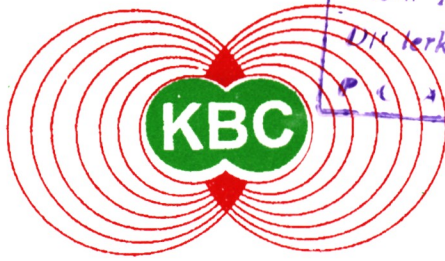


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# **KENYA BROADCASTING CORPORATION**

**Audited  
Annual Accounts for the  
Year Ended 30 June 2002**

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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 2002**

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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 2002**

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I have examined the financial statements of Kenya Broadcasting Corporation for the year ended 30 June 2002 in accordance with the provisions of Section 29 of the Exchequer and Audit Act (Cap 412). I have obtained all the information and explanations considered necessary for the purpose of the audit. Proper books of account have been kept by the corporation and the financial statements which have been prepared under the historical cost convention are in agreement therewith and comply with the Kenya Broadcasting Act, Cap 221.

### **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 company'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 principles used and significant estimates made by the Directors as well as evaluating the overall financial statements presentation. I believe my audit provides reasonable basis for the opinion.

#### **1. FINANCIAL POSITION**

During the year ended 30 June 2002 the Corporation recorded a net loss of Kshs.599,263,809 which brought the accumulated deficit to Kshs.7,060,483,312. Further, the Corporation's Balance Sheet reflects a negative working capital of Kshs. 3,714,656,222. The Balance Sheet also shows negative net worth of Kshs. 6,131,995,722 as at the same date. As disclosed in note 9 to the financial statements, the Corporation was unable to pay Japanese loans used in the Radio MW modernization Project totalling Kshs. 3,163,166,942 and interest on the same totalling Kshs. 536,967,192 which the Treasury had to pay on behalf of the Corporation. Evidently the Corporation was technically insolvent and the financial statements have been prepared on a going concern basis which assumes continued support from Government and other creditors.

## **2. FIXED ASSETS**

As previously reported the Corporation did not maintain any fixed assets register contrary to Section 43 of Kenya Broadcasting Corporation Act (Cap 221), and although the Corporation indicated that valuation of its assets has started, the exercise was hindered by liquidity problems mentioned in paragraph 1 above. Under the circumstances it was not possible to confirm the correctness of Non-Current Assets balance of Kshs. 4,465,539,969 as at 30 June 2002.

## **3. IRREGULAR PAYMENTS**

The former Managing Director gave notice of resignation on 27 July 2002 to vie for a parliamentary seat and subsequently left office on 14 August 2002, in effect giving notice of resignation of less than 3 months period as required by his terms of service. On leaving employment, the officer was paid a total of Kshs.1,000,000 being 3 months salary in lieu of notice at Kshs.200,000 per month and additional Kshs.400,000 to cater for transport. Although the Corporation explained that the officer could not give adequate notice due to Government directive which required public officers intending to seek elective posts to resign by 15 August 2002, the directive should not by itself have varied terms of the employment contract. Consequently the officer should have forfeited his salary in lieu of notice. Further, the payment of Kshs. 400,000 for transport is questionable since the officer was not in the service of the Corporation. In addition, all the payments were made without deducting Pay As You Earn taxes in accordance with the Income Tax Act. Under the circumstances it was not possible to confirm the propriety of the payment of Kshs. 1,000,000.

## **4. OPINION**

Except for the reservations set out in the foregoing paragraphs in my opinion, the financial statements when read together with the notes thereon present fairly the financial state of affairs of the Corporation as at 30 June 2002 and of its loss and cash flows for the year then ended.



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

**Nairobi**

**14 March 2005**

# KENYA BROADCASTING CORPORATION

## BALANCE SHEET

AS AT 30TH JUNE 2002

	Notes	2001/2002 <u>Kshs</u>	2000/2001 <u>Kshs</u>
<b><u>ASSETS</u></b>			
<b><u>NON-CURRENT ASSETS</u></b>			
Fixed Assets	2.6	4,465,139,969	4,826,664,612
Investments	3	400,000	400,000
		<u>4,465,539,969</u>	<u>4,827,064,612</u>
<b><u>CURRENT ASSETS</u></b>			
Stocks	4	86,764,033	90,206,392
Debtors	5	488,780,503	395,849,069
Cash & Cash equivalent	7	(13,348,747)	(17,234,727)
		<u>562,195,789</u>	<u>468,820,734</u>
<b>Total Assets</b>		<u><u>5,027,735,758</u></u>	<u><u>5,295,885,346</u></u>
<b><u>EQUITY &amp; LIABILITIES</u></b>			
Net equity		928,487,590	928,487,590
Profit & Loss Account	8	(7,060,483,312)	(6,461,219,503)
		<u>(6,131,995,722)</u>	<u>(5,532,731,913)</u>
<b><u>NON-CURRENT LIABILITIES</u></b>			
OEFC(Japan) Loan	10	6,882,879,470	7,543,422,121
<b><u>CURRENT LIABILITIES</u></b>			
GOK Loan	9	3,700,134,134	2,819,035,380
Creditors	11	576,717,877	466,159,758
		<u>4,276,852,011</u>	<u>3,285,195,138</u>
<b>Total equity &amp; Liabilities</b>		<u><u>5,027,735,758</u></u>	<u><u>5,295,885,346</u></u>

SIGNED:-

MR JAMES KANGWANA.....

CHAIRMAN

DATE

13-10-2004

WACHIRA WARURU.....

MANAGING DIRECTOR

DATE

8-10-04

EZEKIEL OIRA.....

CORPORATION SECRETARY

DATE

12-10-2004

# **KENYA BROADCASTING CORPORATION**

## **CASH FLOW STATEMENT**

### **FOR THE YEAR ENDED 30TH JUNE 2002**

	2001/2002	2000/2001
<b><u>Cash flow from operating activities</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Profit for the year	(599, 263,809)	(510,333,848)
<b>Adjustments for:</b>		
- depreciation	406,031,909	443,328,799
- gain on sale of fixed asset	884,713	(325,662)
Provision for bad debts	20,980,465	16,482,883
<b>Operating Gain/loss before working capital changes</b>	<b>(171,366,722)</b>	<b>(50,847,788)</b>
Increase/Decrease in debtors	(92,931,434)	(16,413,331)
Increase in stocks	(3,442,359)	(5,308,231)
Increase in creditors	110,558,119	113,214,547
Increase in GOK Loan	881,098,754	-
<b>Net cash flow from operating activities</b>	<b>723,916,358</b>	<b>40,645,197</b>
<b><u>Cash flow from investing activities</u></b>		
Purchase of fixed assets	(44,507,226)	(35,472,766)
Sale of fixed assets	884,713	398,260
<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>3,885,980</b>	<b>(21,389,733)</b>
Cash & Cash equivalent at beginning	(17,234,727)	(4,155,006)
<b>Cash &amp; Cash equivalent at end</b>	<b>(13,348,747)</b>	<b>(17,234,727)</b>

# **KENYA BROADCASTING CORPORATION**

## **INCOME & EXPENDITURE SUMMARY**

### **FOR THE YEAR ENDED 30TH JUNE 2002**

	<b>2001/2002</b>	<b>2000/2001</b>
	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Operating Income	842,700,664	708,444,700
Less: Operating expenses	(1,014,952,099)	(758,966,867)
Operating Income/Loss	<b>(172,251,435)</b>	<b>(50,522,167)</b>
Less:		
Depreciation	(406,031,909)	(443,328,799)
Bad debts provision	(20,980,465)	(16,482,883)
Net income/Loss	<b>(599,263,809)</b>	<b>(510,333,849)</b>

**KENYA BROADCASTING CORPORATION**  
**INCOME AND EXPENDITURE ACCOUNT**  
**FOR THE YEAR ENDED 30TH JUNE 2002**

	2001/2002	2000/2001
<b><u>INCOME</u></b>	<b><u>Kshs</u></b>	<b><u>Kshs</u></b>
Advertising Radio	423,053,283	354,284,726
Advertising Television	259,252,093	185,277,612
Licensing	70,286,877	71,200,803
Casual & Funeral	61,135,278	56,634,580
Technical services	11,583,799	9,906,019
Greeting cards	2,969,471	2,505,959
Miscellaneous income	3,280,097	28,309,380
Rental income	2,081,690	
Disposal income	884,713	325,622
Dividend income	8,100,000	
Exchange gain	73,363	
Total gross Income	<b><u>842,700,664</u></b>	<b><u>708,444,701</u></b>
<b><u>EXPENDITURE</u></b>		
Board expenses	821,387	362,421
Personnel emolument	377,788,766	363,864,201
Insurance premium	5,636,168	6,689,423
Transport operating expenses	12,403,438	10,455,736
Travelling, & accomodation Expenses	21,479,287	20,665,418
Official entertainment	1,732,599	2,511,838
Seminars & conferences	70,930	17,400
Fees & Commissions	6,434,310	19,158,000
Postal & telegrams	2,789,000	2,873,357
Maintenance of Plant & Machinery	31,727,960	28,372,249
Financial charges	222,872,100	1,156,444
Telephone expenses	14,527,312	17,378,732
Electricity, Water & conservancy	67,358,371	75,331,151
Training	1,078,161	670,950
Purchase of consumable store	6,019,998	5,848,579
Printing & stationery	10,850,000	4,277,177
Advertising & Publicity	1,787,012	3,092,929
Rent & rates	10,409,505	18,883,063
Uniforms & Clothing	523,000	2,802,990
Agency commission	92,428,608	77,804,116
Programme production expenses	96,939,869	87,867,787
Programme telephone lines	22,789,972	644,086
Miscellaneous & other charges	1,510,397	1,602,400
Depreciation	406,031,909	443,328,799
Maintenance land & Buildings	2,433,905	2,368,693
Bad debts provision	20,980,465	16,482,883
Media Survey	1,593,000	2,521,950
ASK Show	947,044	650,223
Gain or loss in Exchange	-	1,095,554
<b>TOTAL EXPENDITURE</b>	<b><u>1,441,964,473</u></b>	<b><u>1,218,778,549</u></b>
<b>Surplus/Deficit</b>	<b><u>(599,263,809)</u></b>	<b><u>(510,333,848)</u></b>



## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2002

### 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.

<u>ASSETS CLASS</u>	<u>DEPRECIATION RATE</u>
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	577,484,856
Less Provision for bad debt	<u>(89,612,222)</u>
	<b>467,872,634</b>
Imprest	1,794,471
Advances to Staff	4,511,806
Prepayments	<u>14,601,592</u>
	<b><u>488,780,503</u></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	(13,377,762)
Petty Cash	<u>29,015</u>
	<b><u>(13,348,747)</u></b>

8. **Profit & Loss accounts**

	<u><b>KSHS.</b></u>
Balance B/F	(6,461,219,503)
Profit for the Year	<u>(599,263,809)</u>
Profit C/F	<u><b>(7,060,483,312)</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 amounts to Kshs. 3,163,166,942. This is broken down as follow:-

<u><b>YEAR</b></u>	<u><b>AMOUNT PAID</b></u> <b>KSHS</b>
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

- (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
2001/2002	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. **OECD Loan (Japan)**

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

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

11. **Creditors**

This is comprised of:

	<b>KSHS.</b>
Trade Creditors	353,656,121
Income Tax	3,005,490
L.A.S.C.	213,479
Medical Fund	192,118
NACC Programmes	3,069,000
Insurance	129,024
V.A.T	202,706,481
Other accrued liabilities	<u>13,746,163</u>
	<b><u>576,717,877</u></b>

**FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2002**

	LAND & BUILDING	PLANT & MACHINERY	TRANSMITTER EQUIP	STUDIO EQUIP	O.B EQUIP	PORTABLE EQUIP	PROGRAM LINKS	FURNITURE FITTINGS	MOTOR VEHICLE	OFFICE EQUIPMENT	TOTALS
AS AT 30/6/01	1,156,190,577	272,207,141	7,973,871,614	186,370,850	226,850,629	51,873,496	76,825,453	10,070,316	62,874,669	50,448,499	10,067,583,243
ADDITIONS	-	134,580	12,210,984	16,831,268	-	440,796	-	767,750	4,934,456	9,187,433	44,507,266
30/06/2002	1,156,190,577	272,341,721	7,986,082,598	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
ACCUMULATED DEPRECIATION AS AT 30/6/01	175,684,447	175,102,899	4,402,812,876	123,865,029	206,364,399	36,572,283	34,883,157	6,555,298	55,671,640	23,406,604	5,240,918,631
CHARGE FOR THE YEAR	19,610,123	6,320,523	358,326,972	7,933,709	2,048,623	1,574,201	2,726,249	535,346	2,427,497	4,528,666	406,031,909
AS AT 30/6/02	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
NET BOOK VALUE AS AT 30/6/02	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
NET BOOK VALUE AS AT 30/6/01	980,506,130	97,104,242	3,568,988,264	62,505,821	20,486,230	15,301,213	41,942,295	3,515,018	7,203,029	27,029,609	4,824,581,851