

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE:	07 JUN 2023 Wednesday
TABLED BY:	Hon. Kirmani Ichung'wah (Majority Party leader)
CLERK AT THE TABLE:	Modu

**REPORT**

PARLIAMENT  
OF KENYA  
LIBRARY

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KENYA BROADCASTING CORPORATION**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



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KENYA BROADCASTING CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2022

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



KENYA  
BROADCASTING  
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## 1. KEY ENTITY INFORMATION

### 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 2022 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	AG.MANAGING DIRECTOR	SAMUEL MAINA
2	CORPORATION SECRETARY	PAUL JILANI
3	FINANCE & ADMINISTRATION MANAGER	DR. HENRY MOMANYI



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4	TELEVISION PROGRAMMES MANAGER	MICHAEL NDETEI
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	JAMES KIVUITU
11	CORPORATE AFFAIRS MANAGER	EVELYNE MWAKINA
12	EDITOR IN-CHIEF	MILLICENT AWUOR
13	PRINCIPAL INTERNAL AUDITOR	ANTHONY OPONDO
14	RADIO PROGRAMMES MANAGER	JONAH KUSERO
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.



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### **Entity Contacts**

Telephone: (254) 020-318823

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.





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## 2. THE BOARD OF DIRECTORS

 <p>MR. MOHAMMED JABANE(MBS)</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b> Master of Arts (International Relations) Nairobi University Advanced Public Administration (K.I.A) Bachelor of Arts, Political Science-Nairobi University</li><li>• <b>PROFESSIONAL QUALIFICATIONS:</b> Currently head of secretariat, Cabinet nominees Policy formulation and review on State Corporations.</li></ul>
 <p>Ms. JUDY MUNYINYI</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b></li></ul>



 <p>HON.HASSAN OSMAN</p>	<ul style="list-style-type: none"><li>• EDUCATION BACKGROUND:</li></ul>
 <p>MR.ALEX MATERE</p>	<ul style="list-style-type: none"><li>• EDUCATIONAL BACKGROUND:</li></ul> <p>Education Background</p> <p>University of Chile: Higher Diploma in Public Management</p> <p>Kenyatta University: Master's in Public Policy and Administration</p> <p>University of Nairobi: Bachelor of Arts in Political Science and Public Administration</p> <p>Olesegun Obasanjo Presidential Library: Brave Leadership Training,</p> <p>British Council: Certificate in Leading Change through Policy Making</p> <p>Kenya School of Government: Senior Management and Leadership Course</p>



DR. ROBERT OCHOLA

DR Robert Ochola is an Experienced professional with over 25 years working in the Petroleum, Telecoms and Banking sectors across both Africa and the Middle East. A senior level executive with the highest level of integrity and consolidated expertise in strategic planning and performance execution, innovation and product development, policy and advocacy for digital platforms, project planning and execution, sales and marketing as well as investor relations and corporate governance. Strategic thinker and leader with expertise in driving transformations as well as change management across large organisations. Business leader with broad experience in transformation and turnaround strategic growth of companies.

#### EDUCATION BACKGROUND

MBA University of Warwick, Coventry, England

PhD Mechanical Engineering, University of Cape Town, Cape Town, South Africa

Master of Science, Imperial College London, London, England

Diploma of the Imperial College, Imperial College London, England

Bachelor of Engineering, Imperial College London, London, England

INSEAD Leadership Transformation Programme  
Advance Management Programme - Lagos Business School, Lagos, Nigeria

Sales Mastery, Project Management, Finance for Non-Finance - Shell Global Training

Leadership and Business Training for High Performing Staff - Shell Global Training

Celtel Way to Market - Marketing Course

#### WORK EXPERIENCE

Chief Executive Officer | AfricaNenda, Kenya:




	<p>July 2021 - on-going</p> <p><b>Director Strategy and Innovation</b>   Afreximbank, Egypt: October 2015 - July 2021</p> <p><b>Head of Strategy</b>   Safaricom Company Limited, Kenya: Sept 2013 - October 2015</p> <p><b>Director Strategy, Research and Innovation</b>   KCB Bank Group, Kenya: April 2010 - Aug 2013</p> <p><b>Group Market Development Manager</b>   Zain Group, Bahrain: Dec 2006 - March 2010</p> <p><b>Head Sales and Marketing (Payphones)</b>   Celtel Kenya, Kenya: Jan 2006 - Nov 2006</p> <p><b>Lubricants Sales Engineer</b>   Kenya Shell Limited, Kenya: Oct 2003 - Dec 2005</p>
<div data-bbox="343 1099 785 1442" data-label="Image"> </div> <div data-bbox="386 1532 772 1597" data-label="Caption"> <p>MR.SAMUEL CHEGE MAINA AG: MANAGING DIRECTOR</p> </div>	<p><b>EDUCATIONAL BACKGROUND:</b></p> <p><b>Masters Degree, Communication Studies :</b> Development communication -University Of Nairobi University</p> <p><b>Bachelors, Journalism and media studies:</b> development Communication - University of Nairobi.</p> <p><b>Diploma, Mass Communication :</b> Radio and TV production - KIMC</p> <p>Certified Member of the Kenya Editors' Guild, served as Guild's deputy President for two years.</p> <ul style="list-style-type: none"> <li>• <b>WORK EXPERIENCE</b> Samuel Chege Maina has served has served in the private, and public sectors over the last 19 years of his career as follows: <b>Kenya Broadcasting Corporation</b></li> </ul>



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	<p>Ag: Managing Director - Currently</p> <p><b>Kenya broadcasting corporation</b> Editor in Chief Assistant Editor in Chief Deputy head of News and Senior Assignment Editor.</p> <p><b>Mediamax Network Ltd ( K24 TV)</b> Senior Assignment Editor</p> <p><b>Kameme FM Radio</b> News Editor</p> <p><b>Capital FM</b> News Reporter</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> <b>Telkom Orange</b> Corporation Secretary, up to 2010, <b>Kenya Broadcasting Corporation</b> Corporation Secretary, (currently)</li></ul>



3. MANAGEMENT TEAM



MR.SAMUEL CHEGE MAINA  
AG: MANAGING DIRECTOR

• EDUCATIONAL BACKGROUND:

**Masters Degree, Communication Studies :**  
Development communication -University Of  
Nairobi University

**Bachelors, Journalism and media studies:**  
development Communication - University of  
Nairobi.

**Diploma, Mass Communication :** Radio and TV  
production - KIMC

Certified Member of the Kenya Editors' Guild,  
served as Guild's deputy President for two  
years.

• WORK EXPERIENCE

Samuel Chege Maina has served has served in  
the private, and public  
sectors over the last 19 years of his career as  
follows:

**Kenya Broadcasting Corporation**  
Ag: Managing Director - Currently

**Kenya broadcasting corporation**  
Editor in Chief  
Assistant Editor in Chief  
Deputy head of News and Senior Assignment  
Editor.

**Mediamax Network Ltd ( K24 TV)**  
Senior Assignment Editor

**Kameme FM Radio**  
News Editor  
**Capital FM**  
News Reporter



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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)





 <p>DR. HENRY MOMANYI FINANCE &amp; ADMINISTRATION MANAGER</p>	<p><b>EDUCATIONAL BACKGROUND:</b></p> <p>PhD (Finance)</p> <p>Masters Business Administration (MBA)- Finance</p> <p>Bachelor of Commerce (Accounting)</p> <p>CPA(K)</p> <p>Member- Institute of Certified Public Accountants of Kenya(ICPAK)</p>
 <p>MR. ROBERT WEKESA PROCUREMENT MANAGER</p>	<p>• <b>EDUCATIONAL BACKGROUND:</b></p> <p>Member- Chartered Institute of Purchasing and supplies-UK (MCIPS)</p> <p>Masters Degree Human Resources and Labour Laws</p> <p>Degree in Political science</p> <p>More than 15years experience in Procurement and Sourcing.</p>
 <p>MS. EVERLYN WAKINA CORPORATE AFFAIRS MANAGER</p>	<p>• <b>EDUCATIONAL BACKGROUND:</b></p> <p>Holds a Bachelor of Arts in Philosophy, Literature and Kiswahili (Kenyatta University),</p> <p>Post Graduate Diploma in Mass Communication (University of UON)</p> <p>Executive Masters of Business Administration Eastern and Southern African Management Institute (ESAMI) &amp; Maastricht School of Management (MsM).</p>



	<p>Certificate in Strategic Leadership Development - Kenya School of Government and a host of other professional certificates.</p>
 <p>MR. BENN MWALA MANAGER INFORMATION COMMUNICATIONS TECHNOLOGY &amp; TECHNICAL SERVICES</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b></li></ul> <p>MSc in Information Technology - (Management Information Systems)</p> <p>BSc in Computer Science</p> <p>Information Technology Infrastructure Library (ITIL)</p> <p>Syspro ERP Administration</p>
 <p>MR. JOB KARIMI MANAGER TECHNICAL SERVICES</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b></li></ul> <p>M.Sc Computer Systems</p> <p>BSc. Telecommunications and I.T</p> <p><i>Global VSAT Forum</i></p> <p>GVF530: Core Skills for Mobile Satellite Terminal Operators</p> <p>Licensed VSAT terminal operator</p>



 <p>MS. CAROLYNE MUTUNGA ADVERTISING MANAGER</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND</b> MBA: Strategic Management</li> <li>Bachelor of Commerce: Marketing and Business Administration.</li> <li>KCSE: Pangani Girls High School</li></ul>
 <p>MS. FLORENCE MIGUNDE MARKETING MANAGER</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b> Holds a Bachelor of Commerce (Marketing)</li> <li>Masters in Strategic Management - University of Nairobi</li> <li>CIM Post - Graduate Diploma.</li></ul>
<p>MR. ANTHONY OPONDO PRINCIPAL INTERNAL AUDITOR</p>	<ul style="list-style-type: none"><li>• <b>EDUCATIONAL BACKGROUND:</b></li></ul>



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  
TELEVISIONS PROGRAMS MANAGER

• **EDUCATIONAL BACKGROUND:**

MA holder in Film & Theatre Arts

BA in Communication

Diploma in TV production



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#### 4. CHAIRMAN'S STATEMENT

The financial year 2021/2022 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 increased by 13.7% from Kshs 2.069 billion last year to Kshs 2.355 billion this year. We received dividends from Multichoice Kenya Ltd where KBC is a 40% shareholder where by KBC within the financial year.

The total expenditure increased by 6.1% from Kshs 2.38billion last year to Kshs.2.529billion this year. There was an increase 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



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## 5. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2021/2022 was quite eventful and fruitful for us as KBC family and the entire Kenyan citizens. I therefore take this opportunity to thank all the staff for giving their best in ensuring successful transmission during the FY 2021/2022.

We continued to fulfill our public broadcasting mandate of informing, educating and entertaining the public through radio and television services and thereby propagating all that consolidates national unity, peace, love and development. This is evidenced by the live transmission of National Assembly and the Senate House proceedings. Cumulatively, we have 42 TV transmitters countrywide and 43 FM radio transmitters and two medium wave transmitters countrywide. We remained committed to realizing our mission of transmitting objective and quality content. Our signal quality, news and programming improved by procuring modern equipment and recruiting new presenters. During the year, we promoted the various TV and radio brands via road-shows, outside interaction events, billboards and print media.

KBC through SIGNET implemented digital Tv transmission countrywide. Currently, we are hosting ninety six active clients in the digital TV platform compared to thirty-three last year with an undergoing mega project on the Head-end that will improve digital Tv transmission. The number of Kenyans watching digital TV transmission has been growing with increasing availability of set-top boxes and inbuilt digital TV'S in the market, increasing awareness and the continuing drop in their prices.

Management worked towards saving costs, lower Government interest on account of repaying interest on Japanese loan. We have continued extending automation and integration of financial processes in the KBC branch offices into SYPRO financial system which realized significant efficiency and accountability.



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As stated in another section of these financial statements, we were able to undertake a number of corporate social responsibility activities and we intend to do more in the forthcoming year.

A handwritten signature in black ink, consisting of several overlapping loops and lines, positioned above the printed name of Samuel Maina.

SAMUEL MAINA  
AG.MANAGING DIRECTOR



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## 6. REVIEW OF KBC PERFORMANCE FOR FY 2021/2022

KBC has *five* strategic pillars and objectives within its Strategic Plan for the FY 2018/2019- 2022/2023. These strategic pillars are as follows:

### Strategic Objectives

1. To increase revenue by an average of 25% per annum over the five year Strategic Plan period (Kshs. 1.2 billion to Kshs. 2.7 billion).
2. To enhance brand visibility to realize growth in aggregate Radio Market Share from 10.49% to 33.7% and growth in aggregate TV Market Share from 3% to 34.4% by 2023.
3. To enhance TV coverage from 60% to 90% and FM Radio from 65% to 97% of the population by 2023 and enhance quality of signal.
4. To enhance efficiency and effectiveness in service delivery.
5. To attract, develop and retain highly motivated staff.

KBC develops its annual work plans based on the above five pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The KBC achieved its performance targets set for the FY 2020/2021 period for its 5 strategic pillars, as indicated in the diagram below:

Key Result Area 1	ATTAINMENT OF FINANCIAL STABILITY	Target	Achievements
<i>Strategic Objective</i>			
1.1	To enhance financial	100%	80%



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	management		
1.2	To increase revenue by an average 25% per annum over the five year Strategic Plan period (Ksh. 1.2 billion to Ksh. 2.7 billion)	25 % increment p.a.	Kshs.1,075,312,092 ( 40%)
1.3	To reduce electricity bills by embracing green energy (e.g. Solar Energy)	100%	50%  Proposal Prepared and adopted by the Board and submitted to Ministry's projects implementation committee
1.4	To Clean the balance sheet by 2023 through GOK funding & other sources of revenue	100%	40%  CAB memo Submitted to Ministry for approval and funding.
Key Result Area 2	ENHANCEMENT OF MARKET SHARE	Target	

<i>Strategic Objective</i>	
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2.1	To enhance brand visibility to realize growth in aggregate Radio Market Share from 10.49% to 33.7% and growth in aggregate TV Market Share from 3% to 34.4% by 2023	Radio 33.7% and TV 34.4%	8% (TV) 14% (Radio)  -The Corporations in the process of acquiring a Media survey firm to update on the ratings after re-launch
Key Result Area 3	ENHANCEMENT OF SIGNAL QUALITY	Target	

<i>Strategic Objective</i>			
3.1	To enhance TV coverage from 60% to 90% and FM Radio from 65% to 97% of the population by 2023, and enhance quality of signal	TV 90% FM Radio to 97%	TV - 90% Radio - 40%
	Coverage and quality of signal	100%	As above



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## 7. 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.



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## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue Analysis

During the 2021/2022 FY, the corporation's total income was Kshs.2,355 million. This comprised Government grants (GoK grants) of Kshs.1,170 million and internally generated income of Kshs.1,185 million. The GoK grants comprise Recurrent grants of Kshs.1,030 million and Development grants of Kshs.140.5 million. The Government grants increased by Kshs.176.3 million from Kshs.994.2 million to Kshs.1,170 million compared to the previous 2021/2022 FY.

The internally generated revenue increased by Ksh.109 million from Kshs.1,185 million to Kshs.1,075 million compared to the previous 2020/2021 FY. This increase represents two-point eight nine (10.1%) percent. This is due to advertising income.

Included in other income during the year under review KBC received dividends of Ksh.34.8 million as compared to Ksh.8.6 million in the previous financial year.

### Expenditure Analysis

The Corporation's total actual recurrent expenditure was Kshs 2.529 million against Kshs 2.382 million in the 2020/2021 FY. The increase of kshs 147 or an equivalent of 6.1%.



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### **Ongoing project**

KBC continued implementing its Good to Great corporate strategy to ensure sustainable signal growth in the country, while leveraging on innovations and partnerships for continued business diversification. We focus on implementing two on-going projects namely analogue to digital migration and studio mashinani. Analogue to digital migration is to expand digital TV transmission to the remaining part of the country to achieve 95% coverage. KBC has been implementing the Studio mashinani government project over the years, so far seven studios have been completed in Nairobi (komarock and langata), Mombasa, Muranga (Gatanga) , kitui and kisumu.

### **Entity's compliance with statutory requirements**

The Corporation complies with the Act of parliament which the principal activity is transmit objective, informative, educative and entertaining content to the public through high quality broadcasts. We ensure that other statutory requirements such as remittance of PAYE, NSSF, NHIF and Withholding VAT are met in the time frame required. The Corporation at the moment is not exposed to any contingent liabilities with probability of causing any outflow of resources to meet the cost of such obligations.

### **Major risks facing the entity**

The major challenges faced by the corporation included under-funding by the National Treasury through budget adjustment which reduced development funding from time to time.



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### Material arrears in statutory/financial obligations

The major material arrears in pending obligation of the corporation is an outstanding trade payable, employee obligations and other deduction obligation which we are capable to settle as shown below;

1	Trade payables	266,554,180
2	PAYE	733,549,441
3	Pension	1,010,131,449
4	VAT Payable	809,751,665



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## **9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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



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Development and Social Empowerment; Promotion of Sports and 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.

## **10. REPORT OF THE DIRECTORS**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2022 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, 2022 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.



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## 11. 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, 2022. 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 Financial Reporting Standards, and in the manner required by the PFM Act and the State



KENYA  
BROADCASTING  
CORPORATION

Annual Reports and Financial Statements  
For the year ended June 30, 2022

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, 2022, 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.

#### Approval of the financial statements

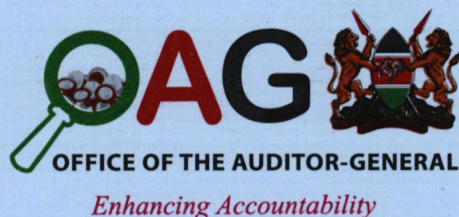
KBC financial statements were approved by the Board on \_\_\_\_\_ 2022 and signed on its behalf by:

Chairperson of the Board.

Accounting officer/MD/CEO

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE, 2022

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kenya Broadcasting Corporation set out on pages 2 to 55, which comprise the statement of financial position as at 30 June, 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and 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, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and do not comply with the Kenya Broadcasting Corporation Act, Cap 221 of the Laws of Kenya..

### **Basis for Adverse Opinion**

#### **1. Undisclosed Material Uncertainty Relating to Going Concern**

The statement of financial position reflects total current liabilities of Kshs.93,638,582,000 and total current assets of Kshs.1,361,802,000, resulting to a negative working capital of Kshs.92,276,780,000. Further, the company has continued to make losses resulting to accumulated losses of Kshs.88,426,681,000. These are indicators of the Corporation's uncertainties on meeting its financial obligations. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Corporation's Management to reverse the position has not been disclosed in these financial statements.

In the circumstances, the Corporation's going concern assumption is in doubt.

#### **2. Inaccuracy in Administration Costs**

The statement of profit or loss and other comprehensive income reflects administration costs amounting to Kshs.2,089,871,000. However, Note 9(a) to the financial statements reflected administration costs totalling to Kshs.2,103,774,000 resulting to an unexplained variance of Kshs.13,903,000.

In the circumstances, the accuracy and completeness of the administration costs of Kshs.2,089,871 could not be confirmed.

#### **3. Inaccuracies in Staff Training Expenses**

As disclosed in Note 9(a) to the financial statements are staff training expenses amounting to Kshs.1,570,000. However, the supporting ledger reflected expenditure of Kshs.6,201,376 resulting to an unexplained variance of Kshs.4,631,376.

In the circumstances, the accuracy and completeness of the staff training expenses of Kshs.1,570,000 could not be confirmed.

#### **4. Inaccuracy in Capital and Reserves Balance**

The statement of financial position reflects accumulated losses totalling Kshs.88,426,681,000. However, the supporting schedules and ledger reflected a balance of Kshs.(18,851,286,945), resulting to an unexplained variance of Kshs.69,575,394,055.

Further the statement of changes in equity reflects accumulated losses amounting to Kshs.88,462,681 resulting to an unexplained variance of Kshs.36,000,000.

In the circumstances, the accuracy and completeness of the capital and reserves balance of Kshs.88,426,681,000 could not be confirmed.

## **5. Long Outstanding Trade Receivables**

The statement of financial position and as disclosed in Note 17(a) to the financial statements. reflects gross trade and other receivables balance of Kshs.1,650,088,000 which includes trade receivables balance of Kshs.1,245,639,000 or 75% of the total trade receivables which have been outstanding for more than one hundred and twenty (120) days with the bulk being for services rendered more than ten (10) years ago. Management did not provide evidence of efforts undertaken to collect the long overdue debtors and defaulters.

Recoverability of the long outstanding trade receivables was in doubt as the majority did not have adequate supporting documents and the Management has not demonstrated efforts toward recovery. Further, a provision of Kshs.543,480,000 has been made in the financial statements for likely impairment on the trade receivables. However, the basis for determination and computation was not provided for audit.

Further, the statement of financial position reflects trade and other receivables balance of Kshs.1,650,088,000 while the aging analysis in Note 17(c) to the financial statements reflects a balance of Kshs.1,606,241,000 resulting to an unexplained variance of Kshs.43,847,000

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.1,650,088,000 could not be confirmed.

## **6. Inaccuracies in the Statement of Cash flow**

The statement of cash flows reflects increase in creditors balance of Kshs.215,719,000. However, the recalculated balance is Kshs.216,299,000 resulting to an unexplained variance of Kshs.580,000.

Further, the statement of cash flows reflects purchase of fixed assets amounts of Kshs.316,777,000. However, the recalculated amounts is Kshs.318,055,898 resulting to an unexplained variance of Kshs.1,278,898.

In the circumstances, the accuracy and completeness of the above balances could not be confirmed.

## **7. Unsupported Staff Welfare Expenditure**

As disclosed in Note 9(b) to the financial statements are staff welfare amounts of Kshs.11,537,000. However, details and documents in support of the expenditure were not provided for audit.

In the circumstances, the propriety and completeness of the expenditure on staff welfare of Kshs.11,537,000 could not be confirmed.

## **8. Unsupported Staff Car Loans**

The statement of financial position and as disclosed in Note 17(a) to the financial statements reflects the trade and other receivables balance of Kshs.1,129,795,000 which, includes staff receivables balance of Kshs.21,186,000. The staff receivables balance includes staff car loans . However, the actual loan balances, the records of beneficiaries, logbooks of vehicles and motorcycles purchased through the loans and loan agreements were not provided for audit . Further, the car loan statement provided indicated long outstanding loans totalling Kshs.1,799,254 some dating back to 2008. No explanation was provided for the non-recovery of the loans.

In the circumstances, the accuracy and recoverability of the staff receivables totalling Kshs.21,186,000 could not be confirmed.

## **9. Unsupported Repairs, Maintenance and Other Operating Expenses**

As disclosed in Note 9(a) to the financial statements are repairs and maintenance amounts of Kshs.88,840,000. However, the payment vouchers and other supporting documents for payments amounting to Kshs.50,513,408 were not provided for audit.

In the circumstances, the propriety and completeness of the repairs and maintenance amounts of Kshs.50,513,408, could not be confirmed.

## **10. Unsupported Adjustment**

As disclosed in Note 9(a) to the financial statements are program production expenses amounting to Kshs.188,735,000 . However, the balance is net of adjustment as a reversal of expenditure of Kshs.8,846,858, indicated as loss or gain for which supporting documents, were not provided. The reversal reduced the expense on program production and total expenditure for the year under review.

In the circumstances, the accuracy and completeness of the program production expenses amounting to Kshs.188,735,000 could not be confirmed.

## **11. Government of Kenya (GoK) Loan and Interest**

As previously reported, the statement of financial position and as disclosed in Note 22(a) and 22(b) to the financial statements reflects a loan of Japanese Yen 16,198,000,000 from the Overseas Economic Cooperation Fund (OECF) of Japan . The OECF loan which was guaranteed by the Government in 1989 funded the Corporation's modernization programme. 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, 2021 the loan balance was Kshs.13,657,250,762 and the interest thereof was Kshs.77,047,476,000 which has both remained unchanged in two financial years. As indicated above, the Principal Loan amount was Kshs.13,657,250,762, but has over the years accrued interest amounting to Kshs.77,047,475,000. This violates the Duplum rule as the loan is non-performing and the accrued interest exceeds the principal amount.

Further, records provided for audit indicate that in November, 2019, Japan International Cooperation Agency (JICA) sent a demand note amounting to JPY1.671,200,241

(Approximately Kshs.1,550,873,823 using CBK rates as at 31 December, 2019) with due date of 31 December, 2019. However, a schedule from The National Treasury indicates that in the financial year 2019/2020, only Kshs.335,207 was paid on behalf of the Corporation. The amount due and unpaid has not been disclosed in the financial statements.

In addition, 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 the Japanese International Corporation Agency (JICA.)

In the circumstances, the accuracy and completeness of the Japanese loan principal and loan interest balance of Kshs.90,704,726,000 could not be confirmed.

## **12. Unsupported Trade and Other Payables**

The statement of financial position and as disclosed in Note 21 to the financial statements reflects trade and other payables balance of Kshs.2,933,276,000 . However, the balance includes payables totalling Kshs.63,773,000 that were not supported by detailed analysis, invoices, statements and other relevant accounting documents.

In the circumstances, the existence, occurrence and completeness of the trade and other payables balance of Kshs.63,773,000 could not be confirmed.

## **13. Revenue-Doubtful Sales Orders**

The statement of profit or loss and other comprehensive income and as disclosed in Note 6 to the financial statements reflects revenue totalling to Kshs.1,140,400,000. However, review of revenue generated by the Corporation in respect of sales from airtime orders recorded in the ERP System revealed that there were orders for both radio and TV advertisements amounting to Kshs.605,233,029 that have been in billing stage/status 1 for a long time with some dated as far back as 2016, a period of seven (7) years. No explanation was provided why these orders have not been processed and invoiced or reconciled. There is a possibility of inflating sales orders by the sales department to project a false impression of high sales, or the orders were transmitted irregularly, thus, denying the Corporation the much-needed revenues.

In the circumstances, the accuracy and completeness of revenue amounts of Kshs.1,1140,400,000 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.

## **Key Audit Matters**

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.

## **Emphasis of Matter**

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

As previously reported, the Corporation entered into a joint venture agreement for operating and broadcasting with Channel 2 Group Corporation on 10 May, 2006. The profits for the joint venture were to be distributed between KBC and Channel 2 with the share of profits being distributed between the Corporation and the Company in the ratio of 7:3. The agreement was valid for 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 the 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 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 10 years to December, 2018; and
- iii) USD1,636,750,000 (Kshs.181 billion) from the sale of an expanded joint venture.

The case is ongoing with its outcome uncertain as at the close of the financial year. Should the ruling not be in favour of the Corporation, it will have negative implications 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.

## **Other Matter**

### **Unresolved Prior Year Audit Matters**

In the audit report for 2020/2021, several issues were raised. However, the Management has not resolved the issues as of 30 June, 2022 or given any explanation for the failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular.

# 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 Conclusion on Lawfulness and Effectiveness in Use of Public Resources section 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

### 1. Presentation of the Financial Statements

The annual reports and financial statements prepared and presented did not comply with the prescribed reporting Template issued by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012. In addition, the financial statements had the following omissions;

- i. The annual reports and financial statements did not contain Key Entity Information including names of the Board of Directors and their credentials, Statements of Performance Against Predetermined Objectives, Management Discussion and Analysis, Environmental and Sustainability reporting statements, and financial risk management appendices and annexures;
- ii. The statement of cash flows was not referenced in any explanatory notes.

In the circumstances, the Management was in breach of the law.

### 2. Unremitted Statutory Deductions

The statement of financial position and as disclosed in Note 21 to the financial statements reflects trade and other payables balance of Kshs.2,933,276,000 which includes statutory and other deductions totalling Kshs.2,603,529,000 that have not been remitted to the respective institutions as detailed below:

Particulars	2021/2022 (Kshs.)	2020/2021 (Kshs.)
VAT Deductions	809,752,000	757,957,000
Statutory Deductions	782,495,000	607,209,000
Pension Deductions	1,010,131,000	1,044,689,000
NHIF Deductions	1,151,000	1,317,000
<b>Total</b>	<b>2,603,529,000</b>	<b>2,411,172,000</b>

This is contrary to Section 37(1) of the Income Tax Act, Section 16(1) of the National Hospital Insurance Fund Act, 2012 and Section 10(1) of the National Social Security Fund. Further, the Company paid for NSSF deductions for the months of August and September in June, 2022 having delayed for nine (9) and eight (8) months respectively.

Management attributed the delay in remitting the deduction to its inability to settle its obligations as and when they fall due.

The Corporation is at risk of incurring penalties and interest with the continued delay in remittance of the deductions.

In the circumstances, the Management was in breach of the law.

### **3. Irregular Appointment of Staff**

A review of the Corporation's staff records on appointments to acting positions and allowances paid thereof revealed that six (6) employees who were on acting capacity were paid acting allowances for a period exceeding six (6) months. This is contrary to Section C.14(1) of the Public Service Commission (PSC), Human Resource (HR) Policies and Procedures Manual for the Public Service 2016, which states that acting allowance will not be payable to an officer for more than six (6) months.

Further, review of sampled personal files of short-term/temporary staff revealed that several employees did not have initial contracts when they were first employed by KBC, as well as the subsequent renewal of those contracts and when they were converted to long-term contracts. As a result, the criteria used in the staff selection process to change the terms were not explained.

In the circumstances, Management was in breach of the law.

### **4. Procurement of Goods and Services**

#### **4.1 Installation, Testing and Commissioning of FM Transmitters**

During the year under review, the Corporation awarded a tender to a company at a cost of Kshs.48,853,747 for installation, testing and commissioning of transmitters. However, the winning bidder was paid an advance payment of 20%. It's not clear why KBC prepared most of the contracts providing for an advance payment for the goods and services before delivery. In the event of non-performance, public funds may be lost when goods and services are not delivered as required.

In the circumstances, the value for money invested in the installation, testing and commissioning of FM transmitters could not be confirmed.

#### **4.2 Irregular Procurement of Assets Register Services**

During the year under review, the Corporation contracted the services for preparing the fixed assets register to a firm at a cost of Kshs.16,388,712 and the full contract sum was paid. However, no evidence was provided indicating that the firm prepared and submitted the report and the assets register. Further, no valuation and survey of the land have been done.

In the circumstances, the value for money invested in the procurement of assets register services could not be confirmed.

### **4.3 Provision of Insurance Cover for KBC Fixed Assets**

As disclosed in Note 9(a) to the financial statements are insurance costs of Kshs.17,006,000 which includes insurance premiums paid during the year for insurance cover for the assets, awarded through an open tendering method. However, there was no valuation of the assets and therefore the basis of the insurance premium charged could not be confirmed.

Further, the Corporation partially paid a premium of Kshs.8,939,588 on 26 April, 2022 for one financial year. A fire accident occurred whereby the canteen was burnt down. However, the insurer did not compensate the Corporation for the loss for unclear and unexplained reasons.

In the circumstances, value for money for the insurance premium paid could not be confirmed.

### **4.4 Construction of Studio Mashinani**

#### **4.4.1 Construction of Studios in Kisii and Eldoret**

Review of the contract documents revealed that the Corporation awarded a tender to a firm on 22 February, 2022 for the construction of studios in Kisii and Eldoret at a cost of Kshs.7,915,164.94. However, the evaluation process had some evaluators awarding similar marks for all the evaluation criteria an indication of possible collusion to have the same winner. Further, although the studios were expected to be completed and commissioned within six months after the commencement, the constructions have not been completed more than one year after the award of the contract. In addition, a physical inspection at Eldoret studio, revealed that the doors and windows were not fixed while the roof had defects and a warped structure.

#### **4.4.2 Construction of Studio Mashinani in Kitui and Gatanga**

The Corporation awarded a contract to a firm on 2 July, 2020 for 13 weeks at a contract sum of Kshs.50,928,753.89 for the construction of one integrated audio-visual creative studio in Kitui and one integrated audio-visual creative studio in Gatanga, Muranga County. The expected completion date was 2 October, 2020. However, the construction was delayed due to the Covid-19 pandemic which the Management indicated impacted the cash flows. The parties mutually agreed on the extension of the contract period to 15 June, 2021 in an addendum signed on 3 May, 2021 which extended the contract for 35 weeks and 3 days to 15 June, 2021 when it was expected to be completed. However, the project was completed on 10 December, 2021. No document was provided indicating any formalization of the extension of the contract for the extra 6 months.

Further, the contractor was to provide valid and updated performance bonds, advance payment guarantees, and third-party insurance cover as per the format and terms provided in the contract to cover the extended contractual duration. These documents were however not provided for audit.

In addition, the contractual terms 1.2 general conditions sub-clause 27.1 states that failure to meet the time for completion entitles the employer, to a reduction in contract price per day of Kshs.50,929, for a maximum of 3 weeks. However, the contractor was paid the

full contract sum of Kshs.50,928,753 with no reductions in the contract price yet there was a delay by the contractor to complete the works.

In the circumstances, value for money invested in the construction of the Studio Mashinani project could not be confirmed.

#### **4.5 Irregular DFB Cup Contract**

The Corporation procured rights to broadcast a German DFB Cup during the 2022-2023 Season for 45,000 euros or Kshs.5,445,000.. The contract was signed on 28 September, 2021. The football live transmission of matches commenced on KBC Channel 1 on 6 August, 2021 to 31 May, 2022, two months before the signing of the contract hence the irregular acceptance of services.

Further, there was no evidence of the formulated criteria used to evaluate the bid by the evaluation/negotiation committee contrary to the procurement regulations and no reason was presented on why the football series was selected/preferred, its popularity, and viewership compared to other games.

In addition, despite the live broadcast of the matches, the event did not generate any revenue and It was not explained why the football rights were selected even though no revenues were generated through sponsors from the same football series in the previous year.

In the circumstances, value for money on the expenditure of Kshs.5,445,000 incurred on the German DFB Cup could not be confirmed.

#### **4.6 Irregular Acquisition Rights - Sports Programs**

During the year under review, the Corporation acquired various sports programs for exhibition purposes at a cost of Kshs.50,020,000. However, no recommendations from the existing Sports Content Committee to acquire the sports programs were presented for verification. No evaluation committee was constituted as required by the procurement laws to negotiate the pricing of the event similar to other events such as the DFB Cup and no professional opinion was issued by the Head of Procurement recommending to the Managing Director the legality of the process as the Corporation's Procurement department was not involved in the process

Further, determination of the prices/costing of the programs was not explained, and therefore the possibility of single sourcing or exaggerated cost.

In the circumstances, value for money for the amount of Kshs.50,020,000 incurred on the acquisition of various sports programs could not be confirmed.

#### **4.7 Irregular Acquisition of Rights to the FIFA World-Cup 2022**

The Corporation purchased rights to broadcast the 2022 FIFA World Cup held in Qatar for USD 550,000 approximately Kshs.65,000,000. Review of records revealed that on 5 April, 2022, Media Business Solutions (MBS), the company that held the rights to the FIFA World Cup, 2022 invited the Corporation to bid for the premier event and bidding was to close on 18 April, 2022. KBC's bid was accepted on 13 June, 2022. The offer required KBC to ensure a bank guarantee/performance bond was available. A Standby Letter of Credit from Citibank No. 5089601264 dated 13 April, 2022, of USD 500,000 in

favour of New World TV of Quartier Totsi 196 rue Fofana 05 BP 785, Lome, Togo, was obtained. A contract document was forwarded on 13 April, 2022 together with invoice No. DAF/DG/NW/017/072022 for 200,000 USD which was due on 15 July, 2022.

On 3 June, 2022, an evaluation committee was appointed to evaluate the bid, who recommended the acquisition of the rights on 7 June, 2022 and on 26 July, the Procurement Manager issued a professional opinion that recommended the acquisition.

However, the process of procuring the rights began in April, 2022 with the bid, while the evaluation committee was appointed on 3 June, 2022 after the bid had been placed and accepted and the performance bond issued. It is not clear who placed the bid before constituting the committee. The bid was accepted on 13 April, 2022 the same day the standby letter of credit was issued. The contract was signed by both parties but was not dated and there was no criteria was developed to guide the evaluation of the bid

Further, the ad-hoc negotiation committee did not negotiate with the contractor but merely accepted the price of USD 550,000 as per minutes provided for audit. In addition, an invoice for 200,000 USD was raised and was due on 15 July, 2022 whereas the professional opinion by the procurement manager was issued on 26 July, 2022. The Corporation may have overpaid on the rights due to the absence of a valuation committee to negotiate for the best prices.

In the circumstances, the value for money incurred on the acquisition of rights amounting to Kshs.65,000,000 for the FIFA World-Cup, 2022 could not be confirmed.

#### **5. Failure to Integrate Procurement of Goods and Services in E-Procurement**

The ERP system in use by the Corporation does not include a procurement module. This was against the Executive Order requiring all government entities to integrate procurement in the e-procurement platform.

In the circumstances, the Management was in breach of the law.

#### **6. Non-Compliance with the Law on Fiscal Responsibility - Wage Bill**

The statements of profit or loss and comprehensive income reflects an expenditure of Kshs.1,416,655,000 on staff costs representing 60% of the total receipts of Kshs.2,355,129,000. This is contrary to the provisions of Regulation 25(1) (a) and (b) of the Public Finance Management (County Governments) Regulations, 2015

In the circumstances, Management was in breach of the law.

#### **7. Expired Joint Venture Agreement with Ghetto Radio**

The Corporation entered into a joint venture agreement with Ghetto Radio on 20 December, 2007 where the Corporation was to provide a broadcasting frequency of 89.5 for use in the joint venture. The contract was valid for five (5) years and the parties were entitled to a 50:50 share of gross earned revenue. Though the joint venture agreement expired on 31 December, 2012 there are no indications that it has been renewed.

Ghetto Radio has so far paid the Corporation a total of Kshs.38,244,115 out of which Kshs.15,000,000 was for 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 due to them as per the venture agreement. The Board during a special sitting held on 12 August, 2020 resolved that the Corporation collect Kshs.231 million from Ghetto Radio Limited and the money 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. Review of the status of the debtors in March, 2022 revealed that the Management had not enforced the Board resolution on Ghetto Radio.

In the circumstances, the Management was in breach of the law.

### **8. Unfavorable Joint Venture with GOTV**

The Corporation entered into a joint venture with GOTV a subsidiary of Multichoice Africa. Multichoice Africa informed KBC of their investment in GOTV amounting to Kshs.16 billion which has not been independently verified. It was on that basis that the Corporation declined to actualize the joint venture agreement. The Corporation assessed the investment cost at not more than Kshs.2.5 Billion. During the financial year 2019/2020, a committee was formed to look into the formalization of the co-location and infrastructure-sharing agreement between GOTV and the Corporation and give recommendations and the way forward.

However, GOTV has been using the Corporations' frequencies, infrastructure and equipment without making any payment for over eight (8) years. According to Management, a Master Co-location and Infrastructure Sharing Agreement between the Corporation and GOTV signed on 3 June, 2013 did not protect Corporation's interests.

In the circumstances, value for money from the joint venture could not be confirmed.

### **9. High Operating Costs on District Sales Offices**

Review of expenditure documents and physical verification carried out at the district offices revealed that at Nakuru the office is run by three staff who are on permanent and pensionable terms. During the year under review, they managed to collect only Kshs.34,820. Further, the office received Kshs.57,200 for office running expenses. Eldoret office has two staff who are on permanent and pensionable terms. Sales during the year total Kshs.17,710 whereas they received cash for office maintenance totalling Kshs.155,360. The Kisumu office has about 40 employees on permanent and pensionable terms. However, sales during the year total Kshs.3,933,144, whereas office running expense total Kshs.11,425,389.

In the circumstances, value for money derived from the expenditure in respect of the District Offices could not be confirmed.

### **10. Failure to Safeguard Assets**

The statement of financial position and as disclosed in Note 14 to the financial statements reflects property, plant and equipment balance of Kshs.16,394,364,000 which includes land valued at Kshs.12,857,874,001 spread across the country. However, most of the

Corporation's parcels of land remain un-surveyed and/or fenced for safeguarding and lack ownership documents. This is contrary to Section 139(1) of the Public Finance Management Act Regulations, 2015 which states that the Accounting Officer of a National Government entity shall take full responsibility and ensure that proper control systems exist for assets and that preventive mechanisms are in place to eliminate theft, security threats, losses, wastage and misuse. Urgent intervention is required to secure the land most of which is in prime areas and faces threats of encroachment by illegal settlers. Further, physical verification carried out in various field stations revealed the following:

### **10.1 Irregular Allocation of Sauti House Land in Mombasa**

As previously reported, the Corporation was sued in Mombasa ELC No. 283 of 2013 for the above piece of land where the matter went up to the Court of Appeal and was determined against the Corporation. In a letter to the KBC from the Attorney General, Ref AG/ELC/CIV 299/21 of 27 April, 2022, the AG determined that the Mombasa Block XXXI/577 was irregularly surveyed and subdivided into parcels of land Nos. 579, 580, 581, 582, 583, 584, 589 and 590. The AG indicated that available responses and a Part Development Plan (PDP), the parcel of land was reserved for the Corporation from the year 1988 advised and recommended the Corporation to bring on board the Ethics and Anti-Corruption Commission given that this was a public Land and it fell on the EACC's mandate bearing in mind that the matter had already been determined by the Court of Appeal.

The Attorney General made a recommendation for the Corporation to involve the Ethics and Anti-Corruption Commission (EACC) to institute proceedings to recover the parcel of land on behalf of the Corporation. However, there was no evidence indicating that the Corporation had acted on the AG's advice and or the state and progress of the case to recover the grabbed land. As a result, illegal private developers continue to occupy public land.

### **10.2 Failure to Repose Corporation's Land in Nyali**

Records indicate that KBC sued the County Government of Mombasa for illegal encroachment of its 22.85 acres of land in Nyali LR No. 1476 under civil suit No. 323 of 2010. A judgement was passed in favour of KBC in a ruling by the Environment and Lands Court at Mombasa on 22 July, 2022. However, physical verification of the land, revealed that despite the ruling the Corporation is yet to fence it to prevent further illegal encroachment.

Available information indicated that the County Government of Mombasa, through letter ref; MSACG/Land/I/Vol. IX/43 of 22 November, 2022 has indicated its intentions to take over the land for non-attainment of the purposes under which the lease was granted in the first place. KBC may therefore lose the land.

In the circumstances, Management was in breach of the law.

### **10.3 Irregular Leasing Out of Sauti House**

Inspection of the Corporation's Sauti House in Mombasa revealed that some portion of the office space has been leased out to a canteen operator. However, no lease agreement

signed between the Corporation and the State Department of Public Works was provided, to determine the terms and conditions of the lease and rent receivable.

This is contrary to circular reference number OP/CAB.18/4a dated 2 September, 2021, where the Head of Public Service directed all MDAs and SAGAs renting out office space for official use by other MDAs and SAGAs to do it through the State Department for Public Works to ensure effective coordination of government business and to achieve value for money.

In the circumstances, Management was in breach of the law.

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 Conclusion on Effectiveness of Internal Controls, Risk Management and Governance sections of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Lack of Approved Information Communication Technology (ICT) Security Policy**

Review of the Corporation's information technology systems revealed that the Corporation did not have an approved IT policy for governance and management of its ICT resources. In addition, there is no ICT steering committee in place to assist in the development of ICT policy framework to enable the Corporation to realize long-term ICT strategic goals. Lack of an approved IT policy may result in an unclear direction regarding maintenance of information security across the organization and safeguarding the Corporation's ICT assets. Further, without a sound and approved framework, users do not have any rules and procedures to follow in order to minimize risk of errors, fraud and the loss of data confidentiality, integrity and availability.

In the circumstances, the existence of effective ICT controls could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall 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 Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for maintaining effective internal controls 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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Corporation's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless 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 Management 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 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 controls in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls 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 controls 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 going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. 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 as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information 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 controls 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

10 May, 2023



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**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2022**

	NOTES	2021/2022 Kshs'000'	2020/2021 Kshs'000'
<b>REVENUES</b>			
Revenue	6	1,140,400	1,059,875
Grants from National Government	7	1,170,500	994,200
dividends		34,800	8,680
Other income	8	<u>9,429</u>	<u>6,940</u>
<b>TOTAL REVENUES</b>		<b><u>2,355,129</u></b>	<b><u>2,069,695</u></b>
<b>EXPENSES</b>			
Administration costs	9(a)	2,089,871	1,991,398
Directors emoluments	10	13,903	11,872
Selling and distribution costs	11	116,160	75,498
Depreciation of property plant and equipment	12	275,784	268,375
Provisions	13	33,916	35,784
<b>TOTAL OPERATING EXPENSES</b>		<b><u>2,529,637</u></b>	<b><u>2,382,928</u></b>
<b>OPERATING (LOSS)</b>		<b><u>(174,508)</u></b>	<b><u>(313,234)</u></b>



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#### 14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

ASSETS	NOTES	2021/2022 Kshs '000'	2020/2021 Kshs '000'
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	14	16,394,364	16,352,092
Investments	15	400	400
<b>Total Non-current Assets</b>		<b><u>16,394,764</u></b>	<b><u>16,352,492</u></b>
<b>CURRENT ASSETS</b>			
Inventories	16	63,269	96,386
Trade and other Receivables	17	1,129,795	1,562,450
Cash and bank balances	18	<u>168,738</u>	<u>135,073</u>
<b>TOTAL CURRENT ASSETS</b>		<b><u>1,361,802</u></b>	<b><u>1,793,909</u></b>
<b>TOTAL ASSETS</b>		<b><u>17,756,565</u></b>	<b><u>18,146,401</u></b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary Share capital	19	928,488	928,488
Revaluation reserve	20	11,616,176	11,616,176
Accumulated surplus /losses		<u>(88,426,681)</u>	<u>(88,252,564)</u>
<b>Total Capital and Reserves</b>		<b><u>(75,882,017)</u></b>	<b><u>(75,707,900)</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other Payables	21	2,933,856	3,149,575
GOK Loan (principal)	22 (a)	13,657,251	13,657,251
GOK (Loan interest)	22(b)	77,047,475	77,047,475
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>93,638,582</u></b>	<b><u>93,854,301</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b><u>17,756,565</u></b>	<b><u>18,146,401</u></b>

The financial statements were approved by the Board on 30.09 2022 and signed on its behalf by:

Ag.M.D

Head of Finance

Chairman of the Board

Name: SAMUEL C. NDAINO

Name: CHARLES K-S ROTICH

Name: BENJAMIN

ICPAK M/NO: 20865

MAINGI



## 15. STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2022

	Ordinary Share Capital Kshs '000'	Revaluation Reserve Kshs '000'	Accumulated surplus/ Losses Kshs '000'	
30/06/2016	928,488	11,616,174	-50,139,270	-37,594,608
Loss for the year			-7,611,785	-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	11,616,17	-66,423,020	-65,494,532
Loss for the year			-8,202,925	-8,202,925
30/06/2019	928,488	11,616,174	-74,625,945	-62,081,283
Loss for the year			-9,950,066	-9,950,066
30/06/2020	928,488	11,616,174	-87,939,330	-75,394,668
Loss for the year			-313,234	-313,234
30/06/2021	928,488	11,616,174	-88,252,564	-75,707,902
Loss for the year			-174,508	-174,508
30/06/2022	928,488	11,616,174	-88,462,681	-75,882,017



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## 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2022

	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
Loss for the year	-174,508	-313,234
Depreciation	275,783	268,375
Foreign exchange gain	0	2,665
Provision for stocks	3,869	5,333
Provision for bad debts	30,046	30,584
Increase/Decrease in debtors	432,656	-3,783
Increase/Decrease in stocks	33,117	-192,782
Increase in creditors	-215,719	512,673
<u>Cash flow from operating activities</u>	<u>385,243</u>	<u>309,831</u>
<u>Cash Flow from investing</u>		
Purchase of fixed assets	-316,777	-517,557
Dividends	-34,800	-8,680
Foreign exchange gain		<u>-2665</u>
<u>Net Cash Flow from investing</u>	<u>-352,856</u>	<u>-528,902</u>
<u>Cash flow from financing</u>		
Net cash flow from financing		
Net increase/Decrease in Cash & Cash Equivalents	32,387	-219,071
Cash and cash equivalent at the beginning	<u>135,072</u>	<u>354,143</u>
Cash & Cash Equivalent at 30th June 2022	<u>167,738</u>	<u>135,072</u>



**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL**  
FOR THE PERIOD ENDED 30 JUNE 2022.

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

	ORIGINAL BUDGET	ADJUSTME NTS	FINAL BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
	2021/2022	2021/2022	2021/2022	2021/2022	2021/2022
	KSH(000)	KSH(000)	KSH(000)	KSH(000)	KSH(000)
<b>SALES</b>					
Advertising Radio	385,350	0	385,350	235,466	(149,884)
Advertising Television	188,000	0	188,000	127,055	(60,945)
Casual And Funeral	3,000	0	3,000	1,645	(1,355)
Technical Services	662,000	0	662,000	776,233	114,233
Other Income	5,500	0	5,500	9,429	3,929
	<b>1,243,850</b>		<b>1,243,850</b>	<b>1,149,828</b>	<b>(94,022)</b>
<b>OTHER INCOME</b>					
Dividend Income	64,000	0	64,000	34,800	(29,200)
<b>GRANT FROM NATIONAL GOVERNMENT</b>					
Current Grants	704,820	0	704,820	1,030,000	325,180
Capital Grants	207,000	0	207,000	140,500	(66,500)
<b>Total Income</b>	<b>911,820</b>	<b>0</b>	<b>911,820</b>	<b>1,170,500</b>	<b>258,680</b>



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ADMINISTRATION COSTS					
Directors Emoluments	25,000	0	25,000	13,903	11,097
Electricity And Water	242,000	0	242,000	160,276	81,724
Communication Services And Supplies	15,175	0	15,175	6,101	9,074
Transport, Travelling And Subsistence	111,720	0	111,720	53,559	58,161
Printing, Stationery And Photocopying	6,000	0	6,000	5,699	301
Rent Expenses	70,000	0	70,000	11,539	58,461
Staff Training Expenses	10,000	0	10,000	1,570	8,430
Insurance Costs	21,000	0	21,000	17,006	3,994
Bank Charges And Commissions	3,500	0	3,500	3,150	350
Office And General Supplies And Services	14,000	4,100	14,000	11,838	2,162
Auditors Remuneration	580	0	580	580	-
Legal Fees	275,000	0	275,000	81,670	193,330
Consultancy Fees	0	0	0	0	-
Repairs And Maintenance	131,200	3,000	131,200	88,839	42,361
Provision For Bad And Doubtful Debts	30,000	0	30,000	30,047	(47)
Program Telephone Lines	145,000	0	145,000	34,901	110,099
Program Production Expenses	380,000	0	380,000	188,735	191,265
Other Operating Expenses(Official Entertainment)	9,250	0	9,250	7,751	1,499
Salaries And Allowances Of Permanent Employees	1,343,719	0	1,343,719	1,252,903	90,816
Pension Contributions	152,000	0	152,000	150,646	1,354
Staff Welfare	22,223	0	22,223	11,536	10,687



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Marketing And Promotional Expenses	106,000	0	106,000	62,935	43,065
Sales Commission	110,000	7,100	110,000	32,658	77,342
Other Selling And Distribution Costs(News Production)	25,000	0	25,000	20,567	4,433
Depreciation	320,000	0	320,000	275,784	44,216



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## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL 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. The entity's principal activity is to transmit objective, informative, educative and entertaining content to the public through high quality broadcasts. .

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

### 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued 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 (IFRS) 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 KBC.

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

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

- i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

#### *IFRS 16: Leases*

The new standard, effective for annual periods beginning on or after 1st January 2019, introduces a new lessee accounting model, which requires a lessee to recognize assets and

### NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognized with a corresponding decrease of the net amount in retained earnings in these financial statements.

*IFRIC 23: Uncertainty Over income tax treatments*

The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. It specifically considers:

- Whether tax treatments should be considered collectively
- Assumptions for taxation authorities' examinations
- The determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- The effect of changes in facts and circumstances

*Amendments to IFRS 9 titled Prepayment Features with Negative Compensation (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1 January 2020, allow entities to measure prepayable financial assets with negative compensation at amortised cost or fair value through other comprehensive income if a specified condition is met.

*Amendments to IAS 28 titled Long-term Interests in Associates and Joint Ventures (issued in October 2017)*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that an entity applies IFRS 9, rather than IAS 28, in accounting for long-term interests in associates and joint ventures.

*Amendments to IFRS 3 - Annual Improvements to IFRSs 2015–2017 Cycle, issued in December 2017.*



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

The amendments, applicable to annual periods beginning on or after 1st January 2020, provide additional guidance on applying the acquisition method to particular types of business combination.

*Amendments to IFRS 11 - Annual Improvements to IFRSs 2015-2017 Cycle, issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that when an entity obtains joint control of a business that is a joint operation, it does not re-measure its previously held interests

*Amendments to IAS 12 - Annual Improvements to IFRSs 2015-2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that all income tax consequences of dividends should be recognised when a liability to pay a dividend is recognised, and that these income tax consequences should be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognised the transactions to which they are linked.

*Amendments to IAS 23 - Annual Improvements to IFRSs 2015-2017 Cycle , issued in December 2017*

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of



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obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

*Amendments to IAS 19 titled Plan Amendment, Curtailment or Settlement (issued in February 2019)*

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020, requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

*Amendments to IAS 1 and IAS 8 Definition of material*

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual

Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

**i) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

***IFRS 17 Insurance Contracts (Issued 18 May 2017)***

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 *Insurance Contracts* as of 1 January 2021.

***Amendments to References to the Conceptual Framework in IFRS Standards (Issued 29 March 2019- Applicable for annual periods beginning 1 January 2020)***

Together with the revised *Conceptual Framework* published in March 2019, the IASB also issued *Amendments to References to the Conceptual Framework in IFRS Standards*. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however, update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised *Conceptual Framework*. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASB framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2019) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

#### iii) Early adoption of standards

The entity did not early - adopt any new or amended standards in year 2021.

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a) Revenue recognition

Revenue is recognised 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 recognised at the fair value of consideration received or expected to be received in the ordinary course of the *entity's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *entity's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the

statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.

**b) In-kind contributions**

In-kind contributions are donations that are made to the *entity* 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.



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### c) **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 re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued 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.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

#### d) **Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a reducing-line basis to write down the cost of each asset or the re-



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valued amount to its residual value over its estimated useful life. The annual rates in use are:

<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%

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

10) Office equipment's	12.5%
11) Computer and accessories	30%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.



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**e) Intangible assets**

Intangible assets comprise purchased computer software licences, 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 assets from the year that they are available for use, usually over three years.

**f) 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.

All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

**g) Investment property**

Buildings, or part of a building (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation, and which are not occupied by the entity, are classified as investment property under non-current assets.

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.

**h) Leases**

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a

right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lesser accounting have remained largely unchanged.

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### i) 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. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

#### j) 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.

#### k) Unquoted investments

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

**l) 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.

**m) 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.

**n) Taxation**

*Current income tax*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance.



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### n) Taxation (Continued)

##### *Current income tax (Continued)*

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

#### n) Taxation (Continued)

##### *Deferred tax (Continued)*

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and

deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

**o) 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 reporting period. 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 institutions which were not surrendered or accounted for at the end of the financial year.

**p) Borrowings**

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the 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 of settlement or redemption are accounted for on 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.

**q) Trade and other payables**

Trade and other payables are non-interest bearing and are carried at amortised cost, which is measured at the fair value of contractual value of the



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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.

#### NOTES TO THE FINANCIAL STATEMENTS (Continued)

#### 4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company'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.

##### s) Provision for staff leave 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.

##### t) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the entity operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the

translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

**u) Budget information**

The original budget for FY 2019-2020 was approved by the National Assembly on April 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**u) Budget information (Continued)**

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 17 of these financial statements.

**v) Service concession arrangements**

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise - any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Comparative figures**

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

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****x) 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, 2019.

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION  
UNCERTAINTY**

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made: e.g

**Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.



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### **Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

### **SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)**

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets
- Changes in the market in relation to the asset

### **NOTES TO THE FINANCIAL STATEMENTS (Continued)**

#### **Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 13.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022 Ksh '000'	2020/2021 Ksh
<b>6. REVENUE</b>		
Gross sales of services	1,140,400	1,059,875
<b>7. GRANTS FROM NATIONAL GOVERNMENT</b>		
Current grants received	1,030,000	829,200
Capital	<u>140,500</u>	<u>165,000</u>
	<u>1,170,500</u>	<u>994,200</u>
<b>8. OTHER INCOME</b>		
Dividend income	34,800	8,680
Miscellaneous income	9,429	6,940
Parking fees	0	0
<b>Total</b>	<u>44,929</u>	<u>15,620</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022	2020/2021
9(a) ADMINISTRATION COSTS	Kshs '000'	Kshs '000'
Staff Cost (note 4,b)	1,416,655	1,380,243
Directors emoluments	13,903	11,872
Electricity and water	160,276	146,137
Communication services and supplies	6,101	11,754
Transport, travelling and subsistence	53,559	38,138
printing, stationery and photocopying	5,699	7,988
Rent expenses	11,540	10,091
Staff training expenses	1570	887
Hospitality supplies and services	6,946	6,845
Insurance costs	17,006	20,966
Bank charges and interest	3,150	2,795
Office general supplies and services	11,838	11,787
Auditors remuneration	580	580
Legal fees	81,670	89,001
Repairs and maintenance	88,840	119,777
Program telephone lines(satellite	34,901	70,765
Program production expenses	188,735	71,388
Other operating expenses	805	2,256
	<b><u>2,103,774</u></b>	<b><u>2,307,429</u></b>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2021/2022	2020/2021
	Kshs '000'	Kshs '000'
<b>(9b) STAFF COST</b>		
Salaries and allowances of permanent employees	1,053,882	1,076,076
Salaries of long term contracted staff	91,217	84,285
Pension contributions	150,646	145,250
Gratuity	14,300	2,721
Staff welfare	11,537	4,234
Staff medical insurance	<u>95,073</u>	<u>0</u>
<b>TOTAL</b>	<b><u>1,416,655</u></b>	<b><u>1,380,243</u></b>
<b>(10) Directors Emolument</b>		
Sitting allowance	4,614	5,703
Transport	2,234	4,015
Accommodation	5,514	1,333
Honorarium	594	441
Others	<u>947</u>	<u>380</u>
<b>Total</b>	<b><u>13,903</u></b>	<b><u>11,872</u></b>
<b>11. SELLING AND DISTRIBUTION COSTS</b>		
Marketing and promotional expenses	62,935	46,134
Sales commission	32,658	15,075
Other selling and distribution costs(news prdn)	<u>20,567</u>	<u>14,289</u>
	<b><u>116,160</u></b>	<b><u>75,498</u></b>
<b>12 DEPRECIATION</b>	<b>275,783</b>	<b>216,375</b>
<b>13 PROVISIONS:</b>		
Bad debts	30,047	30,450
Obsolete stocks	3,870	5,334
	<u>33,916</u>	<u>35,784</u>



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**14. PROPERTY PLANT AND EQUIPMENT SCHEDULE  
FOR THE YEAR 2021/2022**

COST/ VALUATION	LAND	BUILDINGS	PLANT & EQUIPMENT	TRANSMITTE R EQUIPMENT	STUDIO EQUIPMENT	OB EQUIPMENT	PORTABLE EQUIPMENT	PROGRAM LINKS	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPME NT	COMPUTER EQUIPMENT	TOTALS
As at June 30 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	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	46,566,981	17,667,822,923
ADDITIONS				18,600,000	757,310						1,182,399	10,485,960	31,025,669
AT 30th June 2020 cost	12,857,874,001	953,284,873	1,982,122,583	1,378,810,865	257,401,132	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,962	66,970,494	17,789,690,374
ADDITIONS		7,520,814	22,370,953	177,695,546	274,346,686		513,495	828,837	5,379,880	13,549,609	552,947	14,797,765	517,556,531
AT 30TH JUNE 2021	12,857,874,001	960,805,686	2,004,493,536	1,556,506,411	531,747,817	29,783,288	4,812,903	42,438,387	34,660,101	183,953,609	18,402,909	81,768,259	18,307,246,905
ADDITIONS	0	10,875,869	36,020,381	35,422,549	186,061,749	592,064	844,570	2,795,871	2,045,680	16,188,536	3,616,360	23,592,269	318,055,898
AT 30TH JUNE 2022	12,857,874,001	971,681,555	2,040,513,918	1,591,928,960	717,809,567	30,375,352	5,657,473	45,234,258	36,705,781	200,142,145	22,019,269	105,360,528	18,625,302,803
DEPRECIATION													
Total As at June 2020		107,640,955	638,818,287	586,549,717	90,668,618	13,341,464	1,984,005	12,904,380	15,114,173	160,707,949	8,801,088	50,249,176	1,686,779,812
charge for the year 2020-2021		17,063,295	88,768,891	96,995,669	44,107,920	1,644,182	282,890	1,772,046	2,435,478	4,649,132	1,200,228	9,455,724	268,375,456
Total As at June 2021		124,704,250	727,587,178	683,545,387	134,776,538	14,985,646	2,266,895	14,676,426	17,549,651	165,357,081	10,001,316	59,704,900	1,955,155,268
charge for the year 2021-2022		16,939,546	85,340,238	90,838,357	54,403,303	1,538,971	339,058	1,833,470	2,394,516	6,957,013	1,502,244	13,696,688	275,783,404



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Total As at June 2021	-	141,643,796	812,927,416	774,383,744	189,179,841	16,524,617	2,605,952	16,509,896	19,944,168	172,314,094	11,503,600	73,401,589	2,230,938,672
Net Book Value As At June 30, 2022	12,857,874,001	830,037,759	1,227,586,502	817,545,216	528,629,725	13,850,735	3,051,520	28,724,362	16,761,613	27,828,052	10,515,709	30,958,939	16,394,364,131
Net Book Value As At June 30, 2021	12,857,874,001	836,101,436	1,276,906,358	872,961,024	396,971,279	14,797,641	2,546,008	27,761,961	17,110,450	18,596,528	8,401,593	22,063,358	16,352,091,639

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**15. 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.

16	<b>INVENTORIES</b>	2021/2022 Kshs'000'	2020/2021 Kshs'000'
	Engineering Stores	70,130	92,479
	Fuel, Oil, And Lubricants	0	2,425
	Stationery And General Stores	7,295	6,816
	Less provision for obsolete stocks	<u>-14,156</u>	<u>-5,334</u>
		<u>63,269</u>	<u>96,386</u>
17(a)	<b>TRADE AND OTHER RECEIVABLES</b>		
	Trade Receivables	1,650,088	1,990,487
	Provision for Bad and Doubtful Debts	<u>-541,479</u>	<u>-511,479</u>
	Net receivables	1,108,609	1,479,008
	Staff Receivables	21,186	72,121
	Net Trade and Other Receivables	<u>1,129,795</u>	<u>1,562,451</u>
17(b)	<b>Provision for doubtful debts</b>		
	Opening balance	511,480	481,029
	Provision for the year	<u>30,046</u>	<u>38,913</u>
		<u>541,525</u>	<u>481,029</u>
17(c)	<b>Provision for obsolete stocks</b>		
	opening balance	10,286	
	Provision for the year	3,870	4,953
		<u>14,156</u>	



NOTES TO THE FINANCIAL STATEMENTS (Continued)

17(c) AGEING ANALYSIS

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

	2021/2022	2020/2021
	Kshs'000'	Kshs'000'
Less than 30 days	206,443	181,124
Between 30 and 60 days	128,507	10,003
Between 61 and 90 days	13,162	43,316
Between 91 and 120 days	12,490	28,112
Over 120 days	1245,639	1,727,932
	<u>1,606,241</u>	<u>1,990,487</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. BANK AND CASH BALANCES

	2021/2022	2020/2021
	Kshs'000'	Kshs'000'
Citibank (Main) - 0300079001	25,237	64,539
Citibank medical 300079019	841	52
CBA ksh -6626480019	6,831	6,839
KCB Nairobi - 1107167418	24,743	14,795
Citibank car loan - 300079027	101,369	41,169
CBA dollar - 6626480024	9,444	7,498
KCB Garissa - 1108088538	1	1
KCB Kisumu - 1104026481	0	2
KCB bungoma- 1105198405	5	1
KCB Malindi - 1108002897	0	4
KCB Maralal - 1104413671	13	1
KCB Mombasa - 1101516593	251	82
KCB Voi - 1108158544	0	93
KCB Wajir - 1105246949	0	1
Cash at Hand	<u>0</u>	<u>0.1</u>
<b>TOTAL</b>	<b><u>168,738</u></b>	<b><u>135,073</u></b>

19. ORDINARY 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.



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 20. 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

21. TRADE AND OTHER PAYABLES	2021/2022	2020/2021
	Kshs'000'	Kshs'000'
Trade creditors	265,974	694,678
Vat	809,752	757,957
Statutory Deductions	782,495	607,209
Medical	40,489	20,357
Pension	1,010,131	1,044,689
Coop liabilities	13,960	15,896
Post office bank deductions	4	4
NHIF	1,151	1,317
Other deductions	9,320	7,468
	<u>2,933,276</u>	<u>3,149,575</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 (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.

YEAR	<u>AMOUNT PAID</u> KSHS '000'
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
2020/2021	0
2021/2022	0
<b>TOTAL</b>	<b><u>13,657,251</u></b>



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## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 22. (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	9,783,354
2020/2021	0
2021/2022	<u>0</u>
TOTALS	77 047 476

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23. 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	13,903	11,872
Total	<u>13,903</u>	<u>11,872</u>



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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**(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)



NOTES TO THE FINANCIAL STATEMENTS (Continued)

26 CONTINGENT LIABILITIES

CONTINGENT LIABILITY IN RESPECT OF KBC HIGH VALUE COURT CASES AS AT  
30<sup>TH</sup> JUNE, 2022

S/NO	CASE NO. AND PARTIES	CLAIM DETAILS AND CASE STATUS	REMARKS
1.	London - Channel 2 Group Corporation -vs- Kenya Broadcasting Corporation of the London Court of International Arbitration (LCIA) LCIA Arbitration Case No. 122233 of 2012	KBC entered into a joint venture agreement with Channel 2 Group Corporation for purposes of broadcasting movies and other programmes on KBC Station formerly Metro TV. The JV was not a success and KBC terminated the agreement Vide letter dated 16 <sup>th</sup> March, 2009. Channel 2 was aggrieved by the decision, and filed arbitration case in London initially seeking US\$2.4 Billion then amended the claim now seeking US\$398.4 Million.	Both parties have identified witnesses, taking statements and surcharge documents.  Matter pending hearing. Arbitration ready to fix matter for hearing. Hearing depending on Covid-19 pandemic.  So far lawyers and consultants experts' have been paid Kshs.100million. Projected costs lawyers, experts and witnesses is Kshs.30million  A cabinet Memo was done seeking for government funding for the arbitration costs, and recommending that the Attorney General takes over the case.
2.	Nairobi (Milimani) HCCC No. 686 of 2009 Optima	Claim for recovery of fees for provision of sporting rights to	Discussions for flexible payment plan of the



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	<p>Sports Management International (UK) Limited</p> <p>-vs- Kenya Broadcasting Corporation consolidated with Nbi (Milimani) HCCC No. 687-Optima Sports Management International (Nigeria) Limited</p> <p>-vs- Kenya Broadcasting Corporation</p>	<p>KBC. Invoices were submitted but KBC declined to pay for lack of contract and due to the fact that procurement process not followed in acquiring the sporting rights.</p> <p>An Award of total Euros 372,000 (equivalent to Kshs. 43 Million) entered against KBC</p>	<p>award have not yielded fruits .The matter is pending in court of Appeal</p>
3.	<p>Machakos ELC No. 180 of 2017 Kenya Broadcasting Corporation -vs- Komarock Ranching and Farming Cooperative Society Ltd and Komarock Ranching Company Ltd</p> <p>consolidated with</p> <p>Machakos Petition No. 15 of 2015</p> <p>Komarock Ranching and Farming Cooperative Society Ltd -vs- Komarock Ranching Company Ltd</p>	<p>KBC sued the defendants seeking general damages for trespass on land LR No. Donyo Sabuk/Komarock Block 1/9218. Value of the land which is the subject matter is Kshs.2,950,000,000/=</p>	<p>Matter at an advance stage of being heard</p>
4.	<p>Nairobi ELRC cause No 845 of 2017 (formerly HCC No 719 of 2006)</p> <p>Charles Kasisi and 10 Others -vs- Kenya Broadcasting Corporation</p>	<p>The Claimants were 10 amongst 257 employees retrenched by the Corporation in 2006.They filed the suit seeking declaratory as well as injunctive orders and damages. The matter was referred to the employment and labor relations court in 2017.</p> <p>The claim is unliquidated, but can be estimated at Kshs. 128,500,000 if each claimant shall be awarded an average of Kshs 300,000</p>	<p>Ruling was delivered in favour of the claimants and KBC ordered to pay Kshs 39,000,000.The Corporation filed an appeal</p>



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5.	HCCC No.322 of 2015  Performers Rights Society & Another Versus Kenya Broadcasting Corporation	The Plaintiffs sued the Corporation on infringement of copyright matters.The matter is unliquidated but the award can be estimated at kshs 8,000,000	The matter is still pending in court
6.	Cause No 1352 of 2018  Board of Trustees, Kenya Broadcasting Corporation KBC Staff Retirement Benefit Scheme(Suing on Behalf of Scheme) Versus Kenya Broadcasting Corporation	The board of trustees,Kenya broadcasting corporation sued the corporation for non remittance of pension funds.By the time of filing the suit,the corporation had not remitted Kshs.820,242,211.57	Matter still pending in court
7.	MCCC no E994 of 2020  Telkom Kenya limited versus Kenya Broadcasting Corporation	The matter arose from collocation services offered by the Claimant.The corporation acknowledged receiving the services.The Court issued a decree dated 31 <sup>st</sup> march 2022 for kshs 22,571,243.36	The matter was concluded but the corporation has not paid due to unavailability of funds

## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 4 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The company's financial risk management objectives and policies are detailed below:

#### (i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from xxxx



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The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

### 45 FINANCIAL RISK MANAGEMENT (Continued)

#### a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

The entity manages foreign exchange risk from future commercial transactions and recognized assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

#### b) Foreign currency sensitivity analysis

The following table demonstrates the effect on the company's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

#### c) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

#### *Management of interest rate risk*

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)****(iii) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The company's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets and liabilities (Continued)

a) *Financial instruments measured at fair value (Continued)*

	Level 1 Kshs	Level 2 Kshs	Level 3 Kshs	Total Kshs
<b>At 30 June 2022</b>				
<b>Financial Assets</b>				
Quoted equity investments	xxx	xxx	xxx	xxx
<b>Non- financial Assets</b>				
Investment property	xxx	xxx	xxx	xxx
Property, plant and equipment	xxx	xxx	xxx	xxx
	_____	_____	_____	_____
	xxx	xxx	xxx	xxx
	=====	=====	=====	=====
<b>At 30 June 2019</b>				
<b>Financial Assets</b>				
Quoted equity investments	xxx	xxx	xxx	xxx



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<b>Non- financial Assets</b>				
Investment property	xxx	xxx	xxx	xxx
Land and buildings	xxx	xxx	xxx	xxx
	_____	_____	_____	_____
	xxx	xxx	xxx	xxx
	=====	=====	=====	=====

There were no transfers between levels 1, 2 and 3 during the year.

b) *Financial instruments not measured at fair value*

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.



NOTES TO THE FINANCIAL STATEMENTS (Continued)

45 FINANCIAL RISK MANAGEMENT (Continued)

iv) Capital Risk Management

The objective of the entity's capital risk management is to safeguard the Board's ability to continue as a going concern. The entity capital structure comprises of the following funds:

	2019-2020	2018-2019
	Kshs	Kshs
Revaluation reserve	Xxx	xxx
Retained earnings	Xxx	xxx
Capital reserve	Xxx	xxx
<b>Total funds</b>	<b>Xxx</b>	<b>xxx</b>
Total borrowings	Xxx	xxx
Less: cash and bank balances	(xxx)	(xxx)
Net debt/(excess cash and cash equivalents)	Xxx	xxx
<b>Gearing</b>	<b>xx%</b>	<b>xx%</b>



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**5 INCOPORATION**

The entity is incorporated in Kenya under the Kenyan Companies Act and is domiciled in Kenya.

**6 EVENTS AFTER THE REPORTING PERIOD**

There were no material adjusting and non- adjusting events after the reporting period.

**7 CURRENCY**

The financial statements are presented in Kenya Shillings (Kshs).



## APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Guidance Notes:**

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



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Director General/C.E.O/M.D

Chairman of the Board

(Enter title of head of entity)

Date.....

Date.....



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## APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY

### Projects

Projects implemented by the State Corporation/ SAGA Funded by development partners

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1						
2						

### Status of Projects completion

*(Summarise the status of project completion at the end of each quarter, ie total costs incurred, stage which the project is etc)*

	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1							
2							
3							



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**APPENDIX III: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the State Department of XXX				
FY 2019/2020				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			XX	
			XX	
			XX	
		<b>Total</b>	<b>XXX</b>	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			XX	
			XX	
			XX	
		<b>Total</b>	<b>XXX</b>	
c.	Direct Payments			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			XX	
			XX	
			XX	
		<b>Total</b>	<b>XXX</b>	



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d.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
				XX
				XX
				XX
		<b>Total</b>		<b>XXX</b>

The above amounts have been communicated to and reconciled with the parent Ministry

Finance Manager

Head of Accounting Unit

XXX entity

xxx Ministry

Sign -----

Sign-----



**APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER  
GOVERNMENT ENTITIES**

Name of the A/Donor transferring the funds	Date received as per bank statement	Nature: Recurrent/Devel- opment/ Others	Total Amount KES	Where Recorded/recognized			
				Statement of Financial Performance	Capital Fund	Deferred Income	Receiv
Ministry of Planning and Economic Development	xxx	Recurrent	xxx	xxx	xxx	xxx	
Ministry of Planning and Economic Development	xxx	Development	Xxx	xxx	xxx	xxx	
UNDP	xxx	Donor Fund	Xxx	xxx	xxx	xxx	
Ministry of Planning and Economic Development	xxx	Direct Payment	xxx	xxx	xxx	xxx	
			xxx	xxx	xxx	xxx	
Total			xxx	xxx	xxx	xxx	