

REPUBLIC OF KENYA

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OF KENYA  
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*Paper laid*  
*By the Hon. Aden Duale -*  
*Leader of Majority on*  
*Thurs 31/7/14*  
*[Signature]*

KENYA NATIONAL AUDIT OFFICE

TABLE OFFICE  
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31 JUL 2014  
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PAPER LAID

**REPORT**  
**OF**  
**THE AUDITOR-GENERAL**  
**ON**  
**THE FINANCIAL STATEMENTS OF**  
**KENYA FILM COMMISSION**  
**FOR THE YEAR ENDED**  
**30 JUNE 2013**



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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2013**



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## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### CONTENTS

	Page No.
Institutional Details.....	2
Background.....	3
Statement of Commissioners Responsibility.....	4
Auditor General's Report.....	5
Statement of Comprehensive Income.....	6
Statement of Financial Position.....	7
Statement of Cashflows.....	8
Statement of Changes in Equity.....	9
Notes to the Financial Statements.....	10 -17



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## COMMISSION MEMBERS

CHRISTOPHER K. FOOT  
DR. BITANGE NDEMO

IVY MATIBA – CHEGE

AGHAN ODERO

CHARLES ASIBA

MAURICE MURIMI

JENNY PONT

CHRISOLOGUS MAKOKHA

MWANIKI MAGERIA

FELIX JUMA MUGABE

MICHEAL ONYANGO

ROBERT KUNGU

ERNEST KERICH

JOHN MUNGE

JUDY BIEM

NJOKI MUHOHO

JULIUS LAMAON

PETER MUTIE

CAROLINE KITTUR

### AUDITORS

AUDITOR GENERAL  
ANNIVERSARY TOWERS,  
UNIVERSITY WAY,  
NAIROBI  
P.O.BOX 30084-0100  
NAIROBI

### BANKERS

KENYA COMMERCIAL BANK  
SARIT CENTRE BRANCH  
NAIROBI

### CHAIRMAN

FORMER PERMANENT SECRETARY (MOIC) (His term ended in  
March 2013 after the entry of the new government)

Retired on 31st October 2012

Retired on 5th August 2012

Retired on 5th August 2012

Retired on 5th August 2012

Retired on 5th August 2012

MEMBER (Inspectorate General)

MEMBER

MEMBER

MEMBER

MEMBER (Attorney General's Chambers)

MEMBER (Ministry of Sports, Arts & Culture)

MEMBER (Alternative Director to PS, Ministry of Finance)

MEMBER

MEMBER

MEMBER

FORMER CEO Retired on 6<sup>th</sup> September 2013

Ag CEO & BOARD SECRETARY

### REGISTERED OFFICE

JUMUIA PLACE II  
LENANA ROAD, KILIMANI  
P.O.BOX 76419-00508  
NAIROBI



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## **BACKGROUND**

Kenya Film Commission (KFC) is a State Corporation established through Legal Notice No. 10 of 2005. The Commission's vision is "to be the global film partner of choice" and the mission is "to promote a vibrant local film industry that will produce quality and relevant films and market Kenya as a distinctive film destination leading to improved incomes and job creation."

The following are the functions of the Commission:

1. Advise the Government and other relevant stakeholders on matters pertaining to development, co-ordination, regulation and promotion of the film industry in Kenya
2. Facilitate the provision of content development, funding and investment for film projects
3. Market Kenya as a centre for excellence in film production
4. Facilitate proper keeping of Film Archives in Kenya, and
5. Facilitate investment in the development of film industry infrastructure

### **Vision**

To be the reputed film partner of choice

### **Mission**

Create a gateway to economic growth through excellence in film

### **Core values**

Integrity, Professionalism, Customer Orientation, Creativity and Innovation, Corporate Social Responsibility and Patriotism.



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### STATEMENT OF COMMISSION MEMBERS RESPONSIBILITIES

Commissioners are responsible for the preparation of financial statements that give a true and fair view of the state of affairs and outcome of operations of the Commission at the end of each financial year. They ensure that the Commission keeps accounting records that disclose, with reasonable accuracy, the nature of its business activities and financial position. Commissioners are also responsible for safeguarding the assets of the Commission.

Commissioners accept responsibility for the report and accounts set out on pages 4 to 16 which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Accounting Standards and the applicable laws, rules and regulations. Commissioners are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the Commission and of its operating results. Commissioners further accept responsibility for the maintenance of the accounting records that may be relied upon in the preparation of financial statements, as well as for maintenance of adequate systems of internal financial control.

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

.....  
**Mr. Christopher K. Foot**  
Chairman, Commissioner

.....  
**Ms. Caroline Kittur**  
Ag. Chief Executive Officer

Date..... **4/4/14** .....

Date..... **4/4/14** .....



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# REPUBLIC OF KENYA

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Website: www.kenao.go.ke



P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 5 to 16, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

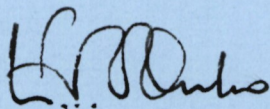
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In

making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the State Corporations Act, Cap 486 of the Laws of Kenya and Legal Notice No. 10 of 2005.



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

**Nairobi**

**15 April 2014**



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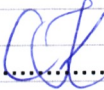

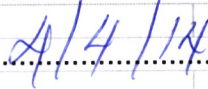
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

		Jun-13	Jun-12
<b>NOTES</b>			
<b>INCOME</b>			
GoK Grant	2	101,890,845	128,217,506
Other Income	3	3,947,600	3,600,200
<b>Total Income</b>		<b>105,838,445</b>	<b>131,817,706</b>
<b>EXPENDITURE</b>			
Staff Emoluments & Benefits	4	36,190,371	38,896,306
Administration Expenses	5	74,333,351	69,282,182
Provision for Audit Fees		290,000	250,000
Depreciation	6	7,047,454	8,138,120
Gain/(Loss) Disposal	7	(3,635)	364,534
<b>Total Expenditure</b>		<b>117,857,541</b>	<b>116,931,143</b>
<b>Surplus(Deficit) for the Year</b>		<b>(12,019,096)</b>	<b>14,886,563</b>



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**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013**

	NOTES	Jun-13	Jun-12
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property and Equipment	6	24,568,339	30,048,808
<b>Current Assets</b>			
Inventory-Stock	8	586,961	637,264
Debtors/Receivables	9	12,081,382	1,467,813
Prepayments	10	4,873,774	3,795,900
Cash and Bank Balances	11	12,759,653	28,845,239
		30,301,770	34,746,215
<b>TOTAL ASSETS</b>		<b>54,870,109</b>	<b>64,795,023</b>
<b>EQUITY AND LIABILITIES</b>			
Capital Fund		11,252,270	11,252,270
Revenue Reserves		29,372,178	41,426,423
		40,624,448	52,678,693
<b>Current Liabilities</b>			
Payables & Accruals	12	14,245,661	12,116,330
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>54,870,109</b>	<b>64,795,023</b>
<b>SIGNED ON BEHALF OF THE COMMISSION BY:</b>			
.....  .....		.....  .....	
<b>Mr Chris Foot</b>		<b>Ms Caroline Kittur</b>	
Chairman, Board of Directors		Ag. Chief Executive Officer	
Date.....  .....		Date.....  .....	



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STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2013

		Jun-13	Jun-12
	Notes		
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>			
Surplus/(Deficit) for the year		(12,019,096)	14,886,563
Adjustments for:-			
Annual Depreciation	6	7,047,454	8,138,120
Gain/(loss) on Disposals	7	(3,635)	364,534
<b>Surplus before working capital changes</b>		<b>(4,975,277)</b>	<b>23,389,218</b>
Increase/decrease in stocks		50,303	(389,003)
Increase/decrease in Receivables		(10,613,569)	(1,067,813)
Increase/decrease in Prepayments		(1,077,874)	(1,164,081)
Decrease/increase in Payables		2,129,331	(214,612)
<b>Net cash flows from operating activities</b>		<b>(14,487,086)</b>	<b>20,553,709</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Property and Equipment		(1,598,500)	(10,404,687)
<b>Net cash flows after investing activities</b>		<b>(16,085,586)</b>	<b>10,149,022</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Capital Grant			
<b>Net Cashflow after Financing Activities</b>		<b>(16,085,586)</b>	<b>10,149,022</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(16,085,586)</b>	<b>10,149,022</b>
Cash and Cash Equivalents at beginning of the period		28,845,239	18,696,217
<b>Cash and Cash Equivalents at end of the period</b>		<b>12,759,653</b>	<b>28,845,239</b>



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**STATEMENT OF CHANGES IN FUNDS & RESERVES FOR THE YEAR ENDED 30 JUNE 2013**

	Revenue Reserve KSHS	Capital Fund KSHS	Total KSHS
Bal b/d 30.06.11	26,959,535	11,252,270	<b>38,211,805</b>
Surplus for the year	14,886,563	-	<b>14,886,563</b>
PPA-KBS	(73,080)		<b>(73,080)</b>
PPA-Crane Travel	15,970		<b>15,970</b>
PPA-PAYE	(116,455)		<b>(116,455)</b>
PPA-Crane Travel	(246,110)		<b>(246,110)</b>
<b>As at 30<sup>th</sup> June, 2012</b>	<b>41,426,423</b>	<b>11,252,270</b>	<b>52,678,693</b>
Bal b/d 30.06.12	41,426,423	11,252,270	<b>52,678,693</b>
Surplus for the year	(12,019,096)		<b>(12,019,096)</b>
PPA - PAYE	(35,149)		<b>(35,149)</b>
			-
<b>At 30<sup>th</sup> June, 2013</b>	<b>29,372,178</b>	<b>11,252,270</b>	<b>40,624,448</b>



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

### GENERAL INFORMATION

#### 1 SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) Basis of Operation

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical basis of accounting. The financial statements are presented in Kenya Shillings (KShs)

The preparation of financial statements in conformity with the IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Council's policies.

##### (b) Revenue Recognition

Income is recognised in the period in which it is earned. Government funding is recognised on receipt.

Grants related to property, equipment and other assets are presented in the reserves. Grants for recurrent expenditure are dealt with in the income statement in the year it is received

##### (c) Critical Accounting Estimates and Judgement

Estimates and judgement are continually evaluated on the basis of historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

In the process of applying accounting policies, the Commission makes certain estimates and assumptions about future events. Such estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the financial year, are described below:

##### (d) Property and Equipment

The Commission makes estimates in determining the depreciation rates of property and equipment. The rates used are set out in the accounting policy for depreciation of property and equipment in below



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

All property and equipment are initially recorded at cost and thereafter at historical cost less accumulated depreciation. Depreciation is calculated on a Reducing-Balance basis with a full year's charge on acquisition and none on disposal and at annual rates estimate to write off carrying values.

The annual depreciation rates in use are:

Furniture and Fittings	12.5%
Plant & Equipment	12.5%
Electronic Data Processing Equipment	30%
Motor Vehicles	25%

### (e) Receivables

Receivables are recognised and carried at original invoice amounts less an allowance for the uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

### (f) Cash and Cash Equivalents

For purposes of the cashflow statement, cash and cash equivalents comprise cash at bank and cash on hand.

### (g) Stocks

Stocks of consumables are valued at the lower of cost and net realisable value

### (h) Payables

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid for goods and services received whether or not billed to the Commission.

### (i) Provisions and Accruals

Provisions are recognised when the Commission has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will arise.



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Cont)

	30-Jun-13	30-Jun-12
<b>2 GOK GRANTS</b>		
Ministry Of Information	91,857,923	128,217,506
Pending GOK Grant	10,032,922	
<b>Total</b>	<b>101,890,845</b>	<b>128,217,506</b>
<b>3 OTHER INCOME</b>		
Other incomes	318,789	721,425
Gifts and Sponsorship	2,682,811	
Tender prequalification	501,000	732,000
TV award	445,000	2,146,775
<b>Total</b>	<b>3,947,600</b>	<b>3,600,200</b>
<b>4 STAFF EMOLUMENTS AND BENEFITS</b>		
Acting Allowance	32,200	-
Bonus/End year incentive	356,254	399,322
Casual labour	98,233	62,956
Entertainment Allowance	1,391,667	1,642,800
Extraneous Allowance	23,920	30,200
House Allowance	5,488,100	6,332,000
Leave Allowance	486,053	507,394
Medical Expenses	4,189,449	3,405,954
NSSF Contribution	53,800	62,200
Pension Employer's contribution	1,078,450	1,267,686
Responsibility Allowance	1,159,000	1,357,733
Risk Allowance	63,000	43,500
Salaries & Wages	16,807,962	18,896,001
Special duty allowance	186,933	148,822
Telephone Allowance	241,667	307,600
Training	1,019,083	631,138
Gratuity	1,488,000	1,250,333
Transport Allowance	2,026,600	2,550,667
<b>Total</b>	<b>36,190,371</b>	<b>38,896,306</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Cont)

	30-Jun-13	30-Jun-12
<b>5 ADMINISTRATION EXPENSES</b>		
Advertising and Publicity	2,145,594	1,579,087
Bank Charges	88,200	103,046
Board Expenses	6,623,458	7,911,123
Cleaning services	58,293	62,987
Conferences & Seminars	998,247	873,944
Contracted Professional Services-staff team building	880,164	998,800
Corporate Entertainment	170,158	441,744
Electricity	511,972	611,638
Film Industry Development	8,081,579	6,732,778
General Office Supplies	1,569,348	1,340,754
Insurance Expenses	845,225	465,475
Internet services	406,957	537,797
ISO Audit expenses	27,880	984,567
Legal expenses		320,982
Marketing and Promotion	26,356,470	23,970,098
Meal allowance	887,250	1,227,826
Motor Vehicle Running Expenses	1,342,325	1,595,645
MTEF Expenses	200,000	217,600
Postage & Delivery	28,468	23,577
Professional Services/Subscription	39,052	84,780
Rent	8,078,053	6,562,419
Repairs & Maintenance	918,898	67,928
Research & Development	7,202,970	2,040,320
Staff Welfare	726,020	790,569
Subscriptions/Newspapers	183,653	95,310
Telephone Expenses	429,657	389,655
Traveling and Accommodation-International	3,787,809	7,404,200
Traveling and Accommodation-Local	1,745,651	1,768,652
Website management		78,880
<b>Total</b>	<b>74,333,351</b>	<b>69,282,182</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Cont)

6. PROPERTY, PLANT & EQUIPMENT

	Plant and Equipment Kshs.	Electronic Data Processing Equipment Kshs.	Motor Vehicles Kshs.	Furniture & Fittings Kshs.	Total Kshs.
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
<b>COST VALUATION</b>					
Balance as at 1st July, 2011	6,636,817.00	26,351,026.00	7,742,550.00	11,222,972.00	51,953,365.00
Additions	3,686,612.75	1,708,074.50	5,010,000.00	0.00	10,404,687.25
Disposals	(930,357.00)	(1,652,400.00)		(605,950.00)	(3,188,707.00)
On Insurance Claim		(68,200.00)			(68,200.00)
At 30th June 2012	<b>9,393,072.75</b>	<b>26,338,500.50</b>	<b>12,752,550.00</b>	<b>10,617,022.00</b>	<b>59,169,345.25</b>
<b>ACCUMULATED DEPRECIATION</b>					
As at 1st July, 2011	2,398,688.00	10,733,224.00	6,109,357.00	4,145,646.00	23,386,915.00
Charge for the year	932,363.32	4,702,042.95	1,660,798.25	842,915.44	8,138,119.96
Disposals -Eliminants	(465,835.18)	(1,652,400.00)		(334,002.48)	(2,452,237.66)
On Insurance Claim		(20,460.00)			(20,460.00)
As at 30th June 2012	<b>2,865,216.14</b>	<b>13,762,406.95</b>	<b>7,770,155.25</b>	<b>4,654,558.96</b>	<b>29,052,337.30</b>
<b>NET BOOK VALUE</b>					
At 30th June 2011	4,238,129.00	15,617,802.00	1,633,193.00	7,077,326.00	28,566,450.00
As at 30th June 2012	<b>6,527,856.61</b>	<b>12,576,093.55</b>	<b>4,982,394.75</b>	<b>5,962,463.04</b>	<b>30,048,807.95</b>
<b>COST VALUATION</b>					
Balance as at 1st July, 2012	9,393,072.75	26,338,500.50	12,752,550.00	10,617,022.00	59,101,145.25
Additions	-	1,531,000.00	0.00	67,500.00	1,598,500.00
On Insurance Claim	0.00	(64,500.00)	0.00	0.00	(64,500.00)
At 30th June 2013	<b>9,393,072.75</b>	<b>27,805,000.50</b>	<b>12,752,550.00</b>	<b>10,684,522.00</b>	<b>60,635,145.25</b>
<b>ACCUMULATED DEPRECIATION</b>					
As at 1st July, 2012	2,865,216.14	13,762,406.95	7,770,155.25	4,654,558.96	29,052,337.30
Charge for the year	815,982.08	4,232,128.07	1,245,598.69	753,745.38	7,047,454.21
On Insurance Claim	0.00	(32,985.00)	0.00	0.00	(32,985.00)
As at 30th June 2013	<b>3,681,198.22</b>	<b>17,961,550.02</b>	<b>9,015,753.94</b>	<b>5,408,304.34</b>	<b>36,066,806.51</b>
<b>NET BOOK VALUE</b>					
At 30th June 2012	6,527,856.61	12,576,093.55	4,982,394.75	5,962,463.04	30,048,807.95
As at 30th June 2013	<b>5,711,874.53</b>	<b>9,843,450.49</b>	<b>3,736,796.06</b>	<b>5,276,217.66</b>	<b>24,568,338.74</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

7. ASSET DISPOSAL

Asset Description	Year of Purchase	Cost	Accumulated Depreciation	Net Book Value	Insurance Proceeds	Profit / Loss on Disposal
		Ksh.	Ksh.	Ksh.	Ksh.	Ksh.
Laptop - Mac Osewe	15/10/2010	64,500.00	32,985.00	31,515.00	35,150.00	3,635.00
						-
<b>Total</b>		<b>64,500.00</b>	<b>32,985.00</b>	<b>31,515.00</b>	<b>35,150.00</b>	<b>3,635.00</b>



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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Cont)

	30-Jun-13	30-Jun-12
<b>8 INVENTORY</b>		
Marketing Merchandise		
General office stationery	586,961	637,264
	<b>586,961</b>	<b>637,264</b>
<b>9 DEBTORS &amp; RECEIVABLES</b>		
Pending GOK Grant	10,032,922	
Other debtors	116,764	
Staff Imprest	1,319,974	930,262
Other Staff Debtors	66,623	72,450
Kalasha TV awards	495,100	465,101
Salary Advance	50,000	0
<b>Total</b>	<b>12,081,382</b>	<b>1,467,813</b>
<b>10 PREPAYMENTS</b>		
Prepaid Rent	1,175,580	1,175,580
Medical Insurance/Property/Club Membership	3,698,194	2,620,320
	<b>4,873,774</b>	<b>3,795,900</b>
<b>11 CASH AND CASH EQUIVALENTS</b>		
<b>Cash and Bank Balances</b>		
Cash in hand	15,159.00	21,985
Cash at Bank	12,744,494.15	28,823,253
<b>Total</b>	<b>12,759,653</b>	<b>28,845,239</b>



*Film Kenya...Capture Africa!*

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013 (Cont)

30-Jun-13

30-Jun-12

12 PAYABLES AND ACCRUALS

Accounts Payables	4,038,219	3,440,510
Payroll Liabilities-staff	639,145	756,756
Payroll Liabilities-Board	48,000	278,100
Provision for Audit fees	290,000	250,000
Provision for Contingent Kalasha Expenses	44,796	44,796
Provision for Annual salary Increments	81,140	81,140
VAT Payable	10,191	10,191
Provision for Gratuity	4,340,000	2,500,667
Provision for Depreciation Sinking Fund	1,754,170	1,754,170
Provision for Film Fund	3,000,000	3,000,000
<b>Total</b>	<b>14,245,661</b>	<b>12,116,330</b>

