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REPORT

on Monday
25/8/2015



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
KENYA BROADCASTING CORPORATION

FOR THE YEAR ENDED
30 JUNE 2014







KENYA BROADCASTING CORPORATION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE, 2014

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

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1. 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 30th June 2014 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	MANAGING DIRECTOR	WAIHAKA WAIHENYA
2	CORPORATION SECRETARY	PAUL JILANI
3	FINANCE & ADMINISTRATION MANAGER	H.M ISINTA

4	TELEVISION PROGRAMMES MANAGER	MONICA WACHEKE
5	MARKETING MANAGER	FLORENCE MIGUNDE
6	ADVERTISING MANAGER	CAROLYNE MUTUNGA
7	PROCUREMENT MANAGER	ROBERT WEKESA
8	MANAGER ICT AND TECHNICAL SERVICES	AYUB IMBIRA
9	MANAGER CORPORATE PLANNING, RESEARCH AND DEVELOPMENT	SAMWEL OTIENO
10	RADIO PROGRAMMES MANAGER	HENRY MAKOKHA
11	HUMAN RESOURCES MANAGER	CHRISTINE NJAGI
12	CORPORATE AFFAIRS MANAGER	EVELYNE MWAKINA
13	EDITOR IN-CHIEF	SAMUEL MAINA
14	PRINCIPAL INTERNAL AUDITOR	SAMWEL NJERU

Fiduciary Oversight Arrangements

KBC reports to the Public Investments Committee of parliament on unresolved matters raised by the Kenya National Audit Office.

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

Website: 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,
Kenya National Audit Office,
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.

2. THE BOARD OF DIRECTORS

 <p>Eng. Edward Musebe Chairman</p>	<p>Currently GM ADIL, MD Chemelil sugar Company, projects Manager Unga Ltd, production Manager EAC, Engineering Manager EABL (Glass), Adjunct Lecturer USIU.</p>
 <p>Rev. Symon Kiuta</p>	<p>Master of Divinity(M.Div) Africa International University(AIU) Currently a Lecturer at Kabarak University Serving a second term as board member KBC</p>
 <p>Ms. Violet Chesang</p>	<p>Doctor of Philosophy (PHD) in English and Communication from Egerton University</p>



Mr. Mohammed Jabane

Master of Arts (International Relations) Nairobi University
Advanced Public Administration (K.I.A)
Bachelor of Arts, political Science-Nairobi University
Currently head of secretariat, Cabinet nominees
Policy formulation and review on State Corporations.



Mr. Joseph Tiampati Ole Musuni

Mr. Joseph Tiampati Musuni is the Principal Secretary, Ministry of Information, Communications and Technology in the Government of Kenya.

Before his appointment to the Ministry in 2013, Mr. Tiampati worked as the General Manager in charge of Social Security with the National Social Security Fund (NSSF).

Prior to NSSF, Mr. Tiampati had served under various capacities with Kenya Commercial Bank (KCB) where he was a Head of Department in Credit and also served briefly as chairman of the Kenya Bankers Association (KBA) credit sub-committee. He was also a member of the KBA/CBK taskforce which introduced Credit Information Sharing in Kenya. An alumnus of Alliance Boys' High School. His Education includes an executive MBA from ESAMI/MSM and a Bachelor of Science (Hons) Degree in Mathematics from the University of Nairobi.



Ms. Joanne Mwangi

Ms. Mwangi was appointed as a director on March 25, 2013. She is the chair of the Finance and Marketing Committee of the KBC Board.

Holds a Bachelor of Arts Degree from the University of Nairobi, and an MBA, Strategic Management from the United States International University as well as numerous other professional accolades. She graduated with distinction in the Corporate Governance Training in 2014.

Ms Mwangi is the founder and Group Chief Executive Officer of Professional Marketing Services Group. She is also founder and chair of the Federation of Women Entrepreneur Associations (FEWA), which represents Kenya and chairs the board of FEMCOM at COMESA through Ms. Mwangi.



Mr. Waithaka Waihenya

Managing Director

Bachelors degree from Kenyatta University

Masters in Communication (Ongoing) from Leicester University

Previously Editor in Chief KBC, 3 and a half years associate Editor standard newspapers, in charge of day to day running of KBC as Managing Director



Mr. Paul Jilani
Corporation Secretary

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 upto 2010

Corporation Secretary,KBC (currently)

3. MANAGEMENT TEAM

 <p>Mr. Waithaka Waihenya Managing Director</p>	<p>Bachelors degree from Kenyatta University Masters in Communication (Ongoing) from Leicester University</p> <p>Previously Editor in Chief KBC,3 and a half years associate Editor standard newspapers, in charge of day to day running of KBC as Managing Director</p>
 <p>Mr. Paul Jilani Corporation Secretary</p>	<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)</p> <p>Corporation Secretary, Telkom Orange upto 2010</p> <p>Corporation Secretary,KBC (currently)</p>



Mr. H.M Isinta
Finance and Administration Manager

- MBA (Finance)
- Bachelor of Commerce(Accounting)
- CPA(K)



Ms. Monica Waceke
Television Programmes Manager

- 2011 September - 2012 September
University of Westminster, United Kingdom
 - **Post Graduate MA in Communication Policy**
 - 2009 September Korea Advance Institute of Science and Technology South Korea
 - **Certificate in Media and Contents Policy in Convergence Era**
 - 2006 November - International (CFI), Uganda
 - **Certificate in Schedule Building and Programming**
 - 1999 - 2003 June - Daystar University, Kenya
 - **B.A., Communication (Electronic Media)**
 - 1995-1998 - Loreto High School Kiambu
- Kenya Certificate of Secondary Education**



Mr. Robert Wekesa
Procurement Manager

- Member- Chartered Institute of Purchasing and supplies-UK(MCIPS)
- Masters Degree Human Resources and Labour Laws
- Degree in Political science
- More than 15years experience in Procurement and Sourcing.



Mr. Samwel Otieno
Manager Corporate planning, Research and Development

- Bsc. in Electrical Engineering (Light Current Option)
- Registered Graduate Engineer with ERB
- Registered Graduate Member with IEK
- Member of IEEE



Ms. Everlyn Mwakina

Corporate Affairs Manager

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) & 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.



Ms. Christine Njagi

Human Resource Manager

- Pursuing MBA-University of Nairobi
- Bsc - JKUAT
- Higher National Diploma in Human Resource Management-Institute of Human Resource Management Counseling- Institute of Human Resource Management



Mr. Ayub Imbira
Manager Information communications
Technology and Technical Services

- Bachelor of Science Degree in Computer
 - Master of Science Degree in Information Systems
- Short Courses training include
- ICT Hardware Maintenance
 - Databases and Database Management Systems
 - Project Management
 - Information Systems Security and Control
 - Corporate governance
 - More than 15 years experience at senior management levels in public service



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. Henry Makokha
Radio Programmes Manager

- Bachelor of Arts in Literature and Government, Nairobi University
- Undertaking Master of Philosophy in Communication Studies at Moi University (Project level)
- Professional:
- Advanced International Certificate in Radio Management, Swedish School of Communication Studies
- Post Graduate Studies in Broadcast Production, Kenya Institute of Mass Communication
- Post Graduate Certificate in Industrial Relations, Nairobi University
- Series of professional development courses in Media Management and Value of Air-time by BBC

<ul style="list-style-type: none"> • Bachelor of Commerce Degree (Accounting) from the University of Nairobi and CPA (K). • Currently pursuing MBA from U.O.N. 	 <p>Mr. Samuel Njeru Audit Manager</p>



CHAIRMAN'S STATEMENT

The financial year 2013/2014 marks twenty five 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 decreased by 13% from Kshs 2.2 billion last year to Kshs 1.9 billion this year. Last year benefited from high advertising revenue on account of the March 2013 general elections in the context of a new constitution with National and County Government system in the history of Kenya. Government grant reduced by 16% from kshs 1.015 billion last year to Kshs 0.842 billion this year.

The total expenditure increased by 16% from Kshs 6.4 billion last year to Kshs 7.5 billion this year. This increase is attributed to higher interest that the Government charged KBC on account of repaying Japanese loan amounting to kshs 5.5 billion this year compared to Kshs 4.5 billion last year and more expenses incurred to facilitate coverage of the March 2013 general elections. Loss after tax increased by 30% from Kshs 4.2 billion to Kshs 5.5 billion due to the increase in the interest that the Government charged KBC in respect of amounts paid towards the Japanese loan.

The Corporation plans to revamp news presentation and programming in both television and radio services. We have been able to procure and install a TV graphics



system that has greatly improved our TV outlook. We have also embarked on modernization of studio and transmitter equipments with the objective of improving our signal and picture quality in the TV brand. Digital TV transmission migration roll-out countrywide is in progress as we near the worldwide switch-off deadline. We aspire to continue with this and other transformation aspects in the next financial year.

ENG. Edward Musebe

Chairman

REPORT OF THE CHIEF EXECUTIVE OFFICER

The year 2014 was quite delightful for us as KBC family and the entire Kenya citizenry for televising live the world cup from Brazil. I therefore take this opportunity to thank all the staff for giving their best in ensuring successful transmission of the matches 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 (SIGNET) has been preparing for digital TV transmission migration which has a worldwide deadline of June 2015. We have been able to roll-out the necessary transmission infrastructure in Nairobi, Mombasa, Kisumu, Eldoret, Nyeri, Nakuru, Machakos, Vuria, Malindi, Nyambene and Kisii. We plan to roll-out country-wide before the switch-off deadline. However, the court cases challenging the tender award of digital TV signal distributors in Kenya has slowed down the uptake of digital TV transmission in the country. Currently, we are hosting twenty clients in the digital TV platform but we expect the numbers to increase as the deadline of switching-off

analogue TV nears. 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.

The Corporation has been working towards ISO certification for the last two years. We have been able to comply with the necessary initial phases in the journey towards certification comprising of steps A-D. We have also completed part of the final step E involving the certification body conducting pre-certification audit and KBC carrying out corrective action. We trust we will be ISO certified in the next financial year.

During the financial year, management was able award staff a salary increment of 9% to appreciate and recognize their work effort and motivate them. In the same direction, staff was also provided with monetary Christmas token and shopping vouchers in December 2013.

The new chairman of the Board of Directors of KBC Eng. Edward Musebe reported during the financial year. We believe we will work with him to transform this Corporation and record improved financial performance.

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.



MR. Waithaka Waihenya

Chief Executive Officer

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 2014, 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 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;

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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 the desired was achieved and analyzes the impact.



REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2014 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, 2014 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 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, 2014. 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, 2014, and of the Kenya Broadcasting Corporation financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kenya Broadcasting Corporation, which have been relied upon in the preparation of Kenya Broadcasting Corporation financial statements as well as the adequacy of the systems of internal financial control.

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

ENG. EDWARD MUSEBE



CHAIRMAN OF THE BOARD.

MR. WAITHAKA WAIHENYA



MANAGING DIRECTOR.

REPUBLIC OF KENYA

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Email: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Broadcasting Corporation set out on pages 1 to 24 which comprise the statement of financial position as at 30 June 2014, statement of comprehensive income, statement of changes in net assets 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. Property, Plant and Equipment

In July 2000, and as previously reported in 2012/2013, the Corporation made an arrangement with Kenya Electricity Generating Company Ltd (KenGen) whereby the Corporation loaned the 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 (2012/2013), 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 effects 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 2014, 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.

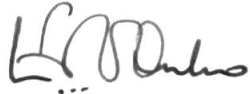
Other Matter

1. Going Concern

As in the previous year, the Corporation recorded a loss of Kshs.5,500,806,000 (2013 – loss Kshs.4,210,425,000) thereby raising the cumulative losses to Kshs.36,754,575,000 as at 30 June 2014. Further, the statement of financial position reflects that the current liabilities amounts of Kshs.40,527,853,000 exceeds current assets figure of Kshs.903,003,000 resulting to a negative working capital of Kshs.39,624,850,000 and a negative capital and reserves of Kshs.34,096,395,000. In addition and as similarly reported in 2012/2013, the Corporation was unable during the year to service a Government of Kenya loan of Kshs.10,027,059,447 which has accrued interest of Kshs.28,570,674,688 as at 30 June 2014. The financial statements also reflects statutory deductions and employees benefits balance of Kshs.692,195,000 and Kshs.170,137,000 respectively which the Corporation had not remitted to the relevant authorities as at 30

June 2014. Although management has explained that there are on-going negotiations with the Government to convert Government of Kenya Loan into equity, it's 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. My opinion is qualified in respect to the above matter.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

29 June 2015

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	NOTES	2013/2014 Kshs'000'	2012/2013 Kshs'000'
Revenue from non-exchange transactions			
Transfers from other governments	1	842,874	1,015,228
Total revenue from non-exchange		842,874	1,015,228
Revenue from exchange transactions			
Rendering of services (sales)	2	1,024,343	1,098,384
Finance income-external investments	3	144	245
Other income	4	172,849	121,890
Total revenue from exchange transactions		1,197,336	1,220,519
TOTAL REVENUE		<u>2,040,210</u>	<u>2,235,747</u>
EXPENSES			
Bulk purchases of water and electricity	5	186,368	193,134
Employee costs	6	823,619	718,697
Remuneration of directors	7	5,443	6,468
Depreciation and amortization expense	8	384,651	321,718
Repairs and maintenance	9	50,451	41,159
General expenses	10	576,446	594,344
Finance costs	11	5,520,652	4,570,652
TOTAL EXPENSES		<u>7,547,630</u>	<u>6,446,172</u>
Other gains			
Gain on foreign exchange transactions	12	6,614	
LOSS BEFORE TAXATION		(5,500,806)	(4,210,425)
INCOME TAX EXPENSE			
LOSS AFTER TAXATION		<u>(5,500,806)</u>	<u>(4,210,425)</u>

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

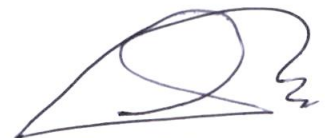
ASSETS	NOTES	2013/2014 Kshs '000'	2012/2013 Kshs '000'
CURRENT ASSETS			
Cash and cash equivalent	13	6,801	82,598
Trade and other Receivables	14	817,762	1,125,714
Inventories	15	78,440	121,321
TOTAL CURRENT ASSETS		903,003	1,329,633
NON CURRENT ASSETS			
Property, Plant and Equipment	16	5,940,578	6,254,948
Investments	17	400	400
Total Non-current Assets		5,940,978	6,255,348
TOTAL ASSETS		<u>6,843,981</u>	<u>7,584,981</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade Payables	18	1,912,080	2,685,597
GOK Loan (principal)	19(a)	10,027,059	9,291,634
GOK (Loan interest)	19(b)	28,570,675	23,052,727
Bank Overdraft	20	18,039	2,664
TOTAL CURRENT LIABILITIES		40,527,853	35,032,622
Borrowings		412,520	1,147,946
Total Non-Current Liabilities		412,520	1,147,946
TOTAL LIABILITIES		40,940,373	36,180,568
Share capital	21	928,488	928,488
Revaluation reserve	22	1,729,692	1,729,692
Accumulated surplus /losses	23	(36,754,572)	(31,253,766)
Total Capital and Reserves		(34,096,392)	(28,595,587)
Total Net Assets And Liabilities		<u>6,843,981</u>	<u>7,584,981</u>

Signed:



Chief Executive Officer

Date 29/05/15



Chairman

Date: 29/05/015

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED 30 JUNE 2014

	Share Capital Kshs '000'	Revaluation Reserve Kshs '000'	Accumulated surplus/Losses Kshs '000'	Totals Kshs "000"
1/7/2012	928,488	1,729,692	(27,043,356)	(24,385,176)
Prior Year Adjustment			14	14
Loss for the Year			(4,210,425)	(4,210,425)
30/06/2013	928,488	1,729,692	(31,253,766)	(28,595,586)
1/7/2013	928,488	1,729,692	(31,253,766)	(28,595,586)
Loss for the year			(5,500,806)	(5,500,806)
30/06/2014	<u>928,488</u>	<u>1,729,692</u>	<u>(36,754,572)</u>	<u>(34,096,392)</u>

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

Cash Flow from Operating Activities	2013/ 2014	2012/2013
	Kshs'000'	Kshs'000'
Receipts		
Grant From National Government	842,874	1,015,228
sales of goods	1,024,343	1,024,366
other incomes	172,809	121,890
	<u>2,040,026</u>	<u>2,161,484</u>
Payments		
Compensation of employees	529,169	433,781
Payments of goods and services	1,701,017	624,870
	<u>2,230,186</u>	<u>1,058,651</u>
Net Cash flow from operating activities	<u>(190,160)</u>	<u>1,102,833</u>
Cash flow from investing activities		
Purchase of property plant and equipments	(70,434)	(1,210,784)
Dividends	160,000	112,000
Interest	144	245
Exchange gain	6,614	398
Net Cash flow used in investing activities	<u>96,324</u>	<u>(1,098,141)</u>
Cash flow from financing activities		
Proceeds from borrowings	735,425	989,526
Repayment of borrowings	(735,425)	(989,526)
Net increase/ decrease in cash and cash equivalents	<u>93,836</u>	<u>4,692</u>
Cash and cash equivalent as at 1st July	82,598	77,906
Cash and cash equivalent at the end	<u>(11,238)</u>	<u>82,598</u>

**ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED
30 JUNE 2014**

**NOTES TO THE FINANCIAL STATEMENTS
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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ii. 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

iii. 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.

iv. 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-valuation 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-valuation 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

v. 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 1st 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 equipments 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 equipments	10%
5) Ob equipments	10%
6) Portable equipments	10%
7) Program links	6.0%
8) Furniture and fittings	12.5%
9) Motor vehicles	20.0%
10) Office equipments	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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

intention of earning interest income upon the bond's disposal or maturity. The bonds are measured at fair value through profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

vi. 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.

vii. 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.

viii. 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ix. 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.

x. Comparative Figures

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

xi. 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, 30th 2014.

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

	2013/2014	2012/2013
	Kshs'000'	Kshs'000'
1. Transfers from other governments		
Recurrent grant	592,500	610,228
Capital grant	250,374	405,000
Total	842,874	1,015,228
2. Rendering of services		
Advertising sales and others	1,024,343	1,098,384
3. Finance income – external investments		
Interest income	144	245
4. Other income		
Dividend income	160,000	112,000
Sale of tender documents	6,148	7,111
Disposal		77
Parking fees	6,701	2,702
Total	172,849	121,890
5. Bulk purchases of water and electricity		
Cost of water and electricity for transmitting	186,368	193,134
6. Employee costs		
Salaries and Wages of Permanent Employees	788,019	690,754
Compulsory National Social Security Schemes	2,430	2,412
Other Pension Contributions	8,927	7,250
Leave Pay and Gratuity Provisions	13,236	10,225
Staff Welfare	11,007	8,055
Total	823,619	718,696
7. Remuneration of Directors		
Sitting Allowance	4,920	3,964
Honorarium	535	745
Lunch	724	1,977
Travel	749	695
Tax	(1484)	(912)
Total	5,443	6,468
8. Depreciation and amortization expense		
Depreciation of all assets excluding land (note 16)	384,651	321,718
9. Repairs and maintenance		
Cost of repairing & maintaining equipments	50,451	41,159

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

	2013/2014	2012/2013
	Kshs '000'	Kshs'000'
10 General expenses		
Advertising	40,451	39,234
Audit fees	580	580
Consulting fees	10,868	4,301
consumables	11,083	10,844
Fuel and oil	20,548	22,515
Insurance	12,112	15,344
Legal expenses	24,284	32,373
Licenses & permits (software licenses)	2,474	485
Postage	1,979	1,850
Printing & stationery	6,826	5,699
Security costs	2,369	1,175
telecommunication	10,562	10,795
Training	9,059	6,120
Others		
Program Production Expenses	181,813	148,622
Program Telephone Lines	24,225	25,020
News production	9,932	9,721
Provision for doubtful debts	26,925	40,218
Travelling & subsistence	42,681	51,368
Agency commissions	119,211	99,223
Miscellaneous charges	18,464	68,857
Total	576,446	594,344
11 Finance costs		
Interest charged by Government on account	5,517,947	4,567,434
Bank charges	2,705	3,218
Total	5,520,652	4,570,652

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

	<u>2013/2014</u> Ksh '000'	<u>2012/2013</u>
12 Gain on foreign exchange transactions		
Gain from foreign currency fluctuations on	6,614	-

GAIN AND LOSS ON FOREIGN CURRENCY

We have the following clients that we transact with in US Dollars thus because of the fluctuations of exchange rate at various times of billing and payment we end up with gain and loss in foreign currency

China Central TV, China Radio International, France Radio International, Loren Davis

DROPPING OF PROVISION FOR BAD DEBTS

The figure for provision for bad debts has decreased because of the write off of bad debts which reduces the balance of the over 270 days which provision is at a higher rate of 2.5% as compared to provision of current balance which provision is zero or that of 30 days which is at 0.5%

13. CASH AND CASH EQUIVALENTS

	<u>2013/2014</u> Kshs"000"	<u>2012/2013</u> Kshs "000"
Cash At Bank	5,030	82,409
Cash At Hand	1,771	189
	<u>6,801</u>	<u>82,598</u>

14. TRADE AND OTHER RECEIVABLES

Trade Receivables	1,163,242	1,403,646
Staff Receivables	31,527	38,149
Other Receivables	5,681	39,682
Gross Trade And Other Receivables	1,200,450	1,481,477
Provision for Bad and Doubtful	(382,688)	355,763
Net Trade and Other Receivables	817,762	1,125,714

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

15. INVENTORIES	2013/2014	2012/2013
	Kshs“000”	Kshs“000”
Engineering Stores	71,680	108,740
Fuel, Oil, And Lubricants	1,819	5,895
Stationery And General Stores	4,941	6,686
	78,440	121,321

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014
NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

16. PROPERTY, PLANT AND EQUIPMENT

COST/ VALUATION	LAND Kshs 000	BUILDINGS Kshs 000	PLANT & EQUIPMENT Kshs 000	TRANSMITTER EQUIPMENT Kshs 000	STUDIO EQUIPMENT Kshs 000	OB EQUIPMENT Kshs 000	PORTABLE EQUIPMENT Kshs 000	PROGRAM LINKS Kshs 000	FURNITURE & FITTINGS Kshs 000	MOTOR VEHICLES Kshs 000	OFFICE EQUIPMENT Kshs 000	COMPUTER EQUIPMENT Kshs 000	TOTALS Kshs 000
At 01 July 2012	2,001,375	902,713	340,988	9,155,836	461,096	232,667	149,603	282,167	25,183	151,490	32,151	147,142	13,882,410
Additions	-	1,788	242	404,794	406,731	2,736	13	327,001	5,580	18,764	1,672	41,463	1,210,784
At 30 June 2013	2,001,375	904,501	341,230	9,560,630	867,827	235,403	149,616	609,168	30,763	170,254	33,823	188,605	15,093,194
DEPRECIATION													
As at 1 July 2012		344,681	243,521	7,059,919	270,796	221,278	72,247	59,474	14,008	117,290	20,536	92,777	8,516,528
Charge for the year		11,161	6,351	224,061	19,233	1,139	7,737	22,372	1,815	6,917	1,546	19,386	321,718
At 30 June 2013		355,841	249,873	7,283,980	290,030	222,417	79,984	81,847	15,823	124,207	22,082	112,163	8,838,246
Net book value	2,001,375	548,659	91,358	2,276,650	577,797	12,987	69,632	527,321	14,939	46,048	11,741	76,442	6,254,949
At 1 July 2013	2,001,375	904,5001	341,230	9,560,630	867,827	235,403	149,616	609,168	30,763	170,254	33,823	188,605	15,093,194
Additions		3,909		4,075	56,615	130	711		787		3,596	457	70,279
At 30 June 2014	2,001,375	908,410	341,230	9,564,706	924,442	235,534	150,326	609,167	31,549	170,254	37,419	189,062	15,163,474
DEPRECIATION													
At 1 July 2013		355,841	249,873	7,283,980	290,030	222,417	79,984	81,846	15,823	124,207	22,082	112,163	8,838,248
Charge for the year		11,051	5,938	228,073	63,441	1,312	7,034	31,639	1,966	9,210	1,917	23,070	384,651
At 30 June 2014		366,892	255,811	7,512,053	353,471	223,728	87,018	113,486	17,789	133,416	23,999	135,232	9,222,899
Net book value June 2014	2,001,375	541,517	85,419	2,052,653	570,971	11,805	63,308	495,682	13,760	36,838	13,419	53,829	5,940,578
Net book value June 2013	2,001,375	548,658	91,358	2,276,650	577,798	12,986	69,632	527,322	14,940	46,047	11,741	76,442	6,254,949

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

17. 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.

18 TRADE AND OTHER PAYABLES	2013/2014	2012/2013
	Kshs'000'	Kshs'000'
Trade creditors	1,049,748	1,906,309
Vat	335,412	277,384
Statutory Deduction	121,780	166,676
N.H.I.F	-	321
Medical	133,178	121,616
Insurance	2,308	1,383
Pension	235,003	198,984
Coop liabilities	25,801	6,723
S.A.Y.E	28	28
Other deductions	8,822	5,604
NSSF	-	570
	1,912,080	2,685,597

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

19a. 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

YEAR	<u>AMOUNT PAID</u> KSHS '000'
1992/93	133,912
1993/94	208,706
1994/95	165,151
1995/96	194,427
1996/97	174,094
1997/98	177,075
1998/99	431,617
1999/2000	797,091
2000/2001	NIL
2001/2002	881,095
2002/2003	702,825
2003/2004	134,287
2005/2006	NIL
2006/2007	271,808
2008/2009	568,713
2009/2010	422,465
2010/2011	1,210,865
2011/2012	965,807
2012/2013	989,526
2013/2014	<u>735,425</u>
TOTAL	10,027,059

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(b) G.O.K LOAN INTEREST

Treasury has charged interest of Kshs.28, 570,674,688 over the years on the loan repaid by GOK on behalf of K.B.C. This interest has been charged per Year as follow

<u>Year</u>	<u>Interest Charge</u> <u>Kshs 000'</u>
1993/1994	57,110
1994/1995	127,337
1995/1996	179,085
1996/1997	173,435
1997/1998	150,220
1998/1999	172,753
1999/2000	225,227
2000/2001	329,832
2001/2002	499,058
2002/2003	624,239
2003/2004	876,480
2004/2005	494,746
2005/2006	1,186,470
2006/2007	1,182,516
2007/2008	1,346,256
2008/2009	1,851,137
2009/2010	2,120,966
2010/2011	2,513,676
2011/2012	4,374,748
2012/2013	4,567,434
2013/2014	<u>5,517,948</u>
TOTALS	28,570,675

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

OECD 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)

20. Bank Overdraft	2013/2014	2012/2013
	Kshs "000"	Kshs "000"
Citibank (Main)	7,866	2,664
KCB Nairobi	10,172	
KCB MERU	<u>1</u>	
Total	<u>18,039</u>	2,664

21.

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.

ANNUAL REPORT AND FINANCIAL STATEMENT FOR THE YEAR
ENDED 30 JUNE 2014

NOTES TO THE FINANCIAL STATEMENTS (Continued)
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

22. REVALUATION RESERVE

The revaluation reserve relates to the reevaluation 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.

23. ACCUMMULATED SURPLUS OR LOSSES

The figure is big because of the interest of the government charges KBC on the amounts it pays to wards the Japanese loan on behalf of KBC. The interest charged in the year 2013/2014 alone is Kshs. 5.5 billion.

	<u>2014/2013</u> Kshs'000'	<u>2012/2013</u> Kshs'000'
Balance B/D	(31,253,766)	(27,043,356)
Deficit	(5,500,806)	(4,210,410)
	(36,754,572)	(31,253,766)

APPENDIX 1

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

Less than 30 days	194,974	75,734
Between 30 and 60 days	33,364	19,796
Between 61 and 120 days	21,661	20,476
Over 120 days	763,194	1,136,556
	1,013,193	1,252,562

TAX RECOVERABLE

As at the beginning of the year	166,976	132,373
Income tax charge for the year		202,698
Income tax paid during the year		
At end of the year	116,328	166,976