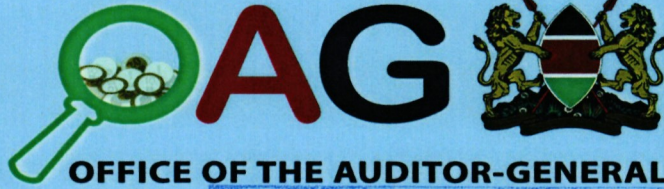


REPUBLIC OF KENYA

PARLIAMENT  
OF KENYA  
LIBRARY



*Enhancing Accountability*

THE NATIONAL ASSEMBLY

DATE: 02 MAR 2022

DAY: WEDNESDAY

TABLED  
BY:

MAJORITY WHIP  
HON. E. WANGWE

REPORT:

SAMUEL KALAMA

OF

THE AUDITOR-GENERAL

ON

KENYA BROADCASTING CORPORATION

FOR THE YEAR ENDED  
30 JUNE, 2020



KENYA  
BROADCASTING  
CORPORATION

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KENYA BROADCASTING CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2020

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Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Financial Reporting Standards





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KENYA  
BROADCASTING  
CORPORATION

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KENYA BROADCASTING CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

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## KEY ENTITY INFORMATION AND MANAGEMENT

### Background information

The Kenya Broadcasting Corporation was formed in 1989 through an Act of parliament. The Corporation has a Board of Directors that is responsible for the general policy and strategic direction of the organization. It falls under the Ministry of Information, Communications and Technology.

### Principal Activities

The principal activity of KBC is to transmit objective, informative, educative and entertaining content to the public through high quality broadcasts.

### Key Management

The KBC's day-to-day management is under the following key organs:

- Managing Director,
- Heads of departments, and
- Assistant heads of departments.

### Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	MANAGING DIRECTOR	DR. NAIM BILAL
2	CORPORATION SECRETARY	PAUL JILANI
3	FINANCE & ADMINISTRATION MANAGER	DR. HENRY MOMANYI
4	TELEVISION PROGRAMMES MANAGER	MICHAEL NDETEI



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5	MARKETING MANAGER	FLORENCE MIGUNDE
6	ADVERTISING MANAGER	CAROLYNE MUTUNGA
7	PROCUREMENT MANAGER	ROBERT WEKESA
8	MANAGER ICT	BENN MWALA
9	MANAGER TECHNICAL SERVICES	JOB KARIMI
10	MANAGER CORPORATE PLANNING, RESEARCH AND DEVELOPMENT	SAMWEL OTIENO
11	CORPORATE AFFAIRS MANAGER	EVELYNE MWAKINA
12	EDITOR IN-CHIEF	SAMUEL MAINA
13	PRINCIPAL INTERNAL AUDITOR	ANTHONY OPONDO
14	RADIO PROGRAMMES MANAGER	KIERETHE WAMUTITU
15	HUMAN RESOURCES MANAGER	DANIEL OKOTH

### **Fiduciary Oversight Arrangements**

KBC reports to the Public Investments Committee of parliament on unresolved matters raised by the Office of the Auditor General.

The Corporation is also answerable to the Parliamentary Committee on Information, Energy and Public works on budgetary issues and any other policy matters raised in the floor of the National Assembly.

### **Entity Headquarters**

P.O. Box 30456-00100,  
Broadcasting House,  
Harry Thuku Road,  
Nairobi, KENYA.

### **Entity Contacts**

Telephone: (254) 020-318823



KENYA  
BROADCASTING  
CORPORATION

Email: [finance@kbc.co.ke](mailto:finance@kbc.co.ke)

Website: [www.kbc.co.ke](http://www.kbc.co.ke)

### **Entity Bankers**

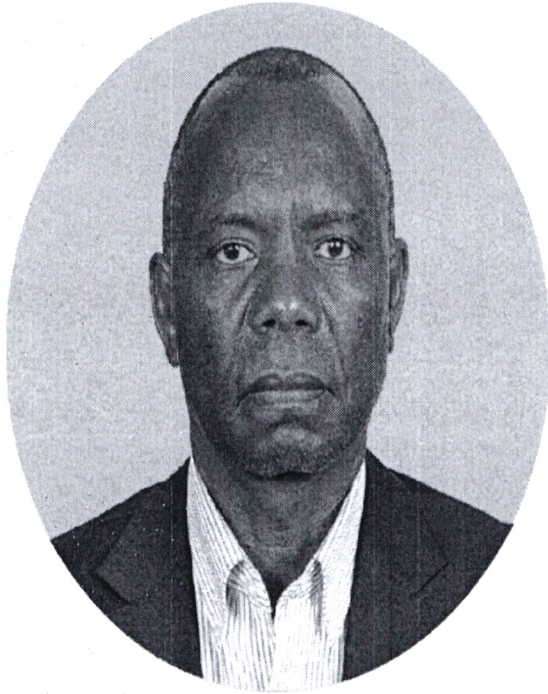
1. Citibank N.A.,  
Citibank House, Upper Hill Road,  
P.O Box 30711-00100,  
Nairobi, Kenya.
2. Kenya Commercial Bank,  
Moi Avenue,  
Kencom House,  
P.O. Box 30081-00100,  
Nairobi, Kenya.
3. Commercial Bank Of Africa,  
CBA Centre,  
Mara and Ragati Roads, Upper Hill,  
P.O. Box 30437-00100,  
Nairobi, Kenya.

### **Auditors**

Auditor- General,  
Office of Auditor General,  
Anniversary Towers, University way,  
P.O. Box 30084-00100,  
Nairobi, Kenya.

### **Principal Legal Advisor**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya.



ENG. BENJAMIN K MAINGI

FOR CHAIRMAN

Eng. Benjamin K. Maingi is a 62 year old Kenyan citizen retired from Public Service where he served as General Manager, Planning and Programming in Kenya Roads Board (KRB), the oversight and fund administration Board for the Road Maintenance Levy Fund (RMLF).

• **EDUCATIONAL BACKGROUND:**  
His academic qualifications are BSc (Civil Engineering) from University of Nairobi and MSc (Highways) from University of Birmingham (UK).

• **PROFESSIONAL QUALIFICATIONS:**  
He has 38 years' post-graduate experience in Infrastructure Projects particularly Highways Engineering and Management at senior levels from both the public and private sectors where he excelled in quality assurance, Management and Construction Control Expert in the Roads sector.

He is well versed in Corporate Governance, having been inducted and trained in this area since 2003 culminating in becoming a member of the Institute of Directors of Kenya (IOD) in 2005.

**WORK EXPERIENCE:**  
He has contributed to the development of transport and road sector policies and strategies and in particular the Road Sector Investment Programme (RSIP) for use in the long term development of the Roads sector.

He served as a Member of Interviewers Panels for both Institution of Engineers of Kenya (IEK) and Engineers Registration Board (ERB) now EBK from 1996 to 2005



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Member of IEK Training Committee from 1997 to 2008 conducting courses for Graduate Engineers preparation for professional interviews.

Part-time lecturer for MSc (Construction) - Labour based practitioners unit in Jomo Kenyatta University of Agriculture and Technology (JKUAT) from 2011 -2015

Chairman of Parents Teachers Association and member of Board of Management for Othaya Boys High School, Nyeri County.

Eng. Maingi has had the opportunity to participate in road sector policies formulation including creation of National Construction Authority (NCA), National Transport & Safety Authority (NTSA) and Nairobi Metropolitan & Transport Authority (NAMATA) while serving in KRB.

In overseeing and coordinating activities in the Roads sector, he has promoted linkages between Universities and Industry in innovative construction methods and uptake of research findings to inform better quality and cost effective utilization of local resources.

He has long experience, good working knowledge and well conversant with the Public Sector operations. In addition, he possess exemplary computer working knowledge.

As a new member of Kenya Broadcasting Corporation, Eng. Maingi comes with the necessary requirements and qualifications to infuse professionalism in overseeing and facilitating execution of KBC mandate.



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MR. MUCHEMI WAMBUGU

• **EDUCATIONAL BACKGROUND:**

He holds an Honors degree in Commerce, majoring in Management Information Systems from the University of Manitoba, Canada, and a Masters Certificate in Project Management from the University of California-Berkeley, USA.

Muchemi Wambugu is a Management Consultant and founder of Sirius Consult which focuses on technology-led organizational transformations.

Muchemi is a certified Project Management Professional (PMP), and an International Coaching Federation (ICF) certified Executive and Systemic Team Coach.

• **WORK EXPERIENCE:**


Until 2016, Muchemi was a Partner in the Technology Consulting practice and the Advisory Leader for County Initiatives at PricewaterhouseCoopers Kenya. Muchemi joined the firm in 2011 having worked at Deloitte Consulting Ltd in Kenya, and IBM Global Services in California, USA.

Muchemi is an accomplished ICT Management professional, with more than 20 years of experience in advising organizations both private and public on business-centric ICT solutions.

He has extensive experience in global technology implementations, ICT Transformations, Strategy, Operations, Governance and Program/Change Management.

Muchemi was the founding Chairman of the Presidential Digital Talent Programme (PDTP), an initiative to bridge the employability gap in the ICT industry specifically focused on ramping up young ICT talent in the Public



	<p>Sector.</p> <p>In recognition of distinguished and outstanding services rendered to the nation, Muchemi was awarded the Moran Order of the Burning Spear (MBS) by His Excellency President Uhuru Kenyatta in December 2018.</p> <p>Muchemi is a Non-Executive Director at several high profile Public and Private entities.</p>
 <p>MR. MOHAMMED JABANE</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b></li></ul> <p>Master of Arts (International Relations) Nairobi University</p> <p>Advanced Public Administration (K.I.A)</p> <p>Bachelor of Arts, Political Science-Nairobi University</p> <ul style="list-style-type: none"><li>• <b>PROFESSIONAL QUALIFICATIONS:</b></li></ul> <p>Currently head of secretariat, Cabinet nominees</p> <p>Policy formulation and review on State Corporations.</p>



MARY C. NGENY

• **EDUCATIONAL BACKGROUND:**

PHD -Continuing

Master's in Business Administration,

Bachelor of Arts

• **WORK EXPERIENCE:**

Worked at Kenya National Bureau of Statistics,

Telkom Kenya

Wealth of experience in Human Resource



MR. CHARLES MULILA

• **EDUCATION BACKGROUND:**

Bachelor of Education (arts) 1990 to 1994-  
Moi University.

Diploma, Public Relations 2016 to 2018-  
University of Nairobi

A Levels 1988 to 1990-Three Principals, 1  
Subsidiary (16 Points)

Mulila is a Public and Private sector  
Governance and policy expert with over 30  
years experience. Excellent  
communication, vast in journalism, Media  
law, Corporate Communications, crisis  
Management and Public relations.

Mulila is a Consummate Media and public  
relations professional, well versed  
with Public Finance practice and  
guidelines in Kenya. Trained and  
grounded on the code of conduct and



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practice of Media in Kenya. Budget formulation, Monitoring, Evaluation and Analysis, Medium Term Expenditure Framework (MTEF) and Public Sector Financial prudential guidelines.

- **CAREER TRAJECTORY**

Design, implement and provide strategic for a robust public and private Media leadership for both public and private sector communication.

- **Board Level Appointments**

1. Directorate of Industrial Training (DIT), Ministry of Labour -2005 to 2008 as the Vice Chair, Editorial Committee

2. **Kenya Revenue Authority (KRA) - 2008 to 2012** -Lead adviser to the Office of Commissioner General, advocacy, Community Relations and Public compliance .

3. **Kenya National Highways Authority (KeNHA) -2013 To 2016** Advisor to the Board of public communication designed and implemented the inaugural communication strategy.

4. **Ministry of Information and Communication.**

Project : Kenya Today Publication- Government of Kenya Publication

Mulila was an Advisor to the Permanent Secretary on Public Information dissemination in the aftermath of the PEV 2008. Implemented budgetary and logistical support to the Department of Information and Communications.



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5. Catholic Diocese of Kitui as the Director and Advisor, Thome Radio.

6. Institute of Economic Affairs (IEA) Trainer and advocacy specialist for your and upcoming financial Journalists.

7. Kenya Union Of Journalists (KUJ) Member of the Executive Board that lobbied and established Media Self Regulation in Kenya.

8. Media Council of Kenya(MCK)-Played a key role in the establishment of

- **CAREER HIGHLIGHTS**

Planned, analysed and executed the editorial coverage and presentation of Kenya's financial statements between 2001 to 2011 as the Economic and Financial Editor of the Kenya Times newspapers, the Star and the Ministry of Information and Communication. Widely published journalist in local and international newspaper and in referred journalist around the world.



MR. SAMUEL NYANGESO

• **EDUCATIONAL BACKGROUND:**

Kenya Certificate of Education-Riokodo High school

• **WORK EXPERIENCE:**

National chairman Kenya National Library Services

Chairman National Association of Local Government Employers

His Worship the Mayor of Kisii Municipality

Commissioner, National Elections Board

Elected Councillor -Nyankongo Ward



DR NAIM BILAL  
MANAGING DIRECTOR

• **EDUCATIONAL BACKGROUND:**

PhD, Communication Studies - Moi University

Masters Degree,

Lleida, Spain Communications Policy - City University, UK

Dual MBA - State University of

Bachelors, Criminology - University of South Africa

Diploma, Journalism - KIMC

Certificate, Strategic Leadership - Kenya School of Govt

• **WORK EXPERIENCE**

Dr Naim Bilal Yaseen (PhD) has served in the private, international and public sectors over the last 29 years of his career as follows:


**Kenya Broadcasting Corporation**

Managing Director - Currently

**Government of Kenya**



KENYA  
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	<p>Deputy Director, Public Communication</p> <p><b>State University Of New York (SUNY K) / USAID: 2009</b> Project Director, Parliamentary Strengthening Project, National Assembly</p> <p><b>Strategic Consultant: 2008</b> UNDP Media Council of Kenya</p> <p><b>Nation Media Group: 1989 - 2007</b> News Reporter Sub-Editor Deputy News Manager - Nation Broadcasting Managing Editor - Nation TV and Nation FM</p> <p><b>Competencies</b> Media and Comms Management Public Administration Governance Strategic Management</p>
 <p>MR. PAUL JILANI CORPORATION SECRETARY</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b> Bachelors of Law (LLB) and Masters in Business Administration(MBA) Diploma in Law, Kenya school of Law Certified public Secretaries(CPS) Member Law society of Kenya(LSK) Member Institute of Certified Public Secretaries of Kenya (ICPSK),</li><li>• <b>WORK EXPERIENCE:</b> Telkom Orange</li></ul>



KENYA  
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	<p>Corporation Secretary, up to 2010, <b>Kenya Broadcasting Corporation</b> Corporation Secretary, (currently)</p>
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**MANAGEMENT TEAM**



MR. PAUL JILANI  
CORPORATION SECRETARY

**• EDUCATIONAL BACKGROUND:**

Bachelors of Law (LLB) and Masters in Business Administration(MBA)

Diploma in Law, Kenya school of Law

Certified public Secretaries(CPS)

Member Law society of Kenya(LSK)

Member Institute of Certified Public Secretaries of Kenya (ICPSK),

**• WORK EXPERIENCE:**

**Telkom Orange**

Corporation Secretary, up to 2010,

**Kenya Broadcasting Corporation**

Corporation Secretary, (currently)



DR. HENRY MOMANYI  
FINANCE & ADMINISTRATION MANAGER

**EDUCATIONAL BACKGROUND:**

PhD (Finance)

Masters Business Administration (MBA)-  
Finance

Bachelor of Commerce (Accounting)

CPA(K)

Member- Institute of Certified Public  
Accountants of Kenya(ICPAK)



MR. ROBERT WEKESA  
PROCUREMENT MANAGER

• **EDUCATIONAL BACKGROUND:**

Member- Chartered Institute of Purchasing  
and supplies-UK (MCIPS)

Masters Degree Human Resources and  
Labour Laws

Degree in Political science

More than 15years experience in  
Procurement and Sourcing.



MR. SAMWEL OTIENO  
MANAGER CORPORATE PLANNING,  
RESEARCH AND DEVELOPMENT

• EDUCATIONAL BACKGROUND:

Bsc. in Electrical Engineering (Light Current Option)

Registered Graduate Engineer with ERB

Registered Graduate Member with IEK

Member of IEEE



MS. EVERLYN WAKINA  
CORPORATE AFFAIRS MANAGER

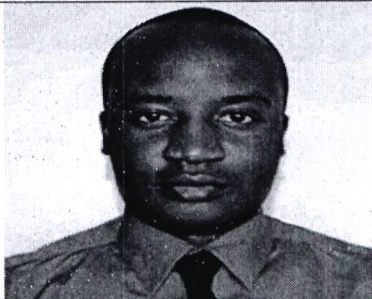
• EDUCATIONAL BACKGROUND:

Holds a Bachelor of Arts in Philosophy, Literature and Kiswahili (Kenyatta University),

Post Graduate Diploma in Mass Communication (University of UON)

Executive Masters of Business Administration Eastern and Southern African Management Institute (ESAMI) & Maastricht School of Management (MsM).

Certificate in Strategic Leadership Development - Kenya School of Government and a host of other professional certificates.



MR. BENN MWALA  
MANAGER INFORMATION  
COMMUNICATIONS TECHNOLOGY &  
TECHNICAL SERVICES

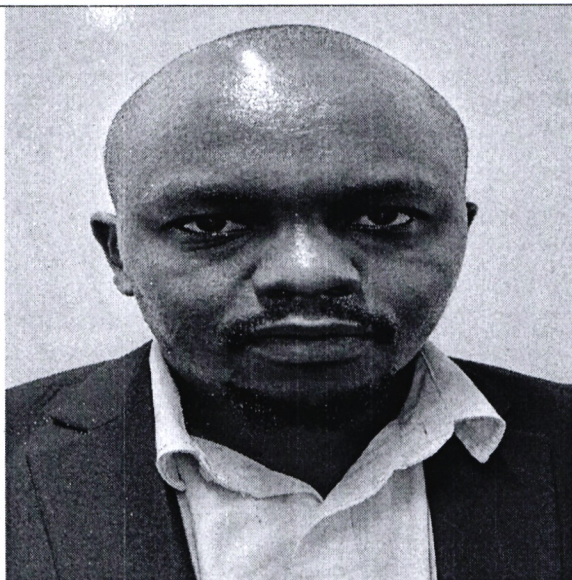
• EDUCATIONAL BACKGROUND:

MSc in Information Technology -  
(Management Information Systems)

BSc in Computer Science

Information Technology Infrastructure Library  
(ITIL)

Syspro ERP Administration



MR. JOB KARIMI  
MANAGER TECHNICAL SERVICES

• EDUCATIONAL BACKGROUND:

M.Sc Computer Systems

BSc. Telecommunications and I.T  
*Global VSAT Forum*

GVF530: Core Skills for Mobile Satellite  
Terminal Operators

Licensed VSAT terminal operator



MS. CAROLYNE MUTUNGA  
ADVERTISING MANAGER

• **EDUCATIONAL BACKGROUND**

MBA: Strategic Management

Bachelor of Commerce: Marketing and  
Business Administration.

KCSE: Pangani Girls High School



MS. FLORENCE MIGUNDE  
MARKETING MANAGER

• **EDUCATIONAL BACKGROUND:**

Holds a Bachelor of Commerce (Marketing)

Masters in Strategic Management -  
University of Nairobi

CIM Post - Graduate Diploma.

MR. ANTHONY OPONDO  
PRINCIPAL INTERNAL AUDITOR

• **EDUCATIONAL BACKGROUND:**



MR. JONAH KUSERO  
AG. RADIO PROGRAMMES MANAGER

• EDUCATIONAL BACKGROUND

MA (Project Planning and Management)  
University of Nairobi

BA (HONS) Economics - University of  
Punjab, India.

Dip Marketing Management

Certificate in Radio and TV production.

Certificate in Broadcast Journalism

Certificate in Management Skills

Certificate in managing the training and  
development functions



Mr. Daniel Okoth  
Human Resource Manager

• EDUCATIONAL BACKGROUND:

Bachelor of Arts in Government and Public  
Administration

Post graduate Diploma in Human  
Resource Management



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MR. MICHAEL NDETEI

Television Programs Manager

• EDUCATIONAL BACKGROUND:

MA holder in Film & Theatre Arts

BA in Communication

Diploma in Tv production



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## CHAIRMAN'S STATEMENT

The financial year 2019/2020 marks thirty-one years of existence of Kenya Broadcasting Corporation. Since the liberalization of media industry in Kenya in the 1990s, Kenya Broadcasting Corporation has consistently worked hard to be relevant in the competitive business environment. To date, the Corporation's rich portfolio of brands comprises of three TV channels and fifteen radio services.

The total revenue realized decreased by 14.4% from Kshs 1.2billion last year to Kshs 1.03billion this year. We did not receive dividends from Multichoice Kenya Ltd where KBC is a 40% shareholder where by KBC within the financial year.

The total expenditure increased by 16.7% from Kshs 10.2 billion last year to Kshs11.9billion this year. This is explained by an increase in interest that the Government charged KBC on account of repaying Japanese loan this year. There was a decrease in some expenses like in electricity expenditure as a result of installing new FM radio transmitters and switching off medium wave radio transmitters that consume a lot of electricity.

ENG. BENJAMIN K. MAINGI  
FOR CHAIRMAN



KENYA  
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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, requires the Directors to prepare financial statements in respect of Kenya Broadcasting Corporation, which give a true and fair view of the state of affairs of Kenya Broadcasting Corporation at the end of the financial year and the operating results of Kenya Broadcasting Corporation for that year. The Directors are also required to ensure that Kenya Broadcasting Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of Kenya Broadcasting Corporation. The Directors are also responsible for safeguarding the assets of Kenya Broadcasting Corporation.

The Directors are responsible for the preparation and presentation of the Kenya Broadcasting Corporation's financial statements, which give true and fair view of the state of affairs of Kenya Broadcasting Corporation for and as at the end of financial year ended on June 30, 2020. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Kenya Broadcasting;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of Kenya Broadcasting Corporation;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Kenya Broadcasting Corporation financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International



KENYA  
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Financial Reporting Standards, and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Kenya Broadcasting Corporation financial statements give a true and fair view of the state of Kenya Broadcasting Corporation's transactions during the financial year ended June 30, 2020, and of the Kenya Broadcasting Corporation financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kenya Broadcasting Corporation, which have been relied upon in the preparation of Kenya Broadcasting Corporation financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that Kenya Broadcasting Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

ENG BENJAMIN K MAINGI  .....  
DIRECTOR OF THE BOARD

DR NAIM BILAL  .....  
MANAGING DIRECTOR



## CORPORATE GOVERNANCE STATEMENT

The Corporation complies with corporate governance principles. We have Board of Directors in place that oversees the policy issues of the institution. The management team in existence is responsible for the day to day management of the institution. The following committees of the Board are in existence:

1. Finance & Marketing committee.
2. Editorial & Technical committee.
3. Human Resources committee.
4. Audit committee.

Management has also put in place various management committees the apex of which is the Senior Management committee that meets weekly on Tuesdays.



## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

Kenya Broadcasting Corporation is committed to adopting the best practice in Corporate Social Responsibility (CSR), a concept through which organizations integrate social and environmental concerns into their operations and interaction with their stakeholders on a voluntary basis. Besides forging profit making partnerships with her stakeholders, the national broadcaster recognizes the need to contribute towards social and environmental objectives.

KBC Board approved the Corporate Communication and Corporate Social Responsibility (CSR) Policy to guide and enhance partnerships with our stakeholders through the delivery of services that are mutually beneficial to the Corporation and the society at large. While conducting our business in line with the expectations of diverse clientele, KBC also sees Corporate Social Responsibility as a discipline that helps to manage emerging and often unprecedented risks presented to us in a changing world.

Since its establishment, KBC has been associated with exemplary work in partnering with individuals, institutions, communities and Government to ensure societal or communal needs are urgently addressed. KBC has been recognized as a Corporation that is transparent and ethical in all its dealings as well as making a positive contribution to the community in which it operates.

KBC will generally cover the marginalized communities /areas where it has its business operations. As a part of the national broadcaster's CSR strategy, and in line with the objectives specified above and the Vision 2030 and the Millennium Development Goals (MDGs) launched by the United Nations (UN) and adopted by Government of Kenya. The scope of CSR activities cover the following areas: Education/literacy enhancement to disadvantaged groups; Health; Drinking Water/Sanitation; Environment; Community Development and Social Empowerment; Promotion of Sports and



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traditional forms of Art and Culture; and any other activity as may be identified by the Corporate Communication Department or the CSR Advisory Committee.

Apart from implementing CSR, KBC closely monitors and evaluates activities to ensure desirable achievement and analyze the impact.



KENYA  
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## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of Kenya Broadcasting Corporation's affairs

### **Principal activities**

The principal activities of Kenya Broadcasting Corporation are broadcasting and provision of digital television transmission infrastructure platform.

### **Results**

The results of Kenya Broadcasting Corporation for the year ended June 30, 2020 are set out on pages 1 to 4

### **Auditors**

The Auditor General is responsible for the statutory audit of the Kenya Broadcasting Corporation in accordance with the Public Finance Management (PFM) Act, 2012.



KENYA  
BROADCASTING  
CORPORATION

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Public Finance Management Act, 2012 and the State Corporations Act, requires the Directors to prepare financial statements in respect of Kenya Broadcasting Corporation, which give a true and fair view of the state of affairs of Kenya Broadcasting Corporation at the end of the financial year and the operating results of Kenya Broadcasting Corporation for that year. The Directors are also required to ensure that Kenya Broadcasting Corporation keeps proper accounting records which disclose with reasonable accuracy the financial position of Kenya Broadcasting Corporation. The Directors are also responsible for safeguarding the assets of Kenya Broadcasting Corporation.

The Directors are responsible for the preparation and presentation of the Kenya Broadcasting Corporation's financial statements, which give true and fair view of the state of affairs of Kenya Broadcasting Corporation for and as at the end of financial year ended on June 30, 2020. This responsibility includes:

- i. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of Kenya Broadcasting;
- iii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv. Safeguarding the assets of Kenya Broadcasting Corporation;
- v. Selecting and applying appropriate accounting policies; and
- vi. Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Kenya Broadcasting Corporation financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International



KENYA  
BROADCASTING  
CORPORATION

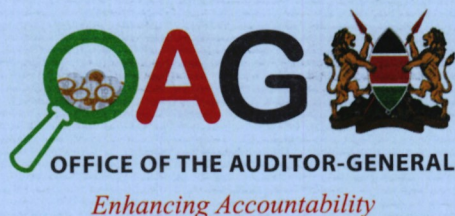
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Nothing has come to the attention of the Directors to indicate that Kenya Broadcasting Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

ENG BENJAMIN K MAINGI  .....  
DIRECTOR OF THE BOARD

DR NAIM BILAL  .....  
MANAGING DIRECTOR

# REPUBLIC OF KENYA



Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke

HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kenya Broadcasting Corporation set out on pages 1 to 40, which comprise the statement of financial position as at 30 June, 2020, and the statement of comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kenya Broadcasting Corporation as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Kenya Broadcasting Corporation Act, Cap 221 of the Laws of Kenya.

#### **Basis for Adverse Opinion**

##### **1. Property, Plant and Equipment**

The statement of financial position reflects property, plant and equipment balance of Kshs.16,102,911,000 and as disclosed under Note 8 to the financial statements. Review of the balances revealed the following unsatisfactory issues: -

##### **1.1. Motor Vehicles**

Included in the balance is Kshs.9,696,051 in respect of motor vehicles. Physical verification and inspection of motor vehicles revealed that thirty-two (32) motor vehicles representing 50% the motor vehicle fleet owned are defective and broken down beyond repair. The Corporation continues to pay annual insurance premiums for the grounded vehicles without deriving any value from them. Management has not indicated actions that it intends to take to dispose of the grounded fleet despite the continued diminution in value.

## **1.2. Procurement of Software Equipment**

During the year under review, the Corporation entered into a contract with a software technology company for design, supply, installation, training & commissioning of Digital headend for USD 2,974,919 or approximately Kshs.303,441,738. The vendor upon supplying the equipment was paid an initial instalment of Kshs.86,235,710 from the car loan bank account. No explanation was given as to why this account was used to undertake the payment. Further, the vendor is listed as a trade creditor with an outstanding amount of Kshs.124,000,000 as disclosed under Note 15 to the financial statements. However, the cost of the digital headend has not been incorporated into the property, plant and equipment balance as at year end.

Consequently, the accuracy and fair statement of the reported property, plant and equipment balance of Kshs.16,102,911,000 as at 30 June, 2020 could not be confirmed.

## **2. Investments**

### **2.1. Decrease in Dividends**

As previously reported and as disclosed in the statement financial position under Note 9 to the financial statements, Investments figure of Kshs.400,000 represents 40% of shareholding by Kenya Broadcasting Corporation (KBC) in Multi Choice Kenya Limited which manages Digital Satellite Television (DSTV). Multi Choice Limited has a paid-up ordinary share capital of Kshs.1,000,000. The shares are valued at cost. It was noted that for the consecutive financial years from 1999/2000 to 2016/2017 the Corporation received dividends amounting to Kshs.1,832,751,864 from its investment in Multichoice Kenya Limited.

However, during the year under review, Kenya Broadcasting Corporation did not receive any dividends as income from Multi Choice Kenya Limited yet it owns 40% of the Holding Company, Multi Choice Limited. Further, the audited financial statements of Multi Choice Kenya Limited relating to the year under review were not provided for verification.

In the circumstances, it was not possible to confirm if there was value for money from the investment.

### **2.2. Joint Venture Agreement Between KBC and Ghetto Radio**

The statement of comprehensive income reflects Kshs.1,030,120,000 in respect of sales for the year ended 30 June, 2020. The Corporation entered into a joint venture agreement with Ghetto Radio on 20 December, 2007 where the Corporation was to avail a broadcasting frequency 89.5 for use in the joint venture. The contract was valid for a period of 5years and the parties were entitled to a 50:50 share of gross earned revenue. The joint venture was expected to expire in December, 2012.

According to available information, Ghetto radio has paid KBC a total of Kshs.38,244,115 out of which Kshs.15,000,000 is the joint venture payment and the balance of Kshs.23,244,115 being payment for co-siting and power bills. However, audited financial statements from Ghetto radio have for the duration of the joint venture not been verified to confirm income earned for the duration of the joint venture for purposes of confirming that the Corporation was being paid what is rightfully due to them as per the venture agreement.

Though the joint venture agreement was supposed to have expired on 31 December, 2012 there are no indications that it has been renewed. The Board during a special sitting held on 12 August, 2020 resolved that the Corporation collects Kshs.231 million from Ghetto Radio Limited and the moneys be paid within 90 days from the date of adoption of the report of the Board failure of which the joint venture should be terminated or suspended.

As at the time of finalizing the audit in February, 2021, the Management had not effected the Board resolution on Ghetto Radio.

In view of the foregoing, it was not possible to confirm whether the Corporation is receiving value for money from this joint venture.

### **2.3. KBC Joint Venture in GOTV**

As previously reported, the GOTV digital terrestrial television platform was launched in 2011 to provide affordable family entertainment. Available information indicated that, in the year 2013 the Kenya Broadcasting Corporation entered into a joint venture relationship with GOTV a subsidiary of Multichoice Africa. Multi Choice Africa informed KBC of their investment in GOTV amounting to Kshs.16 billion. This has not been independently verified. It was on that basis that KBC declined to actualize the joint venture agreement. The assessment of investment cost of GOTV by KBC placed the amount at not more than Kshs.2.5 Billion.

It was further noted that GOTV has been using the Corporations' frequencies, infrastructure and equipment and yet no payments have been paid by the Company to Corporation for a duration of seven (7) years. No records were made available on GOTV operations in Kenya. According to Management, a Master Co-location and Infrastructure Sharing Agreement between KBC and GOTV signed on 3 June, 2013 did not protect KBC's interests. Thus, there is urgent need to review and re-negotiate the terms of the agreement.

During the year under review, a committee was formed by the managing director to look into formalization of the co-location and infrastructure sharing agreement between GOTV and the Corporation and give recommendations and the way forward.

Further, even though GOTV has been generating revenues from its operations in Kenya, the Corporation has never received any compensation from the use of its frequencies, infrastructure and equipment which is an abuse of public resources

The Corporation has neither been attending meetings with regard to GOTV nor have financial statements of the joint venture been shared. The Management could not explain why there has been no finalization of the joint venture agreement ten (10) years down the line and yet the venture was already operational.

Consequently, and in the absence of a joint venture agreement between the Corporation and GOTV and the continued use of KBC infrastructure without payment of any dividend, the Corporation is not getting value for money from this relationship.

### **3. Trade and Other Receivables**

The statement of financial position reflects a balance of Kshs.1,408,582,000 in respect of trade and other receivable as at 30 June, 2020 and as disclosed under Note 11 to the financial statements. However, the following unsatisfactory matters were noted:

#### **3.1. Long Outstanding Trade Receivables**

From the ageing analysis of gross trade receivables provided for audit, an amount of Kshs.1,641,336,000 representing 88% of the total trade receivables has been outstanding for over 120 days with the bulk being for services rendered more than ten (10) years ago.

Although the Management has commissioned the services of debt collectors, no evidence was obtained to demonstrate their recoverability while management has reservations about the recoverability since some have limited basis for the claim.

Although provision of Kshs.38,914,000 has been made in the financial statements for likely impairment on the trade receivables, the basis for the computation was not provided for audit review. In the circumstances it was not possible to confirm the adequacy the provisions

#### **3.2. Staff Receivables**

Included in the balance is staff receivables of Kshs.15,706,000 comprising of; salary advances, car advances imprest recoveries among others. Examination of imprest schedules and the related records provided for audit review, revealed that the imprest issued amounted to Kshs.6,925,026 with Kshs.4,310,335 outstanding as at the time of the audit. No actions nor explanations have been rendered for failure to recover the long outstanding imprest from the payroll.

Further, there was very slow recovery on car advances, salary advance and imprest. No explanation was availed for the slow recovery rate.

Consequently, the accuracy and fair statement of the reported trade and other receivables balance of Kshs.1,408,582,000 as at 30 June, 2020 could not be confirmed.

### **4. Cash and Bank Balances**

The statement of financial position reflects cash and bank balances of Kshs.354,144,000. However, the audit revealed the following unsatisfactory matters: -

#### **4.1. Unsupported Adjustments - KCB Nairobi Account Reconciliation**

Note 12 to the financial statements reflects a balance of Kshs.22,450,000 on KCB Nairobi account having been adjusted from Kshs.64,132,000 in the initial set of financial statements to Kshs.22,450,000 in the revised financial statements. However, the adjustment was not supported by way of bank reconciliation statements.

#### **4.2. Board of Survey as at the Closure of Financial Year**

The Board of Survey report provided for audit verification was unsigned by the team appointed by the Accounting Officer to undertake the exercise. This was contrary to the

instructions issued by the parent State Department in a letter referenced Ref MIC/ACC/BS/36. No explanation was given by the Management for the failure to comply.

#### 4.3. Non-Submission of Monthly Bank Reconciliation Reports

There was no evidence that the Corporation submitted monthly bank reconciliation reports to Treasury and the Office of Auditor-General on the 10 of every month contrary to Section 90(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances the accuracy and fair statement of the reported bank balances of Kshs.354,144,000 as at 30 June, 2020 could not be confirmed.

#### 5. Unremitted Statutory and Other Deductions

The statement of financial position reflects trade and other payables balance of Kshs.2,609,665,000 and as disclosed under Note 15 to the financial statements. Included in the balances are statutory and other deductions of Kshs.2,205,387,000 that have not been remitted as detailed out below: -

<b>Particulars</b>	<b>Amount (Kshs.)</b>
Pension	984,324,000
Statutory Deduction	464,696,000
Co-operative Liabilities	28,344,000
Post Office Bank Deductions	166,000
Other Deductions	14,551,000
Value added Tax (VAT)	712,340,000
National Hospital Insurance Fund	966,000
<b>Total</b>	<b>2,205,387,000</b>

Management attributed the delay to remit the deduction to its inability to settle its obligations as and when they fall due. The Corporation is exposed to the risk of incurring penalties and interest with the continued delay in remittance of the deductions.

#### 6. Government of Kenya (GoK) Loan and Interest

As previously reported, the Corporation's statement of financial position reflects a loan from Overseas Economic Cooperation Fund (OECF) of Japan as disclosed in Note 16(a) and 16(b) to the financial statement. The OECF loan which was guaranteed by the Government in 1989 funded the Corporation's modernization programme, a project mooted out of a study by the government in February, 1988.

The Corporation contracted a Japanese firm to undertake the modernisation project at a sum of Japanese Yen.11,904,566,500 with a Kenya Currency portion of Kshs.98,507,000. The loan was interest bearing and as at 30 June, 2020 the loan balance was Kshs.13,657,251,000 (2018/2019-Kshs.13,656,916,000) and interest thereof was Kshs.77,047,476,000 (2018/2019-Kshs.66,251,289,000).

In November, 2019, Japan International Cooperation Agency (JICA) sent a demand note amounting to JPY1,671,200,241 (Approx. Kshs.1,550,873,823 using CBK rates as at 31/12/2019) with a due date of 31 December, 2019. The Corporation wrote to The National Treasury requesting payment on behalf of the corporation. However, a schedule from The National Treasury indicates that in the financial year 2019/2020, only Kshs.335,207 was paid on behalf of KBC that relates to overdue charges on previous year's repayment. The amount due and unpaid has not been disclosed in the financial statements.

Further, it was not possible to determine the balance of the Japanese loan since the payments made on behalf of KBC by The National Treasury are inclusive of loan principal, interest and overdue charges by Japanese International Corporation Agency (JICA.)

The Corporation has not been servicing the loan which had been guaranteed by The National Treasury and had accumulated to Kshs.90,704,727,000 as at 30 June, 2020.

## **7. Administration Costs**

The statement of comprehensive income reflects administration costs expenditure totalling Kshs.11,628,616,000 and as disclosed in Note 4(a) to the financial statements. The audit revealed the following observations regarding the expenditure:

### **7.1. Advance Payment Without Receipt of Goods**

During the period ended June, 2020, the Management acquired a Master sync/clock reference generator base (SPG) and its accessories at a cost of USD 19,841 equivalent of Kshs.2,103,146 through direct procurement. The intention to acquire the equipment had initially been made through a request for quotation method of procurement where the lowest evaluated firm was awarded the tender to supply the SPG and its accessories.

An advance payment of Kshs.1,700,000 was made but the supplier failed to deliver the master clock reference generator base (SPG) and its accessories. As at the time of audit on 18 February, 2021 the Corporation had not recovered the advance payment made. Management indicated the matter had been referred to the legal department.

Further, Management explained that due to the urgency and importance of the equipment, another supplier was sought to supply the equipment through direct procurement.

In the circumstances, the Corporation may not be able to recover the advance amount of Kshs.1,700,000 made to the firm that never supplied the equipment.

### **7.2. Unsupported Payments for Program Production Expenses**

Included in the administrative costs under Note 4(a) of the financial statements is the program production expenses of Kshs.119,584,000 out of which payments amounting to Kshs.26,226,715 were unsupported by way of signed contracts, payment vouchers and procurement documents. The details are as follows:

Payee	Amount (Kshs.)	Remarks
MAKEUP 2017 /3/1-2018/2/28	4,387,749	Payment voucher not verified.
Vera Beauty	1,875,000	Procurement process for contract extension not confirmed.
VERA-Grooming for Feb 2020	600,000	Procurement process for contract extension not confirmed.
FA CUP – IMG 2019-2020	4,382,500	Signed contract agreement was not verified
IAAF ATHI-TV Media Sport	5,100,000	Payment voucher and signed contract not confirmed.
TV Program Ashoka	3,282,011	Procurement process not confirmed
	3,009,000	Procurement process was not confirmed
TV Program Ashoka	2,966,466	Procurement process was not confirmed
AFCON	624,000	Payment voucher was not verified.
<b>Total</b>	<b>26,226,715</b>	

Consequently, the accuracy and validity of administration costs of Kshs.11,628,616,000 for the year ended 30 June, 2020 could not be confirmed.

## 8. Inaccuracy in the Financial Statements

The statement of changes in equity reflects an accumulated loss of Kshs.87,900,416,000 as at 30 June, 2020, which differs with the recomputed accumulated loss of Kshs.84,579,122,000, by unexplained difference of Kshs.3,321,294,000.

Further, explanation for the loss on exchange of Kshs.83,654,000 included in the selling and distribution costs of Kshs.164,082,000 as disclosed under Note 5 to the financial statements was not provided.

In the circumstances, the accuracy of the financial statements could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Broadcasting Corporation Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

### Emphasis of Matter

#### Contingent Liability - Arbitration Case Between KBC and Channel 2 Group Corporation

The Corporation represented by its then Managing Director entered into a joint venture agreement for operating and broadcasting with Channel 2 Group Corporation, a company registered in Tortola, British Virgin Islands on 10 May, 2006. The profits for the joint

venture were to be distributed between KBC and Channel 2 with share of profits being distributed between the Corporation and the Company in the ratio of 7:3. The agreement was valid for a period of five years renewable for a similar period unless either party gave a written notice of six months expressing willingness not to renew the term of the agreement.

The Corporation gave notice to terminate the joint venture agreement on 16 March, 2009 citing poor performance. Channel 2 Group Corporation filed a case in London for arbitration claiming approximately USD2.373 billion an equivalent to Kshs.261 billion at current exchange rates. The proceedings included: -

- i) USD481,977,000 (Kshs.53 billion) in lost profits in running KBC2 as free to air terrestrial television channel in 8 years from March, 2009 to August, 2017;
- ii) USD241,845,000 (Kshs.27 billion) in lost profits in running expanded joint venture in 10years to December, 2018; and
- iii) USD1,636,750,000 (Kshs.181 billion) from the sale of the expanded joint venture.

The case is ongoing with its outcome uncertain as at the close of the financial year. Should the ruling not favour the Corporation, it will have negative ramifications on its operations. During the year under review the Corporation spent Kshs.15,000,000 on the arbitration by way of legal fees and arbitrators' expenses over the matter.

My opinion is not qualified with respect to the matter.

### **Key Audit Matter**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

### **Other Matter**

#### **1. Unresolved Prior Year Audit Matters**

In the audit report of the previous year, several issues were raised that resulted in adverse audit opinion. However, the Management has not resolved the issues as of 30 June, 2020 or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

#### **2. Material Uncertainty Related to Going Concern**

During the year under review, the Corporation witnessed a decline in sales of services of 14% to Kshs.1,030,120,000 for all of its revenue streams except for the digital platform. This resulted in a loss of Kshs.9,950,066,000 (2019 Loss Kshs.8,202,925,000) and thereby increasing cumulative losses to Kshs.87,900,416,000 (2018/19 Kshs.74,625,945). Further the statement of financial position reflects current liabilities of Kshs.93,314,392,000 which exceeded current assets of Kshs.1,855,329,000 resulting in a negative working capital of Kshs.91,459,063,000.

The Corporation is technically insolvent and its continued existence as a going concern will be dependent upon the financial support of the Government, bankers and its creditors.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Adverse Opinion and the Basis for Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **Un-Proportionate Staff Costs**

Included in the administration costs are staff costs amounting to Kshs.1,319,238,000. This expenditure accounted for 128% of gross sales generated of Kshs.1,030,120,000 and 62% of the total revenues realized of Kshs.2,134,048,000 during the year under review.

The Management has not put in place measures to rationalize staff costs so as to reduce the payroll costs to a sustainable level that is commensurate with the revenues generated in order to free up resources to finance other key operations of the Corporation. This is contrary to Section 26 of the Public Finance Management Regulations, 2015.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **Responsibilities of Management and the Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Corporation or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Corporation's financial reporting process, reviewing the effectiveness of how the Corporation monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the overall control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue to sustain its services.
- 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 and business activities of the Corporation to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I 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 my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 February, 2022



**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2020**

	NOTES	2019/2020	2018/2019
		Kshs'000'	
<b>REVENUES</b>			
Sales	1	1,030,120	1,203,675
Grants from National Government	2	1,100,700	802,488
Other income	3	<u>3,227</u>	<u>2,027</u>
<b>TOTAL REVENUES</b>		<b><u>2,134,048</u></b>	<b><u>2,008,190</u></b>
<b>EXPENSES</b>			
Administration costs	4(a)	11,628,616	9,862,514
Directors emoluments	4(c)	13,605	16,610
Selling and distribution costs	5	164,081	76,222
Depreciation of property plant and equipment	6	234,021	<u>255,769</u>
Provisions	7	43,791	
<b>TOTAL OPERATING EXPENSES</b>		<b><u>12,084,114</u></b>	<b><u>10,211,115</u></b>
<b>OPERATING (LOSS)</b>		<b><u>(9,950,066)</u></b>	<b><u>(8,202,925)</u></b>



KENYA  
BROADCASTING  
CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

ASSETS	NOTES	2019/2020 Kshs '000'	2018/2019 Kshs '000'
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	8	16,102,911	16,330,395
Investments	9	400	400
<b>Total Non-current Assets</b>		<b><u>16,103,311</u></b>	<b><u>16,330,795</u></b>
<b>CURRENT ASSETS</b>			
Inventories	10	92,603	104,921
Trade and other Receivables	11	1,408,582	3,820,951
Cash and bank balances	12	<u>354,144</u>	<u>35,330</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>1,855,329</u></b>	<b><u>3,961,202</u></b>
<b>TOTAL ASSETS</b>		<b><u>17,958,639</u></b>	<b><u>20,291,997</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary Share capital	13	928,488	928,488
Revaluation reserve	14	11,616,176	11,616,174
Accumulated surplus / losses		<u>(87,900,416)</u>	<u>(74,625,945)</u>
<b>Total Capital and Reserves</b>		<b><u>(75,355,752)</u></b>	<b><u>(62,081,283)</u></b>
<b>CURRENT LIABILITIES</b>			
Borrowings			18,217
Trade and other Payables	15	2,609,665	2,426,815
GOK Loan (principal)	16(a)	13,657,251	13,656,916
GOK (Loan interest)	16(b)	77,047,476	66,251,289
Bank Overdraft			<u>20,044</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>93,314,392</u></b>	<b><u>82,373,280</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>17,958,639</u></b>	<b><u>20,291,997</u></b>

Signed:

FINANCE & ADMINISTRATION MANAGER  
DR. H.M ISINTA

Date 8-3-2021

MANAGING DIRECTOR  
DR NAIM BILAL

Date 8/3/2021



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary Share Capital	Revaluation Reserve Kshs '000'	Accumulated surplus/Losses Kshs '000'	Totals Kshs "000"
30/06/2015	928,488	11,616,174	(41,735,114)	(29,190,452)
Loss for the year			<u>(8,404,156)</u>	<u>(8,404,156)</u>
30/06/2016	928,488	11,616,174	(50,139,270)	(37,594,608)
Loss for the year			(7,611,788)	(7,611,785)
30/06/2017	928,488	11,616,174	(57,751,055)	(45,206,393)
Loss for the year			(8,671,965)	(8,671,965)
30/06/2018	928,488	11,616,174	(66,423,020)	(53,878,358)
Loss for the year			(8,202,925)	(8,202,925)
30/06/2019	928,488	11,616,174	(74,979,559)	(62,081,283)
Loss for the year			(9,950,066)	(9,864,877)
30/06/2020	928,488	11,616,174	(87,900,416)	(74,979,559)



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STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH JUNE 2020

	2019/2020 Kshs '000'	2018/2019 Kshs '000'
Loss for the year	(9,950,066,185)	2,008,190
Adjustments for:		
Interest	-	-
Depreciation	234,020,777	-
Foreign exchange gain	83,654,720	-
Provision for stocks	4,877,781	-
Provision for bad debts	38,913,797	-
Interest on GOK Loan	<u>9,783,353,507</u>	<u>-</u>
<b><u>Operating Gain/Loss before</u></b>	<b>194,754,397</b>	<b>2,008,190</b>
Increase/Decrease in debtors	(2,412,369)	1,037,680
Increase/Decrease in stocks	(12,318,000)	957,638
Increase in creditors	251,282,883	187,906,000
Income tax paid	(73,257,455)	-
Prepayments	71,000,000	-
	<u>234,295,059</u>	<u>1,995,318</u>
<b><u>Cash flow from operating activities</u></b>	<b>429,049,456</b>	<b>12,872</b>
<b><u>Cash Flow from investing</u></b>		
Purchase of fixed assets	(6,536,960)	(81,194)
	-	-
Foreign exchange gain	<u>(83,654,720)</u>	<u>-</u>
<b><u>Net Cash Flow from investing</u></b>	<b>338,857,776</b>	<b>(81,194)</b>
<b><u>Cash flow from financing</u></b>		<b>767,649</b>
Net cash flow from financing	-	(750,653)



Net increase/Decrease in Cash & Cash Equivalents	338,857,776	(51,326)
	15,286,000	66,612
Cash & Cash Equivalent at 30th June 2020	<u>354,143,776</u>	<u>15,286</u>

## 20. Statement of comparison of budget and actual amounts.

The following is the statement of comparison of budget and actual amounts:

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
	2019/2020	2019/2020	2019/2020	2019/2020	2019/2020
	KSH(000)	KSH(000)	KSH(000)	KSH(000)	KSH(000)
<b>SALES</b>					
Advertising radio	653,400	0	653,400	246,853	(407,547)
Advertising Television	481,000	0	481,000	174,740	(306,260)
Casual and funeral	5,000	0	5,000	1,549	(3,451)
Technical services	662,000	0	662,000	609,527	(52,473)
Other income	27,500	0	27,500	1,679	(27,498)
	<b>1,828,900</b>		<b>1,828,900</b>	<b>1,033,347</b>	<b>(795,553)</b>
<b>OTHER INCOME</b>					



Dividend income	-	0	-	-	-
<b>GRANT FROM NATIONAL GOVERNMENT</b>					
Current grants	790,300	0	790,300	790,700	400
Capital grants	310,000	0	310,000	310,000	-
<b>Total Income</b>	<b>1,100,300</b>	<b>0</b>	<b>1,100,300</b>	<b>1,100,700</b>	<b>400</b>
<b><u>ADMINISTRATION COSTS</u></b>					
Directors emoluments	25,000	0	18,000	13,605	4395
Electricity and water	200,600	0	165,600	126,831	38769
Communication services and supplies	17,000	0	10,000	6,588	3412
Transport, travelling and subsistence	92,435	0	46,475	36,348	10,127
printing, stationery and photocopying	7,242	0	7,242	7,865	(623)



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Rent expenses	120,000	0	100,000	0	100,000
Staff training expenses	10,000	0	10,000		10,000
Insurance costs	21,000	0	21,000	13,815	7185
Bank charges and commissions	3,500	0	3,500	2,472	1028
Office and general supplies and services	14,500	0	14,500	15,803	(1303)
Auditors remuneration	580	0	580	580	-
Legal fees	215,000	0	96,200	62,347	33853
Consultancy fees	0	0	0	0	0-
Repairs and maintenance	117,515	0	46,000	68,947	(22,947)
Provision for bad and doubtful debts	30,000	0	38,000	38,914	914
Program telephone lines	150,000	0	105,000	63,265	41,735
Program production expenses	474,240	0	204,240	119,584	84,656



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Other operating expenses (official rent)	11,000	0	11,000	1,579	9,421
Salaries and allowances of permanent	1,476,463	0	1,199,486	997,483	202,003
Wages of temporary employees	75,000	0	75,000	64,240	10,760
Pension contributions	111,523	0	92,000	90,652	1,348
Staff welfare	10,000	0	10,000	2,596	7,404
Marketing and promotional expenses	153,000	0	60,000	36,966	23,034
Sales commission	100,000	0	60,000	40,550	19,450
Other selling and distribution	25,000	0	25,000	2,816	22,184
Depreciation	310,000	0	310,000	234,021	75,979



ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

**i. Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at revalued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the entity and all values are rounded to the nearest thousand(kshs.000)

The financial statements have been prepared in accordance with the PFM Act, the state Corporations Act, and International Financial Reporting Standards. The accounting policies adopted have been consistently applied to all years presented.



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**ii. New and amended standards adopted by the company**

A number of new and revised standards and interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements. At the date of preparation of these financial statements the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective for the year presented.

Amendments issued in December 2014 to IAS 1 'Presentation of financial statements' which will be effective for annual accounting periods beginning on or after 1 January 2016 clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

Amendments issued in June to IAS16 'property', plant and equipment and IAS 41 'Agriculture' which will be effective for annual periods beginning on or after 1 January 2016 define bearer plants and include them within IAS 16's scope while the produce growing on bearer plants remain within the scope of IAS 41.

Amendments issued in May 2014 to IAS 16 and IAS 38 'Intangible assets' which will be effective for annual periods beginning on or after 1 January 2016 add guidance and clarity that the use of revenue based methods to calculate the depreciation of an asset is not appropriate ; however , this presumption can be rebutted in certain limited circumstances.

Amendments ( Annual improvements of IFRS 2012 - 2014 cycle, issued in September 2014 ) to IAS 19 'Employee Benefits' which will be effective for annual periods on or after 1 January 2016 clarifies that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Amendments issued in August 2014 to IAS 27 'Separate financial statements' which will be effective for annual periods beginning on or after 1 January 2016 reinstate the equity method option to account for investments in subsidiaries, joint venture and associates In separate financial statements.

Amendment (annual improvements to IFRS 2012 -2014 cycle, issued in September 2014) to IFRS 5 'Non-current Assets Held for Sale and Discounted Operations' which will be effective for annual periods beginning on or after 1 January 2016 adds specific guidance when an entity reclassifies an asset (or group) from held for sale to held for distribution to owners, or vice versa, and for cases where held-for distribution accounting is discontinued.

Amendment (annual improvements to IFRS 2012 -2014 cycle, issued in September 2014) to IFRS 7 'Financial instruments: Disclosures' which will be effective for annual periods beginning on or after 1 January 2016, adds guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

IFRS 9 'Financial instruments' (Issued in July 2014) will replace IAS 39 and will be effective for annual periods beginning on or after 1 January 2018. It contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and de-recognition.

IFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.

In respect of financial liabilities, the most significant effect of IFRS 9 where the fair value option is taken will be in respect of the amount of change in fair value of a financial liability designated as at fair value through profit and loss that is at is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In respect of impairment of financial assets, IFRS 9 introduces an “expected credit loss” model based on the concept of providing for expected losses at inception of a contract.

**iii. Revenue Recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the KBC’S activities, net of value added tax (VAT), where applicable, and when specific criteria have been met for each of KBC’S activities as described below

- a. **Revenue from the sale of goods and services** is recognized in the year in which KBC delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- b. **Grants from National Government** are recognized in the year in which the KBC actually receives such grant
- c. **Finance Income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- d. **Dividend Income** is recognized in the income statement in the year in which the right to receive the payment is established
- e. **Rental Income** is recognized in the income statement as it accrues using the effective lease agreements.
- f. **Other Income** is recognized as it accrues

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **iv. In-Kind Contributions**

In-kind contributions are donations that are made to KBC in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

### **v. Property, Plant and Equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses.

Certain categories of property, plant and equipment are subsequently carried at revalued amounts, being their fair value at the date of re-evaluation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at revalued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external valuers.

Increases in the carrying amounts of assets arising from re-evaluation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**vi. Depreciation and impairment of property, plant and equipment**

The principal accounting policies in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years reported on.

**a. Basis of preparation**

The financial statements are prepared in accordance with the international financial reporting standards. The historical cost basis of accounting is applied.

**b. Depreciation**

- Depreciation is provided for on the cost /valuation of assets on reducing balance method with effect from 1<sup>st</sup> July 1998.
- A full year's depreciation is provided for on fixed assets acquired at least nine (9) months prior to the end of the financial year.
- The corporation's equipment's are divided into eleven (11) classes listed below and depreciated at the rate shown against each class.

<u>ASSETS CLASS</u>	<u>DEPRECIATION RATE</u>
1) Buildings	2.0%
2) Plant and machinery	6.5%
3) Transmitter equipment	10%
4) Studio equipment's	10%
5) Ob equipment's	10%
6) Portable equipment's	10%
7) Program links	6.0%
8) Furniture and fittings	12.5%
9) Motor vehicles	20.0%
10) Office equipment's	12.5%
11) Computer and accessories	30.0%

**c. Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible asset from the year that they are available for use, usually over three years.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **d. Amortization and impairment of intangible assets**

Amortization is calculated on the straight line basis over the estimated useful life of computer software of three years.

### **e. Investment property**

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

### **f. Finance and operating Leases**

Leases which confer substantially all the risks and rewards of ownership to entity are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments, and the asset is subsequently accounted for in accordance with the accounting policy applicable to that asset.

All other leases are treated as operating leases and the leased assets are recognized in the statement of financial position to the extent of prepaid lease rentals at the end of the year.

### **g. Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under central bank of Kenya (CBK) long term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at fair value through profit or loss.



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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **h. Quoted investments**

Quoted investments are classified as non-current assets and comprise marketable securities traded freely at the Nairobi Securities Exchange or other regional and international securities exchanges. Quoted investments are stated at fair value.

### **i. Unquoted investments**

Unquoted investments stated at cost under non-current assets, and comprise equity shares held in other Government owned or controlled entities.

### **j. Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handling charges, and is determined on the moving average price method.

### **k. Trade And Other Receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.



## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **l. Taxation**

Current income tax assets and liabilities for the current and prior period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

### **m. Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the central bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and /or branch offices which were not surrendered accounted for at the end of the financial year.

### **n. Borrowings**

Interest bearing loans and overdraft are initially recorded at fair value being received, net of issue costs associated with borrowing. Subsequently, these are measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable on settlement or redemption are accounted for on



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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalized as part of the cost of the project.

### **vii. Trade And Other Payables**

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at a fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the entity or not, less any payments made to the suppliers.

### **viii. Retirement Benefits Obligations**

The entity operates a defined contribution scheme for all fulltime employees from July 1, 2013. The scheme is administered by an in-house team and is funded by contributions from both the corporation and its employees. The corporation also contributes to the statutory national social security fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The corporation's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs 200 per employee per month.

### **ix. Provision for staff leaves pay**

Employees' entitlements to annual leave are recognized as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.



ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**x. Exchange rate differences**

The accounting records are maintained in the functional currency of the primary economic environment in which KBC operates Kenya shillings. Transactions in the

Foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or variations where items are re-measured. Any foreign gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**xi. Comparative Figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

**xii. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June, 30<sup>th</sup> 2020.

**xiii. Financial risk management**

Information about the Corporation's exposure to risks, its objectives, policies and processes for measuring and managing such risks, as well as quantitative disclosure, is discussed in this note. The management of capital is also discussed.

The Corporation has an integrated risk management framework. The Corporation's approach to risk management is based on risk governance structures, risk management policies, risk identification, measurement and reporting. Three types of risks are reported as part of the risk profile, namely operational, strategic and business continuity risks.



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the Kenya Broadcasting Corporation, a strategic risk is a significant unexpected or unpredictable change or outcome beyond what was factored into the organization's strategy and business model which could have an impact on the Corporation's performance.

Business continuity risks are those events, hazards, variances and opportunities which could influence the continuity of the Corporation. One of the key risks for the Kenya Broadcasting Corporation, identified both under the operational and strategic risk categories, is financial sustainability of the Corporation. The financial risks, as defined by IFRS 7, and the management thereof, form part of this key risk area.

The Board of Directors has delegated the management of the Corporation wide risk to the Audit Committee. One of the committee's responsibilities is to review risk management strategies in order to ensure business continuity and survival. Most of the financial risks arising from financial instruments are managed in the centralized finance function of the Corporation.

The Corporation's exposure to risk, its objectives, policies and processes for managing the risk and the methods used to measure it have been consistently applied in the years presented, unless otherwise stated. The Corporation has exposure to the following risks as a result of its financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

**(a) Credit risk**

The Corporation has exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in full when due. Credit risk mainly arises from electricity receivables, short term deposits and bank balances. Counterparty risk is the risk that a counterparty is unable to meet its financial and/or contractual obligations during the period of a transaction. Delivery or settlement risk is the risk that counterparty does not deliver on its contractual commitment on maturity date (including the settlement of



ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Money and delivery of securities) Credit risk arising from short term deposits and bank balances are low because the counter parties are financial institutions with high credit ratings.

The carrying amount of financial assets recorded in the financial statements representing the Company's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

As at 30/06/2019	Current	30days	90days	Over 90 days	Total
Trade and other payables	13,600,909	15,435,963	136,498,905	238,741,228	404,277,004

As at 30/06/2019	Current	30days	90days	Over 90 days	Total
Trade and other receivables	113,620,037	54,810,131	49,695,054	1,641,336	1,873,905

**Management of receivables**

All customers are required to pay within the credit terms. The Company has well-established credit control procedures that monitor activity on customer accounts and action should the customer not comply with payment terms. These procedures include the issue of a notice and reminders for payment, an internal collection process; follow up of the customer by telephone or in person, negotiations of mutually acceptable payment arrangements and letters of demand.

If nonpayment results, we engage external debt collectors. The legal collection process is pursued thereafter.



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Progress on the collection process is reviewed on a regular basis and if it is evident that the amount will not be recovered, it is recommended for write-off in terms of the Company's policy. The process of recovery continues unless it is confirmed that there is no prospect of recovery or the costs of such action outweighs the benefits to be derived. Amounts written off are determined after taking into account the value of the security held.

The Corporation evaluates the concentration of risk with respect to its receivables as low, as its customers are located in all regions in Kenya and it supplies to different classes of customers including individuals, corporate, private industries and businesses, companies and Government institutions.

**(b) Liquidity risk**

Liquidity risk is the risk that the Corporation will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows. The objective of the Corporation's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The Corporation has adopted an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations. The Corporation's liquidity management process includes:

- projecting cash flows and considering the cash required by the Corporation and optimizing the short-term requirements as well as the long-term funding;
- monitoring statement of financial position liquidity ratios;
- maintaining a diverse range of funding sources with adequate back-up facilities;
- managing the concentration and profile of debt maturities;
- maintaining liquidity contingency plans.

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Management of liquidity risk**

The Corporation has an established corporate governance structure and process for managing the risks regarding guarantees and contingent liabilities. All significant guarantees issued by the Corporation are approved by the board of directors and are administratively managed by the treasury department. Updated guarantee schedules are compiled every month.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flow of financial instruments will fluctuate because of changes in foreign exchange rates, commodity prices and interest rates. The objective of market risk management policy is to protect and enhance the statement of financial position and statement of comprehensive income by managing and controlling market risk exposures within acceptable parameters and to optimize the funding of business operations and facilitate capital expansion. The Company is exposed to the following risks:

**(i) Currency risk**

Currency risk arises primarily from purchasing imported goods and services directly from overseas or indirectly via local suppliers and foreign borrowings. The Company is exposed to foreign exchange risk arising from future commercial transactions and recognized assets and liabilities that are denominated in a currency other than the functional currency of the Company:

**(ii) Commodity or price risk**

The Company is exposed to price risk on the fuel that is used for the generators in case of power-outs and motor vehicles to the extent that the customers are not able to pay for the additional costs passed on to them since they also benchmark the prices we offer with those offered by our competitors in the media industry

**(ii) Management of commodity risk**

Exposure due to commodity risk is managed by passing the cost of fuel used for the generators to customers. In addition the Corporation has well-established credit control



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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Procedures that monitor activity on customer accounts and allow for remedial action should the customer not comply with payment terms.

These procedures include an internal collection process; follow up of the customer telephonically or in person, negotiations of mutually acceptable payment arrangements and letters of demand.

If nonpayment results, we engage external debt collectors. The legal collection process is pursued thereafter.

**(iii) Interest rate risk**

Interest rate risk is the risk that the Corporation's financial condition may be adversely affected as a result of changes in interest rate levels. The Company's interest rate risk arises from short-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Long-term borrowings issued at fixed rates expose the Company to fair value interest rate risk.

The interest rate risk exposure arises mainly from interest rate movements on the Company's borrowings.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavored to only sign and obtain borrowings from institutions that offer contracts with fixed interest rates. Based on the various scenarios, the Company also manages its fair value interest rate risk by using floating -to- fixed interest rate swaps, where applicable.



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

**NOTES TO THE FINANCIAL STATEMENTS**

	2019/2020 Ksh '000'	2018/2019 Ksh '000'
<b>1. SALES</b>		
Gross sales of services	1,030,120	1,203,675
<b>2. GRANTS FROM NATIONAL GOVERNMENT</b>		
Current grants received	790,700	426,888
Capital	<u>310,000</u>	<u>375,600</u>
	<b><u>1,100,700</u></b>	<b><u>802,488</u></b>
<b>3. Other income</b>		
Dividend income	0	0
Miscellaneous income	3,041	1,618
Parking fees	186	264
Interest income	<u>0</u>	<u>145</u>
<b>Total</b>	<b><u>3,227</u></b>	<b><u>2,027</u></b>



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
	Kshs '000'	Kshs '000'
<b>4(a) ADMINISTRATION COSTS</b>		
Staff Cost (note 4,b)	1,319,238	1,291,375
Electricity and water	126,831	132,152
Communication services and supplies	6,588	12,667
Transport, travelling and subsistence	36,348	28,495
printing, stationery and photocopying	7,865	7,097
Rent expenses	0	86
Staff training expenses	0	265
Insurance costs	13,815	11,224
Bank charges and interest	9,785,826	7,883,875
Office and general supplies and services	15,803	12,276
Auditors remuneration	580	580
Legal fees	62,347	41,083
Repairs and maintenance	68,947	54,045
Program telephone lines(satellite services)	63,265	110,228
Program production expenses	119,584	236,824
Other operating expenses	1,579	1,746
	<b><u>11,628,616</u></b>	<b><u>9,862,514</u></b>



KENYA  
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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2019/2020	2018/2019
	Kshs '000'	Kshs '000'
<b>4 (b) STAFF COST</b>		
Salaries and allowances of permanent employees	997,483	964,184
Salaries of long term contracted staff	88,849	84,233
Wages of temporary employees	64,240	61,472
Pension contributions	90,652	97,295
Gratuity	4,418	13,223
Staff welfare	2,596	2,983
Staff medical insurance	71,000	<u>67,984</u>
<b>TOTAL</b>	<b><u>1,319,238</u></b>	<b><u>1,291,375</u></b>
<b>4 (c.) Directors Emolument</b>		
Sitting allowance	4,465	5,552
Transport	1,100	1,151
Accommodation	4,800	5,362
Honorarium	2,800	3,831
Others	440	<u>713.7</u>
<b>Total</b>	<b><u>13,605</u></b>	<b><u>16,610</u></b>
<b>5. SELLING AND DISTRIBUTION COSTS</b>		
Gain/loss on exchange	83,654	0
Marketing and promotional expenses	36,966	16,616
Sales commission	40,550	58,511
Other selling and distribution costs(news prdn)	<u>2,816</u>	<u>4,205</u>
	<b><u>164,082</u></b>	<b><u>79,332</u></b>
<b>6. DEPRECIATION(8),</b>	234,020	255,769
<b>7 PROVISIONS:</b>		
Bad debts	38,914	
Obsolete stocks	4,878	
	<b><u>277,812</u></b>	

# KENYA BROADCASTING CORPORATION



KENYA BROADCASTING CORPORATION

PROPERTY PLANT AND EQUIPMENT SCHEDULE

FOR THE YEAR 2019/2020

COST/VALUATION	LAND	BUILDINGS	PLANT & EQUIPMENT	TRANSMITTER EQUIPMENT	STUDIO EQUIPMENT	OB EQUIPMENT	PORTABLE EQUIPMENT	PROGRAM LINKS	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTALS
At July 1,2016	12,857,874,001	943,714,372	1,974,532,856	1,340,553,419	115,522,962	24,912,498	4,299,408	41,609,550	24,297,274	170,404,000	13,729,434	35,074,223	17,546,523,998
ADDITIONS		3,512,700		16,776,560	78,652,226	4,870,790		41,609,550	3,763,172		2,230,720	11,492,758	121,298,926
As at 30 June 2017	12,857,874,001	947,227,072	1,974,532,856	1,357,329,979	194,175,189	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	15,960,154	46,586,981	17,667,822,923
DEPRECIATION													
as at 1 July 2016	-	36,784,121	225,382,481	174,022,207	17,832,908	4,723,352	770,368	4,843,352	5,486,967	146,732,000	2,954,025	14,892,218	634,623,998
charge for the year		18,208,859	113,681,774	118,330,777	17,634,228	2,505,994	352,904	2,205,972	2,821,685	4,734,400	1,625,766	9,502,429	291,604,788
as at June 30 2017	-	54,992,980	339,064,255	292,352,984	35,467,136	7,229,346	1,123,272	7,049,324	8,308,652	151,466,400	4,579,791	24,394,647	926,228,786
Net Book Value As At June 30,2017	12,857,874,001	892,234,092	1,635,268,601	1,064,976,995	158,708,052	22,553,942	3,176,136	34,560,226	19,751,794	18,937,600	11,380,363	22,172,334	16,741,594,137
At July 1,2017	12,857,874,001	947,227,072	1,974,532,856	1,357,329,979	194,175,189	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	15,960,154	46,586,981	17,667,822,923
ADDITIONS				18,600,000	757,310						1,182,399		31,025,669
As at 30 June 2018	12,857,874,001	947,227,072	1,974,532,856	1,375,929,980	194,932,499	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	17,142,553		17,698,848,593
At July 1,2018 cost	12,857,874,001	892,234,092	1,635,268,601	1,083,576,995	159,465,362	22,553,942	3,176,136	34,560,226	19,751,794	18,937,600	12,562,762		16,772,619,806
ADDITIONS		2,873,284	7,589,727	2,880,885	62,258,672				1,219,776		707,409		84,304,822
At 30th June 2019 cost	12,857,874,001	950,100,356	1,982,122,583	1,378,810,865	257,191,171	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,963		17,783,153,415
ADDITIONS		3,184,517			209,960								6,536,960
At 30th June 2020 cost	12,857,874,001	953,284,873	1,982,122,583	1,378,810,865	257,401,131	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,963		17,789,690,374
DEPRECIATION													
as at 1 July 2017	-	54,992,980	339,264,255	292,352,984	35,467,136	7,229,346	1,123,272	7,049,324	8,308,652	151,466,400	4,579,791		926,228,786
charge for the year		17,844,682	106,292,459	108,357,700	16,114,717	2,255,394	317,614	2,073,614	2,468,974	3,787,520	1,451,233		270,761,394
as at June 30 2018	-	72,837,662	445,556,714	400,710,684	51,581,853	9,484,740	1,440,885	9,122,937	10,777,626	155,253,920	6,031,024		1,196,990,181
deprn as at 1st July 2018	-	72,837,662	445,556,714	400,710,684	51,581,853	9,484,740	1,440,885	9,122,937	10,777,626	155,253,920	6,031,024		1,196,990,181
charge for the year		17,545,254	99,876,781	97,810,018	20,560,932	2,029,855	285,852	1,949,197	2,312,824	3,030,016	1,477,367		255,768,859
as at June 2019		90,382,916	545,433,496	498,520,702	72,142,785	11,514,594	1,726,738	11,072,134	13,090,451	158,283,936	7,508,391		1,452,759,040
as at 1 July 2019		90,382,916	545,433,496	498,520,702	72,142,785	11,514,594	1,726,738	11,072,134	13,090,451	158,283,936	7,508,391		1,452,759,040
charge for the year 2019 2020		17,238,039	93,384,791	88,029,016	18,525,855	1,826,869	257,267	1,832,245	2,023,721	2,424,013	1,292,696		234,020,771
Total As at June 2020		107,640,955	638,818,287	586,549,718	90,668,619	13,341,464	1,984,005	12,904,379	15,114,172	160,707,949	8,801,088		1,686,779,811
Net Book Value As At June 30,2019	12,857,874,001	859,717,440	1,436,689,087	880,290,163	185,048,386	18,268,693	2,572,670	30,537,416	16,189,771	12,120,064	10,341,571		16,330,394,375
Net Book Value As At June 30,2018	12,857,874,001	874,389,410	1,528,976,142	973,219,296	143,350,645	20,298,548	2,858,522	32,486,613	17,282,820	15,150,080	11,111,529		16,501,858,412
Additions		2,873,284	7,589,727	2,880,885	62,258,672				1,219,776		707,409		84,304,822
Net Book Value As At June 30,2019	12,857,874,001	877,262,694	1,536,565,869	978,100,181	205,609,318	20,298,548	2,858,522	32,486,613	18,502,595	15,150,080	11,818,939		16,586,163,234
Net Book Value As At June 30,2019	12,857,874,001	859,717,440	1,436,689,087	880,290,163	185,048,386	18,268,693	2,572,670	30,537,416	16,189,771	12,120,064	10,341,571		16,330,394,375
ADDITIONS		3,184,517			209,960								6,536,960
Net Book Value As At June 30,2020	12,857,874,001	862,901,956,91	1,436,689,087,48	880,290,162,66	185,258,345,88	18,268,693,02	2,572,669,91	30,537,415,80	16,189,771,00	12,120,064,00	10,341,571,23		16,336,931,334,64
Net Book Value As At June 30,2020	12,857,874,001	845,643,917,77	1,343,304,296,80	792,261,146,40	166,732,511,29	16,441,823,72	2,315,402,92	28,705,170,85	14,166,049,63	9,696,051,20	9,048,874,83		16,102,910,562,72
Net Book Value As At June 30,2019	12,857,874,001	859,717,439,89	1,436,689,087,48	880,290,162,66	185,048,385,88	18,268,693,02	2,572,669,91	30,537,415,80	16,189,771,00	12,120,064,00	10,341,571,23		16,330,394,375,10



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**9. INVESTMENTS**

The corporation owns 40% of the shareholding in Multi choice which manages DSTV. Multi choice has a paid up Ordinary Share Capital of Kshs. 1,000,000. The shares are valued at cost.

<b>10. INVENTORIES</b>	2019/2020	2018/2019
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Engineering Stores	91,452	90,602
Fuel, Oil, And Lubricants	136	7,994
Stationery And General Stores	<u>5,968</u>	<u>6,325</u>
Less provision for obsolete stocks	<u>(4,953)</u>	
	<u><b>92,603</b></u>	<u><b>104,921</b></u>

**11(a) TRADE AND OTHER RECEIVABLES**

Trade Receivables	1,873,905	1,805,292
Provision for Bad and Doubtful Debts	<u>-481,029</u>	<u>-543,480</u>
Net receivables	1,392,876	1,261,812
Staff Receivables	15,706	12,898
Other Receivables		17,586
Treasury borrowing		<b>726,859</b>
Treasury balance to Japanese loan		1,784,801
NHIF pre- payment		16,996
Net Trade and Other Receivables	<u><b>1,408,582</b></u>	<b>3,820,951</b>

**11(b) Provision for doubtful debts**

Opening balance	442,115	504,988
Provision for the year	<u>38,913</u>	<u>38,492</u>
	<u><b>481,029</b></u>	<u><b>543,480</b></u>



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ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11(c) **AGEING ANALYSIS**

At June 30, the ageing analysis of the gross trade receivables was as follows;

	2019/2020 Kshs'000'	2018/2019 Kshs'000'
Less than 30 days	168,430	107,595
Between 30 and 60 days	13,492	30,507
Between 61 and 90 days	36,203	14,986
Between 91 and 120 days	14,444	10,552
Over 120 days	1,641,336	1,399,465
	<u>1,873,905</u>	<u>1,563,106</u>



ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. BANK AND CASH BALANCES

	2019/2020 Kshs'000'	2018/2019 Kshs'000'
Citibank (Main) - 0300079001	198,431	0
imprest	6,925	
Citibank medical 300079019	141	481.6
CBA ksh -6626480019	4,107	1,349.3
KCB Nairobi - 1107167418	22,450	30,344
Citibank car loan - 300079027	107,197	2,452
CBA dollar - 6626480024	14,250	83.8
KCB Bungoma - 1106224418	-	7.3
KCB Eldoret - 1102542407	-	0.5
KCB Garissa - 1108088538	1	1
KCB Kakamega - 1101936878	-	0
KCB Kisumu - 1104026481	1	1.2
KCB Kitale - 1105198405	1	0.9
KCB Malindi - 1108002897	4	1.7
KCB Maralal - 1104413671	0	1.1
KCB Marsabit - 1102656488	0	1.66
KCB Mombasa - 1101516593	1	0.9
KCB Voi - 1108158544	1	1
KCB Wajir - 1105246949	1	-
KCB Kisii - 1101878681	-	-
KCB Meru - 1103310380	-	-
KCB Nyeri - 1108497993	-	-
Cash at Hand	632	601.3
<b>TOTAL</b>	<b><u>354,144</u></b>	<b><u>35,329</u></b>



### 13. SHARE CAPITAL

Kenya broadcasting corporation is 100% owned by the government. The share capital figure reported in the financial statement is carried forward since the formation of KBC. We don't have the share certificate but the share value is ksh.928,488.

### 14. REVALUATION RESERVE

The revaluation reserve of Kshs.11,616,174,000 relates to the re-evaluation of certain items of property plant and equipment. As indicated in the statement of changes in equity, the revaluation surplus is not distributable. Reserves comprise of accumulated losses that KBC has made over the years

## ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020 NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. TRADE AND OTHER PAYABLES	2019/2020	2018/2019
	Kshs'000'	Kshs'000'
Trade creditors	404,277	458,102
Vat	712,340	705,908
Statutory Deduction	464,696	338,279
Medical	0	0
Insurance	0	712
Pension	984,324	864,034
Coop liabilities	28,344	37,788
Post office bank deductions	166	0
NHIF	966	7,177
Other deductions	14,551	8,150
Unpaid commission	<u>0</u>	<u>6,664</u>
	<b><u>2,609,665</u></b>	<b><u>2,426,815</u></b>

**16 (a). G.O.K. Loan**

The corporation undertook Radio MW Modernization Project under the Japanese Loan guaranteed by the Government of Kenya of **kshs.15, 441,716,710.00**. However, due to its inability to meet loan repayment obligation, the Corporation requests Treasury to pay. Once the Treasury pays, it treats it as a loan to Kenya Broadcasting Corporation and therefore expects reimbursement with interest at market rates. This financial year a provision has been made on the loan.

<b>YEAR</b>	<b><u>AMOUNT PAID</u> KSHS '000'</b>
1992/93	133,912
1993/94	208,706
1994/95	165,151
1995/96	194,427
1996/97	174,094
1997/98	177,075
1998/99	431,617
1999/2000	797,091
2000/2001	NIL
2001/2002	881,095
2002/2003	702,825
2003/2004	134,287
2004/2005	NIL
2005/2006	NIL
2006/2007	271,808
2007/2008	568,713
2008/2009	422,465
2009/2010	1,210,865
2010/2011	965,807
2011/2012	989,526
2012/2013	862,171
2013/2014	735,425
2014/2015	663,517
2015/2016	753,463
2016/2017	747,432
2017/2018	738,585
2018/2019	726,859
2019/2020	335



TOTAL 13,657,251  
16. (B) G.O.K LOAN INTEREST

Treasury has charged interest of Kshs. 77,047,476 060.02 over the years on the loan repaid by GOK on behalf of K.B.C. This interest has been charged per Year as follow

<u>Year</u>	<u>Interest Charge</u> <u>Kshs'000'</u>
1993/1994	57,110
1994/1995	127,337
1995/1996	179,085
1996/1997	173,435
1997/1998	150,220
1998/1999	172,753
1999/2000	225,227
2000/2001	329,832
2001/2002	499,058
2002/2003	624,239
2003/2004	876,480
2004/2005	494,746
2005/2006	1,186,470
2006/2007	1,182,516
2007/2008	1,346,256
2008/2009	1,851,137
2009/2010	2,120,966
2010/2011	2,513,676
2011/2012	4,374,748
2012/2013	4,567,434
2013/2014	5,517,948
2014/2015	5,944,051
2015/2016	8,227,365
2016/2017	7,374,732
2017/2018	8,255,849
2018/2019	8,891,450
2019/2020	<u>9,783,354</u>
<b>TOTALS</b>	<b><u>77,047,476</u></b>

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**17. BANK OVERDRAFT**

	2019/2020	2018/2019
	Kshs'000'	Kshs '000'
Citi bank 0300079001		23,153
KCB Wajir		1
Citibank medical 300079019		
CBA Dollar		
<b>Total</b>		<b><u>23,154</u></b>

**18(a) RELATED PARTY DISCLOSURES**

The Kenya Broadcasting Corporation is fully owned by the Government of Kenya through the Ministry of Information and Technology

(a) The Corporation had no individually significant transactions with The Government of Kenya carried out of non-market terms

(b) Other transactions that are collectively significant are detailed as follows:-

(i) Fees for services of directors

Directors emolument	4,706	16,610
<b>Total</b>	<b><u>4,706</u></b>	<b><u>16,610</u></b>



**(b) Staff**

Gross staff loans and advances	30,484	26,786
Provision for impairment loss	(366)	<u>(366)</u>
	<b>30,118</b>	<b>26,420</b>
Less amount due within one year	21,064	<u>21,064</u>
Amount due after one year	5,536	<u>5,536</u>

**(C) OECF Loan (Japan)**

Kenya Broadcasting Corporation Modernization Project was mooted out of study by the government in 1987. A request was sent to various donors for funding and the Japanese Government agreed to fund it at Japanese Yen 15.441 billion The terms are as follows:-

10 Years Grace Period (1989-June 1999)

20 Years Repayment Period (1999-2019)

**19 CONTINGENT LIABILITIES**

**CONTINGENT LIABILITY IN RESPECT OF KBC HIGH VALUE COURT  
CASES AS AT 30<sup>TH</sup> JUNE, 2020**

The following are high value court cases pending in court for or against the Corporation:

UNIT	NATURE OF THE MATTER	SUBSTANTIVE ISSUES INVOLVED	CONTINGENT LIABILITY	STATUS UPDATE ON THE MATTER
1.	HCCC 323 of 2010 KBC v Municipal Council of Mombasa	The Corporation sued the defendants after learning that they were claiming ownership of KBC land	Kshs.1,000,000,000	Pending
2.	HCCC No. 734 of 2013	The Corporation	kshs 1,820,000,000	Pending



	KBC v Komarock Ranching and Farming Cooperative Society Limited and Komarock Ranching Company Limited	sued the defendants upon learning that they were encroaching on KBC land at Komarock		
3.	Civil Suit No. 398 of 2012 KBC v City Council of Nairobi (KBC BH)	The Corporation moved to court to seek protection against the City Council of Nairobi against interfering with its daily operations	kshs.254,949,913	Pending
4.	City Court Civil Suit No. 110 of 2003 City Council of Nairobi v KBC(Norfolk Plot)	The Council sued the Corporation for nonpayment of land rates	Kshs.227,936,759	Pending
5.	HCCC No. 27 of 2006 Housing Finance Company of Kenya V KBC	The company sued the Corporation claiming ownership of the suit property. The Corporation filed a Counter Claim over the ownership as it has a valid title.	Kshs.313,250,000	Pending
6.	LONDON- in the matter of arbitration under the Arbitration Act 1996 and the Arbitration Rules of the London Court of International Arbitration between Channel 2 Group Corporation and Kenya Broadcasting Corporation	The suit revolves upon a termination of contract between KBC and Channel 2 Group Corporation	\$2.4 billion dollar claim	pending
7.	HCCC No. 686 of 2009 Optima Sports Management International(UK) Limited Versus KBC and HCCC No. 687-Optima Sports Management International( Nigeria) Limited versus	The Corporation entered into an agreement in 2008 with the parties to acquire exclusive rights in certain football matches to	120,000 Euros claim	Pending



	Kenya Broadcasting Corporation	be played in the Primera Division La Liga and the Copa Del Ray during the 2008/2009 Spanish football season		
8.	Misc Civil Application No. 84 Of 2015 Mwangi Chege And Company Advocates Versus Kenya Broadcasting Corporation	taxation	Kshs.100,000,000.00	Pending
9.	HCCC No.210 Of 2014 Hon. Joseph Kahangara Versus Kenya Broadcasting Corporation	Defamation	Kshs 7,000,000	Pending
10.	Rev.Benedict Kiambi Gitonga Versus Kenya Broadcasting Corporation	defamation	Kshs 7,000,000	Pending
11.	Cause No.2521 Of 2016 Julius Kimathi Mwangi Versus Kenya Broadcasting Corporation	dismissal	Kshs.15,165,249	Pending
12.	Civil Appeal Number 114 Of 2016 Al Hajj Omar Masumbuko Versus Kenya Broadcasting Corporation	defamation	Kshs.7,000,000	Pending
13.	Cause No. 103 Of 2011 Lempaa Vincent Suyianka Versus Kenya Broadcasting Corporation	The Plaintiff was dismissed from service	Kshs.1,877,264.50	Pending
14.	CMCC No .4473 Of 2013 William Kimutayi B. Keitany Versus Kbc And 3 Others	defamation	Kshs,7,000,000	Pending
15.	HCCC No.322 Of 2015 Performers Rights Society And Another Versus Kenya Broadcasting Corporation	Collection and payment of royalties	Kshs.52,272,000	pending
16.	HCCC No.73 Of 2015 Ilmisiyoi Group Ranch Versus Kenya Broadcasting Corporation And &Others	Land matters	Kshs.5,600,000	Pending



17.	HCCC No 63 of 2008 Martha Wambui versus Kenya broadcasting corporation	Defamation	Kshs 7,000,000	Pending
18.	Nairobi HCCC No. 819 Of 2007 Joseph Kigunda Versus Kenya Broadcasting Corporation	Defamation	Kshs 7,000,000	pending
19.	HCCC No 87 Of 2011 Hon Musikari Kombo versus Kenya Broadcasting Corporation	defamation	Kshs 7,000,000	Settled but payment being remitted by monthly installments
20.	HCCC No. 86 Of 2011 Dorcas Florence Kombo Versus Kenya Broadcasting Corporation	Defamation	Kshs 7,000,000	Settled but payment being remitted by monthly installments
21.	Nairobi Hccc No 719 Of 2006 Charles Kasisi And 10 Others Versus Kenya Broadcasting Corporation	Dismissal	Kshs 128,500,000	pending
22.	Nairobi Hccc No. 1018 Of 2006 John Ng'ang'a Kuria Versus Kenya Broadcasting Corporation	dismissal	Kshs.73,719,706.60	Pending
23.	Nairobi HCCC No. 833 Of 2007 Halkano Molu versus Kenya Broadcasting Corporation	Dismissal	Kshs 7,000,000	pending
24.	HCCC No. 119 Of 2015 Joseph Karisa Mwarandu Versus Kenya Broadcasting Corporation	Defamation	KSHS 7,000,000	Pending
25.	MUMIAS CMC NO.59 OF 2019 GLADYS CHIRANDE -V- KENYA BROADCASTING CORPORATION	Defamation	KSHS 7,000,000	Pending
26.	CIVIL APPEAL NO.352 OF 2017 KENYA BROADCASTING CORPORATION VERSUS GEOFFREY MWAKIO ARISING FROM ELRC NO 565	dismissal	KSHS 7,000,000	Pending



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	OF 2012			
27.	CMCC No. 9601 of 2018 Lavington Security limited versus Kenya broadcasting Corporation	Breach of contract	Kshs 5,000,000	pending
28.	HCCC No.525 of 2013 Kibwana Mudegu Onguso versus Kenya broadcasting Corporation	Breach of contract	Kshs 7,200,000	pending
29.	CMCC No.212 of 2019 Kenya Broadcasting Corporation versus Osienala (friends of lake Victoria	Breach of contract	Kshs 7,000,000	pending