



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

THE NATIONAL ASSEMBLY  
PADOCA LTD

DATE: 17 NOV 2021 DAY: Wed

TABLED BY: D/Majority Leader  
Hon. Jimmy Leach

CLERK-AT-THE-TABLE: Gertrude Chebet

# REPORT

OF

# THE AUDITOR-GENERAL

ON

## KENYA BROADCASTING CORPORATION

FOR THE YEAR ENDED  
30 JUNE, 2019



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Kenya



YOUR NATIONAL BROADCASTER

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
30 SEP 2019  
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KENYA BROADCASTING CORPORATION


ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2019

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

 <b>THE NATIONAL ASSEMBLY</b> PAPERS LAID	
DATE: 17 NOV 2021	DAY: Wed
TABLED BY:	D/ Majority Leader
CLERK-AT THE-TABLE:	Gr. Ochebet



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## KEY ENTITY INFORMATION AND MANAGEMENT

### Background information

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

### Principal Activities

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

### Key Management

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

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

### Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2019 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	MANAGING DIRECTOR	DR.NAIM BILAL
2	CORPORATION SECRETARY	PAUL JILANI
3	Ag.FINANCE & ADMINISTRATION MANAGER	JEREMIAH MARAKIA
4	TELEVISION PROGRAMMES MANAGER	RACHEL NAKITARE
5	MARKETING MANAGER	FLORENCE MIGUNDE

6	ADVERTISING MANAGER	CAROLYNE MUTUNGA
7	PROCUREMENT MANAGER	ROBERT WEKESA
8	Ass. MANAGER ICT	BENN MWALA
9	Ass. MANAGER TECHNICAL SERVICES	GEORGE KANYI
10	MANAGER CORPORATE PLANNING, RESEARCH AND DEVELOPMENT	SAMWEL OTIENO
11	CORPORATE AFFAIRS MANAGER	EVELYNE MWAKINA
12	EDITOR IN-CHIEF	SAMUEL MAINA
13	PRINCIPAL INTERNAL AUDITOR	SAMWEL NJERU
14	RADIO PROGRAMMES MANAGER	KIERETHE WAMUTITU
15	HUMAN RESOURCES MANAGER	DANIEL OKOTH

### **Fiduciary Oversight Arrangements**

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

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

### **Entity Headquarters**

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

### **Entity Contacts**

Telephone: (254) 020-318823  
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**

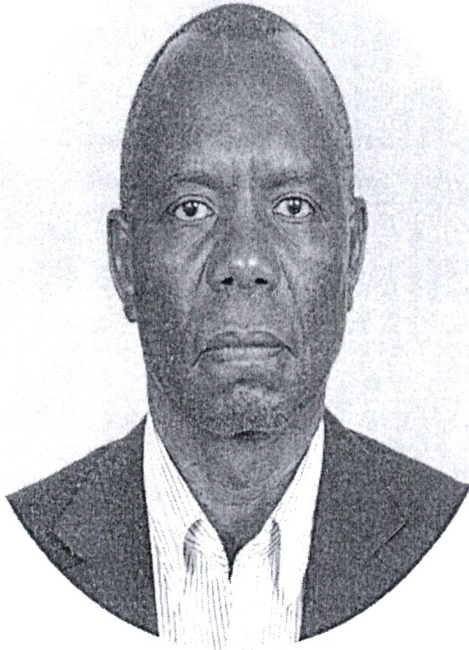
Auditor- General,  
Office of Auditor General,  
Anniversary Towers, University way,  
P.O. Box 30084-00100,  
Nairobi, Kenya.

**Principal Legal Advisor**

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

**THE BOARD OF DIRECTORS**

 <p>Mr. DAVID WERE Chairman</p>	<p><b>EDUCATIONAL BACKGROUND:</b> Bachelor of Education ( Science) - Second Class Honours Upper Division Mathematics and Chemistry. University of Nairobi. 1984.</p> <p><b>PROFESSIONAL QUALIFICATIONS</b> Associate of the Chartered Insurance Institute London ( ACII) 1992.</p> <p><b>WORK EXPERIENCE</b> 1984 Joined Kenindia Assurance Co Ltd as Management trainee. 1987 posted to Kisumu Branch as Deputy Branch Manager 1990 Posted to Kisii Branch as Manager in charge. 1991 Posted back to Kisumu Branch as in charge. 1994 Promoted to Assistant General Manager in charge of Western Region ( The old Nyanza and Western Provinces) 2002 Resigned to Join Politics.</p> <p><b>POLITICAL CAREER</b> 2002. Elected Member of Parliament Matungu Constituency June 2004 to 2007 Appointed Assistant Minister for Communications under NARC Government 2007 to 2013 Reelected MP. Elected Chairman Transport, Public Works and Housing Committee. 2013 to 2017. Reelected MP. Elected Chairman Labour and Social Welfare Committee.capacity.</p>
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Eng. Benjamin K Maingi

Eng. Benjamin K. Maingi is a 62 year old Kenyan citizen retired from Public Service where he served as General Manager, Planning and Programming in Kenya Roads Board (KRB), the oversight and fund administration Board for the Road Maintenance Levy Fund (RMLF). His academic qualifications are BSc (Civil Engineering) from University of Nairobi and MSc (Highways) from University of Birmingham (UK).

He has 38 years post-graduate experience in Infrastructure projects particularly Highways Engineering and management at senior levels from both the public and private sectors where he excelled in quality assurance, management and construction control expert in the Roads sector.

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

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

He served as a Member of Interviewers Panels for both Institution of Engineers of Kenya (IEK) and Engineers Registration Board (ERB) now EBK from 1996 to 2005 and was a Member of IEK Training Committee from 1997 to 2008 conducting courses for Graduate Engineers preparation for professional interviews.

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



He has served as Chairman of Parents Teachers Association and is a member of Board of Management for Othaya Boys High School, Nyeri County.

Eng. Maingi has had the opportunity to participate in road sector policies formulation including creation of National Construction Authority (NCA), National Transport & Safety Authority (NTSA) and Nairobi Metropolitan & Transport Authority (NAMATA) while serving in KRB. In overseeing and coordinating activities in the Roads sector, he has promoted linkages between Universities and Industry in innovative construction methods and uptake of research findings to inform better quality and cost effective utilization of local resources. He has long experience, good working knowledge and well conversant with the Public Sector operations. In addition, he possess exemplary computer working knowledge. As a new member of Kenya Broadcasting Corporation Eng, Maingi comes with the necessary requirements and qualifications to infuse professionalism in overseeing and facilitating execution of KBC mandate.



MUCHEMI WAMBUGU

Muchemi Wambugu is a Management Consultant and founder of Sirius Consult which focuses on technology-led organizational transformations. Until 2016, Muchemi was a Partner in the Technology Consulting practice and the Advisory Leader for County Initiatives at PricewaterhouseCoopers Kenya. Muchemi joined the firm in 2011 having worked at Deloitte Consulting Ltd in Kenya, and IBM Global Services in California, USA. Muchemi is an accomplished ICT Management professional, with more than 20 years of experience in advising organizations both private and public on business-centric ICT solutions. He has extensive experience in global technology implementations, ICT Transformations, Strategy, Operations, Governance and Program/Change Management. Muchemi was the founding Chairman of the Presidential Digital Talent Programme (PDTP), an initiative to bridge the employability gap in the ICT industry specifically focussed on ramping up young ICT talent in the Public Sector. In recognition of distinguished and outstanding services rendered to the nation, Muchemi was

	<p>awarded the Moran Order of the Burning Spear (MBS) by His Excellency President Uhuru Kenyatta in December 2018.</p> <p>Muchemi is a Non-Executive Director at several high profile Public and Private entities.</p> <p>Muchemi is a certified Project Management Professional (PMP), and an International Coaching Federation (ICF) certified Executive and Systemic Team Coach. He holds an Honors degree in Commerce, majoring in Management Information Systems from the University of Manitoba, Canada, and a Masters Certificate in Project Management from the University of California-Berkeley, USA.</p>
 <p>Mr. Mohammed Jabane</p>	<p>Master of Arts (International Relations) Nairobi University</p> <p>Advanced Public Administration (K.I.A)</p> <p>Bachelor of Arts, Political Science-Nairobi University</p> <p>Currently head of secretariat, Cabinet nominees</p> <p>Policy formulation and review on State Corporations.</p>
	<p>PHD -CONTINUING</p> <p>Masters in Business Administration,</p> <p>Bachelor of Arts</p> <p>Worked at Kenya National Bureau of statistics, Telkom Kenya</p> <p>Weathh of experience in Human Resource</p>

MARY C. NGENY



Mr. CHARLES MULILA



MR SAMUEL NYANGESO

National chairman Kenya National Library Services

Chairman National Association of Local Government Employers

His Worship the mayor of Kisii Municipality

Commissioner, National Elections Board

Elected Councillor –Nyankongo Ward

Kenya Certificate of Education-Riokodo High school



Managing Director



Dr. Naim Bilal




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

- a. **Kenya Broadcasting Corporation**  
Managing Director
- b. **Government of Kenya : Dec 2017 - Present**  
Ag Director of Information
- c. **JUDICIARY: 2012 – 2017**  
Director, Public Affairs & Communication
- b. **GOK (Min of EAC & Min of Immigration): 2009 - 2012**
  - Deputy Director, Public Communication
- c. **STATE UNIVERSITY OF NEW YORK (SUNY K) / USAID: 2009**
  - Project Director, Parliamentary Strengthening Project, National Assembly
- d. **STRATEGIC CONSULTANT: 2008**
  - UNDP
  - Media Council of Kenya

	<p>e. <b><u>NATION MEDIA GROUP: 1989 – 2007</u></b></p> <ul style="list-style-type: none"> <li>• News Reporter</li> <li>• Sub-Editor</li> <li>• Deputy News Manager - Nation Broadcasting</li> <li>• Managing Editor - Nation TV and Nation FM</li> </ul> <p>2.0 <b><u>ACADEMIC</u></b></p> <ol style="list-style-type: none"> <li>1. <b>PhD</b>, Communication Studies - Moi University</li> <li>2. <b>Masters</b> degree,</li> <li>3. Lleida, Spain Communications Policy - City University, UK</li> <li>4. <b>Dual MBA</b> - State University of</li> <li>5. <b>Bachelors</b>, Criminology - University of South Africa</li> <li>6. <b>Diploma</b>, Journalism - KIMC</li> <li>7. <b>Certificate</b>, Strategic Leadership - Kenya School of Govt</li> </ol> <p>3.0 <b><u>COMPETENCIES</u></b></p> <ol style="list-style-type: none"> <li>1. Media and Comms Management</li> <li>2. Public Administration</li> <li>3. Governance</li> <li>4. Strategic Management</li> </ol>
<div data-bbox="336 1211 689 1541" data-label="Image"> </div> <div data-bbox="357 1576 667 1653" data-label="Caption"> <p>Mr. Paul Jilani Corporation Secretary</p> </div>	<p>Bachelors of Law (LLB) and Masters in Business Administration(MBA)</p> <p>Diploma in Law, Kenya school of Law</p> <p>Certified public Secretaries(CPS)</p> <p>Member Law society of Kenya(LSK)</p> <p>Member Institute of Certified Public Secretaries of Kenya (ICPSK), Corporation Secretary, Telkom Orange up to 2010, Corporation Secretary, KBC (currently)</p>

**MANAGEMENT TEAM**

 <p>Managing Director Dr. Naim Bilal</p>	<p><b>PhD</b>, Communication Studies - Moi University  <b>Masters</b> degree,          Lleida, Spain Communications Policy - City University, UK  <b>Dual MBA</b> - State University of  <b>Bachelors</b>, Criminology - University of South Africa  <b>Diploma</b>, Journalism - KIMC  <b>Certificate</b>, Strategic Leadership - Kenya School of Govt</p>
 <p>Mr. Paul Jilani Corporation Secretary</p>	<p>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) Corporation Secretary, Telkom Orange up to 2010 Corporation Secretary, KBC (currently)</p>
	<ul style="list-style-type: none"> <li>• MBA (Finance)</li> <li>• Bachelor of Commerce (Accounting)</li> <li>• CPA(K)</li> </ul>

<p>Mr. Jeremia Marakia Ag. Finance and Administration Manager</p>	
 <p>Mr. Robert Wekesa Procurement Manager</p>	<ul style="list-style-type: none"> <li>• Member- Chartered Institute of Purchasing and supplies-UK (MCIPS)</li> <li>• Masters Degree Human Resources and Labour Laws</li> <li>• Degree in Political science</li> <li>• More than 15years experience in Procurement and Sourcing.</li> </ul>
 <p>Mr. Samwel Otieno Manager Corporate planning, Research and Development</p>	<ul style="list-style-type: none"> <li>• Bsc. in Electrical Engineering ( Light Current Option)</li> <li>• Registered Graduate Engineer with ERB</li> <li>• Registered Graduate Member with IEK</li> <li>• Member of IEEE</li> </ul>
 <p>Ms. Everlyn Mwakina Corporate Affairs Manager</p>	<p>Holds a Bachelor of Arts in Philosophy, Literature and Kiswahili (Kenyatta University), a Post Graduate Diploma in Mass Communication (University of UON) and an Executive Masters of Business Administration Eastern and Southern African Management Institute (ESAMI) &amp; Maastricht School of Management (MsM). She also holds a certificate in Strategic Leadership Development from Kenya School of Government and a host of other professional certificates.</p>



Mr. Benn Mwala  
Ag. Manager Information  
communications Technology and  
Technical Services

BSc in Computer Science

MSc in Information Technology - (Management  
Information Systems)

Information Technology Infrastructure Library (ITIL)

Syspro ERP Administration



Mr. Gichina Kanyi  
Ag. AMTS

- Degree in Electrical Engineering
- A level qualification
- Member of institute of Engineering of Kenya



Ms. Carolyne Mutunga  
Advertising Manager

- MBA: Strategic Management
- Bachelor of Commerce: Marketing and  
Business Administration.
- KCSE: Pangani Girls High School



Ms. Florence Migunde  
Marketing Manager

Holds a Bachelor of Commerce (Marketing) and a Masters in Strategic Management from the University of Nairobi as well as a CIM Post-Graduate Diploma.



Mr. Samuel Njeru  
Principal Internal Auditor

- Bachelor of Commerce Degree (Accounting) from the University of Nairobi and
- CPA (K).
- Currently pursuing MBA from U.O.N.



Mr. Jonah Kusero  
Ag. Radio Programmes Manager

- 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

- Bachelor of Arts in Government and Public Administration
- Post graduate Diploma in Human Resource Management



Rachael Nakitare  
Ag. Televisions Programs Manager

Her experience in the broadcast media spans over 25 years where she has worked on local and international mega projects in equal measures. She holds a Master's in Communication studies from the University of Nairobi and also studied New Media and Conflict Transformation at Philip Merrill School of Journalism, University of Maryland under the prestigious Hubert Humphrey fellowship. She is passionate about gender equality and women empowerment, hence her leading role on building evidence through research and online training for women leaders in Kenya.

## CHAIRMAN'S STATEMENT

The financial year 2018/2019 marks twentyeight 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 two TV channels and fifteen radio services.

The total revenue realized increased by 1.6% from Kshs 1.97billion last year to Kshs 2.0 billion this year. We did not receive dividends from Multichoice Kenya Ltd where KBC is a 40% shareholder where by KBC within the financial year.

The total expenditure decreased by 4% from Kshs 10.6 billion last year to Kshs10.2 billion this year. This is explained by a decrease in interest that the Government charged KBC on account of repaying Japanese loan this year. There was a decrease in some expenses like in electricity expenditure as a result of installing new FM radio transmitters and switching off medium wave radio transmitters that consume a lot of electricity.

**David Were**  
**Chairman**

## REPORT OF THE MANAGING DIRECTOR

The year 2018/2019 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 AFCON on June/July 2019 and also the individual and corporate customers for patronizing the event.

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 fifteen high power TV transmitters countrywide, seventeen low power TV transmitters, thirty nine high power FM radio transmitters, thirty seven low power FM radio transmitters and twelve 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 equipments 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 save for some areas in North Eastern Kenya where the process of sites development and installing transmitters is going on. Currently, we are hosting thirty active clients in the digital TV platform compared to twenty three last year. The number of Kenyans watching digital TV transmission has been growing with increasing availability of set-top boxes in the market, increasing awareness and the continuing drop in the prices of set-top boxes.

Management worked towards saving costs, lower Government interest on account of repaying interest on Japanese loan. We continued extending automation and integration



of financial processes in the KBC branch offices into SYPRO financial system which realized significant efficiency and accountability.

During the financial year, management was able to award staff a salary increment of 10% to appreciate, recognize their work effort, motivate them and reviewed upwards staff subsistence allowance in line with SRC rules. In the same direction, staff were also provided with monetary Christmas token and shopping vouchers in December 2018.

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.

**Dr. Naim Bilal**  
**Managing Director**

## CORPORATE GOVERNANCE STATEMENT

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

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

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

## CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

In 2018/2019, KBC Board approved the Corporate Communication and Corporate Social Responsibility (CSR) Policy to guide and enhance partnerships with our stakeholders through the delivery of services that are mutually beneficial to the Corporation and the society at large. While conducting our business in line with the expectations of diverse clientele, KBC also sees Corporate Social Responsibility as a discipline that helps to manage emerging and often unprecedented risks presented to us in a changing world.

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

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

## REPORT OF THE DIRECTORS

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

## 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, 2019. 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 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, 2019, 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.

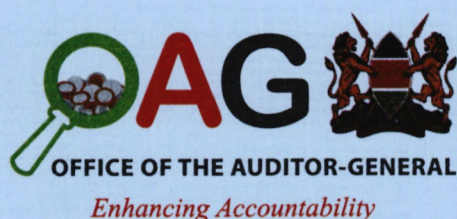
Nothing has come to the attention of the Directors to indicate that Kenya Broadcasting Corporation will not remain a going concern for at least the next twelve months from the date of this statement.

HON. DAVID WERE .....  
DIRECTOR OF THE BOARD

DR NAIM BILAL .....  
MANAGING DIRECTOR

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE, 2019**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Broadcasting Corporation (KBC) set out on pages 1 to 38, which comprise the statement of financial position as at 30 June, 2019, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended the statement of comparison of budget and actual amounts, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, the financial position of the Kenya Broadcasting Corporation as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and comply with the Kenya Broadcasting Corporation Act, Cap 221 of the Laws of Kenya and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

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

The statement of comprehensive income reflects a loss of Kshs.8,206,036,000 (2018 Loss Kshs.8,671,965,000) thereby increasing the cumulative losses to Kshs.74,629,056,000 as reflected in the statement of changes in equity. Further, the statement of financial position reflects current liabilities balance of Kshs.82,376,391,000 which significantly exceeds current assets balance of Kshs.3,961,202,000 resulting in a negative working capital of Kshs.78,415,189,000.

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

## **2. Unsupported Administration Costs**

As disclosed under Note 4(a) to the financial statements, the statement of financial performance reflects administration costs balance of Kshs.9,862,514,000. The balance includes programme production expenses amounting to Kshs.46,325,630.52 whose payment vouchers were not provided for audit review. The balance also includes insurance costs of Kshs.10,627,994 paid for renewal of contract for provision of insurance services. The cover of the motor vehicles and motor cycles was renewed at a cost of Kshs.2,813,984 and Kshs.7,814,010 for the fixed assets from 1 January, 2018 to 31 December, 2018. However, Management did not provide, for audit review, the assets' valuation report and the contract documents between the Corporation and the insurance company.

Further, the balance includes legal fees amounting to Kshs.41,083,000 whose payment vouchers were not provided, for audit review. Management had indicated that the payment vouchers were taken by officers from an investigative agency but no supporting record such as documents register or letter form the agency was produced to justify the claim.

Consequently, the accuracy, completeness and validity of amounting to Kshs.51,710,994 included under the administration costs balance of Kshs.9,862,514,000 in the statement of financial performance could not be confirmed.

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

As disclosed in Note 8 to the financial statements, the statement of financial position reflects property, plant and equipment balance of Kshs.16,330,395,000 which includes land valued at Kshs.12,857,874,000. However, a review of the information provided revealed the following unsatisfactory observations: -

### **3.1 Unsupported Land and Buildings**

The balance includes parcels of land valued at Kshs.5,712,992,000 which are only supported by letters of allotment. There is also un-surveyed and un-adjudicated land valued at Kshs.903,767,000 whose ownership documents were not provided for audit review. A parcel of land located at Voi Township and valued at Kshs.1,600,000 had been taken over by the Ministry of Mining and had already been developed while another parcel of land in Kajiado County differed in size with the letter of allotment indicating that the land measures 33.4 acres (13.53 hectares) while information provided indicated that the actual size on the ground is 124.8 acres valued at Kshs.2,700,000,000.

### **3.2 Encroachment of Land by Informal Settlers and Private Developers**

A parcel of land near Jamhuri Park measuring 100 acres was explained to have been occupied by informal settlers. The Ethics and Anti-Corruption Commission recovered and reallocated 29 acres to the Corporation. Management has not explained the status of the balance of 71 acres. Available information indicates that the Corporation's Sauti

House in Mombasa has a pending court case and part of its land was taken over by a commercial bank while another parcel of land in Nyali measuring approximately 22.8 hectares was encroached by informal settlers and a perimeter fence earlier erected at a cost of Kshs.3,512,700 demolished.

Although Management has made attempts at the Ministry of Lands and Physical Planning to have outstanding issues resolved, no positive progress was reported by the close of the financial year.

### **3.3 Land Without Title Deeds**

As previously reported, available information indicated that the Corporation owned twenty-five (25) parcels of land valued at Kshs.6,102,849,000 that were un-surveyed, un-adjudicated and whose ownership documents such as title deeds and certificates of lease were not provided for audit review. No evidence of any action being taken by the Management to obtain ownership documents of these parcels of land was provided for audit review. In addition, the balance of land of Kshs.12,857,874,001 excluded a parcel of land situated at Voi Township measuring 3.7 acres which the valuer could not locate during the time of valuation of assets in November, 2014.

### **3.4 Land with Disputes**

As reported in the previous year, available information indicated that ten (10) parcels of land measuring 211.59 acres and valued at Kshs.7,597,582,000, have had disputes for a long period of time. The position had not changed during the year under review.

### **3.5 Unsupported Transfer of Land**

As previously reported, a parcel of land measuring 2.19 acres valued at Kshs.1,431,000,000 and designated as a car park, was transferred to the Kenya Cultural Centre in October, 2016. However, Management has not explained the circumstances under which the land was transferred. The parcel of land had two (2) allotment letters and a survey plan all reflecting different sizes where the allotment letter dated 12 August, 1994 indicated the size of the land as 0.8861 hectares. The allotment letter dated 8 March, 2004 indicated the size as 0.8737 hectares while the survey plan indicated the size of the same parcel of land as 0.21 hectares.

Further, Management transferred four (4) parcels of land valued at Kshs.1,126,250,000 to Corporation staff pension fund in lieu of unremitted outstanding pension arrears totaling Kshs.208,774,000 as at 30 June, 2017. However, Management did not explain the variance of Kshs.917,476,000 between the land value and debt owed and why the land is still reflected in the Corporation records. Management did not also explain why unremitted pension liability still stood at Kshs.864,034,000 as at 30 June, 2019. Further, physical verification of transferred land measuring 1,234.26 acres indicated that more than two thirds of the land had been encroached by informal settlers and physical structures had been erected on the land.

In the circumstances, it has not been possible to confirm the existence, accuracy, ownership and validity of the value of land amounting to Kshs.12,857,874,000 in the financial statements.

#### **4. Trade and Other Receivables**

As disclosed in Note 11 to the financial statements, the statement of financial position reflects trade and other receivable of Kshs.3,820,951,000. The following observations were made: -

##### **4.1 Long Outstanding Trade Receivables**

The balance includes an amount of Kshs.1,572,722,000 that has been outstanding for more than one hundred and twenty (120) days with the bulk of these relating to more than eleven (11) years back. However, Management did not provide the policy document to determine the adequacy of provision of Kshs.543,480,000 made against the receivables to recognize the high probability of not recovering the debts. Management has not also explained the measures in place to collect these debts by way of demand letters, negotiations and legal action.

##### **4.2 Accuracy of the Trade Receivables**

Further, included in the balance is Kshs.726,859,000 which was paid by the National Treasury on behalf of the Corporation increasing the GOK loan principal from Kshs.12,930,057,000 to Kshs.13,656,916,000. Management did not explain why these amounts were recognized under receivables. Management also introduced an amount of Kshs.1,784,801,000 described as 'Treasury balance to Japanese loan' under the trade and other receivables. The balance has not been explained or supported by any fundamental records such as the ledger or the Trial Balance

##### **4.3 Unsupported Staff Receivables-Imprest**

In addition, the balance includes staff receivables - imprest balance of Kshs.12,898,000. However, the supporting schedule amounted to Kshs.8,781,526 resulting to unreconciled variance of Kshs.4,116,473.

Under the circumstances, the accuracy, completeness and validity of trade and other receivables balance of Kshs.3,820,951,000 reflected in the statement of financial position as at 30 June, 2019 could not be ascertained.

#### **5. Unsupported Cash and Bank Balances**

As disclosed in Note 12 to the financial statements, the statement of financial position reflects cash and bank balances totaling Kshs.35,330,000. The balance includes Kshs.30,344,000 in respect of balances held at a commercial bank. Examination of the bank reconciliation statement revealed payments in bank statement but not recorded in cashbook amounted to Kshs.34,173,836.10, out of which an amount of

Kshs.9,952,213.05 related to the period before December, 2018 while payments in cashbook but not recorded in bank statement amounted to Kshs.6,024,483 out of which an amount of Kshs.1,180,515 was for the period before December, 2018.

Further, receipts in bank statement not recorded in cashbook amounted to Kshs.3,899,488 out of which an amount of Kshs.1,778,383 related to the period before December, 2018 while receipts in cashbook but not recorded in bank statement amounted to Kshs.4,839,146 out of which an amount of Kshs.1,788,600 related to the period before December, 2018. The Management has not explain the reasons for failure to update the records to clear the long outstanding issues in the bank reconciliation statement through investigation on the cause of the delays and subsequently reversing the transactions which have been outstanding for over six months.

In the circumstances, the accuracy, completeness and validity of cash and bank balance of Kshs.35,329,000 reflected in the statement of financial position as at 30 June, 2019 could not be confirmed.

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

As disclosed in Note 15 to the financial statements, the statement of financial position reflects trade and other payables balance of Kshs.2,426,815,000. A review of the records revealed that the balance constitutes trade creditor balance of Kshs.458,102,000. However, examination of records revealed the following unsatisfactory matters: -

### **6.1 Pending Payment for Maintenance Services**

Included in trade creditors are unpaid payment vouchers amounting to Kshs.45,065,051 relating to a firm for provision of support and maintenance of equipment services under one care service level agreement. The contract was signed on 6 March, 2014 effective from 1 April, 2014 to 31 March, 2017 to run from 2014/2015 to 2017/2018. According to the contract documents, the annual service fees were payable in Euros at a rate of 165,455 Euros payable quarterly in advance for a period of three (3) years. The supplier was expected to invoice for the services provided on a quarterly basis. However, Management did not provide supporting documents in support of the invoiced amounts.

### **6.2 Delayed Wajir Site Solar Power Plant**

Further, the above balance includes a pending voucher dated 6 November, 2017 of Kshs 9,284,285 being 20% advance payment payable to a firm in respect to a contract for design, supply, installation, training and commissioning of solar power plant at Wajir site at a contract sum of Kshs.46,421,425.20. According to the contract signed on 31 July, 2017, the contractor was to execute and complete the works within a period of twenty-eight (28) weeks. However, at the time of audit exercise, the works had not commenced and the contract performance period had already expired. Management

did not explain why the contract had not been cancelled or why the amount was being treated as a liability for services that had been rendered by the contractor.

In view of the foregoing, it has not been possible to confirm the accuracy and validity of an amount of Kshs.458,102,000 included in the trade and other payable balance of Kshs.2,426,815,000 in the statement of financial position as at 30 June, 2019.

## **7. Unsupported Government of Kenya (GOK) Loan**

As disclosed under Note 16(a) and 16(b) to the financial statements, the statement of financial position reflects Government of Kenya loan, principal and interest, of Kshs.13,656,916,000 and Kshs. 66,251,289,00 respectively.

As previously reported, the Corporation undertook a radio MW modernization project under the Japanese loan guaranteed by the Government of Kenya amounting to Kshs.15,441,716,710 on 28 June, 1989. During the year under review, Kshs.726,859,000 was paid by the National Treasury on behalf of Corporation increasing the principal from Kshs.12,930,056,586 as at 30 June, 2018 to Kshs.13,656,916,000 as at 30 June, 2019. The financial statements reflect only the principal amount loan but the payment by The National Treasury to JICA includes principal and interest. However, Management has not disclose the outstanding principal amount and interest owed to the Japanese Government or whether The National Treasury has taken over the loan obligations.

Further, during the year under review, Kshs.7,883,875,000 was charged in respect of interest and reflected under administration costs in Note 4(a), resulting to cumulative interest charged of Kshs.66,251,289,000 as at 30 June, 2019 which is more than five (5) times the initial loan of Kshs.15,441,716,710. The National Treasury continue to charge the interest at the market rates based on the amount of loan repaid in complete disregard of 'In duplum rule', which provides, *inter alia*, that interest ceases to accumulate upon any amount of loan owing once the accrued interest equals the amount of loan advanced.

Under the circumstances, the accuracy, completeness and validity of the loan and interest balance of Kshs.13,656,916,000 and Kshs.66,251,289,000 respectively reflected in the statement of financial position as at 30 June, 2018 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 qualified 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.

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several qualifying matters were raised. However, the Management had not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12/(144) of 25 June, 2019.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Unsupported Borrowings**

The statement of financial position reflects borrowings from a commercial bank of Kshs.18,217,000. During the year under review, the Board at a meeting held on 29 November, 2018, approved Managements` request seeking insurance premium financing at a rate of 7.12% from the commercial bank for the sum of Kshs.40,790,640 repayable in twelve (12) monthly instalments to pay staff medical cover.

However, Management did not provide, for audit review, authority from the Cabinet Secretary approving the borrowing contrary to Section 51(2) the Public Finance Management Act, 2012 and Section 39 (2) of the Kenya Broadcasting Corporation Act, 1989.

Management is therefore in breach of the law.

#### **2. Unsupported Joint Venture**

Available information indicates that Management entered into a joint venture with a subsidiary of a broadcasting firm and signed an agreement on 3 June, 2013. It is noted

that the subsidiary has been using the Corporation's frequencies, infrastructure and equipment through a master co-location and infrastructure sharing arrangement. However, Management did not provide the joint venture agreement, assets sharing agreement and minutes of joint venture meetings for audit review.

Consequently, I am unable to confirm the effectiveness in the use of public resources in this arrangement.

### 3. Unremitted Statutory and Other Deductions

As reflected in Note 15 to the financial statements, the trade and other payables balance of Kshs.2,426,815,000 includes an amount of Kshs.1,962,048,000 in respect of statutory and other deductions as at 30 June, 2019 as detailed below: -

<b>Particulars</b>	<b>2019 Amount (Kshs.)</b>	<b>2018 Amount (Kshs.)</b>
Pension contributions	864,034,000	213,617,000
Statutory Deduction	338,279,000	155,634,000
Medical Cover deductions	0	158,246,000
Co-operative Liabilities	37,788,000	16,899,000
Insurance Premiums	712,000	1,715,000
SAYE	0	84,000
Other Deductions	8,150,000	10,797,000
Value added Tax (VAT)	705,908,000	152,005,000
National Hospital Insurance Fund, NHIF	7,177,000	5,731,000
<b>Total</b>	<b>1,962,048,000</b>	<b>714,728,000</b>

Management has not explained why the various amounts have not been remitted to the respective institutions. The unremitted amounts may attract fines and penalties in future. Further, the Corporation has not made provision in the financial statements for possible penalties.

The Management is therefore in breach of the law

### 4. Delay in Implementation of Projects

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects capital grants balance of Kshs.375,600,000, which includes Studio Mashinani Project amount of Kshs.54,000,000. This is in addition to a balance of Kshs.11,900,000 which was released to the Corporation for the construction of additional studios projects in the year 2017/2018 making total disbursement of Kshs.65,900,000. The funds had been budgeted for the construction of studios in Nakuru, Machakos, Voi, Eldoret and Nyeri. The Project, a key component of the Ministry of ICT flagship project – The Ajira Digital Programme, had experienced delays in its implementation and operationalization. For instance, an audit inspection

undertaken at Langata where two (2) studios were constructed in February, 2017, revealed that the completed studios were not being utilized for the intended purposes.

From the foregoing, value for money could not be ascertained.

#### **5. Unsustainable Staff Costs - Non-Compliance with the Law on Fiscal Responsibility - Wage Bill**

As reflected in Note 4(a) to the financial statements, the statements of receipts and payments reflects an expenditure of Kshs.1,291,375,000 on compensation of employees representing 107.3% of the total receipts of Kshs.1,203,675,000 and 64.3% of the total revenues of Kshs.2,008,190,000 realized during the year under review. This is contrary to the provisions of Regulation 26 of the Public Finance Management (National Governments) Regulations, 2015 — Fiscal responsibility principles, which limits the National Entity's expenditure on wages and benefits to not more than 35% of the total revenue for the year.

Management has not explained the measures being undertaken to streamline the staff costs so as to reduce the payroll costs to a sustainable level that commensurate with the revenue generated.

Consequently, Management is 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, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

##### **Basis for Conclusion**

##### **Loss on Acquisition of Television Rights**

During the year under review, the Corporation acquired Africa Cup of Nations (AFCON) 2019 Television broadcasting rights at Kshs.114,000,000 (EUR1,000,000). However, available information indicates that the Corporation realised a gross sales amounting

to Kshs.91,873,200 from broadcasting the matches out of which an amount of Kshs.12,672,180 was paid out to marketing staff as sales commission leaving a balance of Kshs.79,201,020 as net sales. The Corporation therefore incurred a financial loss of Kshs.34,798,980 as a result of the venture.

In the circumstances, I am unable to confirm existence of effective internal controls on revenue and expenditure and overall governance on project management.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and 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 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 financial reporting process, reviewing the effectiveness of how the Corporation monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to overall 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 control 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 control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion,

forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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 Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**30 September, 2021**

**STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2019

	NOTES	2018/2019	2017/2018
			Kshs'000'
<b>REVENUES</b>			
Sales	1	1,203,675	1,129,332
Grants from National Government	2	802,488	842,500
Other income	3	<u>2,027</u>	<u>3,832</u>
<b>TOTAL REVENUES</b>		<b><u>2,008,190</u></b>	<b><u>1,975,664</u></b>
<b>EXPENSES</b>			
Administration costs	4(a)	9,862,514	10,229,944
Directors emoluments	4(c)	16,610	4,706
Selling and distribution costs	5	79,332	142,217
Depreciation of property plant and equipment	6	<u>255,769</u>	<u>270,761</u>
<b>TOTAL OPERATING EXPENSES</b>		<b><u>10,214,226</u></b>	<b><u>10,647,065</u></b>
<b>OPERATING (LOSS)</b>		<b><u>(8,206,036)</u></b>	<b><u>(8,671,965)</u></b>

**STATEMENT OF FINANCIAL POSITION**

AS AT 30 JUNE 2019

**ASSETS**

**NON CURRENT ASSETS**

Property, Plant and Equipment

Investments

**Total Non-current Assets**

**CURRENT ASSETS**

Inventories

Trade and other Receivables

Cash and bank balances

**TOTAL CURRENT ASSETS**

**TOTAL ASSETS**

**EQUITY AND LIABILITIES**

**Capital and Reserves**

Ordinary Share capital

Revaluation reserve

Accumulated surplus / losses

**Total Capital and Reserves**

**CURRENT LIABILITIES**

Borrowings

Trade and other Payables

GOK Loan (principal)

GOK (Loan interest)

Bank Overdraft

**TOTAL CURRENT LIABILITIES**

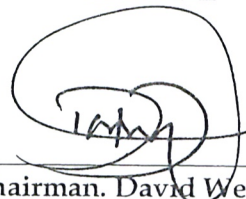
**TOTAL EQUITY AND LIABILITIES**

	NOTES	2018/2019 Kshs '000'	2017/2018 Kshs '000'
<b>NON CURRENT ASSETS</b>			
Property, Plant and Equipment	8	16,330,395	16,501,858
Investments	9	400	400
<b>Total Non-current Assets</b>		<u>16,330,795</u>	<u>16,502,258</u>
<b>CURRENT ASSETS</b>			
Inventories	10	104,921	64,730
Trade and other Receivables	11	3,820,951	1,830,558
Cash and bank balances	12	<u>35,330</u>	<u>67,288</u>
<b>TOTAL CURRENT ASSETS</b>		<u>3,961,202</u>	<u>1,962,576</u>
<b>TOTAL ASSETS</b>		<u>20,291,997</u>	<u>18,464,834</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
Ordinary Share capital	13	928,488	928,488
Revaluation reserve	14	11,616,174	11,616,174
Accumulated surplus / losses		<u>(74,629,056)</u>	<u>(66,423,020)</u>
<b>Total Capital and Reserves</b>		<u>(62,084,394)</u>	<u>(53,878,358)</u>
<b>CURRENT LIABILITIES</b>			
Borrowings		18,217	0
Trade and other Payables	15	2,426,815	1,039,787
GOK Loan (principal)	16(a)	13,656,916	12,930,057
GOK (Loan interest)	16(b)	66,251,289	58,372,672
Bank Overdraft	17	<u>23,155</u>	<u>676</u>
<b>TOTAL CURRENT LIABILITIES</b>		<u>82,376,391</u>	<u>72,343,193</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>20,291,997</u>	<u>18,464,835</u>

Signed:



Managing Director. Dr Naim Bilal



Chairman. David Were

Date \_\_\_\_\_

Date \_\_\_\_\_

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary Share Capital	Revaluation Reserve Kshs '000'	Accumulated surplus/Losses Kshs '000'	Totals Kshs "000"
30/06/2015	928,488	11,616,174	(41,735,114)	(29,190,452)
Loss for the year			<u>(8,404,156)</u>	<u>(8,404,156)</u>
30/06/2016	928,488	11,616,174	(50,139,270)	(37,594,608)
Loss for the year			(7,611,78)	(7,611,785)
30/06/2017	928,488	11,616,174	(57,751,055)	(45,206,393)
Loss for the year			(8,671,965)	(8,671,965)
30/06/2018	928,488	11,616,174	(66,423,020)	(53,878,358)
Loss for the year			(8,206,036)	(8,206,036)
30/06/2019	928,488	11,616,174	(74,629,056)	(62,084,394)

**STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 30 JUNE 2019

		2018/2019	2017/2018
		Kshs	Kshs '000'
<b>Receipt</b>			
Grant from national government	2	802,488	842,500
Sales of goods	1	1,203,675	1,129,332
Other income	3	<u>2,027</u>	<u>3,832</u>
		<b><u>2,008,190</u></b>	<b><u>1,975,664</u></b>
<b>Payments</b>			
Compensation of employees		1,037,680	940,317
Payments of goods and services		<u>957,638</u>	<u>976,330</u>
		<b><u>1,995,318</u></b>	<b><u>1,916,647</u></b>
<b>Net cash flow from operating activities</b>		<b><u>12,872</u></b>	<b><u>59,017</u></b>
<b>Cash flows from investing activities</b>			
Purchase of property plant and equipment		(84,305)	(31,026)
Dividends		0	0
Exchange gain		<u>0</u>	
<b>Net Cash flow used in investing activities</b>		<b><u>84,305</u></b>	<b><u>31,026</u></b>
<b>Cash flow from financing activities</b>			
Proceeds from borrowings		767,649	738,585
Repayment of borrowings		(750,653)	(738,585)
<b>Net increase /decrease in cash and cash equivalent</b>		<b>(54,437)</b>	<b>27,991</b>
Cash and cash equivalent as at 1 <sup>st</sup> July 2017		66,612	38,621
<b>Cash and cash equivalent as at 30 June 2018</b>		<b>12,175</b>	<b>66,612</b>

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

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

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
	2018/2019	2018/2019	2018/2019	2018/2019	2018/2019
	KSH(000)	KSH(000)	KSH(000)	KSH(000)	KSH(000)
<b><u>SALES</u></b>					
Advertising radio	638,000	0	638,000	350,431	(287,569)
Advertising Television	466,400	0	466,400	242,627	(223,773)
Casual and funeral	4,953	0	4,953	2,018	(2,935)
Technical services	579,700	0	579,700	608,599	28,891
Other income	11,751	0	11,751	2,027	(9,724)
	<b>1,700,804</b>		<b>1,700,804</b>	<b>1,205,702</b>	
<b>OTHER INCOME</b>					
Dividend income	64,000	0	64,000	0	(64,000)

<b>GRANT FROM NATIONAL GOVERNMENT</b>					
Current grants	1,170,000	0	1,170,000	426,888	(743,112)
Capital grants	364,000	0	364,000	375,600	11,600
<b>Total Income</b>	<b>1,534,000</b>	<b>0</b>	<b>1,534,000</b>	<b>802,488</b>	<b>(731,512)</b>
<b><u>ADMINISTRATION COSTS</u></b>					
Directors emoluments	25,000	0	25,000	16,610	(8,390)
Electricity and water	200,000	0	200,000	132,152	(67,848)
Communication services and supplies	14,500	0	14,500	12,667	(1,833)
Transport, travelling and subsistence	81,452	0	81,452	28,495	(52,957)
printing, stationery and photocopying	6,950	0	6,950	7,097	147
Rent expenses	64,000	0	64,000	86	(63,914)
Staff training expenses	10,000	0	10,000	265	(9,735)
Insurance costs	21,000	0	21,000	11,224	(9,776)

Bank charges and commissions	3,500	0	3,500	7,883,875	7,880,375
Office and general supplies and services	14,900	0	14,900	12,276	(2,624)
Auditors remuneration	580	0	580	580	0
Legal fees	100,000	0	100,000	41,082	(58,918)
Consultancy fees	0	0	0	0	0
Repairs and maintenance	90,000	0	90,000	54,045	(35,955)
Provision for bad and doubtful debts	30,000	0	30,000	38,492	8,492
Program telephone lines	180,000	0	180,000	110,228	(69,772)
Program production expenses	245,000	0	245,000	236,824	(8,176)
Other operating expenses (official ent)	10,000	0	10,000	1,746	(8,254)
Salaries and allowances of permanent employees	1,303,047	0	1,303,047	1,129,626	(173,421)
Wages of temporary employees	75,000	0	75,000	61,472	(13,528)
Pension contributions	85,000	0	85,000	97,295	12,295

Staff welfare	10,000	0	10,000	2,983	(7,017)
Marketing and promotional expenses	153,000	0	153,000	16,616	(136,384)
Sales commission	110,000	0	110,000	58,511	(51,489)
Other selling and distribution costs(news prdn)	20,000	0	20,000	4,205	(15,795)
Depreciation	310,000	0	310,000	255,769	(54,231)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**iii. Revenue Recognition**

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**iv. In-Kind Contributions**

In-kind contributions are donations that are made to KBC in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-

kind contributions can be reliably determined, the entity includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

**v. Property, Plant and Equipment**

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)

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

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

**a. Basis of preparation**

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

**b. Depreciation**

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

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

**c. Intangible assets**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**e. Investment property**

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

**f. Finance and operating Leases**

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**h. Quoted investments**

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

**i. Unquoted investments**

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

**j. Inventories**

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

**k. Trade And Other Receivables**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**l. Taxation**

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

**m. Cash and Cash Equivalents**

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

**n. Borrowings**

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

**vii. Trade And Other Payables**

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

**viii. Retirement Benefits Obligations**

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

**ix. Provision for staff leaves pay**

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

**x. Exchange rate differences**

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

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

**xi. Comparative Figures**

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

**xii. Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June, 30<sup>th</sup> 2019.

**xiii. Financial risk management**

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

**(a) Credit risk**

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

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

As at 30/06/2019	Current	30days	90days	Over 90 days	Total
Trade and other payables	13,600,909	15,435,963	136,498,905	287,617,971	453,153,747

As at 30/06/2019	Current	30days	90days	Over 90 days	Total
Trade and other receivables	113,620,037	54,810,131	49,695,054	1,587,167,243	1,805,292,464

#### Management of receivables

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**(b) Liquidity risk**

Liquidity risk is the risk that the Corporation will not have sufficient financial resources to meet its obligations when they fall due, or will have to do so at excessive cost. This risk can arise from mismatches in the timing of cash flows from revenue and capital and operational outflows.

The objective of the Corporation's liquidity management is to ensure that all foreseeable operational, capital expansion and loan commitment expenditure can be met under both normal and stressed conditions. The Corporation has adopted an overall balance sheet approach, which consolidates all sources and uses of liquidity, while aiming to maintain a balance between liquidity, profitability and interest rate considerations. The Corporation's liquidity management process includes:

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

**Management of liquidity risk**

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

**(c) Market risk**

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

**(i) Currency risk**

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

**(ii) Commodity or price risk**

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

**Management of commodity risk**

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

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019  
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

**(iii) Interest rate risk**

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

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

**Management of interest rate risk**

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

**NOTES TO THE FINANCIAL STATEMENTS**

	2018/2019 Ksh '000'	2017/2018 Ksh '000'
<b>1. SALES</b>		
Gross sales of services	1,203,675	1,129,332
<b>2. GRANTS FROM NATIONAL GOVERNMENT</b>		
Current grants received	426,888	574,000
Capital	<u>375,600</u>	<u>268,500</u>
	<b><u>802,488</u></b>	<b><u>842,500</u></b>
<b>3. Other income</b>		
Dividend income	0	
Miscellaneous income	1,618	3,607
Parking fees	264	225
Interest income	<u>145</u>	
<b>Total</b>	<b><u>2,027</u></b>	<b><u>3,832</u></b>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018/2019	2017/2018
	Kshs '000'	Kshs '000'
<b>4(a) ADMINISTRATION COSTS</b>		
Staff Cost (note 4,b)	1,291,375	1,334,475
Electricity and water	132,152	141,994
Communication services and supplies	12,667	13,041
Transport, travelling and subsistence	28,495	68,900
printing, stationery and photocopying	7,097	7,575
Rent expenses	86	208
Staff training expenses	265	2,464
Insurance costs	11,224	6,821
Bank charges and interest	7,883,875	8,258,565
Office and general supplies and services	12,276	14,962
Auditors remuneration	580	580
Legal fees	41,083	53,283
Repairs and maintenance	54,045	54,126
Provision for doubtful debts	38,492	33,034
Program telephone lines	110,228	189,662
Program production expenses	236,824	41,032
Other operating expenses	1,746	9,222
	<u>9,862,514</u>	<u>10,229,944</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2018/2019	2017/2018
	Kshs '000'	Kshs '000'
<b>4 (b) STAFF COST</b>		
Salaries and allowances of permanent employees	964,184	940,317
Salaries of long term contracted staff	84,233	102,838
Wages of temporary employees	61,472	92,952
Pension contributions	97,295	95,518
Gratuity	13,223	16,513
Staff welfare	2,983	3,698
Staff medical insurance	<u>67,984</u>	<u>82,639</u>
<b>TOTAL</b>	<b><u>1,291,375</u></b>	<b><u>1,334,475</u></b>
<b>4 (c) Directors Emolument</b>		
Sitting allowance	5,552	2,046
Transport	1,151	1,070
Accommodation	5,362	920
Honorarium	3,831	450
Others	<u>713.7</u>	<u>220</u>
<b>Total</b>	<b><u>16,610</u></b>	<b><u>4,706</u></b>
<b>5. SELLING AND DISTRIBUTION COSTS</b>		
Marketing and promotional expenses	16,616	53,471
Sales commission	58,511	82,257
Other selling and distribution costs(news prdn)	<u>4,205</u>	<u>6,489</u>
	<b><u>79,332</u></b>	<b><u>142,217</u></b>
<b>6. DEPRECIATION(8)</b>	<b>255,769</b>	<b>270,761</b>

KENYA BROADCASTING CORPORATION

PROPERTY PLANT AND EQUIPMENT SCHEDULE FOR THE YEAR 2018/2019

COST/VALUATION	LAND	BUILDINGS	PLANT & EQUIPMENT	TRANSMITTER EQUIPMENT	STUDIO EQUIPMENT	OB EQUIPMENT	PORTABLE EQUIPMENT	PROGRAM LINKS	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	TOTAL ALALS
At July 1,2016	12,857,874,001	943,714,372	1,974,532,856	1,340,553,419	115,522,962	24,912,498	4,299,408	41,609,550	24,297,274	170,404,000	13,729,434	35,074,223	17,546,523,998
ADDITIONS		3,512,700		16,776,560	78,652,226	4,870,790			3,763,172		2,230,720	11,492,758	121,298,926
As at 30 June 2017	12,857,874,001	947,227,072	1,974,532,856	1,357,329,979	194,175,189	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	15,960,154	46,566,981	17,667,822,923
DEPRECIATION													
as at 1 July 2016	-	36,784,121	225,582,481	174,022,207	17,832,908	4,723,352	770,368	4,843,352	5,486,967	146,732,000	2,954,025	14,892,218	634,623,998
charge for the year	-	18,208,859	113,681,774	118,330,777	17,634,228	2,505,994	352,904	2,205,972	2,821,685	4,734,400	1,625,766	9,502,429	291,604,788
as at June 30 2017	-	54,992,980	339,264,255	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
As at 30 June 2018	12,857,874,001	947,227,072	1,974,532,856	1,375,929,980	194,932,499	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	17,142,553	57,052,942	17,698,848,593
	12,857,874,001	892,234,092	1,635,268,601	1,083,576,995	159,465,362	22,553,942	3,176,136	34,560,226	19,751,794	18,937,600	12,562,762	32,658,295	16,772,619,806
At July 2018	12,857,874,001	947,227,072	1,974,532,856	1,375,929,980	194,932,499	29,783,288	4,299,408	41,609,550	28,060,446	170,404,000	17,142,553	57,052,942	17,698,848,593
ADDITIONS		2,873,284	7,589,727	2,880,885	62,258,672				1,219,776		707,409	6,775,068	84,304,822
	12,857,874,001	950,100,356	1,982,122,583	1,378,810,865	257,191,171	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,963	63,828,010	17,783,153,415
DEPRECIATION													
as at 1 July 2017	-	54,992,980	339,264,255	292,352,984	35,467,136	7,229,346	1,123,272	7,049,324	8,308,652	151,466,400	4,579,791	24,394,647	926,228,786
charge for the year	-	17,844,682	106,292,459	108,357,700	16,114,717	2,255,394	317,614	2,073,614	2,468,974	3,787,520	1,451,233	9,797,488	270,761,394

as at june 30 2018	-	72,837,662	445,556,714	400,710,684	51,581,853	9,484,740	1,440,885	9,122,937	10,777,626	155,253,920	6,031,024	34,192,136	1,196,990,181
Depreciation as at July 2018		72,837,662	445,556,714	400,710,684	51,581,853	9,484,740	1,440,885	9,122,937	10,777,626	155,253,920	6,031,024	34,192,136	1,196,990,181
Charge for the year		17,545,254	99,876,781	97,810,018	20,560,932	2,029,855	285,852	1,949,197	2,312,824	3,030,016	1,477,367	8,890,762	255,768,859
Total deprn as at June 2019		90,382,916	545,433,496	498,520,702	72,142,785	11,514,594	1,726,738	11,072,134	13,090,451	158,283,936	7,508,391	43,082,898	1,452,759,040
Net Book Value As At june 30,2019	12,857,874,001	859,717,440	1,436,689,087	800,290,163	185,048,386	18,268,693	2,572,670	30,537,416	16,189,771	12,120,064	10,341,571	20,745,112	16,330,394,375
Net Book Value As At june 30,2018	12,857,874,001	874,389,410	1,528,976,142	975,219,296	143,350,645	20,298,548	2,858,522	32,486,613	17,282,820	15,150,080	11,111,529	22,860,806	16,501,858,412
Additions		2,873,284	7,589,727	2,880,885	62,258,672				1,219,776		707,409	6,775,068	84,304,822
	12,857,874,001	877,262,694	1,536,565,869	978,100,181	205,609,318	20,298,548	2,858,522	32,486,613	18,502,595	15,150,080	11,818,939	29,635,875	16,586,163,234

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**9. INVESTMENTS**

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

<b>10. INVENTORIES</b>	<b>2018/2019</b>	<b>2017/2018</b>
	<b>Kshs'000'</b>	<b>Kshs'000'</b>
Engineering Stores	90,602	57,497
Fuel, Oil, And Lubricants	7,994	4,186
Stationery And General Stores	<u>6,325</u>	<u>3,047</u>
	<b><u>104,921</u></b>	<b><u>64,730</u></b>
<b>11(a) TRADE AND OTHER RECEIVABLES</b>		
Trade Receivables	1,805,292	1,563,106
Provision for Bad and Doubtful Debts	<u>(543,480)</u>	<u>(504,988)</u>
Net receivables	1,261,812	1,058,118
Staff Receivables	12,898	14,855
Other Receivables	17,586	19,000
<b>Treasury borrowing</b>	<b>726,859</b>	<b>738,585</b>
<b>Treasury balance to Japanese loan</b>	<b>1,784,801</b>	
<b>NHIF pre- payment</b>	<b>16,996</b>	
<b>Net Trade and Other Receivables</b>	<b>3,820,951</b>	<b>1,830,558</b>
<b>11(b) Provision for doubtful debts</b>		
Opening balance	504,988	471,954
provision for the year	<u>38,492</u>	<u>33,034</u>
	<b><u>543,480</u></b>	<b><u>504,988</u></b>

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11(c) **AGEING ANALYSIS**

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

	2018/2019 Kshs'000'	2017/2018 Kshs'000'
Less than 30 days	168,430	107,595
Between 30 and 60 days	13,492	30,507
Between 61 and 90 days	36,203	14,986
Between 91 and 120 days	14,444	10,552
Over 120 days	1,572,722	1,399,465
	<u>1,805,292</u>	<u>1,563,106</u>

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2019  
NOTES TO THE FINANCIAL STATEMENTS (Continued)

**12. BANK AND CASH BALANCES**

	2018/2019 Kshs'000'	2017/2018 Kshs'000'
Citibank (Main) - 0300079001	0	52,481
Citibank medical 300079019	481.6	0
CBA ksh -6626480019	1,349.3	3,614
KCB Nairobi - 1107167418	30,344	5,966
Citibank car loan - 300079027	2,452	933
CBA dollar - 6626480024	83.8	0
KCB Bungoma - 1106224418	7.3	10
KCB Eldoret - 1102542407	0.5	34
KCB Garissa - 1108088538	1	1
KCB Kakamega - 1101936878	0	0
KCB Kisumu - 1104026481	1.2	2
KCB Kitale - 1105198405	0.9	1
KCB Malindi - 1108002897	1.7	2
KCB Maralal - 1104413671	1.1	1
KCB Marsabit - 1102656488	1.66	43
KCB Mombasa - 1101516593	0.9	1
KCB Voi - 1108158544	1	2
KCB Wajir - 1105246949	-	2
KCB Kisii - 1101878681	-	0
KCB Meru - 1103310380	-	0
KCB Nyeri - 1108497993	-	0
Cash at Hand	<u>601.3</u>	<u>4,193</u>
<b>TOTAL</b>	<b><u>35,329</u></b>	<b><u>67,288</u></b>

**13. SHARE CAPITAL**

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

**14. REVALUATION RESERVE**

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

15. TRADE AND OTHER PAYABLES	2018/2019	2017/2018
	Kshs'000'	Kshs'000'
Trade creditors	458,102	325,059
Vat	705,908	152,005
Statutory Deduction	338,279	155,634
Medical	0	158,246
Insurance	712	1,715
Pension	864,034	213,617
Coop liabilities	37,788	16,899
S.A.Y.E	0	84
NHIF	7,177	5,731
Other deductions	8,150	10,797
Unpaid commission	<u>6,664</u>	<u>0</u>
	<b><u>2,426,815</u></b>	<b><u>1,039,787</u></b>

**19 CONTINGENT LIABILITIES**  
**CONTINGENT LIABILITY IN RESPECT OF KBC HIGH VALUE COURT**  
**CASES AS AT 30<sup>TH</sup> JUNE, 2019**

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

UNIT	NATURE OF THE MATTER	SUBSTANTIVE ISSUES INVOLVED	CONTINGENT LIABILITY	STATUS UPDATE ON THE MATTER
1.	HCCC 323 of 2010 KBC v Municipal Council of Mombasa	The Corporation sued the defendants after learning that they were claiming ownership of KBC land	Kshs.1,000,000,000	Pending
2.	HCCC No. 734 of 2013 KBC v Komarock Ranching and Farming Cooperative Society Limited and Komarock Ranching Company Limited	The Corporation sued the defendants upon learning that they were encroaching on KBC land at Komarock	kshs 1,820,000,000	Pending
3.	Civil Suit No. 398 of 2012 KBC v City Council of Nairobi (KBC BH)	The Corporation moved to court to seek protection against the City Council of Nairobi against interfering with its daily operations	kshs.254,949,913	Pending
4.	City Court Civil Suit No. 110 of 2003 City Council of Nairobi v KBC(Norfolk Plot)	The Council sued the Corporation for non payment of land rates	Kshs.227,936,759	Pending
5.	HCCC No. 27 of 2006 Housing Finance Company of Kenya V KBC	The company sued the Corporation claiming ownership of the suit property. The Corporation filed a Counter Claim over the ownership as it has a valid title.	Kshs.313,250,000	Pending

6.	LONDON- in the matter of arbitration under the Arbitration Act 1996 and the Arbitration Rules of the London Court of International Arbitration between Channel 2 Group Corporation and Kenya Broadcasting Corporation	The suit revolves upon a termination of contract between KBC and Channel 2 Group Corporation	\$2.4 billion dollar claim	pending
7.	HCCC No. 686 of 2009 Optima Sports Management International(UK) Limited Versus KBC and HCCC No. 687- Optima Sports Management International( Nigeria) Limited versus Kenya Broadcasting Corporation	The Corporation entered into an agreement in 2008 with the parties to acquire exclusive rights in certain football matches to be played in the Primera Division La Liga and the Copa Del Ray during the 2008/2009 Spanish football season	120,000 Euros claim	Pending
8.	Misc Civil Application No. 84 Of 2015 Mwangi Chege And Company Advocates Versus Kenya Broadcasting Corporation	taxation	Kshs.100,000,000.00	Pending
9.	Hccc No.210 Of 2014 Hon.Joseph Kahangara Versus Kenya Broadcasting Corporation	Defamation	Kshs 7,000,000	Pending
10.	Rev.Benedict Kiambi Gitonga Versus Kenya Broadcasting Corporation	defamation	Kshs 7,000,000	Pending
11.	Cause No.2521 Of 2016 Julius Kimathi Mwangi Versus Kenya Broadcasting Corporation	dismissal	Kshs.15,165,249	Pending

12.	Civil Appeal Number 114 Of 2016 Al Hajj Omar Masumbuko Versus Kenya Broadcasting Corporation	defamation	Kshs.7,000,000	Pending
13.	Cause No. 103 Of 2011 Lempaa Vincent Suyianka Versus Kenya Broadcasting Corporation	The Plaintiff was dismissed from service	Kshs.1,877,264.50	Pending
14.	Cmcc No .4473 Of 2013 William Kimutayi B. Keitany Versus Kbc And 3 Others	defamation	Kshs,7,000,000	Pending
15.	Hccc No.322 Of 2015 Performers Rights Society And Another Versus Kenya Broadcasting Corporation	Collection and payment of royalties	Kshs.52,272,000	pending
16.	Hccc No.73 Of 2015 Ilmisiyoi Group Ranch Versus Kenya Broadcasting Corporation And &Others	Land matters	Kshs.5,600,000	Pending
17.	Hccc No 63 of 2008 Martha Wambui versus Kenya broadcasting corporation	Defamation	Kshs 7,000,000	Pending
18.	Nairobi Hccc No. 819 Of 2007 Joseph Kigunda Versus Kenya Broadcasting Corporation	Defamation	Kshs 7,000,000	pending
19.	Hccc Number 87 Of 2011 Hon Musikari Kombo Versus Kenya Broadcasting Corporation	defamation	Kshs 7,000,000	Settled but payment being remitted by monthly installments
20.	Hccc Number 86 Of 2011	Defamation	Kshs 7,000,000	Settled but payment being remitted by monthly installments

	Dorcas Florence Kombo Versus Kenya Broadcasting Corporation			
21.	Nairobi Hccc No 719 Of 2006 Charles Kasisi And 10 Others Versus Kenya Broadcasting Corporation	Dismissal	Kshs 128,500,000	pending
22.	Nairobi Hccc No. 1018 Of 2006 John Ng'ang'a Kuria Versus Kenya Broadcasting Corporation	dismissal	Kshs.73,719,706.60	Pending
23.	Nairobi Hccc No. 833 Of 2007 Halkano Molu Versus Kenya Broadcasting Corporation	Dismissal	Kshs 7,000,000	pending
24.	Hccc No. 119 Of 2015 Joseph Karisa Mwarandu Versus Kenya Broadcasting Corporation	Defamation	KSHS 7,000,000	Pending
25.	MUMIAS CMC NO.59 OF 2019 GLADYS CHIRANDE - V- KENYA BROADCASTING CORPORATION	Defamation	KSHS 7,000,000	Pending
26.	CIVIL APPEAL NO.352 OF 2017 KENYA BROADCASTING CORPORATION VERSUS GEOFREY MWAKIO ARISING FROM ELRC NO 565 OF 2012	dismissal	KSHS 7,000,000	Pending
27.	Cmcc no. 9601 of 2018 Lavington security limited versus Kenya broadcasting corporation	Breach of contract	Kshs 5,000,000	pending
28.	Hccc no.525 of 2013 Kibwana mudegu onguso versus Kenya broadcasting corporation	Breach of contract	Kshs 7,200,000	pending

29.	Cmc no.212 of 2019 Kenya broadcasting corporation versus versus osienala(friends of lake victoria	Breach of contract	Kshs 7,000,000	pending
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