REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

KENYA FILM COMMISSION

FOR THE YEAR ENDED 30 JUNE, 2020

KENYA FILM COMMISSION

Film Kenya...Capture Africa!

KENYA FILM COMMISSION

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDING JUNE 30, 2020

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

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	**2019-2020**	**2019-2020**	**2019-2020**	**2019-2020**
Revenue	**Kshs**	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Government grants and subsidies	353,820,000	-	353,820,000	327,460,000	26,360,000
Covid-19 Stimulus Fund	-	-	-	8,500,000	(8,500,000)
Rendering of services	2,500,000	-	2,500,000	2,405,000	(95,000)
Sponsorship	-	-	-	-	-
Total income	**356,320,000**	**-**	**356,320,000**	**338,865,000**	**17,955,000**
Expenses					
Compensation of employees	57,429,149	-	57,429,149	60,318,477	(2,889,328)
Remuneration of the Board	14,830,000	-	14,830,000	13,882,670	947,330
Goods and services	284,060,851	-	284,060,851	200,459,973	83,600,878
Total expenditure	**356,320,000**	**-**	**356,320,000**	**274,661,119**	**81,658,881**
Surplus/Deficit for the period	**-**	**-**	**-**	**63,703,881**	**(63,703,881)**

Notes

a)

Reconciliation of budget and Statement of Comprehensive Income Surplus (Kshs)	
Surplus as per Statement of Comprehensive Income	117,173,197
Surplus as per Statement of Comparison of Budget and Actual	63,703,881
Difference	**53,469,316**
Assets Acquired as per PPE Schedule	60,969,316
Difference (Amount Rolled over from FY 2018/19	7,500,000

b) The Commission received Kshs 8.5M for artists COVID-19 stimulus package that had not been budgeted for and also did not receive Kshs 26.3M from the exchequer as had been budget and 7.5M development fund amount had been received in the previous year and hence rolled over into the 2019/2020 budget.

c) The over expenditure in compensation of employees was due to gratuity prior years under provision by Kshs 2,611,361

d) The under absorption for Goods and services by Kshs 82,777,930 was partly due to component of assets excluded and late receipt of Q4 funds from the exchequer hence no enough time to complete procurement process.

1. 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 the film industry in Kenya;
f) Coordinate and certify persons, associations and organizations participating in the production of film, photography, video, stills, animation, new media and related media;
g) Establish and administer a film promotion fund;
h) Provide liaison services for Government departments on matters relating to the promotion, marketing and development of the film industry;
i) Develop fiscal and other incentives to promote investment in the film industry; and
j) Partner, develop and create linkages with county, national and international organizations, both public and private, to improve and facilitate investment in the film industry.

k) Key Management

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

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

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Timothy Owase
2.	Manager Finance and Accounts*	Nicholas Githinji
3.	Principal Accountant	Bernard Kibe
4.	Ag. Director Technical Services	Alex Mulwa
5.	Ag. Director Corporate Services	Erick Owino

*The position of the Finance and Accounts Manager was substantively filled between 1st April 2020-18th August 2020.

(e) Fiduciary Oversight Arrangements

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

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 Commission's accounting reporting practices, internal controls, financial statements and performance of the Commission's internal audit function and independent auditors.

(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 / ceo@filmingkenya.com

Website: www.kenyafilmcommission.com

(h) Kenya Film Commission Bankers

Kenya Commercial Bank
Sarit Centre Branch
Nairobi

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

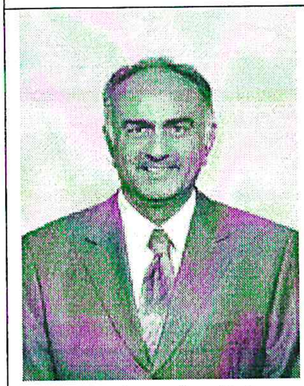
2. THE BOARD OF DIRECTORS

DOROTHY GHETTUBA PALA
KFC Board Chair Person

Ms. Dorothy Ghettuba Pala is the Netflix Manager, International Originals Africa and the Chairperson of the Kenya Film Commission Board.

She 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.
Dorothy is dedicated to developing creative talent, creating quality content and telling authentic African stories that engage and resonate with audiences. Dorothy honors include; Business Daily Top 40 Under 40 Women in Kenya in 2011 and 2014, Top 40 Under 40 Women in Film in Africa and Msafiri's Top 50 Business People in Kenya.

Dorothy is an alumnus of The Bucerius School of Global Governance in Hamburg, Germany and a 2016 Archbishop Desmond Tutu Fellow. She is a graduate of the Stanford Institute for Innovation in Developing Economies SEED program and she is dedicated to telling the African story.



AASIF KARIM

Mr. Aasif Karim is the Chairman of Safinaz Foundation as well as Founder and Festival Director of the Kenya International Sports Film Festival (KISFF). He is dedicated to this festival that showcases the synergy that exists between Sports, which unifies society, and Film which inspires society.

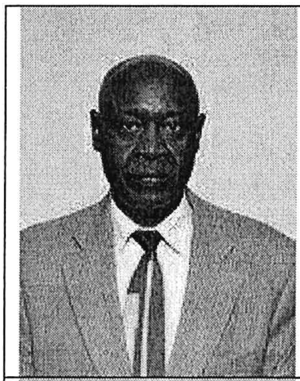
Aasif is a former national cricket and tennis Captain who played in three International Cricket Council World Cups and overall played for the Kenyan National Cricket Team for 23 years. Additionally, he provided radio and TV commentary for International Cricket Tournaments as well as written commentary on the Kenyan sports scene.

Aasif is a Fellow Arbitrator and Accredited Mediator by the Kenyan Judiciary for Family and Commercial Disputes.

SARAH MIGWI

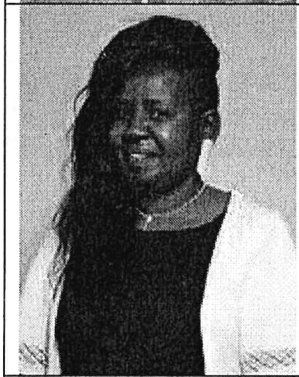
Ms. Sarah Migwi is the Founder and Managing Director of Protel Studios, a TV content production company with offices in Kenya, Uganda and Nigeria. Prior to this, she worked in Management for Endemol South Africa, East Africa TV & Radio as well as Level One Productions. She also worked as a Producer for Nation TV. Sarah has engaged in offering bespoke production solutions for advertising campaigns, documentaries, programmes and events.

Sarah is a Rotarian with Rotary International and a Board Member for Women Corporate Directors (WCD). She is a graduate of the Stanford Institute for Innovation in Developing Economies SEED program, Strathmore Business School and United States International University – Africa.



ERNEST KERICH

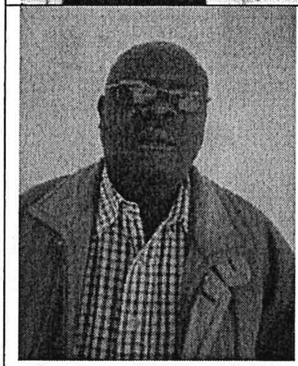
Mr. Kerich has over 38 years' experience in Public Service, starting with the Presidential Press Services and then the Department of Film Services.
He holds a Diploma in Cinematography and Certificates in Strategic Leadership Development, Corporate Governance, Financial Management, Film Governance and Society and in Total Quality Management.



EUNICE WANGECI MACHARIA

Ms. Eunice Wangeci Macharia is an Actress and a Film Producer with Kollywood (K) Movies. She has acted in and produced content for various media stations including Inooro TV, Kameme TV, K24, Mt Kenya TV and UTV.

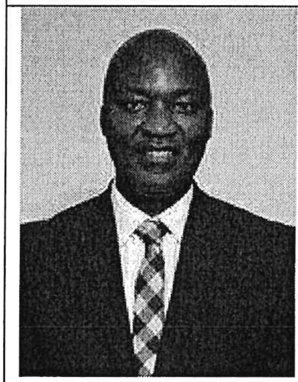
Eunice is one of the founder members of FRAK, an upcoming audio-visual Collective Management Organization.



GIDEON OLE MOSES SARUNI

Mr. Gideon Ole Saruni has over 30 years' experience in both private and public sector, among them former local authorities and County governments.

He holds a Diploma in Business Studies and Degree in Bachelor of Business Administration. He also holds Certificates in CPA section three, strategic leadership development, performance management and local government leadership and management.



TIMOTHY ODHIAMBO OWASE, MCIM, (Chartered Marketer), BBA (Marketing) MA (Communication and Development)
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 the 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.

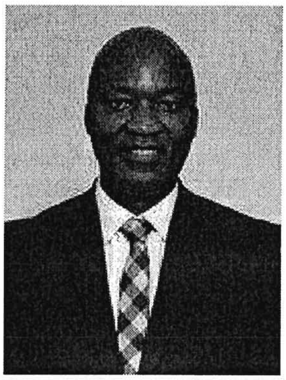
Timothy has Board level experience with fully developed analytical skills, people and systems focus, capacity for growing businesses and solid understanding in designing and implementing results bearing business initiatives and strategies. He has a strong ability to influence thinking, forge strategic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

He has an outstanding qualification in all phases of marketing, management, communication and development and 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 currently a member of Public Relations Society of Kenya (PRSK), Association of Film Commissioners International (AFCI) and Chartered Institute of Marketing (CIM).

His academic credentials include Masters in Development and Corporate Communications (MA) 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.

3. MANAGEMENT TEAM



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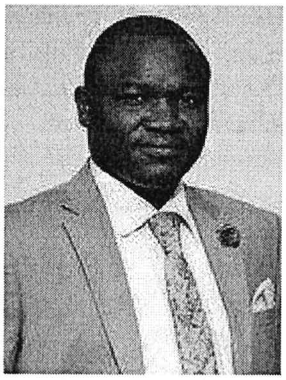
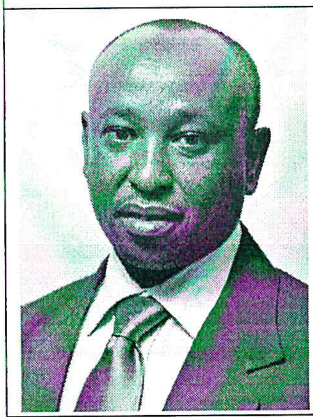


Owino Koriko
Ag. Director, Corporate Services

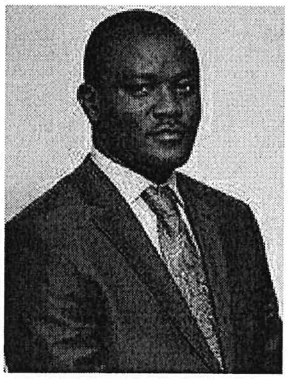
Mr. Owino provides strategic leadership in the development of appropriate structures, policies and programs that attract and retain quality talent, ensures proper and solid financial stewardship, ensures robust information communication technology and quality service delivery. He has experience and exposure in Corporate Governance for the last 14 years and is a columnist with the Standard Newspaper on Corporate Governance and Management emerging topics.

He is a holder of MBA (HRM) degree, BED (Maths & Economics), CPS (K), Dip (HRM) and CPA section 4. He is currently pursuing LLB at University of Nairobi.

	He is a member of the Institute of Human Resource Management (IHRM) and the Institute of Certified Secretaries (ICS).
	**Alex Mulwa,** **Ag. Director, Technical Services** 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.
	**Nicholas Githinji** **Manager, Finance and Accounts** Oversees prudent management of the Commission's financial resources by ensuring compliance with the laid down government policies and procedures. He has over fifteen years working experience in finance and accounting in both public and private sectors. He is a Certified Public Accountant (CPA K), holds an MBA (Operations Management) from the University of Nairobi, and a Bachelor of Business Management (Accounting) from Moi University. He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a Microfinance Trainer of Trainer (MFTOT), trained Quality Auditor by the Kenya Bureau of Standards and also a trainer of professional accountants. He has attended many management courses in the areas of corporate governance, risk management, strategic planning, financial management and reporting among others.
	**Bernard Kibe** **Principal Accountant** Mr Kibe is the Principal Accountant and deputises the Manager, Finance and Accounts. He has over fifteen years working experience in finance and accounting in both public and private sectors. He is a Certified Public Accountant (CPA K), holds a Bachelor Degree in Business Administration (Accounting Option) from Maseno University and MSC in Procurement & Logistics from JKUAT.

Catherine Gitahi
Principal Corporate Communication Officer

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 University of Nairobi 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 and pursuing a Masters in Communication for Development.



Evans Mac'Osewe
Principal Supply Chain Management Officer

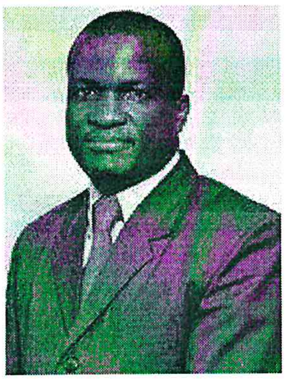
Oversees effective management of the Commission's supply chain through internal need consolidation, supplier identification, procurement process management and quality assurance in line with the Commission's mission. Evans has over 11 years' experience in Supply Chain Management with vast knowledge in 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).

Mercy Bukania
Internal Auditor 1

She is responsible for evaluating and providing reasonable assurance that risk management, control, and governance systems are functioning as intended among other key audit functions. She holds a Bachelor of Commerce (BCOM) Degree (hons) and Certified Public Accountant (CPA graduate) from Strathmore University, Kenya. She has experience in Finance, Accounting and Audit, having worked in the private and public sectors for over four years.

	**JOSEPHINE A. OYOMBE** **LEGAL SERVICES MANAGER/CORPORATE SECRETARY** 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. She was called to the Bar in the year 2012. She has 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. She is a holder of a Masters Degree (LLM) in International Trade & Investments Law from University of Nairobi, a Postgraduate Diploma in Law (PGD- Kenya School of Law), and a Bachelors Degree in Law (LLB) from Moi University. She is also a Certified Patent Agent with Kenya Industrial Property Institute (KIPI) and a Certified Mediator (MTI East Africa). She is at the verge of completing her Certified Secretary (CS) exams Section 6. (KASNEB). 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.
	**Dennis Ong'aria** **Senior ICT Officer** He is an ICT professional with over 11 years' experience in both public and private sectors. He is in charge of ICT to ensure 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 holds a Bachelor of Science in Information Technology degree from KCA University and a Diploma from the Institute for the Management of Information Systems (IMIS UK).

4. CHAIRPERSON'S STATEMENT

I present to you the Annual Report and Accounts for the Kenya Film Commission for the year 2019/2020. On

behalf of the Board, we are fully committed to ensuring that KFC fulfils its mandate that is to advice on policy matters; grow local audience and local content production while promoting Kenya as the ideal filming location.

The work of the Board remains to focus on strategic matters in close collaboration with senior management to produce best practice for the Commission's development, achievement of its goals and satisfactory performance to both the internal and external stakeholders.

The film industry (pre and post production and distribution) in Kenya has the potential to contribute to the economic pillar of Vision 2030 in terms of job creation for the youth (in Nigeria, the industry is the second biggest employer employing 1 million people), in the generation of foreign exchange and tax revenues and in the boosting of tourism. It also contributes to the social pillar and political pillar of the Vision 2030 through those films which promote national cohesion, values, culture and aspirations of the Kenyan people. The Film and Television industry is globally recognized as one of the most important contributions to employment and GNP.

The overriding goal of KFC is to make Kenya a center of excellence in film production. This role involves creating an enabling environment for the development of a vibrant local film industry as well as marketing Kenya as a leading destination for foreign film makers. The International multiplier for Government investment in the Film & TV sector is 1:6, i.e. for every Kshs 1 the Government spends, the exchequer receives Kshs 6. It is acknowledged that film and TV are the biggest global drivers for tourism as well as culture and heritage conservation.

In line with this mandate, KFC is involved in creating programs to support the industry to attain the 60% local content required by the regulation as per the Kenya Information and Communication Act 2013, and 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.

Following the directive by H.E. the President of the Republic of Kenya, to provide of Kshs 100 Million from the Sports and Arts Fund in support of Kenyan Artists with an objective of cushioning them from the negative economic impact of COVID-19, the State Department of Culture and Heritage, through her agencies, was tasked to implement this programme based on their mandate.

Kenya Film Commission made an application to the steering committee and was granted Kshs 8.5 Million in support of film makers. The amount was disbursed to film makers who submitted their applications to Kenya Film Commission under the "work for pay" program. I am happy to report that from the 33 awarded projects across 21 counties, 661 direct jobs have been created so far as.

Whilst it is acknowledged that KFC has made great strides on moving the industry forward, it is accepted that Kenya is far from reaching its potential in terms of the film and television industry. Kenya is uniquely positioned to be the gateway for the provision of film and television content to the 200 Million Kiswahili speakers in the region.

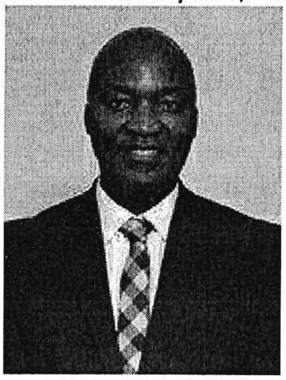
In addition to International and Regional content, the Commission seeks to partner with strategic allies in Kenya to promote local content, and especially the commercial viability of local content. The Commission will enhance the continuing discussion between broadcasters and film makers on encouraging more local content and reducing foreign content being aired on the TV Stations. Further, the Commission seeks to execute more capacity building workshops in the Counties as a way of promoting growth of film industries at the Counties.

The Commission also intends to continue promoting screen culture through film screenings in various festivals and hold focus groups on industry matters. Youth innovation, passion, energy, diversity, openness, creativity, integrity and professionalism in the film industry - these are the key words that drive the Commission's engagement. Cooperation with us provides not only opportunities to communicate and engage with our database of stakeholders, but also will reflect your valuable input into the development of a dynamic film industry in Kenya.

Looking back, this past year has been a momentous one, a year of many firsts for the Commission. We were able to lock in some funding for the industry to support many great concepts for production by film makers needing support for their work to get off the ground. I must mention that it was also a much needed relief to have our flagship project – the Kalasha TV & Film Award winners receive cash awards for the first time since its inception 8 years ago. We believe by doing this, there will be more content creation that will in turn interest many stakeholders, both public and private to partner with the industry and grow audience consumption of local content. There is a growing preference and viewership for local content among the Kenyan audience and KFC believes that it is in all stakeholders' best interests to fulfil that unmet demand. In this regard, KFC continues to work with the Ministry of ICT, Innovation and Youth Affairs to create awareness on the minimum local content that must be aired by our local broadcasters together with other institutions such as the Communications Authority of Kenya. We believe that this is key in ensuring that we tap into the broad benefits of what the film and television industry provides for Kenya including: spurring economic growth, creating employment for the youth in line with the Ajira Digital Program, building the National brand, preserving our National culture and heritage, promoting Tourism and enhancing National Cohesion and Integration. I would like to thank each and every member of the Commission for their commitment, loyalty and enthusiasm to deliver the best. May we keep up the spirit of excellence and exemplary performance to the next year!

Signed:................................ Date.....................

5. REPORT OF THE CHIEF EXECUTIVE OFFICER



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

The strategic importance of the film industry to Kenya underlines economic growth, job creation and skills development, supporting innovation, growth in infrastructure and investment, delivering productivity, enriching cultural value, embracing cultural diversity, inspiring audiences through education, information and connecting people. Further, the industry has continued to provide wider elements of benefits through visual effects, children television, video games, animation, E- sports, and other High end Television. Film production is currently thriving around the world, with the number of productions and investment going into them expanding as media, entertainment and technology players – both established and emerging – compete for the attention and spend of a growing consumer base that increasingly has direct access to content.

The industry is fast getting more global in terms of where projects can be made, with producers making key decisions in setting projects in jurisdictions which offer the most attractive fiscal incentives and film-making environments. In addition, there is a new trend where large production entities are building content platforms for worldwide audiences by pursuing localization strategies for content.

From the support given by Government, many independent markets around the world are increasing content output and sophistication. This has led to the change in how we perceive the film sector, i.e. from a cultural undertaking to an industry which also delivers substantial economic impacts and benefits.

Today, the film industry has become a crucial driver for economic growth, as is of key strategic importance to Government as a result. It is increasingly being regarded by Government as not only culturally important, but also as a powerful driver for economic development. Productions generate significant amounts of expenditure in production locations, which is distributed across on-location crew, local production companies, service and rentals companies, and a range of other suppliers such as caterers, restaurants, hotels, telecommunication, insurance and transport providers.

Productions in Kenya have significant effect on job creation, generating freelance employment as well as full-time positions. Jobs in this field are also of strategic value to Government because they are highly skilled. The sector has also come out as a powerful driver of activity in other creative industries such as advertising, marketing and public relations, publishing, music, performing arts and digital among others.

In order to position the sector as one of the key drivers of economic growth, there is need to address the cost burden of producing films, incentivize public investment, financial support to film products, and consider the sector as more lucrative and not as a high risk sector.

Whereas the sector is crucial in economic growth, governance is critical to the well-being of the sector, as there is urgent need for general filming guidelines, strengthening of the film industry Guilds and Associations, Intellectual Property awareness, professional code of practice, practitioners welfare considerations i.e. medical cover, insurance and cooperative society among others. The necessary guidelines currently under development will enable and bring order and sanity in the business operations as it will promote responsibility and accountability in all aspects.

A one stop shop is paramount to the ease of filming in Kenya, thus the need to operationalize an E- FILM shop for efficient and effective service delivery. Filming, unlike other services, requires that you connect with various organizations i.e. KRA, National Police Service, KWS, County governments, the film classification agency, conservancies, KCAA among others. There is also need to rationalize various fees payable to varied agencies, taxation on equipment and other inputs, incentives for investment in film production and distribution infrastructure, multiple licensing, cost and use of drones, inventory of shooting locations as well as promotion of film production beyond Kenya. Around the world, most Governments make deliberate strategic investments in film to promote the growth of the sector due to its high multiplier effect, the direct opportunities for domestic employment, foreign exchange earnings as well as to impact national brand building.

Most countries, in order to attract international films to be shot in in their jurisdictions, have established tax incentive programs, with a cash back rebate on a percentage of their expenditure upon completion of projects. Stimulating high value film co-production requires the establishment of bilateral co-production agreements with strategic film markets, as well as a co-production Incentives for film projects.

To nurture and capacitate emerging low budget filmmakers and independent clusters, and to allow them to take up big budget productions, there is need for the establishment of film development and production support programs like the "Empowerment Program" instituted by the Commission recently, which supports the professional development of scripts, provides partial financing for productions, capacity development as well as the development of film marketing, distribution and festivals.

In appreciating the significance of the film sector, the President of the Republic of Kenya issued a directive to provide Kshs 100 Million from the Sports and Arts Fund in support of Kenyan Artist with an objective of cushioning them from the negative economic impact of COVID-19, Kenya Film Commission was granted Kshs 8.5 Million in support of film makers. The amount was disbursed to film makers who submitted their applications to Kenya Film Commission under the "work for pay" program. It is worth reporting that 661 direct jobs have been created from the 33 awarded projects. This is a clear testament that the film sector has the potential to transform lives hence the need to exploit this immense potential.

Finally, the Commission was able to organize the first cycle of its Film Empowerment Program launched in April 2020 where a total of 72 film makers submitted to the Commission for consideration spanning 48 films for production, 20 to be developed and 3 films to be marketed and distributed. While each category of funding had its own specific criteria, the ultimate goal was to ensure that filmmakers ranging from emerging to those with experience benefit equitably from the film industry empowerment programme funds. 45 applications were nominated and categorized as follows; 13 to be considered under development, 31 for consideration in production and 1 for Marketing & Distribution. A total of Kshs 25 million was disbursed accordingly to the 12 winning projects.

Signed:.................................. Date. 29.4.2021

6. REVIEW OF KENYA FILM COMMISSION'S PERFOMANCE FOR FY 2019/2020

The Commission has 5 strategic pillars and objectives within its Strategic Plan for the FY 2015 - 2019. These strategic pillars are as follows: -
Pillar 1: Marketing
Pillar 2: Film Industry Development
Pillar 3: Research & Advocacy
Pillar 4: Organization Development
Pillar 5: Sustainability

Pillar 1: Marketing
The marketing pillar will aim at enhancing attractiveness, visibility and uptake of the country's Film and TV industry resources at the county, national and international level. This Strategy looks at marketing from two fronts: destination marketing and product marketing. Destination marketing aims at generating more demand for filming in Kenya. It will look at aspects of film locations, liaison services, industry incentives and platforms that will enable reflection of Kenya's film assets to global audiences and film makers.

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

Pillar 2: Film Industry Development
Kenya's Film and TV industry is currently estimated to employ around 15,000 people and generate Kshs 3.8 Billion annually. This is in spite the challenges experienced in the sector. It is apparent that the Commission can play a much more significant role in the industry towards employment and wealth creation if a more conducive financial, legal and regulatory framework was in place. The estimated industry potential is about 250 000 jobs and Kshs 40 Billion in annual revenue at optimum performance.

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

Pillar 3: Research and Advocacy
In performing its advisory and advocacy role, the Commission notes that it requires timely and accurate industry data. However, accurate statistical data for the industry is lacking at the moment. To reposition, it is imperative that KFC directs continuous efforts to lobby for their finalization, adoption and enactment. This will be achieved through engagement with the relevant Government institutions. The Commission will also partner with Counties to ensure consistent implementation of national film policies and laws at industry level.

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

Pillar 4: Organizational Development
Given the dynamism of the Kenya Film and TV industry needs, the Kenya Film Commission seeks to enhance its institutional capacity to keep pace with demands of the industry. The key areas for institutional strengthening have been recognized as human resource capacity through organizational structure and

institutional re-categorization. In recognition of the fact that the Commission has highly skilled human capital, the challenge remains in retaining and aligning this talent to one strategic direction.

Pillar 5: Sustainability
While there are a number of initiatives that need undertaking to improve the industry, inadequate resource base is a hindrance to successful implementation. It is therefore necessary for the Commission to seek alternative ways of obtaining resources to develop this industry. This will require the development of comprehensive resource mobilization and management strategy that identifies the potential resource partners, ways of engagement with them, potential projects for support, and methods of implementation, monitoring and reporting progress.

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

The Commission develops its annual work plans based on the above 5 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Commission achieved its performance targets set for the FY 2019/2020 period for its 5 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Pillar 1: Marketing	Improve awareness and uptake of local film assets	No. of online platforms developed	Create online platforms to showcase Kenyan film products	E-film shop platform developed
		Conceptualized Kenyan International Film Festival	Conceptualize and implement a Kenyan International Film Festival	Kalasha TV & Film Awards held in November 2019
		No. of film locations mapped	Map out film locations and develop locations library	Film Locations mapped and portal developed
		CSR Program developed and implemented	Develop and roll-out a Corporate Social Responsibility program	CSR activities held in February 2020
Pillar 2: Film Industry Development	Develop Incubation Hubs	No. of Incubation Hubs established	Establish Incubation Hubs through PPPs	Three Incubation Hubs through partnerships with the counties: in Uriri, Migori County, Nyeri County and Vihiga County

Pillar 3: Research and Advocacy	Develop a comprehensive in-house processes for continuous capturing and dissemination of industry data	No. of industry based researches done	Conduct baseline industry survey	Economic Contribution of Film in Kenya; Industry Training Needs Assessment survey
Pillar 4: Organizational Development	Align the organizational structure to support implementation of the Strategic Plan	Reviewed Organogram	Review the organizational structure in line with the strategic plan	Organogram was reviewed
		Approval by SCAC	Seek approval of the new organizational structure	Approval of the new Organogram
		Reviewed HR Policy Manual	Review implement and monitor Human Resource Manual	Approved HR Manual implemented
Pillar: 5 Sustainability	Build synergies with Counties and Development partners in carrying out industry development activities	No. of programmes developed through partnerships with the counties	Seek joint industry programmes with Counties to develop film and TV industry at the County level	Three incubation hubs through partnerships with the counties, in Uriri, Migori County, Nyeri County and Vihiga County
		No. of MOU's signed	Forge bilateral agreements with development partners in areas of mutual interest i.e., skills and technology transfer	MOU's signed with Konza, Bomet County, Vihiga County and Dedan Kimathi University in the FY 2019/2020

The Activities were captured and implemented as targets under the Performance Contract for the financial year 2019/2020 under the Core mandate indicator.

7. CORPORATE GOVERNANCE STATEMENT

Introduction

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

Each of the Directors and all of the Commission's management are fully committed to high standards of corporate governance which includes embracing the following principles; observe high standards of ethical and moral behaviour; act in the best interests of stakeholders; ensure that the Commission acts as a good corporate citizen and is recognized as an icon in service provision; recognize the legitimate interests of all stakeholders and remunerate and promote fairly and responsibly.

Board Charter

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

Role and Responsibilities of the Board

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

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

Our commitment

We are committed to the highest standards of corporate governance and business ethics. Our corporate governance practices are essential to the service delivery of long term and sustainable stakeholder value. The Commission continues to adhere to its obligations as a State Corporation in Kenya in compliance with the Mwongozo Code of Practice and the State Corporations Act CAP 446. In this regard, during the period, the Corporation undertook a review of its level of compliance as at 30th June, 2020. The Commission also adheres to the rules and regulations that govern State Corporations.

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

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

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

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

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

Conclusion

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

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 38 meetings held for the year under review as follows:

	Full Board Meeting Attendance				
	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2017/18**
1	Ms. Dorothy Ghettuba Pala	Board Chairperson	3rd May 2019	2nd May 2022	4/9
2	Mr. Gituro Michael Mwangi	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	4/9
3	Mr. Gerald Owino	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	5/9
4	Ms. Lynne Janis Waithiegeni Kanguru	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	0/9
5	Hon. Jarso J. Fallana, OGW	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End	5/9
6	Ms. Jacqueline Misiko Andere	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End	1/9
7	Mr. Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	5/9

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 hereunder.

	Marketing, Film Industry Development Board Committee				
	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2019/19**
1	Ms. Jacqueline Misiko Andere	Chair	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/4
2	Mr. Gituro Michael Mwangi	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/4
3	Mr. Gerald Owino	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/4
4	Hon. Jarso J. Fallana, OGW	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/4
5	Ms. Lyne Janis Waithiegeni Kanguru	Member	26th Oct. 2016 (1st Term)	Resigned in November 2018	0/4

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 fulfil 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 2019/20**
1	Gerald Owino	Committee Chairman	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/5
2	Hon. Jarso J. Fallana	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/5
3	Ernest Kerich	Member (PS Rep)	-	-	0/5
4	Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	5/5
5	Waithiegeni Kanguru	Member	26th Oct. 2016 (1st 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 2019/20**
1	Hon. Jarso Fallana	Committee Chairman	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	4/4
2	Ernest Kerich	Member (PS Rep)	-	-	0/4
3	Argwings Owiti	Member (Treasury PS Rep)	14th Oct. 2015	-	4/4
4	Mwangi Gituro	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	4/4

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 Commission's budgets, financial plans and risk management and liaise with the external auditors. The Committee held regular meetings and special meetings in the year under review.

	Audit & Risk Committee				
	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2019/20**
1	Michael M. Gituro	Committee Chairman	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	2/4

2	Gerald Owino	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End) (Resigned on 8th March 2019)	1/4
3	Argwings Owiti	Member (NT PS Rep)	14th Oct. 2015	-	2/4
4	Jacqueline Misiko Andere	Member	26th Oct. 2016 (1st Term)	25th Oct. 2019 (1st Term End)	1/4

After the expiry of the Board that was appointed to serve from 26th October 2016 to 25th October 2019, new Board members were appointed to serve from 21st October 2019 to 20th October 2022.

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 38 in total (combined with the ones of the Board whose term expired) meetings held for the year under review as follows:

Full Board Meeting Attendance

	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2019/20**
1	Ms. Dorothy Ghettuba Pala	Board Chairperson	3rd May 2019 (1st Term)	2nd May 2022 1st Term End)	3/9
2	Mr. Ernest K. Kerich	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	6/9
3	Ms. Sarah W. Wangeci	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	6/9
4	Mr. Aasif Y. Karim	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	6/9
5	Ms. Eunice W. Macharia	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	6/9
6	Mr. Gideon Ole Saruni	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	1/9
7	Mr. Kaugi Kibaara	Member (MICT Rep)	14th January 2020	-	4/9
8	Mr. Peter Njoroge	Member (NT PS Rep)	7th August 2020	-	0/9

Committees of the Board

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

Strategy & Technical Board Committee

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

Strategy & Technical Board Committee					
	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2019/20**
1	Ms. Sarah Migwi	Chairperson	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
2	Mr. Ernest Kerich	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
3	Ms. Eunice Wangeci	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
4	Mr. Aasif Karim	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
5	Mr. Kaugi Kibaara	Member (Rep MICT PS)	From 14th January 2020	-	1/4

Finance, Supply Chain & ICT Board Committee

The Finance, Supply Chain & ICT Board Committee is responsible for performing the duties delegated to it by the Board of Directors, to enable the Board to fulfil its responsibilities, in relation to approving financial budgets & policies, procurement plans & policies, ICT goals and objectives, and evaluating the performance against these goals and objectives, for the Commission, and liaising with the National Treasury, ICTA and PPRA.

Finance, Supply Chain & ICT Board Committee					
	Name	**Role**	**When appointed**	**When retiring**	**Meetings attendance 2019/20**
1	Aasif Karim	Committee Chairman	21st Oct. 2019 (1st Term)	21st Oct. 2019 (1st Term)	2/5
2	Eunice Wangeci	Member	21st Oct. 2019 (1st Term)	21st Oct. 2019 (1st Term)	2/5
3	Gideon Ole Saruni	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	1/5
4	Kaugi Kibaara	Member (MICT PS Rep)	-	-	2/5
5	Peter Njoroge	Member (NT PS Rep)	-	-	0/5

Planning, Human Resources & Administration Board Committee

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

	Name	Role	When appointed	When retiring	Meetings attendance 2019/20
Planning, Human Resources & Administration Board Committee					
1	Eunice Wangeci	Committee Chairman	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	3/4
2	Ernest Kerich	Member (PS Rep)	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	3/4
3	Sarah Migwi	Member (Treasury PS Rep)	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	3/4
4	Aasif Karim	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	3/4
5	Kaugi Kibaara	Member (MICT PS Rep)	-	-	3/4
6	Peter Njoroge	Member (NT PS Rep)	-	-	0/4

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

	Name	Role	When appointed	When retiring	Meetings attendance 2019/20
Audit, Risk & Compliance Board Committee					
1	Ernest Kerich	Committee Chairman	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
2	Sarah Migwi	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	2/4
3	Gideon Ole Saruni	Member	21st Oct. 2019 (1st Term)	20th October 2022 (1st Term End)	1/4

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

Board 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;
(b) The Principal Secretary of the Ministry for the time being responsible for the film industry;

(c) The Principal Secretary to the National Treasury
(d) Chief Executive Officer of the Commission;
(e) Five other persons, who in the opinion of the Cabinet Secretary, possess skills and experience that will benefit the work of the Commission appointed by the Cabinet Secretary.

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

The Board membership removal
The Chairperson or any member of the Board may-

a. at any time resign from office by a notice in writing addressed to the President and Cabinet Secretary; respectively
b. be removed from office if the Chairperson or a member of the Board:
    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 Kenya 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 as sitting allowance or other remuneration as may be guided by the relevant government authorities from time to time.

Board Performance
The Commission, in compliance with Mwongozo code of Governance conducts an annual Board Evaluation through the State Corporations Advisory Committee (SCAC). The following is a summary of the performance evaluation results for the year 2019/2020 conducted **on 20th July 2020** as provided by SCAC.

	Name of Director	**Position**	**Date of Appointment**	**Expiry of term**	**Mean Score**	**% age Score**
1	Dorothy Ghettuba	Chairperson	3rd May 2019	5th May 2022	**4.5556**	**91.11**
2	Aasif Yusuf Karim	Member	21st October 2019	20th October 2022	**4.3078**	**86.16**

3	Ernest Kerich	Member	21st October 2019	20th October 2022	**4.8291**	**96.58**
4	Eunice Wangeci Macharia	Member	21st October 2019	20th October 2022	**4.2417**	**84.83**
5	Gideon Ole Moses	Member	21st October 2019	20th October 2022	**4.0770**	**81.54**
6	Sarah Migwi	Member	21st October 2019	20th October 2022	**4.5595**	**91.19**
7	Kaugi Kibaara	Member	N/A	N/A	**4.4509**	**89.02**
8	Timothy Owase	Chief Executive Officer	21st October 2019	20th October 2022	**4.3917**	**87.83**
Corporate Board Performance					**4.2774**	**85.55**

Risk Management and Internal Controls

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

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

Signed on this ....day of 2020

....

Timothy Owase

Chief Executive Officer

8. MANAGEMENT DISCUSSION AND ANALYSIS

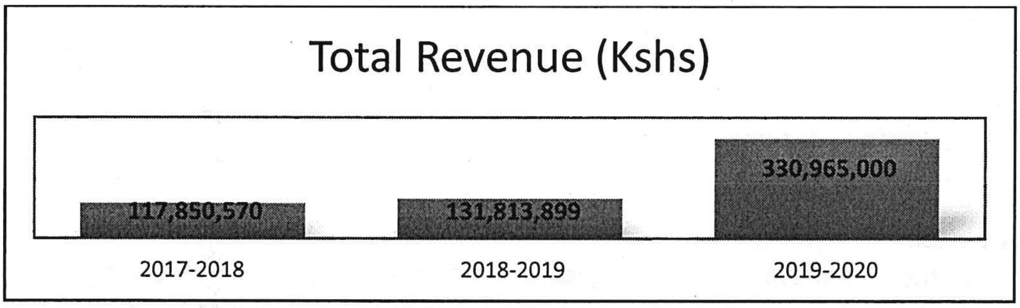
The management is upbeat to report on the operational and financial performance of the organisation during the period FY 2019/20.

Financial Performance

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

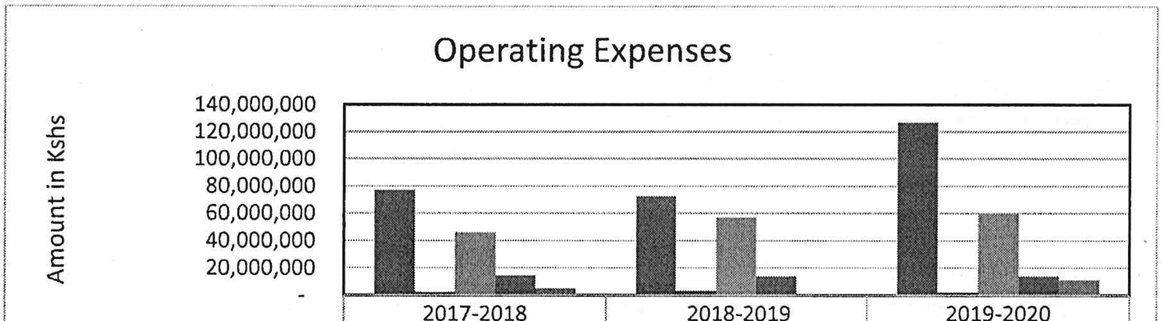
	2017-2018	2018-2019	2019-2020
Other Income (Kshs)	1,371,965	2,124,803	10,005,000
Exchequer (Kshs)	116,478,605	129,689,096	320,960,000
Total Revenue (Kshs)	**117,850,570**	**131,813,899**	**330,965,000**

There was a significant growth in funding from the exchequer that is as depicted below:



Under other income in the 2019/2020 financial year, the commission also received an allocation of Kshs 8,500,000 Covid-Stimulus fund to go towards artists in the film industry.

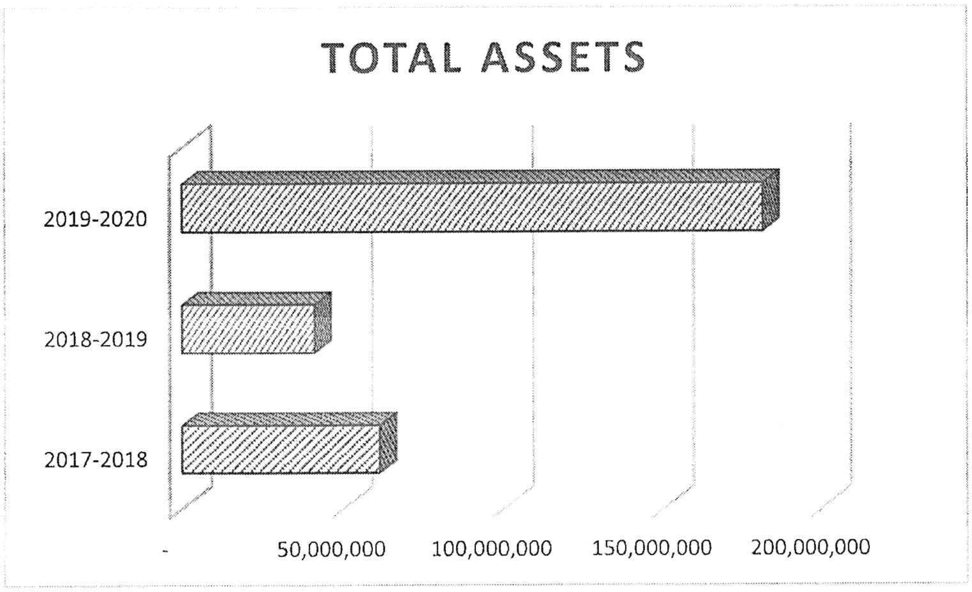
The operating expenses across the last 3 years is as shown below:



	2017-2018	2018-2019	2019-2020
Use of goods and services	77,002,038	72,655,040	126,847,845
Repairs and Maintenance	2,442,527	3,276,732	2,116,826
Employee costs	46,174,528	57,026,120	60,318,477
Remuneration of directors	14,295,580	14,038,349	13,882,670
Depreciation	4,871,132	-	11,348,934

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

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



Operational Performance
During the financial year, the Commission created the greatest impact ever in the industry by way of funding content creation which was received with much gratitude by film makers and other stakeholders across the board.

The Commission was able to organize the first cycle of its Film Empowerment Program launched in April 2020 where a total of 72 film makers submitted to the Commission for consideration spanning 48 films for production, 20 to be developed and 3 films to be marketed and distributed. While each category of funding had its own specific criteria, the ultimate goal was to ensure that filmmakers ranging from emerging to those with experience benefit equitably from the film industry empowerment programme funds. After evaluation process was done on the basis of the applicant's responsiveness to mandatory requirements provided, 45 applications were nominated and categorized as follows; 13 to be considered under development, 31 for consideration in production and 1 for Marketing & Distribution. A total of Kshs 25 million was disbursed accordingly to the 12 winning projects.

Following the directive by H.E. the President of the Republic of Kenya, to provide Kshs 100 Million from the Sports and Arts Fund in support of Kenyan Artists with an objective of cushioning them from the negative economic impact of COVID-19, the Kenya Film Commission made an application to the steering committee and was granted KES. 8.5 million to support film makers from all the 47 counties to create employment by developing film content that will communicate, entertaining and resonate with "wanjiku" in relation to COVID-19 and its impact social-economically. A call for funding applications for the stimulus program was put up on 18th May 2020 and closed on 13th June 2020 having received 98 applications from the following Counties: Bungoma, Kiambu, Mombasa, Uasin Gishu, Nakuru, Kwale, Nairobi, Makueni, Machakos, Kajiado, Murang'a, Busia, Siaya, Trans Nzoia, Nandi, Tharaka Nithi, Elgeyo Marakwet, Homabay, Kericho, Bomet, Narok, Baringo, Kisumu and Embu. Out of the 98 submitted projects, only 62 projects met the set criteria, were subjected to the technical evaluation process and 33 projects from 21 counties were finally awarded the prize money.

Further, the Commission partnered with Documentary & Reality TV to organize a television concert dubbed *Concert Nyumbani* broadcast countrywide on the Sunday of 12th July 2020 across several television channels. This was aimed at educating Kenyans on COVID-19 Pandemic, entertaining masses, appreciating frontline workers and collaboration with artists. From this, KFC was able to contribute to artists' wellbeing by direct support to; 4 production companies; 12 instrumentalists; 4 sound technicians; 8 band members; 4 crew for documentaries; 8 crew for studio; 4 stage set up and grips and other artists e.g. poets and musicians as well as service providers.

In pursuit of devolving Resource Centres and building capacity of film makers, the Commission rolled out film Resource Centres across the country for purposes of supporting grass root film production needs and promoting grass-root cinema from inspiring filmmakers and artists and to this end, collaborated with the Kenya Broadcasting Corporation (KBC) through the Studio Mashinani programme to host Resource Centres in Muranga, Mombasa and Migori counties. Also, the Film Location Mapping was rolled out in the following counties and attraction sites: Baringo, Iten, Kerio Valley and Nakuru County.

The Commission was able to have consultative meetings and interactions with over 700 stakeholders in the country and signing a Memorandum of Understanding with Bunyore Constituency for a Film Hub in Vihiga County.

Further, the Commission embarked on grooming future filmmakers by launching a School Outreach Programme in Secondary Schools with a mission to use the power of film and art to connect with students through formation of film clubs. This is aimed at educating students on the importance and benefits of the film industry as a potential employer. Joint partnerships for capacity development were implemented with Canon-Kenya and Multichoice Talent Factory for 50 Scriptwriters. Four public screenings were achieved in 4 slums namely; Bangladesh (Mombasa), Manyatta (Kisumu) and Mathare & Kibra (Nairobi) in pursuit of Archiving and Screen Culture Development.

In pursuit of nurturing local talent and promoting the local film industry, the Commission partnered and participated in several film festivals i.e. the Coast Film Association for the Coast Film Festival from 11th to 13th September 2019. The festival included a series of Film workshops, film screenings and the Coast Film Festival award ceremony. The Commission also participated at the Durban International Film Market, an event that facilitates interaction between Film Commissions with film makers from all over the world, which took place from 17th – 25th July 2019, with the strategic decision to participate based on the position that South Africa is an important film regional market for Kenya and offers a business to business platform for the Kenyan film makers.

The Commission commenced the Kenyan Creative Database collation and generated a free online application form to be filled by stakeholders via our website to be used as a search tool by local and international interested parties to access talented Kenya freelance individuals, companies and associations. It will also be used to make strategic and policy oriented decisions. This can be accessed via the link https://forms.gle/htvo1nAPn7q8ssWF9

A concept paper for a Digital Film and Media City was developed and submitted to create a modern digital media center within Konza Technopolis to serve Kenya and the Africa region. The Digital Media City is envisaged to be a place where creative talent in the media and entertainment industry will be nurtured and supported by a robust smart city environment with a vibrant range and mix of people. It will comprise film development agencies, world class film and music production studios and production studios for Photography, Advertisements, Cinema and TV Industry.

Operationally, the Commission under the period in review sensitized staff on Corporate Governance in the month of August 2019 aimed at strengthening corporate governance at the Commission.

Lastly, we were able to host the 9th Kalasha International Film & TV awards on 30th November 2019 at the Safari Park Hotel and a total of Kshs 2.5 million was raised as sponsorship from private and public companies towards the planning of the event during the quarter. We also hosted *My Kenya My Story* mobile phone film competition, an activity within the Commission's commitment of growing Kenya's film industry, focussing on application of affordable technology in telling stories. The competition is aimed at powering the growth of the local film industry countrywide with the affordability of a smart phone over high-end equipment. The year's theme of the competition - COVID 19: Staying at Home and Social Distancing - highlighted a wide spectrum of perspectives as expressed by over 250 filmmakers from various Counties who submitted their films. Additionally, many films made good use of accessories to ensure stable shots, good lighting and audio. A total of Kshs 600,000 was awarded to the winners collectively.

Enterprise Risk Management

Risk Management is a strategic function of the Commission's business and is applied in the day to day operations across all departments. This ensures that all risks are managed optimally and comply with the approved policies and tenets of good corporate governance.

In the year under review, the Commission embarked on further strengthening its Enterprise Risk Management framework by revising its framework documentation. The Commission has an Enterprise Risk Management Policy which provides the framework to manage the risks associated with its activities. The Policy outlines the potential risks and provides guidelines for risk assessment, monitoring and reporting. The framework is aligned to the Commission's strategic themes and objectives.

During the year, the Commission undertook continuous monitoring and reporting on management of key corporate risks. It integrated risk management into the Strategic Plan, undertook Business Impact Analysis and Business Continuity Management.

Risk Management was also implemented in the Commission's activities. The Commission faces Corporate Risks during the implementation of its strategies. The risks include; Occupational Health Risks; Business Continuity Management; Political interference; Cyber Security; Legal Risks; and Procurement Risks.

During the year, the Commission focused on certain strategic interventions to mitigate on the effect of the risks.

To minimize Occupational Health Risks, the Commission has put in place a Health and Safety Policy to minimize risk to members of Staff. In regard to cyber security, the Commission software is regularly updated with patches to minimize business continuity management risks. Other measures employed to address enterprise risk include documentation of recovery steps in the disaster recovery plans for systems, continuous training of Board, Management and Staff on risk management practices, reference checking of key suppliers, regular scanning and penetration testing of the network.

Risk Champions were appointed to spearhead the risk management implementation process and a Risk Management Committee of the Board established to provide oversight.
The Commission continues to deploy a systematic process in managing its risk exposure in pursuit of its strategic goals.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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

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

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

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

We endeavour to lead by example as an important practice to individual staff and as a collective responsibility. The Commission believes that our operations must always have a minimal impact on the environment. We also acknowledge that there are inevitable environmental impacts associated with our daily filming activities as well as those associated with film production.

We endeavour to continually minimize any harmful effects to our environment by developing and implementing filming environmental standards. As such, we seek to identify opportunities to optimise consumption of energy, water and other natural resources;

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

The Commission believes in its human capital as the backbone of our continued success. We therefore seek to recruit, retain, reward and develop the best talent at the Commission. We recognise the need to inculcate among our employees the culture of freedom, accountability and responsibility to our environment. This ensures that employees apply the Commission's core values in their daily interactions.

We continue to train our employees to value and believe in each other, provide necessary support systems for people with different needs and have a culture that encourages acceptance of diversity. We also seek to improve the welfare and skills of our employees through structured programs for personal and professional development. We introduced knowledge management, CEO's Baraza program among others. We also acknowledge and participate in mainstreaming gender by considering bridging the gap in recruitment of the minority in our society.

The Commission continues to support various initiatives. During the year, the Commission undertook CSR activities at the Kamiti GK prisons. Here, the Commission ensured quality time with inmates, provided them with essentials as well and entertainment. Also, we have introduced Training for Trainers (TOTs) which enables prison warders to acquire requisite skills for knowledge transfer to inmates. Other activities boarder on the sponsorship of the best journalist covering the creative sector under the Media Council of Kenya. National tree planting at Konza Metropolis as well as tree planting at the Olympic Secondary School in Kibra Nairobi.

The Commission also aims to ensure a safe and healthy working environment for all its employees and customers. The Commission always aims at complying with all relevant regulations and guidelines recommended by the national health and safety authorities.

Sustainability Strategy and Profile

Diversity and environmental sustainability are a major consideration across all determining factors in making a choice for a filming destination. Diversity and environmental sustainability are central issues for the film sector. It should be noted that best practices in these areas are key considerations at all points of sectoral development, including formal legislation and informal approaches. Moreover, these are also issues that must be addressed through the design and delivery of a functional film industry structure.

Recognizing the economic and cultural benefits of attracting international production and developing a local industry, the Commission is making a range of interventions which seek to achieve these aims. There is considerable formal interventions including legislation, direct funding, and strategies that increase sectoral capacity and quality. Informal best practice demands intervention in processes and procedures that reduce friction for film-makers at any point across the production process.

On the other hand, policy, legislation, and strategy dictate that a well-designed policy is a cornerstone of development for a healthy film sector. This includes both sector-specific and non-sector-specific policy in areas where it affects jurisdictional productions. A key point is that legislation related to industry development is a major tool for sectoral development and is being closely informed by the needs of international and national productions to be effective. To this end, legislation and related guidelines are being clearly instituted without limitations or unrealistic expectations on the practitioner. Other critical areas of legislation is relevance to film projects i.e. taxation, company and employment law, visas and customs, Intellectual Property (IP) and related rights, and classification.

Another key area of focus is industry strategy. As with legislation, the film sector can intersect with wider strategy approaches in a number of ways. This include a government's overarching industrial strategy; in this case the BIG 4, Vision 2030 and the recognition of the economic and strategic value of the film and the broader creative industries.

Skills Development, Physical Infrastructure and Services

The scale of global production investment has significantly increased the need for physical spaces to shoot or manufacture film content. Production studios are now a key area of need in many markets and are strategic. Therefore, long-term Government investment is a key ingredient for developing production infrastructure and building the sector. Production facilities such as Studios require significant capital expenditure and financial support from the State. It is also necessary to promote private investment in the facility by lending upfront costs on favourable terms or by directly investing in infrastructure.

Filming Environment
A filming-friendly environment involves a shared, positive view of the industry across a range of different Government departments, Agencies, Counties and other entities. Film productions need to bring technical equipment and crew. This requires precision in service delivery, processes, communication with no delays in ground services. The Commission and other related agencies should therefore effectively communicate the positive impacts of the sector, in order to ensure ongoing support from all relevant stakeholders and, in turn, to ensure effective policy measures.

Sustainable Production Guidelines
KFC is facilitating the first inter-Africa co-production treaty between SA and Kenya. While an MOU for close collaboration is also in place, we are focused on the environmental impact and resource use of the industry in Kenya. We therefore plan to conduct a local industry assessment and set localized guidelines to encourage best practice for local and international productions.

Sustainable practices for production companies or individual productions
We note that studios are smaller and fewer than other jurisdictions and the industry is very much focused on TV production. At the same time, large foreign productions do shoot on location in Kenya. For example, the French project that was done on the ground (Kshs 400 million budget) in February, 2019. The Commission will develop and implement an action-oriented sustainability strategy which aligns with the goals within established frameworks set out above.

Document best practices implemented by your organization
These practices include: Educating the workforce on the impact of climate change and resource consumption, prioritizing the use of low-carbon materials to encourage change in our supply chains, source materials locally, and use products with post-consumer recycled content. As already happening in South Africa, we plan to conduct a full greening intervention and sustainability report on a specific production, or the Kenyan leg of an international production. We could also work with a service company, TV channel or studio to assess current practices and implement a company-wide sustainability strategy.

Training and advocacy
The need for sustainable practices in this industry, mapping international trends and opportunities locally, we are to co-develop a SETA accredited training module for Sustainability Monitors working in the film and media production industry comprising two one-day workshops and a workbook. KFC is hosting training workshops with the Multichoice Talent Factory to develop industry skills.

Renewable energy for studios
Continuously encouraging renewable energy (mainly solar) installations, including scoping, construction and project management while exploring opportunities around renewable energy installations for film industry stakeholders, including applying for grant funding.

To contribute to these goals we pledge to:
Formally develop and implement an action-oriented sustainability strategy which aligns with the goals within established frameworks noted above, or as an Ambassador, encourage organizations with whom we work with to do so. Establish metrics to quantify, track, and report on resource consumption, emissions and impacts through the establishment of a baseline and assessment of performance over time; or as an Ambassador, encourage organizations to do so.

Educate the workforce on the impact of climate change, water and resource consumption, and waste, Prioritize the reduction and efficient use of fuel, energy and materials. Prioritize the consumption of low-carbon foods.

Prioritize the use of sustainable, low-carbon materials. Influence supply chain and procurement decisions to prioritize products that are energy efficient, non-toxic, have a low-carbon footprint and reduce waste. Implement business practices that encourage the principles of resource efficiency, such as energy efficiency, water conservation, waste reduction and transport management.

Contribute to social and community development. Develop and encourage partnerships that enable knowledge-sharing on sustainable best practices. Advocate for incentives and policy for sustainability. Leverage the influence of the industry on the general public to achieve a broader cultural shift towards a more sustainable way of living through inclusion of direct or indirect sustainability messaging and communicate progress on the actions in the pledge above every two years to demonstrate improvement.

A well-designed, supportive policy landscape is critical to the development of a healthy Screen sector. This includes both sector-specific and non-sector-specific policy in areas where it affects Screen production. The Policy seeks to ensure that Kenya strategically exploits its resources and places itself optimally in an increasingly globalized market for content development. In general, the policy seeks to facilitate the promotion of the Kenyan cultural heritage and the sustained development of the Kenyan film industry.

1. Environmental performance

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

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

Further, the Commission has undertaken tree planting activities in the year under review at the Ngong Hills, Kamiti Childrens' Home and the new Silicon Savannah-Konza City as part of the Government's strategy to restore forest cover. A total of 3,000 seedlings were planted. The number will be increased gradually to 1 million seedlings which will be planted within Konza City and the surrounding areas through community engagement. KFC continues to partner with relevant institutions to ensure the trees planted are protected and nurtured until they mature.

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

2. Employee welfare

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

The Commission has 20 males and 17 female staff hence 1/3 gender ratio is attained. The Commission makes efforts in improving skills and managing careers, appraisal and reward systems. The Commission continuously improves staff skills by conducting trainings and ensuring the registered members to the professional bodies are in good standing.

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

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

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

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

3. Market place practices-

a) Responsible competition practice.

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

b) Responsible Supply chain and supplier relations

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

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

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

c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices

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

Ethical Norms

As a Government Marketers Agency, we must:

1. Do no harm. This means consciously avoiding harmful actions or omissions by embodying high ethical standards and adhering to all applicable laws and regulations in the choices we make.
2. Foster trust in the marketing system. This means striving for good faith and fair dealing so as to contribute toward the efficacy of promoting and marketing Kenya as a filming destination as well as avoiding deception in our promotion strategy, marketing communication and delivery of all relevant services.

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

d) Product stewardship- outline efforts to safeguard consumer rights and interests

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

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

4. Community Engagements

Purpose

The Commission considers the broader interests of society by taking responsibility for the impact of its 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. Further, as part of the Commission's commitment for equality to all, it 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 over the years ensured over 30 percent of all procured services went to the youth. KFC is the sole Film Commission in the country with a clear mandate to develop the film industry. Because of the commission accessibility to stakeholders and the masses, talent and skills diversity within the industry go a long way into shaping Kenya's image on the international stage from a cultural perspective. Promotion of the film industry is an important way to showcase Kenya as a vibrant and informative society. Thus our CSR engagement is;

Capacity Building in Correctional Centers;

Selected on the basis of its ability to build capacity through training and mentorship, the Commission is an authority on matters film training and will continuously offer a master class to inmates in prisons through a TOT (Training of Trainers) program in collaboration with the Kenya Film School. The first TOT group will be wardens/staffers drawn from all 9 Nairobi area correctional facilities, thereafter rolling out to the other regions. The target is 50 students from every region. It is hoped that with this training, the inmates once released, have an immediate fall back plan to income independence by taking up jobs within the film industry.

10. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Kenya Film Commission affairs.

Principal activities

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

Results

The results of the Commission for the year ended June 30, 2020 are set out on pages 1-35 of this report.

Directors

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

Surplus remission

KFC did not remit any money to the consolidated fund. The unutilized funds by the close of the FY 2019/20 was rolled over to the FY 2020/21.

Auditors

The Auditor General is responsible for the statutory audit of the KFC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year/period ended June 30, 2020.

By Order of the Board

Chief Executive Officer

Nairobi

Date:.......29.4.2021

11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and (section 14 of the State Corporations Act) require the Board of Directors to prepare financial statements in respect of KFC, which give a true and fair view of the state of affairs of the Commission at the end of the financial year/period and the operating results of the Commission for that year/period. The Directors are also required to ensure that the Commission keeps proper accounting records which disclose with reasonable accuracy the financial position. The Directors are also responsible for safeguarding the assets of the Commission.

The Directors are responsible for the preparation and presentation of the Commission's financial statements which give a true and fair view of the state of affairs of the Commission for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Commission; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Commission; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Commission's financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Commission's financial statements give a true and fair view of the state of KFC's transactions during the financial year ended June 30, 2020, and of the Commission's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the Commission, which have been relied upon in the preparation of the Commission's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Commission's financial statements were approved by the Board on **September 24th, 2020** and signed on its behalf by:

....	....
Chairperson of the Board	**Chief Executive Officer**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FILM COMMISSION FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Film Commission set out on pages 1 to 32, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows and 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Film Commission as at 30 June, 2020, 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 the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unsupported expenditures

The statement of financial performance reflects general expenses of Kshs.101,372,205. Included in the figure as disclosed in Note 15 to the financial statements are staff welfare hospitality supplies, MV running expense-fuel and lubricants and local travelling & accommodation expenditures of Kshs.2,204,328, Kshs.1,120,443 and Kshs.7,647,732 respectively.

Examination of the accounts revealed that imprests totalling to Kshs.5,503,420 were expensed directly under these components without the requisite support surrender vouchers accounting for the imprests. The amounts are as detailed out below: -

Account Charged	Amount (Kshs.)
Staff welfare - Hospitality supplies	1,309,328
MV Running expenses - Fuel and Lubricants	140,000
Local Travelling and Accommodation	4,054,092
Total	**5,503,420**

Consequently, the accuracy and validity of the general expenses of Kshs.101,372,205 for the year ended 30 June, 2020 could not be confirmed.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Unauthorized Purchase of Desktop Computers

The statement of financial position reflects property, plant and equipment balance of Kshs.64,161,082.

As disclosed in Note 16 to the financial statements, this amount includes additions to electronic data processing equipment of Kshs.16,618,377 out of which Kshs.7,092,208 is the cost of various ICT equipment.

However, there is no evidence of authority granted to the Commission to purchase the ICT equipment from the market directly contrary to circular reference No. OP/CAB.39/1A of 1 March, 2018 that directed all ICT procurement be centralized under the ICT ministry to ensure economies of scale in procurement and optimize the use of shared service strategy.

To the extent, the Commission is in breach of the law.

2. Failure to Deduct and Remit Withholding Tax

Note 15 to the financial statements reflects Kalasha International film & TV market and awards of Kshs.24,285,965. Examination of this account revealed that a total of Kshs.640,000 was paid to various nominees for the Kalasha awards without deducting thirty percent (30%) withholding tax contrary to the Income Tax Act, Cap 470. There were no tax exemption certificates provided for audit review for the nominees. The Commission is faced with the risk of fines and penalties for failure to deduct and remit the applicable withholding tax to Kenya Revenue Authority.

To this extent, the Commission is in breach of Law.

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

REPORT ON EFFECTIVENESS 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 governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and the Board of Directors

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Commission to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Public Contribution and Donation	6	2,400,000	2,767,096
Transfer from other Governments	7	328,460,000	126,922,000
		330,860,000	**129,689,096**
Revenue from exchange transactions			
Sale of Goods (Other income)	8	5,000	2,124,803
Total Revenue		**330,865,000**	**131,813,899**
Expenses			
Use of goods and services	9	15,335,120	14,056,869
Employee costs	10	60,318,477	57,026,120
Remuneration of directors	11	13,882,670	14,260,189
Depreciation and Amortization Expense	12	11,348,934	-
Repairs and Maintenance	13	2,116,826	2,990,732
Contracted Services	14	9,317,571	2,588,016
General Expenses	15	101,372,205	56,074,316
Total expenses		**213,691,803**	**146,996,240**
Net Surplus for the year		**117,173,197**	**(15,182,341)**

The notes set out on pages 6 to 35 form an integral part of these Financial Statements

14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	19	104,463,746	17,757,755
Inventories	17	990,139	1,005,047
Receivables from Exchange Transactions	18	539,045	1,184,415
Prepayment	20	10,572,956	6,451,789
		116,565,886	**26,399,006**
Non-current assets			
Property, plant and equipment	16	64,161,082	14,540,700
		64,161,082	14,540,700
Total assets		**180,726,968**	**40,939,706**
Liabilities			
Current Liabilities			
Trade and other payables from exchange transactions	21	29,174,417	2,152,420
Employee benefit obligation	22	7,587,780	6,811,095
Provisions	23	580,000	290,000
		37,342,196	**9,253,515**
Total liabilities		**37,342,196**	**9,253,515**
Net assets		**143,384,772**	**31,686,193**
Reserves-Capital fund		9,525,871	9,525,871
Accumulated surplus		133,858,901	22,160,322
Total net assets and liabilities		**143,384,772**	**31,686,193**

The Financial Statements set out on pages **1 to 35** were signed on behalf of the Board of Directors by:

Chief Executive Officer
Name: Timothy Owase
Date...29.4.2021...

Manager Finance and Accounts
Name: **Bernard Kibe**
ICPAK Member Number: **13079**
Date 29th April 2021

Chairperson of the Board
Name: ERNEST K. KERICH
Date 29th April 2021

15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020

	Revaluation reserve (Ksh)	Retained earnings (Ksh)	Total (Ksh)
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	-	(15,182,341)	(15,182,341)
Loss on Revaluation	(1,726,399)	-	(1,726,399)
At June 30, 2019	**9,525,871**	**22,160,322**	**31,686,193**
At July 1, 2019	**9,525,871**	**22,160,322**	**31,686,193**
Prior Year Adjustments	-	(2,563,256)	(2,563,256)
Under-provision of Kalasha Winners Previous Year	-	(400,000)	(400,000)
Gratuity-Prior year under-provision	-	(2,611,361)	(2,611,361)
Surplus for the Year	-	117,173,197	117,173,197
At June 30, 2020	**9,525,871**	**133,758,901**	**143,284,772**

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

Receipts		**2019-2020**	**2018-2019**
Cash flows from operating activities		**Kshs**	**Kshs**
Receipts			
Public Contribution and Donation	6	2,400,000	2,124,803
Transfer from other Governments	7	328,460,000	129,689,096
Sale of Goods (Other income)	8	5,000	-
Total Receipts		**330,865,000**	**131,813,899**
Payments			
Use Goods and services	9	128,141,723	72,655,040
Compensation of employees	10	60,318,477	57,026,120
Remuneration of directors	11	13,882,670	14,038,349
Repairs and Maintenance	13	2,116,826	3,276,732
Total Payments		**204,459,696**	**146,996,240**
Net cash flows from operating activities	24(a)	147,275,307	(19,153,256)
Net Cash generated from /(used in)operation		**147,275,307**	**(19,153,256)**
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	-	(60,969,316)	(474,510)
Net cash flows used in investing activities		**(60,969,316)**	**(474,510)**
Net increase/(decrease) in cash and cash equivalents		**86,305,991**	**(19,627,766)**
Cash and cash equivalents at 1 JULY 2019		17,757,755	37,385,522
Cash and cash equivalents at 30 JUNE 2020	24(b)	**104,463,744**	**17,757,755**

17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Government grants and subsidies	353,820,000	-	353,820,000	327,460,000	26,360,000
Covid-19 Stimulus Fund	-	-	-	8,500,000	(8,500,000)
Rendering of services	2,500,000	-	2,500,000	2,405,000	(95,000)
Sponsorship	-	-	-	-	-
Total income	**356,320,000**	**-**	**356,320,000**	**338,865,000**	**17,955,000**
Expenses					
Compensation of employees	57,429,149	-	57,429,149	60,318,477	(2,889,328)
Remuneration of the Board	14,830,000	-	14,830,000	13,882,670	947,330
Goods and services	284,060,851	-	284,060,851	200,459,973	83,600,878
Total expenditure	**356,320,000**	**-**	**356,320,000**	**274,661,119**	**81,658,881**
Surplus/Deficit for the period	**-**	**-**	**-**	**63,703,881**	**(63,703,881)**

Notes

a)

Reconciliation of budget and Statement of Comprehensive Income Surplus (Kshs)	
Surplus as per Statement of Comprehensive Income	117,173,197
Surplus as per Statement of Comparison of Budget and Actual	63,703,881
Difference	**53,469,316**
Assets Acquired as per PPE Schedule	60,969,316
Difference (Amount Rolled over from FY 2018/19	7,500,000

b) The Commission received Kshs 8.5M for artists COVID-19 stimulus package that had not been budgeted for and also did not receive Kshs 26.3M from the exchequer as had been budget and 7.5M development fund amount had been received in the previous year and hence rolled over into the 2019/2020 budget.

c) The over expenditure in compensation of employees was due to gratuity prior years under provision by Kshs 2,611,361

d) The under absorption for Goods and services by Kshs 82,777,930 was partly due to component of assets excluded and late receipt of Q4 funds from the exchequer hence no enough time to complete procurement process.

e) As a result of the COVID-19 pandemic, the quarter 4 funds were received late in quarter 4. In addition Ksh 26.3M was actually received after the close of the financial year. As a result Kshs 46.2M has been rolled over to the next financial year for some activities that had commenced in the FY 2019/2020 and will be completed in the FY 2020/2021. The details are as provided below:

	Payee	Details	Amount (Kshs)
1	M/S Real World Electronics Limited	Supply, installation, configuration and commissioning of PABX switchboard	488,088.00
2	M/S Real World Electronics Limited	Supply of 31 No. IP Telephone head sets	995,956.50
3	M/S Javanrise Technologies Limited	Upgrading of biometric access system	165,500.00
4	M/S Concept Hub Group (K) Limited	Development of integrated website for the Commission as per terms of reference	1,758,000.00
5	M/S Pillar Audio Services Limited	Development of Teleconferencing solution for the Commission	1,583,950.00
6	Empowerment	Film Empowerment Recipients	25,033,000.00
7	M/S Pesaflow Limited	Development of a one stop e-film shop	10,700,000.00
8	M/S Dignity Traders Limited	Supply, deployment and commissioning of e-board system	1,596,000.00
9	M/S Kenya Year Book Editorial Board	Design and printing of Commission's manuals (Human Resource, Procurement and Finance manuals)	200,001.00
10	Zampac Investments	Supply of FX405 Camcorder Video Camera	1,520,000.00
11	Taramu Products LTD	Supply, delivery and installation of firewall system and software (Sophos XG)	245,000.00
12	Trimoh Ventures	Supply of Camera lens, Flush lights & Accessories	993,200.00
13	Amillion Café LTD	Supply of assorted Camera	600,000.00
14	DT Dobie	Repair KBR 545U	336,240.00
			46,214,935.50

18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment (revalued in 2019). The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Commission's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in the notes. However, there were no such areas during the financial year under review.

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
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 are covered purely under Public Sector combinations as amalgamations. **KFC has not been affected by the public sector combinations and therefore the standard does not apply**

New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of the Commission's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: o Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; o Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and o Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between the Commission's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. **KFC does not deal in Financial Instruments and thus not affected by this standard. This is however noted and will be applied accordingly when need arises in future.**
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Commission provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess: (a) The nature of such social benefits provided by the Commission; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Commission's financial performance, financial position and cash flows. **KFC did not offer social benefits and thus not affected by this standard. This is however noted and will be applied accordingly when need arises in future.**
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Standard	Effective date and impact:
	Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. **This is well noted and will be applied accordingly when need arises in future.**
Other Improvements to IPSAS	**Applicable: 1st January 2021:** a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard. **This is well noted and will be applied accordingly when need arises in future.**

ii. Early adoption of standards

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Commission and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

Rendering of services

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

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

Sale of goods

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

Interest income

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

ii) Revenue from exchange transactions

Dividends

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

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue. However, the Commission does not have rental income.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities (BOD). The additional appropriations are added to the original budget by the Commission upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Commission did not record additional appropriations in the 2019-2020 budget.

The Commission's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. A comparison of budget and actual amounts prepared on a comparable basis to the approved budget is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section seventeen (17) of these financial statements.

c) Taxes

Current income tax

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

Deferred tax

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

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

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

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

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 off or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

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

e) Property, plant and equipment

All property, plant and equipment are stated at a cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at 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.

f) Leases

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

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

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

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

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 a cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

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

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

i) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

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

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

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

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

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

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

j) Provisions

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

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Commission creates and maintains reserves in terms of specific requirements. The Capital Replacement Development Reserve of Kshs 9,525,871 represents the capital funds that were given to the Commission at the time of inception in the financial year ending June 30, 2007 less the revaluation loss as at June 2019.

l) Changes in accounting policies and estimates

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

m) Employee benefits

Retirement benefit plans

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

n) Foreign currency transactions

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

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

The Commission regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Commission, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the CEO and Head of Directorates.

q) Service concession arrangements

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various 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.

s) Comparative figures

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

t) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION 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. State all judgements, estimates and assumptions made:

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. The Commission based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due circumstances arising beyond the control of the Commission. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

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

- 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.

Provisions

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

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

6. PUBLIC CONTRIBUTIONS AND DONATIONS

	2019-2020	2018-2019
	Kshs	Kshs
Communication Authority	1,500,000	-
Africa Post Office Limited	100,000	-
Sundry Contributions	-	2,767,096
HEVA Fund	200,000	-
Department of Film Service	100,000	-
France Media Monde	300,000	-
Media Council	100,000	-
Kenya Broadcasting Corporation	100,000	-
Total transfers and sponsorships	**2,400,000**	**2,767,096**

Reconciliation of public contributions and donations		
Balance unspent at beginning of the year	-	-
Current year receipts	**2,400,000**	**2,767,096**
Conditions met - transferred to revenue	**2,400,000**	**2,767,096**
Conditions to be met - remain liabilities	-	-

The donations/sponsorships were in relation to Kalasha awards and mobile film competitions already executed

7. TRANSFERS FROM OTHER GOVERNMENTS

(a)

	2019-2020	**2018-2019**
	Kshs	**Kshs**
Unconditional grants		
Recurrent grant received	298,460,000	119,422,000
Development grant received	30,000,000	7,500,000
Total	**328,460,000**	**126,922,000**
Conditional grants		
Other organizational grants	-	-
Total government grants and subsidies	**328,460,000**	**126,922,000**

b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

Name of the Commission sending the grant	**Amount recognized to Statement of Comprehensive Income**	**Amount deferred under deferred income**	**Amount recognized in capital fund.**	**Total grant income during the year**	**2018-2019**
	Kshs	**Kshs**	**Kshs**	**Kshs**	**Kshs**
Ministry of ICT, Innovation and Youth Affairs / State Department for ICT	319,960,000	-	-	319,960,000	-
Ministry of Sports and Heritage / State Department for Heritage	8,500,000	-	-	8,500,000	126,922,000
Total	**328,460,000**	-	-	**328,460,000**	**126,922,000**

8. SALE OF GOODS/OTHER INCOME

Description	2019-2020	2018-2019
	KShs	KShs
Tender Prequalification document	5,000	2,124,803
Total revenue from sale of goods	**5,000**	**2,124,803**

9. USE OF GOODS AND SERVICES

Description	2019-2020	2018-2019
	Kshs	Kshs
Electricity & Water	1,021,388	845,314
Internet Services	875,393	508,314
Telephone Services	310,359	267,639
Rent & Rate	13,127,980	12,435,602
	15,335,120	**14,056,869**

10. EMPLOYEE COSTS

Description	2019-2020	2017-2018
	KShs	KShs
Entertainment Allowance	1,369,100	1,188,000
Extraneous Allowance	136,300	57,800
House Allowance	9,605,133	10,402,336
Acting Allowance	1,028,020	3,471,525
Leave Allowance	2,544,170	412,320
NSSF Contribution	75,600	77,200
Pension Employers Contribution	1,287,022	1,063,190
Responsibility Allowance	500,967	684,000
Basic Salary	31,649,306	31,589,898
Temporary Staff Allowance	1,170,510	501,203
Special Duty Allowance	234,000	208,835
Telephone Allowance	228,700	282,000
Staff Gratuity	4,691,974	4,139,547
Gratuity under provision	2,611,361	-
Transport Allowance	2,415,833	2,691,267
Other Allowance	770,480	257,000
Total	**60,318,477**	**57,026,120**

11. REMUNERATION OF DIRECTORS

Description	2019-2020	2018-2019
	KShs	KShs
Board Catering	285,304	245,210
Board Retreat	3,002,579	2,599,117
Board Medical	163,370	-
Board Training	1,815,162	-
Travel & Accommodation	3,056,255	2,194,422
Telephone Allowance	84,000	71,867
Chairman's Honoraria	960,000	821,333
Sitting Allowance	4,516,000	8,106,400
Total	**13,882,670**	**14,038,349**

12. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	KShs	KShs
Motor Vehicles	3,759,250	-
Electronic Data Processing Equipment	6,386,753	-
Plant and Equipment	907,289	-
Furniture & Fittings	295,641	-
Total depreciation and amortization	**11,348,934**	**-**

FY 2018/19 Asset revaluation was done for all classes of assets hence no depreciation.

13. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	KShs	KShs
General Repairs & Maintenance	302,088	594,027
Motor Vehicle Overhaul & Repair	1,183,806	1,079,551
ICT Annual Maintenance & Renewal	630,932	1,603,154
Total repairs and maintenance	**2,116,826**	**3,276,732**

14. CONTRACTED SERVICES

	2019-2020	2018-2019
	KShs	KShs
Professional Services	7,215,980	696,581
Advertising and Publicity	1,154,675	838,044
Insurance - Property & Equipment	946,916	753,391
ISO Expenses	-	300,000
	9,317,571	**2,588,016**

15. GENERAL EXPENSES

Description	2019-2020	2018-2019
	Kshs	Kshs
Professional Subscription	219,045	290,164
Team Building	2,618,635	-
Workshop & Seminars	-	599,075
Medical Expenses*	7,486,960	6,942,680

General Office Supplies	1,786,418	1,439,900
Audit Fees	290,000	290,000
Capacity Building, Local content & Policies	488,774	3,495,954
Brand & Product Development	337,803	589,160
Training Expenses	3,344,695	219,225
Film Research & Development	3,940,075	-
Promotion collateral materials	346,904	987,464
Film advertising and Media Campaign	9,200,787	
Meal/Subsistence Allowance	493,400	750,913
Certification	900,012	447,469
National Film Script Competition	2,160,701	-
Kalasha International Film & TV Market and Awards*	24,285,965	24,094,661
Film Resource Centre	831,845	396,525
Audience Development and Screening	3,672,983	-
Film Archiving	527,082	-
Film Festivals and Conferences/International Travel	7,118,511	9,172,744
Mobile Film Competition	4,710,656	-
Film Industry empowerment Programme/Grant	8,231,905	525,605
Corporate Entertainment	-	299,720
Tender Evaluation	710,980	-
Film Location Mapping	95,725	-
Corporate Affairs	5,548,010	-
Courier & Postal Services	229,850	133,700
Cleaning Services	393,338	71,110
Bank Charges	207,828	145,908
Risk Allowance	91,000	75,500
Staff Welfare - Hospitality Supplies	2,204,328	707,344
Publications and Subscriptions	129,815	100,280
MV Running Expenses- Fuel & Lubricants	1,120,443	924,766
Local Travelling & Accommodation	7,647,732	3,374,449
	101,372,205	**56,074,316**

Medical Expenses*	**2019-2020**	**2018-2019**
Medical Expense Prepaid b/f	4,519,807	3,993,632
edical Expense Paid for the year	8,653,214	7,468,854
Medical Expense Prepaid c/f	(5,686,061)	(4,519,807)
Medical Expense for the year	**7,486,960**	**6,942,680**

Kalasha International Film & TV Market and Awards*

The figure of Kshs 24, 285,965 includes Kshs 8,796,900 captured as an expense for the event management services for Kalasha International Film and TV Market that was to take place from 29th March to 4th April 2020 but didn't take place due to COVID-19 pandemic. However, Kshs. 2,639,070 is reflected as a payable. The contract had not been closed by 30th June 2020. Appropriate adjustments will be made when the contract is reviewed to determine when the event will be executed as well as obligations between KFC and Concept Hub Group Kenya Ltd as well as assets transferable to KFC.

16. PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment	Electronic Data Processing Equipment	Motor Vehicle	Furniture & Fittings	Total
NET BOOK VALUE	**KShs**	**KShs**	**KShs**	**KShs**	**KShs**
At 1st July 2018	3,054,311	4,983,840	5,267,359	2,961,589	**16,267,099**
Additions	-	-	-	-	-
At 30th June 2019	3,054,311	4,983,840	5,267,359	2,961,589	**16,267,099**
DEPRECIATION					
Charge for the year	-	-	-	-	-
NBV At 1st July 2018	3,054,311	4,983,840	5,267,359	2,961,589	**16,267,099**
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**
Net Book Value					
At 1st July 2019	1,676,140	4,670,800	6,795,000	1,398,760	14,540,700
Additions	5,582,172	16,618,377	8,242,000	966,370	31,408,919
At 30th June 2020	**7,258,312**	**21,289,177**	**15,037,000**	**2,365,130**	**45,949,619**
Depreciation					
Charge for the year	907,289	6,386,753	3,759,250	295,641	11,348,933
NBV At 30th June 2020	**6,351,023**	**14,902,424**	**11,277,750**	**2,069,489**	**34,600,686**

NBV at 30th June 2020 (Plant and Equipment, Electronic Data Processing Equipment, Motor Vehicle and Furniture & Fittings) Ksh. 34,600,686

WIP* Locations Mapping Project Ksh. 29,560,396

Total **Ksh. 64,161,082**

WIP*

This figure of kshs.29, 560,396 is a development expenditure relating to a development project title name; Film Locations Mapping. It is being funded from the development budget. It is an intangible asset. The amount is a cumulative total arrived to as follows;

1st Contract dated 25/11/2019 Ksh. 7,500,000
2nd Contract dated 17/04/2020 Ksh. 22,060,396

The amount already paid is Ksh. 22,500,000.00 while the Ksh. 7,060,396.00 has been accrued and reflected as creditor.

17. INVENTORIES

Description	2019-2020	2018-2019
	KShs	KShs
Stationery Items	990,139	1,005,047
Total	**990,139**	**1,005,047**

18. RECEIVABLES FROM EXCHANGE TRANSACTIONS

(a)

Description	2019-2020	2018-2019
	KShs	KShs
Trade Receivables	403,000	953,000
Staff Advances	136,045	231,415
Total	**539,045**	**1,184,415**

(b)

	2019-2020	2018-2019
	KShs	KShs
Non-current receivables		
Long term debtors	-	-
Public organizations	403,000	953,000
Less: impairment allowance	-	-
	403,000	**953,000**
Current portion transferred to current receivables	136,045	231,415

Total non-current receivables	**-**	**-**
Total receivables (a+b)	**539,045**	**1,184,415**

19. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	KShs	KShs
Bank*	104,433,151	17,470,220
Mpesa Paybill (524910)	27,000	260,100
Cash in Hand	3,595	27,435
Total	**104,463,746**	**17,757,755**

Bank * Ksh. 104,433,151 and ksh. 17,470,230 is the reconciled amount

19 (a) DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

		2019-2020	2018-2019
Financial institution	**Account number**	**KShs**	**KShs**
a) Current account			
KCB Bank	1106760018	104,433,151	17,470,220
Sub- total		**104,433,151**	17,470,220
b) Mpesa Paybill	524910	27,000	260,100
Sub- total		**27,000**	**260,100**
Grand total		**104,460,151**	**17,730,220**

20. PREPAYMENTS

Description	2019-2020	2018-2019
	KShs	KShs
Prepaid Rent/Deposit	1,931,982	1,931,982
KICC (Kalasha market venue)	2,954,913	-
Medical Insurance	5,686,061	4,519,807
Total	**10,572,956**	**6,451,789**

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

iv) Capital Risk Management

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

	2019-2020	**2018-2019**
	Kshs	**Kshs**
Retained earnings	133,858,901	22,160,321
Capital reserve	9,525,871	9,525,871
Total funds	**143,384,772**	**31,686,192**
Total borrowings	-	-
Less: cash and bank balances	**(104,463,746)**	**(17,757,755)**
Net debt/(excess cash and cash equivalents)	78,974	13,928,437
Gearing	0.06%	43.96%

26. RELATED PARTY BALANCES

Nature of related party relationships

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

Government of Kenya

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

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

	2019-2020	2018-2019
	Kshs	Kshs
Transactions with related parties		
a) Sales to related parties		
Sales of goods	-	-
Sales of services	-	-
Total	-	-
b) Grants from the Government	-	-
Grants from National Govt	328,460,000	126,922,000
Grants from County Government	-	-
Donations in kind	-	-
Total	**328,460,000**	**126,922,000**
c) Expenses incurred on behalf of related party		
Payments of salaries and wages for xxx employees	-	-
Payments for goods and services for xxx	-	-
Total	-	-
d) Key management compensation		
Directors' emoluments	13,882,670	14,260,189
Compensation to the CEO	5,760,000	
Compensation to key management	7,825,100	13,316,041
Total	**27,467,770**	**27,576,230**

27. SURPLUS REMISSION

The Commission surplus during the Financial year 2019/20 has been rolled over to the FY 2020/21 and hence no remittance to the Consolidated Fund.

28. EVENTS AFTER THE REPORTING PERIOD

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

29. ULTIMATE AND HOLDING COMMISSION

The Commission is a Semi- Autonomous Government Agency under the Ministry of ICT, Innovation and Youth Affairs. Its ultimate parent is the Government of Kenya.

30. CURRENCY

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

19. APPENDICES

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: *(Resolved / Not Resolved)*	Timeframe: *(Put a date when you expect the issue to be resolved)*
Clean report	Clean report	Clean report	Clean report	Clean report	Clean report

Guidance Notes:

(i) Use the same reference numbers as contained in the external audit report;
(ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Commission responsible for implementation of each issue;
(iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.

Chief Executive Officer

Chairman of the Board

Date 29.4.2021

APPENDIX II: PROJECTS IMPLEMENTED BY THE COMMISSION

Projects

Projects implemented by the KFC Funded by development partners

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

Status of Projects completion

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

APPENDIX III: INTER-COMMISSION TRANSFERS

	KENYA FILM COMMISSION			
	Break down of Transfers from the State Department of ICT			
	FY 2019/2020			
a.	Recurrent Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	FT19276BHMPS	03/10/2019	79,080,000.00	2019/20
	FT19317X4NCX	13/11/2019	79,080,000.00	2019/20
	FT20048YRV3V	17/02/2020	79,080,000.00	2019/20
	FT20161071W3	09/06/2020	26,360,000.00	2019/20
	FT20161NSM1Q	09/06/2020	26,360,000.00	2019/20
		Total	**289,960,000.00**	
b.	Development Grants			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	FT19357XHWSF	23/12/2019	15,000,000.00	2019/20
	FT20049NRQTF	18/02/2020	15,000,000.00	2019/20
		Total	**30,000,000.00**	
c.	Direct Payments			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	L. Ouma	4/10/2019	5,000.00	2019/20
		Total	**5,000.00**	
d.	Donor Receipts			
		Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
	Sundry receipts		2,500,000.00	2019/20
		Total	**2,500,000.00**	

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

For Finance and Accounts Manager

Head of Accounting Unit
ICT Ministry

Sign--------------

APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/ Development/ Others	Total Amount - KShs	Where Recorded/recognized					
				Statement of Financial Performance (Kshs)	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year (Kshs)
Ministry of Sports and Heritage		Recurrent	8,500,000	8,500,000	-	-	-	-	8,500,000
Communication Authority		Recurrent	1,500,000	1,500,000	-	-	-	-	1,500,000
Sundry receipt		Recurrent	1,000,000	1,000,000	-	-	-	-	1,000,000
Total			**11,000,000**	**11,000,000**	**-**	**-**	**-**	**-**	**11,000,000**