

REPUBLIC OF KENYA



KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS
OF KENYA BROADCASTING CORPORATION**

**FOR THE YEAR ENDED
30 JUNE 2013**

PARLIAMENT
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*Paper laid
By the leader of Majority
on Thurs 5/6/14*



**FINANCIAL STATEMENTS FOR THE
PERIOD ENDING
30 JUNE 2013**

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CORPORATE INFORMATION

VISION STATEMENT

To be a world class broadcasting organization with high quality programming and state of art technology.

MISSION STATEMENT

To transmit high quality broadcast throughout the country carefully and systematically tailored to serve the interest of the public.

CORE VALUES

- (i) Integrity
- (ii) Customer oriented
- (iii) Service excellence
- (iv) Creativity and innovation
- (v) Efficiency and effectiveness
- (vi) Professionalism
- (vii) Social responsibility
- (viii) Sustainable development
- (ix) Uphold human rights issues

LEGAL FORM

Kenya Broadcasting Corporation (KBC) is a state corporation incorporated by an Act of parliament Cap 221 of the laws of Kenya of 1989. With a mandate to educate, inform and entertain the Kenyan public.

BOARD OF DIRECTORS - KBC

1. Mr. Charles Muoki - Chairman, Board of Directors;
2. Mr. Charles Mwihi - Director;
3. Mr. Ben Gituku - Director;
4. Mrs. Dborah Chepkisich - Director;
5. Rev. Symon Lanyayo - Director;
6. Ms. Miriam Kahiga - Director,
7. Mr. Ezekiel Mutua - Alternate to Permanent Secretary,
Ministry of Information and
Communications, Member;
8. Mr. Mohammed Jabane - Alternate to Permanent Secretary,
Secretary to the Cabinet and Head of
the Public Service, Member;
9. Mr. Maina Kigaga - Alternate to Permanent Secretary,
Ministry of Finance, Treasury, Member;

Kenya



MANAGEMENT STAFF

- | | |
|----------------------|------------------------------------|
| 1. Waithaka Waihenya | - Chief Executive Officer |
| 2. Paul Jilani | - Corporation Secretary |
| 3. Isinta Momanyi | - Finance & Administration Manager |
| 4. Florence Migunde | - Marketing Manager |
| 5. Ngulamu Mwaviro | - Ag. Editor-In-Chief |
| 6. Samuel Otieno | - Manager, Technical Services |
| 7. Monica Waceke | - Television Programmes Manager |
| 8. Henry Makokha | - Radio Programmes Manager |
| 9. Nicholas Siwatom | - Human Resource Manager |
| 10. Ayub Imbira | - Information Technology Manager |

REGISTERED OFFICES

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

BANKERS

Citi Bank
Upper Hill Branch
A/c No. 300079001

AUDITORS

Auditor-General
Anniversary Towers
P.O. 30084-00100
Nairobi

The Corporation's Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of the financial affairs of the Corporation as at the end of the financial year and its operating results for that period.

It also requires the directors to ensure the Corporation keeps proper accounting records that disclose with reasonable accuracy the financial position of the Corporation.

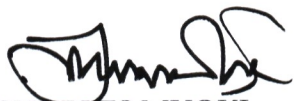
They are also responsible for safeguarding the assets of the Corporation and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the annual financial statements and in preparing those financial statements, they are required to:

- (i) Select suitable accounting policies and then apply them consistently;
- (ii) Make judgments and estimates that are reasonable and prudent;
- (iii) Ensure conformity with the international accounting standards;
- (iv) Ensure conformity with the international financial reporting standards;
- (v) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Authority will continue in operation.

The directors are of the opinion that the financial statements give a true and fair view of the financial affairs of the Corporation and its operating results. They further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the financial statements as well as adequate systems of internal operation.

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



CHARLES MUOKI
CHAIRMAN



WAITHAKA WAIHENYA
MANAGING DIRECTOR

REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE 2013

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Broadcasting Corporation set out on pages 7 to 21, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such 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.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Basis for Qualified Opinion

1. Going Concern

As in the previous year, the Corporation recorded a deficit of Kshs.4,210,424,547 (2012 – deficit of Kshs.3,417,224,974) raising the cumulative losses to Kshs.31,253,766,173. Further, the statement of financial position reflects a negative working capital of Kshs.34,850,934,791 and a negative net worth of Kshs.28,595,586,706. In addition and as similarly reported in 2011/2012, the Corporation was unable during the year to service a Government of Kenya loan of Kshs. 9,291,634,284 which has accrued interest of Kshs. 23,052,726,705 as at 30 June 2013. Although management has explained that there are on-going negotiations with the Government to convert Government of Kenya Loan into equity, its not certain when the process will be completed.

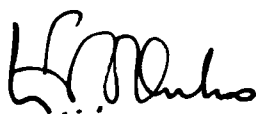
The Corporation is therefore technically insolvent and its continued existence as a going concern is dependent upon the financial support of the Government and creditors.

2. Property, Plant and Equipment

In July 2000, and as previously reported in 2011/2012, the Corporation made an arrangement with Kenya Electricity Generating Company Ltd (KenGen) whereby the Corporation loaned KenGen five (5) generators which were subsequently installed at Jomo Kenyatta University and University of Nairobi under an Emergency power supply project. The generators which had an estimated value of Kshs.29 million are part of the Corporation's portfolio of assets. However, and as observed in the previous year (2011/2012), no compensation for use of generators appears to have been paid to the Corporation during the year under review and no explanation has been provided for the anomaly.

Qualified Opinion

In my opinion, except for the possible effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Kenya Broadcasting Act, Cap 221 of the Laws of Kenya.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

12 May 2014

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

<u>ASSETS</u>	<u>Notes</u>	<u>2012/2013</u> <u>Ksh.</u>	<u>2011/2012</u> <u>Ksh.</u>
<u>NON-CURRENT ASSETS</u>			
Property, plant and Equipment	19	6,254,948,085	5,365,882,082
Investment	3	<u>400,000</u>	<u>400,000</u>
		<u>6,255,348,085</u>	<u>5,366,282,082</u>
<u>CURRENT ASSETS</u>			
Inventories	4	121,320,569	111,865,803
Account Receivables	5	1,125,714,256	930,541,134
Cash & Cash equivalent	6	<u>82,598,283</u>	<u>77,906,156</u>
		<u>1,329,633,108</u>	<u>1,120,313,093</u>
TOTAL ASSETS		<u>7,584,981,193</u>	<u>6,486,595,175</u>
<u>EQUITY & LIABILITIES</u>			
Share Capital		928,487,590	928,487,590
Revaluation reserve		1,729,691,877	1,729,691,877
Reserves	7	<u>(31,253,766,173)</u>	<u>(27,043,355,600)</u>
		<u>(28,595,586,706)</u>	<u>(24,385,176,133)</u>
<u>NON-CURRENT LIABILITIES</u>			
OECF(Japan) Loan	9	1,147,945,662	2,010,116,553
<u>CURRENT LIABILITIES</u>			
GOK Loan(Principal)	8(a)	9,291,634,284	8,429,463,394
GOK Loan(Interest)	8(b)	23,052,726,705	18,485,292,611
Trade payables	10	2,685,596,859	1,911,949,903
Overdraft	11	<u>2,664,389</u>	<u>34,948,847</u>
		<u>36,180,567,899</u>	<u>28,861,654,755</u>
TOTAL EQUITY & LIABILITIES		<u>7,584,981,193</u>	<u>6,486,595,175</u>

MR. CHARLES MUOKI.....


CHAIRMAN

DATE31.1.2014.....

MR. WAIHAKA WAIHENYA
MANAGING DIRECTOR

DATE.....31.1.2014.....

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013**

<u>INCOME</u>	<u>NOTES</u>	<u>2012/2013 KSHS</u>	<u>2011/2012 KSHS</u>
Revenue	12	1,098,384,229	918,952,279
Miscellaneous income	13(a)	9,890,346	15,101,903
Dividend income	1(n)	112,000,000	84,000,000
Government grant	14	1,015,228,000	631,704,000
Interest on deposits	13(b)	<u>244,772</u>	<u>26,912,757</u>
Total gross income		2,235,747,348	1,676,670,939
EXPENDITURE			
Board expenses	2	6,468,839	9,957,900
Personnel emolument	2	822,287,269	665,043,509
Operating expenses	16	684,827,282	780,030,276
Financial charges	15	4,570,651,896	3,384,444,553
Depreciation	19	321,718,221	226,989,620
Provision for obsolete stocks		12,213,818	
Bad debts provision	5	<u>28,004,570</u>	<u>27,430,055</u>
TOTAL EXPENDITURE		<u>6,446,171,895</u>	<u>5,093,895,913</u>
Surplus/Deficit		<u>(4,210,424,547)</u>	<u>(3,417,224,974)</u>

**STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 30 JUNE 2013**

	<u>Share capital</u>	<u>Revaluation Reserve</u>	<u>Accumulated losses</u>	<u>Totals</u>
	<u>KSHS</u>		<u>KSHS</u>	<u>KSHS</u>
1/7/2011	928,487,590	1,729,691,877	(23,626,321,254)	(20,968,141,787)
Prior year adjustment			190,630	190,630
Loss for the year			(3,417,224,974)	(3,417,224,974)
30/06/2012	928,487,590	1,729,691,877	(27,043,355,600)	(24,385,176,133)
1/7/2012	928,487,590	1,729,691,877	(27,043,355,600)	(24,385,176,133)
Prior year adjustment			13,973	13,973
Loss for the year			(4,210,424,547)	(4,210,424,547)
30/06/2013	928,487,590	1,729,691,877	(31,253,766,173)	(28,595,586,706)

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013**

<u>Cash flow from operating activities</u>	2012/2013 <u>KSHS</u>	2011/2012 <u>KSHS</u>
Loss for the year	(4,210,424,547)	(3,417,224,974)
Adjustments for:		
Interest	(244,772)	(26,912,757)
Dividend	(112,000,000)	(84,000,000)
Depreciation	321,718,221	226,989,620
Foreign exchange gain	(397,876)	(17,232,691)
Provision for stocks	12,213,818	
Provision for bad debts	<u>28,004,570</u>	<u>27,430,055</u>
Interest on GOK Loan	4,567,434,094	3,381,487,052
Operating Gain/loss before working capital changes	607,588,805	90,536,305
Increase/Decrease in debtors	(190,960,950)	(100,671,198)
Increase/decrease in stocks	(9,454,766)	(42,119,632)
Increase in creditors	738,698,110	477,419,536
	<u>538,282,394</u>	<u>425,165,011</u>
<u>Net cash flow from operating activities</u>	1,145,871,198	479,164,916
<u>Cash flow from investing activities</u>		
Purchase of fixed assets	(1,210,784,225)	(902,357,774)
Dividends	112,000,000	84,000,000
Interest	244,772	26,912,757
Foreign exchange gain	<u>397,876</u>	<u>17,232,691</u>
<u>Net Cash flow from investing activities</u>	(1,098,141,477)	(774,212,326)
<u>Cash flow from financing activities</u>		
Net cash flow from financing activities	<u>2,664,389</u>	
Net increase/decrease in cash and cash equivalent	2,027,738	(341,337,897)
Cash & Cash equivalent at beginning	<u>77,906,156</u>	<u>419,244,053</u>
Cash & Cash equivalent at end	<u>82,598,283</u>	<u>77,906,156</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

The Financial Statements are prepared in accordance with the International Financial Reporting Standards. They are prepared under the Historical Cost Basis of Accounting.

b) Depreciation

- (i) Depreciation is provided for on the cost/valuation of assets on Reducing Balance Method with effect from 1st July 1998.
- (ii) A full year's depreciation charge is provided for on fixed assets acquired at least nine (9) months prior to the end of the financial year.
- (iii) The Corporation's equipments are divided into eleven (11) classes listed below and depreciated at the rates shown against each class.

<u>ASSETS CLASS</u>	<u>DEPRECIATION RATE</u>
1. Building	2.0%
2. Plant & Machinery	6.5%
3. Transmitter Equipment	10.0%
4. Studio Equipment	10.0%
5. OB Equipment	10.0%
6. Portable Equipment	10.0%
7. Programme Links	6.0%
8. Furniture & Fittings	12.5%
9. Motor Vehicle	20.0%
10. Office Equipment	12.5%
11. Computer and accessories	30.0%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

c) Investment

The Corporation owns 40% of the shareholding in Multichoice, which manages DSTV. Multichoice has a Paid Up Ordinary Share Capital of Kshs. 1000,000. The Shares are valued at cost.

d) Inventories

The Stocks at the end of the financial year were valued at cost. The Provision for Obsolete Stock is made in full.

e) Trade receivables

The Receivables consist of Trade debtors which are recognized and carried on at Original Invoice values, Advances to staff, Court deposits and Prepayments.

f) Bad & doubtful debts

The Credit Policy is strictly enforced though some clients default. Specific provisions are made in respect of accounts to be considered doubtful. Authority has to be obtained from the Board of Directors for any write off after exhausting all options of collection. However the corporation has not written off any debtors. Provision for doubtful debts is made in the accounts.

g). Cash and Cash Equivalents

For the purpose of cash flow statement, Cash and cash equivalents comprise cash in hand, bank balances and deposits held at call with the banks.

h) G.O.K. Loan

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

i). OECF Loan (Japan)

Kenya Broadcasting Corporation Modernization Project was mooted out of study by the government in 1987. A request was sent to various donors for funding and the Japanese Government agreed to fund it at Japanese Yen 15.441 billion (8,287,588,398). The terms are as follows:-

10 Years Grace Period (1989-June 1999)

20 Years Repayment Period (1999-2019)

A rider is required since its repayment period was reviewed.

j) Trade payables

The Payables consist of Trade Creditors, Statutory deductions and other payroll deductions. The trade creditors are valued at cost which is the fair value of the consideration to be paid in the future for the goods and services received.

k) Taxation

The Kenya Broadcasting Corporation has been making losses therefore the corporation tax have been zero. However the amount of tax included in the financial statement of Kshs 277 million applies to value added tax in arrears.

l) Revenue

Income is accounted for on an Accrual basis. Revenue recognized in the period in which it's received except for Prepayments which are recognized on Receipt basis. The Revenue constitutes all funds from advertising, casual and funeral services, technical services, greeting cards and other miscellaneous income such as sporting rights and road shows.

m) Miscellaneous income

Miscellaneous income includes income from Parking fees, Sale of suppliers tender documents, Fees from students on attachment and Sale of boarded vehicles and Items.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

n) Dividend Income

The Dividend income was generated from our associate company Multichoice (K) Limited during the year in which we own 40% shareholding.

o) Government Grants

The Grants were for recurrent expenditure to enable us pay Kenya Power & Lighting Company bills and also for Development Projects to aid in digital migration.

p) Translation of Foreign Currencies

Transactions during the year are converted into Kenya shillings at rates ruling at the transaction dates. The resulting differences from conversion are dealt with in the Income Statement in the year in which they arise. .

2. SALARIES AND ALLOWANCES

	2012/2013 <u>KSHS</u>	2011/2012 <u>KSHS</u>
Board expenses	6,468,839	9,957,900
Personnel emolument	<u>822,287,269</u>	<u>665,043,509</u>
	<u>828,756,108</u>	<u>675,001,409</u>

3. INVESTMENTS

40% of the Share Capital in Multi-choice (K) ltd.	400,000	400,000
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4. INVENTORIES

Inventories	<u>133,534,387</u>	<u>124,079,621</u>
Less Provision for obsolete stocks	<u>(12,213,818)</u>	<u>(12,213,818)</u>
	<u>121,320,569</u>	<u>111,865,803</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

5. TRADE RECEIVABLES

	2012/2013 <u>KSHS</u>	2011/2012 <u>KSHS</u>
Trade Receivables	1,403,646,203	1,210,386,114
Less Provision for bad debt	<u>(355,763,235)</u>	<u>(327,758,665)</u>
	1,047,882,968	882,627,449
Advances to Staff:		
Salary advances	17,174,230	11,967,241
Car advances	20,975,353	20,207,480
Deposits	600,000	600,000
Imprest	39,081,705	14,961,353
Prepayments		<u>177,612</u>
	<u>1,125,714,256</u>	<u>930,541,134</u>

6. CASH & BANK BALANCES

Bank Account	82,409,300	77,905,861
Petty Cash	<u>188,983</u>	<u>295</u>
	<u>82,598,283</u>	<u>77,906,156</u>

7. ACCUMULATED PROFIT & LOSS ACCOUNT

Balance B/F	(27,043,055,600)	(23,626,321,254)
Prior year adjustment	13,973	190,630
Profit for the Year	<u>(4,210,424,547)</u>	<u>(3,417,224,974)</u>
Profit C/F	<u>(31,253,766,173)</u>	<u>(27,043,355,600)</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

8. LOANS

(a) G.O.K. Loan

<u>YEAR</u>	<u>AMOUNT PAID</u> KSHS
1992/93	133,911,587
1993/94	208,705,936
1994/95	165,150,778
1995/96	194,427,248
1996/97	174,094,156
1997/98	177,074,545
1998/99	431,617,053
1999/2000	797,090,896
2000/2001	NIL
2001/2002	881,094,743
2002/2003	702,824,823
2003/2004	134,287,002
2004/2005	NIL
2005/2006	271,807,948
2006/2007	568,713,324
2007/2008	422,465,257
2008/2009	1,210,865,262
2010/2011	965,806,945
2011/2012	989,525,891
2012/2013	<u>862,170,890</u>
TOTAL	<u>9,291,634,284</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

(b) G.O.K LOAN INTEREST

Treasury has charged interest of Kshs.23,052,726,705 over the years on the loan repaid by GOK on behalf of K.B.C. This interest has been charged per Year as follows:

<u>Year</u>	<u>Interest Charge</u>
	KSHS
1993/94	57,109,634
1994/95	127,337,301
1995/96	179,085,437
1996/97	173,434,820
1997/98	150,220,149
1998/99	172,753,171
1999/2000	225,227,329
2000/2001	329,832,369
2001/2002	499,058,076
2002/2003	624,238,969
2003/2004	876,480,456
2004/2005	494,746,202
2005/2006	1,186,470,402
2006/2007	1,182,515,500
2007/2008	1,346,256,117
2008/2009	1,851,136,546
2009/2010	2,120,966,243
2010/2011	2,513,675,999
2011/2012	4,374,747,891
2012/2013	<u>4,567,434,094</u>
TOTAL	<u>23,052,726,705</u>

9. OECF Loan (Japan)

Kenya Broadcasting Corporation Modernization Project was mooted out of study by the government in 1987. A request was sent to various donors for funding and the Japanese Government agreed to fund it at Japanese Yen 15.441 billion (8,287,588,398). The terms are as follows:-

10 Years	Grace Period	(1989-June 1999)
20 Years	Repayment Period	(1999-2019)

A rider required since its repayment period was reviewed

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

10. TRADE AND OTHER PAYABLES

	2012/2013	2011/2012
	<u>KSHS</u>	<u>KSHS</u>
Trade Creditors	1,906,308,953	1,127,449,372
V.A.T	277,383,568	385,772,864
Statutory deductions	166,675,679	132,373,467
N.H.I.F	320,709	301,829
Medical	121,616,085	148,661,206
Insurance	1,382,809	388,814
Pension	198,984,028	106,126,411
Coop. liabilities	6,722,594	6,716,994
S.A.Y.E	28,000	15,000
Other deductions	5,604,334	3,788,146
NSSF	570,100	355,800
	<u>2,685,596,859</u>	<u>1,911,949,903</u>

11. BANK OVERDRAFT

	<u>2,664,389</u>	<u>34,948,846</u>
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12. REVENUE

Advertising Radio	342,193,138	330,373,897
Advertising Television	437,538,037	335,566,712
Casual & Funeral	5,214,467	5,555,296
Technical Service	313,408,502	251,296,662
Greeting Cards	30,085	23,099
	<u>1,098,384,229</u>	<u>922,815,666</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013.....(continued)

13.(a) MISCELLANEOUS INCOME

	2012/2013 <u>KSHS.</u>	2011/2012 <u>KSHS.</u>
Parking fees	2,702,227	6,248,097
Disposals	77,000	
Tenders, roadshows, & attachments fees	7,111,119	8,836,805
TOTALS	<u>9,890,346</u>	<u>15,084,903</u>

13(b) INTEREST INCOME

Interest on deposits	244,772	26,912,757
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14. GOVERNMENT GRANT

Recurrent Expenditure (KPLC)	610,228,000	200,000,000
Development projects (digital migration)	405,000,000	431,721,000
	<u>1,015,228,000</u>	<u>631,721,000</u>

15. FINANCIAL CHARGES

Interest on OCEF Loan	4,567,434,094	4,374,747,891
Bank/overdraft charges	3,217,802	2,957,501
	<u>4,570,651,896</u>	<u>4,377,705,392</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED

30 JUNE 2013.....(continued)

	2012/2013	2011/2012
	<u>KSHS</u>	<u>KSHS</u>
16. OPERATING EXPENSES		
Insurance premium	15,344,255	14,937,182
Transport operating expenses	33,222,338	21,144,597
Travelling, & accommodation Expenses	26,154,257	20,661,745
Seminars & Training	1,150,928	525,503
Official entertainment	4,287,629	6,275,281
Fees & Commissions	39,070,729	15,011,151
Postal & telegrams	2,084,256	1,537,902
Maintenance plant & machinery	13,757,220	37,283,538
Maintenance of generator/ air conditioning	6,136,640	10,876,982
Telephone expenses	8,710,871	9,311,373
Electricity, Water & conservancy	193,133,852	207,180,271
Purchase of consumable store	10,136,912	7,929,129
Printing & stationery	5,503,088	6,098,559
Advertising & Publicity	33,731,398	48,999,534
Rent & rates	1,474,733	4,213,251
Uniforms & Clothing	28,700	20,900
Agency commission	92,222,518	146,066,111
Programme production expenses	148,621,548	155,605,627
Programme telephone lines	25,020,030	26,747,299
Miscellaneous & other charges	1,175,300	1,282,522
Software licenses	485,000	
Maintenance land & Buildings	13,256,370	9,993,675
News production	9,720,834	7,834,609
Gain/loss on exchange	397,876	17,058,299
TOTALS	<u>684,827,282</u>	<u>776,595,040</u>

17. INCORPORATION

Kenya Broadcasting Corporation was incorporated by an Act of Parliament Cap 221 of the Laws of Kenya of 1989.

18. REPORTING CURRENCY

The Financial Statements have been presented in Kenya shillings (Kshs).

PROPERTY PLANT AND EQUIPMENT

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (continued)

DATE	LAND	BUILDINGS	PLANT & EQUIPMENT	TRANSMITTER EQUIPMENT	STUDIO EQUIPMENT	O.B EQUIPMENT	PORTABLE EQUIPMENT	PROGRAM LINKS	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPMENTS	COMPUTER EQUIPMENTS	TOTALS
AS AT 30/6/11	2,001,374,696	901,763,024	340,751,070	8,561,530,459	426,438,425	228,481,664	118,148,898	85,629,383	19,709,829	146,302,094	31,474,159	118,448,490	12,980,052,191
ADDITIONS	-	950,000	237,069	594,305,620	34,657,415	4,185,311	31,453,693	196,537,367	5,472,744	5,188,239	676,979	28,693,337	902,357,774
30/06/2012	2,001,374,696	902,713,024	340,988,139	9,155,836,079	461,095,840	232,666,975	149,602,591	282,166,750	25,182,573	151,490,333	32,151,138	147,141,827	13,882,409,965
ACCUMULATED DEPRECIATION													
30/06/2011		333,311,732	236,762,180	6,897,428,042	253,344,611	220,012,221	67,147,043	57,655,984	12,972,192	110,036,891	19,350,072	81,517,298	8,289,538,267
CHARGE FOR THE YEAR													
30/06/2012		11,369,026	6,759,278	162,491,070	17,451,761	1,265,475	5,100,186	1,818,271	1,035,994	7,253,041	1,186,158	11,259,358	226,989,617
30/06/2012		344,680,758	243,521,458	7,059,919,112	270,796,372	221,277,696	72,247,229	59,474,255	14,008,186	117,289,932	20,536,230	92,776,655	8,516,527,883
NET BOOK VALUE													
30/06/2012	2,001,374,696	558,032,266	97,466,681	2,095,916,967	190,299,467	11,389,279	77,355,363	222,692,495	11,174,387	34,200,402	11,614,908	54,365,172	5,365,882,082
30/06/2011	2,001,374,696	568,451,292	103,988,889	1,664,102,417	173,093,814	8,469,444	51,001,855	27,973,399	6,737,637	36,265,203	12,124,086	36,931,192	4,690,513,926
AS AT 30/6/12	2,001,374,696	902,713,024	340,988,139	9,155,836,079	461,095,840	232,666,975	149,602,591	282,166,750	25,182,573	151,490,333	32,151,138	147,141,827	13,882,409,965
ADDITIONS	-	1,787,750	242,138	404,794,318	406,731,099	2,736,207	13,000	327,000,722	5,580,098	18,764,142	1,672,012	41,462,738	1,210,784,224
30/06/2013	2,001,374,696	904,500,774	341,230,277	9,560,630,398	867,826,939	235,403,182	149,615,591	609,167,471	30,762,671	170,254,475	33,823,150	188,604,566	15,093,194,189
ACCUMULATED DEPRECIATION													
30/06/2012		344,680,758	243,521,458	7,059,919,112	270,796,372	221,277,696	72,247,229	59,474,255	14,008,186	117,289,932	20,536,230	92,776,655	8,516,527,883
CHARGE FOR THE YEAR													
30/06/2013		11,160,645	6,351,073	224,060,955	19,233,415	1,138,928	7,736,836	22,372,410	1,815,086	6,916,632	1,546,072	19,386,169	321,718,221
30/06/2013		355,841,404	249,872,531	7,283,980,067	290,029,787	222,416,624	79,984,065	81,846,665	15,823,272	124,206,564	22,082,302	112,162,824	8,838,246,105
NET BOOK VALUE													
30/06/2013	2,001,374,696	548,659,370	91,357,745	2,276,650,331	577,797,152	12,986,558	69,631,526	527,320,807	14,939,398	46,047,912	11,740,848	76,441,741	6,254,948,085

(i) The corporation shall update the value of its assets standing in its books of accounts during any accounting year by enhancing the assets by appropriate factors determined by itself.

(ii) Provided the physical valuation of fixed assets shall be done at least once in every five (5) years or a lesser period as management may decide.

(iii) The charges of depreciation to the income and expenditure accounts shall be based on updated values of assets.

(iv) A full year depreciation charges is provided for on fixed assets acquired at least nine (9) months prior to the end of the financial year.

