REPUBLIC OF KENYA

Paper Laid By Hon Aden Duale, LOM on Wednesday 1st April 2015

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KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF KENYA FILM COMMISSION

FOR THE YEAR ENDED 30 JUNE 2014

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Film Kenya...Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIALYEAR ENDED
JUNE 30, 2014

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Kenya Film Commission (KFC) is a state agency that was established by the Government of Kenya in 2005 under legal Notice NO. 10 OF 2005 but came into full function in mid-2006.

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

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

The Commission's Vision:

"To be the Global Film Partner of choice "

The Mission statement:

"To promote a vibrant local film industry that will produce quality and relevant films and market Kenya as a distinctive film location leading to improved incomes and job creation"

(b) Principal Activities

The mandate of the Kenya Film Commission is;

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

(c) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Lizzie Chongoti
2.	Director of Human Resource and Administration	Carol Kiturr
3.	Director of Marketing	Alex Mulwa
4.	Financial and Management Accountant	Bernard M. Kibe

(e) Fiduciary Oversight Arrangements

- **Audit Board Committee:** This committee undertakes the audit oversight functions over all the finances and operations of the commission and ensure compliance to all statutory and regulatory requirements.

- **Finance Human Resource & Administration Committee**: This committee has an oversight function over all matters touching on finance, accounts, human resource, administration, procurement and ICT concerning the commission.

- **Marketing Film Industry Development Committee:** This committee has an oversight function over matters of development, promotion and marketing of the film industry in Kenya by overseeing the film industry development and marketing activities of the Commission. It ensures the commission carries out its core function and mandate as per Legal Notice No. 10 of 2005.

(f) Kenya Film Commission Headquarters

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

(g) Kenya Film Commission Contacts

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

(h) Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi

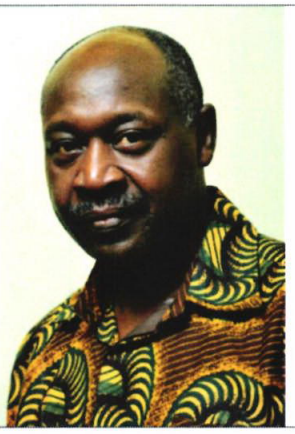
(i) Independent Auditors

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

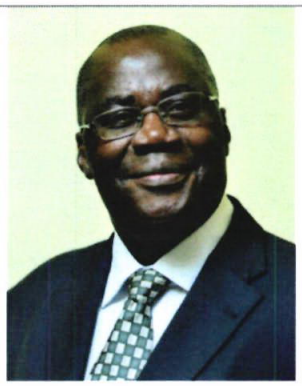
(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

	**Christopher K. Foot** **Chairman of the Board** Mr. Foot has previously worked in both television and radio. He sits on numerous Boards ranging from commerce and farming through to conservation and education. Chris is passionate about film, taking the Kenyan film Industry to the next level and making Kenya the preferred African filming destination.
	**Lizzie Chongoti** **Chief Executive Officer & Secretary to the Board** Lizzie has over twenty-years professional experience and has held senior positions within Government and International and Non-Governmental Organizations. Her key areas of expertise/interest include: Capacity Building through Resource Mobilization, Institutional Management, Development, Research and Leadership. She holds a Higher Diploma in Human Resource Management, a Master's of Science from the University of Bristol, U.K and a Bachelor of Education from Kenyatta university, Kenya.
	**John Kahungu Munge** **Alternate Director** **PS, Ministry for Finance** Mr. Munge represents the PS, Ministry of Finance as the Alternate Director and has over 20 years- experience in Government finance in the areas of investment, finance and debt. He is a CPA (K)
	**Ernest Kerich** **Alternate Director** **PS, Ministry for Sports. Culture and the Arts** Mr. Kerich has over 33 years- experience in public service, starting with the Presidential Press Services and then the Department of Film Services of which he is currently the head. He has a Diploma in cinematography and Certificates in strategic leadership development, corporate governance, financial management, film governance and society and in total quality management

	**Lilian Abishai-Kuria** **Alternate Director** **Attorney General's Office** Ms. Lillian Abishai has several years' experience in commercial and international law, which includes the negotiation, drafting and preparation of contracts for specific projects and transactions, and experience in supporting cross-border transactions in various sectors. She works with Government of Kenya at the Office of the Attorney General & Department of Justice as a State Counsel rendering legal advice on various issues affecting the Government's business activities. She is well positioned to advise on governance issues encompassing good corporate governance, compliance and regulatory obligations imposed on public sector. Lillian holds a Diploma in Law from Kenya School of Law and Bachelors of Law from University of Nairobi in addition to numerous certificates for development courses on commercial law and governance.
	Christopher Makokha **Alternate Director** **State Corporations Advisory Committee** Mr. Makokha represents the State Corporation Advisory Committee on the Board
	**Njoki Muhoho** **Director** Njoki has a dual career in Management Consultancy and TV/Film Production. She has over 25 years- experience in organisation development, human resource management, corporate strategy development and management training. Njoki holds a Masters in Mass Communication – Leicester University, Film Making Diploma for New York Film Academy-Universal Studios, Hollywood and a Bachelors of Education from Kenyatta University. She represents the Kenya Film & Television Professionals Association
	**Julius Lamaon** **Director** Julius Lamaon represents the Media Owners Association
	**Michael Onyango** **Director** Michael works within the creative economy and communication sectors across platforms interdisciplinary sectors within governments, NGO's and the private sector, globally. Key contributor to Kenya's current ICT Master Plan 2013 - 2017, spearheaded The Road Map to Creative Industries, ensuring that the sector, is grounded as a key catalyst to Kenya's economic growth; to create 10% GDP growth from sector by 2017, in line with the 2030 Vision midterm plan development goals.

	**Felix Mugabe** **Director** Mr. Mugabe has over 34 years- experience in government administration in various capacities. He has an MPA (Public Management & Policy) from the University of Pittsburgh, USA, a BA Hon. From the University of Nairobi, a Dip. Policy Strategic Studies from the National Defence College and a Diploma Public Administration, Kenya School of Gov. He also has a Certificate in Strategic Leadership (KSG) and in Defence Resources Management from Monterey Naval School California USA.
	**Judy Bisem** **Director** Judy is a communications professional with over eight years' experience working for and with non-governmental organizations in implementation of communications strategies and in IEC material development. Judy holds a Bachelor of Arts degree in Communication from Daystar University, Pursuing an MSc. She represents the Kenya National Filmmakers Association.
	**Mwaniki Mageria** **Director** Mwaniki Mageria is a Business Major from Daystar University and started his career in motor sales, then went into Media as a Host and marketing manager where his love for production developed leading to engaging in events and film production under his company Balozi Productions. Balozi has now grown into a leading film distribution company for the now famous River Wood Ensemble. Mwaniki is also a highly sought after Master of Ceremonies.

III. MANAGEMENT TEAM

	**Lizzie Chongoti** **Chief Executive Officer** Lizzie is a team player with over twenty years- experience and a track record of establishing an office, mobilizing resources, developing and implementing successful programmes. With recognized personal strengths in strategic thinking, leading and developing others, problem solving, networking, team building, and creating effective working relationships. She has worked in senior positions within Government and International and Non-Governmental Organizations. Networking with multiple stakeholders. Her key areas of expertise/interest include: Capacity Building through Resource Mobilization, Institutional Management, Development, Research and Leadership. She holds a Higher Diploma, Human Resource Management, Kenya National Examination Council (KNEC) Kenya- 2004. Master of Science, University of Bristol, U.K and a Bachelor of Education, Kenyatta University, Kenya.
	**Alex Mulwa** **Director of Marketing (DOM)** He is a marketing and communication specialist and provides planning and leadership to the Marketing Department by ensuring that the appropriate structures, systems, competencies, values, strategies and activities for marketing Kenya as a Centre of excellence are developed in order to maximize the contribution of the film industry sector to the national economy in line with the Board's Strategic Plan. He is a marketing specialist with experience spanning over 13 years in strategic marketing and communication with a bias in destination marketing. His experience has seen him grow a large network, both locally and internationally, with key stakeholders in the private sector and the government circles. He is a Chartered Marketer (CIM), holds a Bachelor of Commerce degree from Daystar University, MBA in Strategic Management, CPA section 1 and Diploma in Digital Marketing (CIM) among other qualifications.
	**Caroline Kittur** **Director, Human Resource & Administration** Caroline is responsible for the management of the Human Resource and Administration functions. Maintains and enhances the Commission's human resource by planning, implementing, and evaluating employee relations, human resources policies and practices for the achievement of the Commission's mandate. She has seven years of work experience in senior positions across several professions both in private and public sector. She holds MBA in strategic management, Bachelor of Arts Degree in Sociology and Higher Diploma in Human Resource Management
	**Timothy Owase** **Manager, Festivals & Funds / Skills Development** A Chartered Marketer and a communications specialist with experience spanning over a decade in public and private sectors. He spearheads capacity building in the film industry of local filmmakers, liaising with international film festivals, markets, funding agencies and training institutions with view to identifying opportunities for Kenya and creating partnerships between the entities and the commission. He is pursuing a Master's degree in Development and Corporate Communications (MA) at Daystar University, Holds BBA (Marketing) from KEMU, Film Marketing from AFCI University and Post Graduate Diploma in Marketing from the CIM, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI), Diploma in Business Management from KIM, Certificate in monitoring and Evaluation among other qualifications.

	**Befly Jemurgor B.** **Legal Services Manager/ Company Secretary** Is charged with ensuring that the Commission is advised on all technical legal, legislative and policy matters. She also avails her legal advice to stakeholders and players in the industry, on behalf of the Commission. She is a Advocate of the High Court of Kenya, with a Degree in Law (LL.B) and a postgraduate diploma from Kenya School of Law. She is well versed in the areas of corporate governance, labour law, intellectual property and commercial matters.
	**Bernard Kibe** **Financial and Management Accountant** Oversees prudent management of the Commission's financial resources by ensuring compliance with the laid down government policies and procedures. He has over ten years working experience in finance and accounting in both public and Private sectors. He is a Certified Public Accountant **(CPA K),** Holds a bachelor degree in Business Administration (Accounting Option) from Maseno University, and MSC Procurement & Logistics from JKUAT.
	**Catherine Gitahi** **Corporate Affairs Manager** She is in-charge of promoting effective internal and external communication and publicizing the activities of the commission and those of the local film industry through strategic forums. She is a communication specialist with over 7 years' experience in integrated marketing communication having worked in mainstream media, consultant advertising agencies and private corporations across Kenya. Catherine is a graduate of The Nairobi University with a BA in Political Science and Communication. She also has a Diploma in journalism from the Kenya Institute of Mass Communication and an advanced certificate in Marketing Management from Kenya Institute of Management. She is currently enrolled for a Masters in communication for development.
	**Carole Njoroge** **Liaison and production Manager-** Liaison and production Manager-Caroline Njoroge facilitates the development linkages with key players and film makers to ensure appropriate strategies are in place to attract potential customers to Kenya's locations and productions facilities. She is an accomplished TV producer; a journalist and multi-media journalism trainer with board experience both at the national and regional levels. She is an accomplished communication researcher and an image and branding consultant, holds a Master of Arts in Communication, (Corporate communication) and a B.A. in journalism. She has extensive practice in TV production and she has been instrumental in producing and directing over various groundbreaking Kenyan TV shows on various socio-economic issues many of which have gone on air on main stream media as well as on cable TV.

	**Evans Mac'Osewe** **Procurement Officer** Oversees effective management of the Commissions' supply chain through internal need consolidation, supplier identification, procurement process management and quality assurance in line with the Commissions' mission. He has over eight years working experience in public sector procurement. He holds a graduate diploma of the chartered institute of purchasing and supply (UK) and is a professional member of both CIPS (UK) and KISM (Kenya).
	**Mercy Bukania** **Internal Auditor** She is responsible for evaluating and providing reasonable assurance that risk management, control, and governance systems are functioning as intended among other key audit functions. She holds a Bachelor of commerce (BCOM) degree (hons) and Certified Public Accountant (CPA graduate) from Strathmore university, Kenya. She has experience in the Finance, Accounting and Audit having worked in the private and public sectors for over four years.

IV. CHAIRMAN'S STATEMENT

Welcome to the Annual Report and Accounts for the Kenya Film Commission for the year 2013/2014. This was a busy and momentous year for KFC with a number of major changes. Amongst the challenges experienced were changes in the management team where the Commission welcomed a new crop of senior management including our current CEO, Lizzie Chongoti. The staff of the Commission rose to the occasion and I would like to take this opportunity to commend them for the enormous strides they have realized in the year in question.

Highlights of the year included organizing for a very successful 5th Edition Annual *Kalasha* awards held at the National Museums of Kenya. In addition, KFC worked on improving stakeholder engagement and acceptance resulting in fruitful partnerships as well as support going towards a number of local productions.

The Commission's observes a greater preference and viewership for local content among the Kenyan viewing public and KFC believes that it is in all stakeholders' best interest to fulfil that unmet demand. In this regard, KFC supports our parent Ministry's efforts to increase the minimum local content that must be aired by our local broadcasters. The latter is key in ensuring that we tap into the broad benefits of what the film and television industry provide for Kenya including; spurring economic growth, creating jobs, building the National brand, preserving our National culture and heritage, promoting Tourism and enhancing National cohesion and integration.

In line with the above, it should be noted that during the year 2013- 2014, the following were some of the key achievements within the industry:

- Direct contribution to the economy- over Kshs. 2 billion
- Direct employment- 6,000 people (indirect over 80,000)
- Wage earnings- over Kshs. 3 billion
- Film and television related establishments- over 600
- Special immigration permits related to film issued- over 3,000
- Local productions annually- 80 films, 60 documentaries, 20 short films
- International productions annually: 5 features (note- one feature film alone will spend between USD 5-30 million in Kenya), 15 short films, 30 documentaries and 5 TV series

With the right investment we believe that the film and television industry could employ 250,000 people and contribute 2-3% to the GNP (Nigeria film generates USD 600 million annually and employs 1 million people (2nd largest employer)).

The global standard is for every 1 USD that governments spend on film they make a return of 4 USD. We believe that this would apply to Kenya.

The Board of the Kenya Film Commission is committed to ensuring that KFC fulfils its mandate, which includes advising the Government on policy in the film sector, promoting the production and distribution of local content and marketing Kenya as an attractive destination for foreign film makers. The Board's role is to promote effective governance and provide oversight and guidance on the Commission's activities. This requires a well-defined decision-making processes, a clear division of responsibility and effective control mechanisms. Of equal note, is the Board's commitment to leading by example and maintaining the integrity and ethos of the organization. It is imperative that the Board and the executive management work well together as a team or the Commission will be unable to meet its objectives. The Board is a reflection of our stakeholders with at least six (6) members from the industry.

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

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

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

Mr. Chris Foot
CHAIRMAN OF THE BOARD

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

I am pleased to echo the words of the Chairman of the Board and delighted to share with you the 2013/2014 Annual Report and Accounts for the Kenya Film Commission.

During the year under review, the Commission made excellent progress towards improving the quality of our services. We also performed very well against our annual corporate performance targets. We have had a successful year, being evaluated as very good for the quality of our services under the performance contract.

During the year, we have seen many key achievements and developments; key among them being the 5th Edition of the Kalasha Film & Television Awards and the National Film Conference. The Commission promoted and marketed the Kenyan film industry in various international events such as the Cannes International Film festival, DISCOP South Africa, AFCI and Smithsonian. This year stakeholder participation in the film festivals around the world has been on the increase especially at DISCOP and the Cannes International Film festival as we seek to promote Kenya's local content. The Commission also held various capacity building workshops in various counties and hopes to roll this out to more counties in the coming financial year.

Going forward, the Commission is committed to:

- Promoting the development of local content in Kenya through capacity building initiatives aimed at building talent, skills and entrepreneurship;
- Promoting Kenya as a filming destination;
- Providing liaison services with government departments on matters relating to promotion, marketing and development of the film industry;
- Developing fiscal and other incentives to promote investment in film;
- Developing and creating partnership linkages with organizations, both public and private, to improve and facilitate investment in the film industry.

Although the Commission has had to continue to wrestle with an increase in workload and higher performance targets, every effort has been made to pursue efficiencies. The achievements are measurable; but the impact in human terms is considerable and I should like to express my appreciation to all of my colleagues who have borne the burden cheerfully and with determination.

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

Lizzie Chongoti
CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

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

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

COMPOSITION OF THE BOARD

During the period under review, the Board was composed as follows:

Mr. Christopher K. Foot	Chairman of the Board
Mrs. Lizzie Chongoti	Chief Executive Officer/Secretary to the Board
Mr. John Munge	Alternate Director to Principal Secretary, Ministry of Finance
Mr. Ernest Kerich	Alternate Director to the PS, Ministry of Sports, Culture & the Arts
Mr. Chrisologous Makokha	Alternate Director, State Corporations Advisory Committee
Mrs. Lilian Abishai-Kuria	Alternate Director, Attorney General
Mr. Michael Onyango	Director
Mr. Mwaniki Mageria	Director
Mr. Julius Lamaon	Director
Ms. Njoki Muhoho	Director
Mr. Felix Mugabe	Director
Ms. Judy Bisem	Director

ROLES AND FUNCTIONS OF THE BOARD

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

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

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

DIRECTORS RESPONSIBILITIES

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

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

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

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

BOARD MEETINGS

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held statutory and four special meetings during the year under review as required by law. As the Corporation is a State Corporation, the Inspector General of State Corporations from time to time attends meetings of the Board and Board Committees for oversight and advisory purposes in accordance with the State Corporations Act.

COMMITTEES OF THE BOARD

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

A. Finance, Human Resource & Administration Board Committee

The membership of the Finance, Human Resource & Administration Board Committee is comprised as follows:

1.	Mr. Felix Mugabe	Director (Chairman)
2.	Ms. Lizzie Chongoti	Chief Executive Officer/Secretary to the Board
3.	Mr. John Munge	Alternate Director - Principal Secretary, The National Treasury
4.	Ernest Kerich	Alternate Director - PS, Ministry Sports, Culture and the Arts
5.	Mrs. Lillian Abishai-Kuria	Alternate Director Attorney General's Chambers
6.	Mr. Michael Onyango	Director
7.	Ms. Judy Bisem	Director

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

B. Audit Committee:

The membership of the Audit Committee is comprised as follows:

1.	Mr. Julius Lamaon	Director (Chairman)
2.	Mr. John Munge	Alternate Director to Principal Secretary, The National Treasury
3.	Mr. Felix Mugabe	Director
4.	Mr. Mwaniki Mageria	Director

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

C. Marketing, Film Industry Development Board Committee

The membership of the Marketing, Film Industry Developing Board Committee is comprised as follows:

1.	Ms. Njoki Muhoho	Director (Chairperson)
2.	Mr. Ernest Kerich	Alternate Director to PS, Ministry of Sports Culture & the Arts
3.	Ms. Lillian Abishai	Alternate Director, Attorney General's Office
4.	Mr. Mwaniki Mageria	Director
5.	Mr. Michael Onyango	Director
6.	Mr. Julius Lamaon	Director
7.	Ms. Judy Bisem	Director

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

Signed on this 15th day of October 2014

.....
Lizzie Chongoti
Chief Executive Officer/Secretary to the Board

.....
Chris K. Foot
Chairman of the Board

VII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

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

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

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

VIII. REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2014 which show the state of the Kenya Film Commission's affairs.

Principal activities

The principal activities of Kenya Film Commission are:

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

Results

The results of the Kenya Film Commission for the year ended June 30, 2014 are set out on page 1-16 below.

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Kenya Film Commission.

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Kenya Film Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year that ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of Commission's transactions during the financial year ended June 30, 2014, and of the Commission's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Kenya Film Commission's financial statements were approved by the Board on 15/10/14 2014 and signed on its behalf by:

Director	**Director**	**Director**

REPUBLIC OF KENYA

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E-Mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Kenya Film Commission set out on pages 1 to 13, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the

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

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

Basis for Qualified Opinion

Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.3,068,764.00 as at 30 June 2014. The figure represents outstanding balances due from various institutions which pledged contributions and support towards hosting of the annual Kalasha TV and Films Awards at the Carnivore Hotel, Nairobi in September 2011. However, no contracts or Memorandum of Understandings (MOUs) were signed among the parties involved as a sign of commitment to pay the respective amounts indicated and communication was done verbally or through emails.

Under the circumstances, it is unclear how the Commission intends to clear the balances from the books.

Qualified Opinion

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Commission as at 30 June 2014, and of its financial performance and cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Film Commission Legal Notice No. 10 of 2005.

Other Matter

Pending Bill

The Commission entered into a contract on 07 February 2011 with a local company for the supply of an ERP System at a contract price of Kshs.3,396,159.84. According to the contract agreement the supplier was to be paid 45% of the total cost or Kshs.1,785,911.64 (inclusive of Kshs.468,435.84 VAT) upon signing of the contract and delivery of license to the Commission. Information available indicates that the ERP System was delivered and commissioned in 2011. However, only Kshs.1,785,911.64 was paid leaving a balance of Kshs.1,610,248.20 outstanding as at 30 June 2014.

No reasons have been given for the failure to settle the outstanding balance which may result to further cost for the Commission. My opinion is not qualified in respect of this matter.

Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

5 March 2015

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from non-exchange transactions			
Transfers from other governments	3	117,154,922	91,857,923
Unclaimed VAT-Income		10,191	-
		117,165,113	**91,857,923**
Revenue from exchange transactions			
Rendering of services	4	2,879,434	3,947,600
Total revenue		**120,034,356**	**95,805,523**
Expenses			
General expenses	5	44,725,683	56,121,988
Bulk purchases of water and electricity		740,636	570,265
Remuneration of Board	6	12,082,954	6,623,458
Depreciation and amortization expense	7	5,682,302	7,047,454
Repairs and maintenance	8	3,063,962	2,261,223
Rent and rates		8,175,517	8,078,053
Contracted services		991,488	880,164
Finance costs		117,780	88,200
Employee costs	9	34,935,391	36,225,519
Total expenses		**110,515,713**	**117,896,325**
Other gains/(losses)			
Gain on sale of assets		-	3,635
Surplus before tax		**9,528,834**	**(22,087,167)**
Taxation		-	-
Surplus for the period		**9,528,834**	**(22,087,167)**

The notes set out on pages **7** to **15** form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	20,905,393	12,759,653
Receivables from exchange transactions	11	3,068,764	2,048,460
Inventories	12	340,099	586,961
Prepayments	13	6,204,293	4,873,774
		30,518,549	**20,268,848**
Non-current assets			
Property, plant and equipment	14	20,370,557	24,568,339
		20,370,557	**24,568,339**
Total assets		**50,889,106**	**44,837,187**
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	15	5,630,972	4,048,410
Provisions	16	3,719,772	5,044,170
Employee benefit obligation	17	1,418,001	5,153,081
		10,768,746	**14,245,661**
Non-current liabilities			
Total liabilities		**10,768,746**	**14,245,661**
Net assets			
Reserves- Capital Fund		11,252,270	11,252,270
Accumulated surplus		28,868,090	19,339,256
		40,120,360	**30,591,526**
Total net assets and liabilities		**50,889,106**	**44,837,187**

The Financial Statements set out on pages **1** to**15** were signed on behalf of the Board of Directors by:

Chief Executive Officer

Date.....15/10/14

Chairman of the Board

Date.....15/10/14

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2014

	Attributable to the owners of the controlling entity		
Reserves	**Capital replacement development reserve**	**Accumulated surplus**	**Total**
	Kshs '000	**Kshs '000**	**Kshs '000**
Balance as at 30 JUNE 2012	11,252,270	41,426,423	**52,678,693**
Surplus/(deficit) for the period	-	(22,087,167)	**(22,087,167)**
Balance as at 30 JUNE 2013	**11,252,270**	**19,339,256**	**30,591,526**
Balance as at 1st July 2013	11,252,270	**19,339,256**	**30,591,526**
Surplus for the period	-	9,518,643	9,518,643
Balance as at 30 JUNE 2014	**11,252,270**	**28,857,899**	**40,110,169**

The Capital Replacement Development Reserve of Ksh. 11,252,270 represents the Capital funds that were given to the Commission at the time of inception in the financial year ended June 30, 2007.

XIV. STATEMENT OF CASH FLOWS

		2013-2014 Kshs	2012-2013 Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies		117,154,922	91,857,923
Rendering of services		2,879,434	3,947,600
		120,034,356	**95,805,523**
Payments			
Compensation of employees		34,935,391	36,225,519
Goods and services	18	61,604,722	66,457,097
Finance cost		117,780	88,200.00
Rent and Rates		8,175,517	8,078,053
		104,833,411	**110,848,869**
Net cash flows from operating activities		**15,200,945**	**(15,043,346)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(1,484,520)	(1,598,500)
Decrease in stocks		246,862	50,303
Increase in Prepayments		(1,330,519)	(1,077,874)
Decrease in Payables		(3,466,725)	811,758
Decrease in non-current receivables		(1,020,304)	772,072
Net cash flows used in investing activities		**(7,055,206)**	**(1,042,241)**
Cash flows from financing activities		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**8,145,739**	**(16,085,587)**
Cash and cash equivalents at 1 JULY		**12,759,653**	**28,845,240**
Cash and cash equivalents at 30 JUNE		**20,905,393**	**12,759,653**

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	1st Adjustments	Revised budget	2nd Adjustment	Final budget	Actual on comparable basis	Performance difference	
	2013-2014	2013-14	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014	
Revenue	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000	
Government grants and subsidies	117,154,922	5,467,685	122,622,607		122,622,607	122,622,607		
Rendering of services	0	0	0	0	0	1,232,097	(1,232,097)	a
Roll over from FY 2012/13	301,259	0	301,259	0	301,259	301,259	0	
Reserves utilized	0	0	0	1,324,398	1,324,398	1,324,398	0	
Total Income	**117,456,181**	**5,467,685**	**122,923,866**	**1,324,398**	**124,248,264**	**125,480,361**	**(1,232,097)**	
Expenses								
Compensation of employees	48,059,436	(70,000)	47,989,436	(25,000)	47,964,436	34,935,391	13,029,045	b
Staff team building	944,000	-	944,000	(93,057)	850,943		850,943	
Advertising and publicity	1,270,000	197,200	1,467,200		1,467,200	1,366,341	100,859	
Finance Cost	200,000	(120,000)	80,000	(20,000)	60,000	117,780	(57,780)	
Board expenses	8,556,000	1,596,600	10,152,600	1,016,569	11,169,169	12,082,954	(913,785)	c
Cleaning Services	160,000	(100,000)	60,000	(67,035)	(7,035)		(7,035)	
Workshop and seminars	900,000	-	900,000		900,000	760,644	139,356	
Contracted Services	800,000	-	800,000		800,000	991,488	(191,488)	
Publishing and Printing	1,200,000	-	1,200,000	(200,000)	1,000,000		1,000,000	
Corporate affairs	264,000	-	264,000		264,000	288,570	(24,570)	
Electricity and water	990,000	(280,000)	710,000	(150,000)	560,000	740,636	(180,636)	
Capacity building, Local content and Policies	3,165,986	1,227,408	4,393,394	(431,217)	3,962,177	3,859,264	102,913	
General office supplies	1,800,000	-	1,800,000		1,800,000	2,061,509	(261,509)	
Insurance –Property and equipment	1,200,000	-	1,200,000	(86,452)	1,113,548	980,166	133,382	
Internet services	418,000	-	418,000		418,000	258,100	159,900	
Audit Fees	300,000	-	300,000	(10,000)	290,000	290,000	0	
ICT annual maintenance and renewal	737,000	-	737,000		737,000	54,525	682,475	
ISO	542,000	-	542,000		542,000	390,833	151,167	
Film marketing projects	15,232,319	6,772,495	22,004,814	1,755,616	23,760,430	20,005,020	3,755,410	d
Subsistence allowance	1,050,000	-	1,050,000		1,050,000	1,374,244	(324,244)	
Motor Vehicle Running Expenses	1,875,000	-	1,875,000	426,595	2,301,595	2,114,732	186,863	
Courier and postal								

Services	60,000	-	60,000		60,000	45,265	14,735	
Professional Subscriptions/Corporate membership	700,000	-	700,000	(496,620)	203,380	88,148	115,232	
Rent and Rates	8,210,000	-	8,210,000		8,210,000	8,175,517	34,483	
Office maintenance and repairs	300,000	-	300,000		300,000	894,705	(594,705)	
Research and Development	7,662,440	(3,262,810)	4,399,630		4,399,630	4,403,248	(3,618)	
Staff welfare-Hospitality Supplies	890,000	-	890,000		890,000	1,430,458	(540,458)	
Publications and subscriptions	180,000	-	180,000		180,000	173,020	6,980	
Telephone services	450,000	(150,000)	300,000	(50,000)	250,000	256,073	(6,073)	
International travelling and accommodation	3,600,000	-	3,600,000		3,600,000	4,069,506	(469,506)	
Local travelling and accommodation	2,000,000	-	2,000,000	(100,000)	1,900,000	2,683,272	(783,272)	
E-commerce and web marketing	1,300,000	(57,408)	1,242,592		1,242,592		1,242,592	e
Plant & Equipment	1,200,000	70,000	1,270,000	(5,000)	1,265,000	1,150,000	115,000	
Office registry	500,000	(500,000)	-		-		0	
Office furniture	140,000	-	140,000	(140,000)	-		0	
Digital Library-Resource	600,000	144,200	744,200		744,200	334,520	409,680	
Total Expenditure	**117,456,181**	**5,467,685**	**122,923,866**	**1,324,398**	**124,248,264**	**106,375,930**	**17,872,334**	
Surplus for the period	**-**	**-**	**-**	**-**	**-**	**19,104,431**	**(19,104,431)**	

The difference between the final budget and actual on comparable basis resulted into underutilization of Ksh. 19 million. The performance gaps of:

(a) Ksh. 1,232,097 under Rendering of services relates to unutilized contributions from sponsors and A.I.A.

(b) Ksh. 13,029,045 under Compensation of employees relates to savings from allocation of the CEO salary as well as budgeted salaries for the new employees who joined in the last month of the financial year and in the second half of the financial year respectively.

(c) Ksh. 913,785 under Board expenses relates sitting allowances due to extra board meetings during the interviews for the new staff in the management positions that are normally interviewed by the board.

(d) Ksh. 3,755,410 under Film marketing projects relates to deferred Kalasha TV and Films awards ceremony that was to be held within the financial year but pushed to first quarter of the next financial year.

(e) Ksh. 1,242,592 under E-commerce and web marketing relates to several surveys that were on going at the close of the financial year and the invoices had not been received.

VI. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

The Commission's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Commission and all values are rounded to the nearest shilling (Ksh.). The accounting policies have been consistently applied to all the years presented.

Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February, 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the Commission has adopted the pronouncements made by the IPSAS board in preparation of its 2013/2104 financial year financial statements.

2. Summary of significant accounting policies

a) Revenue recognition

(i) Revenue from non-exchange transactions

Income is recognised in the period in which it is earned. Government funding is recognised on receipt. Grants related to property, equipment and other assets are presented in the reserves. Grants for recurrent expenditure are dealt with in the income statement in the year it is received

(ii) Revenue from exchange transactions

Revenue from rendering of services is recognized by reference to the stage of completion when the outcome of the transaction can be estimated reliably. 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.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

The Commission's property, plant and equipment are initially recorded at cost and thereafter at historical cost less accumulated depreciation. Depreciation is calculated on a Reducing-Balance basis with a full year's charge on acquisition and none on disposal. The annual depreciation rates in use are:

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

d) Inventories

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

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

Raw materials: purchase cost using the weighted average cost method.

Finished goods and work in progress: cost of direct materials and 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 Entity.

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.

f) 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.

g) 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.

h) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements.

i) 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.

j) Employee benefits

Retirement benefit plans

The Commission provides retirement benefits for its employees at the rate of 10% of the employee basic salary which is managed by APA. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Employee's gratuity

The Commission makes a provision for gratuity for its employees on contract at the rate of 31% of the basic salary. The amount is charged against income in the year in which it is earned.

k) 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.

l) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances is the amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) Comparative figures

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

n) Significant judgments and sources of estimation of uncertainty

Estimates and judgement are continually evaluated on the basis of historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances. In the process of applying accounting policies, the Commission makes certain estimates and assumptions about future events. Such estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the financial year are to be disclosed.

o) 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, 2014.

p) Related Parties Transactions

The Board 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 Board, or vice versa. Related parties comprise of the Board members individually, The Chief Executive Officer and the Kenya Film Commission directors of departments.

i) Key management compensation

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

	2013/14 KShs	**2012/13** KShs
Key management salaries and other benefits	**16,711,008**	**17,116,952**
Remuneration of the Board of Directors	**12,082,954**	**6,623,458**

ii) Kenya Film Commission is a State Corporation. Funds received from the Government of Kenya are disclosed under note 3.

q) Financial Risk Management Objectives and Policies

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

i. Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset and financial liability are disclosed in note 2 to the financial statements.

ii. Financial risk management objectives

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

iii. Credit risk

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

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

	Fully Performing	Past due	Impaired	Total
	KShs	KShs	KShs	KShs
At 30 June 2014				
Cash at bank	20,878,012	-	-	20,878,012
Staff receivables	1,600,229	-	-	1,600,229
	22,478,241	-		22,478,241
At 30 June 2013				
Cash at bank	12,744,494	-	-	12,744,494
Staff receivables	1,436,596	-	-	1,436,596
	14,181,090	-	-	14,181,090

(d) Liquidity risk management

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

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

	Less than 1 month	Between 1-3months	Over 3 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2014				
Trade payables	**445,536**	**5,630,972**	**290,000**	**6,36,508**
At 30 June 2013				
Trade payables	**687,145**	**4,038,219**	**290,000**	**5,015,364**

(e) Market risk management

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

Currency Risk

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

Interest rate risk

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

3. **Revenue from non-exchange transactions**	**30-Jun-14**	**30-Jun-13**
Government Grant-Ministry of Sport, Culture and the Arts	117,154,922	91,857,923
Unclaimed VAT withheld.	10,191	-
Total	**117,165,113**	**91,857,923**

4. **Revenue from exchange transactions**	**30-Jun-14**	**30-Jun-13**
Gifts and Sponsorship	1,977,434	3,891,600
Tender prequalification	902,000	-
	2,879,434	**3,891,600**

5. General expenses	30-Jun-14	30-Jun-13
Advertising and publicity	1,366,341	2,145,594
Workshop and seminars	760,644	998,247
Corporate affairs	288,571	170,158
MTEF Expenses	-	200,000
Capacity building, Local content and Policies	3,859,264	8,081,579
General office supplies	2,061,509	1,569,348
Insurance –Property and equipment	980,166	845,225
Internet services	258,100	406,957
Audit Fees	290,000	290,000
ISO Expenses	332,833	27,880
Film marketing projects	20,005,020	26,356,470
Subsistence allowance	1,374,244	887,250
Courier and postal services	45,265	28,468
Professional Subscriptions/Corporate membership	88,148	39,052
Research and Development	4,403,248	7,202,970
Staff welfare- Hospitality Supplies	1,430,458	726,020
Publications and subscriptions	173,020	183,653
Telephone services	256,073	429,657
International travelling and accommodation	4,069,506	3,787,809
Local travelling and accommodation	2,683,272	1,745,651
	44,725,683	**56,121,988**

6 Remuneration of Board		
Board Catering	251,062	92,275
Board Retreat	1,609,750	1,405,963
Travel and Accommodation	1,506,142	477,720
Chairman's Honoraria	960,000	946,667
Telephone	84,000	82,83
Sitting Allowance	7,672,000	3,618,000
	12,082,954	**6,623,458**

7 **Depreciation and amortization expense**

	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicles	Furniture & Fittings	Total
Balance as at 1st July, 2012	**9,393,073**	**26,338,501**	**12,752,550**	**10,617,022**	**59,101,145**
Additions	-	1,531,000	-	67,500	1,598,500
As at 30th June 2013	**9,393,073**	**27,869,501**	**12,752,550**	**10,684,522**	**60,699,645**
Depreciation Charge for the FY 2012/13	**815,982**	**4,232,128**	**1,245,599**	**753,745**	**7,047,454**
As at 1st July 2013	**5,711,875**	**9,843,450**	**3,736,796**	**5,276,218**	**24,568,338**
Additions	136,000	1,348,520	0	0	1,484,520
At 30th June 2014	**5,847,875**	**11,191,970**	**3,736,796**	**5,276,218**	**26,052,859**
	730,985	**3,357,591**	**934,199**	**659,527**	**5,682,302**

8. **Repairs & Maintenance**	**30-Jun-14**	**30-Jun-13**
General Repairs & Maintenance	894,705	918,898
Motor Vehicle Running Expenses	2,114,732	1,342,325
ICT annual maintenance and renewal	54,525	-
	3,063,962	**2,261,223**

9 **Employee costs**	**30-Jun-14**	**30-Jun-13**
Acting Allowance	669,074	32,200
Bonus/End year incentive	1,000,015	356,254
Casual labour	31,996	98,233
Entertainment Allowance	999,933	1,391,667
Extraneous Allowance	55,200	23,920
House Allowance	5,554,087	5,488,100
Leave Allowance	538,235	486,053
Medical Expenses	6,286,075	4,189,449
NSSF Contribution	97,660	53,800
Pension Employer's contribution	812,647	1,113,599
Responsibility Allowance	767,967	1,159,000
Risk Allowance	71,500	63,000
Salaries & Wages	13,652,173	16,807,962
Special duty allowance	237,603	186,933
Telephone Allowance	271,033	241,667
Training	554,662	1,019,083
Provision for staff Gratuity	972,465	1,488,000
Transport Allowance	2,344,400	2,026,600
Other Allowance	18,667	-
	34,935,391	**36,225,519**

10 **Cash and cash equivalents**	**30-Jun-14**	**30-Jun-13**
Cash in hand	27,381	15,159
Cash at Bank	20,878,012	12,744,494
Total	**20,905,393**	**12,759,653**

11. Receivables from exchange transactions		
Staff debts	1,600,229	1,436,596
Other receivables	1,468,536	611,864
	3,068,764	**2,048,460**
12. Inventory		
General office stationery		
	340,099	**586,961**
13 Prepayments		
Prepaid Rent/Deposit	1,259,550	1,175,580
Medical Insurance/Property/Club Membership	4,944,743	3,698,194
	6,204,293	**4,873,774**

14 Property, plant and equipment

	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicles	Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
COST VALUATION					
Balance as at 1st July, 2012	9,393,073	26,338,501	12,752,550	10,617,022	59,101,145
Additions	0	1,531,000	0	67,500	1,598,500
On Insurance Claim	0	(64,500)	0	0	(64,500)
At 30th June 2013	**9,393,073**	**27,805,001**	**12,752,550**	**10,684,522**	**60,635,145**
ACCUMULATED DEPRECIATION					
As at 1st July,2012	2,865,216	13,762,407	7,770,155	4,654,559	29,052,337
Charge for the year	815,982	4,232,128	1,245,599	753,745	7,047,454
On Insurance Claim	0	(32,985)	0	0	(32,985)
As at 30th June 2013	**3,681,198**	**17,961,550**	**9,015,754**	**5,408,304**	**36,066,807**
NET BOOK VALUE					
At 30th June 2012	6,527,857	12,576,094	4,982,395	5,962,463	30,048,808
As at 30th June 2013	**5,711,875**	**9,843,450**	**3,736,796**	**5,276,218**	**24,568,339**
COST VALUATION					
Balance as at 1st July, 2013	5,711,875	9,843,450	3,736,796	5,276,218	24,568,339
Additions	136,000	1,348,520	0	0	1,484,520
At 30th June 2014	**5,847,875**	**11,191,970**	**3,736,796**	**5,276,218**	**26,052,859**
ACCUMULATED DEPRECIATION					
As at 1st July,2013	3,681,198	17,961,550	9,015,754	5,408,304	36,066,807
Charge for the year	730,985	3,357,591	934,199	659,527	5,682,302
As at 30th June 2014	**4,412,183**	**21,319,141**	**9,949,953**	**6,067,832**	**41,749,109**
NET BOOK VALUE					
At 30th June 2013	5,711,875	9,843,450	3,736,796	5,276,218	24,568,339
As at 30th June 2014	**5,116,890**	**7,834,379**	**2,802,597**	**4,616,690**	**20,370,557**

15	**Trade and other payables from exchange transactions**	**30-Jun-14**	**30-Jun-13**
	Accounts Payables	5,630,972	4,038,219
	VAT Payable	-	10,191
		5,630,972	**4,048,410**

16.	**Provisions**	**30-Jun-14**	**30-Jun-13**
	Provision for Audit fees	290,000	290,000
	Provision for Contingent Kalasha Expenses	-	44,796
	Provision for Annual salary Increments	-	81,140
	Provision for Depreciation Sinking Fund	1,754,170	1,754,170
	Provision for Film Fund	1,675,602	3,000,000
	Total	**3,719,772**	**5,170,106**

17	**Employee benefit obligation**	**30-Jun-14**	**30-Jun-13**
	Payroll Liabilities-staff	301,536	639,145
	Payroll Liabilities-Board	144,000	48,000
	Provision for Gratuity	972,465	4,340,000
		1,418,001	**5,027,145**

18	**Payments for Goods and services**	**30-Jun-14**	**30-Jun-13**
	Advertising and Publicity	1,366,341	2,145,594
	Board Expenses	12,082,954	6,623,458
	Cleaning Services	-	58,293
	Conferences & Seminars	760,644	998,247
	Contracted Professional Services	991,488	880,164
	Corporate Affairs	288,571	170,158
	Electricity	740,636	511,972
	Film Industry Development	3,859,264	8,081,579
	General Office Supplies	2,061,509	1,569,348
	Insurance Expenses	980,166	845,225
	Internet services	258,100	406,957
	Audit Fees	290,000	290,000
	ICT annual maintenance and renewal	54,525	-
	ISO Audit expenses	332,833	27,880
	Marketing/Promotion	20,005,020	26,356,470

Meal allowance	1,374,244	887,250
Motor Vehicle Running Expenses	2,114,732	1,342,325
MTEF Expenses	-	200,000
Postage & Delivery	45,265	28,468
Professional Services/Subscription	88,148	39,052
Repairs & Maintenance	894,705	918,898
Research & Development	4,403,248	7,202,970
Staff Welfare	1,430,458	726,020
Subscriptions/Newspapers	173,020	183,653
Telephone Expenses	256,073	429,657
Traveling and Accommodation-International	4,069,506	3,787,809
Traveling and Accommodation-Local	2,683,272	1,745,651
Total	**61,604,722**	**66,457,097**

19. **Events after the reporting period**

There are no material non-adjusting events after the reporting date.