaken in training and development of staff.
4. The Company has invested in Corporate Social Investment activities that are aligned with the Sustainable Development Goals thus impacting positively on the lives of stakeholders.
5. The Board has made significant steps in ensuring effective strategy implementation through regular review of the strategy.
6. The Company also performed well in its engagements with key stakeholders.

CORPORATE GOVERNANCE STATEMENT

The Board will focus on the following areas of improvement that were identified in the Governance Audit namely: improvements in disclosure of policies on its website, continuing to focus on the sustainability of the Company and succession planning for the Board and for staff.

The Board also commissioned an internal Legal and Compliance Audit to establish the level of adherence by the Company to applicable laws, regulations and standards.

Going Concern

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

Capital Structure

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

Top Ten Shareholders as at 30 June 2019

Shareholder	No. of Shares	%
CFC Stanbic Nominees Ltd A/C R98301	164,014,078	60.20
Pacific Futures and Options Limited	35,011,750	12.85
Francis Thombe Nyammo	16,018,000	5.88
Halifax Capital Corporation Limited	12,238,484	4.49
Kamami Investments Limited	3,114,050	1.14
Text Book Centre Limited	2,854,450	1.05
Gurbir Singh Amrik Singh Heerp	2,176,200	0.80
Mrs Jane Kaari Mugiri (Deceased)	1,513,600	0.56
Charles Esonga Ondusop	1,500,794	0.55
The Estate of The Late Ephantus M'Mwiandi Mugiri c/o Mrs Jane Kaari Mugiri	1,477,600	0.54
Others	32,521,467	12
Total issued Shares	**272,440,473**	**100.00**

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
Muigai Githu***	12,238,484	4.49
Total	**192,270,562**	**70.57**

* 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.

Distribution of shareholders as at 30 June 2019

	No. of shareholders	No. of shares	%
Less than 500	1,039	196,435	0.07
501 - 5000	971	1,984,210	0.73
5001 – 10,000	232	1,740,689	0.64
10,001 – 100,000	302	8,570,121	3.15
100,001 – 1,000,000	41	12,197,692	4.48
Above 1,000,000	16	247,751,326	90.94
Totals	**2,601**	**272,440,473**	**100.00**

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

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Directors' Report
For the year ended 30 June 2019

The Directors submit their report together with the audited financial statements for the year ended 30 June 2019.

BUSINESS REVIEW

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

During the year, the Group's revenue reduced by Shs 96 Million (6% decrease compared to prior year) which is attributable to reduced government spending on textbooks. The Group's profit after tax was Shs 185 Million which is 1% higher compared to the prior year of 183 million. This is because of operating efficiencies arising from improved product cycle which has reduced product origination and printing costs.

Key performance ratios

The table below highlights some of the key performance indicators:

Performance ratios	Group		Company	
	2019	2018	2019	2018
Revenue in (Shs'000)	1,600,397	1,696,318	1,364,899	1,519,132
Gross profit as a percentage of revenue	57%	54%	57%	54%
Operating profit as a percentage of revenue	23%	21%	23%	24%
Profit after income tax (Shs'000)	185,125	183,604	153,660	195,867
Net assets (Shs'000)	1,104,304	1,039,638	1,142,726	1,101,909

DIVIDEND

The consolidated net profit for the year of Shs 185 million (2018: Shs 183 million) has been added to retained earnings. The Directors recommend the approval of a final dividend of Shs 142.5 million (2018: Shs 115 million).

DIRECTORS

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

- Hon. F. T. Nyammo - Group Chairman
- Simon Ngigi - Group-Managing Director (Resigned on 3rd September 2018)
- Maxwell Wahome - Group-Managing Director (Appointed on 4th September 2018)
- Raymond Nyamweya
- Truphosa Kwaka (Mrs)
- Susan N. Omanga (Mrs)
- Ali Hussein Kassim
- Githu Muigai
- Fred Murimi
- 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 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 auditor is aware of that information.

TERMS OF APPOINTMENT OF AUDITOR

PricewaterhouseCoopers 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

29th August 2019

Statement of Directors' Responsibilities
For the year ended 30 June 2019

The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and of their profit or loss for that year. The Directors are responsible for ensuring that the Group keeps proper accounting records that are sufficient to show and explain the transactions of the Group; disclose with reasonable accuracy at any time the financial position of the Group; and enable 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 applying them consistently; and

iii) Making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's and Company'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 29 August 2019 and signed on its behalf by:

Hon. F. T. Nyammo

Maxwell Wahome

Directors' Remuneration Report
For the year ended 30 June 2019

Information not subject to audit

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

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

Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive Directors in respect of qualifying services for the year ended 30 June 2019 together with the comparative figures for the year ended 30 June 2018. Gratuity was paid to the exiting GMD as per his contract. The aggregate Directors' emoluments are shown on page 104.

For the year ended 30 June 2018	**Salary**	**Fees**	**Gratuity**	**Bonuses**	**Expense allowances**	**Estimated value for non cash benefits**	**Total**
	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000	Shs 000
Hon. F. T. Nyammo	-	1,520	-	-	595	-	2,115
Simon Ngigi	14,955	-	-	1,926	-	578	17,459
Githu Muigai	-	690	-	-	-	-	690
Raymond Nyamweya	-	766	-	-	-	-	766
Susan N. Omanga (Mrs)	-	589	-	-	-	-	589
Ali Hussein Kassim	-	801	-	-	-	-	801
Truphosa Kwaka	-	725	-	-	-	-	725
Fred Murimi	-	829					829
Centum Investment Plc	-	829	-	-	-	-	829
	14,955	**6,749**	**-**	**1,926**	**595**	**578**	**24,803**
For the year ended 30 June 2019							
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
Githu Muigai	-	973	-	-	-	-	973
Raymond Nyamweya	-	1,248	-	-	-	-	1,248
Susan N. Omanga (Mrs)	-	1,091	-	-	-	-	1,091
Ali Hussein Kassim	-	2,037	-	-	-	-	2,037
Truphosa Kwaka	-	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**

On behalf of the Board

Hon. F. T. Nyammo

29 August 2019

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 56 to 104, which comprise the consolidated statement of financial position at 30 June 2019 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 2019, 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 2019 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 Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the 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.

pwc

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

Key audit matter (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. The methods, estimates and assumptions used in the determination of the fair value of the CGU are disclosed under note 15 of the financial statements.	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, Statement of Directors' Responsibilities and the Directors' remuneration report which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not 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 the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the Group's and Company'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 and Company 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 and Company'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 and Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group's financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group's and Company'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 and 49 is consistent with the financial statements.

Directors' remuneration report

In our opinion the auditable part of the directors' remuneration report on page 51 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

Certified Public Accountants

Nairobi 29 August 2019

CPA Kang'e Saiti Practising certificate No. 1652.

Signing partner responsible for the independent audit.

Financial Statements
For the year ended 30 June 2019

Consolidated statement of profit or loss and other comprehensive income

	Notes	2019 Shs'000	2018 Shs'000
Revenue	5	1,600,397	1,696,318
Cost of sales		(694,589)	(781,140)
Gross profit		905,808	915,178
Other income		-	229
Distribution costs		(156,093)	(134,591)
Administrative expenses		(389,378)	(422,452)
Operating profit		360,337	358,364
Finance costs	6	(96,369)	(85,218)
Profit before income tax		263,968	273,146
Income tax expense	9	(78,843)	(89,542)
Profit for the year		185,125	183,604
Profit attributable to:			
Owners of the parent		185,236	183,031
Non - controlling interest		(111)	573
		185,125	183,604
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translation of foreign operations		(7,616)	(10,664)
Total comprehensive income for the year		177,509	172,940
Earnings per share			
Basic and diluted earnings per share	10	0.68	0.67

Financial Statements
For the year ended 30 June 2019

Company statement of profit or loss and other comprehensive income

	Notes	2019 Shs'000	2018 Shs'000
Revenue		1,364,899	1,519,132
Cost of sales		(584,258)	(697,089)
Gross profit		780,641	822,043
Other income		-	969
Distribution costs		(139,616)	(118,788)
Administrative expenses		(323,431)	(346,848)
Operating profit		317,594	357,376
Finance costs	6	(96,273)	(76,805)
Profit before income tax		221,321	280,571
Income tax expense	9	(67,661)	(84,704)
Profit for the year		153,660	195,867
Other comprehensive income		-	-
Total comprehensive income for the year		153,660	195,867

Financial Statements
As at 30 June 2019

Consolidated statement of financial position

	Notes	2019 Shs'000	2018 Shs'000
ASSETS			
Non-current assets			
Property and equipment	12 (a)	197,385	207,490
Intangible assets	13 (a)	8,663	4,805
Intangible asset (Pre- publishing cost)	13 (b)	533,154	403,705
Goodwill	15	125,786	125,786
Deferred income tax	16	5,396	11,914
		870,384	753,700
Current assets			
Inventories	17	458,507	440,697
Trade and other receivables	18	920,048	793,652
Cash and bank balances	19	95,295	419,480
		1,473,850	1,653,829
TOTAL ASSETS		2,344,234	2,407,529
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium		368,289	368,289
Retained earnings		516,066	443,673
Translation reserve		(52,723)	(45,107)
		1,104,072	1,039,295
Non-controlling interest		232	343
Total equity		1,104,304	1,039,638
Liabilities			
Current liabilities			
Trade and other payables	21	814,353	797,616
Current income tax		38,554	59,852
Borrowings	22	364,856	509,723
Bank overdraft	19	22,167	700
Total liabilities		1,239,930	1,367,891
TOTAL EQUITY AND LIABILITIES		2,344,234	2,407,529

The financial statements on pages 56 to 104 were approved for issue by the board of directors on 29th August 2019 and signed on its behalf by:

Hon. F. T. Nyammo

Maxwell Wahome

Financial Statements
As at 30 June 2019

Company statement of financial position

	Notes	2019 Shs'000	2018 Shs'000
ASSETS			
Non-current assets			
Property and equipment	12	143,624	143,935
Intangible assets	13 (a)	7,294	3,325
Intangible assets (Pre- publishing cost)	13 b	432,119	334,010
Investment in Subsidiaries		166,594	166,594
Deferred income tax	16	644	7,633
		750,275	655,497
Current assets			
Inventories	17	340,586	383,011
Trade and other receivables	18	872,266	687,059
Due from subsidiary companies	26 (a)	362,355	299,302
Cash and bank balances	19	79,912	410,179
		1,655,119	1,779,551
TOTAL ASSETS		2,405,394	2,435,048
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	20	272,440	272,440
Share premium		368,289	368,289
Retained earnings		501,997	461,180
Total equity		1,142,726	1,101,909
Liabilities			
Current liabilities			
Borrowings	22	314,636	457,556
Trade and other payables	21	834,216	803,596
Due to subsidiary company	26 (b)	69,083	17,898
Bank overdraft	19	22,167	211
Current income tax		22,566	53,878
Total liabilities		1,262,668	1,333,139
TOTAL EQUITY AND LIABILITIES		2,405,394	2,435,048

The financial statements on pages 56 to 104 were approved for issue by the board of directors on 29th August 2019 and signed on its behalf by:

Hon. F. T. Nyammo

Maxwell Wahome

Financial Statements
For the year ended 30 June 2019

Consolidated statement of changes in equity

	Share capital Shs'000	Share premium Shs'000	Retained earnings Shs'000	Translation reserve Shs'000	Non-controlling interest Shs'000	Total equity Shs'000
Year ended 30 June 2018						
As start of year	272,440	368,289	339,650	(34,443)	(230)	945,706
Profit for the year	-	-	183,031	-	573	183,604
Other comprehensive loss for the year						
Exchange difference on translation of foreign operations	-	-	-	(10,664)	-	(10,664)
Transactions with owners						
Dividends:						
- 2017 dividends paid	-	-	(79,008)	-	-	(79,008)
At end of year	272,440	368,289	443,673	(45,107)	343	1,039,638
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:	-	-	(112,843)	-	-	(112,843)
- 2018 dividends paid						
At end of year	272,440	368,289	516,066	(52,723)	232	1,104,304

Financial Statements
For the year ended 30 June 2019

Company statement of changes in equity

	Share capital	Share premium	Retained earnings	Total equity
Year ended 30 June 2018	Shs'000	Shs'000	Shs'000	Shs'000
As at start of the year	272,440	368,289	344,321	985,050
Profit for the year	-	-	195,867	195,867
Dividends paid				
- 2017 dividends paid	-	-	(79,008)	(79,008)
At end of year	272,440	368,289	461,180	1,101,909
Year ended 30 June 2019				
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 dividends paid	-	-	(112,843)	(112,843)
At end of year	272,440	368,289	501,997	1,142,726

Financial Statements
For the year ended 30 June 2019

Consolidated statement of cash flows

	Notes	2019 Shs'000	2018 Shs'000
Cash flows from operating activities			
Cash generated from operations	23	273,902	658,502
Net exchange loss		(24,393)	(6,803)
Interest paid		(71,976)	(78,415)
Income tax paid		(93,623)	(48,766)
Net cash generated from operating activities		83,910	524,518
Cash flows from investing activities			
Purchase of property and equipment	12 (a)	(11,402)	(18,445)
Proceeds from disposal of vehicles, property and equipment		9,975	4,418
Purchase of intangible assets	13 (a)	(7,393)	(1,328)
Purchase of intangible assets (pre-publishing costs)	13 (b)	(154,106)	(182,793)
Net cash used in investing activities		(162,926)	(198,148)
Cash flows from financing activities			
Proceeds from borrowings	22	530,435	837,385
Repayments	22	(675,302)	(661,856)
Dividends paid to shareholders		(112,843)	(79,008)
Net cash (used in) /generated from financing activities		(257,710)	96,521
Net (decrease) /increase in cash and cash equivalents		(336,726)	422,891
At start of year		418,780	11,649
Translation differences on cash and cash equivalents		(8,926)	(15,760)
At end of year	19	73,128	418,780

Financial Statements
For the year ended 30 June 2019

Company statement of cash flows

	Notes	2019 Shs'000	2018 Shs'000
Cash flows from operating activities			
Cash generated from operations	23	222,297	573,275
Net exchange loss		(24,297)	(6,737)
Interest paid	6	(71,976)	(70,068)
Income tax paid		(91,984)	(43,443)
Net cash generated from operating activities		34,040	453,027
Cash flows from investing activities			
Purchase of property and equipment	12 (b)	(10,690)	(12,047)
Proceeds from disposal of property and equipment		1,650	4,418
Purchase of intangible assets	13(a)	(7,394)	(958)
Purchase of intangible assets (pre-publishing costs)	13(b)	(114,066)	(129,348)
Net cash used in investing activities		(130,500)	(137,935)
Cash flows from financing activities			
Proceeds from borrowings	22	530,435	831,976
Repayments	22	(673,355)	(655,306)
Dividends paid to shareholders		(112,843)	(79,008)
Net cash (used in) /generated from financing activities		(255,763)	97,662
Net (decrease) /increase in cash and cash equivalents		(352,223)	412,754
At start of year		409,968	(2,786)
At end of year	19	57,745	409,968

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 Consolidated financial statements of the group as at and for the year ended 30 June 2019 comprise the company and its subsidiaries (which together are referred to as the 'Group'). The address of its registered office is:

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

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and in compliance with the Kenyan Companies Act, 2015. The measurement basis applied is the historical cost basis.

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

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards and amendments have been applied by the Group for the first time for the financial year beginning 1 July 2018:

IFRS 9 *Financial Instruments*

The Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 July 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

Notes (continued)

2 Summary of significant accounting policies (continued)

(i) New standards, amendments and interpretations adopted by the Group (continued)

IFRS 9 *Financial Instruments (Continued)*

As permitted by the transitional provisions of IFRS 9, the Group elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets at the date of transition were recognised in the opening retained earnings and other reserves of the current period.

Group

As at 1 July 2018	Carrying amount under IAS39	Carrying amount under IFRS 9	IFRS 9 transition adjustment
	Shs'000	Shs'000	Shs'000
Trade and other receivables	793,652	793,652	-
Cash and cash equivalents	419,480	419,480	-
	1,213,132	1,213,132	-

Company

As at 1 July 2018	Carrying amount under IAS39	Carrying amount under IFRS 9	IFRS 9 transition adjustment
	Shs'000	Shs'000	Shs'000
Trade and other receivables	687,059	687,059	-
Cash and cash equivalents	410,179	410,179	-
Due from subsidiary companies	299,302	299,302	
	1,396,540	1,396,540	-

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the year.

In addition, provisions are now made for either 12-month or lifetime expected credit losses (ECLs) for all financial assets measured at amortised cost. The directors have opted to apply the simplified approach for trade receivables whereby lifetime ECL are provided for from inception. For cash and bank balances, the 12-month ECL has been used.

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets.

The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets:

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New standards, amendments and interpretations adopted by the Company (continued)

IFRS 9 *Financial Instruments (continued)*

Group

	Previous classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and advances	At amortised cost
Trade and other receivables	Loans and advances	At amortised cost

Company

	Previous classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and advances	At amortised cost
Trade and other receivables	Loans and advances	At amortised cost
Due from subsidiary companies	Loans and advances	At amortised cost

IFRS 15 *'Revenue from Contracts with Customers'*

In May 2015, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. Effective 2018, IFRS 15 supersedes the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective. The standard is applicable to customer contracts, except for contracts within the scope of the standards on financial instruments, leases and insurance contracts.

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

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

An assessment was carried out by the Group to determine the impact of IFRS 15. The Group reviewed the contracts with customers that are within the scope of this standard and concluded that the application of the standard, retrospectively, in the current year has not had a material impact on the financial position or financial performance of the Group, and a prior period adjustment is, therefore not required.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Several new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these is expected to have an effect on the financial statements of the Group, except IFRS 16 as set out below:

IFRS 16 *'Leases'*

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

A lessee measures lease liabilities at the present value of future lease payments. A lessee measures lease assets, initially at the same amount as lease liabilities, and includes costs directly related to entering the lease. Lease assets are amortised in a similar way to other assets such as property, plant and equipment. This approach will result in a more faithful representation of a lessee's assets and liabilities and, together with enhanced disclosures, will provide greater transparency of a lessee's financial leverage and capital employed.

On transition, IFRS 16 allows entities not to restate its comparatives. The Group will therefore adopt IFRS 16 on 1 January 2019 using a modified retrospective approach. As such, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information.

Based on management's assessment, the standard will not have a material impact on the Group's financial statements.

IFRIC 23, 'Uncertainty over income tax treatments' –Annual periods beginning on or after 1 January 2019

IFRIC 23 provides a framework to consider, recognise and measure the accounting impact of tax uncertainties. The Interpretation provides specific guidance in several areas where previously IAS 12 was silent. The Interpretation also explains when to reconsider the accounting for a tax uncertainty. Most entities will have developed a model to account for tax uncertainties in the absence of specific guidance in IAS 12. These models might, in some circumstances, be inconsistent with IFRIC 23 and the impact on tax accounting could be material. Management should assess the existing models against the specific guidance in the Interpretation and consider the impact on income tax accounting.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Notes (continued)

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

Amendment to IAS 1, 'Presentation of financial statements' and IAS 8, 'Accounting policies, changes in accounting estimates and errors' on the definition of material – Effective 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."

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

(b) Consolidation Principles

(i) Subsidiaries

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

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

The Group applies the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation Principles (continued)

(i) Subsidiaries (continued)

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurement are recognised in profit or loss.

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

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

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

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

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

(iii) Disposal of subsidiaries

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(b) Consolidation Principles (continued)

(iv) Separate financial statements

In the separate financial statements, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

(c) Revenue recognition

The Group recognises revenue for direct sales of goods. Revenue is recognised as and when the Group satisfies a performance obligation by transferring control of a product to a customer. The amount of revenue recognised is the amount the Group expects to receive in accordance with the terms of the contract, and excludes amounts collected on behalf of third parties, such as Value Added Tax (VAT).

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
- Recognize revenue.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

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 Group's principal business is sale of books and rights. The performance obligation is the delivery of the books and rights.

Book sales are recognized on transfer of goods. Revenue from other sources such as sale of rights is recognised based on the transfer of rights to the customer.

For each of the revenue streams, the Group recognises revenue at a point in time specifically after the performance obligation of transfer of goods 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 industry margins.

Contract assets and liabilities

The Group and Company has no contract assets and liabilities due to the nature of the business.
Interest income is recognised using the effective interest method.
Dividends are recognised as income in the period the right to receive payment is established.

Notes (continued)

2 Summary of significant accounting policies (continued)

(d) Current and deferred income tax

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

a) Current income tax

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

b) Deferred income tax

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

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

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

(e) Leases

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

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

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

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

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

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

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

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

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

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

(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 acquirer.

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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(g) Intangible assets (continued)

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

Impairment

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

(h) Inventories

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

Net realisable value represents the estimated selling price in the ordinary course of business, less selling expenses. Provision are made for obsolete, slow moving and defective inventories. Change of curriculum renders earlier editions obsolete. Slow moving inventory are books that have not sold throughout the year.

(i) Dividends distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the period in which they are declared. Dividends are declared upon approval at the annual general meeting.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(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 and 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 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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(k) Financial instruments

(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.

Fair value is determined as set out in Note 4(e), Amortised cost is the amount at which the financial asset or liability is measured on initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

(v) Impairment
From 1 July 2018, 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 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.

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

All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.
Refer to Note 4 for further details

(vi) Presentation
All financial assets are classified as non-current except those that are held for trading; those with maturities of less than 12 months from the reporting date; those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

All financial liabilities are classified as non-current except those held for trading, those expected to be settled in the Group's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

Notes (continued)

2 Summary of significant accounting policies (continued)

(k) Financial instruments (continued)

(vii) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the Group has transferred substantially all risks and rewards of ownership, or when the Group has no reasonable expectations of recovering the asset.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged or cancelled or expires.

(viii) 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.

Comparative accounting policies for financial assets and liabilities measured under IAS 39

Until 30 June 2018, the Group classified financial assets as loans and receivables.

The IAS 39 related accounting policies below are provided because financial instruments comparative balances were recognised and measured under this standard.

(i) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Group or Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of expected cash flows, discounted at the effective interest rate. The amount of the provision is recognised in profit or loss.

(ii) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Notes (continued)

2 Summary of significant accounting policies (continued)

(l) Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(m) Cash and cash equivalents

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

(n) 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.

(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.

Notes (continued)

2 Summary of significant accounting policies (continued)

(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) Borrowing costs

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

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

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

(r) 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.

(s) 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; and
- 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.

Notes (continued)

3 Critical accounting estimates and judgements

(i) Critical accounting estimates and assumptions

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

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

Impairment losses on financial assets

The loss allowances for trade and other 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.

The Group uses historical data to project the possibility of default. The Group assumes a period of 2-5 years.

The default rate is computed as a proportion of prior period provision to the Total Trade Receivable Balances. This is then weighted for a period of 2-5 years and subjected to the current receivable balances.

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

Impairment of goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g).

For purposes of impairment testing, the recoverable amount of the cash generating unit (CGU) is determined based on fair value calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period. The carrying amount of the goodwill and the key assumptions made are set out in Note 15.

Intellectual property and pre-publication assets

Pre-publication assets are amortised upon publication of the title over estimated future printing runs, being an estimate of the expected operating lifecycle of the title. The estimated lifecycle is 10 years.

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

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

Notes (continued)

3 Critical accounting estimates and judgements (continued)

(ii) Critical judgements in applying accounting policies (continued)

Useful life of assets

Property and equipment represent a significant proportion of the Group's asset base. Therefore, the judgements made in determining their estimated useful lives and residual values are critical to the Group's financial position and performance. Useful lives and residual values are reviewed on an annual basis with the effects of any changes in estimate accounted for on a prospective basis.

In determining residual values, the Group uses historical sales and management's best estimate based on market prices of similar items.

Useful lives of property and equipment are based on management estimates and take into account a variety of factors, including technological innovation, product life cycles and maintenance programmes.

The estimated useful lives of property, plant and equipment are shown under note 2(e) above.

There were no significant changes in the useful lives and residual values of items of property and equipment during the current year.

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

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.

Notes (continued)

4 Financial risk management objectives and policies

The Group's activities expose it to a variety of financial risks, including credit risk and the effects of changes in foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance.

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

Market risk

(i) Foreign exchange risk

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

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

Group and company

At 30 June 2019, if the currency had weakened/strengthened by 5% (2018: 5%) against the US dollar with all other variables held constant, post-tax profit for the year and equity would have been increased/reduced by Shs 760,926 (2018: Shs 867,706) higher/lower, mainly as a result of US dollar denominated trade payables and bank balances

(ii) Price risk

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

(iii) Interest rate risk

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

An increase/decrease of 5% on average borrowing rates would have resulted in an increase/decrease in profit after taxation of Shs 3,601,133 (2018: Shs 4,437,568).

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 was immaterial.

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 before 30 June 2018 or 1 July 2018 respectively 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 impaired at 100%.

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.

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

Group

The table below details the maximum exposure to credit risk:

30 June 2019	Gross amounts Shs'000	Expected Credit Loss (ECL) Shs'000	Total Shs'000
Trade receivables	884,832	(33,295)	851,537
Staff receivables	20,363	-	20,363
Other receivables	1,244	-	1,244
Bank balances	89,734	-	89,734
	996,173	(33,295)	962,878
30 June 2018			
Trade receivables	771,313	(30,999)	740,314
Staff receivables	13,043	-	13,043
Other receivables	43,111	-	43,111
Bank balances	419,480	-	419,480
	1,246,947	(30,999)	1,215,948
Company			
30 June 2019			
Trade receivables	754,818	(16,003)	738,815
Bank balances	79,912	-	79,912
Staff receivables	11,664	-	11,664
Due from subsidiaries	362,355	-	362,355
	1,208,749	(16,003)	1,192,746
30 June 2018			
Trade receivables	601,277	(16,806)	584,471
Bank balances	410,179	-	410,179
Staff receivables	7,127	-	7,127
Other receivables	31,419	-	31,419
Due from subsidiaries	299,302	-	299,302
	1,349,304	(16,806)	1,332,498

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

Notes (continued)

4 Financial risk management objectives and policies (continued)

Credit risk (continued)

Sensitivity analysis on expected credit losses on trade receivables

2019			
(Decrease)/Increase in provisions			
	Change in default rate	Upward change in default rate	Downward change in default rate
	%	Shs '000'	Shs '000'
Default rate	5%	1,665	(1,665)

Liquidity risk

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

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

Group

	Less than 12 Months Shs'000
At 30 June 2019	
Trade and other payables	814,353
Borrowings	424,154
Bank overdraft	22,167
	1,260,674
At 30 June 2018	
Trade and other payables	797,616
Borrowings	587,092
Bank overdraft	700
	1,385,408

Notes (continued)

4 Financial risk management objectives and policies (Continued)

Company

At 30 June 2019	**Less than 1 year Shs'000**
Trade and other payables	
Borrowings + Interest	834,216
Bank overdraft	375,049
Due to subsidiary companies	22,167
	69,083
	1,300,515

At 30 June 2018	
Trade and other payables	803,596
Borrowings+ Interest	506,217
Bank overdraft	211
Due to subsidiary companies	17,898
	1,327,922

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 2019 and 30 June 2018 were as follows:

	Group		Company	
	2019 Shs'000	**2018 Shs'000**	**2019 Shs'000**	**2018 Shs'000**
Share capital	272,440	272,440	272,440	272,440
Share premium	368,289	368,289	368,289	368,289
Retained earnings	516,066	443,673	501,997	461,180
Total	1,156,795	1,084,402	1,142,726	1,101,909
Borrowings	364,856	509,723	314,636	457,556
Overdraft	22,167	700	22,167	211
Less: Cash and cash equivalents	(95,295)	(419,480)	(79,912)	(410,179)
	291,728	90,943	256,891	47,588
Gearing ratio:	25%	8%	22%	4%

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 in order to allocate resources to the segments and to assess their performances. The Chief Operating Decision Maker (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 Chief Operating Decision Maker for the year ended 30 June 2019.

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

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

30 June 2019	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Inter segment transactions Shs'000	Total Shs'000
Sales and other income	1,399,268	61,108	63,574	76,447	-	1,600,397
Cost of sales and other expenditure	(593,803)	(34,199)	(41,079)	(25,508)	-	(694,589)
Profit /(loss) before tax	222,716	5,335	(4,927)	40,844	-	263,968
Assets	2,581,039	(27,627)	55,142	40,076	(309,957)	2,338,673
Liabilities	1,394,517	(32,961)	60,112	23,467	(210,766)	1,234,369

Inter segment transactions relates to intercompany inventory transactions.

Financial Statements
For the year ended 30 June 2019

Notes (continued)

5 (a) Operating segments (continued)

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Rwanda Shs'000	Inter segment transactions Shs'000	Total Shs'000
30 June 2018						
Sales and other income	1,601,684	45,760	46,486	2,388	-	1,696,318
Cost of sales and other expenditure	(720,659)	(24,350)	(30,731)	(5,400)	-	(781,140)
Profit/(loss) before tax	289,905	(11,548)	(2,200)	(3,011)	-	273,146
Assets	2,822,931	99,605	72,228	35,799	(623,034)	2,407,529
Liabilities	1,459,618	71,695	115,998	49,078	(328,498)	1,367,891

5 (b) Revenue

The Group has assessed the impact of the new revenue standard and found it to have no impact on the current accounting method. As a result, no transition adjustment has been passed.

Disaggregation of revenue from contracts with customers

The Group and Company derives revenue from the transfer of goods at a point in time

		Group		Company
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Sale of books and e-learning materials	1,493,743	1,696,318	1,321,958	1,519,132
Sale of rights	106,654	-	42,941	-
	1,600,397	1,696,318	1,364,899	1,519,132

a) Contract assets and liabilities

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

b) Accounting policies and significant judgements - Refer to note 2(c).

Financial Statements
For the year ended 30 June 2019

Notes (continued)

6 Finance costs

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Interest expense	71,976	78,415	71,976	70,068
Exchange losses	24,393	6,803	24,297	6,737
	96,369	85,218	96,273	76,805

7 Profit before taxation

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

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Depreciation (Note 12)	15,838	21,545	11,001	15,142
Amortisation of intangible assets (Note 13)	3,535	5,156	3,425	3,817
Directors' emoluments (Note 26)	37,976	27,788	37,255	24,803
Auditors' remuneration	7,564	11,810	3,720	6,922
Staff costs (Note 8)	260,350	251,365	218,045	208,772
Recovery of bad debts	(2,296)	(3,467)	(803)	(1,135)
(Gain) /loss on disposal of property and equipment	(2,996)	10,282	(1,650)	11,422

8 Staff costs

Salaries and wages	183,269	166,534	151,616	131,929
Pension costs	10,171	9,389	10,171	9,235
Leave pay	3,469	14,989	2,676	13,772
Other staff costs	46,570	44,814	37,329	38,489
Staff medical expenses	16,871	15,639	16,253	15,347
	260,350	251,365	218,045	208,772

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

	2019	2018	2019	2018
Number of employees	150	193	116	168

Notes (continued)

9 Income tax expense

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Current tax	72,325	91,861	60,672	91,861
Deferred tax (Note 16)	6,518	(2,319)	6,989	(7,157)
Income tax expense	78,843	89,542	67,661	84,704

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

	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Profit before income tax	263,968	273,146	221,321	280,571
Tax at the applicable rate 30%	79,190	81,945	66,396	84,171
Tax effects of:				
-(Income) /expenses not deductible for tax purposes	(1,924)	533	(312)	533
- Tax losses where no deferred tax is recognised	-	4,859	-	-
Under /(over) provision of deferred tax in prior years	1,577	2,205	1,577	-
Income tax expense	78,843	89,542	67,661	84,704

Notes (continued)

10	Earnings per share-Basic and diluted	2019	2018
	Profit attributable to ordinary shareholders (Sh'000)	185,236	183,031
	Ordinary/weighted average number of ordinary shares in issue	272,440,000	272,440,000
	Basic and diluted earnings per share (Shs)	0.68	0.67

11 Dividends per share

The Directors recommend a dividend payment of Shs 0.52 per share, equivalent to Shs 142,548,000 for the year ended 30 June 2019 (2018: Shs 0.42 per share equivalent to Shs 115,000,000).

Notes (continued)

12 (a) Property and equipment - Group

	Land and buildings Shs'000	Motor vehicles Shs'000	Furniture and equipment Shs'000	Total Shs'000
At 30 June 2017				
Cost	209,380	61,494	65,272	336,146
Accumulated depreciation	(30,564)	(34,660)	(49,973)	(115,197)
Net book value	178,816	26,834	15,299	220,949
Year ended 30 June 2018				
Opening net book value	178,816	26,834	15,299	220,949
Additions	5,167	-	13,278	18,445
Disposals	-	(28,938)	-	(28,938)
Depreciation charge	(4,607)	(10,178)	(6,760)	(21,545)
Depreciation on disposals	-	14,238	-	14,238
Exchange adjustment	1,227	3,114	-	4,341
Closing net book value	180,603	5,070	21,817	207,490
At 30 June 2018				
Cost	215,774	35,670	78,550	329,994
Accumulated depreciation	(35,171)	(30,600)	(56,733)	(122,504)
Net book value	180,603	5,070	21,817	207,490
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

Notes (continued)

12 (b) Property and Equipment – Company

	Land and buildings Shs'000	Motor vehicles Shs'000	Furniture and equipment Shs'000	Total Shs'000
At 30 June 2017				
Cost	155,496	48,617	52,133	256,246
Accumulated depreciation	(28,750)	(25,837)	(43,207)	(97,794)
Net book value	126,746	22,780	8,926	158,452
Year ended 30 June 2018				
Opening net book value	126,746	22,780	8,926	158,452
Additions	-	-	12,047	12,047
Disposals	-	(27,655)	(905)	(28,560)
Depreciation charge	(3,902)	(7,271)	(3,969)	(15,142)
Depreciation on disposals	-	16,497	641	17,138
Closing net book value	122,844	4,351	16,740	143,935
At 30 June 2018				
Cost	155,496	20,962	63,275	239,733
Accumulated depreciation	(32,652)	(16,611)	(46,535)	(95,798)
Net book value	122,844	4,351	16,740	143,935
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

Notes (continued)

13 (a) Intangible assets- Group

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 2017			
Cost	28,676	41,423	70,099
Accumulated amortisation	(20,830)	(41,392)	(62,222)
Net book value	7,846	31	7,877
Year ended 30 June 2018			
Opening net book value	7,846	31	7,877
Additions	69	1,259	1,328
Acquisition of subsidiary	-	756	756
Amortisation charge	(4,710)	(446)	(5,156)
Closing net book value	3,205	1,600	4,805
At 30 June 2018			
Cost	28,745	43,438	72,183
Accumulated amortisation	(25,540)	(41,838)	(67,378)
Net book value	3,205	1,600	4,805
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

The intellectual property arose out of acquisition of selected assets of Delah Publishers Limited in Tanzania in December 2011 and Sasa Sema Publications Limited in April 2007. The company was awarded publishing rights by Delah Publishers Limited for a consideration of Sh 7,359,000 and authors' contracts and related rights for 53 Sasa Sema Publications Limited's titles for a consideration of Sh 22,110,000. The rights acquired in Sasa Sema Publications Limited included co-publishing and distributorship contracts for 16 titles of Readit Publishers of Tanzania for a consideration of Sh 5,890,000. The company also acquired the Sasa Sema brand name including the company logo at a cost of Sh 3,000,000. Sasa Sema is now a trading name registered under Longhorn Publishers Plc.

Notes (continued)

13 (a) Intangible assets- Company

	Computer software Sh'000	Intellectual property Sh'000	Total Sh'000
At 1 July 2017			
Cost	25,491	34,840	60,331
Accumulated amortisation	(19,307)	(34,840)	(54,147)
Net book value	6,184	-	6,184
Year ended 30 June 2018			
Opening net book value	6,184	-	6,184
Additions	-	958	958
Amortisation charge	(3,817)	-	(3,817)
Closing net book value	2,367	958	3,325
At 30 June 2018			
Cost	25,491	35,798	61,289
Accumulated amortisation	(23,124)	(34,840)	(57,964)
Net book value	2,367	958	3,325
Year ended 30 June 2019			
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

Notes (continued)

13 (b) Intangible assets- Prepublication Costs

Year ended 30 June 2019

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh'000	**Sh'000**	**Sh'000**	**Sh'000**
Opening balance	403,705	243,652	334,010	227,402
Additions	85,330	127,118	52,011	73,673
Editorial costs	68,776	55,675	62,055	55,675
Amortisation	(24,657)	(22,740)	(15,957)	(22,740)
Closing balance	533,154	403,705	432,119	334,010
At 30 June 2019				
Cost	557,811	426,445	448,076	356,750
Accumulated amortisation	(24,657)	(22,740)	(15,957)	(22,740)
Net book value	533,154	403,705	432,119	334,010

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

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

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

14 Investment in subsidiaries– Company

	Country of incorporation	**% interest held**	**2019**	**2018**
			Shs'000	**Shs'000**
Longhorn Publishers Uganda Limited	Uganda	100%	440	440
Longhorn Publishers Tanzania Limited	Tanzania	100%	41,688	41,688
Longhorn Publishers Rwanda Limited	Rwanda	100%	-	-
Longhorn Publishers Zambia Limited	Zambia	100%	337	337
Law Africa Publishers	Kenya	92%	124,129	124,129
			166,594	166,594

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

Notes (continued)

15 Goodwill

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

	2019 Shs'000	2018 Shs'000
Law Africa Publishing Limited	125,786	125,786

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

The goodwill relates to the acquisition of a 92% stake in Law Africa Publishing Limited effective 1 July 2016. The Directors monitor goodwill impairment at the level of the acquired entity, being the cash generating unit (CGU). The recoverable amount of the cash generating unit (CGU) is determined based on fair value calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by the management covering a five-year period.The terminal value is based at a rate that does not exceed the long term average growth rate in the publishing industry.

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

Assumption	Approach used to determine values:
Sales volume	Average annual growth rate over the five-year forecast period; based on past performance and management expectations of market development.
Sales price	Average annual growth rate over the five-year forecast period; based on current industry trends and including long term country inflation forecast
Budgeted average gross margin	Based on past performance and management expectations of the future.
Annual capital expenditure	Expected cash costs in the CGUs. This is based on the historical experience of management, the planned refurbishment, or sustaining expenditure. No incremental revenue or cost savings are assumed in the Fair Value less cost to sell model as a result of this expenditure.

Notes (continued)

15 Goodwill (continued)

Assumption	Approach used to determine values:
Long term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rate is based on long term growth rate forecasts for the market.
Post-tax discount rate	Based on specific risks relating to the industry and country. Factors considered for the company include regulatory environment, market competition, and barriers to entry.

Based on the above assumptions, the recoverable value exceeded the carrying net asset amount (including the goodwill) of the CGU at 30 June 2019 by Shs 23,482,727

Significant estimate: Impact of possible changes in key assumptions

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

If the long term growth rate applied to the cash flow projection of the CGU had been 3% lower than management estimates and all other assumptions unchanged, the goodwill would be impaired.

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

	Percentage
Long term growth rate (%)	6%
Weighted average cost of capital (%)	16%

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

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 30% (2018: 30%).

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

	Group		Company	
	2019	2018	2019	2018
	Sh'000	Shs'000	Shs'000	Shs'000
Liabilities				
Accelerated capital allowances	23,773	20,698	23,665	20,391
Assets				
Provisions	(29,169)	(30,408)	(24,309)	(28,024)
Tax losses	-	(2,204)	-	-
Net deferred tax asset	(5,396)	(11,914)	(644)	(7,633)

The movement on the deferred tax account is as follows:

	Group		Company	
	2019	2018	2019	2018
	Shs' 000	Shs'000	Shs' 000	Shs'000
At the beginning of year	(11,914)	(9,595)	(7,633)	(476)
Charge to income statement (Note 9)	4,941	(2,319)	5,412	(7,157)
Under provision in prior year	1,577	-	1,577	-
	(5,396)	(11,914)	(644)	(7,633)

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

17 Inventories

	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
Books	519,740	506,476	394,637	442,958
Provision for obsolete inventories	(61,233)	(65,779)	(54,051)	(59,947)
	458,507	440,697	340,586	383,011

The cost of inventories recognised as an expense and included in cost of sales amounted to Shs 468,955,867 (2018: Sh 511,298,592).

Notes (continued)

18 Trade and other receivables

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh'000	Shs'000	Shs'000	Shs'000
Trade receivables	851,537	740,314	827,200	665,461
Less: Expected credit loses	(33,295)	(30,999)	(16,003)	(16,806)
	818,242	709,315	811,197	648,655
Staff receivables	20,363	13,043	11,664	7,127
Prepayments	46,960	28,183	45,115	27,429
Other receivables	34,483	43,111	4,290	3,848
	920,048	793,652	872,266	687,059

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

Movements on the provision for impairment of trade receivables are as follows:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh'000	**Shs'000**	**Shs'000**	**Shs'000**
At start of year	30,999	34,466	16,806	17,941
Increase /(decrease) in provision	2,296	(3,467)	(803)	(1,135)
At end of year	33,295	30,999	16,003	16,806

19 Cash and cash equivalents

Cash at bank and in hand	95,295	419,480	79,912	410,179

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	Sh'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash at bank and in hand	95,295	419,480	79,912	410,179
Bank overdrafts	(22,167)	(700)	(22,167)	(211)
	73,128	418,780	57,745	409,968

Notes (continued)

20 Share capital – Group and company

	Number of shares	Ordinary shares Shs'000	Share premium Shs'000
Balance at 1 July 2017, 30 June 2018 and at 30 June 2019	272,440,000	272,440	368,289

Ordinary shares have a par value of Shs 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. On a show of hands every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote, and on a poll each share is entitled to one vote.

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

21 Trade and other payables

	Group		Company	
	2019 Sh'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Trade payables	254,861	341,464	244,810	368,423
Invoice Financing	265,691	75,076	265,691	75 076
Royalty accruals	136,237	129,123	118,119	119,055
Payroll accruals	12,148	7,188	6,883	5,084
Other payables	145,416	244,765	198,713	235,958
	814,353	797,616	834,216	803,596

The carrying value of the above trade and other payables approximates their fair value. Invoice factoring is financed by the Standard Chartered Bank at CBR plus 4% and is repayable within 12 months .

22 Borrowings

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
The borrowings are made up as follows:				
Current				
Term loans	141,373	153,119	91,154	100,952
Commercial Paper	223,483	356,604	223,483	356,604
Total borrowings	364,856	509,723	314,637	457,556

The carrying value of the above borrowings approximates their fair value

Notes (continued)

22 Borrowings Group and Company (continued)

Movement in borrowings	Group		Company	
	2019	2018	2019	2018
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	509,723	334,194	457,556	280,886
Additions	530,435	837,385	530,435	831,976
Payments in the year	(675,302)	(661,856)	(673,355)	(655,306)
At end of year	364,856	509,723	314,636	457,556

The interest expense of Shs 71,976,000 (2018: Shs 78,415,000) for the Group and Shs 71,976,000

(2018: Shs 70,068,000) for the Company was incurred and paid in the year.

Term loans mature within twelve (12) months and bear an average interest rate of CBR plus 4% (2018: CBR plus 4%).

Commercial paper matures within an average period of six (6) months and bear an average interest rate of 16% (2018: 16%).

All borrowings are denominated in Kenya shilling.

Bank borrowings are secured by an all asset debenture of Shs 700,000,000 and a legal charge over LR. No. 209/5604, Funzi Road, Industrial area for Shs 120,000,000. The counter party is Standard Chartered Bank of Kenya.

The undrawn facilities borrowing facilities amount to Shs 385,364,000 (2018: Shs 64,000,000). All facilities are subject to review annually in October.

Financial Statements
For the year ended 30 June 2019

Notes (continued)

23 Cash generated from operations

Reconciliation of profit before taxation to cash generated from operations

	Group		Company	
	2019 Shs'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Profit before tax	263,968	273,146	221,321	280,571
Adjustments for:				
Depreciation (Note 12)	15,838	21,545	11,001	15,142
Amortisation of intangible assets (Note 13)	3,535	5,156	3,425	3,817
Amortisation of intellectual property Note (13b)	24,657	22,740	15,957	22,740
(Gain) /loss disposal of equipment	(2,996)	10,282	(1,650)	7,004
Net exchange loss (Note 6)	24,393	6,803	24,297	6,737
Interest expense (Note 6)	71,976	78,415	71,976	70,068
Working capital changes:				
- inventories	(17,810)	4,828	42,425	(54,143)
- trade and other receivables	(126,396)	(8,833)	(185,207)	(61,963)
- trade and other payables	16,737	244,420	30,620	325,685
- Increase in amounts due from subsidiaries	-	-	(63,053)	(42,383)
- Decrease in amounts due to subsidiaries	-	-	51,185	-
Cash generated from operations	273,902	**658,502**	222,297	**573,275**

24 Capital commitments

There were no capital commitments as at 30 June 2019 (2018: Nil)

25 Contingent liabilities

There are currently claims arising against the group in the normal course of business. The Directors, based on advice received from the Droup'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.

Notes (continued)

26 Related party transactions

	2019 Shs'000	2018 Shs'000
(a) Due from subsidiaries-Company		
Longhorn Publishers (Uganda) Ltd	99,365	90,069
Longhorn Publishers (Tanzania) Ltd	74,444	91,749
Longhorn Publishers (Rwanda) Ltd	79,971	61,058
Law Africa Publishing Ltd	108,575	56,426
	362,355	299,302
(b) Due to subsidiaries-Company		
Longhorn Publishers Uganda Ltd	-	14,063
Longhorn Publishers Rwanda Limited	69,083	3,835
	69,083	17,898
(c) Purchases during the period		
Longhorn Publishers (Uganda) Ltd	15,614	75,714
Longhorn Publishers (Tanzania) Ltd	3,395	34,927
Longhorn Publishers (Rwanda) Ltd	10,530	10,959
	20,539	121,600
(d) Loan from the Parent (Centum Investments Plc)	-	133,978

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

	2019 Shs'000	2018 Shs'000
(e) Cash banked at Sidian Bank Limited	500	500

The cash at Sidian Bank is Sh 500,000. Sidian is related to Longhorn through common control.

(f) Key management compensation

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

	Group		Company	
	2019 Sh'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Salaries and other benefits	76,382	66,472	69,920	60,872

Notes (continued)

26 Related party transactions

(d) Directors emoluments

	Group		Company	
	2019 Sh'000	2018 Shs'000	2019 Shs'000	2018 Shs'000
Fees for services as directors	12,310	9,734	11,585	6,749
Salary	18,611	14,955	18,611	14,955
Bonuses and benefits	7,055	3,099	7,055	3,099
	37,976	27,788	37,251	24,803

The increase in directors fee was as a result of a one off gratuity payment to the outgoing Group Managing Director.

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PROXY FORM

I/WE ____

OF ____

Being a member of the above Company, hereby appoint:

____

OF ____

Whom failing ____

OF ____

or failing him, the Chairman of the Meeting, as my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday, 28 November 2019 and at any adjournment thereof.

As witness my/our hand this day of 2019

Signed ____________________

Signed ____________________

Note:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In the case of a member being a limited Company this form must be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the time of holding the meeting.

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Funzi Road, Industrial Area,
P.O. Box 18033-00500, Nairobi, Kenya.
Tel: +254 02 6532579/81, +254 02 558551,
+254 708 282 260, +254 722 204 608
enquiries@longhornpublishers.com
www.longhornpublishers.com