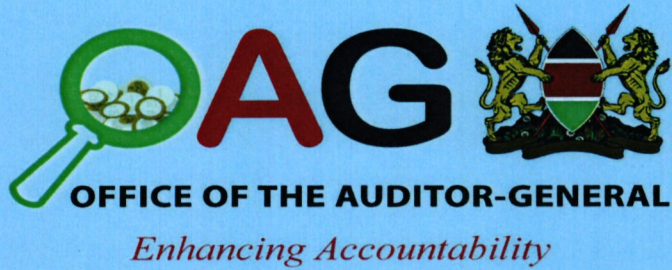


REPUBLIC OF KENYA



PARLIAMENT
OF KENYA
LIBRARY



REPORT

DATE: 30 NOV 2022 *Tuesday*

TABLED BY: *W. O. O.*
OF: *Moses Lemuna*

THE AUDITOR-GENERAL

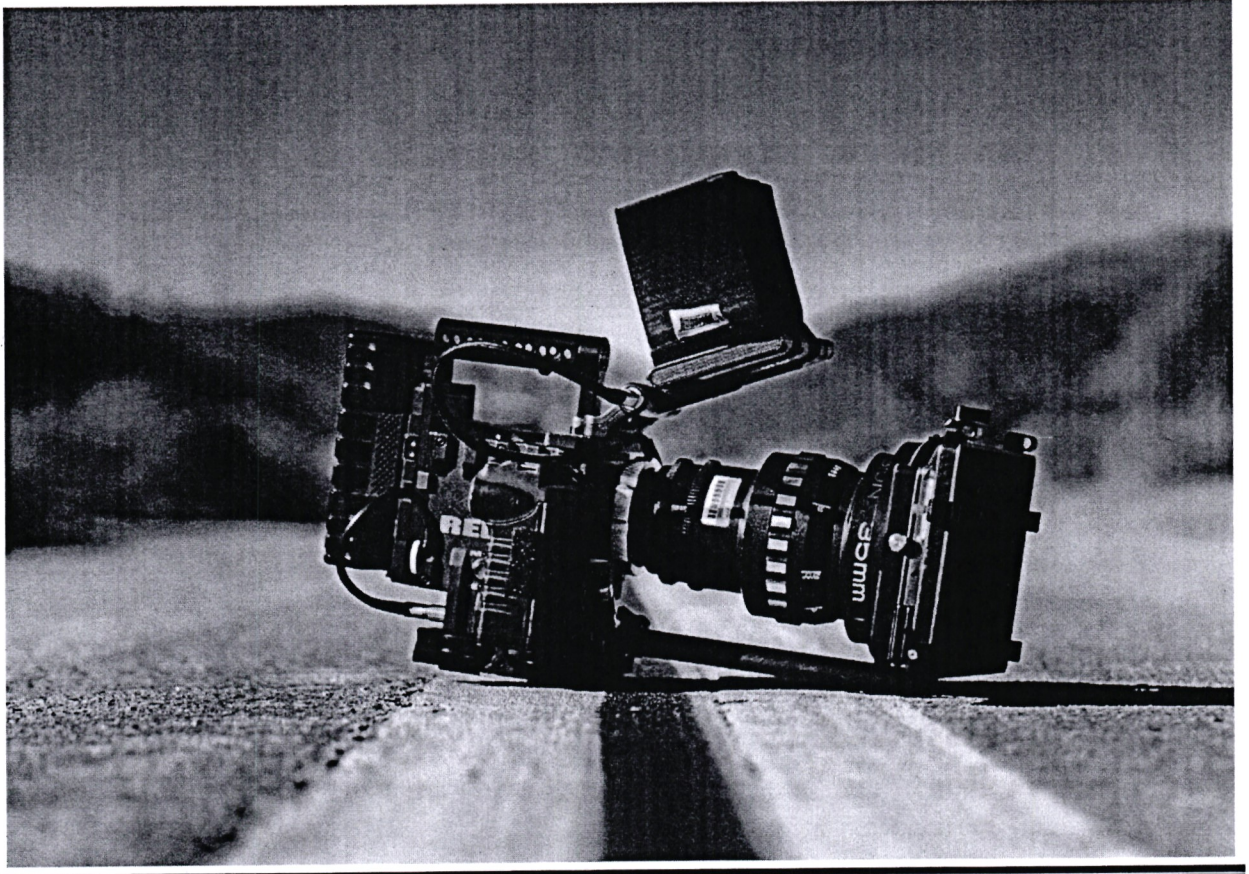
ON

KENYA FILM COMMISSION

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



Film Kenya... Capture Africa!



KENYA FILM COMMISSION
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2021

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

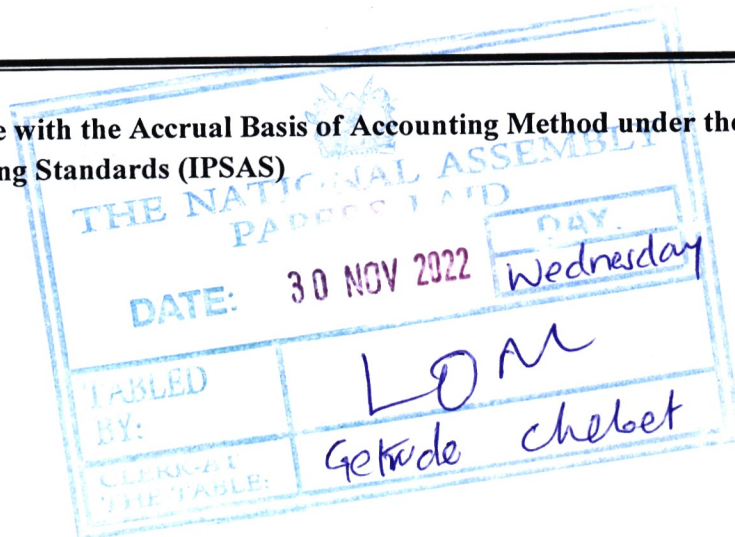


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1.0. KEY ENTITY INFORMATION AND MANAGEMENT

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 July 24, 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) Board and Members of staff
- h) General Public.
- i) Educational Institutions
- j) Related industries such as tourism, transport, ICT among others.

The Commission's Vision:

“Kenya a global hub for film production “

The Mission statement:

“To develop a vibrant and sustainable local film industry, and market Kenya as a preferred filming destination for wealth and job creation.

Principal Activities

The mandate of the Kenya Film Commission is to;

- a) Develop, promote and market Kenya's 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 the 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.

KENYA FILM COMMISSION

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Key Management

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

- (a) Board of Directors
- (b) The Chief Executive Officer
- (c) The Management

Fiduciary Management

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

| No. | Designation | Name |
|-----|--|-----------------------|
| 1. | CEO | Timothy Owase |
| 2. | Director Strategy & Business Development | Joshua Achiya Akwara |
| 3. | Director, Corporate Services (Ag.) | Erick Owino Omondi |
| 4. | Director, Technical Services (Ag.) | Alex Mulwa |
| 5. | Manager, Legal Services/ Corporation Secretary | Josephine Oyombe |
| 6. | Manager, Finance and Accounts | Ednah Kerubo Oyori |
| 7. | Principal Accountant | Bernard Kibe |
| 8. | Principal Supply Chain Management Officer | Evans Mac'Osewe |
| 9. | Internal Audit Manager | Harriet Nkatha Ngeera |
| 10. | Manager, Corporate Communication | Letitia Ouko |
| 11. | Senior ICT Officer | Dennis Ong'aria |

Fiduciary Oversight Arrangements

The Commission has appointed various Committees to which it has delegated responsibilities with the Chairpersons of the Committees reporting to it. The Commission has one oversight Committee as below:

1. Audit, Risk and Compliance board Committee
2. Finance, Supply Chain and ICT board Committee
3. Planning, Human Resource and Administration Board Committee
4. Strategy and Technical Board C

KENYA FILM COMMISSION

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Kenya Film Commission Headquarters

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

Kenya Film Commission Contacts

Telephone: (254) 20 2714073/4, 0729407497/0733650068

E-mail: info@filmingkenya.com / ceo@filmingkenya.com

Website: www.kenyafilmcommission.go.ke

Facebook: @KenyaFilmCommission

Instagram: @kenyafilmcommission

Twitter: @kenyafilmcomm

YouTube: @KenyaFilmCommission

LinkedIn: @KenyaFilmCommission

Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi.

Independent Auditors

Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya





Principal Legal Advisor

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

KENYA FILM COMMISSION






Annual Reports and Financial Statements For the year ended June 30, 2021.

2.0. THE BOARD OF DIRECTORS

| Ref | Directors | Details |
|-----|---|--|
| |  | <p>Ms. Dorothy Ghettuba Pala (Date of Birth 5th July 1978) is the Chairperson of the Kenya Film Commission Board. She started her journey in the media and entertainment industry by co-founding Spiel works Media Limited – a regional leader in content creation, production, distribution and broadcast. She is dedicated to developing creative talent, creating quality content and telling authentic African stories that engage and resonate with audiences. Dorothy’s honours include; Business Daily Top 40 Under 40 Women in Kenya in 2011 and 2014, Top 40 Under 40 Women in Film in Africa and Msafiri’s Top 50 Business People in Kenya. Dorothy is an alumnus of The Bucerius School of Global Governance in Hamburg, Germany and a 2016 Archbishop Desmond Tutu Fellow. She is a graduate of the Stanford Institute for Innovation in Developing Economies SEED program.</p> |
| |  | <p>Mr. Aasif Karim (Date of Birth 15th December 1963) is the Chairman of Safinaz Foundation as well as Founder and Festival Director of the Kenya International Sports Film Festival (KISFF). He is dedicated to this festival that showcases the synergy that exists between Sports, which unifies society, and Film which inspires society. Aasif is a former national cricket and tennis Captain who played in three International Cricket Council World Cups and overall played for the Kenyan National Cricket Team for 23 years. Additionally, he provided radio and TV commentary for International Cricket Tournaments as well as written commentary on the Kenyan sports scene. His Academic Qualification is BBA Insurance. Aasif is a Fellow Arbitrator and Accredited Mediator by the Kenyan Judiciary for Family and Commercial Disputes.</p> |
| |  | <p>Ms. Sarah Migwi (Date of Birth 14th July 1978) is the Founder and Managing Director of Protel Studios, a TV content production company with offices in Kenya, Uganda and Nigeria. She worked as a Producer for Nation TV. Sarah has engaged in offering bespoke production solutions for advertising campaigns, documentaries, programmes and events. Sarah is a Rotarian with Rotary International and a Board Member for Women Corporate Directors (WCD). She is a graduate of the Stanford Institute for Innovation in Developing Economies SEED program, Strathmore Business School and United States International University – Africa.</p> |
| |  | <p>Mr. Ernest Kerich (Date of Birth 7th July 1959) has over 38 years’ experience in Public Service, starting with the Presidential Press Services and then the Department of Film Services. He was immediate former Director Department of Film Services in the Ministry of ICT. He holds a Diploma in Cinematography and Certificates in Strategic Leadership Development, Corporate Governance, Financial Management, Film Governance and Society and in Total Quality Management.</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.





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|  | <p>Ms. Eunice Wangeci Macharia (Date of Birth 1968) is a self-trained film producer with over ten years in the industry creating content for the local TV stations and online markets, has produced over forty (40) titles worth over 5000 hours. She is the Founder and Managing Director of Kollywood (K) Movies founded in 2009 and formally registered in 2010 with its offices in Nyeri County. She has a background in Accounts having ACNC1 & 2. She has a Certificate in Guidance and Counselling currently pursuing Diploma in Counselling Psychology with Amani Counselling Centre. She is a trained and Practicing Mediator. She is the founder and president of The Kagure Foundation an NGO that supports Autistic persons with diapers. She is one of the founder members of Frak (CMO). She has a great passion in the film industry, strongly and proudly championing for the economic growth of the film industry through Distribution. She is currently using her gotten knowledge and exposure in the Industry to Nurture and Mentor upcoming film practitioners on the ground.</p> |
|  | <p>Mr. Gideon Ole Saruni (Date of Birth 1959) has over 30 years' experience in both private and public sector, among them former local authorities and County Governments. He holds a Diploma in Business Studies and Degree in Bachelor of Business Administration. He also holds Certificates in CPA section three, Strategic Leadership. Development, Performance Management and Local Government Leadership and Management.</p> |
|  | <p>Alternate Director, The National Treasury – Mr. Peter Njoroge (Date of Birth 27th September 1970) is a director of planning at the National Treasury. He holds a Master of Science Degree in Development Planning from the Technical University of Dortmund (Germany), Masters of Science Degree Strategic Management from Moi University. Njoroge has over 27 years in sectoral and development planning, finance and budgeting, both at the national treasury and county levels.</p> |
|  | <p>Alternate Director, The Ministry of ICT, Innovation and Youth Affairs – Mr. Kibaara Kaugi (Date of Birth 23rd October 1968) is the Ag. Director, Department of Film Services. He is a Filmmaker with more than 25 years in the Film Industry. He holds a BA (Hons,) from the University of Nairobi and a Diploma in Film Production/Directing, from the Kenya Institute of Mass Communication.</p> |
|  | <p>Timothy Odhiambo Owase (Date of Birth 21st May 1976) is Chief Executive Officer at the Commission who plays a key leadership role in leading the team at the Kenya Film Commission. He joined the Commission in 2008 as a Marketing Officer later rose to the position of Festival Funds & Skills Development Manager. He is a professional with leadership and management qualities, strategy formulation and execution, behavior change, social marketing, sustainable development, media and corporate communications. Mr. Owase is currently a member of Public Relations Society of Kenya (PRSK), Association of Film Commissioners International (AFCI) and Chartered Institute of Marketing (CIM). His academic</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.





| | |
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| | <p>credentials include Masters in Development and Corporate Communications (MA) from Daystar University, BBA (Marketing) from Kenya Methodist University, Film Marketing from AFCI University, Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI), Diploma in Business Management from Kenya Institute of Management, Certificate in Monitoring and Evaluation, among other qualifications.</p> |
|--|---|

KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.****MANAGEMENT TEAM**

| | Management | Details |
|--|---|---|
| |  | <p>Mr. Timothy Odhiambo Owase Chief Executive Officer at the Commission who plays a key leadership role in leading the team at the Kenya Film Commission. He joined the Commission in 2008 as a Marketing Officer later rose to the position of Festival Funds & Skills Development Manager. He is a professional with leadership and management qualities, strategy formulation and execution, behaviour change, social marketing, sustainable development, media and corporate communications. Mr. Owase is currently a member of Public Relations Society of Kenya (PRSK), Association of Film Commissioners International (AFCI) and Chartered Institute of Marketing (CIM). His academic credentials include Masters in Development and Corporate Communications (MA) from Daystar University, BBA (Marketing) from Kenya Methodist University, Film Marketing from AFCI University, Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI), Diploma in Business Management from Kenya Institute of Management, Certificate in Monitoring and Evaluation, among other qualifications.</p> |
| |  | <p>Mr. Joshua Achiya Akwara Director, Strategy and Business Development at the Kenya Film Commission. As the Director, Strategy and Business Development. Mr. Akwara holds a Master of Business Administration majoring in Strategic Management from the University of Nairobi, Bachelor of Business Administration majoring in Marketing from Maseno University and a Practitioners Diploma in Marketing from the Marketing Society of Kenya (MSK). He is a full (individual) member with the Marketing Society of Kenya and a Full Member at Kenya Institute of Management (KIM) as well as a Strategic Leadership Development Program graduate from the Kenya School of Government.</p> |
| |  | <p>Mr. Erick Owino Omondi Director Corporate Services Ag. Has experience and exposure in Corporate Governance for the last 14 years and is a columnist with the Standard Newspaper on Corporate Governance and Management emerging topics. He is a holder of MBA (HRM) degree, BED (Maths & Economics), CPS (K), Dip (HRM) and CPA section 4. He is currently pursuing LLB at University of Nairobi.</p> |
| |  | <p>Mr. Alex K. Mulwa Director, Technical Services Ag. He is a marketing and communication specialist and provides planning and leadership to the Marketing Department. 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> |




KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

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|  | <p>Ms. Josephine A. Oyombe Manager Legal Services/Corporation Secretary. She is an Advocate of the High Court of Kenya admitted to the Bar in the year 2012. She is currently the Legal Services Manager a Kenya Film Commission. She advises a wide range of the Film Industry Stake holders on Copyright aspects concerning their audio visual products. She specializes in Intellectual Property Law, Film and Media Law, Legal and Regulatory Compliance as well as policy development. She is currently a member of the Law Society of Kenya. Ms. Oyombe is a Certified Corporation Secretary (ICPSK), holds a Master Degree (LLM) in International Trade & Investments Law from University of Nairobi, a Postgraduate Diploma in Law (PGD- Kenya School of Law), and a Bachelor Degree in Law (LLB) from Moi University. She is also a Certified Patent Agent with Kenya Industrial Property Institute (KIPI) and a Certified Mediator (MTI East Africa). Ms. Oyombe is a member of the Law Society of Kenya (LSK) and the East Africa Law Society.</p> |
|  | <p>Ms. Letitia Ouko Corporate Communications Manager at Kenya Film Commission. Letitia is a Public Relations professional with over 12 years' experience developing, directing and implementing PR, Marketing and Communication Strategies that yield results. Letitia holds a Master of Arts Degree in Communication from the University of Nairobi, Bachelor of Arts in Sociology and Political Science from the Catholic University of Eastern Africa and a Professional Diploma in Public Relations from the Chartered Institute of Public Relations (United Kingdom). She is a member of the Public Relations Society of Kenya (PRSK) and the Chartered Institute of Public Relations (United Kingdom).</p> |
|  | <p>Ms. Ednah Kerubo Oyori Manager, Finance and Accounts at the Kenya Film Commission. She is a Certified Public Accountant (CPA-K) and an ICPAK member with over 14 years of experience in financial management and accounts in the public sector. She holds Master of Science (MSc) degree in Finance from University of Nairobi and Bachelor of Arts in Economics degree from Makerere University.</p> |
|  | <p>Bernard Kibe is the Principal Accountant and deputises the Manager, Finance and Accounts. He has over fifteen 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 in Procurement & Logistics from JKUAT.</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

| | | |
|--|--|---|
| |  | <p>Ms. Harriet Nkatha Ngeera Manager, Internal Audit at the Kenya Film Commission. Harriet is a Certified Public Accountant with over 25 years of experience in managing internal audit. Ms. Harriet is currently a member of: Institute of Certified Public Accountants of Kenya (ICPAK); Institute of Certified Public secretaries of Kenya (ICPSK); Institute Of Credit Management ICM (Kenya); Institute of Internal Auditors (IIA)-Kenya chapter; Association of Women Accounts of Kenya (AWAK) and Institute of Directors (IOD)-Kenya. She holds a Masters' Degree in Finance from Jomo Kenyatta University of Agriculture & Technology (JKUAT) and Bachelor's Degree from Kenya Methodist University.</p> |
| |  | <p>Mr. Evans Mac'Osewe Principal Supply Chain Management Officer. He has over 11 years' experience in Supply Chain Management with vast knowledge in Public Procurement. He holds a Bachelor Degree in Procurement and Supplies Management, CIPS-UK Graduate Diploma in Purchasing and Supplies, CILT International Advanced Diploma in Logistics and Transport Management and a Certificate in Insurance. He is a member in good standing of CIPS-UK, CILT Kenya and Kenya Institute of Supplies Management (KISM). He is a licensed practitioner by KISM. Mac'Osewe is currently pursuing a Master of Science Degree in Procurement and Logistics at the Jomo Kenyatta University of Agriculture and Technology (JKUAT).</p> |
| |  | <p>Mr. Dennis Ong'aria Senior ICT Officer. He is an ICT professional with over 11 years' experience in both public and private sectors. He is in charge of ICT to ensure that the Commission leverages on technology to deliver its mandate. Mr. Ong'aria is currently pursuing a Master of Science in Information Technology Degree at Jomo Kenyatta University of Agriculture and Technology (JKUAT). He holds a Bachelor of Science in Information Technology Degree from KCA University and a Diploma from the Institute for the Management of Information Systems (IMIS UK).</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

CHAIRPERSON'S STATEMENT



The Board Directors of the Kenya Film Commission (KFC, hereby submit the annual report and financial statements for the period ending June 2021.

The Kenya Film Commission was established vide Legal Notice No. 10 of 2005 as a State Agency. In line with the Parastatal Reform Process, a new legal notice No. 147 capturing new and expanded functions of the Commission was signed in July 2015. The Commission is a state corporation under the Ministry of ICT, Innovation and Youth Affairs.

The Board is fully committed to ensuring that KFC fulfils its mission of developing a vibrant and sustainable local film industry and marketing Kenya as a preferred filming destination for wealth and job creation.

In line with this mandate, KFC has created programs aimed at supporting the industry in attaining the 40% local content quota required by regulation as per the Kenya Information and Communication Act 2013, and continued to market Kenya as a global hub for film production. This involved working with film professionals, film Commissions around the globe, Government agencies, private organizations, professional bodies and associations in the film industry.

During the period under review, the Commission embarked on establishing Film Hubs to help facilitate its functions of content and capacity development, and promotion of local films at grass root level. These Film Hubs will help nurture new ideas at grassroots, address imbalances in the infrastructure and distribution of skills and resources in the film industry, as well as create an enabling environment for content and skills development. In the year under review the Commission collaborated with the Bomet County Government to set up a Film Hub in the county. The Bomet Film Hub is up and running boasting of a state-of-the-art production, editing and sound studio that is fully equipped.

In pursuit of nurturing local talent and promoting the local film industry, the Commission held capacity development programmes and trained 520 filmmakers in Distribution & Marketing, Production, Scriptwriting, Cinematography, Intellectual Property Rights and Financing, among others. Further, under the Application of Service Delivery - Virtual workshops programme, the Commission operationalized its online channels i.e., YouTube & Facebook through which it offered workshops on various skill sets. These workshops were done under the Kalasha International Film and TV Market and the Reel County Film Festival. The workshop's content were streamed live during the events; these content is still available for viewing on the Commission's YouTube Channel.

The 10th edition of Kalasha International Film & TV Awards was held on 12th December 2020 at the Sarit Centre in Nairobi. The Kalasha Writers' Hub Film Residency programme took place from 10th May – 5th June, 2021 in Eldoret Town. The programme trained a total of 20 scriptwriters (10 for feature films and 10 for TV series).

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

The 4th Edition of Kalasha International Film and TV Market took place from the 5th to 7th May 2021 at the Sarit Centre in Nairobi. Following Covid -19 health guidelines that banned gatherings in the red zones, the event was a hybrid of virtual and physical events that included conferences, workshops and the pitching competition.

Kenya Film Commission announced “The Letter” as Kenya’s official submission for the 93rd Academy Awards (Oscars) in the Best International Feature Film Category. Kenya Film Commission (KFC) is officially recognized by the Academy of Motion Pictures Arts and Sciences (The Oscars) to set up an OSCARS Selection Committee from Industry Associations and Guilds to make submissions for the Best International Feature Film Category Award (formerly known as the Best Foreign Language Film Category Award) on behalf of the Kenyan film industry.

The Kenya Film Commission forged partnerships with various Government Institutions, Corporates, for the goodwill of the local film industry growth. Some of the partnerships that KFC forged were with; Canon, Multichoice Talent Factory (MTF), Kenya Film School, Communication Authority, UNESCO, Ada Labs Africa, Star Times Kenya and Kenya Broadcasting Corporation.

The Commission also hosted the My Kenya My Story mobile phone film competition which focuses on the application of affordable technology in telling stories. The competition aims at encouraging content creators to use smartphone technology in the development of their content. During this fourth edition of the competition dubbed themed “The Social and Economic Impact of COVID-19”, 138 submissions were received, with the Jury shortlisting 9 films that were uploaded on the Kenya Film Commission YouTube channel for viewing and voting by the public.

The pitching competition under Kalasha International Film & TV Market saw four (4) projects winning Ksh 500,000 each in Film, TV, Documentary and Animation categories. It is encouraging to note that The submissions were received from the 17 Counties namely: Mombasa, Kajiado, Nakuru, West Pokot, Embu, Nairobi, Trans Nzoia, Samburu, Nyeri, Meru, Uasin Gishu, Kericho, Kisumu, Kiambu, Kakamega, Kisii and Kirinyaga was an improvement from the previous year.

The Reel County Film Festival under the “My County My Story” program took place from the 23rd – 26th June, 2021 and comprised of virtual screenings of submitted content, panel discussions and virtual workshops. A total of 19 productions - 5 Feature films, 10 short films, 2 documentaries and 2 animations were selected for the festival. Producers of the above content were all awarded Kshs. 70,000 screening fees for the livestreaming of their content.

The Kenya Film Commission collaborated with the Embassy of Israel in Kenya to promote and forge relations between the two countries while setting the stage for knowledge sharing and value exchange through the Sherekea IV Israeli Film Festival. Which This collaboration saw two winners receive a scholarship in Film Production at the Sam Spiegel Film School in Jerusalem, Israel’s leading film school.

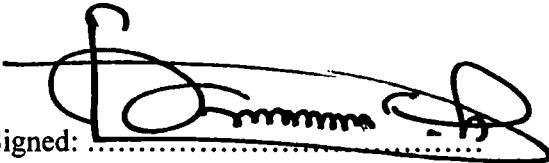
Going forward, the Commission will remain focussed on strategies that will enable it achieve its core mandate. The Commission’s priority areas will include; promoting screen culture through film screenings in various festivals, host focus groups on industry matters, create more film hubs across

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

the country, push for the implementation of the Film Policy and Bill, market Kenya as preferred filming destination, as well engage in continuous capacity development.

I wish to express my sincere gratitude to my fellow Board of Directors who have worked tirelessly to ensure that the Commission meets its obligations. I would also like to recognize the strategic initiatives of the Chief Executive Officer, the Management team and staff whose efforts contributed to the growth of the film industry in the year under review. I also wish to thank our parent Ministry of ICT, Innovation and Youth Affairs, National Treasury, and all other stakeholders for their continued support in ensuring we attain our objective of growing the film industry.


Signed:

Date: 30/3/2022

Dorothy Ghettuba
Chairperson

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

3.0. REPORT OF THE CHIEF EXECUTIVE OFFICER



I am pleased to present the Kenya Film Commission (KFC) Annual Report and the Financial Statements for the financial year ended 30th June 2021.

In the recent years, we have seen unprecedented growth in film and television production. The scale and nature of this growth presents a major opportunity for Kenya and the region to service demand by investing in production capability and capacity.

The Commission as a key enabler towards the achievement of the Big four agenda, undertook various programmes including capacity development for the film industry, audience development, promotion and marketing of the film industry, the Film Empowerment Programme, industry infrastructure development, film archiving, production and liaison services.

During the financial year under review, the Commission facilitated the development of a National Film Policy and Kenya Film Bill, 2020. The policy was developed by a Task Force with representatives from all the state agencies under the Ministry of ICT, Innovation and Youth Affairs who undertook a comprehensive policy, legal and regulatory review of the film sector in order to forge a common position and collective agenda for the sector with 31st December 2020 as the deadline for the Development of the Film Policy and Bill, 2020.

Kenya Film Commission partnered with Documentary & Reality TV to produce a television concert dubbed *Concert Nyumbani*. The show was aimed at educating Kenyans on the COVID-19 pandemic, entertaining masses, appreciating frontline workers and also to enhance collaboration with artists. It also highlighted Kenyans who sacrifice immensely for the good of others during the pandemic.

In light of the pandemic and in an effort to pre-empt the transition back into the workplace, the Commission came up with Health and Safety Film Production guidelines. This was aimed at providing guidance to all film production companies, cast and crew on the resumption of production of films, audio-visual content and other-related activities following the established minimum public health standards for COVID-19 mitigation within various levels for continuity of filming activities.

The Commission organized and participated in various film screening events including; Drive-In Cinema experiences, supported film premieres and organised community screenings in Kisumu, Nairobi, Mombasa, Uasin Gishu, Nakuru and Kiambu counties. In addition the Commission held regular Stakeholder Engagement Forums to identify the voice of the customer as it relates to the Commission's successful execution of the overall mandate. The objective of these forums was aimed at devolving filmmaking processes and sensitizing filmmakers and other stakeholders at County level on the Commission's activities and the film industry in Kenya at large. This assists in building the capacity of filmmakers countrywide.

The Commission held several meetings with Frontier Counties Development Council (FCDC), Lake Region Economic Bloc (LREB), Jumuiya ya Kaunti za Pwani (JKP) and North Rift Economic Bloc

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

(NOREB) regional blocs. Discussions with these blocs focused on Film Capacity Building Workshops, Drive-In Cinemas, School Outreach Programmes and other sensitization efforts.

The engagement with the content distributors brought out various concerns in distribution channels and ways of collaboration to streamline avenues of distribution of Kenyan content. The meeting with foreign envoys addressed areas of collaboration including co-production treaties with the represented countries, curation of film festivals, and moderation of workshops, among others.

During the period under review, the Commission, in partnership with the Communications Authority, executed the 2nd cycle of its Film Empowerment Programme where a total of 14 projects in the FY 2020/2021 received funding of 29 million for their projects. The Film Empowerment Programme supports the professional development of scripts, provides partial financing for productions, capacity development as well as the development of film marketing, distribution and festivals.

The Commission embarked on grooming future filmmakers through establishing film clubs in secondary school under its School Outreach Programme. The film clubs provide a framework for teaching students how to analyse, explore and produce films with the aim of fostering the next generation of filmmakers. Students gain experience in filmmaking and become exposed to various career opportunities available in the film industry. The Commission has so far established 10 film clubs; Alliance Girls High School - Kiambu County, Alliance High School - Kiambu County, Upper Hill School - Nairobi County, Highway Secondary School - Nairobi County, Moi Girls High School - Marsabit County, Dakabaricha Mixed Secondary School - Marsabit County, State House Girls High School - Nairobi County, Moi Girls High School - Nairobi County, Kiereni High School - Tharaka Nithi County, Kiriani Boys High School - Tharaka Nithi County. Four (4) film clubs were equipped with film production equipment after successful training in basic filmmaking conducted by the Commission in collaboration with Canon.

Operationally, the Commission sensitized and cascaded to staff the Commission's Strategic Plan 2020 - 2025 in the month of February 2021 aimed at strengthening corporate governance at the institution. This has assisted in establishment of direction for the Commission's business. It has sharpened our focus assisted the organization to develop the right goals and objectives.

In closing, I would like to extend my sincere gratitude and appreciation to the Board Chairperson, Board, management and the entire staff of the Kenya Film Commission for their guidance, continued support and persistent effort to better the Commission. May God Almighty guide us to serve our beloved country as we continue to ensure a fast and sustainable growing film industry.

Signed..........

Timothy Owase
Chief Executive Officer

Date.....30/3/2022.....

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**4.0. STATEMENT OF KENYA FILM COMMISSION PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR FY 2020/2021**

The Commission has 4 strategic pillars and objectives within its Strategic Plan for the FY 2015-2019. These strategic pillars are as follows: -

Pillar 1: Marketing

Pillar 2: Film Industry Development

Pillar 3: Research & Advocacy

Pillar 4: Organizational Development

Pillar 5: Sustainability

Pillar 1: Marketing

The marketing pillar aims at enhancing attractiveness, visibility and uptake of the country's Film and TV industry resources at the county, national and international level. This Strategy looks at marketing from two fronts: destination marketing and product marketing. Destination marketing aims at generating more demand for filming in Kenya. It looks at aspects of film locations, liaison services, industry incentives and platforms that will enable reflection of Kenya's film assets to global audiences and film makers.

Important mechanisms for marketing include participation in international film festivals and markets. Film festivals that showcase Kenyan productions broadly would assist in creating awareness of Kenyan products and increasing the diversity of films available to Kenyans. KFC further seeks to expand access to film exhibition and distribution platforms within the country.



Kalasha International Film & TV Award Winners

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Kalasha International Film & TV Market



KFC staff at the Reel county Film festival studios

Pillar 2: Film Industry Development

Kenya's Film and TV industry is currently estimated to employ around 15,000 people and generate Kshs 3.8 billion annually. This is in spite the challenges experienced in the sector. It is apparent that the Commission can play a much more significant role in the industry towards employment and wealth creation if a more conducive financial, legal and regulatory framework was in place. The estimated industry potential is about 250 000 jobs and Kshs 40 billion in annual revenue at optimum performance.

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The Commission facilitated and continues to facilitate the improvement of the physical and professional capacity of film producers in Kenya. This encompasses skills development, technical exposure and industry infrastructure. Through incubation centres and exchange programmes, the Commission exposed industry professionals to the different styles and approaches to creativity.



KFC DeKUT Film, Animation & Gaming Hub in Nyeri County.

Pillar 3: Research and Advocacy

In performing its advisory and advocacy role, the Commission notes that it requires timely and accurate industry data. However, accurate statistical data for the industry is lacking at the moment. To reposition, it is imperative that KFC directs continuous efforts to lobby for their finalization, adoption and enactment. This will be achieved through engagement with the relevant Government institutions. The Commission will also partner with Counties to ensure consistent implementation of national film policies and laws at industry level.

The Commission will also identify, conserve, protect and archive audio-visual material made in Kenya. These initiatives will require formation of partnerships with other institutions charged with archiving such as the National Museums and The National Archives.

Pillar 4: Organizational Development

Given the dynamism of the Kenya Film and TV industry needs, the Kenya Film Commission seeks to enhance its institutional capacity to keep pace with demands of the industry. The key areas for institutional strengthening have been recognized as human resource capacity through the organizational structure and institutional re-categorization. In recognition of the fact that the Commission has highly skilled human capital, the challenge remains in retaining and aligning this talent to one strategic direction. Organizational reorganisation and culture were therefore identified as some of the key issues that this Strategic Plan will address.

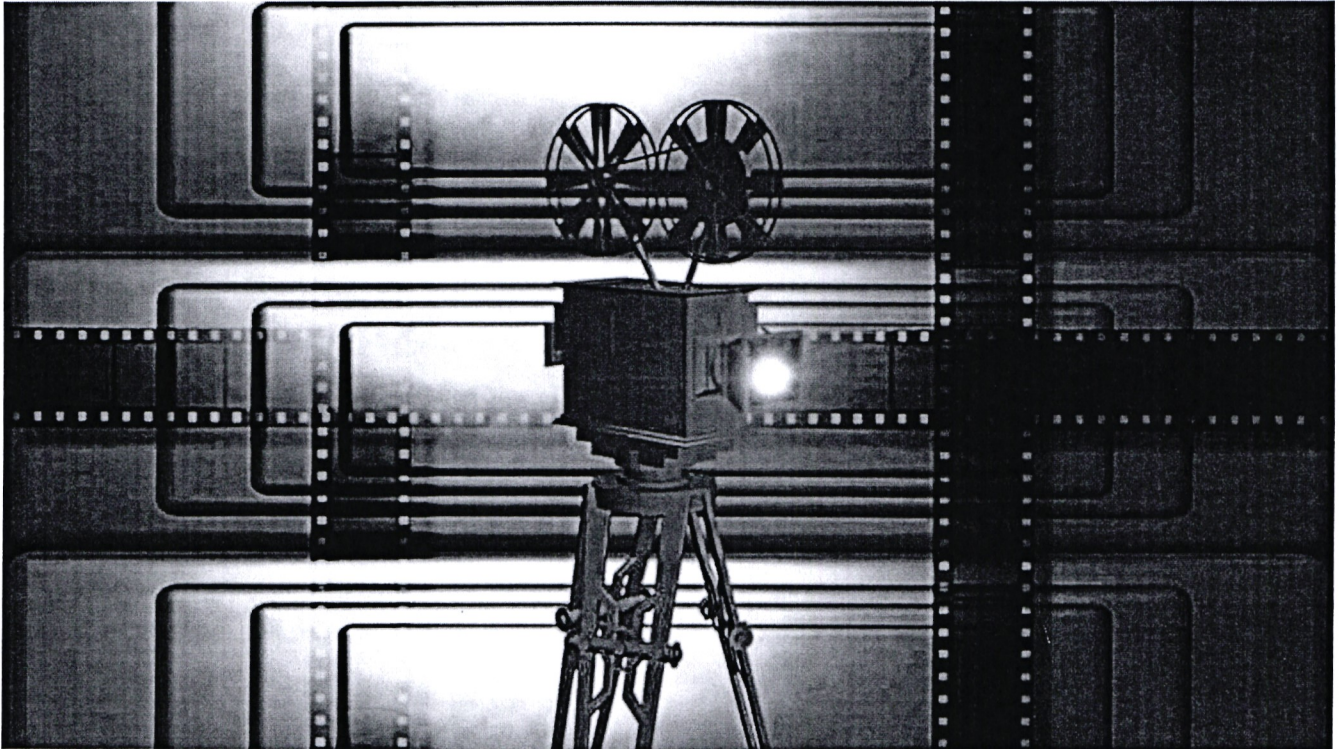
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Pillar 5: Sustainability

While there are a number of initiatives that need undertaking to improve the industry, inadequate resource base is a hindrance to successful implementation. It is therefore necessary for the Commission to seek alternative ways of obtaining resources to develop this industry. This will require the development of comprehensive resource mobilization and management strategy that identifies the potential resource partners, ways of engagement with them, potential projects for support, and methods of implementation, monitoring and reporting progress.

The Commission will further seek partnerships for joint industry programmes with relevant institutions and lobby for the partial redeployment of proceeds collected from the industry for further development of the Film and TV industry. The creation of a Film Fund is also at the core of this Pillar within its Strategic Plan.



FILM KENYA...CAPTURE AFRICA!

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The Commission develops its annual work plans based on the above 4 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for the FY 2020/2021 period for its 4 strategic pillars, as indicated in the diagram below:

| Strategic Pillar/Theme/Issues | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------------|---|---|---|--|
| Pillar 1: Marketing | Improve awareness and uptake of local film assets | No. of online platforms developed | Create online platform to showcase Kenyan film products | E-film shop platform developed. KFC YouTube platform developed |
| | | Local film industry showcased in international and local film festivals, markets and awards | Market and showcase the local film industry in international and local film festivals and Markets | In the financial year 2020/2021, the Commission organised; Kalasha International film and TV awards and market, Reel County Film festival (My county my story film festival), My Kenya my Story festival (mobile phone film competition). The Commission facilitated the selection and submission of a Kenyan production "The letter" for the Oscars awards. From the festivals, over 400 films were produced on location Kenya. |
| | | % Increase in the uptake of local content | Organise regional film screenings | In the Financial Year 2020/2021 the Commission organized and participated in various film screening events including; Drive in Cinema experiences, supported film premieres and organised community screening in Kisumu, Nairobi, Mombasa, Uasin Gishu, Nakuru and Kiambu counties |

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| | CSR Program developed and implemented | Develop and roll-out a Corporate Social Responsibility program | CSR activities held in June 2021 |
|--|---------------------------------------|--|---|
| Pillar 2: Film Industry Development | Skills Development | No of youths trained on film production | Organised film production workshops to train the youth in Entrepreneurship, Distribution & Marketing, Production, Cinematography, Copyright, Intellectual Property Rights and Financing filmmakers |
| | Infrastructure development | No of Film hubs Established | Establish film hub through Partnership with the Counties |
| | Industry Empowerment | No. of film productions supported | Execute the Film Empowerment programme |
| | | | <p>The Commission held capacity development programmes and trained 520 filmmakers through county workshops, Film residency programme, online workshops and conferences</p> <p>One Film hub established in Bomet County in collaboration with County Government of Bomet.</p> <p>The Commission, in partnership with the Communications Authority, executed the 2nd cycle of its Film Empowerment Programme where a total of 14 projects in the FY 2020/2021 received funding of 29 million for their projects.</p> <p>The Commission, in line with its mandate and the directive by H.E. the President of the Republic of Kenya, supported the local film makers by cushioning them from the negative economic impact of COVID-19. This was done through engaging film makers from the 47 counties to</p> |

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| | | | | |
|---|--|--|---|---|
| <p>develop content that will communicate and resonate with the public in relation to COVID-19 and its social-economic impact. 33 projects from 21 counties were awarded with Ksh 8,500,000.00.</p> | | | | <p>develop content that will communicate and resonate with the public in relation to COVID-19 and its social-economic impact. 33 projects from 21 counties were awarded with Ksh 8,500,000.00.</p> |
| <p>The Commission collaborated with Kenya National Bureau of statistics to develop the Film Industry Satellite Account (FISA) that will establish the economic contribution of the Kenyan film industry to the GDP. Thus, the country will be able to quantify the revenue generated through local film and filming activities.</p> | <p>Conduct baseline industry survey</p> | <p>No. of industry-based researches done</p> | <p>Develop a comprehensive in-house process for continuous capturing and dissemination of industry data</p> | <p>The Commission collaborated with Kenya National Bureau of statistics to develop the Film Industry Satellite Account (FISA) that will establish the economic contribution of the Kenyan film industry to the GDP. Thus, the country will be able to quantify the revenue generated through local film and filming activities.</p> |
| <p>The Commission facilitated the development of a Film Policy and Kenya Film Bill, 2020.</p> | <p>Lobby for adoption of the film policy Lobby for enactment of the film bill</p> | <p>No. of policies developed for the film industry</p> | <p>Lobby for the provision of facilitative policy and regulatory environment for the Film and TV industry</p> | <p>The Commission facilitated the development of a Film Policy and Kenya Film Bill, 2020.</p> |
| <p>This year saw the inaugural of the CEO's parade programme that recognised best performing employees and awarded them.</p> <p>The themed bonding Friday sessions improved relationship between employees in the Commission.</p> | <p>Establish an incentive program for reward and recognition</p> | <p>No. of culture change programmes undertaken</p> | <p>Launch a culture change programme</p> | <p>This year saw the inaugural of the CEO's parade programme that recognised best performing employees and awarded them.</p> <p>The themed bonding Friday sessions improved relationship between employees in the Commission.</p> |
| <p>To develop the staff skills, the Commission facilitated training for 11 staff members in various disciplines including Strategic management, etc.</p> | <p>Implement skills & competencies enhancement program</p> | <p>Number of skills developed</p> | <p>Enhance performance of all staff</p> | <p>To develop the staff skills, the Commission facilitated training for 11 staff members in various disciplines including Strategic management, etc.</p> |

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| | | | | |
|--|---|--|--|--|
| <p>Pillar 5: Sustainability</p> | <p>Build synergies with Counties and Development partners in carrying out industry development activities</p> | <p>No. of programmes developed through partnerships with the counties</p> | <p>Seek joint industry programmes with Counties to develop film and TV industry at the County level</p> | <p>One Film hub fully established through partnership with the Bomet County</p> <p>The Commission collaborated with Kazi Remote under the Ajira digital programme and trained 25 youth on transcription, subtitling, captioning and content writing.</p> <p>The Kenya Film Commission, in conjunction with the Embassy of Israel in Kenya organised 4th edition of the Scriptwriting Competition to promote and forge relations between the two countries while setting the stage for knowledge sharing and value exchange. The two winners of this competition received a scholarship in Film Production at the Sam Spiegel Film School in Jerusalem, Israel's leading film school.</p> |
| | <p>No. of MOU's signed</p> | <p>Forge bilateral agreements with development partners in areas of mutual interest i.e., skills and technology transfer</p> | <p>The Commission entered into collaboration with over 10 public and private institutions with an aim of growing the local film industry. In this, the Commission signed MOUs with County Government of Bomet, County Government of Embu County and County Government of Nyeri, ADA animation, Communication Authority, TVET Curriculum Development, Assessment and Certification Council (TVET CDACC), Kenya Broadcasting Corporation, Kenya Film School, Multichoice Talent Factory, and CANON</p> | |

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The Activities were captured and implemented as targets under the Performance Contract for the financial year 2020/2021 under the Core mandate indicator.

During the financial year ended 30th June 2021, internal audit undertook various activities with the following key Strategic objectives.

- 1) Perform insightful and value adding audits to enhance KFC internal Controls and Risk management process.
- 2) To enhance effectiveness and efficiency of KFC processes for better service delivery.

The activities undertaken included but not limited to;

1. Review of internal audit charter and Board Audit and Risk (BARC) committee charter to provide guidance on internal audit and audit committee operations.
2. Development of a risk management system in accordance to ISO 31000 to enhance service delivery. To aid in implementing the system, training on risk management was conducted, the system was automated through iso robot and various roles and responsibilities assigned to the board, management and other staff. The following documents were also developed as a guide to ensure implementation of the system;
 - Risk register
 - Risk Management Policy
 - Risk Management procedure
 - Risk assessment reports
 - Risk management training reports
3. Development of a business continuity system in accordance to ISO 22301 to ensure resilience and robustness in business operations against various threats and incidents that can have catastrophic impacts on the commissions operations. To implement the system, various roles and responsibilities were assigned to the board, management and other staff. The following documents were also developed as a guide to ensure implementation of the system;
 - Business continuity plans
 - Business impact procedure
 - Business continuity policy
 - Business continuity training reports
4. Continuous review of systems and controls with reports being issued to management and the Board through the BARC

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Bomet Film Hub Launch



Drive-Inn Cinema



Capacity Development Exercise



School Outreach Programme

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Cabinet Secretary, Ministry of ICT, Innovation and Youth Affairs during the official opening of the KFC/DeKUT Film, Animation & Gaming Hub.



MoU signing between KFC and Embu County

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5.0. CORPORATE GOVERNANCE STATEMENT

Introduction

The Commission has put good corporate governance practices into use in the management of economic and social resources for the sustainability of the film industry development in the day-to-day management of the Commission's business. It is with this background that we promote good corporate governance practices as essential impetus to the delivery of our long term and sustainable stakeholder value. Thus, the Commission abides by the tenets of the Kenya Constitution 2010.

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



Board of Directors

Board Charter

The Charter is critical to the Commission's governance framework and offers guidance on matters including but not limited to the following; The separation of the roles, functions, responsibilities and powers of the Board and its individual members; Powers delegated to the Board Committees; Matters reserved for final decision- making and approval by the Board; Policies and practices of the Board on matters of corporate governance, directors' declarations and conflict of interest, conduct of Board and Board Committee meetings; and Nomination, appointment, induction, on-going training and performance evaluation of the board and its committees.

Role and Responsibilities of the Board

The Board remains to guide the Commission towards sustainable long-term success through the exercise of objective and informed judgment in determining the strategy of the Commission, having the best team in place to execute that strategy, monitoring performance and maintaining an effective framework of controls to mitigate risks facing the organization. The Board is solely responsible for its agenda. However, it is the responsibility of the Chairperson and the Chief Executive Officer to come up with the annual Board work plan and an agenda for Board meetings. The Board meets at least four times a year and the meetings are structured in a way that allows for open discussions. Comprehensive Board papers are prepared and circulated to all Directors for all substantive agenda items at least two weeks prior to the meeting. This allows time for the directors to undertake an appropriate review of the Board papers to facilitate full and effective discussions at the meetings.

The submission and notification period are standard and may only be waived should any urgent and critical matters arise within the two-week period to the date of the meeting. The Senior Management team members may be invited to attend the Board meetings if deemed necessary. Where Directors are unable to attend a meeting, they are advised on the matters to be discussed and given the opportunity to make their views known to the chairman or the Chief Executive Officer prior to the meeting.

Our commitment

We are committed to the highest standards of corporate governance and business ethics. Our corporate governance practices are essential to the service delivery of long term and sustainable stakeholder value. The Commission continues to adhere to its obligations as a State Corporation in Kenya in compliance with the Mwongozo Code of Practice and the State Corporations Act CAP 446. In this regard, during the period, the Corporation undertook a review of its level of compliance as at 30th June, 2021. The Commission also adheres to the rules and regulations that govern State Corporations.

At the Commission, we believe that good corporate governance is critical, not only at the corporate level but also at the national and international levels. We therefore require that our partners adhere to the highest level of integrity and business ethics in their dealings with the Commission. In the financial year under review, we continued to achieve high levels of corporate governance by focusing on the following key areas: Development of key operational policies and implementation of the Commission's long-term goals, timely and relevant disclosures and financial reporting, open and

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clear business operations and performance reviews.

The Board, creates, approves, and updates (as necessary) policies that help ensure the assets of the organization are protected. The Board ensures policies and procedures for financial transactions are documented in a manual, and the manual is reviewed annually, and updated as necessary. The Board also ensures approved financial policies and procedures are being followed.

Although the entire Board carries the fiduciary responsibility for the organization, the Finance Committee serves a leadership role in this area, making sure appropriate internal control procedures for all financial transactions are documented in a manual and followed by staff. The Committee should also play a role in determining and updating bank account signatories as well as overseeing all legal and governmental filing deadlines are met. Finance Committees are also often charged with ensuring compliance and/or developing other policies that further serve to protect the organization and manage its exposure to risk.

We remained focused on clearly defined Board and Management duties and responsibilities, by ensuring director competencies through induction for new Directors and on-going trainings for all Directors and Management, while focusing on compliance with relevant laws and upholding the highest level of standards. In adherence to the principles of governance as a vital ingredient in the maintenance of a dynamic balance between the need for order and equality in society, the efficient production and delivery of services, accountability in the use of power, the protection of human rights and freedoms, and the maintenance of an organized corporate framework within which each citizen can contribute fully towards finding innovative solutions to common problems.

We thus seek to promote efficient, effective and sustainable corporation that contributes to the welfare of society by creating wealth, employment and solutions to emerging challenges. We remain concerned with the processes, systems, practices and procedures – the formal and informal rules – that govern institution, the manner in which these rules and regulations are applied and followed, the relationships that these rules and regulations determine or create, and the nature of those relationships. This is how our leadership role has been set in the institutional framework.

Conclusion

The Commission's Board of Directors act as stewards of the Commission that govern for the present times and provide guidance and direction for the future. In their role as overseers, Boards continually assess a variety of risks in the following categories: Financial reporting, Reputation, Litigation, Ethics, Technology, Health, Safety and Environment. At the Commission, effective corporate governance entails that the board must develop written, clear descriptions of the roles for the Board of Directors, the Board Chair, the CEO and the primary Board Committees. Board has also developed and written policies for codes of business conduct, codes of ethics, conflicts of interest and whistleblowing. We believe and ascribe to good corporate governance because it promotes equity and deters fraud and other deceptive practices.

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Summary of Board Meeting Attendance

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 year under review as required by law. There was a total of 27 meetings held for the year under review as follows:

| Full Board Meeting Attendance | | | | | | |
|--------------------------------------|---------------------------|----------------------|--|----------------------------------|------------------------------------|---------------------------|
| | Name | Role | When appointed | When retiring | Meetings attendance 2020/21 | Sitting Allowances |
| 1 | Ms. Dorothy Ghattuba Pala | Board Chairperson | 3rd May 2019 | 2nd May 2022 | 3/27 | 60,000.00 |
| 2 | Mr. Ernest Kerich | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 27/27 | 540,000.00 |
| 3 | Mr. Kibaara Kaugi | Member Rep. PS MOICT | 14 th January 2020 | | 27/27 | 540,000.00 |
| 4 | Mr. Peter Njoroge | Member Rep. CS NT | 7 th August 2020 | | 27/27 | 540,000.00 |
| 5 | Mr. Gideon Ole Saruni | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 27/27 | 540,000.00 |
| 6 | Mr. Aasif Karim | Member | 21 st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 27/27 | 540,000.00 |
| 7 | Ms. Sarah Migwi | Member | 21 st Oct. 2019 | 20th Oct. 2022 (1st Term End) | 27/27 | 540,000.00 |
| 8 | Eunice Macharia | Member | 21 st Oct. 2019 | 20th Oct. 2022 (1st Term End) | 27/27 | 540,000.00 |

Board Induction and Continuous Development

The Board should;

- Develop an induction programme for new Board members; and ensure that a competence needs assessment is carried out and an annual development programme for a minimum of two days per Board member is put in place.
- Ensure they are up-to-date with continuous professional development in their respective professional bodies.
- Receive regular briefings on matters relevant to the business of the organization, changes in laws and regulations including government accounting policies and practices.
- Be certified by an accredited body within six months of their appointment.

Committees of the Board

The following Board Committees met under defined terms of reference set by the Board;

Strategy & Technical Board Committee

The Committee fulfilled its corporate governance responsibilities and in particular to provide strategic

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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 as hereunder.

Strategy & Technical Board Committee

| | Name | Role | When appointed | When retiring | Meetings attendance 2020/21 | Sitting Allowances |
|----|-------------------|-------------------------|------------------------------|----------------------------------|-----------------------------|--------------------|
| 1 | Sarah Migwi | Chair | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 6/6 | 120,000.00 |
| 2 | Aasif Karim | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 6/6 | 120,000.00 |
| 3 | Kibaara Kaugi | Member Rep. PS MOICT | 21st Oct. 2019 (1st Term) | | 6/6 | 120,000.00 |
| 4 | Gideon Ole Saruni | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 1/6 | 20,000.00 |
| 5 | Ernest Kerich | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 2/6 | 40,000.00 |
| 6. | Eunice Macharia | Member | 21st Oct. 2019 (1st Term) | 20th Oct. 2022 (1st Term End) | 2/6 | 40,000.00 |

Finance, Supply Chain & ICT Board Committee

The Finance, Supply Chain & ICT Board Committee is responsible for performing the duties delegated to it by the Board of Directors, to enable the Board to fulfil its responsibilities, in relation to approving budgets and financial statements for the Commission.

Finance, Supply Chain & ICT Board Committee

| | Name | Role | When appointed | When retiring | Meeting's attendance 2020/21 | Sitting Allowances |
|---|-----------------------|-----------------------------------|------------------------------|-------------------------------------|------------------------------|--------------------|
| 1 | Mr. Aasif Karim | Committee Chairman | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 1/5 | 20,000.00 |
| 2 | Ms. Eunice Wangeci | Member | 21st Oct. 2019 (1st Term) | 21st Oct. 2019 (1st Term) | 4/5 | 80,000.00 |
| 3 | Mr. Gideon Ole Saruni | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 1/5 | 20,000.00 |
| 4 | Mr. Kaugi Kibaara | Member (M ICT PS Rep) | 14th January 2020 | - | 5/5 | 100,000.00 |
| 5 | Mr. Peter Njoroge | Member (NT | 7 th August | - | 4/5 | 80,000.00 |

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| | | CS Rep) | 2020 | | | |
|---|-------------------|---------|------------------------------|-------------------------------------|-----|-----------|
| 6 | Mr. Ernest Kerich | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 4/5 | 80,000.00 |

Planning, Human Resource Board Committee:

This Committee undertakes the Planning and HR & Administration oversight functions over all the Human Resource and operations of the Commission and ensure compliance to all statutory and regulatory requirements. The Committee also undertakes the hiring, work place policies, evaluation, grievance/whistleblowing and layoffs of staff and performance of the Commission's HR functions.

Planning, Human Resources & Administration Board Committee

| | Name | Role | When appointed | When retiring | Meeting's attendance 2020/21 | Sitting Allowances |
|---|-----------------------|--------------------------|------------------------------|---|------------------------------|--------------------|
| 1 | Ms. Eunice Wangechi | Committee Chairman | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 12/12 | 240,000.00 |
| 2 | Mr. Ernest Kerich | Member (PS Rep) | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 12/12 | 240,000.00 |
| 3 | Ms. Sarah Migwi | Member (Treasury PS Rep) | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 2/12 | 40,000.00 |
| 4 | Mr. Aasif Karim | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 2/12 | 40,000.00 |
| 5 | Mr. Kaugi Kibaara | Member (MICT Rep) | 14th January 2020 | - | 12/12 | 240,000.00 |
| 6 | Mr. Peter Njoroge | Member (NT PS Rep) | 21st Oct. 2019 (1st Term) | - | 9/12 | 180,000.00 |
| 7 | Mr. Gideon Ole Saruni | Member | 21st Oct. 2019 (1st Term) | 20 th October 2022 (1st Term End) | 10/12 | 200,000.00 |

Audit, Risk and Compliance Board Committee:

The Committee fulfilled its corporate governance responsibilities and in particular to maintain oversight on internal control systems, review and make recommendations regarding the Commission'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.

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Audit, Risk & Compliance Board Committee

| | Name | Role | When appointed | When retiring | Meeting's attendance 2020/21 | Sitting Allowances |
|---|-----------------------|--------------------|---------------------------|----------------------------------|-------------------------------------|---------------------------|
| 1 | Mr. Ernest Kerich | Committee Chairman | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 1/6 | 20,000.00 |
| 2 | Ms. Sarah Migwi | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 6/6 | 120,000.00 |
| 3 | Mr. Gideon Ole Saruni | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 6/6 | 120,000.00 |
| 4 | Mr. Peter Njoroge | Member | 21st Oct. 2019 (1st Term) | - | 4/6 | 80,000.00 |
| 5 | Mr. Aasif Karim | Member | 21st Oct. 2019 (1st Term) | 20th October 2022 (1st Term End) | 5/6 | 100,000.00 |

Succession Plan

The Commission endeavours to ensure that the terms of the members of the Board are staggered to ensure a smooth transition when terms of service come to an end at any one particular time.



Board of Directors during the E-Board Training

Board Charter

The Commission has an approved Charter to guide the operation and conduct of the Commission. The Board Charter is developed in accordance with the code of corporate governance “Mwongozo”, and is a complementary to the Board requirements captured in all applicable laws and regulations. The Charter sets out the procedural and administrative matters applicable to the Commission.

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The Board membership appointments

The Board comprises of nine (9) Directors as indicated below

- (a) Non-executive Chairperson appointed by the President;
- (b) The Principal Secretary of the Ministry for the time being responsible for the film industry;
- (c) The Cabinet Secretary to the National Treasury
- (d) Chief Executive Officer of the Commission;
- (e) Five other persons, who in the opinion of the Cabinet Secretary, possess skills and experience that will benefit the work of the Commission appointed by the Cabinet Secretary.

The Chairperson and members of the Board other than the Chief Executive Officer hold office for a term of three years and are eligible for re-appointment for one further term of three years.

The Board membership removal

The Chairperson or any member of the Board may-

- a. At any time resign from office by a notice in writing addressed to the President and Cabinet Secretary; respectively
- b. Be removed from office if the Chairperson or a member of the Board:
- c. Has been absent, from three consecutive meetings of the Board without the permission of the Chairperson;
- d. Is convicted of an offence and sentenced to imprisonment for a term exceeding six months or to a fine exceeding two hundred thousand Kenya shillings;
- e. Is incapacitated by prolonged physical or mental illness; or
- f. Conducts himself or herself in a manner considered by the Cabinet Secretary to be inconsistent with membership of the Board.

Induction and Training

The Commission ensures that its directors are taken through Mwongozo induction training so as to implement good corporate governance practice in discharging their duties. All the Board members attended the Board Induction Program by the State Corporations Advisory Committee (SCAC) in the Financial Year 2020/21.



KFC Board of Directors Retreat in Mombasa

Conflict of Interest

The Board has in place a policy of requiring Directors to make full disclosure of any matters in which they may have a personal interest that may result in a conflict of interest when acting in their capacity as Directors. The policy also requires them to refrain from voting or discussing matters of potential conflict of interest.

Board Remuneration

The Board does not have a remuneration Committee; however, the Chairman and members of the Board, other than the Chief Executive, are paid out of expenses of the funds of the Commission such as sitting allowance or other remuneration as may be guided by the relevant government authorities from time to time.

Board Performance

The Commission, in compliance with Mwongozo code of Governance conducts an annual Board Evaluation through the State Corporations Advisory Committee (SCAC). The following is a summary of the performance evaluation results for the year 2020/2021 conducted on **20th August 2021** as provided by SCAC.

KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.**

| | Name of Director | Position | Date of Appointment | Expiry of term | Mean Score | %Age Score |
|------------------------------------|--------------------|-------------|----------------------------|----------------------------|------------|------------|
| 1 | Dorothy Ghattuba | Chairperson | 3rd May 2019 | 5th May 2022 | | |
| 2 | Aasif Karim | Member | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| 3 | Ernest Kerich | Member | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| 4 | Eunice W. Macharia | Member | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| 5 | Gideon Ole Saruni | Member | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| 6 | Sarah Migwi | Member | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| 7 | Kaugi Kibaara | Member | N/A | N/A | | |
| 8 | Timothy Owase | CEO | 21 st Oct. 2019 | 20 th Oct. 2022 | | |
| Corporate Board Performance | | | | | | |

Risk Management and Internal Controls

The Commission 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.

Ethics and conduct

Members of the board conduct themselves professional in both official and personal spaces.

Governance audit.

The commission did not carry out governance audit during the financial year. There were no governance issues that were noted or reported.

Signed on this ... 30thday of March 2022



Timothy Owase
Chief Executive Officer

KENYA FILM COMMISSION

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6.0. MANAGEMENT DISCUSSION AND ANALYSIS

The management is upbeat to report on the operational and financial performance of the organisation during the period FY 2020/2021.

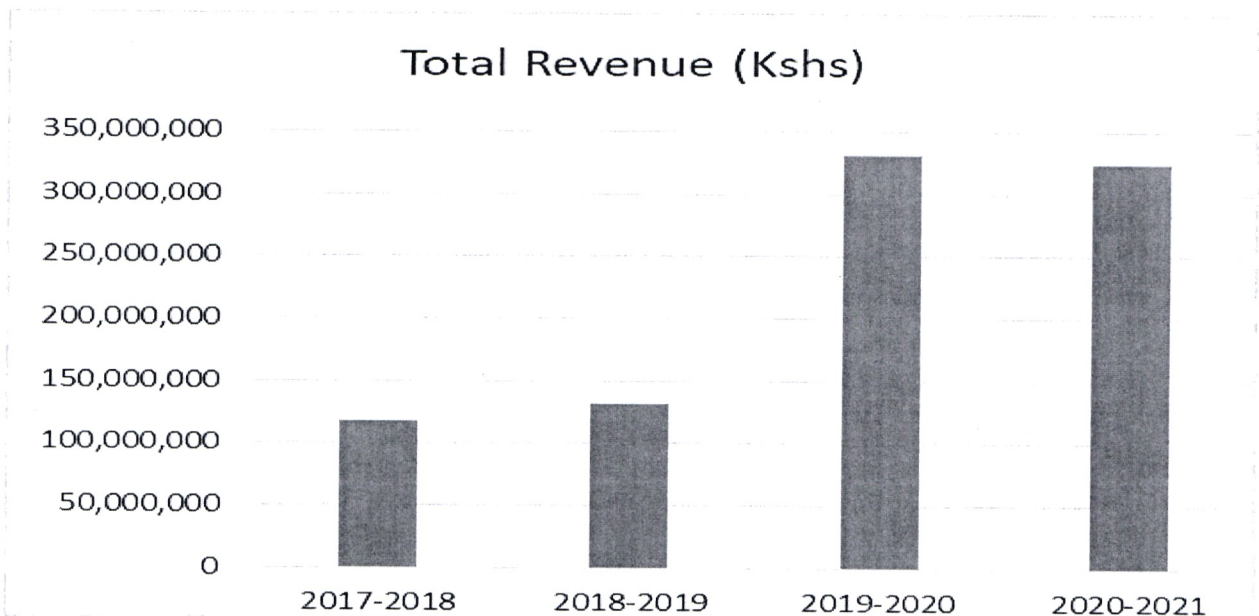
Financial Performance

The Commission's main funding comes from the exchequer and this has grown over time as shown in the table below:

| | 2017-2018 | 2018-2019 | 2019-2020 | 2020-2021 |
|------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Other Income (Kshs) | 1,371,965 | 2,124,803 | 10,005,000 | 519,800 |
| Public Contributions and Donations | - | - | - | 28,837,400 |
| Exchequer (Kshs) Development | | | | 7,500,000 |
| Exchequer (Kshs) Recurrent | 116,478,605 | 129,689,096 | 320,960,000 | 287,960,000 |
| Total Revenue (Kshs) | 117,850,570 | 131,813,899 | 330,965,000 | 324,817,200 |

The reduction on the funding from the exchequer was occasioned by budget cuts during the financial year as a result of Covid 19 Pandemic.

The funding trend from the exchequer and other sources can be depicted graphically as below:

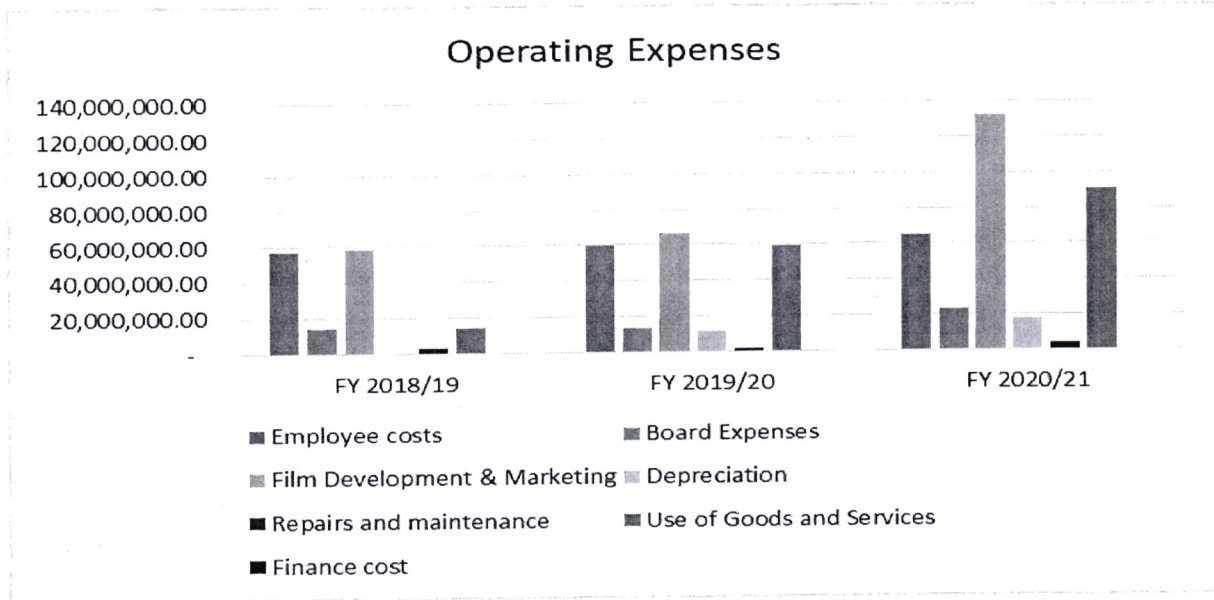


Under other income in the 2020/2021 financial year, the commission also received an allocation of Kshs 29 million from Communication Authority to go towards film empowerment programme, content acquisition and in the film residency industry.

KENYA FILM COMMISSION

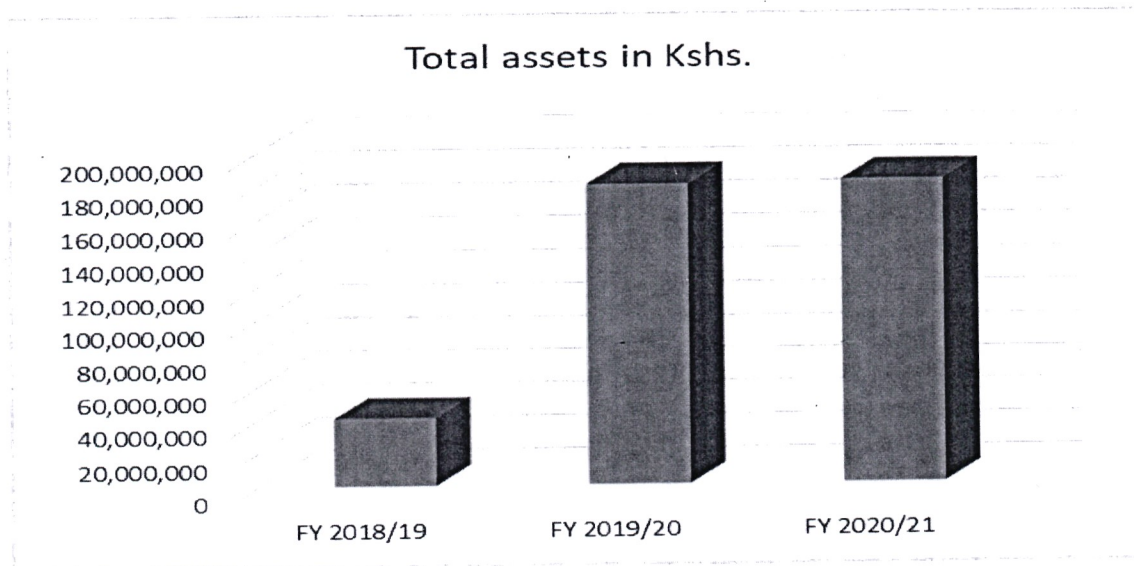
Annual Reports and Financial Statements For the year ended June 30, 2021.

The operating expense across the last 3 years is as shown below:



For the financial year 2018-2019, all the classes of assets were revalued and reported at revalued amounts, hence no depreciation expense in the comparison above

As a result of increased funding from the exchequer, the total assets have grown as shown below:



KENYA FILM COMMISSION

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7.0. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Kenya Film Commission exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

ii) Environmental performance

Management has ensured maintenance of a clean and smoke-free working environment. Accordingly, no person is permitted to smoke any tobacco or tobacco products while in Kenya Film Commission's premises and each employee is duty-bound to maintain a clean and healthy working environment.

The Commission has an existing environmental policy and from the same, has maintained pollution control by use of segregated bins and waste bins in all its offices, water conservation signs in place in all water taps to avoid wastage, reminders on KFC official email on unnecessary printing of emails to avoid wastage of resources such as toner cartridge and printing papers, and periodic maintenance of the Commission's vehicles.

Continuously, the Commission maintained the use of energy saving bulbs while unnecessary lights are switched off and all power connections switched off after work.

Employees have always considered safety to themselves and others when performing their duties. They have not compromised on quality, cause injury, ill health, loss or environmental damage at all times.

We have environment Core Values impeded on the Service Delivery Charter, developing and adopting respect for the environment as a core value in the Service Charter. Also installation of energy saving devices and having all printers, fridges and water dispensers automatically switches to safe mode when not in use.

iii) Employee welfare

The principles of affirmative action, gender and persons living with disability and national values applies. The Commission observes gender mainstreaming, balance on appointment, promotion and ensures that a minimum of a third (1/3) are of either gender.

The Commission has 21 males and 19 female staff hence 1/3 gender ratio is attained. The Commission makes efforts in improving skills and managing careers, appraisal and reward systems. The Commission continuously improves staff skills by conducting trainings and ensuring the registered members to the professional bodies are in good standing.



Themed (Kenya) Friday Bonding session for KFC staff

The overall goal of the Commission's Performance Management System (PMS) has been to measure employee performance and ultimately the achievement of intended results for the organization. The Commission therefore take into account individual performance and reward employees for their contribution in a fair and equitable manner. The Commission has an incentive scheme aimed at rewarding members of staff based on the value they are adding to the Commission in relation to their performance, approved experience and professional skills/competence. This framework therefore establishes a basis for rewarding exemplary performance and administering sanctions for poor performance, motivating employees to have positive attitude to work and to enhance productivity in the Commission.

The Commission has developed the rewards and sanctions policy which is in the implementation stage. The Commission recognizes and commits itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, the Commission implements policies and programmes that assures their protection from such hazards and disasters. The policies and programmes have been implemented and are in compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.

The Commission recognizes and commit itself to the achievement of the highest standards of health and safety in the workplace, and the elimination or minimization of health and safety hazards and risks that may affect its employees. In this regard, it implements policies and programmes that assure their protection from such hazards and disasters. The policies and programmes are implemented in

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compliance with the provisions of Occupational Safety and Health Act, 2007 and other Labour Laws.



All smiles at KFC after the CEO's Parade

The Commission has a Safety Health Committee that is in place that periodically carries out risk assessment within the Commission's premises and identifies hazards, analyses the risks attached to them and initiates preventive measures. This follows with identification, evaluation and control of biological, chemical, physical, psychosocial and other factors in the work environment which may affect the safety and health of employed persons and the general work environment. The Committee is expected to conduct training and awareness creation on occupational safety and health in order to promote a safety and health culture in the work place.

The same Committee ensures systematic inspection and auditing of workplaces to promote best practices and ensure compliance with safety and health standards as set out in OSHA, 2007. The Human Resource together with the Committee ensures compensation to employees for work related injuries and diseases contracted in the course of their employment in accordance with the provisions of WIBA, 2007.

The Commission ensures that adequate fire detection alarm and fighting facilities are provided in the various stations and are maintained as advised by Fire marshals and Occupational Safety and Health committee members.

In addition, the Commission has always put in place measures to ensure adequate security for all employees and equipment. Employees are issued with identification cards to facilitate their entry into their work station.

The Commission recognizes the impact of emerging pandemics e.g. HIV/AIDS, Covid-19 etc. their impact in the workplace and their far-reaching effects on productivity. The Commission has

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therefore committed to developing a programme to mitigate the effects of any such pandemics by coming up with working from home duty roster and observation of ministry of Health guidelines and encouraging its staff to be vaccinated.

iv) Market place practices-

The Commission put various efforts during the period to ensure competitiveness and fairness as below;

a) Responsible competition practice.

The Kenya Film Commission in its undertaking aligns itself with the competition policy and laws of Kenya.

b) Responsible Supply chain and supplier relations

The role of the Supply Chain unit is to ensure that the Commission gets the best possible value for its money by obtaining goods, equipment and/or services of the right quality, quantity, at the right time, price and from the right source.

The department's functions are as stipulated in the Public Procurement and Asset Disposal Act 2015 and its attendant regulations. In implementing those functions, the department ensures compliance with the aforementioned legislative provisions and guidelines towards achieving their objectives which are to; maximize economy and efficiency, promote competition and ensure that competitors are treated fairly, promote integrity and fairness, increase transparency and accountability and increase public confidence in the procurement process. To achieve the above objectives, the Commission appreciates the role of its suppliers in aiding actualization of its mandate. During the period under review, the Commission;

- i) Ensured fair competition in its processes and all suppliers were treated fairly including giving prompt feedback to suppliers;
- ii) Honoured its contractual obligations with suppliers;
- iii) Ensured that suppliers were promptly paid within stipulated timelines upon receipt of invoice;
- iv) Adopted a win/win approach with its suppliers focused towards value addition.

Responsible marketing and advertisement

The Kenya Film Commission commits itself to promoting the highest standard of marketing professional ethical norms and values for its stakeholders. As a Commission mandated to develop, promote and market Kenya's film industry, we recognize that we not only serve our organization but also act as a steward of society in creating, facilitating and executing our mandate that is part of contributing to the greater economy. In our marketing role, the Kenya Film Commission embraces the highest professional ethical norms and the ethical values implied by our responsibility toward our multiple stakeholders.

As a Government Marketers Agency, we must:

1. Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.

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2. Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of promoting and marketing Kenya as a filming destination as well as avoiding deception in our promotion strategy, marketing communication and delivery of all relevant services.

3. Embrace ethical values. This means building relationships and enhancing consumer confidence in the integrity of marketing by affirming the organization core values.

c) Product stewardship

In order to safeguard consumer rights and interests, Kenya Film Commission has aligned its activities with the requirement of the Constitution of Kenya by ensuring its Stakeholders have the right to;

- a) Goods and services of reasonable quality;
- b) The information necessary for them to gain full benefit from goods and services;
- c) The protection of their health, safety, and economic interests; and
- d) Compensation for loss or injury arising from defects in goods or services.

v) Corporate Social Responsibility / Community Engagements

Kenya Film Commission recognizes that the film industry, like other sectors of our economy, is accountable to its stakeholders, the society and planet in achieving a sustainable filming environment in Kenya. As a State Corporation, we acknowledge our responsibility to the environment and the importance of co-existence with the local communities. Our commitment to our stakeholders and improving quality of lives of communities surrounding our installations is central to our corporate identity. We always endeavour to have a positive impact on society through improving the lives of individuals, groups and communities while at the same time enhancing our corporate image and brand.

For us, reaching out to communities in Counties by actively contributing to their socio-economic development constitutes our core agenda. The CSR programme is alive to this fact and over the years, we have supported weaker sections of society by increasing their capacities and potential.

We recognize that Corporate Social Responsibility issues are of increasing importance to our stakeholders and are fundamental to the continued success of the Commission. Thus, we are developing a CSR policy that ensures we operate our business in a responsible manner at all times for the benefit of our stakeholders, staff, suppliers, and the wider community.

We exercise CSR by partnering with and investing in communities to find sustainable solutions. We also encourage our employees to take part in CSR initiatives aimed at improving the standards of living and involvement of the communities that they come from. We, at all times, aim at embracing responsibility for our corporate actions and to encourage a positive impact on the environment and the stakeholders at large. The stakeholder groups include but are not limited to: our customers, filmmakers, government, media, employees, investors and existing communities. The Commission actively encourages our staff to recognise these responsibilities and individually behave in a responsible manner towards the larger environment in which we operate.

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In the process of filming, we encourage stakeholders to carry out their work by acknowledging the positive contribution to a cleaner and safer filming industry and to improve by introducing new operational measures that minimise the negative impact on society. We also strive to re-use and recycle where possible and dispose off non-recyclable items responsibly, thereby minimizing negative impact of waste on the environment; we encourage our staff to plant trees in our various identified locations with a view to conserving the environment.



Swahili Pot CSR activity: Editing Equipment and Software delivered at Swahili Pot.

The Commission continues to support various initiatives. During the year, the Commission undertook CSR activities in enhancing Mombasa’s Swahili Pot Hub with Gaming and Animation equipment and software. The support to Swahili Pot Hub was aimed at empowering the region’s creatives with new technology in the Gaming and Animation genres of content creation. Being a community space that focuses on the youth with an interest in Technology and Arts, Swahili Pot Hub is expected to develop more success stories from the ideas and initiatives of its community members. With the state-of-the-art equipment, the youth from Mombasa are now able to harness the power of art and technology to create job opportunities and wealth for themselves and others.



CSR Activity at Kamiti Maximum Prisons

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Tree planting Exercise at Nairobi Primary School

Following the Presidential Directive that requires State Agencies to support afforestation efforts, Kenya Film Commission partnered with Nairobi Primary School for a tree planting exercise in June 2021. The Commission together with the School's Class 5 students planted 1000 indigenous trees as part of afforestation efforts encouraged by the Government of Kenya.

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

8.0. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2021 which show the state of the Kenya Film Commission affairs.

i) Principal activities

The principal activities of the Commission are as captured in page ii under the Principal Activities section above

ii) Results

The results of the Commission for the year ended June 30, 2021 are set out on pages 1-38 of this report.

iii) Directors

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

iv) Surplus remission

KFC did not remit any money to the consolidated fund. The un-utilized fund by the close of the FY 2020/21 was rolled over to the FY 2021/22.

v) Auditors

The Auditor General is responsible for the statutory audit of Kenya Film Commission in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the period ended June 30, 2021.

By Order of the Board

Name: Timothy Owase
Secretary to the Board

Signature: 

Date: 28 September 2021

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

9.0. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act) require the Board of Directors to prepare financial statements in respect of KFC, 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. The Directors are also responsible for safeguarding the assets of the Commission.

The Directors are responsible for the preparation and presentation of the 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 (period) ended on June 30, 2021. This responsibility includes:

- i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) Maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of 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 Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 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 KFC's transactions during the financial year ended June 30, 2021, and of the Commission's financial position as at that date. The Directors further confirms 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 Board of 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 financial statements were approved by the Board on 28th September 2021 and signed on its behalf by:

Name: 

Chairperson of the Board

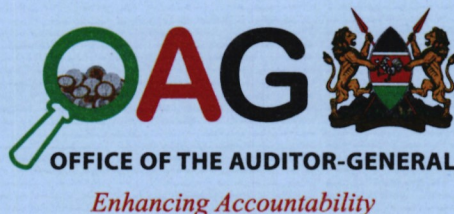


Name: Timothy Owase

Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 35, which comprise of the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, 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 the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Film Commission as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unexplained Prior Year Adjustment

The statement of changes in net assets reflects a prior year adjustment balance of Kshs.2,284,685. However, the adjustment was not supported with any relevant journal vouchers or documents.

In the circumstances, the accuracy and completeness of the prior year adjustment of Kshs.2,284,685 could not be confirmed.

2. Unsupported Expenditure on Film Marketing Events - Local and International

2.1 Kalasha International Film TV Awards/Market

As disclosed in Note 15 to the financial statements, the statement of financial performance reflects expenditure totaling to Kshs.216,786,279 in respect of general expenses which includes Kalasha International Film TV Awards/Market of Kshs.29,952,222. However, examination of records revealed that Kshs.5,000,000 was paid to Kalasha award winners, and the basis used to determine the award amount to the winners for various categories was not provided for audit review.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.5,000,000 on Kalasha International Film and TV Awards could not be confirmed.

2.2 Expenditure on Film Industry Empowerment Programme

As disclosed in Note 15 to the financial statements, the statement of financial performance reflects expenditure totaling to Kshs.216,786,279 in respect of general expenses which includes an amount of Kshs.52,141,925 spent on Film Industry Empowerment Programme. However, examination of records revealed an amount of Kshs.15,343,000 which was not supported with documents such as payment vouchers, invoices, procurement records and local purchase orders.

In the circumstances, the accuracy and completeness of the expenditure totalling Kshs.52,141,925 in respect of film industry empowerment programme could not be confirmed.

2.3 Expenditure on Capacity Development Programmes

As disclosed under Note 15 to the financial statements, the Commission incurred an expenditure of Kshs.216,786,279 in respect to general expenses, which includes an

amount of Kshs.12,560,000 on content acquisition. Out of this amount, a total of Kshs.540,000 was paid to nine (9) members of the Content Acquisition Committee. However, appointment letters for eight (8) members, the attendance register, and minutes of meetings held and rate of payment per member were not provided for audit review.

Further, payments for content acquisition to four (4) production companies for acquisition of a series at Kshs.2,730,000 per series totalling Kshs.10,920,000 were not supported by any documents to show how the firms were selected, and the rates applied.

Under the circumstances, the accuracy and completeness of the capacity development programmes expenditure of Kshs.12,560,000 for the year ended 30 June, 2021 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Film Commission Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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. There were no key audit matters to report in the year under review.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects equal final revenue budget and actual on comparable basis of Kshs.324,817,200. Similarly, the Commission expended Kshs.322,571,739 against an approved budget of Kshs.400,917,020 resulting to an under-expenditure of Kshs.78,345,281 or 19% of the budget. No explanation was given for the underperformance.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with the One Third of Basic Salary Rule

During the year ended 30 June, 2021, four (4) employees earned a net salary of less than a third (1/3) of the basic salary contrary to Section C.1(3) of the Public Service Commission (PSC) Human Resource Policies, 2016. The Management has not given explanation for failure to comply with the policy.

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

2. Incomplete Fixed Assets Register

The statement of financial position and Note 19(a+b) to the financial statements reflects property plant and equipment balance of Kshs.77,397,150 as at 30 June, 2021. However, the fixed assets register provided did not have necessary information such as location of the assets, description, type of asset and serial numbers contrary to Regulation 143 of the Public Finance Management (National Government) Regulations, 2015. The Regulations provides that the Accounting Officer shall be responsible for maintaining a register of assets under his or her control or possession as prescribed by the relevant laws. Further, physical verification of the assets revealed that the assets were not tagged for ease of identification and tracking.

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

3. Unbalanced Budget

The statement of comparison of budget and actual amount reflects final budgeted revenue balance of Kshs.324,817,200 and budgeted expenditure of Kshs.400,917,020 resulting into a budget deficit of Kshs.76,099,820 contrary to Regulation 33 (e) of the Public Finance Management (National Government) Regulations, 2015 which provides that the total budget revenue shall cover the total budget expenditure.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and the Board of Directors

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 maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

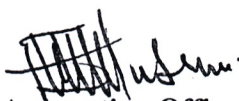
20 July, 2022

11.0. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2021


| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|---|------|---------------------|--------------------|
| Revenue from non-exchange transactions | | | |
| GoK Grants- Revenue | 6 | 287,960,000 | 328,460,000 |
| Public contributions & Donations | 7 | 28,837,400 | 2,400,000 |
| | | 316,797,400 | 330,860,000 |
| Revenue from exchange transactions | | | |
| Other incomes | 8 | 519,800 | 5,000 |
| | | 519,800 | 5,000 |
| Total revenue | | 317,317,200 | 330,865,000 |
| Expenses | | | |
| Employee costs | 9 | 64,015,127 | 60,318,477 |
| Board Expenses | 10 | 22,566,404 | 13,882,670 |
| Depreciation and amortization expense | 11 | 20,243,986 | 11,348,934 |
| Repairs and maintenance | 12 | 3,079,214 | 2,116,826 |
| Contracted services | 13 | 1,739,215 | 9,317,571 |
| Use of Goods and Services | 14 | 19,758,541 | 15,335,120 |
| General Expenses | 15 | 216,786,279 | 101,372,205 |
| Total expenses | | 348,188,768 | 213,691,803 |
| Surplus for the period | | (30,871,568) | 117,173,197 |
| Surplus attributable to owners of the controlling entity | | (30,871,568) | 117,173,197 |
| Total Surplus | | (30,871,568) | 117,173,197 |

The notes set out on pages 8 to 39 form an integral part of these Financial Statements.

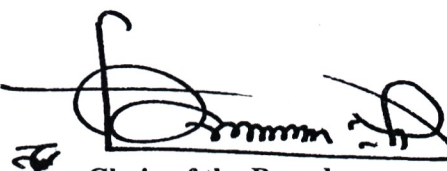
The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Accounting Officer
Name: Timothy Owase

Date: 28 September 2021


Head of Finance
Name: Bernard Kibe
ICPAK NO: 13079

Date: 28 September 2021



Chair of the Board
Name: Dorothy Ghettuba


Date: 28 September 2021

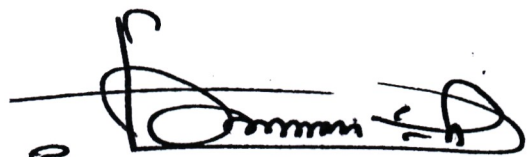
KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.****12.0. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021**

| | Note | 2020/2021 Kshs | 2019/2020 Kshs |
|---|----------|---------------------------|---------------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 16 | 106,709,205 | 104,463,746 |
| Receivables from exchange transactions | 17(a) | 755,833 | 539,045 |
| Prepayments | 17(b) | 1,931,982 | 10,572,956 |
| Inventories | 18 | 1,552,796 | 990,139 |
| Total | | <u>110,949,816</u> | <u>116,565,886</u> |
| Non-current assets | | | |
| Property, plant and equipment | 19(a+b) | 77,397,150 | 64,161,082 |
| Intangible assets | 19(c) | 9,265,200 | - |
| Total | | <u>86,662,350</u> | <u>64,161,082</u> |
| Total Assets | | <u>197,612,166</u> | <u>180,726,968</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade payables from exchange transactions | 20 (i) | 64,159,605 | 29,174,417 |
| Other payables (Provisions) | 20 (ii) | 870,000 | 580,000 |
| Employee benefit obligation | 20 (iii) | 10,384,671 | 7,587,780 |
| Total Current Liabilities | | <u>75,414,276</u> | <u>37,342,196</u> |
| Net assets | | | |
| Accumulated surplus | 22(a) | 105,172,019 | 133,858,901 |
| Revaluation Reserve | 22(b) | 17,025,871 | 9,525,871 |
| Total net assets | | <u>122,197,890</u> | <u>143,284,772</u> |
| Total net assets and liabilities | | <u>197,612,166</u> | <u>180,626,968</u> |

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:


Accounting Officer
 Name: Timothy Owase


Head of Finance
 Name: Bernard Kibe
 ICPAK No: 13079


Chair of the Board
 Name: Dorothy Ghettuba

Date: 28 Sept. 2021

Date: 28 Sept. 2021

Date: 28 Sept. 2021

13.0. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

| | Accumulated Surplus | Revaluation Reserve | Capital Fund | Total |
|---------------------------------------|--------------------------------|--------------------------------|---------------------|--------------------|
| | Kshs | | | Kshs |
| As at 1 July 2020 | 133,758,902 | - | 9,525,871 | 143,284,773 |
| Surplus for the period - Revenue | (30,871,568) | - | - | (30,871,568) |
| Additions | | | 7,500,000 | 7,500,000 |
| Prior year adjustments | 2,284,685 | - | - | 2,284,685 |
| Balance as at 30 June 2021 | 105,172,019 | - | 17,025,871 | 122,197,890 |
| | | | | |
| Balance As at 1 July 2019 | 22,160,322 | - | 9,525,871 | 31,686,193 |
| Surplus for the period | 117,173,197 | - | - | 117,173,197 |
| Prior Year Adjustments | (2,563,256) | - | - | (2,563,256) |
| Under provision Kalasha previous year | (400,000) | - | - | (400,000) |
| Gratuity prior year under provision | (2,611,361) | - | - | (2,611,361) |
| Balance as at 30 June 2020 | 133,758,902 | - | 9,525,871 | 143,284,773 |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

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

| | Note | 2020/2021 | 2019/2020 |
|--|-----------|-----------------------------|-----------------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Gok Grant - Revenue | 6 | 287,960,000 | 328,460,000 |
| Public Donations & Contributions | 7 | 28,837,400 | 2,400,000 |
| Other Incomes | 8 | 519,800 | 5,000 |
| | | <u>317,317,200</u> | <u>330,865,000</u> |
| Payments | | | |
| Compensation of employees | | (61,218,237) | (60,318,477) |
| Use of Goods and Services | | (19,758,541) | (13,882,670) |
| Board Expenses | | (22,566,404) | (2,116,826) |
| Repairs and Maintainance | | (3,079,214) | (107,144,722) |
| Contracted Services | | (1,739,215) | |
| General Expenses | | <u>(190,931,511)</u> | |
| | | <u>(299,293,122)</u> | <u>(183,462,695)</u> |
| Net cash flows from operating activities | | 18,024,078 | 147,402,305 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | | (23,278,617) | (60,696,316) |
| Net cash flows used in investing activities | | <u>(23,278,617)</u> | <u>(60,696,316)</u> |
| Cash flows from financing activities | | | |
| GOK Development Grants Received | | 7,500,000 | - |
| Investment Income | | - | - |
| Net cash flows used in financing activities | | 7,500,000 | - |
| Net increase/(decrease) in cash and cash equivalents | | <u>2,245,461</u> | <u>86,705,989</u> |
| Cash and cash equivalents at 1 July 2020 | | 104,463,744 | 17,757,755 |
| Cash and cash equivalents at 30 JUNE 2021 | 16 | <u>106,709,205</u> | <u>104,463,744</u> |

The Financial Statements set out on pages 1 to 7 were signed on behalf of the Board of Directors by:



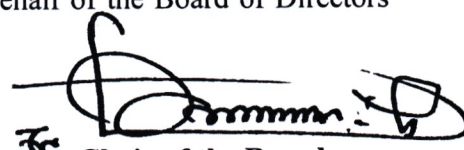
Accounting Officer
Name: Timothy Owase

Date: 28 September 2021



Head of Finance
Name: Bernard Kibe
ICPAK No. :13079

Date: 28 September 2021



Chair of the Board
Name: Dorothy Ghettuba

Date: 28 September 2021

Kenya Film Commission
Annual Reports and Financial Statements for The Year Ended June 30, 2021.

15.0. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % Variance |
|----------------------------------|---------------------|---------------------|---------------------|----------------------------|------------------------|--------------|
| | 2020/2021 | 2020/2021 | 2020/2021 | 2020/2021 | 2020/2021 | |
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs | |
| GOK Grants- Recurrent | 337,960,000 | (50,000,000) | 287,960,000 | 287,960,000 | - | 0.0% |
| GOK Grants- Development | 15,000,000 | (7,500,000) | 7,500,000 | 7,500,000 | - | 0.0% |
| Public Contributions & Donations | - | 28,837,400 | 28,837,400 | 28,837,400 | - | 0.0% |
| Other Incomes | | 519,800 | 519,800 | 519,800 | - | 0.0% |
| Total income | 352,960,000 | (28,142,800) | 324,817,200 | 324,817,200 | - | 0.0% |
| Expenses | | | | | | |
| Employee costs | 67,078,193 | 0 | 67,078,193 | 61,218,237 | 5,859,956 | 8.7% |
| Board Expenses | 23,974,000 | 0 | 23,974,000 | 22,566,404 | 1,407,596 | 5.9% |
| General expenses | 248,736,169 | 0 | 248,736,169 | 190,931,511 | 57,804,658 | 23.2% |
| Repairs and Maintenance | 2,951,740 | 0 | 2,951,740 | 3,079,214 | (127,474) | -4.3% |
| Use of goods and Services | 21,113,974 | 0 | 21,113,974 | 19,758,541 | 1,355,433 | 6.4% |
| Contracted services | 1,700,000 | 0 | 1,700,000 | 1,739,215 | (39,215) | -2.3% |
| Capital Expenditure | 35,362,944 | 0 | 35,362,944 | 23,278,617 | 12,084,327 | 34.2% |
| Total Expenditure | 400,917,020 | - | 400,917,020 | 322,571,739 | 78,345,281 | 19.5% |
| Surplus for the Period | (47,957,020) | (28,142,800) | (76,099,820) | 2,245,461 | 78,345,281 | -3.0% |

KENYA FILM COMMISSION
Annual Reports and Financial Statements For the year ended June 30, 2021.

Budget notes

1. The overall budget surplus of Kshs.78m was mainly due to roll over funds from the FY 2019/20 as follows; Recurrent grant Kshs. 84.1m Development grant Kshs. 7.8m and Covid 19 Stimulus fund Kshs. 8.5m There was also a grant of Ksh.29.3 m mainly from Communication Authority
2. The Commission suffered a budget cut of Kshs.50m on recurrent grant and 7.5m on development grant respectively
3. The employees' cost was under absorbed by Kshs 3m due to the fact that two officers joined the Commission in December while their salaries had been budgeted from the beginning of the FY.
4. General expenses were under absorbed due to Covid 19 pandemic which necessitated scale down of programmes in order to comply with MOH guidelines and Covid 19 guidelines
5. The repairs and maintenance expenses under absorption was due an ongoing procurement process by close of financial year respectively
6. The Commission expended KSHs.377,698,021 against an approved budget of Kshs.400,917,020 resulting to an under-expenditure of KSHs.23, 218,998 or 6% of the budget. This was occasioned by Covid 19 pandemic that resulted to restrictions in the country in line with ministry of Health guidelines hence low operations and low budgetary absorption
7. Variances between expenditures shown in the statement of budget and actual amount is because budget is cash basis while statement of financial performance is accrual basis. The employee costs, general expenses and capital expenditure have reflected actual amount paid not what was accrued hence the variance. Further depreciation is a non cash item hence not included in budget although included in the statement of financial performance
8. Additions to property plant and equipment of Kshs.29,509,255 not included in statement of performance because it is capital in nature.

Reconciliation of Budget Surplus with Statement of financial performance surplus

| Item | Amounts (Kshs) |
|---|------------------|
| Surplus as per statement of financial performance | (30,871,568) |
| Depreciation | 20,243,986 |
| Capital Expenditure | (23,278,617) |
| GoK Capital Grants | 7,500,000 |
| Employee Costs | 2,796,890 |
| General Expenses | 25,854,768 |
| Surplus as per statement of comparison of budget and actual Amounts | 2,245,459 |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

16.0. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Kenya Film Commission (KFC) is a State Corporation established under Legal Notice No. 147 of 2015 from which it derives its authority and accountability. The Commission is wholly owned by the Government of Kenya and is domiciled in Kenya.

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

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 (revalued in 2019). 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 the 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 the 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.

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

3. Adoption of New and Revised Standards

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2021.

| Standard | Impact |
|-----------------------------|---|
| Other Improvements to IPSAS | <p>Applicable: 1st January 2021:</p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks.</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved.</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard.</p> <p>KFC has not been affected by the amendments</p> |

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021.

| Standard | Effective date and impact: |
|---------------------------------|--|
| IPSAS 41: Financial Instruments | <p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

| Standard | Effective date and impact: |
|---|--|
| | <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <ul style="list-style-type: none"> ○ assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held; ○ Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and ○ Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Commission’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>KFC does not deal in Financial Instruments and thus not affected by this standard. This is however noted and will be applied accordingly when need arises in future.</p> |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. <p>This is however noted and will be applied accordingly when need arises in future.</p> |
| <p>Amendments to Other IPSAS</p> | <p>Applicable: 1st January 2023:</p> |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

| Standard | Effective date and impact: |
|---|--|
| resulting from IPSAS 41, Financial Instruments | <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>This is well noted and will be applied accordingly when need arises in future.</p> |

iii. Early adoption of standards

Kenya Film Commission did not early – adopt any new or amended standards in year 2020/2021.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

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.

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.

ii) Revenue from exchange transactions

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. However, the Commission does not have rental income.

(a) Budget information

The original budget for FY 2020-2021 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities (BOD). The additional appropriations are added to the original budget by the Commission upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Commission did not record additional appropriations in the 2020-2021 budget.

The Commission'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. 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.

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

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 seventeen (17) of these financial statements.

a) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the area where the Commission operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

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

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

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures. Deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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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:

- i) 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.
- ii) 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.

b) 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 off 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.

c) Property, plant and equipment

All property, plant and equipment are stated at a 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

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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.

d) Leases

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased items 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.

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.

e) 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 a 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.

f) 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:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.

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- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential.
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at a 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.

g) 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 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:

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- The debtors or an entity 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).

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.

i) 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 conditions are accounted for as follows:

- i) Raw materials: purchase cost using the weighted average cost method
- ii) Finished goods and work in progress: cost of direct materials and labour 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.

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j) 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.

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.

k) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. The Capital Replacement Development Reserve of Kshs 9,525,871 represents the capital funds that were given to the Commission at the time of inception in the financial year ending June 30, 2007 less the revaluation loss as at June 2020.

l) 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.

m) 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

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separate entity (APA), 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 accrue.

n) Foreign currency transactions

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.

o) Borrowing costs

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.

p) Related parties

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. Members of key management are regarded as related parties and comprise the Board of Directors, the CEO and Head of Directorates.

q) Service concession arrangements

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.

r) 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

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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 imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

s) Comparative figures

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

t) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

5. Significant Judgments And Sources of Estimation and Certainty

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. State all judgements, estimates and assumptions made:

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 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:

- a. The condition of the asset based on the assessment of experts employed by the Commission.
- b. The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c. The nature of the processes in which the asset is deployed.
- d. Availability of funding to replace the asset.
- e. Changes in the market in relation to the asset.

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Provisions

Provisions were raised and management determined an estimate based on the information available.

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

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NOTES TO THE FINANCIAL STATEMENTS (Continued)**6. Transfers from Other Government Entities**

| | 2020/2021 Kshs | 2019/2020 Kshs |
|--|--------------------|--------------------|
| Unconditional grants | | |
| Capitation Grants - Revenue | 287,960,000 | 298,460,000 |
| Capitation Grants - Development | - | 30,000,000 |
| Total government grants and subsidies | <u>287,960,000</u> | <u>328,460,000</u> |

(b) Transfers from Ministries, Departments and Agencies

| Name of the Entity sending the grant | Amount recognized to Statement of Financial performance KShs | Amount deferred under deferred income KShs | Amount recognised in capital fund. KShs | Total transfers 2020/21 KShs | Prior year 2019/2020 KShs |
|--------------------------------------|--|--|---|------------------------------|---------------------------|
| Ministry of ICT | 287,960,000 | - | - | 287,960,000 | 328,460,000 |
| Total | 287,960,000 | | - | 287,960,000 | 328,460,000 |

All the amount recorded above as having been received from the Ministry of ICT is fully reconciled to the amount recorded by the Ministry. An acknowledgement receipt was issued in favour of the Ministry of ICT.

7. Public Contributions & Donations

| | 2020/2021 Kshs | 2019/2020 Kshs |
|----------------------------------|--------------------------|-------------------------|
| Public Contributions & Donations | <u>28,837,400</u> | <u>2,400,000</u> |
| Total revenue | <u>28,837,400</u> | <u>2,400,000</u> |

These funds were received from Communications Authority through a partnership programme for the film empowerment programme.

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8. Other Incomes

| | 2020-2021 | 2019-2020 |
|---|-----------------------|---------------------|
| | Kshs | Kshs |
| other Incomes* | 519,800 | 5,000 |
| Total revenue from Other Incomes | <u>519,800</u> | <u>5,000</u> |

| | 2020-2021 | 2019-2020 |
|---|--------------------------|--------------------------|
| | Kshs | Kshs |
| Employee related costs - salaries and wages | 53,078,739 | 46,021,370 |
| Contribution to Pensions | 987,722 | 4,691,974 |
| Housing benefits and allowances | 9,948,667 | 9,605,133 |
| Total Employee costs | <u>64,015,128</u> | <u>60,318,477</u> |

10. Board Expenses

| | 2020-2021 | 2019-2020 |
|-----------------------------|--------------------------|--------------------------|
| | Kshs | Kshs |
| Chairman's Honoraria | 1,044,000 | 960,000 |
| Sitting Allowances | 11,636,739 | 4,516,000 |
| Other Board Expenses | 9,885,665 | 8,406,670 |
| Total Board Expenses | <u>22,566,404</u> | <u>13,882,670</u> |

11 Depreciation and Amortization

| | 2020-2021 | 2019-2020 |
|-------------------------------|--------------------------|--------------------------|
| | Kshs | Kshs |
| Property, Plant and Equipment | 16,273,186 | 11,348,934 |
| Intangible Assets | 3,970,800 | - |
| Total Depreciation | <u>20,243,986</u> | <u>11,348,934</u> |

12. Repairs and Maintenance

| | 2020-2021 | 2019-2020 |
|--------------------------------------|-------------------------|-------------------------|
| | Kshs | Kshs |
| Office Repairs and Maintenance | 195,142 | 302,088 |
| ICT Annual Maintenance | 863,676 | 1,183,806 |
| Vehicles | 2,020,396 | 630,932 |
| Total Repairs and Maintenance | <u>3,079,214</u> | <u>2,116,826</u> |

13. Contracted services

| | 2020-2021 | 2019-2020 |
|----------------------------------|-------------------------|-------------------------|
| | Kshs | Kshs |
| Contracted security services | 600,000 | 7,215,980 |
| Property and equipment insurance | 600,248 | 946,916 |
| Advertising | 538,967 | 1,154,675 |
| Total contracted services | <u>1,739,215</u> | <u>9,317,571</u> |

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| 14. Use of goods and services | 2020-2021 | 2019-2020 |
|--|--------------------------|--------------------------|
| | Kshs | Kshs |
| Internet services | 1,366,197 | 875,393 |
| Telephone expenses | 357,671 | 310,359 |
| Electricity | 1,126,962 | 1,021,388 |
| Rent | 16,907,711 | 13,127,980 |
| Total use if goods and services | <u>19,758,541</u> | <u>15,335,120</u> |
| | | |
| 15. General expenses | 2020-2021 | 2019-2020 |
| | Kshs | Kshs |
| Film research and development | 5,863,987 | 3,940,075 |
| Film incentive/guideline and policy | 4,752,130 | - |
| Marketing strategy/film advertising & media campaign | 2,684,710 | 9,200,787 |
| Audience development school outreach | 891,986 | 3,672,983 |
| Screen culture development | 3,461,798 | - |
| Production and liaison | | 95,725 |
| Certification and accreditation | - | 900,012 |
| Kalasha International Film TV Awards/market | 29,952,222 | 24,285,965 |
| Mobile film competition | 2,226,625 | 4,710,656 |
| My county my story | 4,346,625 | - |
| International festivals | 285,000 | 7,118,511 |
| Kalasha writers hub/residency | 5,263,945 | 2,160,701 |
| Capacity development workshop | 1,924,606 | 488,774 |
| Content acquisition | 12,560,000 | - |
| Promotional collateral materials | - | 346,904 |
| Film industry empowerment programme | 52,141,925 | 8,231,905 |
| Covid 19 stimulus | 8,450,000 | - |
| Corporate communication | 1,527,208 | - |
| Thematic Advertising Campaigns | 6,606,867 | - |
| branding | 974,190 | 337,803 |
| CSR and investors relations | 1,617,130 | - |
| Stakeholder engagement | 807,334 | - |
| Staff team building | 2,062,140 | 2,618,635 |
| Software annual licenses renewal | 2,090,313 | - |
| Group media cover | 9,344,085 | 7,486,960 |

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| | 2020-2021 | 2019-2020 |
|--|---------------------------|---------------------------|
| | Kshs | Kshs |
| Staff training and development | 4,480,010 | 3,344,695 |
| Cleaning service | 412,803 | 393,338 |
| Travelling and accommodation-local | 21,734,963 | 7,647,732 |
| Meal allowance | - | 493,400 |
| Courier and postage services | 227,196 | 229,850 |
| General office supplies | 1,061,342 | 1,786,418 |
| Tender evaluation | - | 710,980 |
| Corporate entertainment | 5,947,885 | 5,548,010 |
| Staff welfare | 4,098,210 | 2,204,328 |
| Risk allowance | 13,500 | 91,000 |
| Fuel and lubricants | 2,230,518 | 1,120,443 |
| Audit fee | 290,000 | 290,000 |
| Publications, subscriptions and newspapers | 122,480 | 129,815 |
| Professional subscriptions | 438,240 | 219,045 |
| PC, strategic plan, ISO,M&E | 758,568 | - |
| Bank charges | 375,337 | 207,828 |
| refurbishments | 13,502,785 | - |
| Film Archiving | | 527,082 |
| Total | <u>216,786,279</u> | <u>101,372,205</u> |

16. Cash and Cash Equivalents

| | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Current Account | 106,709,205 | 104,460,151 |
| Cash-on-hand | - | 3,595 |
| Total Cash and Cash Equivalents | 106,709,205 | 104,463,746 |

(b) Detailed Analysis of the cash and cash

| | | 2020/2021 | 2019/2020 |
|----------------------------|---------|---------------------------|---------------------------|
| Financial Institution | Account | Kshs | Kshs |
| a) Current account | | | |
| Kenya Commercial Bank | | 106,709,205 | 104,433,151 |
| Sub-Total | | 106,709,205 | 104,433,151 |
| b) Others (specify) | | | |
| Cash In hand | | - | 3,595 |
| Mpesa | | - | 27,000 |
| Sub-Total | | - | 30,595 |
| Grand Total | | <u>106,709,205</u> | <u>104,463,746</u> |

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| | | |
|--|-------------------------|--------------------------|
| 17(a) Receivables from Exchange Transactions | | |
| Current receivables | 2020-2021 | 2019-2020 |
| i) | Kshs | Kshs |
| j) Debtors | 403,000 | 403,000 |
| iii) Staff debtors | 352,833 | 136,045 |
| Total Receivables from Exchange Transactions | <u>755,833</u> | <u>539,045</u> |
| | | |
| (b) Prepayment | 1,931,982 | 10,572,956 |
| | <u>1,931,982</u> | <u>10,572,956</u> |
| | | |
| 18. Inventories | 2020/2021 | 2019/2020 |
| | Kshs | Kshs |
| Consumable Stores | <u>1,552,796</u> | <u>990,139</u> |
| Total Inventories at the lower of cost and net realizable value | <u>1,552,796</u> | <u>990,139</u> |

19. (a) Property, Plant and Equipment

| | Plant and Equipment | Computers | Motor Vehicles | Furniture and Equipment's | Total |
|------------------------------------|----------------------------|--------------------------|--------------------------|----------------------------------|--------------------------|
| Cost | Kshs | Kshs | Kshs | Kshs | Kshs |
| At 1st July 2019 | 1,676,140 | 4,670,800 | 6,795,000 | 1,398,760 | 14,540,700 |
| Additions | 5,582,172 | 16,618,377 | 8,242,000 | 966,370 | 31,408,919 |
| At 30th June 2020 | <u>7,258,312</u> | <u>21,289,177</u> | <u>15,037,000</u> | <u>2,365,130</u> | <u>45,949,619</u> |
| Additions | 19,780,335 | 7,060,550 | - | 2,668,370 | 29,509,255 |
| At 30 June 2021 | <u>27,038,647</u> | <u>28,349,727</u> | <u>15,037,000</u> | <u>5,033,500</u> | <u>75,458,874</u> |
| Depreciation and impairment | | | | | |
| As at 1st July 2019 | - | - | - | - | - |
| Charge for the year | 907,289 | 6,386,753 | 3,759,250 | 295,641 | 11,348,933 |
| At 30th June 2020 | <u>907,289</u> | <u>6,386,753</u> | <u>3,759,250</u> | <u>295,641</u> | <u>11,348,933</u> |
| Depreciation | 3,379,831 | 8,504,918 | 3,759,250 | 629,188 | 16,273,186 |
| At 30 June 2021 | <u>4,287,120</u> | <u>14,891,671</u> | <u>7,518,500</u> | <u>924,829</u> | <u>27,622,119</u> |
| NBV At 30th June 2021 | <u>22,751,527</u> | <u>13,458,056</u> | <u>7,518,500</u> | <u>4,108,671</u> | <u>47,836,755</u> |
| | | | | | |
| NBV At 30th June 2020 | <u>6,351,023</u> | <u>14,902,424</u> | <u>11,277,750</u> | <u>2,069,489</u> | <u>34,600,686</u> |

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| (b) Development Expenditure-location mapping | 2020/2021 | 2019/2020 |
|--|-------------------|-------------------|
| | Kshs | Kshs (restated) |
| Cost | | |
| At 30 July 2020 | 29,560,396 | 29,560,396 |
| Valuation assets | - | - |
| At 30 June 2021 | 29,560,396 | 29,560,396 |
| Amortization and impairment | | |
| At 30 July 2020 | - | - |
| Amortization | - | - |
| At 30 June 2021 | - | - |
| Net book values | | |
| At 30 June 2020 | 29,560,396 | 29,560,396 |

Total PPE Ksh (47,836,754+29,560,396)= Ksh. 77,397,150

| c)Softwares | 2020/2021 | 2019/2020 |
|------------------------------------|-------------------|-----------|
| | Kshs | Kshs |
| Cost | | |
| At 30 July 2020 | 13,236,000 | - |
| Valuation of Intangible assets | | |
| At 30 June 2021 | 13,236,000 | - |
| Armotization and impairment | | |
| At 30 July 2020 | - | - |
| Amortization | 3,970,800 | - |
| At 30 June 2021 | 3,970,800 | - |
| Net book values | | |
| At 30 June 2020 | - | - |
| Cost | | |
| At 30 July 2020 | <u>9,265,200</u> | = |

| 20. Trade and other Payables | 2020/2021 | 2019/2020 |
|---------------------------------------|--------------------------|--------------------------|
| | Kshs | Kshs |
| Trade Payables (i) | 64,159,605 | 29,174,417 |
| Provisions (ii) | 870,000 | 580,000 |
| Current benefit obligation (iii) | 10,384,671 | 7,587,779 |
| Total Trade and Other Payables | <u>75,414,275</u> | <u>37,342,197</u> |

KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.**

KFC operates a contributory pension scheme and pay gratuity to employees on contract. A provision is made for every period and charged to the Income Statement while the balance is carried as an employee obligation in the Statement of Financial Position.

21 Reconciliation of operating surplus

| | 2020-2021 | 2019-2020 |
|--|--------------------------|---------------------------|
| | KShs | KShs |
| Surplus for the year before tax | (30,871,568) | 117,273,197 |
| Adjusted for: | | |
| Depreciation | 20,243,986 | 11,348,934 |
| Audit Fees | 290,000 | |
| Working Capital adjustments | | |
| Increase in inventory | (562,657) | 14,908 |
| Increase in prepayment | (8,640,974) | (4,121,167) |
| Increase in receivables | (216,788) | 245,370 |
| Prior Year Adjustments | | (2,563,256) |
| Under Provision of Kalasha Winners Previous Year | | (400,000) |
| Gratuity Prior Year | | (2,611,361) |
| Increase in Employee Obligations | 2,796,891 | 776,684 |
| Increase in payables | 34,985,188 | 27,311,998 |
| Net cash flow from operating activities | <u>18,024,078</u> | <u>147,275,307</u> |

22. Accumulated Surplus and Reserves

| | 2020/2021 | 2019/2020 |
|---|---------------------------|---------------------------|
| | Kshs | Kshs |
| a) Accumulated Surplus | 133,758,902 | 31,686,193 |
| Surplus for the Year | (30,871,568)) | 117,173,197 |
| Less Capital Fund | | (9,525,871) |
| Prior year Adjustments | 2,284,685 | (5,574,617) |
| Accumulated Surplus Balance Carried forward | <u>105,172,019</u> | <u>133,758,902</u> |
| b) Capital Funds | 2020/2021 | 2019/2020 |
| | Kshs | Kshs |
| Revaluation Reserve | 9,525,871 | 9,525,871 |
| Additions | 7,500,000 | |
| Total | <u>17,025,871</u> | <u>9,525,871</u> |

23. Commitments and contingencies

The Commission has two outstanding cases, Petition NO E065 OF 2021; Eric Omondi Owino Vs Kenya Film Commission (The case concerns the Commission's decision not to renew the Owino's employment contract which was then set to lapse on 4th June 2021) and petition NO: ELRCC/E528/2021- Alex Kathyindi Mulwa Vs Kenya Film Commission (in a matter of Unlawful termination, wrongful dismissal, underpayment & Terminal dues)

24. Financial Risk Management

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

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

i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

| At 30 June 2021 | | | | | |
|--|---------------------|-------------------------|-----------------|-----------------|--------------------|
| Amount in Kshs | Total amount | Fully Performing | Past due | Impaired | Total |
| Receivables from exchange transactions | 403,000 | 352,833 | 403,000 | - | 755,833 |
| Bank balances | 106,709,205 | 106,709,205 | - | - | 106,709,205 |
| Total | 107,112,205 | 107,062,038 | 403,000 | - | 107,465,038 |

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| At 30 June 2020 | | | | | |
|--|-------------------------|-------------------------|-----------------|-----------------|--------------------|
| Amount in Kshs | Fully performing | Fully performing | Past due | Impaired | Total |
| Receivables from exchange transactions | 539,045 | 136,045 | 403,000 | | 539,045 |
| Bank balances | 104,460,151 | 104,460,151 | - | - | 104,460,151 |
| Total | 104,999,196 | 104,999,196 | 403,000 | - | 104,999,196 |

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

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

ii) Liquidity risk management

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

The table below represents cash flows payable by the entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

| At 30 June 2021 | | | | |
|-----------------------------|--------------------------|---------------------------|-----------------------|-------------------|
| Amount in Kshs | Less than 1 month | Between 1-3 months | Over 5 month | Total |
| Payable | 64,159,605 | - | - | 64,159,605 |
| Other Payable (Provisions) | | | 870,000 | 870,000 |
| Employee Benefit Obligation | | | 10,384,671 | 10,384,671 |
| Total | 64,159,605 | - | 11,254,671 | 75,414,276 |
| At 30 June 2020 | | | | |
| Amount in Kshs | Less than 1 month | Less than 1 month | Over one month | Total |
| Payable | 1,506,827 | 27,667,591 | - | 29,174,417 |
| Employee Benefit Obligation | 7,587,779 | | | 7,587,779 |

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| | | | | |
|--------------|------------------|-------------------|----------|-------------------|
| Total | 9,094,606 | 27,667,591 | - | 36,762,196 |
|--------------|------------------|-------------------|----------|-------------------|

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Financial Risk Management

(iii) Market risk

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

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

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

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

a) Foreign currency risk

The Commission has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.

b) Interest rate risk

Interest rate risk is the risk that the Commission's financial condition may be adversely affected as a result of changes in interest rate levels. The Commission's interest rate risk arises from bank deposits. This exposes the Commission to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Commission's deposits.

Management of interest rate risk

To manage the interest rate risk, management does not commit funds to bank for interest earning purpose.

Sensitivity analysis

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 for reasons stated above.

Fair value of financial assets and liabilities

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Commission's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data significant (unobservable inputs). This level includes equity investments and debt instruments with unobservable components. This hierarchy requires the use of observable market data when available. The Commission considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

The objective of the Commission's capital risk management is to safeguard the Board's ability to continue as a growing concern. The Commission capital structure comprises of the following funds:

| | 2020/2021 | 2019/2020 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Accumulated Surplus | 112,672,019 | 133,858,901 |
| Capital Fund | 9,525,871 | 9,525,871 |
| Total funds | 122,197,890 | 143,384,772 |
| Total borrowings | - | - |
| Less: cash and bank balances | (106,709,205) | (104,463,746) |
| Net debt/(excess cash and cash equivalents) | 15,488,685 | 38,921,026 |
| Gearing | 12.68% | 27.14% |

25. Related Party Disclosures

Nature of related party relationships

The Commission's related parties are persons or entities with the ability to exert control individually or jointly, or to exercise significant influence over its operating and financial decisions. Related parties include key management personnel, their associates and close family members.

KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.****Government of Kenya**

The Government of Kenya is the principal shareholder of the Kenya Film Commission equity interest. It stands to provide full guarantee to any long term lenders of the Commission, both domestic and external. Other related parties include:

- i) The National Government
- ii) Ministry of ICT, Innovation and Youth Affairs
- iii) The Chief Executive Officer
- iv) The Board of Directors
- v) Key management

Relates Party Disclosures

- vi) Key management;
- vii) Board of directors;

| | 2020-2021 | 2019-2020 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Sales to related parties | | |
| Sales of goods | - | - |
| Sales of services | - | - |
| Total | - | - |
| b) Grants from the Government | | |
| Grants from National Govt | 295,460,000 | 328,460,000 |
| Grants from County Government | - | - |
| Donations in kind | - | - |
| Total | 295,460,000 | 328,460,000 |
| c) Expenses incurred on behalf of related party | | |
| Payments of salaries and wages for xxx employees | - | - |
| Payments for goods and services | - | - |
| Total | - | - |
| d) Key management compensation | | |
| Directors' emoluments | 23,196,559 | 13,882,670 |
| Compensation to the CEO | 6,242,400 | |
| Compensation to key management | | 5,760,000 |
| | | 7,825,100 |
| Total | 29,438,959 | 27,467,770 |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

26. Capital Commitments

There were no capital commitments as at the end of June 30, 2021.

27. Surplus Remission

KFC did not remit any money to the consolidated fund. The unutilized funds by the close of the FY 2020/2021 will be rolled over to the financial year 2021/2022.

28. Events after the Reporting Period

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

29. Ultimate And Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of ICT and Youth Affairs. Its ultimate parent is the Government of Kenya.

30. Currency

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

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

APPENDIX 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

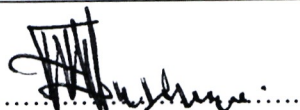
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

| Reference No. on the external audit Report | Issue Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|--|---|
| - | Unsupported Expenditure | Kshs.5,503,420 paid as imprest expensed directly without requisite support surrender vouchers accounting for the imprest | Not Resolved | 31 May 2022 |
| Unauthorized Purchase of Desktop Computers | There was no evidence to purchase ICT equipment from the Market directly contrary to circular reference No. OP/CAB.39/1A of March, 2018 | The Commission has adhered to the directive and has been utilizing the awarded contracts. However, The ICT equipment procured outside the circular had unique specifications that facilitate film production that are not covered under the already awarded contracts by the Ministry | Not Resolved | 31 May 2022 |
| Failure to Deduct Withholding Tax | It was observed that a total of Kshs.640,000 was paid to various nominees for the Kalasha awards without deducting thirty percent (30%) withholding tax contrary to income Tax Act, Cap 470. The | The payment was done as a token of appreciation since the jury members were proposed by their respective film associations to oversee the process i.e preliminary review meetings between 3-20 October 2019, Nomination exercise 22-20th October 2019, Unveiling of the nominees 31st October 2019, Public Voting 25-26th November 2019 and the Gala Awards 30th November 2019. The Commission commits | Not Resolved | 31 May 2022 |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

| Reference No. on the external audit Report | Issue Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|--|---|--|---|
| | Commission is in breach of law. | to make the relevant tax deductions to the nominees in the subsequent payments in compliance with the law | | |



.....
Timothy Owase
Chief Executive Officer (KFC)

Date: 28 September 2021

KENYA FILM COMMISSION**Annual Reports and Financial Statements For the year ended June 30, 2021.****APPENDIX II: PROJECTS IMPLEMENTED BY THE ENTITY**

Projects implemented by the KFC Funded by development partners

| Project title | Project Number | Donor | Period/duration | Donor commitment | Separate donor reporting required as per the donor agreement (Yes/No) | Consolidated in these financial statements (Yes/No) |
|---------------|----------------|-------|-----------------|------------------|---|---|
| 1 | N/A | N/A | N/A | N/A | N/A | N/A |
| 2 | | | | | | |

Status of Projects completion

| | Project | Total project Cost (Kshs) | Total expended to date (Kshs) | Completion % to date | Budget (Kshs) | Actual (Kshs) | Sources of funds |
|---|-----------------------|---------------------------|-------------------------------|----------------------|---------------|---------------|------------------|
| 1 | Film Location Mapping | 110M | 37.5M | 34.09 | 30M | 30M | GoK |

KENYA FILM COMMISSION

Annual Reports and Financial Statements For the year ended June 30, 2021.

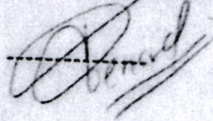
APPENDIX III: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | KENYA FILM COMMISSION | | |
|---|--------------------|----------------------------|----------------------|--|
| Break down of Transfers from the State Department of Broadcasting and telecommunication | | | | |
| FY 2020/2021 | | | | |
| a. | Recurrent Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 07/07/2020 | 26,360,000 | 2020/2021 |
| | | 24/08/2020 | 77,900,000 | 2020/2021 |
| | | 11/10/2020 | 77,900,000 | 2020/2021 |
| | | 02/03/2021 | 77,900,000 | 2020/2021 |
| | | 19/05/2021 | 27,900,000 | 2020/2021 |
| | | Total | 287,960,000 | |
| b. | Development Grants | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | 24/08/2020 | 7,500,000 | 2020/2021 |
| | | Total | 7,500,000 | |
| c. | Direct Payments | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | - | |
| | | Total | - | |
| d. | Donor Receipts | | | |
| | | <u>Bank Statement Date</u> | <u>Amount (KShs)</u> | <u>Indicate the FY to which the amounts relate</u> |
| | | | - | |
| | | | - | |
| | | Total | - | |

The above amounts have been communicated to and reconciled with the parent Ministry

Finance and Accounts Manager
Kenya Film Commission

Sign



Head of Accounting Unit
Ministry of ICT

Sign



KENYA FILM COMMISSION
Annual Reports and Financial Statements For the year ended June 30, 2021.
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring funds | Date received as per bank statement | Nature: Recurrent/ Development /Others | Total Amount - KES | Where Recorded/recognized | | | | | Total Transfers during the Year |
|--|-------------------------------------|--|--------------------|------------------------------------|--------------|-----------------|-------------|---------------------------|---------------------------------|
| | | | | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - must be specific | |
| Communications Authority | 28/06/2021 | Recurrent | 28,837,400 | Statement of Financial Performance | - | - | - | - | 28,837,400 |
| State Department of Broadcasting and telecommunication | 07/07/2020 | Recurrent | 26,360,000 | ” | - | - | - | - | 26,360,000 |
| ” | 24/08/2020 | Recurrent | 77,900,000 | ” | - | - | - | - | 77,900,000 |
| ” | 11/10/2020 | Recurrent | 77,900,000 | ” | - | - | - | - | 77,900,000 |
| ” | 02/03/2021 | Recurrent | 77,900,000 | ” | - | - | - | - | 77,900,000 |
| ” | 19/05/2021 | Recurrent | 27,900,000 | ” | - | - | - | - | 27,900,000 |
| ” | 24/08/2020 | Development | 7,500,000 | ” | - | - | - | - | 7,500,000 |
| Total | | | 324,297,400 | | | | | | 324,297,400 |

