

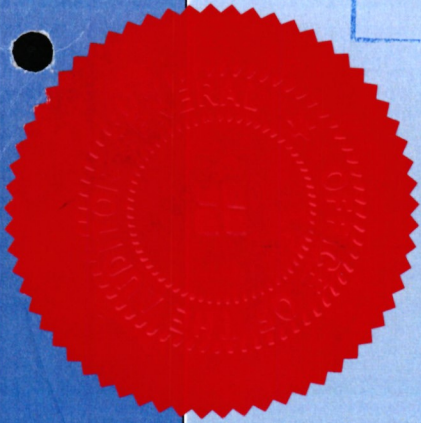
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OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA FILM COMMISSION**

**FOR THE YEAR
ENDED 30 JUNE 2017**



Film Kenya... Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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I. KEY COMMISSION INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Film Commission (KFC) is a state agency that was established by the Government of Kenya in 2005 under legal Notice NO. 10 OF 2005 but came into full function in mid-2006. In line with the Parastatal Reform process, a new Legal Notice No. 147 capturing the new and expanded functions of the Commission was signed on March 25, 2015.

The Commission's key stakeholders who are also its main customers are,

- a) Local and international filmmakers.
- b) Local and international Media.
- c) Government of Kenya.
- d) Non- Governmental Organizations.
- e) Strategic and business partners
- f) Film industry associations.
- g) Members of staff
- h) General Public
- i) Related industries such as tourism, transport, ICT among others.

The Commission's Vision.

"To position Kenya as a preferred hub for film and TV production by 2019"

The Mission statement

"To develop a vibrant local film and TV industry, and market Kenya as the preferred African filming destination for sustainable wealth and job creation"

(b) Principal Activities

The mandate of the Kenya Film Commission is to;

- a) Develop, promote and market film industry locally and internationally,
- b) Identify and facilitate growth of the film industry;
- c) Generate, manage and disseminate film industry research, information and market data, and act as a repository and archive of Kenya 's film records;
- d) Promote and facilitate the development of local content;
- e) Establish incubation centres for film industry in Kenya,
- f) Coordinate and certify persons, associations and organizations participating in the production of film, photography, video, stills, animation, new media and related media,
- g) Establish and administer a film promotion fund,
- h) Provide liaison services for government departments on matters relating to the promotion, marketing and development of the film industry;
- i) Develop fiscal and other incentives to promote investment in the film industry, and
- j) Partner, develop and create linkages with county, national and international organizations, both public and private, to improve and facilitate investment in the film industry

(c) Key Management

The Kenya Film Commission day-to-day management is under the following key organs

- a) The office of the Chief Executive Officer
- b) The office of the Director of Marketing
- c) The office of the Director of Human Resource & Administration

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were.

No.	Designation	Name
1.	Ag. Chief Executive Officer	Carol Kittur
2.	Financial and Management Accountant	Bernard M. Kibe
3.	Accountant I	Andrew Mugesani

(e) Fiduciary Oversight Arrangements

- **Audit Board Committee:** This committee undertakes the audit oversight functions over all the finances and operations of the commission and ensure compliance to all statutory and regulatory requirements. The members are:
 1. Mr. Michael Mwangi Gituro - Chairperson
 2. Ms. Jacqueline Misiko Andere
 3. Mr. Gerald Owino
 4. Mr. Argwings Owiti
- **Finance Human Resource & Administration Committee:** This committee has an oversight function over all matters touching on finance, accounts, human resource, administration, procurement and ICT concerning the Commission. The members are:
 1. Hon. Jarso J. Fallana, OGW – Chairperson
 2. Mr. Argwings Owiti
 3. Mr. Gerald Owino
 4. Mr. Ernest Kerich
 5. Ms. Waithiegeni Kanguru
- **Marketing Film Industry Development Committee:** This committee has an oversight function over matters of development, promotion and marketing of the film industry in Kenya by overseeing the film industry development and marketing activities of the Commission. It ensures the commission carries out its core function and mandate as per Legal Notice No. 147 of 25th March 2015. The members are:
 1. Ms. Jacqueline Misiko Andere - Chairperson
 2. Mr. Ernest Kerich
 3. Mr. Gerald Owino
 4. Mr. Michael Mwangi Gituro
 5. Hon. Jarso J. Fallana, OGW
 6. Ms. Waithiegeni Kanguru

(f) Kenya Film Commission Headquarters

Jumuia Place II
Lenana Road, Kilimani
P.O. BOX 76419-00508
Nairobi, Kenya

(g) Kenya Film Commission Contacts

Telephone: (254) 20 2714073/4, 0729407497/0733650068
Fax +254 20 2714075
E-mail: info@filmingkenya.com
Website: www.kenyafilmcommission.com

(h) Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi

(i) Independent Auditors



Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P O Box 40112
City Square 00200
Nairobi, Kenya

II. THE BOARD OF DIRECTORS

 <p>Board Chairman Christopher K. Foot</p>	<p>Born on 15th April 1971, Mr. Foot has previously worked in both television and radio. He sits on numerous Boards ranging from commerce and farming through to conservation and education.</p> <p>Chris is passionate about film, taking the Kenyan film Industry to the next level and making Kenya the preferred African filming destination.</p> <p>He is a graduate in BSC. Environmental Biology, St. Andrews University, Scotland, DIP. Law, BVC</p>
 <p>Mr. Argwings Owiti Representative – The National Treasury</p>	<p>Born on 9th December 1969, Mr. Owiti is a Communications Specialist for the National Treasury's Programme on Public Financial Management Reforms with more than 17 years' experience in strategic communications. He has previously worked at the Ministry of Information and Communications and Ministry of Youth and Sports. He has also worked as a part time lecturer in media and communications at both Maseno and Moi Universities.</p> <p>He has masters in Communications Studies, Post Graduate Diploma in Journalism & Public Relations and a Bachelor of Arts Degree, all from the University of Nairobi and is a member of the Public Relations Society of Kenya.</p>
 <p>Mr. Ernest Kerich Representative – Ministry of Sports, Culture & the Arts</p>	<p>Mr. Kerich has over 33 years- experience in public service, starting with the Presidential Press Services and then the Department of Film Services of which he is currently the head. He has a Diploma in cinematography and Certificates in strategic leadership development, corporate governance, financial management, film governance and society and in total quality management</p>
 <p>Mr. Gerald Owino</p>	<p>Born on 14th September 1975, Mr. Owino is the Managing Director – The Grass Company Ltd (2008 to Date) With over 16 years' experience in brand management and consumer research. Have worked with several key brands and organizations such as Safaricom, Nation Media Group, Britam, Kimberly Clarke, Old Mutual, Coca-Cola, Mavuno Church, DIAGEO, MTV Base, Nike Foundation and Nokia among others.</p> <p>He is a graduate of United State International University - International Business Administration Minor in (MIS)</p>
 <p>Mr. Gituro Michael Mwangi</p>	<p>Born on 15th January 1982, Mr. Mwangi has over 4 years' experience in implementing new systems for Trade Finance Department of the Co-operative Bank of Kenya. He was in charge of Processes, Testing and mapping to ensure the new system met the needs of the department. Was part of a team to implement Opics Treasury Systems Implementation for the Treasury Department and Back office processing Department of Cooperative Bank of Kenya and Western Union Money Transfer Service Implementation to over 100 branches of cooperative Bank.</p> <p>He is a graduate of Egerton University - BSc Degree in Computer Science</p>

 <p>Hon. Jarso J. Fallana, OGW</p>	<p>Born in 1951, Hon. Jarso J. Fallana joined politics in 1974 and vied for Parliamentary seat in what was then The Great Marsabit North. Never missed one election since then. Member of Paliament for SAKU (1988-1999)</p> <p>Qualifications: Cambridge Certificate, Accounts Course GTI (178-1979)</p>
<p>Ms. Lynne Janis Waithiegeni Kanguru</p>	<p>Born on 24th August 1970, Ms. Kanguru is a Communications Consultant, SABP PTY Limited, Johannesburg, South Africa May 2012-present Founder and chief consultant of small boutique communications agency focusing on public enterprises in the transport sector. Additionally, involved in advisory role for political risk and impact of politics on doing business in Africa. Qualifications: University of Nairobi BA (in African Literature & Linguistics)</p>
 <p>Ms. Jacqueline Misiko Andere</p>	<p>Born on 31st October 1977, Ms. Andere, is a Media personality with over 15 years experience in TV Broadcastings, with a proven track record of producing and supervising great TV productions.</p> <p>She is accomplished in training and mentoring as well as motivating team members to their full potential. She aspires to work in a global and accomplished communication sector to match her substantial education and experience, where technology and communication are integral in great quality productions, also to be part of an organized viewing portal that allows for programming excellence.</p> <p>Qualifications: University of Brighton (UK) BA (Hon) Information & Media Studies</p>

III. MANAGEMENT TEAM

	<p>Caroline Kittur Ag. Chief Executive Officer & Director, Human Resource & Administration</p> <p>Caroline is responsible for the management of the Human Resource and Administration functions. Maintains and enhances the Commission's human resource by planning, implementing, and evaluating employee relations, human resources policies and practices for the achievement of the Commission's mandate. She has seven years of work experience in senior positions across several professions both in private and public sector. She holds MBA in strategic management, Bachelor of Arts Degree in Sociology and Higher Diploma in Human Resource Management</p>
	<p>Alex Mulwa Director of Marketing (DOM)</p> <p>He is a marketing and communication specialist and provides planning and leadership to the Marketing Department by ensuring that the appropriate structures, systems, competencies, values, strategies and activities for marketing Kenya as a Centre of excellence are developed in order to maximize the contribution of the film industry sector to the national economy in line with the Board's Strategic Plan. He is a marketing specialist with experience spanning over 13 years in strategic marketing and communication with a bias in destination marketing. His experience has seen him grow a large network, both locally and internationally, with key stakeholders in the private sector and the government circles. He is a Chartered Marketer (CIM), holds a Bachelor of Commerce degree from Daystar University, MBA in Strategic Management, CPA section 1 and Diploma in Digital Marketing (CIM) among other qualifications.</p>
	<p>Timothy Owase Manager, Festivals & Funds / Skills Development</p> <p>A Chartered Marketer and a communications specialist with experience spanning over a decade in public and private sectors. He spearheads capacity building in the film industry of local filmmakers, liaising with international film festivals, markets, funding agencies and training institutions with view to identifying opportunities for Kenya and creating partnerships between the entities and the commission. He is pursuing a Master's degree in Development and Corporate Communications (MA) at Daystar University, Holds BBA (Marketing) from KEMU, Film Marketing from AFCl University and Post Graduate Diploma in Marketing from the CIM, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI), Diploma in Business Management from KIM, Certificate in monitoring and Evaluation among other qualifications.</p>
	<p>Bernard Kibe Financial and Management Accountant</p> <p>Oversees prudent management of the Commission's financial resources by ensuring compliance with the laid down government policies and procedures. He has over ten years working experience in finance and accounting in both public and private sectors. He is a Certified Public Accountant (CPA K), Holds a bachelor degree in Business Administration (Accounting Option) from Maseno University, and MSC Procurement & Logistics from JKUAT.</p>

	<p>Catherine Gitahi Corporate Affairs Manager</p> <p>She is in-charge of promoting effective internal and external communication and publicizing the activities of the commission and those of the local film industry through strategic forums. She is a communication specialist with over 7 years' experience in integrated marketing communication having worked in mainstream media, consultant advertising agencies and private corporations across Kenya. Catherine is a graduate of The Nairobi University with a BA in Political Science and Communication. She also has a Diploma in journalism from the Kenya Institute of Mass Communication and an advanced certificate in Marketing Management from Kenya Institute of Management. She is currently enrolled for a Masters in communication for development.</p>
	<p>Carole Njoroge Liaison and production Manager-</p> <p>She facilitates the development linkages with key players and film makers to ensure appropriate strategies are in place to attract potential customers to Kenya's locations and productions facilities. She is an accomplished TV producer; a journalist and multi-media journalism trainer with board experience both at the national and regional levels. She is an accomplished communication researcher and an image and branding consultant, holds a Master of Arts in Communication, (Corporate communication) and a B.A. in journalism. She has extensive practice in TV production and she has been instrumental in producing and directing over various groundbreaking Kenyan TV shows on various socio-economic issues many of which have gone on air on main stream media as well as on cable TV.</p>
	<p>Evans Mac'Osewe Procurement Officer</p> <p>Oversees effective management of the Commissions' supply chain through internal need consolidation, supplier identification, procurement process management and quality assurance in line with the Commissions' mission. He has over eight years working experience in public sector procurement. He holds a graduate diploma of the chartered institute of purchasing and supply (UK) and is a professional member of both CIPS (UK) and KISM (Kenya).</p>
	<p>Mercy Bukania Internal Auditor</p> <p>She is responsible for evaluating and providing reasonable assurance that risk management, control, and governance systems are functioning as intended among other key audit functions. She holds a Bachelor of commerce (BCOM) degree (hons) and Certified Public Accountant (CPA graduate) from Strathmore university, Kenya. She has experience in the Finance, Accounting and Audit having worked in the private and public sectors for over four years.</p>

IV. CHAIRMAN'S STATEMENT

Welcome to the Annual Report and Accounts for the Kenya Film Commission for the year 2016/2017.

The Board of the Kenya Film Commission is committed to ensuring that KFC fulfils its mandate, which includes advising the Government on policy in the film sector, promoting the production and distribution of local content and marketing Kenya as an attractive destination for foreign film makers. The Board's role is to promote effective governance and provide oversight and guidance on the Commission's activities. This requires a well-defined decision-making processes, a clear division of responsibility and effective control mechanisms. Of equal note, is the Board's commitment to leading by example and maintaining the integrity and ethos of the organization. It is imperative that the Board and the executive management work well together as a team for the Commission to be able to meet its objectives.

The work of the Board focuses on strategic matters. This involves working with senior management to produce guidelines for the Commission's development, and ensuring that the Commission follows these guidelines and works towards achieving its goals to ensure good performance. The Board also acts as a sounding Board for the Commission's Chief Executive Officer in this ongoing process.

Looking back over the year, it was a busy and momentous year for KFC and a year of firsts for the Commission. Major steps towards our first film tax rebate and film comprehensive incentive package, our first newsletter, our first agreed upon minimum local content on our screens, our first comprehensive industry handbook and our first Kalasha International Film Festival, Market and Awards including the first edition of "Burudani" festival magazine!

We are excited about the rebate system initiated by the National Treasury as its roll out and implementation will see the number of international productions into Kenya grow. As the Kenya film and television industry continues to flourish and grow, we decided that Kenya was well placed to create a new hybrid event, which would bring together all the relevant industry players in the region together. The Commission organized a very successful Kalasha International Film & TV Festival and Market held at the KICC in October 2015, inviting international film producers and investors which enabled the industry's successful delivery into the new digital switchover landscape. We believe it will be a huge benefit to regional filmmakers and their end users, will increase investment in the industry, create jobs amongst the youth of the region and positively impact our economies. The staff of the Commission rose to the occasion and I would like to take this opportunity to commend them for the enormous strides they have realized in the year in question.

There is a growing preference and viewership for local content among the Kenyan viewing public and KFC believes that it is in all stakeholders' best interest to fulfil that unmet demand. In this regard, KFC has partnered with our parent Ministry's efforts to create awareness on the minimum local content that must be aired by our local broadcasters together with other institutions such as the Communications Authority of Kenya. We believe that this is key in ensuring that we tap into the broad benefits of what the film and television industry provide for Kenya including; spurring economic growth, creating jobs, building the National brand, preserving our National culture and heritage, promoting Tourism and enhancing National cohesion and integration.

I would like to thank each and every member of the Commission for their unstinted commitment, loyalty and enthusiasm; they persisted and delivered their best. Congratulations to all of you!

I would urge all of us to keep up the spirit of excellence and exemplary performance.

Mr. Chris Foot
CHAIRMAN OF THE BOARD



V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am proud to present the 2016-2017 Annual report on activities that were undertaken before I took up duties in July 2017 that will have an impact well into the future.

Most notable, after a great deal of shared thinking, consultation and refinement, Kenya Film Commission reviewed its Strategic plan that will guide all of our activities for the next 5 years. With national outreach at its heart, the plan sets ambitious film development goals and defines how the Commission can best contribute to developing and marketing Kenya's film industry to both our local and international stakeholders. We are working together with across the affiliate to maximum on effective service delivery by devolving our function to encompass the 47 counties in which we work with.

Other key pillars in our strategic thinking as the Commission also recognizes that the potential for growth in the industry is influenced by factors such as Kenya's predominantly young population and the creative potential of that population. The key objectives are designed to help ensure that film, as a key part of the creative industries, is one of the sectors which plays an optimum role in driving economic growth, creating jobs and stimulating inward investment and exports. In this regard, the Commission intends enhance the innovation, efficiency, quality and competitiveness of this sector.

In order to realize the potential of the industry, a number of bold steps need to be taken. The following are some of the requisite actions that will help the industry realize its full potential.

1. Globally competitive incentives. Film industry is incentive driven. Currently, Kenya is losing many high budget films to South Africa because the incentive package provided is not as attractive as South Africa. Many other competing destinations are providing financial rebates and therefore attracting high budget films.
2. The National Film Policy, which has already been finalized, is waiting a cabinet memo to parliament for adoption.
3. Sustainable resource mobilization and partnerships. Because of the many competing priorities for money from treasury, KFC is aware that funding from the exchequer may not grow at the anticipated proportions. To address this concern, the commission proposes innovative ways of raising funds for the industry. The Commission has sought strategic partnerships with likeminded institutions to fund film projects; such partnerships will go a long way in spurring growth of the industry.

Suffice to say that in the recent past, KFC has noticed renewed growth in filming activities. The Commission plans to sustain Kalasha Film and Television Awards on an annual basis to keep encouraging and motivating film makers. It is envisaged that with the momentum picked on both local and international film productions, it is a matter of time and the industry will achieve a lot more for the country. To hit full potential, the country needs to quickly put in place measures to address the concerns highlighted above. This will bring about faster growth of the industry.

The Board of Directors and I would like to thank all our staff, and would like to appreciation the film industry stakeholder for their support dedication over ears. Because of their hard work, the Commission has been able to deliver key achievements. I am confident that the Commission can be even more successful over the current year.



Caroline Njoroge
Ag. CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

The Board of the Kenya Film Commission (the Board) is responsible and accountable to the Government of Kenya, through the Ministry of Sports, Culture and the Arts in ensuring that the Commission complies with the law and the highest standards of corporate governance.

There are eleven members of the Board all of whom, save for the Chief Executive, are non-executive. The Members possess a broad range of skills and competencies, including legal, finance, banking, filmmaking, communications and management.

COMPOSITION OF THE BOARD

During the period under review, the Board was in transition. A majority of the Board members' tenures came to an end in the first half of the year and the Commission is still awaiting the appointment by the Parent Ministry.

Mr. Christopher K. Foot	Chairman of the Board
Mr. Ernest Kerich	Alternate Director to the PS, Ministry of Sports, Culture & the Arts
Mr. Argwing Awiti	Alternate Director to the PS, National Treasury

ROLES AND FUNCTIONS OF THE BOARD

The roles and functions of the Chairman and the chief Executive Officer are distinct and their respective responsibilities clearly defined within the Commission.

Each of the directors and all of the Commission's management are fully committed to high standards of corporate governance, which includes embracing the following principles:

- To observe high standards of ethical and moral behavior.
- To act in the best interests of stakeholders.
- To ensure that the Commission acts as a good corporate citizen and is recognized as an icon service provider.
- To recognize the legitimate interests of all stakeholders.
- To remunerate and promote fairly and responsibly.

DIRECTORS RESPONSIBILITIES

The primary responsibility of the directors of the Board is to exercise their judgment to act in what they believe to be the best interests of the Commission and its stakeholders. In furtherance of its responsibilities, the Board:

- To ensure that appropriate systems and processes are in place so that the business of the Commission is conducted in an honest, ethical, responsible and safe manner;
- To oversee the overall conduct of the organization and ensure that it is being properly managed;
- To ensure that effective audit, risk management and compliance systems are in place to protect the Commission's assets and to minimize the possibility of the Commission operating beyond legal requirements or beyond acceptable risk parameters;
- To be actively engaged in directing and approving the strategic planning of the Commission and monitoring management's implementation of the strategies;
- To Analyze and review material acquisitions, divestments and capital expenditure;
- To set delegated financial authority levels for the Chief Executive Officer;
- To review and approve the corporate plan, financial and management policies and the operating budget and monitor financial performance and integrity of reporting;
- To appoint, remove and if necessary, review the performance of the Chief Executive Officer and oversee succession plans for senior management;
- To carry out periodic peer evaluation of directors;
- To act in such a way that Board meetings and discussions promote focused debate within a supportive team atmosphere;
- To ensure effective and timely reporting to Government of Kenya; and
- To safeguard and enhance the image and reputation of the Commission.

The Board comprises of eleven (11) directors, six (6) of whom are independent directors who represent the various key associations in the industry.

The Board defines the Commission's strategies, objectives and values and ensures that procedures and practices are set in place to ensure effective control over strategic, financial, operational and compliance issues. The directors bring a wealth of experience and knowledge to the Board's deliberations. Except for direction and guidance on general policy, the Board delegates authority of its day-to-day business to the Management through the Chief Executive Officer. The Board nonetheless is responsible for the stewardship of the Commission and assumes responsibilities for the effective control over the Commission. The Chief Executive Officer also served as the secretary to the Board

BOARD MEETINGS

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held statutory and special meetings during the first half of the year under review as required by law. As the Corporation is a State Corporation,

the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

COMMITTEES OF THE BOARD

During the first half of the year, the Board set up the following principal Committees which meet under well-defined terms of reference set by the Board. This is intended to facilitate efficient decision making of the Board in discharging its duties and responsibilities.

Marketing, Film Industry Development Board Committee

The Committee fulfilled its corporate governance responsibilities and in particular to provide strategic oversight to the core functions of the commission, being developing, promoting and marketing the film industry in Kenya. The Committee held regular meetings and special meetings in the year under review.

Finance, Human Resource & Administration Board Committee

The responsibilities of this Committee include providing general oversight in matters of finance, human resource and the overall operations and administration of the commission. The committee held regular and special meetings in the year under review.

Audit Committee:

The Committee fulfilled its corporate governance responsibilities and in particular to maintain oversight on internal control systems, review and make recommendations regarding the Corporation's budgets, financial plans and risk management and liaise with the external auditors. The Committee held regular meetings and special meetings in the year under review.

RISK MANAGEMENT AND INTERNAL CONTROLS

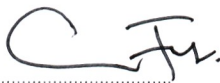
The Corporation has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for all transactions and for ensuring compliance with the laws and regulations that have significant financial implications. In reviewing the effectiveness of the internal control system, the Board takes into account the results of work carried out to audit and review the activities of the Commission.

The Board also considers the management accounts for each quarter, reports from each Board Committee, annual budgetary proposals, major issues and strategic opportunities for the Commission. As an integral strategy in achieving its corporate goals, the Board ensures the future sustainability of the commission.

Signed on this 3rd day of Oct 2017



Caroline Njoroge
Ag. Chief Executive Officer



12/18

Chris K. Foot
Chairman of the Board

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The film industry in Kenya has been increasingly identified as a key growth industry with great potential to stimulate economic growth through infrastructural development, tourist attraction, investment and employment creation. It is evident that a vibrant film industry can contribute to a more informed society, help to shape attitudes, alter thinking and develop the minds of local viewers.

During the financial year, the Commission undertook activities aimed at increasing the capacity of the film industry players such as :

Film Industry Capacity Building

The Film and Television industry is important on three levels, the social, political and economic levels. First, this industry plays an important role in communicating ideas, information and ideology. Second, on a political level, this industry provides a forum for debate and discussion as well as information which is essential for citizen's participation in community life. Third, economically this is an industry which turns over billions of dollars and generates millions of jobs throughout the world.

During the period, the Commission undertook Capacity building programmes focusing on strengthening the local film makers' professional skills and equipping them with information which would enable them to compete effectively in the local and international markets. We aimed at up scaling local filmmakers in areas of scriptwriting, entrepreneurship; copyright, marketing and directing and producing skills. Overall; the Commission trained in 10 Counties namely; Nairobi, Nakuru, Nyeri, Kiambu, Machakos, Mombasa, Kwale, Kericho, Kisumu and Kisii. The Commission trained 1500 youths and entrepreneurs, equipped them with skills that would propel production of local content hence employment opportunities.

Screen Culture Development

As part of the Commission's audience development initiative and in support of National Cohesion and integration, We screened 250 films across the Country. The screenings targeted various communities; providing entertainment opportunities, market for local content products while disseminating messages of unity as per Kenya's constitution. The screenings were enabled at Schools, Colleges and University festivals as well as at the various regional film festivals in Kenya.

The management recognizes the improved budgetary allocation to the Commission through an allocation of Ksh. 50 million through the supplementary budget. This came at a time when the visibility of the Commission was significantly hampered since the ksh. 74 million allocated earlier was hugely going to salaries and basic administrative operations.

The budgetary allocation over the years is summarized here under;

GRANT	Actual FY 2011/12	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17
Recurrent	69,500,000	76,600,000	82,200,000	80,056,174	74,422,000	124,422,000
Development	55,000,000	28,800,000	24,700,000	Nil	11,700,000	-
Total Grant	124,500,000	105,400,000	106,900,000	80,056,174	86,122,000	124,422,000

The management hopes that in the coming years, the commission will be allocated development money in order to lay necessary infrastructure in the film industry so as to fully exploit the potential and opportunities therein for the benefit of the film makers and stakeholders and the general economy.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Commission considers the broader interests of society by taking responsibility for the impact of the commission's activities. We believe the Commission's responsibility extends beyond the statutory obligation to comply with legislation, to voluntarily take action to improve the quality of life among our employees and their families, local communities and society at large — as well as to protect the environment. To this end the Commission undertook a tree planting exercise during the year under review.

We are dedicated to creating a workplace that is safe, fair and enriching. Safety procedures and programs are constantly monitored and improved to help ensure that our employees work safely. We foster a workplace culture in which the rights, needs and unique contributions of each employee are respected. We also support professional development opportunities for every employee

As part of the Commission's commitment to equality for all, the commission has developed policies on disability sensitization for its staff and has promoted gender mainstreaming through its recruitment processes. Further, in line with the government's greater strategy to address the prevalence of HIV and Aids, the Commission has actively engaged in sensitization of staff to promote behaviors change and awareness.

The Commission has also been committed to the economic empowerment of the youth and has in the year under review, ensured over 30 percent of all procured services went to the youth.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2017 which show the state of the Kenya Film Commission's affairs.

Principal activities

The principal activities of Kenya Film Commission are:

- a) To market Kenya as a centre for excellence in film production.
- b) Advise the government and other relevant stakeholders on matters pertaining to development, co-ordination, regulation and promotion of the film industry in Kenya.
- c) Facilitate the provision of content development, funding and investment for film projects.
- d) Facilitate proper keeping of film archives in Kenya, and
- e) Facilitate investment in the development of film industry infrastructure.

Results

The results of the Kenya Film Commission for the year ended June 30, 2017 are set out on page 1-25 below.

Directors

The members of the Board of Directors who served during the year are shown on page (viii) above.

Auditors

The Auditor General is responsible for the statutory audit of the commission in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.'

By Order of the Board

Corporate Secretary

Nairobi

Date

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

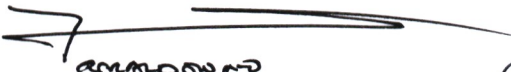
The Directors are responsible for the preparation and presentation of the Kenya Film Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year that ended on June 30, 2015. This responsibility includes: (i) 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 the Commission; (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 the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2016, and of the Commission's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's 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 the Commission will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Kenya Film Commission's financial statements were approved by the Management /Board on the 3rd day of Oct, 2017 and signed on its behalf by:


Director


Director
8/2/18

Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in equity, statement of cash flows and statement of comparison 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, except for effects of the matter described in the basis for Qualified Opinion section, the financial statements present fairly, in all material respects, the financial position of Kenya Film Commission as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with Legal Notice No. 147 of 5 March 2015.

Further, as required by Article 229(6) of the Constitution, except for the matter described in the Other Matter section of my report, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

Incomplete and or Inaccurate Fixed Assets Register

The Kenya Film Commission asset register reflect a figure of Kshs.12,252,313 compared to Kshs.10,735,301 shown on the statement of financial position as at 30 June 2017. As a result, unexplained variance of Kshs.1,517,011 was observed as detailed below:

Report of the Auditor-General on the Financial Statements of Kenya Film Commission for the year ended 30 June 2017

	Financial Statement Balance Kshs.	Fixed Asset Register Balance Kshs.	Variance Less than register (-) More than register (+) Kshs.
Fixed Assets			
Motor Vehicles	1,182,346	2,101,948	-919,602
Computers	2,918,960	6,409,706	-3,490,744
Furniture	3,143,354	2,947,669	+195,685
Equipment	3,490,641	792,990	+2,697,651
TOTAL	10,735,301	12,252,313	-1,517,011

In the circumstances, the Property, Plant and Equipment total balance of Kshs.10,735,301 could not be confirmed as accurately stated in the financial statements as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kenya Film Commission in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAIs 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 opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements except for the matter described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

Other Matters

1.0 Budget and Budgetary Performance

The Kenya Film Commission receipts budget was for Kshs.79,458,370 which was fully received. Further, the Commission had budgeted to spend Kshs.79,458,370 but actual expenditure amounted to Kshs.75,269,868 resulting to an under expenditure of Kshs.4,188,402 or 5% as detailed below:

Expenditure Item	Budget Kshs.	Actual Kshs.	Over (+) Under (-) Kshs.	Over (+) Under (-) %
Employee Costs	49,508,790	37,414,089	+12,094,701	+24
Board Expenses	4,988,000	5,116,137	-128,137	-3
Rent & Rates	10,877,313	10,877,313	0	0
Office Repairs & Maintenance	1,970,000	1,967,493	+2,504	0
General Expenses	11,089,266	18,549,676	-7,460,410	-67
Contracted services	225,000	216,470	+8,530	+4
Electricity	800,000	1,128,690	- 328,690	-41
TOTAL	79,458,370	75,269,868	+4,188,502	+5

Report of the Auditor-General on the Financial Statements of Kenya Film Commission for the year ended 30 June 2017

The failure to spend Kshs.4,188,502 or 5% of the budgeted expenditure implies that the commission`s goals and objectives were not achieved as planned.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards Accrual Basis and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Commission`s ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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.

Those charged with governance are responsible for overseeing the Commission`s financial reporting process.

Auditor-General`s Responsibilities for the Audit of the Financial Statements

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 of Kenya. 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 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.

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.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Commission's 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 going concern 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 Commission'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 Commission 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 consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the State Corporations Act, I report based on the audit, that:

- (i) 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;

- (ii) In my opinion, adequate accounting records have been kept by the Commission, so far as appears from the examination of those books; and
- (iii) The Commission's financial statements are in agreement with the accounting records.



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

07 March 2018

XII. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1	3,282,200	2,912,000
Transfers from other governments	2	124,422,000	86,122,000
		127,704,200	89,034,000
Revenue from exchange transactions			
Rendering of services	3	-	595,394
Total revenue		127,704,200	89,629,394
Expenses			
Use of goods and services	4	1,456,956	1,842,345
Employee costs	5	37,414,089	44,453,486
Remuneration of directors	6	5,116,137	5,026,259
Depreciation and amortization expense	7	2,592,812	3,395,707
Repairs and Maintenance	8	1,967,493	1,025,958
General expenses	9	18,437,880	25,684,092
Rent and Rates		10,877,313	9,510,656
Total expenses		77,862,680	90,938,503
Other gains/(losses)			
Gain on sale of assets		0	0
Impairment loss		0	0
Surplus/Deficit before tax		49,841,520	(1,309,109)
Taxation		0	0
Surplus/(deficit) for the period		49,841,520	(1,309,109)
Attributable to:			
Surplus/(deficit) attributable to minority interest		0	0
Surplus attributable to owners of the controlling entity		0	0
Surplus/(deficit) for the period		49,841,520	(1,309,109)

The notes set out on pages 6 to 20 form an integral part of the Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	2016-2017 Kshs	2015-2016 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	4,302,229	5,046,463
Receivables from exchange transactions	11	445,884	407,670
Receivables from non exchange transactions	12	50,000,000	-
Inventories	13	359,898	365,605
Prepayments	14	5,380,693	5,462,134
		60,488,704	11,281,871
Non-current assets			
Property, plant and equipment	15	10,735,301	13,328,113
		-	-
		10,735,301	13,328,113
Total assets		71,224,005	24,609,984
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	152,564	87,776
Provisions	17	354,323	2,108,493
Employee benefit obligation	19	3,333,830	6,626,116
		3,840,717	8,822,385
Non-current liabilities			
Total liabilities		3,840,717	8,822,385
Net assets			
Reserves- Capital Fund		11,252,270	11,252,270
Accumulated surplus		56,131,018	4,535,329
		67,383,288	15,787,599
Total net assets and liabilities		71,224,005	24,609,984

The Financial Statements set out on pages 1 to 24 were signed on behalf of the Board of Directors by:

Ag. Chief Executive Officer
Name: **Caroline Njoroge**

Date:  31/01/17

Head of Finance
Name: **Bernard Kibe**
ICPAK Member Number: **13079**

Date:  31/01/17

Chairman of the Board
Name: **Chris Foot**

Date:  31/01/17

XIV. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2017

Reserves	Attributable to the owners of the controlling Commission			Total
	Capital Replacement	Development Reserve	Accumulated Surplus	
		Kshs	Kshs	Kshs
Balance as at 1st July 2015		11,252,270	5,844,438	17,096,708
Reserves Reinstated		-	1,754,170	1,754,170
Deficit for the period		-	(1,309,109)	(1,309,109)
Balance as at 30 JUNE 2015		11,252,270	6,289,499	17,541,769
Balance as at 1st July 2016		11,252,270	6,289,499	17,541,769
Surplus for the period		-	49,841,520	49,841,520
Balance as at 30 JUNE 2017		11,252,270	56,131,018	67,383,288

XV. STATEMENT OF CASH FLOWS

	2016-2017 Kshs	2015-2016 Kshs
Cash flows from operating activities		
Receipts		
Public contributions and donations	3,282,200	2,912,000
Government grants and subsidies	74,422,000	86,122,000
Sale of goods- Kalasha booths	-	574724*
	77,704,200	89,608,724
Payments		
Compensation of employees	37,414,089	44,453,486
Goods and services	1,456,956	1,842,345
Rent and Rates	10,877,313	9,510,656
Remuneration of Board	5,116,137	5,026,259
Other payments- General Expenses	18,437,880	25,626,643
Repairs & Maintenance	1,967,493	1,025,958
	75,269,868	87,485,347
Net cash flows from operating activities	2,434,332	2,123,377
Cash flows from investing activities		
Purchase of property, plant, equipment and intangible assets	-	(66,000)
Increase/Decrease in stocks	5,707	213,879
Increase/Decrease in Prepayments	81,441	190,130
Increase/Decrease in current Liabilities	(3,227,498)	805,794
Increase/Decrease in receivables	48,932	40,486
Net cash flows used in investing activities	(3,178,566)	1,184,289
Cash flows from financing activities		
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents	(744,234)	3,307,665
Cash and cash equivalents at 1 JULY	5,046,463	1,738,797
Cash and cash equivalents at 30 JUNE	4,302,229	5,046,462

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Revenue				
Government grants and subsidies	74,422,000	74,422,000	74,422,000	0
Sponsorships & Tender Documents	3,282,200	3,282,200	3,282,200	0
Reserve	1,754,170	1,754,170	1,754,170	0
Total Income	79,458,370	79,458,370	79,458,370	(1,754,170)
Expenditure				
General expenses	11,089,267	11,089,267	18,549,676	(7,460,409)
Electricity	800,000	800,000	1,128,690	(328,690)
Remuneration of Board	4,988,000	4,988,000	5,116,137	(128,137)
Depreciation and Amortisation expense	-	-	2,592,812	(2,592,812)
Repairs and Maintenance	1,970,000	1,970,000	1,967,493	2,507
Rent & Rates	10,877,313	10,877,313	10,877,313	0
Contracted Services	225,000	225,000	216,470	8,530
Employee Costs	49,508,790	49,508,790	37,414,089	12,094,701
Total	79,458,370	79,458,370	77,862,680	1,595,690

a. Budget Notes**1. Explanations of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14****b. General Expenses**

Medical expenses and training expenses were Ksh. 6,447,561 and 111,910 respectively have been treated as general expenses. This is as per IPSAS quarterly reporting template. The overspending is however mainly due to urgent advertisement for the vacancy of the CEO and the Legal Manager that had not been budgeted for as well as purchase of office consumables.

c. Remuneration of Board

This vote head was over utilized by Ksh. 128,137 due to the fact the Board had to sit for the recruitment of the CEO and Legal Services Manager positions which fell vacant during the year and had not been anticipated.

d. Electricity

This vote head was over utilized by Ksh.328,690 due to escalating bills. However, of this amount, ksh. 64,722 was accrued. The issue of escalating billing was raised with the lessor and a credit note is expected once the ongoing analysis of the billing is completed.

e. Depreciation and Amortisation expense

The charge on this account is normally a non cash item hence no budget for the same.

2. NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

Kenya Film Commission (KFC) is a State Corporation established through Legal Notice No. 10 of 2005 and more recently an expanded mandate under Legal Notice No. 147 of 25th March 2015.

The overriding goal of KFC is to make Kenya a centre of excellence in film production. This role involves creating an enabling environment for the development of a vibrant local film industry as well as marketing Kenya as a leading destination for foreign film makers. In line with this mandate, KFC is involved in creating programmes to support the industry to create local film content, as well as market Kenya as a centre of excellence in film production. This involves working with film professionals, film commissions around the globe, government agencies, private organizations, professional bodies and associations in the film industry, and the general public.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION – IPSAS 1

The Commission's financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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 Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes. However, there were no such areas during the financial year under review.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p>Kenya Film Commission adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply.</p>
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>Kenya Film Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 35: Consolidated Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> Its power over the other entity Its exposure or rights to variable benefits from involvement with the other entity Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>Kenya Film Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 36: Investments in	<p>(Effective for annual periods beginning on or January 1, 2017)</p>

Standard	Impact
Associates and Joint Ventures	In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest. Kenya Film Commission does not have investments in associates or joint ventures.
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. Kenya Film Commission does not have an interest in a joint arrangement and therefore the standard does not apply.
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. Kenya Film Commission does not have interests in other entities and therefore the standard does not apply.

ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017**

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.

iii. **Early adoption of standards**

Kenya Film Commission did not early – adopt any new or amended standards in year 2017.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Commission recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Commission and the fair value of the asset can be measured reliably.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The Commission recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Commission.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Commission's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information – IPSAS 24

The original budget for FY 2016-2017 was approved by the National Assembly. Subsequent additional appropriations were made to the approved budget in accordance with specific approvals from the Ministry of Sports Culture and Arts. 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 recorded additional appropriations of Ksh. 50 million on the 2016-2017 budget following the Ministry of Sports Culture and Arts'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.

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 xxx of these financial statements.

c) Taxes – IAS 12

Current income tax

The Commission is none Commercial government body that relies on the exchequer for funding and therefor does not have taxable income

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 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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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 Commission and the same taxation authority.

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Commission recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. Depreciation is calculated on a Reducing-Balance basis with a full year's charge on acquisition and none on disposal. The annual depreciation rates in use are:

- a. Furniture and Fittings 12.5%
- b. Plant & Equipment 12.5%
- c. Electronic Data Processing Equipment 30%
- d. Motor Vehicles 25%

f) Leases – IPSAS 13

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Commission. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Commission also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition.

Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit.

An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Commission will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Commission. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Commission determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Commission has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Commission assesses at each reporting date whether there is objective evidence that a financial asset or a Commission of financial assets is impaired. A financial asset or a Commission of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Commission of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators: The debtors or a Commission of debtors are experiencing significant financial difficulty

- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Commission determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Research and development costs

The Commission expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Commission can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Commission.

k) Provisions

Provisions are recognized when the Commission has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Commission expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. The Commission makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

Contingent liabilities

The Commission does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Commission does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Commission in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

l) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. Commission to state the reserves maintained and appropriate policies adopted. The Capital Replacement Development Reserve of Ksh. 11,252,270 represents the Capital funds that were given to the Commission at the time of inception in the financial year ending June 30, 2007.

m) Changes in accounting policies and estimates

The Commission recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

n) Employee benefits

Retirement benefit plans

The Commission provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which the Commission pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

o) Foreign currency transactions – IPSAS 4

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

p) Borrowing costs – IPSAS 5

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

q) Related parties – IPSAS 20

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Related parties comprise of the Board members individually, The Chief Executive Officer and the Kenya Film Commission directors of departments.

r) Service concession arrangements – IPSAS 32

The Commission 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 Commission 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 Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

	2016/2017	2015/2016
	Shs 000	Shs 000
Bank*	4,296,069	7,157,898
Cash-on-hand and in transit	6,160	9,303
Short-term deposits	-	-
Total cash and cash equivalents	4,302,229	7,167,201

Bank * ksh. 4,296,069 is the reconciled amount, otherwise the actual bank balance is Ksh. 6,293,634.53

Detailed analysis of the cash and cash equivalents

(a) Banks

Name of the Bank	Bank Account Number	Currency	2016/2017 Shs 000	2015/2016 Shs 000
Kenya Commercial Bank	1106760018	KSH	6,293,635	7,157,898
Kenya Commercial Bank	1129731561	KSH	0	(4,083)
Total			6,293,635	7,153,815

(b) Cash on hand

Form of cash holding	2016/2017 Shs 000	2015/2016 Shs 000
liquid cash	6,160	9,303
Total	6,160	9,303

t) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Commission's financial statements in conformity with IPSAS 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.

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 Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

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:

- The condition of the asset based on the assessment of experts employed by the Commission
- 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 asset
- Changes in the market in relation to the asset

Subsequent events – IPSAS 14

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, 2017.

1 Public contributions and donations

Description	2016-2017	2015-2016
Communication Authority,	1,567,200.00	1,912,000
Kenya Film Classification Board	1,000,000	1,000,000

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Others-Individual Sponsors	715,000	0
Total transfers and sponsorships	3,282,200	2,912,000
Reconciliation of public contributions and donations		
Balance unspent at beginning of quarter	0	0
Current year receipts	3,282,200	2,912,000
Conditions met - transferred to revenue	3,282,200	2,912,000

2 Transfers from other governments	FY 201617	FY 201516
Unconditional grants		
Operational grant	74,422,000	86,122,000
Other*	50,000,000	0
	124,422,000	86,122,000
Conditional grants		
	0	0
Total government grants and subsidies	124,422,000	86,122,000

Other* ksh. 50000000 supplementary grant had not been received by 30th June 2017

2b Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income KShs	Amount deferred under deferred income KShs	Amount recognised in capital fund. KShs	Total grant income during the year KShs	2015-2016 KShs
Ministry of Sports Culture and Arts. State Department of Culture and Arts	74,422,000	50,000,000	0	124,422,000	86,122,000
Total	74,422,000	50,000,000	0	124,422,000	86,122,000

3 Revenue from exchange transactions

Sale of Kalasha booths	-	595,394
	-	595,394

4 Use of Goods and Services

Description	2016-2017	2015-2016
Electricity	1,128,690	770,888
Contracted Services	216,470	947,487
Professional Subscriptions	111,796	123,970
Total good and services	1,456,956	1,842,345

5 Employee costs

Bonus/End year incentive	-	809,818
Casual labour	-	190,000
Entertainment Allowance	1,005,000	1,020,000
Extraneous Allowance	55,200	55,200
House Allowance	10,207,838	10,158,671
Leave Allowance	450,147	437,307
Medical Expenses	-	6,241,819
NSSF Contribution	61,400	61,200
Pension Employer's contribution	467,906	393,466
Responsibility Allowance	767,167	780,000
Basic Salary	18,251,749	17,156,257
Temporary Staff Allowance	337,431	-
Special duty allowance	53,477	454,426
Telephone Allowance	301,500	300,000
Training	-	102,911
Provision for staff Gratuity	2,150,374	2,968,043
Transport Allowance	2,612,900	2,639,334
Other Allowance	692,000	685,033
	37,414,089	44,453,486

NOTES TO THE FINANCIAL STATEMENTS (Continued)**6 Remuneration of Board**

Board Catering	74,869	44,330
Board Retreat	-	1,649,524
Travel and Accommodation	1,888,268	502,172
Telephone allowance	21,000	-
Chairman's-Honoraria	960,000	564,133
Sitting Allowance	2,172,000	2,266,100
	5,116,137	5,026,259

7 Depreciation and amortization expense

Plant and Equipment	498,663	569,901
Electronic Data Processing Equipment	1,250,983	1,787,119
Motor Vehicles	394,115	525,487
Furniture & Fittings	449,051	513,201
	2,592,812	3,395,707

8 Repairs & Maintenance

General Repairs & Maintenance	40,385	41,550
Motor Vehicle overhaul & Repair	802,643	393,569
ICT annual maintenance and renewal	1,124,465	590,838
	1,967,493	1,025,958

9 General expenses

Advertising and publicity	534,736	104,400
Workshop and seminars	-	1,105,680
Medical Expenses*	6,447,561	-
General office supplies	773,535	749,909
Insurance -Property and equipment	412,438	497,599
Internet services	374,698	329,545
Audit Fees	290,000	290,000
Capacity building, Local content and Policies	2,800,854	1,070,119
ISO Expenses	91,530	903,360
Brand & Product Development	59,450	561,897
Bad debt	-	64,323
Training Expenses	111,910	-
Film marketing projects	-	13,399,903
Film marketing-Local	-	235,590
Subsistence allowance	740,410	1,397,450
Gratuity adjustment	-	(6,873)
Corporate Entertainment	48,300	92,175
Courier and postal services	6,960	17,850
Cleaning Services	44,976	49,900
Bank Charges	71,759	69,215
Research and Development	-	78,000
Risk Allowance	58,500	46,000
Staff welfare- Hospitality Supplies	535,836	471,785
Publications and subscriptions	98,900	114,940
Motor Vehicle Running Expenses- Fuel & Lubricants	865,225	586,329
Telephone services	397,847	351,210
International travelling and accommodation	1,563,087	1,625,036
Local travelling and accommodation	2,109,370	1,478,750
	18,437,880	25,684,092

Medical Expenses*

Prepayment B/f	3,530,152
Payment for FY 2016/17	2,917,409

6,447,561

NOTES TO THE FINANCIAL STATEMENTS (Continued)**10 Cash and cash equivalents**

Description	2016-2017	2015-2016
Bank*	4,296,069	5,033,077
Cash-on-hand and in transit	6,160	9,303
Short-term deposits	0	4,083
	4,302,229	5,046,463

Bank * amount is the reconciled amount, otherwise the actual bank balance is Ksh. 6,293,634 53

Detailed analysis of the cash and cash equivalents

(a) Banks	Bank Account Number	Currency	2016/2017	2015/2016
Kenya Commercial Bank	1106760018	KSH	6,293,635	7,157,898
Kenya Commercial Bank	1129731561	KSH	0	(4,083)
Total			6,293,635.00	7,153,815

11 Receivables from exchange contracts**Current receivables**

Staff Advances	360,951	87,000
Other receivables	84,933	320,670
Total current receivables	445,884	407,670

12 Receivables from non-exchange transactions**Current receivables**

Supplementary Recurrent Grant	50,000,000	-
Total current receivables	50,000,000	-

13 Inventory

This is as per stock take done on 30th June witnessed by the external auditors from the office of the Auditor General

General office stationery at cost

359,898	365,605
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14 Prepayments

Prepaid Rent/Deposit	1,931,982	1,931,982
Medical Insurance	3,448,711	3,530,152
	5,380,693	5,462,134

15 Property, plant and equipment

	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicles	Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST VALUATION					
As at 1 st July 2015	4,559,205	5,957,062	2,101,948	4,039,605	16,657,820
Additions	-	-	-	66,000	66,000
Disposals	-	-	-	-	-
Trasfers/adjustments	-	-	-	-	-
As at 30th June 2016	4,559,205	5,957,062	2,101,948	4,105,605	16,723,820
ACCUMULATED DEPRECIATION					
As at 1 st July 2015	5,063,498	23,872,168	10,650,602	6,644,918	46,231,186
Charge for the year	569,901	1,787,119	525,487	513,201	3,395,707
Impairment	-	-	-	-	-

As at 30th June 2016	5,633,399	25,659,286	11,176,089	7,158,119	49,626,893
NET BOOK VALUE					-
As at 30th June 2015	4,559,205	5,957,062	2,101,948	4,039,605	16,657,820
As at 30th June 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
COST VALUATION					-
As at 1 st July 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
Additions	-	-	-	-	-
As at 30th June 2017	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
ACCUMULATED DEPRECIATION					
As at 1 st July 2016	5,633,399	25,659,286	11,176,089	7,158,119	49,626,893
Charge for the year	498,663	1,250,983	394,115	449,051	2,592,812
Impairment	-	-	-	-	-
As at 30th June 2017	6,132,062	26,910,269	11,570,204	7,607,170	52,219,705
NET BOOK VALUE					
As at 30th June 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
As at 30th June 2017	3,490,641	2,918,961	1,182,346	3,143,354	10,735,301

16 Trade and other payables from exchange transactions

Accounts Payables

Safaricom LTD	16,231	14,337
CIC Insurance	66,639	-
Telcom Kenya	4,972	4,558
NW Realite	64,722	68,881
	152,564	87,776

17 Provisions

		Reinstated
Audit fees	290,000	290,000
Bad Debt	64,323	64,323
Total	354,323	354,323

18 Employee benefit obligation

Accrued Gratuity	3,333,830	6,626,116
	3,333,830	6,626,116

19. Financial Risk Management

The Commission's activities expose it to a variety of financial risks including credit and liquidity risks. The Commission's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. In the current year the management reviewed the risk areas and came up with a risk management guide that will be critical in the management of the risks affecting the Commission.

The Commission's financial risk management objectives and policies are detailed below;

i. Credit risk

The Commission's credit risk is primarily attributable to its liquid funds with the financial institutions and the staff receivables. The credit risk on the liquid funds with financial institutions is low because the counter parties are banks with high credit-ratings. The financial assets are fully performing as the Commission continues to enjoy the services secured by these balances. The default rate on staff receivables is low since the same is recovered through the payroll.

The amount that best represents the Commission's maximum exposure to credit as at 30 June is made up as follows:

	Fully Performing	Past due	Impaired	Total
At 30 June 2017				
Cash at bank	6,293,635	-	-	6,293,635

Staff receivables	360,951	-	-	360,951
	6,654,586	-	-	6,654,586
At 30 June 2016				
Cash at bank	7,157,898	-	-	7,157,898
Staff receivables	87,000	-	-	87,000
	7,244,898	-	-	7,244,898

ii. Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Commission's Board of Directors who have built an appropriate liquidity risk management framework for the management of the Commission's short, medium and long-term funding and liquidity management requirements. The Commission manages liquidity risk by maintaining banking facilities through continuous monitoring of forecast and actual cash flows and developing a risk management policy manual to guide in risk assessment and management in the Commission.

The table below analyses the fund's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at year end to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows as the impact of discounting is not significant.

	Less than 1 month KShs	Between 1-3months KShs	Over 3 months KShs	Total KShs
At 30 June 2017				
Trade payables	152,564	-	-	152,564
At 30 June 2016				
Trade payables	87,776	-	-	87,776

iii. Market risk management

The Commission does not take on exposure to market risk, which is the risk that changes in market prices, such as interest rate and foreign exchange rates will affect the Commission's surplus or the value of its holdings of financial instruments.

Currency Risk

The Commission is not exposed to the currency risk since it operates its current bank accounts in Kenya shillings thus no exchange rate fluctuations. The foreign exchange transaction that the Commission undertakes are negotiated with the bank on the day of the transaction.

Interest rate risk

The Commission is not exposed to interest rate risk due to fluctuations in interest rates on the bank balances that it holds in the current accounts.

20. Related parties – IPSAS 20

a) Nature of related party relationships

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Related parties comprise of the Board members individually, The Chief Executive Officer and the Kenya Film Commission directors of departments.

The commission is related to

- i. The National Government
- ii. Ministry of Sports Culture and the Arts
- iii. The Chief Executive Officer
- iv. The Board of Directors
- v. Directors of Departments

b) Key management compensation

The remuneration of Commission's board of directors and other members of key management during the year were as follows:

	2016/17 KShs	2015/16 KShs
Key management salaries and other benefits	11,991,067	11,636,119
Remuneration of the Board of Directors	5,116,137	5,026,259

NOTES TO THE FINANCIAL STATEMENTS (Continued)

c) Due from related parties

	2016/17	2015/16
	KShs	KShs
Due from Ministry of Sports Culture and Arts	50,000,000	0

21. Events after the reporting period

There were no material adjusting and non- adjusting events after the reporting period.

22. Ultimate and Holding Entity

Kenya Film Commission is a State Corporation under the Ministry of Sports Culture and Arts under the State Department of Culture and Arts. Its ultimate parent is the Government of Kenya.

23. Currency

The financial statements are presented in Kenya Shillings (Kshs).

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	<p>Receivables from exchange transactions</p> <p>Receivables from exchange transaction figure of kshs. 407,670 as at 30 June 2016 includes an amount of ksh. 320,670 indicated as other receivables out of which ksh. 300,000.00 relates to a debt due from Department of Film Services. The debt was incurred in respect of purchase of air ticket and hotel accommodation for the Secretary General of Federation of African Filmmakers (FEPACI) during his visit to the country in 2013.</p> <p>The management has indicated that they are following up the issue to have the amount recovered through the Ministry at source and remitted to KFC.</p> <p>Management efforts to resolve this long outstanding issue appears minimal</p>	<p>The amount has since been recovered through the Ministry at source and remitted to KFC</p>	N/A	Resolved	-
2	<p>Provisions</p> <p>Included in the provisions balance of kshs. 2,108,493 is an amount of ksh. 1,754,170 relating to Depreciation fund. However the fund balance could not be confirmed since no bank statement for this specific fund was provided for audit review and the amount was said to be consolidated with other Commission's account. Further, no policy on depreciation Fund was provided for audit scrutiny.</p> <p>Consequently, the accuracy and validity of the provisions balance of Ksh. 2,108,493 could not be ascertained.</p>	<p>The Board resolution authorizing the opening and maintaining such account was passed in a Board meeting held on 27th July 2011 at 10.00am with the aim of replacing the Commission assets e.g the motor vehicles at the appropriate time. The funds are maintained in the Commission's KCB account number 1106760018 in Sarit Centre Branch. The balance of Ksh.7,157,897.73 reflected in the account as at 30th June 2016 included the amount of ksh. 1,754,170 relating to Depreciation fund.</p> <p>The Commission Board in the meeting held on 27th January 2017 authorized the management to transfer the amount of the depreciation reserve income so that the same be factored in the 2016/17 budget since the Commission has not been in a position to grow the fund as anticipated. The transfer was done and same is reflected in the signed budget for the FY 2016/17.</p>	N/A	Resolved	-

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	<p>Budget and Budgetary control</p> <p>Revenue The Commission had budgeted for Government grants totaling Ksh. 99,974,434. However, a shortfall of Ksh. 10,345,040 was realized which was mainly attributed to non-receipt of government grants totaling to 10,365,826 after the original budget was revised from ksh 96,487,826 to Ksh. 86,122,000.</p>	The un-anticipated reduction of the government grant of ksh. 10,365,826 created a budgetary gap in financing the Commission's activities. Thus, the Commission's budget was adjusted to reflect the actual amount received	N/A	Resolved	-
4	<p>Expenditure Overall the Commission overspent by Ksh. 1,329,896 or 1.5%. This was mainly due to non- budgeted items like depreciation and adjustments in debt and gratuity</p> <p>Although management has indicated that is a none cash item, it has however been expensed as an expenditure item. In consequence, the planned and budgeted activities have not been fully included.</p>	We wish to clarify that in overall the Commission did not overspend by Ksh. 1,329,896 as stated. Instead the Commission's budget was underspent by Ksh. 2,065,811. This is due to the fact that depreciation expense and Adjustment of Gratuity of ksh. 3,395,707.00 and Ksh. 57,450 respectively had not been budgeted for since these are non cash items that do not have budgetary implications	Kibe	Not Resolved	During FY 2016/17 Final audit

Chief Executive Officer


Date.....



3/10/17

Chairman of the Board

Date.....



8/1/17

KFC Annual Report And Financial Statements FY Ended June 30, 2017

The commission did not implement any project during the financial year under review.

XX. Appendix 2: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA FILM COMMISSION	
Break down of Transfers from the State Department of Arts and Culture			
FY 16/17			
a.	Recurrent Grants		
		Bank Statement Date	Amount (KShs)
		15-08-16	18,605,500
		16-11-16	18,605,500
		17-03-17	18,605,500
		17-05-17	18,605,500
		14-07-17	50,000,000
		Total	124,422,000
			Indicate the FY to which the amounts relate
			FY 16/17
			FY 16/17
			FY 16/17
			FY 16/17
			FY 16/17
b.	Development Grants		
		Bank Statement Date	Amount (KShs)
			-
		Total	-
			Indicate the FY to which the amounts relate
c.	Direct Payments		
		Bank Statement Date	Amount (KShs)
			-
		Total	-
			Indicate the FY to which the amounts relate
d.	Donor Receipts		
		Bank Statement Date	Amount (KShs)
			-
		Total	-
			Indicate the FY to which the amounts relate
			FY 16/17
		Grand Total	124,422,000
			FY 16/17

XXI. Appendix 3: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	
Kenya Film Classification Board	15-03-17	Recurrent	1,000,000	1,000,000	0	0	0	-	1,000,000
Communication Authority	25-11-16	Recurrent	900,000	900,000	0	0	0	-	900,000
Communication Authority	17-02-17	Recurrent	600,000	600,000	0	0	0	-	600,000
Communication Authority	02-05-17	Recurrent	67,200	67,200	0	0	0	-	67,200
			2,567,200	2,567,200	0	0	0	-	2,567,200