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REPORT

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THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
KENYA FILM COMMISSION**

FOR THE YEAR ENDED

30 JUNE 2018

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 JUL 2019	DAY: THURSDAY
TABLED BY:	Hon. Aden Duale
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Film Kenya... Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

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I. **KEY COMMISSION INFORMATION AND MANAGEMENT**

(a) **Background information**

The Kenya Film Commission (KFC) is a state agency that was established by the Government of Kenya in 2005 under legal Notice NO. 10 OF 2005 but came into full function in mid-2006. In line with the Parastatal Reform process, a new Legal Notice No. 147 capturing the new and expanded functions of the Commission was signed on 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) Members of staff
- h) General Public.
- i) Related industries such as tourism, transport, ICT among others.

The Commission's Vision:

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

The Mission statement:

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

(b) **Principal Activities**

The mandate of the Kenya Film Commission is to;

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

(c) **Key Management**

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

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

(e) Fiduciary Oversight Arrangements

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

(f) Kenya Film Commission Headquarters

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

(g) Kenya Film Commission Contacts

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

(h) Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi






(i) **Independent Auditors**




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

(j) **Principal Legal Adviser**





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

II. THE BOARD OF DIRECTORS

 <p>Board Chairman Christopher K. Foot</p>	<p>Born on 15th April 1971, Mr. Foot has previously worked in both television and radio. He sits on numerous Boards ranging from commerce and farming through to conservation and education.</p> <p>Chris is passionate about film, taking the Kenyan film Industry to the next level and making Kenya the preferred African filming destination.</p> <p>He is a graduate in BSC. Environmental Biology, St. Andrews University, Scotland, DIP. Law, BVC</p>
	<p>Timothy Owase Ag. Chief Executive Officer & Manager, Festivals & Funds / Skills Development</p> <p>A Chartered Marketer and a communications specialist with experience spanning over a decade in public and private sectors. He spearheads capacity building in the film industry of local filmmakers, liaising with international film festivals, markets, funding agencies and training institutions with view to identifying opportunities for Kenya and creating partnerships between the entities and the commission. He is pursuing a Master's degree in Development and Corporate Communications (MA) at Daystar University, Holds BBA (Marketing) from KEMU, Film Marketing from 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.</p>
 <p>Mr. Argwings Owiti Representative – The National Treasury</p>	<p>Born on 9th December 1969, Mr. Owiti is a Communications Specialist for the National Treasury's Programme on Public Financial Management Reforms with more than 17 years' experience in strategic communications. He has previously worked at the Ministry of Information and Communications and Ministry of Youth and Sports. He has also worked as a part time lecturer in media and communications at both Maseno and Moi Universities.</p> <p>He has masters in Communications Studies, Post Graduate Diploma in Journalism & Public Relations and a Bachelor of Arts Degree, all from the University of Nairobi and is a member of the Public Relations Society of Kenya.</p>
 <p>Mr. Ernest Kerich Representative – Ministry of Sports, Culture & the Arts</p>	<p>Mr. Kerich has over 33 years- experience in public service, starting with the Presidential Press Services and then the Department of Film Services of which he is currently the head. He has a Diploma in cinematography and Certificates in strategic leadership development, corporate governance, financial management, film governance and society and in total quality management</p>
 <p>Mr. Gerald Owino</p>	<p>Born on 14th September 1975, Mr. Owino is the Managing Director – The Grass Company Ltd (2008 to Date) With over 16 years' experience in brand management and consumer research. Have worked with several key brands and organizations such as Safaricom, Nation Media Group, Britam, Kimberly Clarke, Old Mutual, Coca-Cola, Mavuno Church, DIAGEO, MTV Base, Nike Foundation and Nokia among others.</p> <p>He is a graduate of United State International University - International Business Administration Minor in (MIS)</p>

	<p>Born on 15th January 1982, Mr. Mwangi has over 4 years' experience in implementing new systems for Trade Finance Department of the Co-operative Bank of Kenya. He was in charge of Processes, Testing and mapping to ensure the new system met the needs of the department. Was part of a team to implement Opics Treasury Systems Implementation for the Treasury Department and Back office processing Department of Cooperative Bank of Kenya and Western Union Money Transfer Service Implementation to over 100 branches of cooperative Bank.</p> <p>He is a graduate of Egerton University - BSc Degree in Computer Science</p>
	<p>Born in 1951, Hon. Jarso J. Fallana joined politics in 1974 and vied for Parliamentary seat in what was then The Great Marsabit North. Never missed one election since then. Member of Paliament for SAKU (1988-1999)</p> <p>Qualifications: Cambridge Certificate, Accounts Course GTI (1978-1979)</p>
<p>Ms. Lynne Janis Waithiegeni Kanguru</p>	<p>Born on 24th August 1970, Ms. Kanguru is a Communications Consultant, SABP PTY Limited, Johannesburg, South Africa May 2012-present Founder and chief consultant of small boutique communications agency focusing on public enterprises in the transport sector. Additionally, involved in advisory role for political risk and impact of politics on doing business in Africa. Qualifications: University of Nairobi BA (in African Literature & Linguistics)</p>
	<p>Born on 31st October 1977, Ms. Andere, is a Media personality with over 15 years experience in TV Broadcastings, with a proven track record of producing and supervising great TV productions.</p> <p>She is accomplished in training and mentoring as well as motivating team members to their full potential. She aspires to work in a global and accomplished communication sector to match her substantial education and experience, where technology and communication are integral in great quality productions, also to be part of an organized viewing portal that allows for programming excellence. Qualifications: University of Brighton (UK) BA (Hon) Information & Media Studies</p>

MANAGEMENT TEAM

	<p>Timothy Owase Ag. Chief Executive Officer & 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.</p>
	<p>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.</p>
	<p>Owino Koriko Human Resource and Administration Manager Mr. Owino is the Manager Human Resource and Administration at the Commission and has had experience and exposure in Corporate Governance for the last 11 years. He has experience in both NGO and Public Sector having worked as a Human Resource Practitioner in which he helped develop governance systems, structures and instruments. He is a holder of MBA (HRM) Degree, Bachelor Degree in Education, CPS (K), post Graduate Diploma in HRM, CPA Sec 4 and Senior Management Course (KSG). He is full member of the Institute of Human Resource Management and a member of the Institute of Certified Secretaries- ICS (K).</p>
	<p>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.</p>

	<p>Catherine Gitahi Corporate Affairs Manager</p> <p>She is in-charge of promoting effective internal and external communication and publicizing the activities of the commission and those of the local film industry through strategic forums. She is a communication specialist with over 7 years' experience in integrated marketing communication having worked in mainstream media, consultant advertising agencies and private corporations across Kenya. Catherine is a graduate of The Nairobi University with a BA in Political Science and Communication. She also has a Diploma in journalism from the Kenya Institute of Mass Communication and an advanced certificate in Marketing Management from Kenya Institute of Management. She is currently enrolled for a Masters in communication for development.</p>
	<p>Carole Njoroge Liaison and Production Manager-</p> <p>She facilitates the development linkages with key players and film makers to ensure appropriate strategies are in place to attract potential customers to Kenya's locations and productions facilities. She is an accomplished TV producer; a journalist and multi-media journalism trainer with board experience both at the national and regional levels. She is an accomplished communication researcher and an image and branding consultant, holds a Master of Arts in Communication, (Corporate communication) and a B.A. in journalism. She has extensive practice in TV production and she has been instrumental in producing and directing over various groundbreaking Kenyan TV shows on various socio-economic issues many of which have gone on air on main stream media as well as on cable TV.</p>
	<p>Evans Mac'Osewe Procurement Officer</p> <p>Oversees effective management of the Commissions' supply chain through internal need consolidation, supplier identification, procurement process management and quality assurance in line with the Commissions' mission. He has over eight years working experience in public sector procurement. He holds a graduate diploma of the chartered institute of purchasing and supply (UK) and is a professional member of both CIPS (UK) and KISM (Kenya).</p>
	<p>Arthur Ngugi Mbugua Internal Audit Manager</p> <p>Arthur holds a Bachelor of Commerce Degree (Finance) from Catholic University of Eastern and certification in CPA, CSIA and CFE. He is a member of the Institute of Certified Public Accountants (ICPAK), Institute of Internal Auditors (IIA) and Association of Certified Fraud Examiners (ACFE). He is a seasoned Auditor with over twelve (12) years' experience in Manufacturing and Banking industry. Prior to this appointment he worked at FEP Holdings limited as the Group Audit Risk and Compliance Manager and Kenya Women Micro Finance Bank as the Zonal Auditor.</p>

III. CHAIRMAN'S STATEMENT

Welcome to the Annual Report and Accounts for the Kenya Film Commission for the year 2017/2018.

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 senior management work well together as a team for the Commission to be able to meet its objectives.

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

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

We are excited about the rebate system initiated by the National Treasury as its roll out and implementation will see the number of international productions into Kenya grow. As the Kenya film and television industry continues to flourish and grow, we decided that Kenya was well placed to create a new hybrid event, which would bring together all the relevant industry players in the region together. The Commission organized a very successful Kalasha International Film & TV Festival held at the Crown Plaza Hotel in December 2017, and Kalasha International Market at KICC in March 2018, inviting international film producers and investors which enabled the industry's successful delivery into the new digital switchover landscape. We believe it will be a huge benefit to regional filmmakers and their end users, will increase investment in the industry, create jobs amongst the youth of the region and positively impact our economies. The staff of the Commission rose to the occasion and I would like to take this opportunity to commend them for the enormous strides they have realized in the year in question.

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

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. The International multiplier for government investment in the Film & TV sector is 1:6, i.e. for every Ksh 1 the Government spends, the exchequer receives Ksh 6. It is acknowledged that film & TV are the biggest global drivers for tourism as well as culture and heritage conservation.

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

• IV. **REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my great honor to present the Commission's 2017-2018 Annual report.

The Commission continues to play a major role in supporting upcoming film makers who are largely youth and thereby creating opportunities for sufficient employment in Kenya, while capitalizing on the social economic rewards associated with the film industry. In the year under review, the Commission trained over 700 up-coming filmmakers in 13 Counties Countrywide. I must also mention that film falls squarely under the Government's Big 4 Agenda, being a product under manufacturing, which most of the time exports film content and educates and reconciles a people or views expressed.

The film sector, bring about cohesiveness and social equity through social interventions that are aimed at improving quality of life, for instance a film produced on saving water resources will educate and create action that bring about conservation of our environment. We have continuously supported this role by hosting the annual Kalasha International TV & Film Awards and Market, a platform that recognizes talent and brings together over 600 film industry players from across the globe. Additionally, the Commission has witnessed a considerable growth in local productions that have gone ahead to become content for export.

We continue to work with like-minded agencies and private organizations to offer film liaison services and maximize on effective service delivery. Of importance and central to the operations of any successful film industry, is an operational fiscal incentive package by way of rebates, which with goodwill from the government and our parent Ministry of Information, Communications and Technology (MoICT), the National Treasury and the Kenya Revenue Authority we hope to achieve within the 2018/2019 financial year.

It is without a doubt that Film industry is an incentive driven and many competing destinations are aware of this fact, consequently going ahead to provide financial rebates therefore attracting high budget films on location – this is our ultimate goal at the Commission.

Funding from the exchequer was Ksh 109,422,000.00

I take this opportunity to thank the Commission's Board of Directors and commend all staff, the film industry stakeholders and corporate partners for their support and dedication to growing the industry over the years.



Timothy Owase
Ag. CHIEF EXECUTIVE OFFICER

V. CORPORATE GOVERNANCE STATEMENT

The Board of the Kenya Film Commission (The Board) is responsible and accountable to the Government of Kenya, initially through the Ministry of Sports, Culture and the Arts but with effect from 1st May 2018 through the Ministry of ICT.

The Roles and Functions of the Board

The roles of the Board as stipulated in the Legal Notice No 147 of 2015 are:

- a) Powers necessary to manage and administer the Commission in a manner that enables the Commission to realize the objects and purposes for which the Commission is established;
- b) May enter into association with such other persons, bodies or organizations within or outside Kenya as the Board may consider appropriate in furtherance of the objects and purposes of the Commission; and
- c) May, by resolution either generally or in any particular case, delegate to any committee of the Board of Directors or to any member, officer, employee or agent of the Film Commission, the exercise of any of the powers or, the performance of any of the functions or duties of the Board under this Order.

The Board exercises the above roles and responsibilities by performing the following functions:

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 strives:

- 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 Seven (7) directors, four (4) of whom are independent directors who represent the various key stakeholders 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 serves as the secretary to the Board.

The conduct of the meetings of the Board of Directors is in accordance with the section 8 of the State Corporations Act, and establishment of Board committees has been served to State Corporation Advisory Committee as required under section 9.

Succession Plan

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 Charter

The Board does not have a Charter

The Board membership appointments

The management of the Commission vest in a Board which consist of:

- a) 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 Principal Secretary to the National Treasury
- d) a Chief Executive Officer of the Commission;

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 addressed or 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, 2018 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, 2018 are set out on page 1-22 below.

Directors

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

Auditors

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

By Order of the Board



Corporate Secretary
Nairobi

Date.....

IX. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Commission, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Directors are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position of the Commission. The Directors are also responsible for safeguarding the assets of the Commission.

The Directors are responsible for the preparation and presentation of the Kenya Film Commission's financial statements, which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year that ended on June 30, 2018. 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, 2018, and of the Commission's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements


The Kenya Film Commission's financial statements were approved by the Management /Board on the ^{17th} day of ^{October} 2018 and signed on its behalf by:



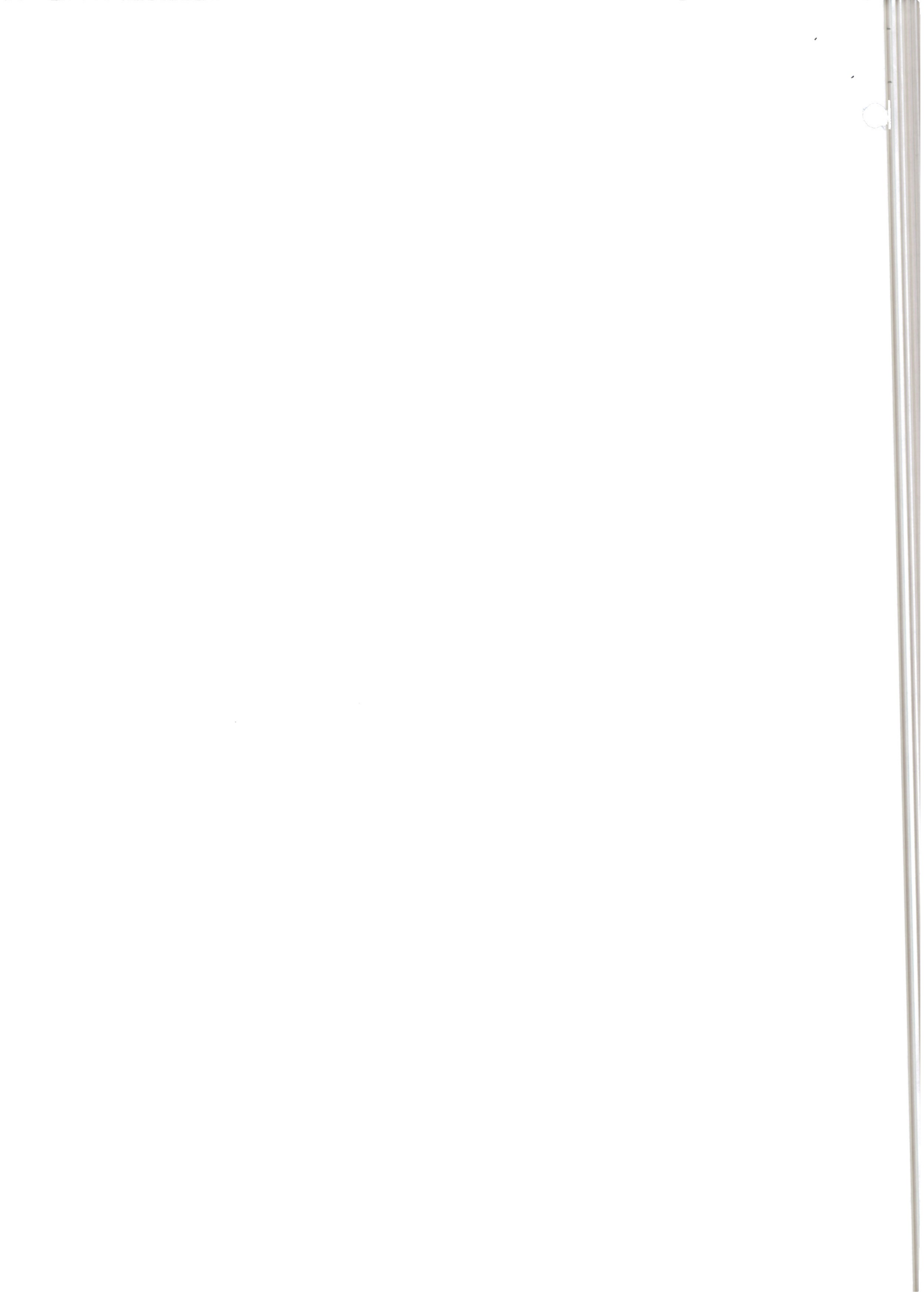
Director



Director



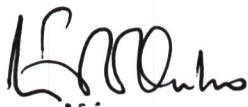
Director



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern or 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 as a going concern or 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.



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

Nairobi

09 May 2019



- 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 and the member of the Board may-

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

Induction and Training

The Board did not have new members under the current FY but the Audit & Risk Committee attended a 3 day risk management workshop organized by IIAs.

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 sitting allowances or other remuneration as the Board members may, within the scales of remuneration specified from time to time by the Committee, approve.

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 40 meetings held for the year under review as follows:

Full Board Meeting Attendance				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2017/18
Mr. Christopher K Foot	Board Chairman	9 th March 2016	8 th March 2019 (1 st Term under new Legal Notice)	17/17
Mr. Gituro Michael Mwangi	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	17/17
Mr. Gerald Owino	Member	26 th Oct. 2016 (1st Term)	25 th Oct. 2019 (1 st Term End)	15/17
Ms. Lynne Janis Waithiegeni Kanguru	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	7/17
Hon. Jarso J. Fallana, OGW	Member	26 th Oct. 2016 (1st Term)	25 th Oct. 2019 (1 st Term End)	15/17
Ms. Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	16/17
Mr. Argwings Owiti	Member (NT PS Rep)	14 th Oct. 2015	-	17/17
Mr. Ernest Kerich,	Member (PS Rep)	-	-	13/17

COMMITTEES OF THE BOARD

During the first half of the year, the Board set up the following principal Committees which meet under 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. The Senior Management with the delegated authority of the Chief Executive Officer prepares the agenda papers. The Board considered splitting the FHRA Board Committee into two. This brought the number of Board Committees from 3 to 4. Various committees, functions and meetings attended are tabulated as below:

Marketing, Film Industry Development Board Committee

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

NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2017/18
Mr. Christopher K Foot	Board Chairman	9th March 2016	8th March 2019 (1st Term under new Legal Notice)	6/6
Mr. Gituro Michael Mwangi	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/6
Mr. Gerald Owino	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/6
Hon. Jarso J. Fallana, OGW	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/6
Ms. Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	5/6

Finance and Procurement Board Committee

The Human Resources Committee is responsible for performing the duties delegated to it by the Board of Directors, to enable the Board to fulfill its responsibilities, in relation to approving goals and objectives, and evaluating the performance against these goals and objectives, for the staff, senior executive officers and the Chief Executive Officer

FINANCE & PROCUREMENT COMMITTEE				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2017/18
Gerald Owino	Committee Chairman	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	7/7
Chris K. Foot	Member	9th March 2016	8th March 2019 (1st Term under new Legal Notice)	3/7
Hon. Jarso J. Fallana	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/7
Ernest Kerich	Member (PS Rep)	-	-	5/7
Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	6/7
Waithiegeni Kanguru	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	1/7

Human Resources & Admin and ICT Board Committee

HR & ADMIN AND ICT				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2017/18
Hon. Jarso Fallana	Committee Chairman	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/6
Ernest Kerich	Member (PS Rep)	-	-	5/6
Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	6/6
Michael M. Gituro	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	6/6
Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	3/6
Christopher K Foot	Member	9th March 2016	8th March 2019 (1st Term under new Legal Notice)	1/6

Audit & Risk 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 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.

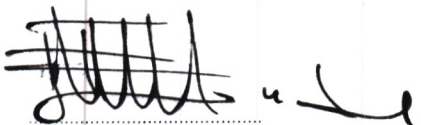
Audit & Risk Committee				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2017/18
Michael M. Gituro	Committee Chairman	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4
Gerald Owino	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4
Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	4/4
Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4

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 17th day of October 2018



Timothy Owase
Ag. Chief Executive Officer



Chris K. Foot
Chairman of the Board

VI. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

Film Industry Capacity Building

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

During the period, the Commission undertook Capacity building programmes focusing on strengthening the local film makers' professional skills and equipping them with information which would enable them to compete effectively in the local and international markets. We aimed at up scaling local filmmakers in areas of scriptwriting, entrepreneurship; copyright, marketing and directing and producing skills. Overall; the Commission trained in 7 Counties namely; Nairobi, Kilifi, Makenii, Meru, Isiolo, Siaya and Trans Nzoia. The Commission trained 468 film makers and entrepreneurs, equipped them with skills that would propel production of local content and enhance employment opportunities.

Screen Culture Development

As part of the Commission's audience development initiative and in support of National Cohesion and integration of communities, the Commission screened films across 5 Counties. The screenings targeted various communities; providing entertainment opportunities, market for local content products while communicating message of unity in line with the promulgated constitution. The screenings were conducted at Schools, Colleges and University festivals as well as at the various regional film festivals in Kenya.

While the management recognized the improved budgetary allocation to the Commission through an allocation of Ksh. 50 million through the supplementary budget during the FY 2016/17, it was not the same for the current financial 2017/18. However, the Commission saw an improvement in the allocation to Ksh. 119.422 million. This has helped the visibility of the Commission was significantly although still huge portion of it went to salaries and basic administrative operations.

Film Resource Centre

The resource centre was remodelled to achieve the mandate of facilitating proper keeping of film archives in Kenya, the Kenya Film Resource Centre was equipped with an aim of collecting, preserving and making available historically and culturally films by and about Kenya. The Resource Centre features an extensive preservation programme safeguarding local films across all genres ranging from feature films, short films, dramas, documentaries, local language films among others. The Commission acquired 151 local films during the Kalasha Awards

Kalasha International TV & Film Awards and Market

The Commission staged a very successful event which involved awards: exhibition Booths;

- Conferences;
- Workshops;
- Pitching Sessions

The budgetary allocation over the years is summarized here under;

GRANT	Actual FY 2011/12	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17	Actual FY 2017/18
Recurrent	69,500,000	76,600,000	82,200,000	80,056,174	74,422,000	124,422,000	109,422,000
Development	55,000,000	28,800,000	24,700,000	Nil	11,700,000	-	-
Total Grant	124,500,000	105,400,000	106,900,000	80,056,174	86,122,000	124,422,000	109,422,000

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

REPUBLIC OF KENYA

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NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 22 which comprise the statement of financial position as at 30 June 2018, 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 effects 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 Kenya Film Commission as at 30 June 2018, 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 Legal Notice No.147 of 5 March 2015.

Basis for Qualified Opinion

1.0 Incomplete and or Inaccurate Fixed Asset Register

The Kenya Film Commission asset register reflected a figure of Kshs.32,088,009 as compared to Kshs.16,547,098 shown on the statement of financial position as at 30 June 2018 resulting to an unexplained variance of Kshs.15,540,911 as shown below:-

	Financial statement Balance Kshs	Fixed Asset Register Balance Kshs	Variance Less than register(-) More than register (+) Kshs.
Fixed Assets			
Motor Vehicles	5,267,359	18,592,550	-13,325,191
Electronic Data Processing Equipment	4,983,840	6,228,910	-1,245,070
Furniture & Fittings	2,961,589	4,777,543	-1,815,954
Plant & Equipment	3,054,311	2,489,006	565,305
Total	16,547,098	32,088,009	

Report of The Auditor-General on the Financial Statements of Kenya Film Commission for the year ended 30 June 2018

Note 16 on property, plant and equipment reflects a balance of Kshs.16,547,098 which does not cast either downwards or across.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.16,547,098 as at 30 June 2018 could not be confirmed.

Key Audit Matters

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

Other Matter

1.0 Budget and Budgetary Performance

1.1 Budget Absorption

The following discrepancies were noted between the budgeted provisions and the actual expenditures during the year under review:

Expenditure Item	Budget Kshs.	Actual Kshs.	Over/Under Kshs.	% Over/Under
Repairs & maintenance	4,450,000	3,155,527	1,294,473	29%
General Expenses	88,847,845	73,518,036	15,329,809	17.25%
Electricity	900,000	806,404	93,596	10.40
Training expenses	300,000	129,536	170,464	57%

The failure to spend Kshs.16,888,342 or +10% of the budgeted expenditure implies that the Commission's goals and objectives may not have been achieved as planned.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion 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.

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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 Those Charged with Governance

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 continue as a going concern, disclosing, as applicable, matters related to going concern and using the applicable basis of accounting unless the management either intends to liquidate the Commission or to cease operations, or have no realistic alternative but to do so.

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

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.

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Commission 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 of the Financial Statements

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 non-compliance. 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.

XI. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
Revenue from non-exchange transactions			
Public contributions and donations	1	7,056,605	3,282,200
Transfers from other governments	2	109,422,000	124,422,000
		116,478,605	127,704,200
Revenue from exchange transactions			
Rendering of services	3	1,371,965	-
		117,850,570	127,704,200
Expenses			
Use of goods and services	4	3,314,927	1,456,956
Employee costs	5	46,174,528	37,414,089
Remuneration of directors	6	14,295,580	5,116,137
Depreciation and amortization expense	7	4,871,132	2,592,812
Repairs and Maintenance	8	2,442,527	1,967,493
General expenses	9	62,336,735	18,437,880
Rent and Rates	14	11,350,376	10,877,313
		144,785,804	77,862,680
Other gains/(losses)			
Gain on sale of assets		0	0
Impairment loss		0	0
		(26,935,234)	49,841,520
Surplus/Deficit before tax			
Taxation		0	0
		(26,935,234)	49,841,520
Surplus/(deficit) for the period			
Attributable to:			
Surplus/(deficit) attributable to minority interest		0	0
Surplus attributable to owners of the controlling entity		0	0
		(26,935,234)	49,841,520

The notes set out on pages 6 to 22 form an integral part of the Financial Statements

XII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	10	37,385,522	4,302,229
Receivables from exchange transactions	11	546,047	445,884
Receivables from non-exchange transactions	12	-	50,000,000
Inventories	13	842,703	359,898
Prepayments	15	5,925,614	5,380,693
		44,699,886	60,488,704
Non-current assets			
Property, plant and equipment	16	16,547,098	10,735,301
Total assets		61,246,984	71,224,005
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	3,793,193	152,564
Provisions	18	14,479,444	354,323
Employee benefit obligation	19	2,526,294	3,333,830
		20,798,931	3,840,717
Non-current liabilities			
Total liabilities		20,798,931	3,840,717
Net assets			
Reserves- Capital Fund		11,252,270	11,252,270
Accumulated surplus		29,195,784	56,131,018
		40,448,054	67,383,288
Total net assets and liabilities		61,246,984	71,224,005

The Financial Statements set out on pages 1 to 22 were signed on behalf of the Board of Directors by:

Ag. Chief Executive Officer
 Name: **Timothy Owase**


 Date.....

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


 Date.....

Chairman of the Board
 Name: **Christopher K. Foot**


 Date.....

XIII. STATEMENT OF CHANGES IN NET ASSETS
For the year ended 30 June 2018

Reserves	Attributable to the owners of the controlling Commission		
	Capital Replacement Development Reserve	Accumulated Surplus	Total
	Kshs	Kshs	Kshs
Balance as at 1st July 2016	11,252,270	6,289,499	17,541,769
Surplus for the period	-	49,841,520	49,841,520
Balance as at 30 JUNE 2017	11,252,270	56,131,018	67,383,288
Balance as at 1 st July 2017	11,252,270	56,131,018	67,383,288
Surplus/(Deficit) for the year	-	(26,935,234)	(26,935,234)
Balance as at 30 th June 2018	11,252,270	29,195,784	40,448,054

XIV. STATEMENT OF CASH FLOWS

	Notes	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	7,056,605	3,282,200
Government grants and subsidies	2	159,422,000	74,422,000
Sale of goods- Kalasha booths & Tickets	3	1,371,965	
		167,850,570	77,704,200
Payments			
Compensation of employees	5	46,174,528	37,414,089
Goods and services	4	3,314,927	1,456,956
Rent and Rates	14	11,350,376	10,877,313
Remuneration of Board	6	14,295,580	5,116,137
Other payments- General Expenses	9	62,336,735	18,437,880
Repairs & Maintenance	8	2,442,527	1,967,493
		139,914,673	75,269,868
Net cash flows from operating activities		27,935,897	2,434,332
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(10,268,929)	0
Increase/Decrease in stocks		(482,805)	5,707
Increase/Decrease in Prepayments		(544,921)	81,441
Increase/Decrease in current Liabilities		16,958,213	(3,227,498)
Increase/Decrease in receivables		(100,163)	48,932
Net cash flows used in investing activities		5,147,396	(3,178,566)
Cash flows from financing activities			
Net cash flows used in financing activities			
Net increase/(decrease) in cash and cash equivalents		33,083,293	(744,234)
Cash and cash equivalents at 1 JULY		4,302,229	5,046,463
Cash and cash equivalents at 30 JUNE		37,385,522	4,302,229

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Final budget	Actual on comparable basis	Performance difference
	2017-2018 Kshs '000	2017-2018 Kshs '000	2017-2018 Kshs '000	2017-2018 Kshs '000
Revenue				
Government grants and subsidies	159,422,000	159,422,000	159,422,000	0
Sponsorships	8,010,195	8,010,195	7,056,605	953,590
Sale of Kalasha Booths and Tickets	-	-	1,371,965	-1,371,965
Total Income	167,432,195	167,432,195	167,850,570	-418,375
Expenditure				
General expenses	88,847,845	88,847,845	73,518,036	15,329,809
Electricity	900,000	900,000	806,404	93,596
Remuneration of Board	15,335,000	15,335,000	14,295,580	1,039,420
Depreciation and Amortisation Expense	-	-	4,871,132	(4,871,132)
Repairs and Maintenance	4,450,000	4,450,000	3,155,527	1,294,473
Rent & Rates	11,350,400	11,350,400	11,350,376	24
Contracted Services	2,400,000	2,400,000	2,333,160	66,840
Employee Costs	44,148,950	44,148,950	46,174,528	(2,025,578)
Total	167,432,195	167,432,195	156,504,743	10,927,453

Budget Notes

Explanations of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14

- a. **General Expenses**
The balance of Ksh. 15,329,809 was mainly due to Ksh. 9 million under film incentive vote whose procurement was ongoing, Ksh. 2,445,500 under Film industry support that was not utilized, and other miscellaneous balances.
- b. **Depreciation and Amortisation expense**
The charge on this account is normally a non-cash item hence no budget for the same.
- c. **Repair and Maintenance**
This was mainly due to delayed repair of grounded motor vehicle as a result of the procurement process ksh. 494,644, and late renew of ERP licence ksh. 538,529.
- d. **Employee Costs** Includes provision for arrears related to re-categorization as to basic salary Ksh. 11,955,987, pension @ 10% of Ksh.463, 284.70 and gratuity @ 31% of Ksh. 2,233,457 as well as acting allowance for former ag. CEOs that is yet to be dispensed off.

1. NOTES TO THE FINANCIAL STATEMENTS

I. GENERAL INFORMATION

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

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

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

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

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in notes. However, there were no such areas during the financial year under review.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

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

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

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

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

iii. **Early adoption of standards**

Kenya Film Commission did not early – adopt any new or amended standards in year 2018.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) **Revenue recognition**

i) **Revenue from non-exchange transactions**

Fees, taxes and fines

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

Transfers from other government entities

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

ii) **Revenue from Exchange Transactions**

Rendering of services

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

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

Sale of goods

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

Interest income

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

Dividends

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

Rental income

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

b) **Budget information – IPSAS 24**

The original budget for FY 2017-2018 was approved by the National Assembly. Subsequent additional appropriations were made to the approved budget in accordance with specific approvals from the Ministry of Sports Culture and Arts. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) **Taxes – IAS 12**

Current income tax

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit.

Deferred tax items are recognized in correlation to the underlying transaction in net assets.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable Commission and the same taxation authority.

Sales tax

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

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

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

d) Investment property

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

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

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

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

e) Property, plant and equipment

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

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

f) Leases – IPSAS 13

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

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

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

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

g) Intangible assets

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

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

h) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

i) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

IPSAS 29.65

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.

Research and development costs

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

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

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

j) Inventories

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

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

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

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

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

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

k) Provisions

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

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

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

Contingent liabilities

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

Contingent assets

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

l) Nature and purpose of reserves

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

m) Changes in accounting policies and estimates

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

n) Employee benefits (Retirement benefit plans)

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

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

o) Foreign currency transactions – IPSAS 4

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

p) Borrowing costs – IPSAS 5

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

q) Related parties – IPSAS 20

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

r) Service concession arrangements – IPSAS 32

The Commission analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Commission recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Commission also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

s) Cash and cash equivalents

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

	2017/2018	2016/2017
	Shs 000	Shs 000
Bank*	37,375,347	4,296,069
Cash-on-hand and in transit	10,175	6,160
Short-term deposits	-	-
Total cash and cash equivalents	37,385,522	4,302,229

Bank * ksh. 37,375,347 is the reconciled amount,

Detailed analysis of the cash and cash equivalents**(a) Banks**

Name of the Bank	Bank Account Number	Currency	2017/2018 Shs 000	2016/2017 Shs 000
Kenya Commercial Bank	1106760018	KSH	42,798,578	6,293,635
Total			42,798,578	6,293,635

(b) Cash on hand

Form of cash holding	2017/2018 Shs 000	2016/2017 Shs 000
liquid cash	10,175	6,160
Total	10,175	6,160

t) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Commission's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

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

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

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

Subsequent events – IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2018.

1 Public contributions and donations

Description	2017-2018	2016-2017
Communication Authority,	3,000,000	1,567,200
Kenya Film Classification Board	1,500,000	1,000,000
Kenya National Commission	230,000	-
The French Embassy	1,500,000	-
Kenya Civil Authority	200,000	-
France MDIAS	476,605	715,000
Other Sponsors	150,000	
Total transfers and sponsorships	7,056,605	3,282,200
Reconciliation of public contributions and donations		
Balance unspent at beginning of quarter	0	0
Current year receipts	7,056,605	3,282,200
Conditions met - transferred to revenue	7,056,605	3,282,200

2 Transfers from other governments	FY 2017-18	FY 2016-17
Unconditional grants		
Operational grant	109,422,000	74,422,000
Other*	-	50,000,000
	109,422,000	124,422,000
Conditional grants	0	0
Total government grants and subsidies	109,422,000	124,422,000

2b Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income	Amount deferred under deferred income	Amount recognised in capital fund.	Total grant income during the year	2016-2017
	KShs	KShs	KShs	KShs	KShs
Ministry of Sports Culture and Arts. State Department of Culture and Arts	109,422,000	-	0	109,422,000	124,422,000
Total	109,422,000	-	0	109,422,000	124,422,000

3 Revenue from exchange transactions

Sale of Kalasha booths and tickets	1,371,965	-
Total	1,371,965	-

4 Use of Goods and Services

Description	2017-2018	2016-2017
Electricity	806,404	1,128,690
Contracted Services	2,333,160	216,470
Professional Subscriptions	175,363	111,796
Total good and services	3,314,927	1,456,956

5 Employee costs

Entertainment Allowance	702,000	1,005,000
Extraneous Allowance	55,200	55,200
House Allowance	8,567,000	10,207,838
Acting Allowance	2,046,232	-
Leave Allowance	340,857	450,147
NSSF Contribution	54,600	61,400
Pension Employer's contribution*	874,890	467,906
Responsibility Allowance	539,000	767,167
Basic Salary*	24,364,096	18,251,749
Temporary Staff Allowance	756,317	337,431
Special duty allowance	146,405	53,477
Telephone Allowance	213,000	301,500
Staff Gratuity*	5,146,931	2,150,374
Transport Allowance	2,368,000	2,612,900
Other Allowance	-	692,000
	46,174,528	37,414,089

* Includes arrears related to re-categorization as to basic salary Ksh. 11,955,987, pension @ 10% of Ksh.463, 284.70 and gratuity @ 31% of Ksh. 2,233,457

6 Remuneration of Board

Board Catering	177,407	74,869
Board Retreat	3,965,786	-
Travel and Accommodation	2,509,387	1,888,267
Telephone allowance	84,000	21,000
Chairman's-Honoraria	960,000	960,000
Sitting Allowance	6,599,000	2,172,000
	14,295,580	5,116,137

7 Depreciation and amortization expense

Plant and Equipment	436,330	498,663
Electronic Data Processing Equipment	2,255,931	1,250,983
Motor Vehicles	1,755,586	394,115
Furniture & Fittings	423,084	449,051
	4,871,132	2,592,812

8 Repairs & Maintenance

General Repairs & Maintenance	88,700	40,385
Motor Vehicle overhaul & Repair	1,605,356	802,643
ICT annual maintenance and renewal	748,471	1,124,465
	2,442,527	1,967,493

9 General expenses

Advertising and publicity	1,243,840	534,736
Team Building	1,198,750	-
Workshop and seminars	491,320	-
Medical Expenses*	5,035,638	6,447,561
General office supplies	2,076,881	773,535
Insurance -Property and equipment	672,148	412,438
Internet services	348,000	374,698
Audit Fees	290,000	290,000
Capacity building, Local content and Policies	4,422,100	2,800,854
ISO Expenses	1,854,515	91,530
Brand & Product Development	859,536	59,450
Training Expenses	129,536	111,910
Film marketing projects	22,062,409	-
Meal/Subsistence Allowance	1,212,975	740,410
Film marketing-Local	414,420	-
Resource Centre	214,754	-
Certification	107,500	-
Film Industry Grant	1,054,500	-
Film incentives	592,126	-
Investor Pitching	409,400	-
Corporate Entertainment	373,051	48,300
Courier and postal services	148,670	6,960
Cleaning Services	70,960	44,976
Bank Charges	127,602	71,759
Integrated Marketing	1,116,649	-
Digitisation	180,672	-
Risk Allowance	94,500	58,500
Staff welfare- Hospitality Supplies	662,664	535,836
Publications and subscriptions	79,900	98,900
Motor Vehicle Running Expenses- Fuel & Lubricants	890,154	865,225
Telephone services	180,752	397,847
International travelling and accommodation	9,821,605	1,563,087
Local travelling and accommodation	3,899,208	2,109,370
	62,336,735	18,437,880

Medical Expenses*

Prepayment B/f	2,917,409	3,530,152
Payment for FY 2017/18	2,118,229	2,917,409
	5,035,638	6,447,561

10 Cash and cash equivalents

Description	2017-2018	2016-2017
Bank*	37,375,347	4,296,069
Cash-on-hand and in transit	10,175	6,160
Short-term deposits	0	-
	37,385,522	4,302,229

Bank * amount is the reconciled amount,

Detailed analysis of the cash and cash equivalents

(a) Banks	Bank Account Number	Currency	2017/2018	2016/2017
Kenya Commercial Bank	1106760018	KSH	42,798,578	6,293,635
Kenya Commercial Bank	1129731561	KSH	0	-
Total			42,798,578	6,293,635

11 Receivables from exchange contracts**Current receivables**

Staff Advances	355,377	360,951
Other receivables	190,670	84,933
Total current receivables	546,047	445,884

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

Supplementary Recurrent Grant	0	50,000,000
Total current receivables	0	50,000,000

13 Inventory

This is as per stock take done on 30th June by KFC staff representatives from finance, procurement and administration departments

842,703 **359,898**

14 Rent & Rates

This is payable quarterly as per the lease agreement

11,350,376 **10,877,313**

15 Prepayments

Prepaid Rent/Deposit 1,931,982 1,931,982

Medical Insurance 3,993,632 3,530,152

5,925,614 **5,380,693**

Property, plant and equipment

	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicles	Furniture & Fittings	Total
	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
NET BOOK VALUE					
As at 1 st July 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
As at 30th June 2017	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
ACCUMULATED DEPRECIATION					
As at 1 st July 2016	5,633,399	25,659,286	11,176,089	7,158,119	49,626,893
Charge for the year	498,663	1,250,983	394,115	449,051	2,592,812
Impairment	-	-	-	-	-
As at 30th June 2017	6,132,062	26,910,269	11,570,204	7,607,170	52,219,705
NET BOOK VALUE					
As at 30th June 2016	3,989,304	4,169,944	1,576,461	3,592,404	13,328,113
As at 30th June 2017	3,490,641	2,918,961	1,182,346	3,143,354	10,735,301
As at 1 st July 2017	3,490,641	2,918,961	1,182,346	3,143,354	10,735,301
Additions	-	4,600,810	5,840,799	241,320	10,682,929
As at 30th June 2018	3,490,641	7,119,771	7,023,145	3,384,674	21,018,230
ACCUMULATED DEPRECIATION					
As at 1 st July 2017	6,132,062	26,910,269	11,570,204	7,607,170	52,219,705
Charge for the year	436,330	2,255,931	1,755,786	423,084	4,851,132
Impairment	-	-	-	-	-
As at 30th June 2018	6,568,392	29,166,200	13,325,990	8,030,254	57,090,837
NET BOOK VALUE					
As at 30th June 2017	3,490,641	2,918,961	1,182,346	3,143,354	10,735,301
As at 30th June 2018	3,054,311	4,983,840	5,267,359	2,961,589	16,547,098

17. Trade and other Payables from Exchange Transactions**Accounts Payables**

The Heron Hotel	136,935	-
Specicom Technologies Ltd	53,370	-
Magical Holidays	28,900	-
Jimcab Services Ltd	27,144	-
Igiza Lounge	51,000	-
CIC Insurance		66,639
Telkom Kenya		4,972

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Clauste Motors	235,000	-
Apex Motors Mark Ltd	160,080	-
Jumuia Coffee House	107,500	-
Equipelt Enterprises	170,000	-
Marvine Enterprises	47,540	-
Sweet Lake Resort	175,000	-
Sweet Lake Resort	119,000	-
Safaricom Ltd	7,646	16,231
NW Realite Ltd	71,939	-
NW Realite	74,586	64,722
GAA	2,327,598	-
	3,793,193	152,564

18 Provisions

Audit fees	290,000	290,000
Bad Debt	-	64,323
Provision for Salary Increment	14,189,444	-
Total	14,479,944	354,323

19 Employee benefit obligation

Accrued Gratuity	2,526,294	3,333,830
	2,526,294	3,333,830

20. Financial Risk Management

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

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

i. Credit risk

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

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

	Fully Performing	Past due	Impaired	Total
At 30 June 2018				
Cash at bank	42,798,578.13	-	-	42,798,578.13
Staff receivables	355,377	-	-	355,377
	43,153,955	-	-	43,153,955
At 30 June 2017				
Cash at bank	6,293,635	-	-	6,293,635
Staff receivables	360,951	-	-	360,951
	6,654,586	-	-	7,244,898

ii. Liquidity risk management

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

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

	Less than 1 month KShs	Between 1-3months KShs	Over 3 months KShs	Total KShs
At 30 June 2018				
Trade payables	1,099,701	365,939	2,327,598	3,793,238

At 30 June 2017

Trade payables

152,564

-

-

152,564

iii. Market risk management

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

Currency Risk

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

Interest rate risk

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

21. Related parties – IPSAS 20**a) Nature of related party relationships**

The Commission's related parties are persons or an 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.

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 Sports Culture and the Arts
- iii. The Chief Executive Officer
- iv. The Board of Directors
- v. Key management

b) Key management compensation

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

	2017/18 KShs	2016/17 KShs
*Key management salaries and other benefits	<u>12,952,600</u>	<u>11,991,067</u>
Remuneration of the Board of Directors	<u>14,295,580</u>	<u>5,116,137</u>

*The key management comprise of the CEO and one Director of Marketing. The Board of Directors were appointed towards the end of quarter 2 of the FY 2016/17 hence the increase in the board expense in the FY 2017/18

c) Due from related parties

	2017/18 KShs	2016/17 KShs
Due from Ministry of Sports Culture and Arts	-	50,000,000

22. Events after the reporting period

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

23. Ultimate and Holding Entity

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

24. Currency

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

XVIII. 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. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status:	Reference No. on the external audit Report
1	Incomplete and/or Inaccurate Fixed Assets Register The Auditors observed that the figure shown in the Assets Register and that shown in the Statements of Financial Position were different by Ksh 1,517,011	The management resolved to undertake assets valuation exercise to address the issue	Head of Finance and Head of Procurement	Not resolved	On-going

Ag. Chief Executive Officer



Date.....

Chairman of the Board



Date.....

XVIX. Appendix 2: PROJECTS IMPLEMENTED BY THE ENTITY

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	None	None	None	None	None	None

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

XX. Appendix 3: INTER-ENTITY TRANSFERS

ENTITY NAME:		KENYA FILM COMMISSION		
Break down of Transfers from the State Department of Arts and Culture				
FY 17/18				
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
		14-7-2017	50,000,000	FY 16/17
		10-8-2017	27,355,500	FY 17/18
		3-11-2017	27,355,500	FY 17/18
		9-2-2018	27,355,500	FY 17/18
		20-4-2018	27,355,500	FY 17/18
		Total	159,422,000	
Kshs. 50,000,000 received on 14/07/2017 was an allocation for the FY 2016/2017 but had not been received by the end of the FY				
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
		Total	-	
		Grand Total	159,422,000	FY 17/18

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

Name of the MDA/Donor Transferring the funds	Date received	Nature: Recurrent / Development / Others	Total Amount - KES	Where Recorded/recognized					Total Transfers during the Year
	as per bank statement			Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others	
Kenya Film Classification Board	15-12-17	Recurrent	1,500,000	1,500,000	0	0	0	-	1,500,000
Communication Authority	6-10-17	Recurrent	1,500,000	1,500,000	0	0	0	-	1,500,000
Communication Authority	12-10-17	Recurrent	1,500,000	1,500,000	0	0	0	-	1,500,000
Kenya Civil Authority	11-4-18	Recurrent	200,000	200,000	0	0	0	-	200,000
			4,700,000	4,700,000	0	0	0	-	4,700,000