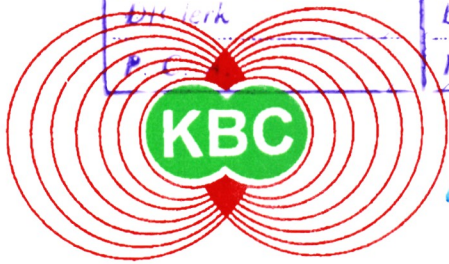


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# **KENYA BROADCASTING CORPORATION**

**Audited  
Annual Accounts for the  
Year Ended 30 June 2003**

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**REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE  
FINANCIAL STATEMENTS OF KENYA BROADCASTING CORPORATION  
FOR THE YEAR ENDED 30 JUNE 2003**

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# **REPORT OF THE CONTROLLER AND AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KENYA BROADCASTING CORPORATION FOR THE YEAR ENDED 30 JUNE 2003**

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I have audited the financial statements of Kenya Broadcasting Corporation for the year ended 30 June 2003 in accordance with the provisions of Section 29 (2) of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of my audit. The financial statements are in agreement with the books of accounts.

## **Respective Responsibilities of the Directors and the Controller and Auditor General**

---

The directors are responsible for the preparation of financial statements, which give a true and fair view of the Corporation's state of affairs and its operating results. My responsibility is to express an independent opinion on the financial statements based on my audit.

### **Basis of Opinion**

The audit was conducted in accordance with the International Standards on Auditing. Those standards require that the audit be planned and performed with a view to obtaining reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of financial statements. I believe my audit provides reasonable basis for my opinion.

### **Comments**

#### **1. Financial Position**

During the year ended 30 June 2003, the Corporation incurred a net loss of Kshs. 1,126,929,499 which brought its adjusted accumulated deficit to Kshs. 8,186,128,261. The Balance Sheet further reflects a negative working capital of Kshs. 605,314,911 and negative net worth of Kshs. 7,257,640,671 as at the same date. As disclosed in note 9 to the financial statements, the Corporation was unable to pay foreign loans used in Radio Modernization Project totalling Kshs. 3,865,991,765 and interest on the same totalling Kshs. 536,967,192 which the Treasury had to pay on its behalf. Evidently, therefore, the Corporation is technically insolvent and its continued operation on a going concern basis is dependent on Government support.

#### **2. Fixed Assets**

As pointed out in previous report, the Corporation does not maintain a fixed assets register for the assets reflected in the balance sheet at Kshs. 4,144,871,879. Consequently, it is not possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of fixed assets at the balance sheet date. Included in the Corporation's assets are 33 parcels of land in various parts of the country whose value has not been determined. Land parcels numbering 23 out of the 33 have no title deeds and have not therefore been registered in the Corporation's name. The unregistered land include KBC Headquarters complex LR 15090 (40.47 ha), Karen LR 10956 (10 ha) and KBC Norfolk 209/10370 (0.0061 ha). Under the circumstances, it has not been possible to confirm the ownership and security of these parcels of land.

### **3. Debtors**

The debtors figure of Kshs. 55,420,873 in the balance sheet includes debts totaling Kshs. 396,722,458 or 87% which are aged over 120 days. Included among the debtors is an advertising firm which owes the Corporation a total of Kshs. 38,638,324. The firm is no longer in existence and its business has been taken over by another firm. It is not clear whether the new firm took over the debts owed to KBC. It has not been possible to confirm whether, and if so, when the Corporation will be able to recover these amounts. Any additional provision that would have been necessary in relation to this uncertainty has not been incorporated in these financial statements.

### **4. Cash and Cash Equivalent**

As disclosed in note 7 to the financial statements, Cash and Cash Equivalent negative balance of Kshs. 15,736,451 consists of Bank overdraft balance of Kshs. 15,737,183 which includes a Broadcaster bank account balance of Kshs. 2,898,692 whose bank reconciliation statement could not be prepared due to missing bank statements. Also included in the cash balance are reconciling items described as dishonoured cheques totalling Kshs. 29,316,798.86 The dishonoured cheques amount relate to period before 1991 during the Voice of Kenya era and could not be verified. Under the circumstances, it is not possible to confirm the accuracy of Cash & Cash equivalent overdraft balance of Kshs. 15,736,451 as at the balance sheet date.

### **5. Stocks**

The stocks balance of Kshs. 73,863,929 was not physically verified as at 30 June 2003. There were no certificates confirming the value and existence of the items making up the stock balance reflected in the balance sheet. Consequently, it is not possible to confirm whether the carrying values as stated in the financial statements reflect the fair values of the stock as at the balance sheet date.

### **Opinion**

Except for the reservations set out in the foregoing paragraphs, in my opinion, proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Corporation as at 30 June 2003 and of its deficit and cash flows for the year then ended and comply with the Kenya Broadcasting Corporation Act (cap 221).



**E.N. MWAI**  
**CONTROLLER AND AUDITOR GENERAL**

**Nairobi**

**20 September 2005**

# KENYA BROADCASTING CORPORATION

## BALANCE SHEET

AS AT 30TH JUNE 2003

	Notes	<u>2002/2003</u>	<u>2001/2002</u>
		<u>Kshs</u>	<u>Kshs</u>
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Fixed Assets	2,6	4,144,871,879	4,465,139,969
Investments	3	400,000	400,000
		<u>4,145,271,879</u>	<u>4,465,539,969</u>
<b><u>CURRENT ASSETS</u></b>			
Stocks	4	73,863,929	86,764,033
Debtors	5	455,420,873	555,241,828
Cash & Cash equivalent	7	(15,736,451)	(14,982,918)
		<u>513,548,351</u>	<u>627,022,943</u>
<b>Total Assets</b>		<u><b>4,658,820,230</b></u>	<u><b>5,092,562,912</b></u>
<b><u>EQUITY &amp; LIABILITIES</u></b>			
Net equity		928,487,590	928,487,590
Profit & Loss Account	8	(8,186,128,261)	(7,040,959,539)
		<u>(7,257,640,671)</u>	<u>(6,112,471,949)</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
OEFC(Japan) Loan	10	6,394,638,682	6,882,879,470
<b><u>CURRENT LIABILITIES</u></b>			
GOK Loan	9	4,402,958,957	2,819,035,380
Creditors	11	1,118,863,262	622,021,258
		<u>5,521,822,219</u>	<u>4,322,155,391</u>
<b>Total equity &amp; Liabilities</b>		<u><b>4,658,820,230</b></u>	<u><b>5,092,562,912</b></u>

SIGNED:-

MR JAMES KANGWANA .....

CHAIRMAN

DATE .....

9.3.05

MR. WACHIRA WARURU .....

MANAGING DIRECTOR

DATE .....

8.3.05

MR. HEZEKIEL OIRA .....

CORPORATION SECRETARY

DATE .....

8.3.05

# **KENYA BROADCASTING CORPORATION**

## **CASH FLOW STATEMENT**

**FOR THE YEAR ENDED 30TH JUNE 2003**

	2002/03	2001/02
<b><u>Cash flow from operating activities</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Loss for the year	(1,126,929,499)	(579,740,036)
<b>Adjustments for:</b>		
- depreciation	373,234,736	406,031,909
Provision for bad debts	20,924,427	20,980,465
<b>Operating Gain/loss before working capital changes</b>	<b>(732,770,336)</b>	<b>(152,727,662)</b>
Increase/Decrease in debtors	99,820,955	(159,392,759)
Increase/decrease in stocks	12,900,104	3,442,359
Increase in creditors	496,842,004	195,861,500
Increase in GOK Loan	1,583,923,577	881,098,753
<b>Net cash flow from operating activities</b>	<b>1,460,716,304</b>	<b>768,282,191</b>
<b><u>Cash flow from investing activities</u></b>		
Purchase of fixed assets	(52,966,646)	(44,507,266)
<b><u>Cash flow from Financing activities</u></b>		
Loan repayment	-	(660,542,651)
<b>Net increase/Decrease in cash &amp; Cash equivalent</b>	<b>(753,533)</b>	<b>2,251,809</b>
Cash & Cash equivalent at beginning	(14,982,919)	(17,234,727)
<b>Cash &amp; Cash equivalent at end</b>	<b>(15,736,452)</b>	<b>(14,982,918)</b>

# **KENYA BROADCASTING CORPORATION**

## **INCOME & EXPENDITURE SUMMARY**

### **FOR THE YEAR ENDED 30TH JUNE 2003**

	2002/2003	2001/2002
	<u>Kshs</u>	<u>Kshs</u>
Operating Income	699,381,877	852,552,071
Less: Operating expenses	(1,432,152,213)	(1,005,279,733)
Operating Income/Loss	<u>(732,770,336)</u>	<u>(152,727,662)</u>
Less:		
Depreciation	(373,234,736)	(406,031,909)
Bad debts provision	(20,924,427)	(20,980,465)
Net income/Loss	<u><u>(1,126,929,499)</u></u>	<u><u>(579,740,036)</u></u>

**KENYA BROADCASTING CORPORATION**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 2003**

	<b>2002/2003</b>	<b>2001/2002</b>
<b><u>INCOME</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Advertising Radio	355,620,271	427,375,054
Advertising Television	200,041,547	264,895,118
Licensing	55,892,088	70,286,877
Casual & Funeral	51,904,734	61,135,278
Technical services	12,883,419	11,583,799
Greeting cards	2,734,028	2,969,471
Miscellaneous income	9,141,598	5,321,761
Disposal income	600	884,713
Dividend income	9,721,451	8,100,000
Rental income	448,600	
Exchange gain	993,541	-
<b>Total gross Income</b>	<b><u>699,381,878</u></b>	<b><u>852,552,071</u></b>
<b><u>EXPENDITURE</u></b>		
Board expenses	4,172,045	821,387
Personnel emolument	394,618,131	377,788,766
Insurance premium	11,723,741	5,636,168
Transport operating expenses	15,747,462	12,403,438
Travelling, & accomodation Expenses	26,102,729	21,479,287
Official entertainment	2,858,770	1,732,599
Seminars & conferences	-	70,930
Fees & Commissions	5,590,512	5,934,309
Postal & telegrams	2,807,461	2,789,000
Maintenance of Plant & Machinery	32,089,477	22,400,060
Financial charges	215,744,960	222,872,100
Telephone expenses	19,360,743	14,527,312
Electricity, Water & conservancy	94,839,974	67,358,371
Training	782,330	1,078,161
Purchase of consumable store	5,619,493	6,019,998
Printing & stationery	15,215,052	10,850,000
Advertising & Publicity	7,391,794	1,787,012
Rent & rates	15,408,747	10,299,323
Uniforms & Clothing	1,260,268	523,000
Agency commission	84,398,160	92,428,824
Programme production expenses	64,073,086	93,681,172
Programme telephone lines	398,376,154	22,789,972
Miscellaneous & other charges	1,135,356	1,510,398
Depreciation	373,234,736	406,031,909
Maintenance land & Buildings	4,609,197	2,433,905
Bad debts provision	20,924,427	20,980,465
Media Survey	2,453,500	1,593,000
ASK Show	2,257,121	947,044
Gain or loss in Exchange	-	265,500
News production	3,515,950	3,258,697
<b>TOTAL EXPENDITURE</b>	<b><u>1,826,311,376</u></b>	<b><u>1,432,292,107</u></b>
<b>Surplus/Deficit</b>	<b><u>(1,126,929,499)</u></b>	<b><u>(579,740,036)</u></b>



## **NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2003**

### **1. Accounting Basis**

The accounts have been prepared under the historical cost basis of accounting.

### **2. Depreciation**

Depreciation is provided for on the cost/valuation of assets on reducing balance method with effect from 1<sup>st</sup> July 1998.

- (i) A full year depreciation charges is provided for on fixed assets acquired at least nine (9) months prior to the end of the financial year.
- (ii) The Corporation equipments are divided into ten (10) classes listed below and depreciated at the rates shown against each class.

#### **ASSETS CLASS**

#### **DEPRECIATION RATE**

1.	Land & Building	2.0%
2.	Plant & Machinery	6.5%
3.	Transmitter Equipment	10.0%
4.	Studio Equipment	10.0%
5.	OB Equipment	10.0%
6.	Portable Equipment	10.0%
7.	Programmes Links	6.0%
8.	Furniture & Fittings	12.5%
9.	Motor Vehicle	20.0%
10.	Office Equipment	12.5%

### **3. Investment**

The corporation owns 40% of the shareholding in Multichoice, which manages KBC Channel 2 Television. The shares are valued at cost.

### **4. Stocks**

The stocks at the end of the financial year were valued at the lower of cost and net realizable value.

5. **Debtors**

The Credit Policy is strictly enforced though some clients default. Authority has to be obtained from the Board of Directors for any write off after exhausting on chances of uncollectability.

The current debtors are comprised of:

	<u><b>KSHS</b></u>
Trade Debtors	536,696,324
Less Provision for bad debt	<u>(110,536,649)</u>
	<b>426,159,675</b>
Imprest	282,175
Advances to Staff	14,342,176
Prepayments	<u>14,636,847</u>
	<b>455,420,873</b>

6. **Fixed Assets**

**N/B**

- (i) The corporation shall update the value of its assets standing in its books of accounts during any accounting year by enhancing the assets by appropriate factors determined by itself.
- (ii) Provided the physical valuation of fixed assets shall be done at least once in every five (5) years or a lesser period as management may decide.
- (iii) The charges of depreciation to the income and expenditure accounts shall be based on updated values of assets.

7. **Cash And Equivalent**

This is comprised of:

	<u><b>KSHS</b></u>
Bank Account	(15,737,183)
Petty Cash	<u>732</u>
	<b>(15,736,451)</b>

8. **Profit & Loss accounts**

	<u><b>KSHS.</b></u>
Balance B/F	(7,059,198,762)
Profit for the Year	<u>(1,126,929,499)</u>
	<u><b>(8,186,128,261)</b></u>

9. **G.O.K. Loan**

The corporation undertook Radio MW Modernization Project under the Japanese Loan guaranteed by the G.O.K. However, due to its inability to meet loan Repayment obligation, the Corporation requests Treasury to pay, Once the Treasury pay; it treats it as loan to KBC and therefore expects reimbursement with interest at market rates. The total accumulated amount paid on behalf of KBC by treasury amount to Kshs. 3,865,991,765. This is broken down as follows:-

<u><b>YEAR</b></u>	<u><b>AMOUNT PAID</b></u> <u><b>KSHS</b></u>
1992/93	133,911,587
1993/94	208,705,936
1994/95	165,150,778
1995/96	194,427,248
1996/97	174,094,156
1997/98	177,074,545
1998/99	431,617,053
1999/2000	797,090,896
2000/2001	NIL
2001/2002	881,094,743
2002/2003	702,824,823

- (i) Treasury has charged interest of Kshs. 536,967,192 in the year on the loan repaid by itself on behalf of KBC. This interest has been charged over the Year as follows:-

<b>YEAR</b>	<b>INTEREST CHARGE KSHS</b>
1993/94	57,109,634
1994/95	127,337,301
1995/96	179,085,437
1996/97	173,434,820
1997/98	NIL
1998/99	NIL
1999/2000	NIL
2000/2001	NIL

(ii) No interest was charged since 1997/98. The charge was not accrued as the treasury did not charge but if it charges, it will be provided then.

**10. OECF Loan (Japan)**

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

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

**11. Creditors**

This is comprised of:

	<b>KSHS.</b>
Trade Creditors	865,900,110
VAT	230,320,989
Statutory Employees deduction	5,484,298
Other liabilities	13,317,195
Corporation tax	3,840,670
	<b><u>1,118,863,262</u></b>

**12. Contingency Loss of KSHS. 22,572,966**

The Corporation lost Kshs. 22,572,966 through fraudulent manipulation of the payroll. This loss has been charged to the accounts as incurred.

**FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2003**

	<b>LAND &amp; BUILDING</b>	<b>PLANT &amp; MACHINERY</b>	<b>TRANSMITTER EQUIP</b>	<b>STUDIO EQUIP</b>	<b>O.B EQUIP</b>	<b>PORTABLE EQUIP</b>	<b>PROGRAM LINKS</b>	<b>FURNITURE FITTINGS</b>	<b>MOTOR VEHICLES</b>	<b>OFFICE EQUIPMENTS</b>	<b>TOTALS</b>
<b>AS AT 30/6/02</b>	1,156,190,577	272,341,721	7,968,082,598	203,202,118	226,850,629	52,314,292	76,825,453	10,838,066	67,809,125	59,635,932	10,112,090,510
<b>ADDITIONS</b>	1,306,464	-	1,682,790	25,047,761	-	6,665,470	-	1,412,345	8,548,927	8,302,888	52,966,646
<b>30/06/2003</b>	1,157,497,041	272,341,721	7,987,765,387	228,249,879	226,850,629	58,979,762	76,825,453	12,250,411	76,358,052	67,938,820	10,165,057,156
<b>ACCUMULATED DEPRECIATION</b>											
<b>AS AT 30/6/02</b>	195,294,569	181,423,422	4,761,139,848	131,798,738	208,413,022	38,146,484	37,609,406	7,090,644	58,099,137	27,935,270	5,646,950,540
<b>CHARGE FOR THE YEAR</b>	19,244,049	5,909,689	322,662,554	9,645,114	1,843,761	2,083,328	2,549,043	644,971	3,651,783	5,000,444	373,234,736
<b>AS AT 30/6/03</b>	214,538,619	187,333,112	5,083,802,402	141,443,852	210,256,782	40,229,811	40,158,449	7,735,615	61,750,920	32,935,713	6,020,185,276
<b>NET BOOK VALUE</b>											
<b>AS AT 30/6/03</b>	942,958,422	85,008,609	2,903,962,985	86,806,027	16,593,847	18,749,950	36,667,004	4,514,796	14,607,132	35,003,107	4,144,871,879
<b>NET BOOK VALUE</b>											
<b>AS AT 30/6/02</b>	960,896,007	90,918,298	3,224,942,749	71,403,380	18,437,607	14,167,808	39,216,047	3,747,422	9,709,988	31,700,662	4,465,139,969

