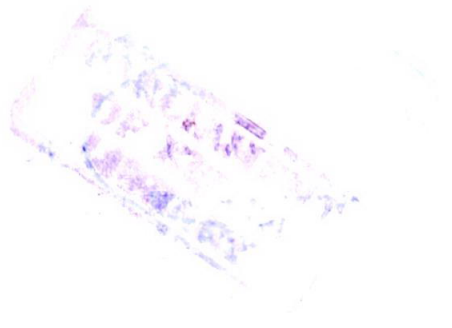


Papers laid by Hon. Member
(Majority) on
15.04.2014 (Afternoon)



Annual Report & Financial Statements

20¹³ 14



Brand Kenya
Board

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VISION

To be the lead agency in transforming Kenya into a competitive global brand

MISSION

To build a strong country brand that fosters national pride and patriotism and earns global recognition and preference

CORE VALUES

Pursuant to its mandate and functions, Brand Kenya Board is guided by the following core values:-

Patriotism

The Country is bigger than each of us - we put it first in our words and actions

Passion

We approach our work guided by love for our great nation - we remain energetic and inspired as we move into the future

Integrity

We believe in truth, honesty and morality and strive to uphold them

Team spirit

We believe wonderful things happen when we work together

Innovation

We allow every individual to exploit their full potential for the greater good

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Chairman's Statement



Dr. Hannington Gaya, PhD., EBS
Chairman

The year that ended 30th June 2014 was a fruitful period for Kenya. The country maintained its command and respect as a top destination for doing business in Africa. This was further ascertained after Kenya held its inaugural elections under a new constitution. The manner in which the whole electoral process was handled has continued to boost confidence for both local and international investors boosting economic growth.

On behalf of the Board of Directors, Management and Staff of Brand Kenya Board, I am therefore pleased to present to you the Annual report for the Financial Year 2013- 2014. The Board operates under the mandate of ensuring that a national brand is created and sustained. Developing and maintaining a unified identity is no mean feat and the Board is grateful to all stakeholders and Kenyans who have been part of this tremendous journey. To ensure that our mandate is fully entrenched within government, the Board was realigned to the Ministry of East Africa Affairs Commerce and Tourism. We welcome this move and look forward to serving the nation in this new ministry.

Globalization as we know has heightened competition amongst countries and countries have the enormous task of managing their reputations to gain a competitive edge in a branded and globalized world. Brand Kenya Board continues to identify ways to leverage on our promising assets which include athletes, culture, export goods and wildlife; in essence a country "bursting with generosity" to promote Kenya.

Despite Kenya's efforts to manage her reputation the nation received mixed reviews which impacted both positively and negatively on the Brand. Kenya's image during this period was dented mainly because of the security threats posed by isolated terrorist attacks which resulted to travel advisories from certain countries.

The tourism sector was the hardest hit as the numbers of visitors into the country, especially visiting the Kenyan Coast declined. To drive economic growth, the government put in place sound strategies

for key sectors like tourism and security which were negatively impacted. The President took personal responsibility and set up a tourism recovery task force to address these challenges. Security measures were on top of the agenda as the country tightened security. Of note however is the fact that Kenyans stood united after the unfortunate attacks.

Nonetheless, the economy continued to grow steadily with several multinational corporations setting up offices in Nairobi. General Motors opened a bus body building in Nairobi for its Isuzu buses and IBM launched a research in Nairobi, the first of its kind in Africa. Kenya is now home to the newly upgraded United Nations Environmental Assembly (UNEA) formerly the United Nations Environment Program (UNEP). The inaugural UNEA conference was held in Kenya, strengthening the country's status globally.

Going forward, the Board will redouble its effort to market the country abroad. We welcome partnership from all stakeholders be they in the private, public or individuals. The task of changing the image and perception of this great country lies in all our hands.

Moving forward, we are very optimistic that the Country's prospects will continue to grow, despite the challenges that we may encounter. As Brand Kenya Board, we believe we have the right human capital in place. I am confident that the Board will continuously improve on efficiencies and its programs, to make Kenya a competitive investment and tourism destination.

I would like to thank the management team and staff of Brand Kenya Board for their superb performance and call upon them to continue with the same degree of dedication. To my fellow Board members, I thank you for your time and commitment in supporting the Board's management team based on your collective expertise.

My appeal to all citizens is to appreciate our country and to take pride in it. Amidst everything we have one country, so let us join hands and make Kenya shine regionally and globally.



Dr. Hannington Gâya, EBS, PhD
Chairman

The Chief Executive Officer's Statement



Mrs. Mary Kimonye, MBS
Chief Executive Officer

Another year has ended and I am humbled to bring to you the review of the Board's programs and the highlights of our achievements and performance during the year 2013/2014. The year under review was truly remarkable as it coincided with Kenya's Jubilee celebrations marking 50 years after independence. As we celebrated the anniversary we reflected on Kenya's glorious past and we looked into the future with anticipation.

The Board has remained steadfast in carrying out its mandate. At the national level, the year was uniquely both challenging and rewarding in equal measures. Hot on the heels were isolated security incidents that affected the tourism industry. We remember the family and friends of those who lost their lives in various terror attack incidences all over the country among them, Westgate, Tana River, Mombasa, and Garissa. Following suit, the international community issued travel advisories which went on to further worsen the situation. Based on this, revenues from tourism dropped significantly.

Kenya continued to rise and showed remarkable growth in the financial sector. The Eurobond sale was very successful and similarly, foreign investors continued to set up their business headquarters for Africa in Kenya. Prospects were forthcoming in the Hospitality, Oil and mining, financial and telecommunications sectors among other.

In a bid to decentralize country branding, the Board initiated a working relationship with counties as part of the County Branding program. This aimed at building capacity and creating understanding of County Branding concept in the counties. The Board held engagements with various counties among them Kajiado, Machakos, Marsabit, Uasin Gishu, Nandi, Bomet, Laikipia, West Pokot, Baringo, Homa Bay, Trans Nzoia, Turkana and Muranga. We anticipate that counties will continue to promote counties as centers of trade and investment.

As is the norm, the Board conducted a National Brand Audit to gauge Kenyan's attitude towards the Nation, with regard to pride, patriotism and future aspirations. The survey showed that Kenyans hold

their Nation in high esteem and will continue to work diligently to make Kenya a better place to work and live in. This resonates with the fact that Kenyans are resilient and hardworking, hospitable and optimistic about the future of their country. In the same study, Kenya's sportsmen and women and specifically our World class athletes, emerged as the top key Brand promoters. Their exemplary performance and record breaking wins, have earned Kenya accolades and created awareness and Brand recognition for the Country in the world stage. The results from this survey will inform formulation of strategies to enhance Kenya's image and promote the country's key attractions.

In the words of H.E President Uhuru Kenyatta: "For us to succeed we must pull together and we must unite". The Board continues to strengthen its partnerships with all its stakeholders who include government, civil society, corporate sector and individuals. The year also saw the Board initiate partnerships with government agencies with a view of developing an integrated mechanism within government for country image building. The Board also partnered with the Ministry of Sports and Culture in the planning and participation in the Smithsonian Folk life Festival "Kenya Mambo Poa" held in Washington DC, USA. The festival was devoted to showcasing Kenya's diverse potential and strengths in culture, tourism, trade, investment and diplomacy. The principle objective of Kenya's participation in the festival was to increase Kenya's visibility in USA and the rest of the world with the aim of attracting more investments, tourists and visitors.

The other focus during the year was on trade-marking of Kenyan products. The campaign for adoption of the mark of identity with the buy line "A touch of Kenya" was rolled out. This is in view of the fact that Kenya produces high quality products for export which normally lose their Kenyan identity as they enter the world markets. The Board in conjunction with manufactures worked towards branding Kenyan export products to enhance their presence and visibility. We appreciate companies which have adopted the mark and encourage more companies to adopt the mark.

On behalf of the Board, I wish to thank the Ministry of East African Affairs, Commerce and Tourism for their support. We are very grateful to the Cabinet Secretary, Hon. Phyllis Kandie in driving greater co-operation between the various entities tasked with marketing Kenya locally and abroad.

The Board acknowledges the support and cooperation from our stakeholders. There are immense opportunities for Brand Kenya Board to work with other stakeholders in Tourism, Hospitality, Conservation, Investment, Education, Agriculture, County Branding, Sports, Culture, Entertainment and much more, to collectively build a distilled and coordinated brand for marketing Kenya. We look forward to continued partnership with them.

To the Board members, thank you for the dedication to serving Brand Kenya Board, your contribution to building our Nation is greatly valued. I acknowledge the talent and commitment of Brand Kenya Board's staff which has continued to infuse great enthusiasm in sharing the Kenyan narrative, while at the same time demonstrating professionalism and efficiency.

Finally, to those Kenyans, both at home and abroad, who live up to our national values, thank you for flying our national flag high and for so generously embracing and spreading the Kenyan spirit. Brand

Kenya Board will continue to implement all inclusive initiatives to harness Kenya's potential in all sectors and above all, get Kenyan citizens to support brand building efforts. I urge all Kenyans to support the Board in this epic journey and to play their role in making Kenya the best place to work, live and invest in. God bless Kenya!



Mrs. Mary Kimonye, MBS

Chief Executive Officer

Statement of Corporate Social Responsibility

In executing its mandate, Brand Kenya Board is committed to behaving ethically and responsibly, to contribute to economic development while improving the quality of life of its employees and their families as well as the local community and the society at large.

Currently the Board does not have a Corporate Social Responsibility (CSR) policy in place, but foresees putting this in place in the next Financial Year. Nevertheless, as a parastatal most of our CSR activities and projects focus on engaging Kenyans in an effort to inculcate a value based lifestyle and environmental conservation.

Some of our notable activities in the year under review include; tree planting in various schools, clean up exercises and participation in CSR related marathons. The Board engaged a campaign "I am Kenya, I am making a difference" with the aim of urging citizens to take part in the wellbeing of their environment. This is in the realization that nation branding cannot succeed if the citizens do not live the promise of the brand.

In the wake of environmental degradation and global warming, the Board also nurtures students to take care of the environment and has been keen to spread the message of "My environment my responsibility" to students. This has been done in partnership with secondary schools in Machakos, Eldoret, Nairobi, among others.

In undertaking its activities, the Board will continue to forge public private partnerships to ensure that it makes a positive difference in the society.

1. About the Board

The Brand Kenya Board was established in March 2008 through a legal notice known as the Brand Kenya Board Order, No.38 of 2008. The Board's mandate as spelt out in the legal notice is to ensure that an integrated national brand is created, harnessed and sustained in the long term

The mandate of the Board has two critical aspects:

- i. National Branding: this involves the development and implementation of a National Identity that spurs the levels of pride, patriotism and social cohesion among the citizens.
- ii. International Branding: this involves managing Kenya's image and reputation in order to enhance the levels of confidence in Kenya as a viable destinations for:
 - FDI inflows
 - Corporate/institutional Headquarters
 - Tourists and Visitors
 - Trade
 - Inward flow of talents

2. FUNCTIONS OF THE BOARD

Functions of the Board as stipulated in the legal notice are to:-

1. Establish a brand for Kenya which positions the country optimally in terms of investment, creditworthiness, tourism and international relations
2. Unite Kenyans and provide them with positive information about the Country in order to perform patriotism and national pride
3. Establish an integrated approach within government and private sector towards international marketing of Kenya
4. Build national support for the brand within government and private sector towards international marketing of Kenya
5. Build national support for the Brand within Kenya in conjunction with government, non- governmental organizations and the private sector
6. Promote local products and services to encourage economic transformation
7. Encourage commitment to quality and innovation among business and people
8. Assist different towns and cities in the country to improve their image

9. Undertake measures aimed at improving the international image of Kenya

Emanating from its mandate, the Board plays the following roles

1. A coordinating entity for country branding initiatives
2. An advisory entity for the management of the Country's image and reputation as well as marketing initiatives
3. Spearheading creation of concepts and policy guidelines on country branding and communicating to stakeholders
4. Monitoring performance of the country brand
5. Monitoring sub brands for consistency with the national brand and
6. Enhancing, supporting and supplementing the initiatives carried out by various sub brands

3. THE BOARD'S PROGRAMS

The Board's programs are anchored on four pillars which have an impact on the Kenya Brand. These are; Tourism, Foreign Direct Investment, Exports and the Citizens. Our strategic areas of focus have thus been influenced by these four pillars. They include:-

i. **National Identity and Values (Citizens engagement)**

This program focuses on inspiring and encouraging citizens to embrace a positive attitude in order to contribute positively to the development of the country. Under this program we have three subprograms:

- Stakeholders engagement
- Youth Attitude Change and empowerment
- Citizens attitude change project

ii. **Attractiveness of Kenya's Counties, Cities and Towns**

Kenyan towns and cities have huge economic prospects. In this regard, the Board works in conjunction with local authorities to harness their potential of becoming regional centers of excellence.

iii. **Rebranding of the Public Service**

This program focuses on embedding the concepts of branding and customer care into the management of Public Service. The objective is to ensure that the public service, which is the face government, projects the right image.

iv. **Value proposition for Kenya Foods and Services**

Kenya is renowned for the export of quality products among them tea, coffee, cut flowers, nuts

vegetables, fruits, meat and leather products.

It is critical that as these products enter the world markets, they are branded as Kenya Products. This program is implemented in partnership with stakeholders in these sectors.

The progress report that is attached is a topline summary of achievements under all these programs.

v. Diaspora Involvement engagement project.

The objective of this program is to enhance the role of the Kenyans in the Diaspora in three critical aspects.

- a. For knowledge and skills transfer
- b. For country marketing as ambassadors
- c. Diaspora as investors

This program is executed in close collaborations with the Kenya mission abroad.

vi. Leadership and Media

This project recognizes the role of both the media and the political leadership in Country image building. The project emphasizes the distribution of positive content in order to direct country perceptions more positively.

vii. International Branding Country (Image and Perception)

This involves Branding Kenya leveraging key events activities and other impactful platforms to market Kenya.

4. CHALLENGES FACED BY THE BOARD

- i. Budgetary constraints: country branding requires enormous funds. The funding level for the Board remains relatively low this often comprises implementation of the Board activities.
- ii. Integration : there are so many agencies all involved in marketing Kenya
- iii. Slow pace of adoption country branding is a new concept, naturally buy-in and adoption by other agencies has been slow.
- iv. Perception / Negative Content
- v. It is not possible for the Board and indeed the government to control content in all types of media. Other individuals and institutions disseminate content.
- vi. Nation and Regional Dynamics: Often events beyond the Board's control happen and this makes it hard to market the country
 - Issues of insecurity

- Conflicts
- Political differences
- Industrial strikes
- Piracy
- Resource mismanagement

All these generate negative information about the country which is difficult to counter.

5. ACTIVITIES UNDERTAKEN DURING THE PERIOD UNDER REVIEW – 2013/14

Nation Branding serves two purposes - to promote the brand internationally to investors and tourists and to promote domestically to the very people who inhabit the country. Thus the activities of the Board are two pronged; National and International branding.

5.1 National Branding

As part of the Board's operations, this function focuses on managing the country's image locally. The following activities were undertaken within the national branding function;

5.1.1 County Branding Programme

A County's brand is developed progressively through a mix of its policies, amenities and a marketing plan. A well thought out county branding strategy therefore serves as a conceptual framework to guide formulation of wealth creation strategies for counties.

In line with the devolved system of governance, the county branding program seeks to promote counties as centers of trade and investment. In the year 2013/2014, the Board worked with several county governments and sensitized them on the need to brand themselves as tourist destinations and centers of trade and investment. The engagements were mainly focused on policy advisory on investment and other development issues. So far the Board held successful engagements with the following counties;

- Marsabit
- Kajiado
- Homa Bay
- Uasin Gishu
- Bomet
- Machakos
- Marsabit
- Kajiado
- Laikipia
- Muranga,

The Board entered into and Memorandum of Understanding with Marsabit County in September 2013 to provide technical support in its branding programme. The Board also participated in various investment forums organized in conjunction with counties to promote counties as centers of trade and investment as well as etiquette in public service delivery. These included Meru, Kajiado, Marsabit and North Rift region.

The North Rift forum brought together Baringo, West Pokot, Uasin Gishu, Nandi, Trans Nzoia and Turkana. The counties uniqueness about this forum is that the six counties came together to harness the potential of marketing the immense potential in the region as a bloc.

In Turkana County, the Board took part in the launch of an initiative that sought to market the County as a tourism circuit to both the local and international tourist markets. This was a follow up of County branding workshop previously held in Eldoret, facilitated by the Board.

Engagements with both Nairobi and Kisumu counties focused on investment promotion. In collaboration with Kenya Investment Authority, the Board participated in an open day initiative to sensitize potential investors on the opportunities available.

Through the various forums held across the country, it is worthwhile to note that Counties are embracing the county branding concept with many seeking to differentiate themselves. Many have since sought technical guidance from Integrated Marketing and Communication agencies, on promoting exports, packaging investment opportunities and tourism circuits. They include, the County Governments of Bomet, Kitui and Mombasa. Brand Kenya Board will continue to offer support to all counties in order to align their branding initiatives with the mother brand Kenya.

5.1.2 Re Branding of the Public Service

The Brand Master Plan states that the public service is a critical pillar of the Kenya brand and it is a strong catalyst in endorsing the brand to the citizenry. The image of the public service in Kenya has been plagued with corruption, mismanagement of funds and underperformance. To ensure an efficient and effective service to the country and inspire pride and patriotism among citizens, the Board proposed a rebranding of the public service.

The Board recognizes that perception of the civil service needs to be addressed through delivery delivery and consistent visual identity. Subsequently, consultants were engaged and tasked to access and develop a branding strategy which will guide the rebranding of the public service.

A visual identity for Kenya's public service was developed. It draws inspiration from Kenya's Coat of Arms and the shield in the National flag, icons which citizens identify with. It is aligned to the guidelines contained in the Brand Master Plan; promoting 'a one look one feel' within the public service. With the realization that effective public sector brands are about engaging with people, understanding their beliefs and behaviors and delivering a business model they can embrace the Board held meetings with several stakeholders to ensure that they "live the brand" and create an appropriate culture and environment.

Some of these institutions include;

- The Sports Stadia
- The Kenya Tourism Development Fund
- Deposit Protection Fund Board (DPFB), and
- The National Council for Law Reporting, among others.

The Board provided technical support and guidance on institutional rebranding as per the provisions of the Brand Master Plan.

5.1.3 A Mark of Identity for Kenyan Goods and Services

Kenya's authentic goods and services are enjoyed both locally and internationally and have been in the market for many years. However, without a unique identifier their value diminishes in the market. To address this, the Board developed a Mark of identity with the buy line "A Touch of Kenya". It will enhance the competitiveness of Kenya's goods and services that target both the local and international market.

The Board also developed a communication campaign to raise awareness on the existence of the Mark. So far thirty five (35) companies have adopted the Mark. By the end of the financial year, Ethical Fashions Africa, Twiga Stationers, Kevian Kenya Limited and Crown Paints Ltd had been granted the right to use the 'A Touch of Kenya' on their products.

Local producers and manufactures are encouraged to adopt the mark. Applications forms can be downloaded from www.brandkenya.go.ke.

In addition, the Board in partnership with the Kenya Bureau of Standards (KEBS) held training sessions with various hotels on the provisions of the KS 2418 code of practice. Some of the Hotels trained include Boma Inn and West House. The KS 2418 is the standard applicable to the hospitality sector. Boma Inn Hotel committed to develop standard operating procedures (SOPs) across key departments as per the guidelines of KS 2418.

5.1.4 Kenya Brand Ambassadors Programme

Citizens remain a key pillar to Nation Branding. They are the means through which the nation branding message is passed across and must therefore live the brand in order for it to succeed. The Board develops programs informed by rallying together citizens to create one Kenyan Identity.

In the Financial Year 2013/14, the Board launched the Kenya Brand Ambassadors program on 29th November 2013, at the Simba Union Club, Nairobi. A brand ambassador is a person who embodies the values that define Kenya the brand. He or she is a living example of the desired brand culture. The program is a strategy to encourage Kenyan citizens to embrace a value based lifestyle.

The Board identified and awarded iconic people in the society whose lifestyle reflect the Kenyan brand personalities of Resilience, Generosity, Warmth, Entrepreneurial and Patriotism. During the Gala, hosted in collaboration with the Marketing Society of Kenya (MSK), five notable Kenyans received the Kenya

Brand ambassador (2013) award namely;

1. Mr. Antony Kirori - founder Green pencils Ltd.
2. Dr. Paula Kahumbu – ‘Hands off our Elephants’ campaign
3. Lady Justice Mumbi Ngugi – Judiciary
4. Mr. Mwalimu Wasonga - Patriotic Musician
5. Dr. Abbas Gullet – Humanitarian service at the Kenya Red Cross society

5.1.5 Dissemination of National Values

This activity targets the youth in order to inspire them to be change agents and take the responsibility of shaping the nation. In this financial year the Board partnered with the Kenya National Drama Festivals and sponsored the choral verses category. All choral verses carried a national values message. The festival's theme was "Celebrating our diversity for national unity" translated as "Kusheherekea unuai wetu kwa umoja wa kitaifa". This resonated with Brand Kenya Board's mission of building a strong country brand that fosters national pride, patriotism and earns global recognition and preference. The theme championed the embracing of national values, a key objective of the Boards involvement in the festivals. The festival is a platform where schools showcase talent through themed plays, songs, verses and dances.

Some of the Key messages and lessons communicated through various verses included;

1. Violence and hate are not solutions to societal problems. Nobody should hate another because of their origins, their appearance or their choice of dress.
2. Groups of people should not be judged by the actions of a few. It is wrong to condemn an entire group of people by association of religion, tribe, homeland, affiliations or even proximity.
3. Kenya is strong because of the country's diversity. Known as the great "melting-pot" of Africa, Kenyan democracy is founded on respect for individuals. Differences in culture, religion, ideas, ethnicity and lifestyle have contributed to the strength and richness of Kenya.
4. All people deserve to be treated with fairness, respect and dignity. Individuals that are suspects proven guilty in a court of law should be punished. For all Kenya's Constitution guarantees fair and equitable treatment for all.
5. Embracing and preaching and preaching peace is everybody's responsibility. By reaching out to friends and neighbours from diverse backgrounds, we can help heal the wounds from tragic events and build stronger, more resilient society.

5.2 International Branding

This function of the Board focuses on managing the country's image and reputation internationally in order to create an edge in the global marketplace.

5.2.1 Events and branding

Kenya leverages on euphoric events and festivals to market herself. In this respect, the Board takes part and offers technical support on managing various aspects of such events. In 2013/2014, the Board participated in several event planning and concept development meetings including;

1. Smithsonian Cultural Festival 2014

The Board participated in the Smithsonian Forklife Festival held in Washington DC on 28th June to 6th July 2014. This was in collaboration with the Ministry of Sports and Culture, Ministry of Tourism, Ministry of Foreign Affairs (International Trade Division), Kenya Investment Authority, Vision 2030 Delivery Secretariat, amongst others. The Board was part of the team that developed the Cabinet memo, the criteria and selection of cultural expressions that were showcased during the festival.

The Smithsonian Forklife Festival is an annual festival held in USA which offers an opportunity for countries to display their cuisine, artefacts, fashion and way of living. The Board with assistance from Corporate Council on Africa held an Investment Forum on 9th July 2014 as a side utility of the festival.

The Board took the opportunity to engage with Kenyans in the Diaspora on Social media and in a forum held in Baltimore for the July 4th Independence Day celebrations. Over 1million visitors attended the festival.

2. Commonwealth Heads of Government Meeting (CHOGM) 2013

The Common Wealth Heads of Government meeting was a strategic opportunity for Kenya to present investment portfolio and incentives to prospective investors. The Ministry of Foreign affairs and International Trade led in the preparations for the event which took place on 10th to 17th November in Colombo, Sri Lanka. The Board offered technical advice on Kenya's participation. The country was represented by the Cabinet Secretary for the Ministry of Foreign Affairs and International Trade.

5.2.2 National Brand Audit 2014

Every year the Board undertakes a comprehensive assessment of the performance of the Kenya Brand through a survey. The general objective of the survey is to establish the perceived image of the Kenya Brand by the general public. The results of the survey inform the Board's programmes. In the Financial Year 2013/2014, the survey was carried out in the month of April 2014.

A total sample of 1,320 representing locals, foreigners and the Diaspora took part in the survey.

Some of the key findings of the survey include;

1. 82% reported that they were proud to be Kenyans compared to 78% in 2011 and 67% in 2009. On the other hand, 8% reported that they were ashamed to be Kenyans in the current survey compared to 7% in 2011 and 11% in 2009.
2. 84% perceived the country as corrupt, while 77% perceived the country as tribal.
3. Those listed as brand ambassadors included current sitting president, athletes Kipchoge Keino, Pamela Jelimo, David Rudisha, the rugby team and Lupita Nyong'o.

4. Politicians and poachers were perceived to be the main destroyers of the Kenya brand.
5. Kenyans are less optimistic in regards to employment opportunities. This is mainly attributed to rise in food prices and cost of living.

5.2.3 Diaspora Engagement

Kenyans in the Diaspora contribute to the Gross Domestic Product (GDP) and they are very key in communicating the aspirations of the country in many platforms. Guided by its experience in various Diaspora events, the Board has occasionally engaged officers at the Ministry of Foreign affairs (in Kenya and in the Embassies abroad) on the importance of the Diaspora policy.

Efforts to develop a Diaspora policy for Kenya started in 2011. The broad objective of this policy is to empower Kenyans abroad to effectively make greater contribution to the development of their motherland. During the year under review the Diaspora policy was finalized.

The policy recommends the following strategies to enhance participation of the Diaspora in the socio-economic affairs of the country;

- Enhancing capacity to offer consular services,
- Reducing high cost of money remittance,
- Developing an incentive framework for promoting Diaspora participation in national development,
- Tapping into Diaspora skills and expertise, and
- Encouraging participation of Kenyans citizens abroad in the democratic processes in the country among others.

Specifically the Diaspora policy requires Brand Kenya Board, in collaboration with Kenya Tourism Board, Kenya National Bureau of Statistics, and Tourism Research Institute, to provide accurate information on tourism investment opportunities such as culture and heritage, home stays, agro-tourism, MICE tourism, youths and sports, medical tourism, resort cities, and accommodation facilities in emerging tourism circuits; catalogue investment incentives in the tourism industry; and provide accurate and timely information on tourism trend/performance, existing and potential tourism attractions, facilities and profiling tourism related database for decision making purposes.

5.2.4 Diplomats and Country Branding

The Board has on many occasions trained various diplomats who represent Kenya in foreign missions. The focus of the training is on their role in promoting trade and Foreign Direct Investment (FDI), as country marketers, and more importantly the role they play as the link between Kenya and the Diaspora. In the year under review, at least 30 officers serving within the Ministry of Foreign Affairs and International Trade were trained on their role in promoting trade and FDI.

5.3 Public Relations (PR) Activities

The Board takes advantage of Public Relations activities to popularize and entrench the livability of the brand among the citizenry. In the year under review, the Board collaborated with several counties in a clean up exercise dubbed “I am Kenya, I am making a difference”. This was aimed at sensitizing communities to improve the cleanliness of their surrounding in order to make their towns habitable and attractive for investors and tourists.

The Board worked with Kajiado and Murang’a counties in this initiative. It is expected that counties will make an effort to reclaim road reserves and encourage business community to keep their areas of operation clean.

The same was replicated in State House Girls, Nairobi to inculcate a culture of conserving the environment at a tender age. The girls together with Brand Kenya Board staff also embarked on a tree planting exercise at the school to promote the “Cleaner Environment for a Better Tomorrow” campaign.

5.4 Stakeholder Engagement

In undertaking its programmes, the Board heavily relies on the support of both public and private organizations. This is due to the fact that country branding is an all inclusive concept that cuts across government, private companies, Non-Governmental Organizations (NGO’s), civil society, and community organizations among others.

In an effort to ensure consistency and coordination in the County branding process, management constituted a taskforce bounding together relevant Ministries, Departments and Agencies (MDAs) to guide the initiative. Some of the MDAs who are part of the County positioning taskforce include; Kenya Tourism Board (KTB), Ken Invest, Export Promotion Council (EPC), Culture and MSK. This is was deemed as a cost effective approach which demonstrates commitment amongst the relevant agencies.

The taskforce agreed to develop a County positioning framework based on four pillars; Exports, Investment, Tourism and Culture. By the end of the year committees were put in place to drive the initiative. These include; Mode of Entry, Positioning Framework and Asset Mapping. All organizations are represented in each of the committees.



Students from State House planting trees donated by Brand Kenya Board (2014)





IAAF
JELAGAT
KENYAN
BAHAMAS 2014

IAAF
OBIRI
KENYAN
BAHAMAS 2014

3

6.0 Board Information

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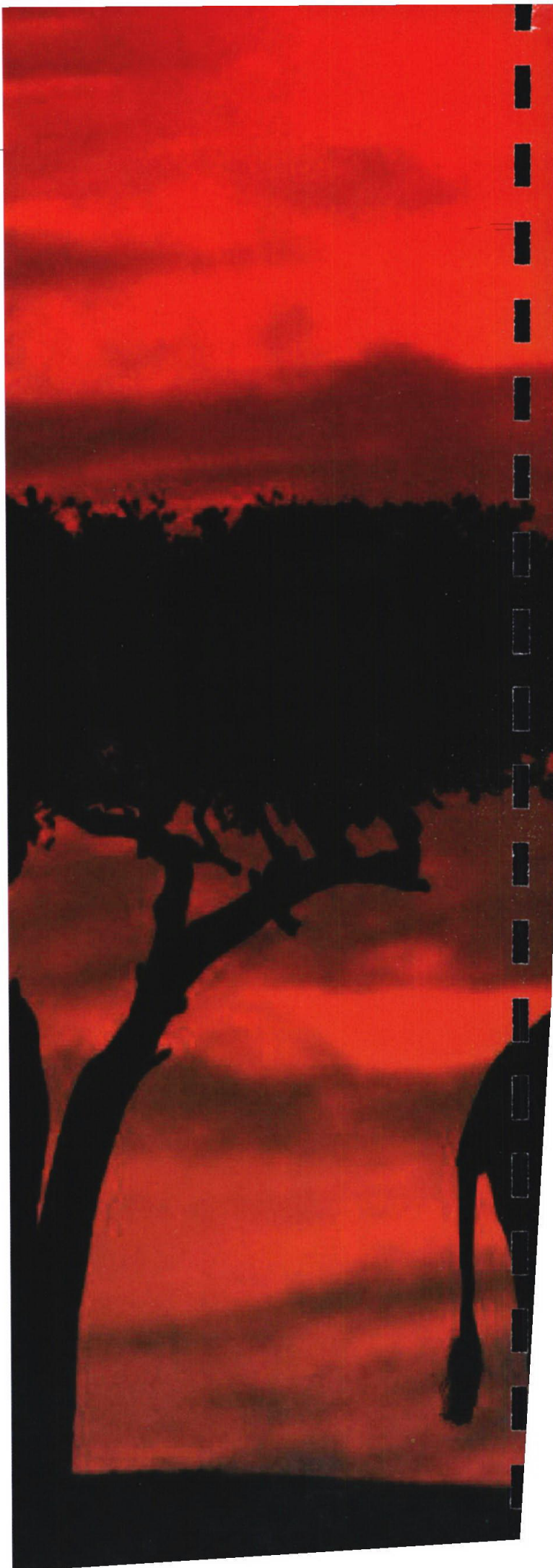
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Nairobi, Kenya

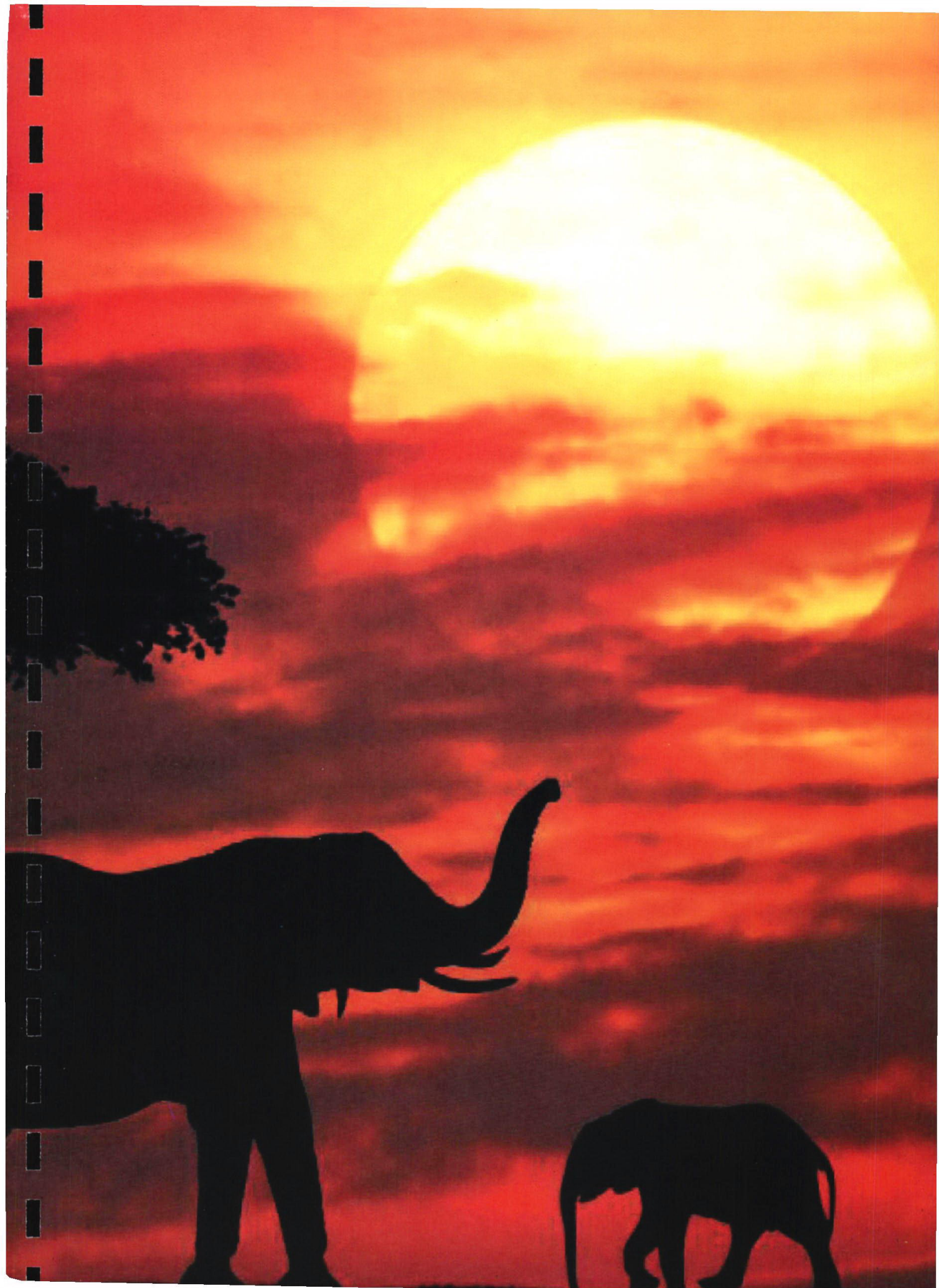
Independent Auditors

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

Principal Legal Adviser

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





Board of Directors



Dr. Hannington Gaya, *EBS, PhD*
Chairman, Brand Kenya Board



Angela Nganga
Head of Corporate Affairs
East & Southern Africa - Microsoft



Waweru Kamau
Alternate to PS Ministry of State
for Public Service



Amb. Andrew Kihurani
Alternate to PS Ministry of Foreign
Affairs and International Trade



Anne Musau
Alternate to PS Ministry of East
African Affairs, Commerce and
Tourism



Mary N. Ngugi
Alternate to PS Ministry of
Information, Communication and
Technology



Eng. David Mutinda Mutuku
Member



Chris Diaz
Member



Margaret Kositany
Member



Judy Kibaki
Member



Lucy Kagwanja
Alternate to Solicitor General,
State Law Office

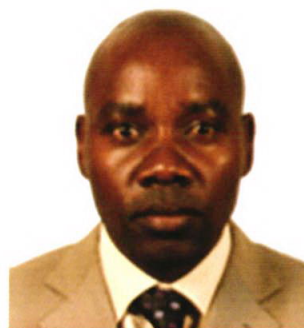


Mrs. Mary Kimonye, *MBS*
CEO Brand Kenya Board &
Secretary to the Board

Management Team



Mrs. Mary Kimonye, MBS
CEO Brand Kenya Board



Dr. Nzilu Musyoki
Director, Marketing



Ms. Wanjiru Kang'ara
Director, Strategic Communication



Mr. Peter Mbage
Finance Manager



Ms. Margaret Njuguna
Corporation Secretary



Mr. Philip Koskei
Human Resource Manager



Ms. Margaret Waihenya
Internal Audit Manager



Ms. Rose Asimwe
National Brand Manager

7.1 REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June 2014 which show the state of the Board's affairs.

Principal activity

The principal activity of the Board is to ensure an integrated national brand is created, harnessed and sustained in the long-term.

Results

The results of the Board for the year ended 30th June 2014 are set out on page 32 - 51.

Directors

The members of the Board of Directors who served during the year are shown on page 22.

7.2 CORPORATE GOVERNANCE STATEMENT

Introduction

Corporate governance is the process by which organizations are directed and controlled. Brand Kenya Board recognizes the need to conduct its business and operations with integrity and in accordance with the principles of good corporate governance. The Board of Directors is committed to continued adherence to the highest standards of good corporate governance and business ethics in Brand Kenya Board's operations.

The Board of Directors

The members of the Board of Directors are shown on pages 22. The Board is chaired by a Non-Executive Chairman and all the Directors have extensive business and administrative experience in private and public sectors that is applied for the benefit of Brand Kenya Board.

The principal responsibility of the Board of Directors is to establish the long term goals of Brand Kenya Board. The Board also ensures that effective plans are developed and implemented. The responsibilities entail:

- Providing the vision, mission, strategic direction and upholding the core values;
- Putting in place management structures (organization, systems and human capital) to achieve these goals;
- Ensuring targets are set and monitoring performance;
- Guiding the implementation of strategic decisions and actions and advising management as appropriate;
- Reviewing and adoption of annual budgets;
- Ensuring management of risk, overseeing the implementation of adequate internal control systems, compliance with relevant laws and regulations, and compliance with accounting and auditing standards.
- Ensuring the preparation of annual financial statements and reports.

The Board of Directors met four times in the year under review. The allowances, honoraria and other expenses related to the Board of Directors are disclosed in Note 7 to these financial statements. The Board of Directors has established four Committees which have specific terms of reference to guide their operations. The Committees which meet on a quarterly basis are as follows:

1. Technical Committee

The Technical Committee's responsibility is to provide strategic direction in implementation of the mandate of Brand Kenya Board. This covers country branding, marketing and strategic communication. The Committee held four meetings during the year under review.

2. Human Resources and Administration Committee

The Human Resources and Administration Committee has an oversight responsibility over all human resource matters including recruitment of right caliber of staff as well as administrative issues. During the year under review the Committee held thirteen meetings.

3. Finance and Procurement Oversight Committee

The Finance and Procurement Oversight Committee undertakes an oversight role over finance and procurement matters in the Board. The Committee held four meetings during the year under review.

4. Audit Committee

The Audit Committee supplements the undertakings of the Board of Directors in furtherance of its oversight role in:

- Ensuring the integrity of the Board's financial statements, including the review of accounting policies and practices adopted in preparation of financial information;
- Strengthening risk management and the internal control environment;
- Fostering compliance with legal and regulatory requirements, ethical guidelines and good Corporate Governance;
- Strengthening the Internal Audit function.

The committee met five times during the year under review.

7.3 STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 82 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of the Board's, which give a true and fair view of the state of affairs of the Board at the end of the financial year and the operating results of the Board for that year. The Directors are also required to ensure that the Board keeps proper accounting records which disclose with reasonable accuracy the financial position of the Board. The Directors are also responsible for safeguarding the assets of the Board.

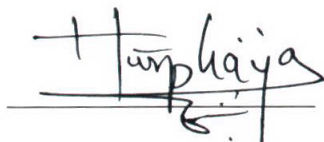
The Directors are responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2014. This responsibility includes: (i) maintaining adequate financial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

The Directors accept responsibility for the Board'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 and the State Corporations Act. The Directors are of the opinion that the Board's financial statements give a true and fair view of the state of the Board's transactions during the financial year ended June 30, 2014, and of the Board's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Board 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 Board's financial statements were approved by the Board on 31st July 2014 and signed on its behalf by:



Dr. Hannington Gaya, PhD, EBS
Chairman of the Board



Mrs. Mary Kimonye, MBS
Secretary to the Board

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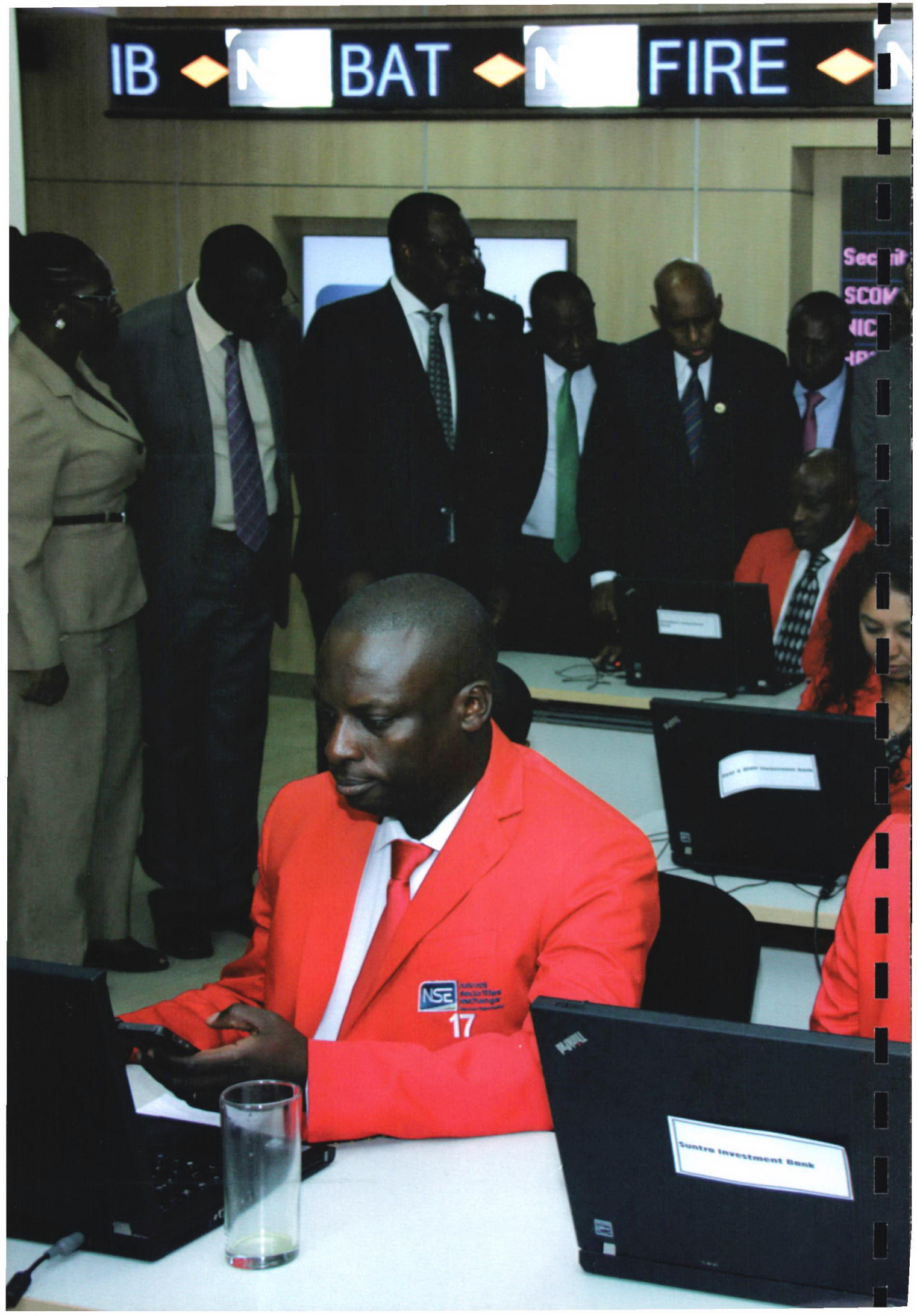
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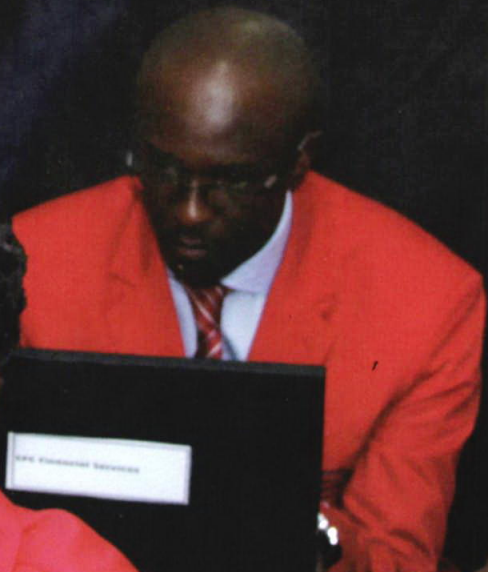
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Today's Market Watch

DATE: 09-09-2014

TIME: 11:53

Bid Price	Ask Price	Previous Closing	Trade Price	Net Change	Total Volume
13.25	13.30	13.25	13.30	0.05	61,400
72.50	73.00	72.50	73.00	1.50	45,200
10				- 0.25	277,000
				- 0.05	1,300
				- 0.20	5,070
				0.50	11,200
				0.25	400
				0.20	2,51
				0.05	80
				1.50	4



REPUBLIC OF KENYA

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Fax: +254-20-3311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



NAIROBI HUB
P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON BRAND KENYA BOARD FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Brand Kenya Board as set out on pages 1 to 20, which comprise statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparative 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

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

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

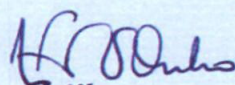
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Board as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards and comply with the Brand Kenya Board Order, 2008.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

3 February 2015

7.5 STATEMENT OF FINANCIAL PERFORMANCE

For the year ended 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Revenue from Non-Exchange Transactions			
Government Grants	3	136,743,000	192,056,000
Revenue from Exchange Transactions			
Other Income	4	<u>2,902,979</u>	<u>453,495</u>
Total revenue		139,645,979	192,509,495
Expenses			
Staff Costs	5	56,136,162	53,149,586
Operating Expenses	6	61,535,917	153,162,805
Board Expenses	7	14,727,702	14,573,878
Depreciation & Amortization	8	10,422,278	2,916,306
Provision for Audit Fees	9	<u>348,000</u>	<u>348,000</u>
Total expenses		143,170,058	224,150,575
Other gains/(losses)			
Gain/(Loss) on sale of assets	10	<u>(41,625)</u>	<u>222,000</u>
Surplus/(Deficit) for the period		<u>(3,482,454)</u>	<u>(31,863,080)</u>

The notes set out on pages 37 to 51 form an integral part of the Financial Statements.

7.6 STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	Note	2013-2014 Kshs	2012-2013 Kshs
Assets			
Current assets			
Cash and cash equivalents	11	70,481,289	71,661,864
Receivables from exchange transactions	12	3,780,213	3,563,493
Receivables from non-exchange transactions	13	1,794,062	19,771,943
		76,055,564	94,997,300
Non-current assets			
Property, Plant and Equipment	14	11,875,208	13,997,334
Intangible assets	15	3,662,347	2,337,768
		15,537,555	16,335,102
Total assets		91,593,119	111,332,402
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	16	11,319,887	30,283,008
Provisions	17	7,833,920	2,041,855
Payroll liabilities	18	23,789	66,189
		19,177,596	32,391,052
Non-current liabilities			
Non-current provisions (Gratuity)	17	558,000	3,601,373
Total liabilities		19,735,596	35,992,425
Net assets		71,857,523	75,339,997
Reserves	28	71,857,523	75,339,997

The Financial Statements set out on pages 32 to 51 were signed on behalf of the Board of Directors by:



Chief Executive Officer

Date..... 26/1/2015



Chairman of the Board

Date..... Jan 27 2015

7.7 STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2014

	General Reserve	Reserves Revaluation Reserve	Total
	Kshs	Kshs	Kshs
Balance as at 30 JUNE 2012	103,023,057	-	103,023,057
Surplus/(deficit) for the period	<u>(31,863,080)</u>	<u>4,180,000</u>	<u>(27,683,080)</u>
Balance as at 30 JUNE 2013	71,159,977	4,180,000	75,339,977
Surplus/(deficit) for the period	<u>(3,482,454)</u>	<u>-</u>	<u>(3,482,454)</u>
Balance as at 30 JUNE 2014	<u>67,677,523</u>	<u>4,180,000</u>	<u>71,857,523</u>

7.8 STATEMENT OF CASH FLOWS

	Note	2013-2014	2012-2013
		Kshs	Kshs
Cash flows from operating activities			
Operating Surplus/(deficit)		(3,482,454)	(31,863,080)
Adjustments for:			
Depreciation	14	8,582,404	2,898,906
Amortization	15	1,839,874	17,400
Gain/(Loss) on disposal of fixed asset	10	(41,625)	222,000
Operating surplus/(deficit) before working capital changes		6,898,199	(28,724,774)
Changes in working capital			
Decrease/(increase) in debtors and prepayments		17,761,161	(18,727,022)
Increase/(decrease) in creditors and provisions		(16,256,829)	(3,978,171)
Net cash flows from changes in working capital		1,504,332	(22,705,193)
Net cash flows from operating activities		8,402,530	(51,429,967)
Cash flows from investing activities			
Purchase of property, plant & equipment	14	(6,460,277)	(4,413,061)
Purchase of intangible assets	15	(3,164,453)	(2,355,168)
Proceeds from disposal of equipment	10	41,625	-
Net cash flows used in investing activities		(9,583,105)	(6,768,229)
Net increase/(decrease) in cash and cash equivalents		(1,180,575)	(58,198,196)
Cash and cash equivalents at 1 JULY	11	71,661,864	129,860,059
Cash and cash equivalents at 30 JUNE	11	70,481,289	71,661,864

7.9 STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2013-2014	2013-2014	2013-2014	2013-2014	2013-2014
	Kshs	Kshs	Kshs	Kshs	Kshs
Revenue					
Government grants	146,699,000	(9,956,000)	136,743,000	136,743,000	-
Other Income	-	2,902,979	2,902,979	2,902,979	-
Total income	146,699,000	(7,053,021)	139,645,979	139,645,974	-
Expenses					
Compensation of employees	68,572,092	9,929,325	58,642,767	56,136,162	2,506,605
Operating expenses	56,507,708	9,874,776	66,382,484	61,535,916	4,846,568
Board expenses	15,619,200	-	15,619,200	14,727,702	891,498
Depreciation & amortization	5,000,000	(600,000)	4,400,000	10,422,278	(6,022,278)
Provision for audit fees	350,000	-	350,000	348,000	2,000
Loss on disposal of property, plant & equipment	-	-	-	(41,625)	41,625
Total expenditure	146,049,000	(654,549)	145,394,451	143,128,433	2,266,018
Surplus/(deficit) for the period	650,000	(6,398,472)	(5,748,472)	(3,482,454)	(2,266,018)

The Kshs. 2.2 million difference between the budget and actual is mainly due to staff who left employment of the Board during the year and austerity measures taken by management to cut on costs.

8.0 NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation

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

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

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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 Board and can be measured reliably.

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 Board and the fair value of the asset can be measured reliably.

ii) Revenue from exchange transactions

Rendering of services

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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.

b) Budget information

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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.

Revaluation will be done every five years and assets stated at valuation less accumulated depreciation and impairment losses. Any accumulated depreciation will be eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset. Decreases that offset previous increases of same assets will be charged against the revaluation reserve. Increase in carrying amount on revaluation will be credited to a revaluation reserve in the accumulated fund. The carrying amount of replaced asset will be derecognized.

Depreciation is calculated on the straight line basis at annual rates to write off the cost of assets over their estimated useful lives by equal annual instalments at the following rates;

(a) Motor Vehicles	25%
(b) Office Equipment	12.5%
(c) Furniture & Fittings	12.5%
(d) Computers	33%

d) Intangible assets

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

The useful life of the intangible assets is assessed as finite. Amortisation is calculated on a straight line basis at 33.33% per annum.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

expense in surplus or deficit on a straight-line basis over the lease term.

f) 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 Board 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.

Impairment of financial assets

The Board assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity 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 entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a 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 Entity 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

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.

g) Provisions

Provisions are recognized when the Board 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 Board 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.

h) Contingent liabilities

The Board 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.

i) Contingent assets

The Board 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 Board 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.

j) Nature and purpose of reserves

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

Revaluation reserve

This represents surplus on revaluation of Property, plant and equipment. Three motor vehicles that had been fully depreciated were revalued at the end of the previous financial year to reflect their current market value.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

k) Changes in accounting policies and estimates

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

l) Employee benefits

Retirement benefit plans

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

The Board currently contributes to a defined contribution pension scheme at the rate of 15% of basic pay and to the National Social Security Fund (NSSF) as provided in the relevant statute.

Employee entitlements

The estimated monetary liability for accrued employee annual leave entitlement at the statement of financial position reporting date is recognized as an expense in the statement of financial performance and accrued in the statement of financial position. Employee's entitlement to gratuity are recognized when they accrue and a provision for the liability is made in the statement of financial position.

m) 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.

n) Related parties

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

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Kenya Commercial Bank at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

p) Comparative figures

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

q) Significant judgments and sources of estimation uncertainty

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

Estimates and assumptions

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

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 Entity
- 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. Additional disclosure of these estimates of provisions is included in Note 17.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

r) 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 30 June, 2014.

3. Government Grants

	2014	2013
	Kshs	Kshs
Grants received in the year	136,743,000	192,056,000
Total	136,743,000	192,056,000

4. Other Income

	2014	2013
	Kshs	Kshs
Income from sale of tenders	60,000	453,495
Interest Income	1,951,979	-
Invoice to Ministry of Environment (Production of promotional video for IPBES secretariat bidding)	891,000	-
Total	2,902,979	453,495

5. Staff Costs

	2014	2013
	Kshs	Kshs
Salaries & wages	50,160,791	50,221,536
Provision for accrued leave	85,172	(777,103)
Pension & NSSF contributions	4,565,879	2,318,833
Provision for gratuity	1,324,320	1,386,320
Total	56,136,162	53,149,586

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

6. Operating Expenses

	2014	2013
	Kshs	Kshs
Bank charges	85,180	118,261
Internet Connectivity	730,600	567,331
Cleaning and sanitation services	401,520	464,365
Staff recruitment and training	3,926,949	3,393,953
Staff uniforms	366,299	57,584
R & M – motor vehicles	1,753,313	1,131,128
R & M – Office equipment	873,283	479,423
Office rent & deco	10,779,994	9,958,937
Telephone & postage	2,619,310	2,683,773
Stationery, publishing & printing	1,083,939	2,545,606
Entertainment	288,724	240,436
Travelling & accomodation	5,491,861	5,579,906
General office expenses	1,620,617	1,454,016
Publicity, advertising & communication	20,604,683	114,308,065
Subscriptions	1,137,734	1,613,477
Insurance	7,655,338	5,495,247
Contracted professional services	2,116,574	3,071,297
Total	61,535,917	153,162,805

7. Board Expenses

	2014	2013
	Kshs	Kshs
Sitting allowances	5,799,000	5,070,783
Chairman's honoraria	960,000	960,837
Training, travel & other expenses	339,502	963,058
CEO's emoluments	6,290,000	6,240,000
CEO's gratuity	1,339,200	1,339,200
Total	14,727,702	14,573,878

8. Depreciation and Amortization Expenses

	2014	2013
	Kshs	Kshs
Property, plant and equipment	8,582,404	2,898,906
Intangible assets	1,839,874	17,400
Total	10,422,278	2,916,306

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9. Provision for Audit Fees

This is the fees expected to be paid to the Auditor General for audit services for the year under review.

10. Gain /(Loss) on Disposal of Property, Plant & Equipment

	2014	2013
	Kshs	Kshs
Cost	77,000	677,500
Accumulated depreciation	(77,000)	(455,500)
Net Book Value	0	222,000
Write off / Compensation	41,625	0
Less: Net Book Value	0	(222,000)
Gain / (Loss)	41,625	(222,000)

11. Cash and Cash Equivalents

	2014	2013
	Kshs	Kshs
Bank	70,448,162	71,627,680
Cash-on-hand	33,127	34,184
Total cash and cash equivalents	70,481,289	71,661,864

12. Receivables from Exchange Transactions

	2014	2013
	Kshs	Kshs
Trade Receivables	44,156	-
Rent deposit (NHIF)	1,743,850	1,731,850
Prepaid Insurance	1,992,207	1,831,643
Total	3,780,213	3,563,493

13. Receivables from Non-Exchange Transactions

	2014	2013
	Kshs	Kshs
Receivable from MOIC	-	19,534,000
Staff debtors	1,794,062	237,943
Total	1,794,062	19,771,943

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

14. Property, Plant and Equipment

	Office Equipment	Computers	Furniture & Fittings	Motor Vehicles	Total
Cost / Valuation	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2012	2,118,108	4,824,489	10,489,669	8,750,857	26,183,123
Additions	1,052,540	2,068,381	1,292,140	-	4,413,061
Disposals	(434,200)	(243,300)	-	-	(677,500)
Revaluation	-	-	-	4,180,000	4,180,000
At 30 June 2013	2,736,448	6,649,570	11,781,809	12,930,857	34,098,684
Additions	11,495	800,782	-	5,010,000	5,822,277
Transfer from WIP	348,000	290,000	-	-	638,000
Disposals	-	(77,822)	-	-	(77,822)
At 30 June 2014	3,095,943	7,662,530	11,781,809	17,940,857	40,481,139
Depreciation					
At 1 July 2012	653,990	4,193,271	4,059,828	8,750,856	17,657,945
Depreciation	342,056	1,083,852	1,472,998	0	2,898,906
Disposals	(212,200)	(243,300)	-	-	(455,500)
At 30 June 2013	783,846	5,033,823	5,532,826	8,750,855	20,101,350
Depreciation	386,993	1,289,883	1,473,028	5,432,500	8,582,404
Disposals	-	(77,822)	-	-	(77,822)
At 30 June 2014	1,170,839	6,245,884	7,005,854	14,183,354	28,605,931
Net Book Values					
At 30 June 2014	1,925,104	1,416,646	4,775,955	3,757,501	11,875,208
At 30 June 2013	1,952,602	1,615,747	6,248,983	4,180,000	13,997,334

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

15. Intangible Assets

	Software	Work in Progress	Total
Cost	Kshs	Kshs	Kshs
At 1 July 2012	52,200	-	52,000
Transfer from prepayments	-	1,151,484	1,151,484
Additions	52,200	1,151,484	1,203,684
At 30 June 2013	104,400	2,302,968	2,407,368
Transfer from prepayments	-	3,454,453	3,454,453
Transfer to fixed assets	-	(5,757,421)	(5,757,421)
Additions/Transfer from WIP	5,467,421	-	5,467,421
At 30 June 2014	5,571,821	-	5,571,821
Amortization			
At 1 July 2012	52,200	-	52,200
Amortization	17,400	-	17,400
At 30 June 2013	69,600	-	69600
Amortization	1,839,874	-	1,839,874
At 30 June 2014	1,909,474	-	1,909,474
Net Book Values			
As at 30 June 2014	3,662,347	-	3,662,347
As at 30 June 2013	34,800	2,302,968	2,337,768

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

16. Trade and Other Payables from Exchange Transactions

	2014	2013
	Kshs	Kshs
Trade payables	11,319,887	30,283,008
Total	11,319,887	30,283,008

17. Provisions

Current Provisions

	Audit Fees Kshs	Leave Benefits Kshs	Gratuity Kshs	Total Kshs
Balance at the beginning of the year	348,000	1,693,855	3,601,373	5,643,228
Additional provisions raised	348,000	85,172	2,105,520	2,538,692
Provision utilized	(348,000)	-	-	(348,000)
Balance as at 30 June 2014	348,000	1,779,027	5,706,893	7,833,920
Non-current Provisions	-	-	558,000	558,000
Total	348,000	1,779,027	6,264,893	8,391,920

18. Payroll Liabilities

	2014	2013
	Kshs	Kshs
Payroll Liabilities	23,789	66,189
Total	23,789	66,189

19. Financial Risk Management

The Board's risk management strategy recognises the various risks the Board is exposed to including credit risk and liquidity risk. This is based on a clear understanding of the risks and continuous risk assessment, measurement and monitoring.

The Board's overall risk management programme focuses on the unpredictable changes in the business environment and seeks to minimize the potential adverse effects of such risks on its performance. The Board does not hedge any risks but has in place policies that ensure that any credit advanced is at minimum risk.

Credit Risk

Credit risk is the risk that a borrower is unable to meet his financial obligations to the lender. The Board's

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

credit risk is attributable to its cash and cash equivalents and trade receivables. The amounts presented in the financial statements are net of allowances for doubtful receivables, estimated by the Board's management based on their assessment of the economic environment.

Both bank balances and trade receivables are fully performing and no debt has been impaired. The amount that best represents the Board's maximum exposure to credit risk is made up as follows;

	Total Amount (Kshs)	Fully Performing (Kshs)	Past Due (Kshs)	Impaired (Kshs)
At 30 June 2014				
Bank Balances	70,481,289	70,481,289	-	-
Receivables from exchange transactions	5,530,119	5,530,119	-	-
Receivables from non-exchange transactions	-	-	-	-
At 30 June 2013				
Bank Balances	71,661,864	71,661,864	-	-
Receivables from exchange transactions	3,801,436	3,801,436	-	-
Receivables from non-exchange transactions	19,534,000	19,534,000	-	-

Liquidity Risk

Prudent liquidity risk management includes maintaining sufficient cash to meet company obligations. The ultimate responsibility for liquidity risk management rests with the management which has built an appropriate liquidity risk management framework for management of the Board's short, medium and long term funding requirements. The Board manages liquidity risk by maintaining adequate cash reserves to ensure liabilities are paid as they fall due and to cushion against any liquidity risk.

The table below shows the Board's financial liabilities that will be settled on a net basis. The amounts disclosed are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 month (Kshs)	Between 1 and 3 months (Kshs)	Over 3 months (Kshs)
At 30 June 2014			
Trade payables	11,299,520	-	-
At 30 June 2013			
Trade payables	30,349,197	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

Capital Risk

The objective of the Board's capital risk management is to safeguard the Board's ability to continue as a going concern. The Board's capital structure comprises of general fund and revaluation reserve as follows;

	2014 (Kshs)	2013 (Kshs)
General Fund	67,677,523	71,159,977
Revaluation Reserve	4,180,000	4,180,000
Total	71,857,523	75,339,977

20. Events after the reporting period

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

21. Currency

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

22. Contingent liabilities

The Board was not aware of any contingent liabilities at the end of the financial year.

23. Capital Commitments

The Board did not have any capital commitments at the end of the financial year.

24. Taxation

The Board is established under the State Corporations Act and is fully funded by the exchequer and hence does not pay taxes.

25. Ultimate and Holding Companies

The Board is a state corporation under the Ministry of East African Affairs, Commerce and Tourism. Its ultimate parent is the Government of Kenya.

26. Operating Lease Commitments

The Board's lease with Crystal Valuers Limited, the managing agents for the landlord (NHIF) will expire on 30th June 2015. The current lease obligation is Kshs. 10,764,584.00

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

27. Related Party Disclosures

The Board has the following annual expenses payable to related parties.

	2014 (Kshs.)	2013 (Kshs.)
Management Personnel Compensation	28,829,100.00	25,997,623.00
Staff Annual Gratuity	2,849,520.00	2,725,520.00
Board Allowances & honoraria	<u>6,759,000.00</u>	<u>6,031,620.00</u>
Total	<u>38,437,620.00</u>	<u>34,754,763.00</u>

28. Reserves

	2013/14 (Kshs.)	2012/13 (Kshs.)
Balance as at 1st July	75,339,977.00	<u>(27,683,080.00)</u>
Surplus/(deficit) for the period	<u>(3,482,454.00)</u>	<u>6,031,620.00</u>
Balance as at 30 th June	<u>71,857,523.00</u>	<u>75,339,977.00</u>

The National Anthem

Oh God of all creation
Bless this our land and nation
Justice be our shield and defender
May we dwell in unity
peace and liberty
Plenty be found within our borders

Let one and all arise
With hearts both strong and true
Service be our earnest endeavor
And our homeland of Kenya
The heritage of splendor
Firm many we stand to defend

Let all with one accord
In common bond united
Build this our nation together
And the glory of Kenya
The fruits of our labour
Fill every heart with thanksgiving.

Wimbo wa taifa

Ee Mungu nguvu yetu
Ilete Baraka kwetu
Haki iwe ngao na mlinzi
Natukae na undugu
Amani na uhuru
Raha tupate na ustawi

Amkeni ndugu zetu
Tufanye sote bidii
Nasii tujitoe kwa nguvu
Nchi yetu ya Kenya
Tunayoipenda
Tuwe tayari kuilinda

Natujenge taifa letu
Ee, ndio wajibu wetu
Kenya istahili heshima
Tuungane mikono
Pamoja kazini
Kila siku tuwe na shukrani



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