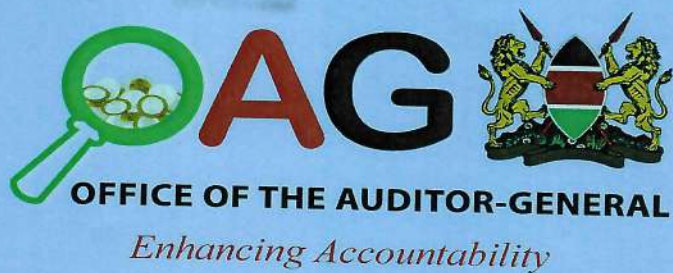


REPUBLIC OF KENYA



REPORT

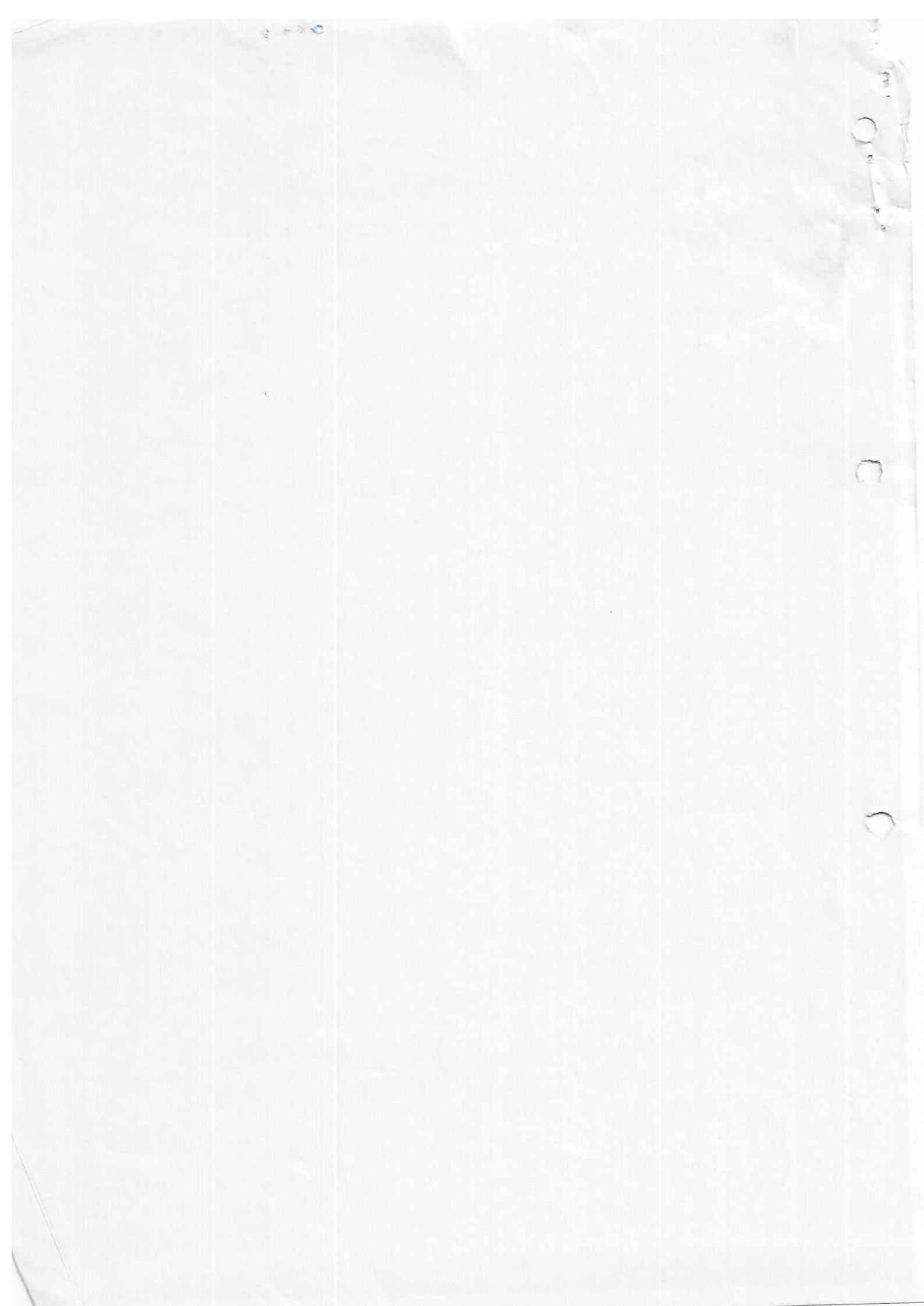
OF

THE AUDITOR-GENERAL

ON

KENYA BROADCASTING CORPORATION

**FOR THE YEAR ENDED
30 JUNE, 2021**





**KENYA
BROADCASTING
CORPORATION**

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY
15 JUL 2022
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KENYA BROADCASTING CORPORATION

ANNUAL REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING

JUNE 30, 2021

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



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1. KEY ENTITY INFORMATION

Background information

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

Principal Activities

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

Key Management

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

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

Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2021 and who had direct fiduciary responsibility were:

NO.	DESIGNATION	NAME
1	MANAGING DIRECTOR	DR. NAIM BILAL
2	CORPORATION SECRETARY	PAUL JILANI
3	FINANCE & ADMINISTRATION MANAGER	DR. HENRY MOMANYI
4	TELEVISION PROGRAMMES MANAGER	MICHAEL NDETEI
5	MARKETING MANAGER	FLORENCE MIGUNDE
6	ADVERTISING MANAGER	CAROLYNE MUTUNGA
7	PROCUREMENT MANAGER	ROBERT WEKESA
8	MANAGER ICT	BENN MWALA



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9	MANAGER TECHNICAL SERVICES	JOB KARIMI
10	MANAGER CORPORATE PLANNING, RESEARCH AND DEVELOPMENT	SAMWEL OTIENO
11	CORPORATE AFFAIRS MANAGER	EVELYNE MWAKINA
12	EDITOR IN-CHIEF	SAMUEL MAINA
13	PRINCIPAL INTERNAL AUDITOR	ANTHONY OPONDO
14	RADIO PROGRAMMES MANAGER	KIERETHE WAMUTITU
15	HUMAN RESOURCES MANAGER	DANIEL OKOTH

Fiduciary Oversight Arrangements

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

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

Entity Headquarters

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

Entity Contacts

Telephone: (254) 020-318823

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,



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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.



MR. MUCHEMI WAMBUGU

of California-Berkeley, USA.

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

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

• **WORK EXPERIENCE:**

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

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

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

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



In recognition of distinguished and outstanding services rendered to the

WORK EXPERIENCE:

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

He served as a Member of Interviewers

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	<p>nation, Muchemi was awarded the Moran Order of the Burning Spear (MBS) by His Excellency President Uhuru Kenyatta in December 2018.</p> <p>Muchemi is a Non-Executive Director at several high profile Public and Private entities.</p>
 <p>MR. MOHAMMED JABANE</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: Master of Arts (International Relations) Nairobi University Advanced Public Administration (K.I.A) Bachelor of Arts, Political Science-Nairobi University • PROFESSIONAL QUALIFICATIONS: Currently head of secretariat, Cabinet nominees Policy formulation and review on State Corporations.
 <p>MARY C. NGENY</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: PHD -Continuing Master's in Business Administration, Bachelor of Arts • WORK EXPERIENCE: Worked at Kenya National Bureau of Statistics, Telkom Kenya Wealth of experience in Human Resource

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MR. CHARLES MULILA

- **EDUCATION
BACKGROUND:**

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

Diploma, Public Relations 2016 to 2018- University of Nairobi

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

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

Mulila is a Consummate Media and public relations professional, well versed with Public Finance practice and guidelines in Kenya. Trained and grounded on the code of conduct and practice of Media in Kenya. Budget formulation, Monitoring, Evaluation and Analysis, Medium Term Expenditure Framework (MTEF) and Public Sector Financial prudential guidelines.

- **CAREER TRAJECTORY**

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

- **Board Level Appointments**

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

2. Kenya Revenue Authority (KRA) -2008 to 2012 - Lead adviser to the Office of Commissioner General, advocacy,



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Community Relations and Public compliance .

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

4. Ministry of Information and Communication.

Project : Kenya Today Publication-
Government of Kenya Publication

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

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

6. Institute of Economic Affairs (IEA)

Trainer and advocacy specialist for your and upcoming financial Journalists.


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

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

• **CAREER HIGHLIGHTS**

Planned, analysed and executed the editorial coverage and presentation of Kenya's financial statements between 2001 to 2011 as the Economic and Financial Editor of the Kenya Times newspapers, the Star and the Ministry

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	<p>of Information and Communication. Widely published journalist in local and international newspaper and in referred journalist around the world.</p>
 <p>MR. SAMUEL NYANGESO</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: Kenya Certificate of Education-Riokodo High school • WORK EXPERIENCE: National chairman Kenya National Library Services Chairman National Association of Local Government Employers His Worship the Mayor of Kisii Municipality Commissioner, National Elections Board Elected Councillor -Nyankongo Ward
	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: PhD, Communication Studies - Moi University Masters Degree, Lleida, Spain Communications Policy - City University, UK Dual MBA - State University of Bachelors, Criminology - University of



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DR NAIM BILAL
MANAGING DIRECTOR

South Africa

Diploma, Journalism - KIMC

Certificate, Strategic Leadership - Kenya School of Govt

• **WORK EXPERIENCE**

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

Kenya Broadcasting Corporation

Managing Director - Currently

Government of Kenya

Deputy Director, Public Communication

State University Of New York (SUNY K) / USAID: 2009

Project Director, Parliamentary

Strengthening Project, National Assembly

Strategic Consultant: 2008

UNDP

Media Council of Kenya

Nation Media Group: 1989 - 2007

News Reporter

Sub-Editor

Deputy News Manager - Nation

Broadcasting

Managing Editor - Nation TV and Nation FM

Competencies

Media and Comms Management

Public Administration

Governance

Strategic Management

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MR. PAUL JILANI
CORPORATION SECRETARY

- **EDUCATIONAL BACKGROUND:**
Bachelors of Law (LLB) and Masters in Business Administration(MBA)
Diploma in Law, Kenya school of Law
Certified public Secretaries(CPS)
Member Law society of Kenya(LSK)
Member Institute of Certified Public Secretaries of Kenya (ICPSK),
- **WORK EXPERIENCE:**
Telkom Orange
Corporation Secretary, up to 2010,
Kenya Broadcasting Corporation
Corporation Secretary, (currently)


3. MANAGEMENT TEAM






DR NAIM BILAL
MANAGING DIRECTOR

- **EDUCATIONAL BACKGROUND:**
PhD, Communication Studies - Moi University
Masters Degree,
Lleida, Spain Communications Policy - City University, UK
Dual MBA - State University of
Bachelors, Criminology - University of South Africa
Diploma, Journalism - KIMC
Certificate, Strategic Leadership - Kenya School of Govt
- **WORK EXPERIENCE**
Dr Naim Bilal Yaseen (PhD) has served in the private, international and public sectors over the last 29 years of his career as follows:
Kenya Broadcasting Corporation




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	<p>Managing Director - Currently</p> <p>Government of Kenya Deputy Director, Public Communication</p> <p>State University Of New York (SUNY K) / USAID: 2009 Project Director, Parliamentary Strengthening Project, National Assembly</p> <p>Strategic Consultant: 2008 UNDP Media Council of Kenya</p> <p>Nation Media Group: 1989 - 2007 News Reporter Sub-Editor Deputy News Manager - Nation Broadcasting Managing Editor - Nation TV and Nation FM</p> <p>Competencies Media and Comms Management Public Administration Governance Strategic Management</p>
 <p>MR. PAUL JILANI CORPORATION SECRETARY</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: Bachelors of Law (LLB) and Masters in Business Administration(MBA) Diploma in Law, Kenya school of Law Certified public Secretaries(CPS) Member Law society of Kenya(LSK) Member Institute of Certified Public Secretaries of Kenya (ICPSK), • WORK EXPERIENCE: Telkom Orange Corporation Secretary, up to 2010, Kenya Broadcasting Corporation Corporation Secretary, (currently)




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 <p>DR. HENRY MOMANYI FINANCE & ADMINISTRATION MANAGER</p>	<p>EDUCATIONAL BACKGROUND:</p> <p>PhD (Finance)</p> <p>Masters Business Administration (MBA)-Finance</p> <p>Bachelor of Commerce (Accounting)</p> <p>CPA(K)</p> <p>Member- Institute of Certified Public Accountants of Kenya(ICPAK)</p>
 <p>MR. ROBERT WEKESA PROCUREMENT MANAGER</p>	<p>• EDUCATIONAL BACKGROUND:</p> <p>Member- Chartered Institute of Purchasing and supplies-UK (MCIPS)</p> <p>Masters Degree Human Resources and Labour Laws</p> <p>Degree in Political science</p> <p>More than 15years experience in Procurement and Sourcing.</p>
 <p>MR. SAMWEL OTIENO MANAGER CORPORATE PLANNING, RESEARCH AND DEVELOPMENT</p>	<p>• EDUCATIONAL BACKGROUND:</p> <p>Bsc. in Electrical Engineering (Light Current Option)</p> <p>Registered Graduate Engineer with ERB</p> <p>Registered Graduate Member with IEK</p> <p>Member of IEEE</p>

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 <p>MS. EVERLYN WAKINA CORPORATE AFFAIRS MANAGER</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: Holds a Bachelor of Arts in Philosophy, Literature and Kiswahili (Kenyatta University), Post Graduate Diploma in Mass Communication (University of UON) Executive Masters of Business Administration Eastern and Southern African Management Institute (ESAMI) & Maastricht School of Management (MsM). Certificate in Strategic Leadership Development - Kenya School of Government and a host of other professional certificates.
 <p>MR. BENN MWALA MANAGER INFORMATION COMMUNICATIONS TECHNOLOGY & TECHNICAL SERVICES</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: MSc in Information Technology - (Management Information Systems) BSc in Computer Science Information Technology Infrastructure Library (ITIL) Syspro ERP Administration
 <p>MR. JOB KARIMI MANAGER TECHNICAL SERVICES</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: M.Sc Computer Systems BSc. Telecommunications and I.T <i>Global VSAT Forum</i> GVF530: Core Skills for Mobile Satellite Terminal Operators Licensed VSAT terminal operator

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 <p>MS. CAROLYNE MUTUNGA ADVERTISING MANAGER</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND MBA: Strategic Management Bachelor of Commerce: Marketing and Business Administration. KCSE: Pangani Girls High School
 <p>MS. FLORENCE MIGUNDE MARKETING MANAGER</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND: Holds a Bachelor of Commerce (Marketing) Masters in Strategic Management - University of Nairobi CIM Post - Graduate Diploma.
<p>MR. ANTHONY OPONDO PRINCIPAL INTERNAL AUDITOR</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND:
 <p>MR. JONAH KUSERO AG. RADIO PROGRAMMES MANAGER</p>	<ul style="list-style-type: none"> • EDUCATIONAL BACKGROUND MA (Project Planning and Management) University of Nairobi BA (HONS) Economics - University of Punjab, India. Dip Marketing Management Certificate in Radio and TV production.



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	<p>Certificate in Broadcast Journalism</p> <p>Certificate in Management Skills</p> <p>Certificate in managing the training and development functions</p>
 <p>Mr. Daniel Okoth Human Resource Manager</p>	<ul style="list-style-type: none">• EDUCATIONAL BACKGROUND: Bachelor of Arts in Government and Public AdministrationPost graduate Diploma in Human Resource Management
 <p>MR. MICHAEL NDETEI Televisions Programs Manager</p>	<ul style="list-style-type: none">• EDUCATIONAL BACKGROUND: MA holder in Film & Theatre ArtsBA in CommunicationDiploma in Tv production



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4. CHAIRMAN'S STATEMENT

The financial year 2020/2021 marks thirty-one years of existence of Kenya Broadcasting Corporation. Since the liberalization of media industry in Kenya in the 1990s, Kenya Broadcasting Corporation has consistently worked hard to be relevant in the competitive business environment. To date, the Corporation's rich portfolio of brands comprises of three TV channels and fifteen radio services.

The total revenue realized decreased by 3% from Kshs 2.134billion last year to Kshs 2.069billion this year. We received dividends from Multichoice Kenya Ltd where KBC is a 40% shareholder within the financial year.

The total expenditure increased by 3.57% from Kshs 2.30 billion last year to Kshs.2.38billion this year. There was an increase in some expenses like in electricity expenditure as a result of installing new FM radio transmitters and switching off medium wave radio transmitters that consume a lot of electricity.


ENG. BENJAMIN K. MAINGI
FOR CHAIRMAN



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5. REPORT OF THE MANAGING DIRECTOR

The year 2020/2021 was quite eventful and fruitful for us as KBC family and the entire Kenyan citizens. I therefore take this opportunity to thank all the staff for giving their best in ensuring successful transmission during the FY 2020/2021.

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

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

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

. 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.

SAMUEL MAINA
AG.MANAGING DIRECTOR



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6. REVIEW OF KBC PERFORMANCE FOR FY 2020/2021

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

Strategic Objectives

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

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



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Key Result Area 1	ATTAINMENT OF FINANCIAL STABILITY	Target	Achievements
<i>Strategic Objective</i>			
1.1	To enhance financial management	100%	80%
1.2	To increase revenue by an average 25% per annum over the five year Strategic Plan period (Ksh. 1.2 billion to Ksh. 2.7 billion)	25 % increment p.a.	Kshs.1,075,312,092 (40%)
1.3	To reduce electricity bills by embracing green energy (e.g. Solar Energy)	100%	50% Proposal Prepared and adopted by the Board and submitted to Ministry's projects implementation committee
1.4	To Clean the balance sheet by 2023 through GOK funding & other sources of revenue	100%	40% CAB memo Submitted to Ministry for approval and funding.



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

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



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7. CORPORATE GOVERNANCE STATEMENT

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

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

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



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8. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Analysis

During the 2020/2021 FY, the Board's total income was Kshs.2,069 million. This comprised Government grants (GoK grants) of Kshs.994.2 million and internally generated income of Kshs.15.6 million. The GoK grants comprise Recurrent grants of Kshs.829.2 million and Development grants of Kshs.165 million. The Government grants decreased by Kshs.106.5 million from Kshs.1,100 million to Kshs.994.2 million compared to the previous 2019/2020 FY. Whereas there was a general decrease in GoK grants, a significant decrease was realised in capital grants from Kshs.310 million allocations in the 2019-2020 FY to Kshs.165 million in 2020/2021 FY.

The Development grants, however, increased from Kshs.790.7 million in 2019/2020 FY to Kshs.829.2 million in 2020/2021 FY. The significant increase in Recurrent grants was to ensure that the Board clears all its broadcasting costs for 2019/2020 FY.

The internally generated revenue increased by Ksh.29.7 million from Kshs.1,030million to Kshs.1,059 million compared to the previous 2019/2020 FY. This increase represents two-point eight nine (2.89%) percent. This is due to advertising income.

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



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Expenditure Analysis

The Corporation's total actual recurrent expenditure was Kshs 2.382 million against Kshs 12.084 million in the 2019/2020 FY. The decrease of Kshs 9.7 billion was attributed to GOK loan interest that treasury has charged over the years on the loan repaid by GOK on behalf of KBC.

On going project

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

Entity's compliance with statutory requirements

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



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Major risks facing the entity

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

Material arrears in statutory/financial obligations

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

1	Trade payables	694,678,000
2	PAYE	607,209,000
3	Pension	1,044,689,000
4	VAT Payable	757,957,000



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9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

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

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

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 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, 2021 are set out on pages 1 to 4

Auditors

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



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For the year ended June 30, 2021

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Kenya Broadcasting Corporation's financial statements, which give true and fair view of the state of affairs of Kenya Broadcasting Corporation for and as at the end of financial year ended on June 30, 2021. 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



KENYA
BROADCASTING
CORPORATION

Annual Reports and financial statements
For the year ended June 30, 2021

Corporation financial statements give a true and fair view of the state of Kenya Broadcasting Corporation's transactions during the financial year ended June 30, 2020, and of the Kenya Broadcasting Corporation financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for Kenya Broadcasting Corporation, which have been relied upon in the preparation of Kenya Broadcasting Corporation financial statements as well as the adequacy of the systems of internal financial control.

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

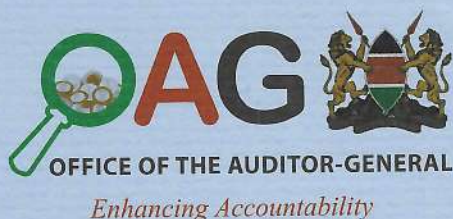
Approval of the financial statements

KBC financial statements were approved by the Board on _____ 2021 and signed on its behalf by:

.....
Chairperson of the Board.

.....
Accounting officer/MD/CEO

REPUBLIC OF KENYA



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kenya Broadcasting Corporation set out on pages 1 to 42, which comprise of the statement of financial position as at 30 June, 2021, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and the statement of comparison

Report of the Auditor-General on Kenya Broadcasting Corporation for the year ended 30 June, 2021

of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kenya Broadcasting Corporation as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) and do not comply with the Kenya Broadcasting Corporation Act, 1998 and the Public Finance Management Act, 2012

Basis for Adverse Opinion

1.0 Failure to Disclose Material Uncertainty Related to Going Concern

During the year under review, the Corporation recorded a loss of Kshs.313,234,000 (2019/2020– a loss of Kshs.9,950,066,000), which increased the cumulative loss to negative Kshs.88,252,564,000 as at 30 June, 2021, (30 June, 2020 - negative Kshs.87,900,416,000). Further, the current liabilities balance of Kshs.93,854,301,000 exceeded the current assets of Kshs.1,793,909,000, resulting in a negative working capital of Kshs.92,060,392,000.

The Corporation's financial statements, therefore, have been prepared on a going concern basis on the assumption that it will continue to receive financial support from the government, bankers, and creditors. However, this material uncertainty in relation to going concern and any mitigating measures put in place by the Corporation's Management to reverse the position has not been disclosed in these financial statements.

2.0 Unsupported Program Production Expenses

The statement of profit or loss and other comprehensive income as disclosed in Note 9(a) to the financial statements reflects administration costs of Kshs.2,307,429,000. Included in this amount is Kshs.71,388,000 in respect of program production expenses. However, examination of records indicates that the balance includes Kshs.5,911,811 which was not supported with procurement records such as tender documents, tender opening, evaluation and tender award minutes.

In the circumstances, the accuracy, and completeness of the expenditure of Kshs.5,911,811 in respect of program production expenses could not be confirmed.

3.0 Unsupported prepayments

The statement of cash flows reflects prepayments balance of Kshs.66,151,000. However, the balance was not supported with explanatory note and relevant records such as schedules, details of the payees and purpose for the expenditure.

In the circumstances, the accuracy and completeness of the prepayments of Kshs.66,151,000 could not be confirmed.

4.0 Inaccuracies in Operating Losses

The statement of financial position reflects accumulated losses of Kshs.88,252,564,000. This was at variance with the recalculated operating loss of Kshs.88,213,650,000 made up of opening balance and an operating loss of Kshs.87,900,416,000 and Kshs.313,234,000 respectively resulting in an unexplained and unreconciled variance of Kshs.38,914,000. Further, the statement of cash flows does not have supporting schedules or explanatory notes in the financial statements.

In the circumstances, the accuracy and completeness of the operating loss of Kshs.88,252,564,000 could not be confirmed.

5.0 Unsupported Cash and Bank Balances

The statement of financial position reflects cash and bank balance of Kshs.135,073,000 held in thirteen (13) bank accounts and cash in hand. However, cashbooks, bank reconciliation statements, bank confirmation certificates for seven (7) bank accounts were not provided for audit review.

In the circumstances, the accuracy and completeness of the cash and bank balances of Kshs.135,073,000 could be confirmed.

6.0 Property, Plant and Equipment

The statement of financial position and as disclosed in Note 12 to the financial statements reflects property, plant and equipment balance of Kshs.16,352,092,000 as at 30 June, 2021. However, a review of documents and physical inspection of the assets revealed the following anomalies:

6.1 Lack of Ownership Documents

Included in the property, plant and equipment balance is an amount of Kshs.12,857,874,001 in respect of land. However, review of records revealed that most of the parcels of land owned by the Corporation have not been surveyed and fenced to safeguard from possible encroachment by private developers. Ownership documents were also not provided for audit verification. Further, a parcel of land in Nyali has been turned into dumping site by the area residents. In addition, furniture, equipment and other assets have not been tagged for ease of identification and to safeguard against loss.

6.2 Undisclosed Procurement of Software Equipment

As reported in the previous year, the Corporation entered into a contract for design, supply, installation, training & commissioning of Digital head-end at a contract cost of USD 2,974,919 (approximately Kshs.303,441,738). The vendor upon supplying the equipment was paid an initial instalment of Kshs.86,235,710 from the car loan bank account. No explanation was given as to why this account was used to undertake the payment.

In addition, the cost of the digital head-end was not incorporated into the property, plant, and equipment balance as at year end.

In the circumstances, the accuracy, completeness, existence, ownership and security of the property, plant, and equipment balance of Kshs.12,857,874,000 could not be confirmed.

7.0 Trade and Other Receivables

The statement of financial position and as disclosed under Note 15(a) to the financial statements reflects trade and other receivables balance of Kshs.1,562,450,000. However, the following observations were noted:

7.1 Long Outstanding Trade Receivables

The ageing analysis of gross trade receivables provided for audit, showed that an amount of Kshs.1,727,932,000 representing 87% of the total trade receivables has been outstanding for over 120 days with the bulk being for services rendered more than ten (10) years ago. Recoverability of the long outstanding trade receivables was in doubt as majority did not have adequate supporting documents. Management has not demonstrated efforts towards recovery. Further, a provision of Kshs.30,450,000 has been made in the financial statements for likely impairment on the trade receivables. However, the basis for determination and computation was not provided for audit review.

7.2 Staff Receivables

Included in the trade and receivables balance as disclosed in Note 15(a) to the financial statements is staff receivables of Kshs.83,442,000. Examination of schedules and related records revealed car loan balance amounting to Kshs.1,799,254 which have been outstanding since 2008. It is not clear why the money has not been recovered to date. Further, recoveries totaling Kshs.7,761,817 was deducted from staff salaries to repay car loans advance during the year under review. However, the deductions were not remitted into the bank car loan account as required.

In the circumstances, the accuracy, completeness and recoverability of trade and other receivables balance of Kshs.1,562,451,000 could not be confirmed.

8.0 Unsupported Legal Expenses

The statement of profit or loss and other comprehensive income as disclosed in Note 9(a) to the financial statements reflects administration costs of Kshs.2,307,429,000 out of which an amount of Kshs.89,001,000 is in respect of legal expenses. However, Management did not provide documentations of cases including records of procurement of the advocates, agreed remuneration, respective case files for which the expenses were incurred to support the expenditure. Further, the balance include payments amounting of Kshs.433,750 paid to Africa Union of Broadcasters as annual subscription fees which was misclassified as legal fees.

In the circumstances, the accuracy and completeness of the legal expenses of Kshs.89,001,000 could not be confirmed.

9.0 Government of Kenya (GoK) Loan and Interest

As previously reported, statement of financial position reflects a loan of Japanese Yen 16,198,000,000 from Overseas Economic Cooperation Fund (OECF) of Japan as disclosed in Note 20(a) and 20(b) to the financial statements. The OECF loan which was guaranteed by the Government in 1989 funded the Corporation's modernization programme. The Corporation contracted a Japanese firm to undertake the modernisation project at a sum of Japanese Yen.11,904,566,500 with a Kenya Currency portion of Kshs.98,507,000. The loan was interest bearing and as at 30 June, 2021 the loan balance was Kshs.13,657,250,762 and interest thereof was Kshs.77,047,476,000 which has both remained unchanged in two financial years.

Further, records provided for audit indicate that in November, 2019, Japan International Cooperation Agency (JICA) sent a demand note amounting to JPY1.671,200,241 (Approx. Kshs.1,550,873,823 using CBK rates as at 31 December, 2019) with a due date of 31 December, 2019. However, a schedule from The National Treasury indicates that in the financial year 2019/2020, only Kshs.335,207 was paid on behalf of the Corporation. The amount due and unpaid has not been disclosed in the financial statements.

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

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

10.0 Unsupported Payments to StarTimes Software Technology

During the year under review, the Corporation made payments of Kshs.276,341,071 which was not supported by documents such as certificates of goods/services rendered, procurement records and statement of account were not provided for audit verification.

In the circumstances, the authenticity and accuracy of the payments of Kshs.276,341,071 could not be confirmed.

11.0 Provisions for Obsolete Assets

The statement of comprehensive income and as disclosed in Note 9(a) to the financial statements reflects provisions of Kshs.35,7834,000. The provisions include obsolete stocks of Kshs.5,333,000 of old assets and equipment which are yet to be disposed. However, the provisions were not supported by way of an updated asset register and inventory ledger or detailed schedule of assets.

In the circumstances, the accuracy and completeness of the provisions balance of Kshs.35,784,000 could not be confirmed.

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

Emphasis of Matter

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

As previously reported, the Corporation entered into a joint venture agreement for operating and broadcasting with Channel 2 Group Corporation on 10 May, 2006. The profits for the joint venture were to be distributed between KBC and Channel 2 with share of profits being distributed between the Corporation and the Company in the ratio of 7:3. The agreement was valid for a period of five years renewable for a similar period unless either party gave a written notice of six months expressing willingness not to renew the term of the agreement.

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

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

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

My opinion is not qualified with respect to the matter.

Key Audit Matter

Key audit matters are those matters that, in my professional judgement, 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 Audit Matters

In the audit report of the previous year, a number of issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues nor disclosed the prior year matters as provided by the Public Sector Accounting Standards Board, templates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Irregular Procurement of Up Down Cross Converters

The Corporation procured Up Down converters at a cost of Kshs.4,546,860 through Request for Quotation on 27 May, 2020 at a contract cost of Kshs.4,546,860. Payment on the contract was made on 05 February, 2021. However, it was not explained why generators and converters were not procured together, since the generator needed to be installed with the converter to be fully functional. Further, audit revealed that no market survey was conducted before the procurement was made.

In the circumstances, the regularity and value for money on this procurement could not be confirmed.

2. Irregular Contract for the Supply and Commissioning of Tech Equipment for Outside Broadcast

The Corporation entered into a contract for the supply and commissioning of Tech Equipment for Outside Broadcast at a contract cost of Kshs.15,687,214. The procurement was done through open tendering. However, review of the tender documents and related expenditure records revealed the following anomalies:

- i. Payment voucher in respect of the procured equipment was not provided for audit.
- ii. The validity of the Tax Compliance certificate attached to the bid documents by the winning bidder could not be confirmed as it was not legible.
- iii. The financial statements presented by the winning bidder were not signed by the directors and the auditors.

However, despite this invalidity, the tender evaluation committee considered the bid as responsive and awarded the tender.

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

3. Irregular Contract for the Construction of TV, News and Anchoring Set

The Corporation entered into a contract for the construction of television News Anchoring set at a contract cost of Kshs.14,243,640. A Local Purchase Order for the works was issued on 28 April, 2021 and the firm invoiced for the works on 03 May, 2021. Payment was promptly done on 05 May, 2021. An Inspection and Acceptance Committee report was not provided and the tender evaluation minutes were not signed by two members who were appointed by the accounting officer. Further, The tender attracted only two bidders which appear to have been unresponsive. The Corporation therefore should have re-advertised the tender to solicit for more bidders.

In the circumstances, the regularity of the contract for the construction of television News Anchoring set at a contract cost of Kshs.14,243,640 could not be confirmed.

4. Avoidable Storage Charges on Auto Controlled Silenced Generators

Review of records revealed that that tender for the supply and installation of twelve (12) Standby Auto Controlled Silenced Generators was awarded in 2015 at a contract cost of Kshs.35,913,700. The Corporation intended to supply install, test and commission twelve sites countrywide with 8 No.35KVA, and 4No. 50KVA standby automatic Controlled Silenced Generators. Records provided for audit indicates that the supplier made available the generators ready for installation, testing and commissioning in December, 2015. However, the installation was not carried out due to what the Management claimed that the sites in Bondo, Kilifi, Kwale, Kitui, Wajir, Holla Mpeketoni, Webuye, Nyadundo, Maralal among others were not ready. Due to the challenges faced by the Corporation, the supplier stored the generators in its warehouse. During the financial year under review, the Corporation paid Kshs.3,000,000 to the supplier as storage charges for the generators.

Inspection carried out in April, 2022 revealed that the generators have not been installed and are kept by the supplier as the sites are still not ready, eight (8) years down the line after it was procured. As a result of the delay by the Corporation and instructions from KBC for the readiness for the said sites to commence the works, the supplier has issued demand notice for a 10% contract variation in contract sum. The continued storage of the generators will lead to diminution in value and obsolescence of the equipment resulting in loss of public funds.

The foregoing is an indication of unplanned for procurement contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which requires that an Accounting Officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process. Therefore, the payment of storage fees constitutes uneconomical and wasteful use of public funds.

In the circumstances, it has not been possible to confirm that the Corporation obtained value for money for the expenditure on the supply of generators.

5. Non-Compliance with Law on Fiscal Responsibility

Included in the administration costs are staff costs amounting to Kshs.1,380,243,000. The expenditure accounted for 130% of gross sales generated of Kshs.1,059,875,000 and 67% of the total revenues realized of Kshs.2,069,695,000 during the year under review.

As reported in the previous year, the Management has not put in place measures to rationalize staff costs to reduce the payroll costs to a sustainable level that is commensurate with the revenues generated in order to free up resources to finance other key operations of the Corporation. This is contrary to Regulations 26 of the Public Finance Management Regulations, 2015 which restricts the wage bill to not more than 35 percent of revenues generated.

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

6. Expired Joint Venture Agreement with Ghetto Radio

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

Ghetto radio has so far paid the Corporation a total of Kshs.38,244,115 out of which Kshs.15,000,000 was for the joint venture payment and the balance of Kshs.23,244,115 being payment for co-siting and power bills. However, audited financial statements from Ghetto radio have for the duration of the joint venture not been verified to confirm income earned for the duration of the joint venture for purposes of confirming that the Corporation was being paid what is rightfully due to them as per the venture agreement. The Board during a special sitting held on 12 August, 2020 resolved that the Corporation collects Kshs.231 million from Ghetto Radio Limited and the moneys be paid within 90 days from the date of adoption of the report of the Board failure of which the joint venture should be terminated or suspended. Review of the status of the debtors in March, 2022 revealed that, the Management had not enforced the Board resolution on Ghetto Radio.

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

7. Unfavourable Joint Venture with GOTV

The Corporation entered into a joint venture with GOTV a subsidiary of Multichoice Africa. Multi Choice Africa informed KBC of their investment in GOTV amounting to Kshs.16 billion which has not been independently verified. It was on that basis that the Corporation declined to actualize the joint venture agreement. The Corporation assessed the investment cost at not more than Kshs.2.5 Billion.

GOTV has been using the Corporations' frequencies, infrastructure and equipment without making any payment for over eight (8) years. According to Management, a Master Co-location and Infrastructure Sharing Agreement between the Corporation and GOTV signed on 3 June, 2013 did not protect Corporation's interests. During the financial year 2019/2020, a committee was formed to look into formalization of the co-location and infrastructure sharing agreement between GOTV and the Corporation and give recommendations and the way forward.

In view of the above, value for money has not been realised and the Corporation continues to lose revenue.

8. Unremitted Statutory Dues and Other Deductions

The statement of financial position and as disclosed under Note 19 to the financial statements reflects trade and other payables balance of Kshs.3,149,575,000. Included in the balance are statutory and other deductions totalling Kshs.2,446,988,000 (2019/2020-Kshs.2,205,387,000) that have not been remitted to the respective institutions as detailed below:

Particulars	Amount (Kshs.)
Pension	1,044,689,000
Statutory Deduction	607,209,000
Co-operative Liabilities	28,344,000
Other Deductions	7,468,000
Post Office Bank Deductions	4,000
Value Added Tax (VAT)	757,957,000
National Hospital Insurance Fund	1,317,000
Total	2,446,988,000

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

The Corporation risks incurring penalties and interest with the continued delay in remittance of the deductions.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of Business Continuity Strategy

During the year under review, the Corporation did not have a documented IT continuity plan and disaster recovery strategy. Further, back-ups are not stored in a secure offsite facility.

As a result, the security and recoverability of the Corporation's financial and other information in case of a disaster are not assured.

2. Lack of IT Training Programs

During the year under review, the Corporation did not conduct adequate IT training to its staff members on the use of the ICT systems and this has led to low user acceptance of the ICT systems. The audit noted that although the Board had developed training programs through the ICT department, these programs have not been fully implemented by the Human Resource team due to insufficient funding.

Therefore, the staff may not have adequate IT skills to adapt to the dynamic and technological changes in the environment.

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

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of

the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Corporation to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Corporation to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

23 September, 2022

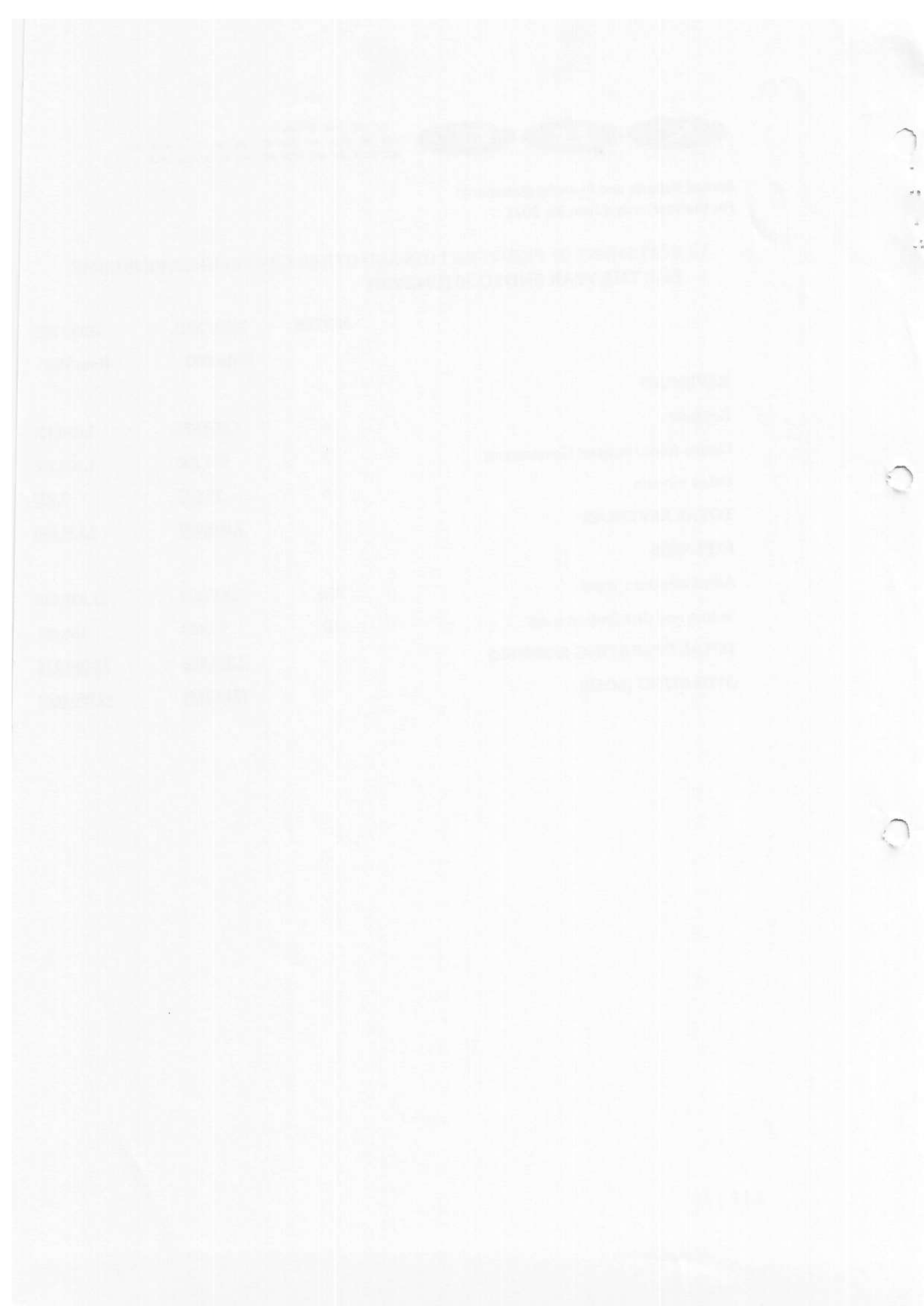


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**13. STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2021**

	NOTES	2020/2021 Kshs'000'	2019/2020 Kshs'000'
REVENUES			
Revenue	6	1,059,875	1,030,120
Grants from National Government	7	994,200	1,100,700
Other income	8	<u>15,620</u>	<u>3,227</u>
TOTAL REVENUES		<u>2,069,695</u>	<u>2,134,048</u>
EXPENSES			
Administration costs	9(a)	2,307,429	11,628,616
Selling and distribution costs	10	75,498	164,081
TOTAL OPERATING EXPENSES		<u>2,382,928</u>	<u>12,084,114</u>
OPERATING (LOSS)		<u>(313,234)</u>	<u>(9,950,066)</u>





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14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

ASSETS	NOTES	2020/2021 Kshs '000'	2019/2020 Kshs '000'
NON CURRENT ASSETS			
Property, Plant and Equipment	12	16,352,092	16,102,911
Investments	13	<u>400</u>	<u>400</u>
Total Non-current Assets		<u>16,352,492</u>	<u>16,103,311</u>
CURRENT ASSETS			
Inventories	14	96,386	92,603
Trade and other Receivables	15(a)	1,562,450	1,408,582
Cash and bank balances	16	<u>135,073</u>	<u>354,144</u>
TOTAL CURRENT ASSETS		<u>1,793,909</u>	<u>1,855,329</u>
TOTAL ASSETS		<u>18,146,401</u>	<u>17,958,639</u>
EQUITY AND LIABILITIES			
Capital and Reserves			
Ordinary Share capital	17	928,488	928,488
Revaluation reserve	18	11,616,176	11,616,176
Accumulated surplus /losses		<u>(88,252,564)</u>	<u>(87,900,416)</u>
Total Capital and Reserves		<u>(75,707,900)</u>	<u>(75,355,752)</u>
CURRENT LIABILITIES			
Trade and other Payables	19	3,149,575	2,609,665
GOK Loan (principal)	20 (a)	13,657,251	13,657,251
GOK (Loan interest)	20(b)	77,047,475	77,047,476
Bank Overdraft			
TOTAL CURRENT LIABILITIES		<u>93,854,301</u>	<u>93,314,392</u>
TOTAL EQUITY AND LIABILITIES		<u>18,146,401</u>	<u>17,958,639</u>

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

M.D. *SAMUEL C. MAINA* Head of Finance

Name: *DR. HEARTY NDIRANGI* Name: *NOHATI*

Chairman of the Board

Name: *[Signature]* ICPAK M/NO: *12927*



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15. STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

	Ordinary Share Capital	Revaluation Reserve	Accumulated surplus/Losses	Totals
	Kshs '000'	Kshs '000'	Kshs '000'	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			-7,611,785	-7,611,785
30/06/2017	928,488	11,616,174	-57,751,055	-45,206,393
Loss for the year			-8,671,965	-8,671,965
30/06/2018	928,488	11,616,17	-66,423,020	-53,878,358
Loss for the year			-8,202,925	-8,202,925
30/06/2019	928,488	11,616,174	-74,625,945	-62,081,283
Loss for the year			-9,950,066	-9,950,066
30/06/2020	928,488	11,616,174	-87,939,330	-71,946,160
Loss for the year			-313,234	-313,234
30/06/2021	928,488	11,616,174	-88,252,564	-75,707,902



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16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE, 2021

	2020/2021	2019/2020
	Kshs '000'	Kshs '000'
Loss for the year	-313,234	-9,950
Depreciation	268,375	234,020
Foreign exchange gain	2,665	83,654
Provision for stocks	5,333	4,877
Provision for bad debts	30,584	38,913
Interest on GOK Loan	0	9,783
Increase/Decrease in debtors	-153,868	-2,412
Increase/Decrease in stocks	-3,783	-12,318
Increase in creditors	539,910	251,281
Income tax paid	0	-73,257
Prepayments	-66,151	71,000
<u>Cash flow from operating activities</u>	<u>309,831</u>	<u>429,049</u>
<u>Cash Flow from investing</u>		
Purchase of fixed assets	-517,557	-6,536
Dividends	-8,680	
Foreign exchange gain	-2665	-83,654
<u>Net Cash Flow from investing</u>	<u>-528,902</u>	<u>-90,190</u>
<u>Cash flow from financing</u>		
Net cash flow from financing	0	0
Net increase/Decrease in Cash & Cash Equivalents	-219,071	338,859
Cash and cash equivalent at the beginning	<u>354,143</u>	<u>15,286</u>
Cash & Cash Equivalent at 30th June 2021	<u>135,072</u>	<u>354,143</u>



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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL

FOR THE PERIOD ENDED 30 JUNE 2021.

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

	ORIGINAL BUDGET	ADJUSTMENTS	FINAL BUDGET	ACTUALS	PERFORMANCE DIFFERENCE
	2020/2021	2020/2021	2020/2021	2020/2021	2020/2021
	KSH(000)	KSH(000)	KSH(000)	KSH(000)	KSH(000)
SALES					
Advertising radio	445,000	0	445,000	258,475	-186,525
Advertising Television	257,000	0	257,000	138,852	-118,148
Casual and funeral	5,000	0	5,000	1,504	-3,496
Technical services	690,945	0	690,945	661,044	-29,901
Other income	4,055	0	4,055	4,534	479
	1,402,000		1,402,000	1,064,158	-337,842
OTHER INCOME					
Dividend income	64,000	0	64,000	8,680	-55,320
GRANT FROM NATIONAL GOVERNMENT					
Current grants	525,600	0	525,600	829,200	303,600
Capital grants	328,200	0	328,200	165,000	-163,200
Total Income	853,800	0	853,800	994,200	140,400
ADMINISTRATION COSTS					
Directors emoluments	25,000	0	25,000	11,872	13,128
Electricity and water	212,000	0	212,000	146,137	65,863
Communication services and supplies	14,000	0	14,000	11,754	2,246



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Transport, travelling and subsistence	85,771	0	85,771	38,138	47,634
printing, stationery and photocopying	8,000	0	8,000	7,988	8,000
Rent expenses	70,000	0	70,000	10,091	59,909
Staff training expenses	10,000	0	10,000	887	9,113
Insurance costs	21,000	0	21,000	20,966	34
Bank charges and commissions	3,500	0	3,500	2,795	705
Office and general supplies and services	10,000	4,100	14,100	11,787	14,100
Auditors remuneration	580	0	580	580	-
Legal fees	215,000	0	215,000	89,001	125,999
Consultancy fees	0	0	-	0	-
Repairs and maintenance	138,065	3,000	141,065	119,777	21,288
Provision for bad and doubtful debts	30,000	0	30,000	30,450	-450
Program telephone lines	150,000	0	150,000	70,765	79,235
Program production expenses	476,240	0	476,240	139,065	337,175
Other operating expenses(official ent)	9,750	0	9,750	9,090	660
Salaries and allowances of permanent employees	1,259,604	0	1,259,604	1,201,884	57,720
Wages of temporary employees	86,672	0	86,672	67,678	18,994
Pension contributions	111,523	0	111,523	98,250	13,273
Staff welfare	8,700	0	8,700	4,234	4,466



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Marketing and promotional expenses	106,680	0	106,680	46,134	79,200
Sales commission	100,225	7,100	93,125	15,075	78,050
Other selling and distribution costs(news prdn)	25,000	0	25,000	14,289	10,711



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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Kenya Broadcasting Corporation was formed in 1989 through an Act of parliament. The Corporation has a Board of Directors that is responsible for the general policy and strategic direction of the organization. It falls under the Ministry of Information, Communications and Technology. The entity's principal activity is to transmit objective, informative, educative and entertaining content to the public through high quality broadcasts. .

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the KBC.

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

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

- i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

IFRS 16: Leases

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

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

liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Application of IFRS 16 requires right-of-use assets and lease liabilities to be recognised in respect of most operating leases where the Company is the lessee. Based on the Directors' assessment, right of use assets of KSh xxx, lease liabilities of KSh xxx and a deferred tax asset of KSh ... have been recognised with a corresponding decrease of the net amount in retained earnings in these financial statements.

IFRIC 23: Uncertainty Over income tax treatments

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

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

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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

The amendments, applicable to annual periods beginning on or after 1st January 2020, clarify that the costs of borrowings made specifically for the purpose of obtaining a qualifying asset that is substantially completed can be included in the determination of the weighted average of borrowing costs for other qualifying assets.

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

The amendments, applicable to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1st January 2020,



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

requires an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity re-measures its net defined benefit liability (asset) in the manner specified in the amended standard.

Amendments to IAS 1 and IAS 8 Definition of material

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

The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition. The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of material or refer to the term 'material' to ensure consistency. The amendments are applied prospectively for annual periods beginning on or after 1 January 2020, with earlier application permitted

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

IFRS 17 Insurance Contracts (Issued 18 May 2017)

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

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

indicate that definitions in the standard have not been updated with the new definitions developed in the revised *Conceptual Framework*.

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

iii) Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a) Revenue recognition

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

- i) **Revenue from the sale of goods and services** is recognised in the year in which the *entity* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Grants from National Government** are recognised in the year in which the *entity* actually receives such grants. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.
- iii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- iv) **Dividend income** is recognised in the income statement in the year in which the right to receive the payment is established.
- v) **Rental income** is recognised in the income statement as it accrues using the effective lease agreements.
- vi) **Other income** is recognised as it accrues.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) In-kind contributions

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

c) Property, plant and equipment

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

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

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

d) Depreciation and impairment of property, plant and equipment

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

Depreciation on property, plant and equipment is recognized in the income statement on a reducing-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use are:

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9) Motor vehicles	20.0%
10) Office equipment's	12.5%
11) Computer and accessories	30%

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

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

e) Intangible assets

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

f) Amortization and impairment of intangible assets

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

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

g) Investment property

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Leases

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

i) Fixed interest investments (bonds)

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

j) Quoted investments

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

k) Unquoted investments

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

l) Inventories

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

m) Trade and other receivables

Trade and other receivables are recognised 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.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) Taxation

Current income tax

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

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

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

Deferred tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the



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n) Taxation (Continued)

Deferred tax (Continued)

extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments

in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

o) Cash and cash equivalents

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



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p) Borrowings

Interest bearing loans and overdrafts are initially recorded at fair value being received, net of issue costs associated with the borrowing. Subsequently, these are measured at amortised

cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue cost and any discount or premium on settlement. Finance charges, including premiums payable of settlement or redemption are accounted for on accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise. Loan interest accruing during the construction of a project is capitalised as part of the cost of the project.

q) Trade and other payables

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Retirement benefit obligations

The entity operates a defined contribution scheme for all full-time employees from July 1, 2020. The scheme is administered by an in-house team and is funded by contributions from both the company and its employees. The company also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The company's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at Kshs.200 per employee per month.

s) Provision for staff leave pay

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

t) Exchange rate differences

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

u) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly on april 2020. Subsequent revisions or additional appropriations were made to the approved budget in



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective

approvals in order to conclude the final budget. Accordingly, the entity did not record additional appropriations on the 2019-2020 budget following the governing body's approval.

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

u) Budget information (Continued)

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

v) Service concession arrangements

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Comparative figures

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

x) Subsequent events

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

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimates and assumptions

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Useful lives and residual values

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

SIGNIFICANT JUDGEMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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

Provisions

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

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020/2021 Ksh '000'	2019/2020 Ksh '000'
6. REVENUE		
Gross sales of services	1,059,875	1,030,120
7. GRANTS FROM NATIONAL GOVERNMENT		
Current grants received	829,200	790,700
Capital	<u>165,000</u>	<u>310,000</u>
	<u>994,200</u>	<u>1,100,700</u>
8. OTHER INCOME		
Dividend income	8,680	0
Miscellaneous income	6,940	3,041
Parking fees	0	186
Total	<u>15,620</u>	<u>3,227</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020/2021	2019/2020
	Kshs '000'	Kshs '000'
9(a) ADMINISTRATION COSTS		
Staff Cost (note 4,b)	1,380,243	1,319,238
Directors emoluments	11,872	
Electricity and water	146,137	126,831
Communication services and supplies	11,754	6,588
Transport, travelling and subsistence	38,138	36,348
printing, stationery and photocopying	7,988	7,865
Rent expenses	10,091	
Staff training expenses	887	13,815
Hospitality supplies and services	6,845	4,378
Insurance costs	20,966	9,785,826
Bank charges and interest	2,795	15,803
Office general supplies and services	11,787	10,298
Auditors remuneration	580	580
Legal fees	89,001	62,347
Repairs and maintenance	119,777	68,947
Provisions	35,784	43,791
Program telephone lines(satellite services)	70,765	63,265
Program production expenses	71,388	119,584
Depreciation	268,375	
Other operating expenses	2,256	1,579
	<u>2,307,429</u>	<u>11,628,616</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

	2020/2021
	Kshs '000'
(9b) STAFF COST	
Salaries and allowances of permanent	1,076,076
Salaries of long term contracted staff	84,285
Wages of temporary employees	67,678
Pension contributions	145,250
Gratuity	2,721
Staff welfare	4,234
Staff medical insurance	<u>0</u>
TOTAL	<u>1,380,243</u>
(9c) Directors Emolument	
Sitting allowance	5,703
Transport	4,015
Accommodation	1,333
Honorarium	441
Others	<u>380</u>
Total	<u>11,872</u>
(9d) PROVISIONS:	
Bad debts	30,450
Obsolete stocks	5,334
	35,784
10. SELLING AND DISTRIBUTION COSTS	
Marketing and promotional expenses	46,134
Sales commission	15,075
Other selling and distribution costs(news)	<u>14,289</u>
	<u>75,498</u>



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11. OPERATING PROFIT/(LOSS)

	2020-2021 kshs	2019-2020 kshs
The operating profit/(loss) is arrived at after charging/(crediting):		
Staff costs (note 12b)	1,380,243	1,319,238
Depreciation of property, plant and equipment	268,375	234,021
Provision for bad and doubtful debts	35,784	43,791
Directors' emoluments - fees	11,872	13,605
Auditors' remuneration - current year fees	580	580
- prior year under-provision	580	580
Net foreign exchange loss	0	0
Interest receivable	0	0
Interest payable	0	0
Totals	1,697,434	1,611,815

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12. PROPERTY PLANT AND EQUIPMENT SCHEDULE

FOR THE YEAR 2020/2021

COST/ VALUATION	LAND	BUILDINGS	PLANT & EQUIPMENT	TRANSMITTE R EQUIPMENT	STUDIO EQUIPMENT	OB EQUIPMENT	PORTABLE EQUIPMENT	PROGRAM LINKS	FURNITURE & FITTINGS	MOTOR VEHICLES	OFFICE EQUIPMEN T	COMPUTER EQUIPMENT	TOTALS
As at June 30 2017	-	54,992,980	339,264,255	292,352,984	35,467,136	7,229,346	1,123,272	7,049,324	8,308,652	151,466,400	4,579,791	34,394,617	926,238,786
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	46,546,981	17,667,822,923
ADDITIONS			18,600,000		757,310						1,182,399	10,485,960	31,025,669
AT 30th June 2019 cost	12,857,874,001	950,100,356	1,982,122,583	1,378,810,865	257,191,171	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,963	63,828,010	17,783,153,415
ADDITIONS		3,184,517			209,960							3,142,483	6,536,960
AT 30th June 2020 cost	12,857,874,001	953,284,873	1,982,122,583	1,378,810,865	257,401,132	29,783,288	4,299,408	41,609,550	29,280,222	170,404,000	17,849,962	66,970,494	17,789,690,374
ADDITIONS	-	7,520,814	22,370,953	177,695,546	274,346,686		513,495	828,837	5,379,880	13,549,609	552,947	14,797,765	517,556,531
AT 30TH JUNE 2021	12,857,874,001	960,805,686	2,004,493,536	1,556,506,411	531,747,817	29,783,288	4,812,903	42,438,387	34,660,101	183,953,609	18,402,909	81,768,259	18,307,246,905
DEPRECIATION													
Total As at June 2020	-	107,640,955	638,818,287	586,549,717	90,668,618	13,341,464	1,984,005	12,904,380	15,114,173	160,707,949	8,801,088	50,249,176	1,686,779,812
charge for the year 2020-2021	-	17,063,295	88,768,891	96,995,669	44,107,920	1,644,182	282,890	1,772,046	2,435,478	4,649,132	1,200,228	9,455,724	268,375,456
Total As at June 2021	-	124,704,250	727,587,178	683,545,387	134,776,538	14,985,646	2,266,895	14,676,426	17,549,651	165,357,081	10,001,316	59,704,900	1,955,155,268
Net Book Value As At June 30, 2021	12,857,874,001	836,101,436	1,276,906,358	872,961,024	396,971,279	14,797,641	2,546,008	27,761,961	17,110,450	18,596,528	8,401,593	22,063,358	16,352,091,639
Net Book Value As At June 30, 2020	12,857,874,001.00	845,643,917.77	1,343,304,296.80	792,261,146.40	166,732,511.29	16,441,823.72	2,315,402.92	28,705,170.85	14,166,049.63	9,696,051.20	9,048,874.83	16,721,316.32	16,102,910,562.72



NOTES TO THE FINANCIAL STATEMENTS (Continued)

13. 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.

14. INVENTORIES	2020/2021	2019/2020
	Kshs'000'	Kshs'000'
Engineering Stores	92,479	91,452
Fuel, Oil, And Lubricants	2,425	136
Stationery And General Stores	6,816	5,968
Less provision for obsolete stocks	<u>-5,334</u>	<u>-4,953</u>
	<u>96,386</u>	<u>92,603</u>
15(a) TRADE AND OTHER RECEIVABLES		
Trade Receivables (note 15b)	<u>1,479,009</u>	<u>1,392,876</u>
Staff Receivables (note 15c)	<u>83,442</u>	<u>15,706</u>
	<u>1,562,451</u>	<u>1,408,582</u>
15(b) TRADE AND OTHER RECEIVABLES		
Trade Receivables	1,990,487	1,873,905
Provision for Bad and Doubtful Debts	<u>-511,479</u>	<u>-481,029</u>
Net receivables	1,479,009	1,392,876
Staff Receivables	83,442	15,706
Net Trade and Other Receivables	<u>1,562,451</u>	<u>1,408,582</u>
At June 30, the ageing analysis of the gross trade receivables was as follows;		
Less than 30 days	181,124	168,430
Between 30 and 60 days	10,003	13,492
Between 61 and 90 days	43,316	36,203
Between 91 and 120 days	28,112	14,444
Over 120 days	1,727,932	1,641,336
	<u>1,990,487</u>	<u>1,873,905</u>



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15(c) STAFF RECEIVABLES

Imprest	11,321	0
Salary Advance	4,873	564
Car Advance	54,066	12,991
Imprest	13,182	2,150
	<u>83,442</u>	<u>15,706</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. BANK AND CASH BALANCES

	2020/2021 Kshs'000'	2019/2020 Kshs'000'
Citibank (Main) - 0300079001	64,539	198,431
Imprest	0	6,925
Citibank medical 300079019	52	141
CBA ksh -6626480019	6,839	4,107
KCB Nairobi - 1107167418	14,795	22,450
Citibank car loan - 300079027	41,169	107,197
CBA dollar - 6626480024	7,498	14,250
KCB Garissa - 1108088538	1	1
KCB Kisumu - 1104026481	2	1
KCB Kitale - 1105198405	1	1
KCB Malindi - 1108002897	4	4
KCB Maralal - 1104413671	1	0
KCB Mombasa - 1101516593	82	1
KCB Voi - 1108158544	93	1
KCB Wajir - 1105246949	1	1
Cash at Hand	0.1	632
TOTAL	<u>135,073</u>	<u>354,144</u>

17. ORDINARY SHARE CAPITAL

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



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

18. 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

19. TRADE AND OTHER PAYABLES	2020/2021	2019/2020
	Kshs'000'	Kshs'000'
Trade creditors	694,678	404,277
Vat	757,957	712,340
Statutory Deductions	607,209	464,696
Medical	20,357	0
Pension	1,044,689	984,324
Coop liabilities	15,896	28,344
Post office bank deductions	4	166
NHIF	1,317	966
Other deductions	7,468	14,551
	<u>3,149,575</u>	<u>2,609,665</u>



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 CONTINGENT LIABILITIES

CONTINGENT LIABILITY IN RESPECT OF KBC HIGH VALUE COURT CASES
AS AT 30TH JUNE, 2021

S/NO	CASE NO. AND PARTIES	CLAIM DETAILS AND CASE STATUS	REMARKS
1.	London - Channel 2 Group Corporation - vs- Kenya Broadcasting Corporation of the London Court of International Arbitration (LCIA) LCIA Arbitration Case No. 122233 of 2012	KBC entered into a joint venture agreement with Channel 2 Group Corporation for purposes of broadcasting movies and other programmes on KBC Station formerly Metro TV. The JV was not a success and KBC terminated the agreement Vide letter dated 16 th March, 2009. Channel 2 was aggrieved by the decision, and filed arbitration case in London initially seeking US\$2.4 Billion then amended the claim now seeking US\$398.4 Million.	Both parties have identified witnesses, taking statements and surcharge documents. Matter pending hearing. Arbitration ready to fix matter for hearing. Hearing depending on Covid-19 pandemic. So far lawyers and consultant experts' have been paid Kshs.100million. Projected cost lawyers, experts and witnesses i Kshs.30million A cabinet Memo was done seeking for government funding for the arbitration costs, and recommending that the Attorney General takes over the case.
2.	Nairobi (Milimani) HCCC No. 686 of 2009 Optima Sports Management International (UK) Limited -vs- Kenya Broadcasting Corporation consolidated with Nbi (Milimani) HCCC No.	Claim for recovery of fees for provision of sporting rights to KBC. Invoices were submitted but KBC declined to pay for lack of contract and due to the fact that procurement process not followed in acquiring the sporting rights. An Award of total Euros 372,000 (equivalent to Kshs. 43 Million)	Discussions for flexible payment plan of the award have not yielded fruits and KBC has instructed the advocate to file an appeal.



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	687-Optima Sports Management International (Nigeria) Limited -vs- Kenya Broadcasting Corporation	entered against KBC	
3.	Mombasa ELC 323 of 2010. KBC -vs- Mombasa County Old Bay	KBC filed a suit to prevent the defendants from occupying its land at Nyali TX. The Defendants have encroached on KBC land, valued at Kshs.1 billion. Defendant filed an application seeking to prevent Chief Land Registrar from testifying. The matter is scheduled for hearing on 26/10/2020	Defendant filed an application seeking to prevent Chief Land Registrar from testifying.
4.	Machakos ELC No. 180 of 2017 Kenya Broadcasting Corporation -vs- Komarock Ranching and Farming Cooperative Society Ltd and Komarock Ranching Company Ltd consolidated with Machakos Petition No. 15 of 2015 Komarock Ranching and Farming Cooperative Society Ltd -vs- Komarock Ranching Company Ltd	KBC sued the defendants seeking general damages for trespass on land LR No. Donyo Sabuk/Komarock Block 1/9218. Value of the land which is the subject matter is Kshs.2,950,000,000/=	Matter at an advance stage of being heard

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<p>5.</p>	<p>Mombasa ELC No. 282 of 2013 & CA 82 of 2018</p> <p>Housing Finance Company of Kenya - vs- Kenya Broadcasting Corporation and Attorney General</p>	<p>This suit is centered on the proprietorship of 3 parcels of land that form part of land namely Msa Block/XXY 580,581,583 & 584 that was assigned to the then Voice of Kenya, now KBC in 1988. The value of the property is Kshs.313,250,000/= (as at year 2017 valuation). KBC only had a PDP document on the portion of land. HFCK had title of the land. The Court of Appeal dismissed our appeal mainly grounded on the fact that the PDP we were relying on was a mere approval of a proposal and could not be considered as proof of ownership as the same was not gazetted; and because KBC had not established the element of fraud in the allocation of the land to the other parties.</p> <p>KBC has received new information showing that M/s Kensko Agro Products Limited irregularly and illegally acquired the portion of land which it sold to HFCK.</p> <p>KBC intends to seek review of Appeal judgement based on availability of new evidence. The matter is set to be fixed for a further review by five bench court.</p>	<p>The Court of Appeal made a decision in favour of HFCK. We are in the process of filing pleadings to review the appeal</p>
<p>6.</p>	<p>Nairobi Misc Civil Application No. 84 of 2015</p> <p>Mwangi Chege and Company Advocates - vs- Kenya Broadcasting Corporation</p> <p>(Arising from HCC No. 15 of 2000 Royal Media Services -vs- KBC & Others in which M/s</p>	<p>Claim for Advocate - Client Bill of Costs in the sum of Kshs. 800,840,946.50. The amount was taxed at Kshs 100,503,255.45 being the instruction fees, in 2018 and we sought reference at the High court against the taxed amount. The amount was re-taxed at Kshs. 61Million vide a Ruling delivered on 15th September 2020</p>	<p>M/s Mwangi Chege filed a application for decree. We file replying affidavit requesting the court to take into account the amounts previously paid to the firm; and to allow us to pay the balance by installments.</p> <p>Concurrently, we are pursuing party & party costs against Royal Media Services with respect to the main suit which had been dismissed with costs. The court previously disallowed our</p>



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	Mwangi Chege represented KBC. Subject matter of the claim was Kshs 25.6 Billion)		advocate's application for leave to represent KBC in the Party and Party bill of costs and ordered that M/s Mwangi Chege's fees be paid first The matter is set for pre-trial directions.
7.	Nairobi ELRC cause No 845 of 2017 (formerly HCC No 719 of 2006) Charles Kasisi and 10 Others -vs- Kenya Broadcasting Corporation	The Claimants were 10 amongst 257 employees retrenched by the Corporation in 2006.They filed the suit seeking declaratory as well as injunctive orders and damages. The matter was referred to the employment and labor relations court in 2017. The claim is unliquidated, but can be estimated at Kshs. 128,500,000 if each claimant shall be awarded an average of Kshs 300,000	Ruling was delivered in favour of the claimants and KBC ordered to pay Kshs 39,000,000
8.	Nairobi HCCC No.354 of 2018 Arimus Media Limited -vs- Kenya Broadcasting Corporation	The plaintiff filed suit seeking for an order of mandatory injunction compelling KBC to allow the plaintiff use its unutilized airtime on its channels arising from a breach of contract entered between parties where the plaintiff was to acquire through airtime partnership of five weekly episodes of the television series <i>Great Debaters Contest</i> . They are seeking in the alternative special damages in the sum of 259,077,065/=	The matter is pending for pretrial directions



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

24. FINANCIAL RISK MANAGEMENT

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

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

(i) Credit risk

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

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

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

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

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

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

ii) Liquidity risk management

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

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KENYA
BROADCASTING
CORPORATION

Annual Reports and financial statements

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

(iii) Market risk

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

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

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

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