

REPORT

PARLIAMENT
OF KENYA
LIBRARY

OF

THE AUDITOR-GENERAL

ON

KENYA FILM COMMISSION

**FOR THE YEAR ENDED
30 JUNE, 2019**

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 25 FEB 2021	DAY: THURSDAY
TABLED BY:	LOM
CLERK-AT THE-TABLE:	Leah Wanjiru



Film Kenya... Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

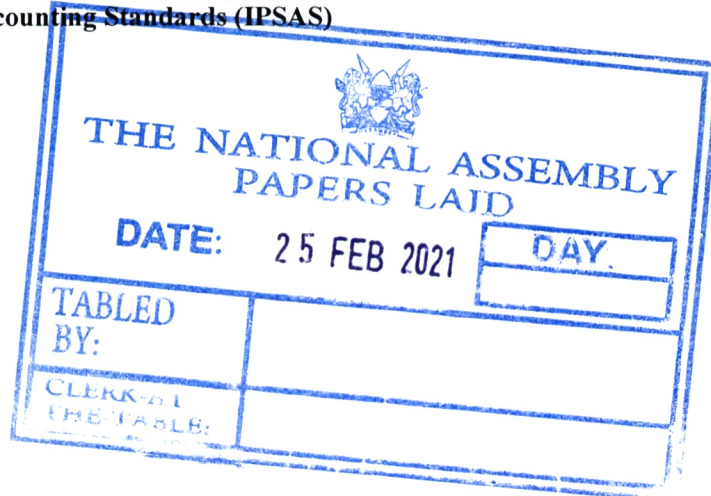


Table of Content

Page

I.	KEY KENYA FILM COMMISSION'S INFORMATION AND MANAGEMENT	ii
II.	THE BOARD OF DIRECTORS	v
III.	MANAGEMENT TEAM.....	viii
IV.	CHAIRMAN'S STATEMENT.....	xi
V.	REPORT OF THE CHIEF EXECUTIVE OFFICER	xii
VI.	CORPORATE GOVERNANCE STATEMENT	xiii
VII.	MANAGEMENT DISCUSSION AND ANALYSIS	xviii
VIII.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xix
IX.	REPORT OF THE DIRECTORS	xx
X.	STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xxi
XI.	REPORT OF THE INDEPENDENT AUDITORS ON KENYA FILM COMMISSION.....	xxii
XII.	STATEMENT OF FINANCIAL PERFORMANCE.....	1
XIII.	STATEMENT OF FINANCIAL POSITION.....	2
XIV.	STATEMENT OF CHANGES IN NET ASSETS	3
XV.	STATEMENT OF CASH FLOWS	4
XVI.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5
XVII.	NOTES TO THE FINANCIAL STATEMENTS.....	6
XVIII.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	21
XIX.	Appendix 1: PROJECTS IMPLEMENTED BY THE ENTITY.....	22
XX.	Appendix 2: INTER-ENTITY TRANSFERS	22
XXI.	Appendix 3: RECORDING OF TRNSFERS FROM OTHER GOVERNMENT ENTITIES.....	23

138 83+01

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 "

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 Kenya's film industry locally and internationally;
- b) Identify and facilitate growth of the film industry;
- c) Generate, manage and disseminate film industry research, information and market data, and act as a repository and archive of Kenya 's film records;
- d) Promote and facilitate the development of local content;
- e) Establish incubation centres for 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 Technical Services
- c) The office of the Director of Corporate Services

(d) Directors

The directors who served the Kenya Film Commission during the financial year ended 30th June 2019 were as follows:

No.	Name	
1.	Dorothy Ghattuba Pala - Chairperson	- Appointed on 3/05/19
2.	Christopher K. Foot	- Former Chairman
3.	Mr. Jerome Ochieng - Ps Ministry of Information , communication and Technology	
4.	Mr. Argwings Owiti – Alternate Director – Rep. P. S to the National Treasury	- Appointed on 14/10/15
5.	Mr. Timothy Owase – Chief Executive Officer	
6.	Hon. Jarso Fallana – Director	-Appointed on 26/10/16
7.	Gerald Owino – Director	-Appointed on 26/10/16
8.	Misiko Andere – Director	-Appointed on 26/10/16
9.	Mwangi Gituro – Director	-Appointed on 26/10/16
10.	Janis Waithiengi Kanguru – Director -(Resigned)	-Appointed on 26/10/16
11.	Ernest Kerich- Alternate Director- Representative – Ministry of Sports, Culture & the Arts	-(Retired)

(e) Fiduciary Oversight Arrangements

The Commission has appointed various committees to which it has delegated responsibilities with the chairmen of the committees reporting to it. The Composition of the committee’s is as below:

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 Committee also undertakes the quality and integrity of the commissions accounting reporting practices, internal controls, financial statements and performance of the commissions internal audit function and independent auditors.

Finance & Procurement Board Committee:

This committee has an oversight function over all matters touching on finance and procurement functions of the Commission. The committee conducts review and approval of the annual budgeting and procurement plan, and ensures there is sufficient financial resources to run the commissions activities.

Human Resource & Administration / ICT Board Committee

The Human Resource Committee is responsible for overseeing the Human Resource processes and policies including recruitment and retention, training, learning, and development, staff disciplinary matters, staff appraisals the Board evaluation and making recommendations to the Board for approval. The Committee also oversees the Information, Communication (ICT) related matters and approves all ICT related policies.

Marketing Film Industry Development Committee:

This is the core committee that addresses the technical functions of the commission. The 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 2015.

(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>Dorothy Ghattuba Pala - Netflix Manager International Originals Africa.</p> <p>Dorothy Ghattuba started her journey in the media and entertainment industry by co-founding Spielworks Media – a regional leader in content creation, production, distribution and broadcast. In ten years since its inception, Spielworks has produced award winning properties; 18 Television Shows, over 20 shows for the web, and over 40 movies for Television.</p> <p>Dorothy is dedicated to developing creative talent, creating quality content and telling authentic African stories that engage and resonate with audiences.</p> <p>Dorothy honors include:</p> <ul style="list-style-type: none"> • Business Daily Top 40 Under 40 Women in Kenya in 2011 and 2014 • Top 40 Under 40 Women in Film in Africa • Msafiri's Top 50 Business People in Kenya. <p>Dorothy is the Chairperson of the Kenya Film Commission Board. She is an alumnus of The Bucerius School of Global Governance in Hamburg, Germany and a 2016 Archbishop Desmond Tutu Fellow. She is a graduate of the Stanford Institute for Innovation in Developing Economies SEED program and she is dedicated to telling the African story.</p>
<p>Board Chairperson Dorothy Ghattuba Pala</p>	<p>A Chartered Marketer and a communications specialist with experience spanning over a decade. He is currently the Chief Executive Officer at the Commission. He plays a key leadership role in leading a team at the Commission. A marketing and communication professional committed to investing in people, communities and businesses in transforming the society for a sustainable socio-economic development. A professional with leadership and management qualities, strategy formulation and execution, behaviour change, social marketing, sustainable development, media and corporate communications.</p> <p>Board level experience with fully developed analytical skills, people and systems focus, capacity for growing businesses and solid understanding in designing and implementing results bearing business initiatives and strategies. Strong ability to influence thinking forges strategic alliances and builds relationships. Champion for good governance with desire to addressing social, economic and cultural issues in the society.</p> <p>Has an outstanding qualification in all phases of marketing, management, communication and development. He has served in the dynamic sectors including, Marketing, Media, ICT, Development and the entertainment. He has provided his expertise and knowledge previously to Rollout Marketing, Touch Media Solutions Ltd, Mnet East Africa, Multichoice Africa and now Kenya Film Commission.</p> <p>Mr. Owase is current member of Public Relations Society of Kenya (PRSK), Association of Film Commissioners International (AFCI) and Chartered Institute of Marketing (CIM).</p> <p>His academic credentials include Masters in Development and Corporate Communications (MA) at Daystar University, BBA (Marketing) from Kenya Methodist University, Film Marketing from AFCI University and Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI) Diploma in Business Management from Kenya Institute of Management, Certificate in monitoring and Evaluation among other qualifications.</p>
	<p>Timothy Odhiambo Owase Chief Executive Officer</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. 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. Argwings Owiti Representative – The National Treasury</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>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>Mr. Ernest Kerich Representative – Ministry of Sports, Culture & the Arts</p>	<p>He is a graduate of United State International University - International Business Administration Minor in (MIS)</p>
	<p>Mr. Gerald Owino</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.</p> <p>Qualifications: University of Brighton (UK) BA (Hon) Information & Media Studies</p>

III. MANAGEMENT TEAM



**Timothy Odhiambo Owase
Chief Executive Officer**

A Chartered Marketer and a communications specialist with experience spanning over a decade. He is currently the Chief Executive Officer at the Commission. He plays a key leadership role in leading a team at the Commission. A marketing and communication professional committed to investing in people, communities and businesses in transforming the society for a sustainable socio-economic development. A professional with leadership and management qualities, strategy formulation and execution, behaviour change, social marketing, sustainable development, media and corporate communications.

Board level experience with fully developed analytical skills, people and systems focus, capacity for growing businesses and solid understanding in designing and implementing results bearing business initiatives and strategies. Strong ability to influence thinking forges strategic alliances and builds relationships. Champion for good governance with desire to addressing social, economic and cultural issues in the society.

Has an outstanding qualification in all phases of marketing, management, communication and development. He has served in the dynamic sectors including, Marketing, Media, ICT, Development and the entertainment. He has provided his expertise and knowledge previously to Rollout Marketing, Touch Media Solutions Ltd, Mnet East Africa, Multichoice Africa and now Kenya Film Commission.

Mr. Owase is current member of Public Relations Society of Kenya (PRSK), Association of Film Commissioners International (AFCI) and Chartered Institute of Marketing (CIM).

His academic credentials include Masters in Development and Corporate Communications (MA) at Daystar University, BBA (Marketing) from Kenya Methodist University, Film Marketing from AFCI University and Post Graduate Diploma in Marketing from the Chartered Institute of Marketing, Diploma in Marketing from London Chamber of Commerce and Industry (LCCI) Diploma in Business Management from Kenya Institute of Management, Certificate in monitoring and Evaluation among other qualifications.







**Owino Koriko
Ag. Director, Corporate Services**

Mr. Owino provides strategic leadership in the development of appropriate structures, policies and programs that attract and retain quality talent, ensures proper and solid financial stewardship, ensures robust information communication technology and quality service delivery. He has experience and exposure in Corporate Governance for the last 12 years and is a columnist with the Standard Newspaper on Corporate Governance and Management emerging topics.

He is a holder of MBA (HRM) degree, BED (Maths & Economics), CPS (K), Dip (HRM) and CPA section 4.

He is a member of the Institute of Human Resource Management (IHRM) and the Institute of Certified Secretaries (ICS).

	<p>Alex Mulwa, Ag. Director, Technical Services</p> <p>He is a marketing and communication specialist and provides planning and leadership to the Marketing Department by ensuring that the appropriate structures, systems, competencies, values, strategies and activities for marketing Kenya as a Centre of excellence are developed in order to maximize the contribution of the film industry sector to the national economy in line with the Board’s Strategic Plan. He is a marketing specialist with experience spanning over 13 years in strategic marketing and communication with a bias in destination marketing. His experience has seen him grow a large network, both locally and internationally, with key stakeholders in the private sector and the government circles. He is a Chartered Marketer (CIM), holds a Bachelor of Commerce degree from Daystar University, MBA in Strategic Management, CPA section 1 and Diploma in Digital Marketing (CIM) among other qualifications.</p>
	<p>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>Bernard Kibe Ag. Manager, Finance and Accounts</p> <p>Oversees prudent management of the Commission’s financial resources by ensuring compliance with the laid down government policies and procedures. He has over ten years working experience in finance and accounting in both public and private sectors. He is a Certified Public Accountant (CPA K), Holds a bachelor degree in Business Administration (Accounting Option) from Maseno University, and MSC Procurement & Logistics from JKUAT.</p>
	<p>Catherine Gitahi Principal Corporate Communication Officer</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>Evans Mac'Osewe Principal Supply Chain Management 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. Evans has over 11 years' experience in supply chain management with vast knowledge in public procurement. He holds a Bachelor degree in Procurement and Supplies Management, CIPS-UK Graduate Diploma in Purchasing and Supplies, CILT International Advanced Diploma in Logistics and Transport Management and a Certificate in Insurance. He is a member in good standing of CIPS-UK, CILT Kenya and Kenya Institute of Supplies Management (KISM). He is a licensed practitioner by KISM. Evans is currently pursuing a Master (Msc.) Degree in Procurement and Logistics at the Jomo Kenyatta University of Agriculture and Technology (JKUAT).</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>
	<p>JOSEPHINE A. OYOMBE LEGAL SERVICES MANAGER/CORPORATE SECRETARY</p> <p>She ensures compliance by the Commission of relevant statutory and regulatory requirements; she assists with formulation and implementation of strategies on risk management, litigation records, among others. She also provides corporate secretary services to the Board of Directors of the Commission, Board Committees and other Management Committees.</p> <p>She was called to the Bar in the year 2012. She has over the years gained vast experience as a practicing advocate of the High Court of Kenya in the firms of Kairu & McCourt Advocates and KN Law LLP. She has also worked in the corporate field as a Legal Officer with Multichoice Kenya. She has expertise in drafting and negotiation of Contracts, Intellectual Property law, Entertainment Law, Legal Compliance and Risk Management.</p> <p>She is a holder of a Master's Degree (LLM) in International Trade & Investments Law University of Nairobi, a Postgraduate Diploma in Law (PGD- Kenya School of Law), and a Bachelor's Degree in Law (LLB) Moi University. She is also a Certified Patent Agent with Kenya Industrial Property Institute (KIPI) and a Certified Mediator (MTI East Africa). She is at the verge of completing her Certified Secretary (CS) exams. Section 6. (KASNEB).</p> <p>She is a member of the Law Society of Kenya (LSK) and the East Africa Law Society. She was also nominated by the law Society of Kenya in the year 2017 to serve in the Taskforce on Court Annexed Mediation.</p>
	<p>Dennis Ong'aria Senior ICT Officer</p> <p>He is an ICT professional with over 11 years' experience in both public and private sectors. He is in-charge of ICT to ensure the Commission leverages on technology to deliver its mandate. He enforces compliance to global standards and also ensures the Commission is protected from both internal and external security risks. He ensures the Commission utilizes current technologies in the execution of its mandate. He is currently pursuing a Master of Science in Information Technology degree at Jomo Kenyatta University of Agriculture and Technology, he hold a Bachelor of Science in Information Technology degree from KCA University, he also hold a Diploma from the Institute for the Management of Information Systems (IMIS UK).</p>

IV. CHAIRPERSON'S STATEMENT

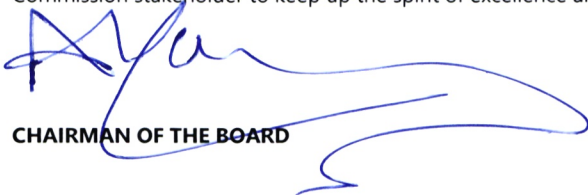
Dear reader, I introduce to you the Annual Report and Accounts for the Kenya Film Commission for the year 2018/2019. The Kenya Film Commission is committed to ensuring that KFC fulfills its mandate, which includes advising the Government on policy in the film sector, promoting the production and distribution 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. A national Script writing competition was launched, the third edition of the Kalasha International Film Festival and Market was executed successfully and the 8th edition of Kalasha TV & Film Awards held. In implementing its mandate on partnership and creation of linkages with the county, national and international organizations, the Commission signed Memorandum of Understanding Agreements that outline the mode of partnership between the commission and Laikipia and Nakuru County, Konza Technopolis and various state corporations.

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 fulfill that unmet demand. The Commission facilitated and hosted 6 stakeholder forums to engage film makers on new policy development and opportunities available for growth.

I would like to thank each and every member of the Commission for their commitment and resolve to deliver the best and urge each Commission stakeholder to keep up the spirit of excellence and exemplary performance.



CHAIRMAN OF THE BOARD

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Kenya Film Commission (KFC) is the State Corporation responsible for developing, promoting and marketing the Kenyan film industry with an overriding goal to make Kenya a center of excellence in film production. I take this early opportunity to note that in the financial year under review, the Commission successfully transited from ISO 9001/2008 to 9001/2015!

We recognize that film and the auxiliary industries related to filmmaking have great potential to generate wealth for the nation, uplift society and position Kenya as the preferred filming location in Africa. A healthy and vibrant film industry creates jobs, promotes tourism, contributes to education, civic information and promotes national cohesion. To this end, KFC has continued to develop an enabling environment for filmmakers young and old to flourish in their field by promoting content creation, mentorship and industry facilitation in storytelling.

The process of certifying film industry players as one way of safeguarding the professionalism of the industry also kicked off in the year under review and progressively, we continued to create linkages with both public and private national and international organizations to improve and facilitate investment in the film industry.

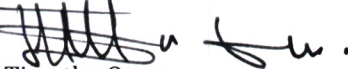
KFC continues to offer a film liaison service and maintain an updated film directory. As part of our local film industry development strategy, the Commission endorses a screen culture that seeks to showcase locally produced films with an objective of generating awareness and the importance of the film industry in Kenya. KFC has been conducting screening of local films in over 25 counties thereby creating a cinema-going culture among the consumers of film as well as inspiring patriotism in embracing and celebrating Kenyan productions.

To promote and facilitate local content development, the Commission in conjunction with our parent ministry ICT, launched a National Film Script Writing Competition that seeks to tell authentic Kenyan stories with the ultimate goal of having a co-production of the winning script with international producers from China tapping into the large film market through sale of Kenyan film products.

The year under review has also seen Kenyan filmmakers make huge strides especially on the global platform featuring on international productions and witnessing emergence of young actors making appearance in big budget films like *The Boy Who Harnessed the Wind*, *Tolo Tolo*, *Supa Modo*, *Dream Child* among many others.

The Commission has also continued to work closely with various partners in implementing its activities whose stakeholders span from other government agencies, county governments, embassies/consulates, broadcasters, financial institutions and higher learning institutions among many others.

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.



Timothy Owase

CHIEF EXECUTIVE OFFICER

VI. CORPORATE GOVERNANCE STATEMENT

The Kenya Film Commission places a high degree of importance on maintaining a sound control environment and applying the highest standards of corporate governance while satisfying the need of stake holders. This is achieved through establishment of clearly defined authorities and responsibilities.

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 15th September 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:

- 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;
- 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
- 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 annual 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 adhere to good corporate governance practices
- To ensure effective and timely reporting to Government of Kenya; and
- To safeguard and enhance the image and reputation of the Commission.

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 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.

SUMMARY OF BOARD MEETING ATTENDANCE

The Board holds meetings on a regular basis while special meetings are called when it is deemed necessary to do so. The Board held statutory and special meetings during the year under review as required by law. There was a total of 40 meetings held for the year under review as follows:

Full Board Meeting Attendance				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2018/19
Mr. Christopher K Foot	Board Chairman	9 th March 2016	8 th March 2019 (Term Expired)	8/13
Mrs. Dorothy Ghattuba	Current Board Chairperson	3 rd May 2019	2 nd May 2022	2/13
Mr. Gituro Michael Mwangi	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	12/13
Mr. Gerald Owino	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	11/13
Ms. Lynne Janis Waithiegeni Kanguru	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	2/13
Hon. Jarso J. Fallana, OGW	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	9/13
Ms. Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	5/13
Mr. Argwings Owiti	Member (NT PS Rep)	14 th Oct. 2015	-	12/13
Mr. Ernest Kerich,	Member (PS Rep)	-	-	4/13

COMMITTEES OF THE BOARD

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

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.

MARKETING, FILM INDUSTRY DEVELOPMENT BOARD COMMITTEE				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2018/19
Ms. Jacqueline Misiko Andere	Chair	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	3/4
Mr. Gituro Michael Mwangi	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4
Mr. Gerald Owino	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4
Hon. Jarso J. Fallana, OGW	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	4/4
Ms. Lyne Janis Waithiegeni Kanguru	Member	26 th Oct. 2016 (1 st Term)	Resigned in November 2018	1/4

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 2018/19
Gerald Owino	Committee Chairman	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	5/5
Hon. Jarso J. Fallana	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	5/5
Ernest Kerich	Member (PS Rep)	-	-	1/5

Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	5/5
Waithiegeni Kanguru	Member	26 th Oct. 2016 (1 st Term)	(Resigned in Nov 2018)	0/5

Human Resources & Admin and ICT Board Committee

HR & ADMIN AND ICT				
NAME	ROLE	WHEN APPOINTED	WHEN RETIRING	MEETINGS ATTENDANCE 2018/19
Hon. Jarso Fallana	Committee Chairman	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	8/8
Ernest Kerich	Member (PS Rep)	-	-	4/8
Argwings Owiti	Member (Treasury PS Rep)	14th Oct. 2015	-	8/8
Michael M. Gituro	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	8/8
Jacqueline Misiko Andere	Member	26 th Oct. 2016 (1 st Term)	25 th Oct. 2019 (1 st Term End)	3/8

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 2018/19
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) (Resigned on 8 th March 2019)	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

Succession Plan

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

Board Charter

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

The Board membership appointments

The Board comprises of nine (9) directors, as indicated below

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

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

The Board membership removal

The chairperson or any member of the Board may-

- a) at any time resign from office by a notice in writing addressed to the President and Cabinet Secretary; respectively
- b) be removed from office if the chairperson or a member of the Board:
 - 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 Commission ensures that its Directors are taken through Mwongozo induction training so as to implement good corporate governance practice in discharging their duties. All the Board members attended the board induction program by the State Corporations Advisory Committee (SCAC) in the Financial Year 2018/19.

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.

BOARD PERFORMANCE

The Commission, in compliance with Mwongozo code of Governance conducts an annual Board Evaluation through the State Corporations Advisory Committee (SCAC). The following is a summary of the performance evaluation results for the year 2017/2018 conducted on **11th December 2018** as provided by SCAC. The Board Evaluation exercise for the period between 1st July 2018 – 30th June 2019 is scheduled for **27th September 2019**.

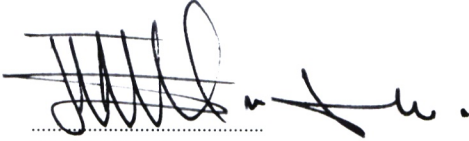
	Name of Director					Position
1	Mr. Chris K. Foot	Chairman	09-03-2016	08-03-2019	4.7778	95.56
2	Mr. Ernest Kerich	Member	N/A	N/A	4.7440	94.88
3	Ms. Waithiegeni Kanguru	Member	21-10-2016	20-10-2019	4.6078	92.16
4	Mr. Gerald Owino	Member	21-10-2016	20-10-2019	4.8060	96.12
5	Mr. Gituro Mwangi	Member	21-10-2016	20-10-2019	4.7509	95.02
6	Ms. Misiko Andere	Member	21-10-2016	20-10-2019	4.7960	95.92
7	Mr. Argwings Owiti	Member	N/A	N/A	4.6120	92.24
8	Hon. Jarso Jillo Fallana, OGW	Member	21-10-2016	20-10-2019	4.6220	92.44
Corporate Board performance					4.3778	87.56

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 reports, 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 27TH day of SEP 2019



Timothy Owase
Chief Executive Officer



Chairman of the Board

VII. MANAGEMENT DISCUSSION AND ANALYSIS

Film Associations, Production Houses, Film Agents, Distributors, Corporates, Cast and Crew, Festival directors, Financial Institutions and Consumers of film products form the Commission stakeholders. Film is considered an export product therefore fitting under the Manufacturing component of the Big Four Agenda of the Kenyan government and identified as a key growth industry with great potential to stimulate economic growth through infrastructural development, tourist attraction, investment and employment creation. During the financial year, the Commission undertook activities aimed at creating impact to the larger industry that span; Develop and promote the film industry

In the period under review, the Commission organized the Mobile Film Competition, dubbed 'My Kenya My Story', themed Mental Health and Wellness, by constituting the jury to adjudicate the films entered and a call for entries was held, realizing 34 short film submissions. Further the Commission in conjunction with our parent ministry ICT, Department of Film Services (DFS) and Kenya Film School (DFS) launched a National Film Script Writing Competition with the official media launch held in February 2019.

KFC also provided liaison services to 30 film companies and took part in the Public Service week held at the KICC to engage stakeholders.

Film Industry Capacity Building

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. During the financial year the Commission trained 223 stakeholders in Narok, Migori, Kitui, Kakamega, Kirinyaga and Kwale.

Implementation of the Film Industry Certification Programme

During the period under review, the Commission carried out a comparative analysis of ideal models for the certification programme, a proposal was drafted for approval before implementation of the same.

Screen Culture Development

The Commission conducted screenings to develop a screen culture by showcasing local films, in 4 counties namely Nyeri, Embu and Kirinyaga as part of the Commission's audience development initiative and in support of National Cohesion and integration of communities.

Film Resource Centre

The resource center was remodeled to achieve the mandate of facilitating proper keeping of film archives in Kenya, the 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 178 local films during the Kalasha Awards and hosted 339 stakeholders using the different resources spanning meeting space, film library, TV screen, editing suite and research space.

Kalasha International TV & Film Awards and Market

The Commission staged a very successful 3rd edition which involved awards: exhibition Booths; Conferences; Workshops; and Pitching Sessions where over 800 delegates were in attendance for the 3 days at the KICC.

Lobbying for the approval of the National Film Policy

The commission sought for the approval of the National Film Policy, 2017, from the ministry and national treasury and continues to lobby the ministry to take the necessary action in support of the policy through its approval and for tabling a Sessional Paper on the Film Policy in parliament. Once the policy is approved, it will pave way for growth in the industry by playing a role in driving economic growth, creating jobs and stimulating inward investments and exports.

Facilitating technological advancement

The Commission in the financial year was able to build capacity for all its internal stakeholders with emphasis around Information Security Management System (ISMS) and deployed relevant security systems for the corporate network.

The budgetary allocation over the years is summarized here under;

GRANT	Actual FY 2012/13	Actual FY 2013/14	Actual FY 2014/15	Actual FY 2015/16	Actual FY 2016/17	Actual FY 2017/18	Actual FY 2018/19
Recurrent	76,600,000	82,200,000	80,056,174	74,422,000	124,422,000	109,422,000	119,422,000
Development	28,800,000	24,700,000	Nil	11,700,000	-	-	7,500,000
Total Grant	105,400,000	106,900,000	80,056,174	86,122,000	124,422,000	109,422,000	126,922,000

The management hopes that in the coming years, the commission will be allocated more 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.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

To this end, the Commission on 30th April 2019 conducted a tree planting exercise as part of its Corporate Social Responsibility at the new Silicon Savannah, Konza city. The Commission was joined by members of the surrounding community around Konza city. The tree planting exercise was an initiative aimed at restoring the tree cover in the country. Through such initiatives, the Commission has proven that it is conscious of environment conservation efforts and the impact such activities to the country at large.

Further, as part of the Commission's commitment for equality to all, the commission has developed policies on disability sensitization for its staff and has promoted gender mainstreaming through its recruitment processes. The Commission has also been committed to the economic empowerment of the youth and has in the year under review, ensured over 30 percent of all procured services went to the youth.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the unaudited financial statements for the year ended June 30, 2019 which show the state of the Kenya Film Commission's affairs.

Principal activities

The principal activities of Kenya Film Commission are:

- 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.

Results

The results of the Kenya Film Commission for the year ended June 30, 2019 are set out on page 1-23 below.

Directors

The members of the Board of Directors who served during the year are shown on page (iii) 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... 27.09.2019

X. 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, 2019. 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.

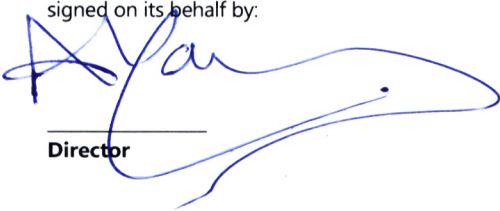
The Directors accept responsibility for the Commission's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Reporting Standards (IPSAS), and in the manner required 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, 2019, 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^{27th} day of^{SEP}.....2019 and

signed on its behalf by:



Director

Director

Director

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 21, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, the 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, the financial statements present fairly, in all material respects, the financial position of the Kenya Film Commission as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Legal Notice No. 147 of July, 2015 and Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Film Commission Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS IN INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Board of Directors

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

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

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

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

The Board of Directors is responsible for overseeing the financial reporting process, reviewing the effectiveness of how the 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Commission's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Commission to cease to continue 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

08 February, 2021

XII. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2019


	Notes	2018-2019	2017-2018
		Kshs	Kshs
Revenue from non-exchange transactions			
Grant from the National Governments	6	126,922,000	109,422,000
Public Contributions and Donations	7	2,767,096	7,056,605
		129,689,096	116,478,605
Revenue from exchange transactions			
Other Incomes	8	2,124,803	1,371,965
		2,124,803	1,371,965
Total Revenue		131,813,899	117,850,570
EXPENSE			
Use of goods and services	9	14,056,868	12,685,532
Employee costs	10	57,026,120	46,174,528
Remuneration of directors	11	14,260,189	14,295,580
Repairs and maintenance	12	2,990,732	2,442,527
Contracted Services	13	2,588,016	6,103,663
General Expenses	14	56,074,316	58,212,843
Depreciation and Amortization Expense	15	-	4,871,132
TOTAL OPERATING EXPENSES		146,996,241	144,785,804
PROFIT/(LOSS) BEFORE TAXATION		(15,182,342)	(26,935,234)
INCOME TAX EXPENSES/(CREDIT)			-
PROFIT/(LOSS) AFTER TAXATION		(15,182,342)	(26,935,234)

The notes set out on pages 6 to 23 form an integral part of the Financial Statements

XIII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Notes	2018-2019	2017-2018
		Kshs	Kshs
ASSETS			
Current assets			
Inventories	17	1,005,047	842,703
Trade and other receivables	18	1,184,415	546,047
Cash and cash equivalents	19	17,757,755	37,385,522
Prepayment	20	6,451,788	5,925,615
Non-current assets		26,399,005	44,699,886
Property, plant and equipment(Revaluation)	16	14,540,700	16,547,098
		14,540,700	16,547,098
Total assets		40,939,705	61,246,985
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	21	2,152,420	3,793,193
Employee benefit obligation	22	6,811,095	2,526,294
Provisions	23	290,000	14,479,444
Total liabilities		9,253,515	20,798,931
Net Assets			
Reserves-Capital Fund		9,525,871	11,252,270
Accumulated surplus		22,160,321	29,195,784
		31,686,192	40,448,054
Total net assets and liabilities		40,939,705	61,246,985

The Financial Statements set out on pages 1 to 23 were signed on behalf of the Board of Directors by:


Chief Executive Officer
Timothy Owase

Date.....14.4.2020


Head of Finance
Bernard Kibe
 ICPAK Member No.13079:

Date14/4/2020


Chairman of the Board
Dorothy Ghattuba Pala

Date.....16/4/20

XIV. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2019

	Revaluation reserve	Retained earnings	Total
At July 1, 2017	11,252,270	56,131,018	67,383,288
Surplus/Deficit for the year	-	(26,935,234)	(26,935,234)
At June 30, 2018	11,252,270	29,195,784	40,448,054
At July 1, 2018	11,252,270	29,195,784	40,448,054
Prior Year Adjustment(Over Provision of Salary Arrears	-	8,146,879	8,146,879
Deficit for the Year	-	(15,182,342)	(15,182,342)
Loss on Revaluation	(1,726,399)	-	(1,726,399)
At June 30, 2019	9,525,871	22,160,321	31,686,192

XV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Government grants and subsidies	6	126,922,000	109,422,000
Public Contribution and donations	7	2,767,096	7,056,605
Other Income	8	2,124,803	1,371,965
Total Receipt		131,813,899	117,850,570
Payments			
Good and services	9	14,056,868	12,685,532
Compensation of Employees	10	57,026,120	46,174,528
Remuneration of the Board	11	14,260,189	14,295,580
Repairs and Maintenance	12	2,990,732	2,442,527
Contracted Services	13	2,588,016	6,103,663
General Expenses	14	56,074,316	58,212,843
Total Payments		146,996,241	139,914,673
Net Cash flows from Operating Activities	24	(19,153,256)	43,766,221
Cash flows from Investing Activities			
Purchase of property, plant, equipment and intangible assets		(474,510)	(10,682,929)
Proceeds from disposal of property			
Net Cash flows from Investing Activities		(474,510)	(10,682,929)
Net Cash increase/(decrease) in Cash & Cash Equivalents		(19,627,766)	33,083,292
Cash and Cash Equivalent at 1 JULY 2018	19	37,385,522	4,302,229
Cash and Cash Equivalent at 30 JUNE 2019	19	17,757,755	37,385,522

XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	134,422,000	-	134,422,000	126,922,000	7,500,000
Rendering of services	-	-	1,892,803	2,124,803	(232,000)
Sponsorship	-	-	2,850,000	2,767,096	82,904
Total income	134,422,000	-	139,164,803	131,813,899	7,350,904
Expenses					
Goods and services	22,105,389	9,412,301	31,517,690	14,056,868	17,460,822
Compensation of employees	59,768,430	(3,464,359)	56,304,071	57,026,120	(722,049)
Remuneration of the Board	8,695,695	5,352,486	14,048,181	14,174,349	(126,168)
Repairs and maintenance	1,970,000	-	1,970,000	2,990,732	(1,020,732)
Contracted Services	2,000,000	600,000	2,600,000	2,588,016	11,984
General Expenses	57,000,000	-	57,000,000	56,160,157	839,843
Total expenditure	151,539,514	11,900,427	163,439,942	146,996,242	16,443,700
Surplus for the period			(24,275,139)	(15,182,343)	(9,092,796)

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

- Government grants and subsidies. The variance of ksh. 7,500,000 was due to the fact that the development funds received was half the allocation.
- Goods and services. The variance of ksh 17,460,822 arose mainly due to the fact that the film Locations Mapping Project was allocated ksh. 15 millions in the financial year 2018/19 but the Commission received the first half year tranche of Ksh. 7.5millions in April 2019 and as such the procurement process for the consultant to undertake the project had not been completed by the end of the financial year.
- Compensation of Employees. The variance of ksh. 722,049 arose due to the fact that the provision for employee's gratuity for the ag. Director Corporates Services had not being done. The status of his employment in terms of permanent/ Contract was confirmed after the reallocations had been done.
- Repairs and maintenance. The variance of ksh. (1,020,732) arose due to the fact that there were unavoidable expenses incurred that had not been factor in the budget though the within the overall budget of the Commission. This will be avoided moving forward.
- The variance of Ksh 24,275,139 between the final budget and the total expenditure was as a result of Ksh18,345,950.75 that was roll over funds from the FY 2017/18 as well as Ks. 5,929,188.32 that was a saving from the provision of Personnel Emolument realized after staff placement was concluded.

NOTES TO THE FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Kenya Film Commission (KFC) is a State Corporation established 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 assets whose measurement is on re-valued amounts of all items of property, plant and equipment (revalued as at 30 June 2019)**, 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	(Effective for annual periods beginning on or January 1, 2017) 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. 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.
IPSAS 34: Separate Financial Statements	(Effective for annual periods beginning on or January 1, 2017) 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. Kenya Film Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
IPSAS 35: Consolidated Financial Statements	(Effective for annual periods beginning on or January 1, 2017) 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: 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. 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. Kenya Film Commission does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

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 2019.

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 2018-2019 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 revalued amounts as at 30th June 2019.

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. 9,525,871 represents the capital funds that were given to the Commission at the time of inception in the financial year ending June 30, 2007 less the revaluation loss as at June 2019.

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 directorates.

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.

		2018/2019	2017/2018
		Shs 000	Shs 000
Bank*		17,470,230	37,375,347
Cash-in-hand		27,435	10,175
Short-term deposits (Mpesa Paybill)		260,100	-
Total cash and cash equivalents		17,757,755	37,385,522

Bank * ksh. 17,470,230 is the reconciled amount,

Detailed analysis of the cash and cash equivalents					
(a) Banks					
Name of the Bank	Bank Account Number	Currency	2018/2019 Shs 000	2017/2018 Shs 000	2016/2017 Shs 000
Kenya Commercial Bank	1106760018	KSH	19,889,091	42,798,578	6,293,635
Total			19,889,091	42,798,578	6,293,635

(b) Cash on hand

Form of cash holding	2018/2019 Shs 000	2017/2018 Shs 00
liquid cash	27,435	10,175
Total	27,435	10,175

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.

u) 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, 2019.

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

6. TRANSFER FROM NATIONAL GOVERNMENT

Description		2018-2019	2017-2018	
Recurrent grant received		119,422,000	109,422,000	
Development grant received		7,500,000	-	
Total		126,922,000	109,422,000	
Name of the Entity sending the grant	Amount recognized to Statement Comprehensive Income	Amount under income	Amount deferred deferred	Amount recognized in capital fund. KShs
State Department of Culture and Heritage	-	-	-	126,922,000
Total	-	-	-	126,922,000

7. PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2018-2019	2017-2018
Regie Aupres	600,000	-
Telkom Kenya Ltd	500,000	-
Brand Kenya	100,000	-
Media Council Of Kenya	200,000	-
Communication Authority Of Kenya	900,000	-
France 24	467,096	-
Total	2,767,096	7,056,605

8. OTHER INCOME

Description	2018-2019	2017-2018
	KShs	KShs
Sales of Kalasha booths & tickets	2,124,803	1,371,965
Total	2,124,803	1,371,965

9. USE OF GOODS AND SERVICES

Description	2018-2019	2017-2018
	KShs	KShs
Electricity & Water	845,314	806,404
Internet Services	508,314	348,000
Telephone Services	267,639	180,752
Rent & Rate	12,435,601	11,350,376
Total	14,056,868	12,685,532

10. EMPLOYEE COSTS

Description	2018-2019	2017-2018
	KShs	KShs
Entertainment Allowance	1,188,000	702,000
Extraneous Allowance	57,800	55,200
House Allowance	10,402,336	8,567,000
Acting Allowance	3,471,525	2,046,232
Leave Allowance	412,320	340,857
NSSF Contribution	77,200	54,600
Pension Employers Contribution	1,063,190	874,890
Responsibility Allowance	684,000	539,000
Basic Salary	31,589,898	24,364,096
Temporary Staff Allowance	501,203	756,317
Special Duty Allowance	208,835	146,405
Telephone Allowance	282,000	213,000
Staff Gratuity	4,139,547	5,146,931
Transport Allowance	2,691,267	2,368,000
Other Allowance	257,000	-
Total	57,026,120	46,174,528

11. REMUNERATION OF THE BOARD

Description	2018-2019	2017-2018
	KShs	KShs
Board Catering	245,210	177,407
Board Retreat	2,599,117	3,965,786
Travel & Accommodation	2,194,262	2,509,387
Telephone Allowance	71,867	84,000
Chairman's Honoraria	821,333	960,000
Sitting Allowance	8,328,400	6,599,000
Total	14,260,189	14,295,580

12. REPAIRS AND MAINTENANCE

Description	2018-2019	2017-2018	
	KShs	KShs	
General Repairs & Maintenance	594,027	88,700	
Motor Vehicle Overhaul & Repair	1,079,551	1,605,356	
ICT Annual Maintenance & Renewal	1,317,154	748,471	
Total	2,990,732	2,442,527	

13. CONTRACTED SERVICES**14.**

Description	2018-2019	2017-2018	
	KShs	KShs	
Professional Services	696,581	2,333,160	
Advertising and Publicity	838,044	1,243,840	
Insurance - Property & Equipment	753,391	672,148	
ISO Expenses	300,000	1,854,515	
Total	2,588,016	6,103,663	

14. GENERAL EXPENSES

Description	2018-2019	2017-2018	
	KShs	KShs	
Professional Subscription	290,164	175,363	
Team Building	-	1,198,750	
Workshop & Seminars	599,075	491,320	
Medical Expenses*	6,942,680	5,035,638	
General Office Supplies	1,439,900	2,076,881	
Audit Fees	290,000	290,000	
Capacity Building, Local content & Policies	3,495,954	4,422,100	
Brand & Product Development	589,160	859,536	
Training Expenses	219,225	129,536	
Film Marketing Projects	24,094,661	22,062,409	
Meal/Subsistence Allowance	750,913	1,212,975	
Film Marketing - Local	-	414,420	
Resource Center	396,525	214,754	
Certification	447,469	107,500	
Film Industry Grant	525,605	1,054,500	
Film Incentives	-	592,126	
Investor Pitching	-	409,400	
Corporate Entertainment	299,720	373,051	
Courier & Postal Services	133,700	148,670	
Cleaning Services	71,110	70,960	

Bank Charges	145,908	127,602
Integrated Marketing	987,464	1,116,649
Digitization	-	180,672
Risk Allowance	75,500	94,500
Staff Welfare - Hospitality Supplies	707,345	662,664
Publications and Subscriptions	100,280	79,900
MV Running Expenses- Fuel & Lubricants	924,766	890,154
International Travelling & Accommodation	9,172,744	9,821,605
Local Travelling & Accommodation	3,374,449	3,899,208
Total	56,074,316	58,212,843

15. DEPRECIATION AND AMORTIZATION EXPENSE

Asset Classification	2018-2019	2017-2018
	KShs	KShs
Motor Vehicles	-	1,755,586
Electronic Data Processing Equipment	-	2,255,931
Plant and Equipment	-	436,330
Furniture & Fittings	-	423,084
Total depreciation and amortization	-	4,871,132

16. PROPERTY, PLANT AND EQUIPMENT

2019	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicle	Furniture & Fittings	Total
NET BOOK VALUE	Shs	Shs	Shs	Shs	Shs
At 1 st July 2018	3,054,311	4,983,840	5,267,359	2,961,589	16,547,098
Additions	-	-	-	-	-
At 30th June 2019	3,054,311	4,983,840	5,267,359	2,961,589	16,547,098
DEPRECIATION					
Charge for the year	-	-	-	-	-
NBV At 1 st July 2018	3,054,311	4,983,840	5,267,359	2,961,589	16,547,098
Revaluation as at 30th June 2019	1,676,140	4,670,800	6,795,000	1,398,760	14,540,700
Gain/Loss on Revaluation	(1,378,171)	(313,040)	1,527,641	(1,562,829)	(1,726,399)
NET BOOK VALUE As At June 30, 2019	1,676,140	4,670,800	6,795,000	1,398,760	14,540,700

All classes of assets were revalued as at 30th June 2019 hence no provision for depreciation as indicated above

17. INVENTORIES

Description	2018-2019	2017-2018
	KShs	KShs
Stationery Items	1,005,047	842,703
Total	1,005,047	842,703
18. TRADE AND OTHER RECEIVABLES		
Description	2018-2019	2017-2018
	KShs	KShs
Trade Receivables	953,000	190,670
Staff Advances	231,415	355,377
Total	1,184,415	546,047

19. BANK AND CASH BALANCE

Description	2018-2019	2017-2018
	KShs	KShs
Bank	17,470,220	37,107,452
Mpesa Paybill	260,100	267,895
Cash in Hand	27,435	10,175
	17,757,755	37,385,522

Detailed analysis of the cash and cash equivalents

		2018-2019	2017-2018
Financial institution	Account number	KShs	KShs
a) Current account			
KCB Bank	1106760018	19,889,019	42,798,578
Sub- total		19,889,019	42,798,578
c) Mpesa Paybill		260,100	-
Sub- total		260,100	-
Grand total		20,149,119	42,798,578

20. PREPAYMENTS			
Description		2018-2019	2017-2018
		KShs	KShs
Prepaid Rent/Deposit		1,931,982	1,931,982
Medical Insurance		4,519,806	3,993,632
Total		6,451,788	5,925,614

21. TRADE AND OTHER PAYABLES	2018-2019	2017-2018
Payee	(Ksh)	(Ksh)
Sundry Payables	-	3,793,193
Borasoft Ltd	300,000	-
NW Realite	72,161	-
Safaricom Limited	16,019	-
Kalasha Winners	1,400,000	-
Kenya Broadcasting Corporation	348,000	-
Ramco Printing Works Ltd	16,240	-
Total	2,152,420	3,793,193
22. EMPLOYEE BENEFIT OBLIGATION		
Description	2018-2019	2017-2018
	KShs	KShs
Staff Gratuity B/F	2,526,294	2,526,294
Provision for the Year	4,139,547	-
Paid	(897,433)	-
PAYE	1,042,687	-
Total	6,811,095	2,526,294

23. PROVISION

Description	2018-2019	2017-2018
	KShs	KShs
Provision for Salary Increment B/f	-	14,189,444
Audit Fees	290,000	290,000
Total	290,000	14,479,444

24. CASH FLOW FROM OPERATING ACTIVITIES

Description	2018-2019	2017-2018
(a)		
Operating profit/(loss)	(15,182,342)	27,935,897
Operating profit/(loss)before working capital change	(15,182,342)	27,935,897
(increase)decrease in inventories	(162,344)	(482,805)
(increase)decrease in prepayment	(526,174)	(544,921)
(increase)decrease in trade and other payables	1,640,773	16,958,213
(increase)decrease in Employees Obligation	(4,284,801)	-
(increase)decrease in trade and other receivables	(638,368)	(100,163)
	(3,970,914)	15,830,324
Cash generated from/(used in) operation	(19,153,256)	43,766,221

(b) Analysis of cash and cash equivalents		
Cash at bank	17,730,320	37,375,347
Cash in hand	27,435	10,175
Balance at end of the year	17,757,755	37,385,522

25. 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:

	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Receivables from exchange transactions	1,949,803	1,171,803	778,000	-
Receivables from non-exchange transactions	2,767,096	2,767,096	-	-
Bank balances	20,149,119	-	-	-
Total	24,866,018	3,938,899	778,000	-

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.

Liquidity risk management	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2019				
Trade payables	2,152,420	-	-	2,152,420
Provisions	-	-	-	-
Employee benefit obligation	6,811,095	-	-	6,811,095
Total	8,963,515	-	-	8,963,515

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.

26. 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 and Heritage
- 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:

	2018/19	2017/18
	KShs	KShs
*Key management salaries and other benefits	<u>13,316,041</u>	<u>12,952,600</u>
Remuneration of the Board of Directors	<u>14,038,349</u>	<u>14,295,580</u>

***The key management comprise of the CEO and two ag. Directors of the Technical and Corporate Service directorates.**

c) Due from related parties

	2018/19	2017/18
	KShs	KShs
Due from Ministry of Sports Culture and Arts	-	-

27. Events after the reporting period

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

28. Ultimate and Holding Entity

Kenya Film Commission is a State Corporation under the Ministry of Information Communications, Technology & Innovation and Youth Affairs under the State Department of ICT. Its ultimate parent is the Government of Kenya.

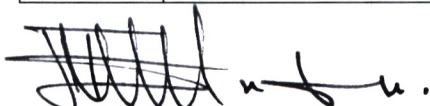
29. Currency


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	<p>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 15,540,911</p> <p>Note 16 on PPE reflected a balance of Ksh. 16,547,098 which does not cast either downwards or across</p>	<p>Assets re-valuation exercise to address the issue has been conducted by State Department of Public Works and their revaluation figures are reflected in the FS.</p> <p>The casting errors will be avoided moving forward</p>	<p>Head of Finance and Head of Procurement</p> <p>Head of Finance and Accounts</p>	concluded	-
2.	<p>Budget and Budgetary Performance Budget Absorption</p> <p>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.</p>	<p>Management confirms that the goals and objectives of the Commission were majorly achieved as planned. The underspending will be avoided moving forward</p>	CEO	Funds rolled over to the next FY	1.0 and 1.1


Chief Executive Officer


Chairman of the Board

Date: 16/4/2020

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 18/19				
a. Recurrent Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
		03-09-2018	29,855,500	FY 18/19
		20-12-2018	29,855,500	FY 18/19
		18-02-2019	29,855,500	FY 18/19
		09-05-2019	29,855,500	FY 18/19
		Total	119,422,000	
b. Development Grants				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Film Locations Mapping	15-04-2019	7,500,000	FY 18/19
		Total	7,500,000	
c. Direct Payments				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	France 24	09/04/2019	467,096	FY 18/19
	Regie Aupres	20/03/2019	600,000	FY 18/19
		Total	1,067,096	
d. Donor Receipts				
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
		Total	-	
		Grand Total	127,989,096	FY 18/19

XXI. Appendix 3: RECORDING OF TRNSFERS 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	
Communication Authority Of Kenya	02/02/2019	Recurrent	900,000	900,000	-	-	-	-	900,000
Telkom Kenya Ltd	18/06/2019	Recurrent	500,000	500,000	-	-	-	-	500,000
Brand Kenya	23/11/2018	Recurrent	100,000	100,000	-	-	-	-	100,000
Media Council Of Kenya	24/01/2019	Recurrent	200,000	200,000	-	-	-	-	200,000
			1,700,000	1,700,000	-	-	-	-	1,700,000