

REPUBLIC OF KENYA



**KENYA NATIONAL AUDIT OFFICE**



*Paper Land*  
*By leader of*  
*Majority, then*  
*made on*  
*Wednesday*  
*11/6/2014*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
BRAND KENYA BOARD**

**FOR THE YEAR ENDED  
30 JUNE 2013**



**Brand Kenya  
Board**

) **Kenya**



**ANNUAL REPORT & FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2013**

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**BRAND KENYA BOARD INFORMATION**

<b>Principal Place of Business</b>	: NHIF Building, : 4 <sup>th</sup> Floor, : P.O. Box 40500 00100, : NAIROBI
<b>Independent Auditors</b>	: Auditor - General, : Kenya National Audit Office, : Anniversary Towers, : P.O. Box 30084 – 00100, : NAIROBI
<b>Bankers</b>	: Kenya Commercial Bank Ltd. : Capital Hill, : NHIF Building, : P.O. Box 46360 – 00100, : NAIROBI

## **DIRECTORS' REPORT**

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30 June 2013. The report shows the statement of income and expenditure and the state of affairs of the Brand Kenya Board as at 30 June 2013.

### **Background**

The Brand Kenya Board was established, under the State Corporation Act, CAP 446 in 2008 through legal notice signed by the president on 15 March 2008.

### **Principal activities**

Its primary objectives are:

- (a) Coordinate initiatives for marketing the country in order to maximize their efficiency; and
- (b) Create and maintain the Kenya brand and distinguish Kenyan products, services and concepts.

Specifically the functions of the Brand Kenya Board are:

- (a) Establish a brand for Kenya which positions the country optimally in terms of investments, tourism and international relations;
- (b) Unite Kenyans and provide them with positive information about the country in order to promote patriotism and national pride;
- (c) Establish an integrated approach within Government and the private sector towards the international marketing of Kenya
- (d) Build national support for the brand within Kenya with the cooperation of the Government, non-governmental organizations and the private sector;
- (e) Promote local products and services to encourage economic transformation;
- (f) Encourage commitment to quality and innovation among the businesses and people;
- (g) Assist the different towns and cities in the country to improve their image; and
- (h) Undertake measures aimed at improving the international image of Kenya.

Brand Kenya Board fulfills its mandate through various structures such as the Board of Directors, Committees of the Board of Directors and Management.

## DIRECTORS' REPORT (CONT.)

### Vision

To be a 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.

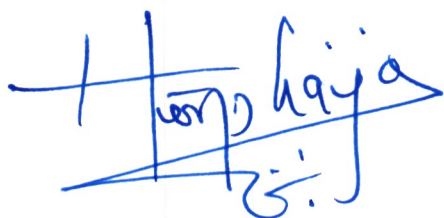
### Results for the period

The results for the period are as summarized below:

	<b>2013</b> <b>KShs</b>	2012 KShs
Total income for the period	<b>192,509,495</b>	212,228,450
Total operating expenditure for the period	<b>224,372,575</b>	239,680,354
<b>Surplus for the period transferred to general fund</b>	<b><u>(31,863,080)</u></b>	<b><u>(27,451,904)</u></b>

### Financial Statements

At the date of this report, the Board of Directors were not aware of any circumstances which would have rendered the values attributed to the financial statements misleading.



Dr. Hannington Gaya, PhD., EBS.

**Chairman**

Date: 27/02/14 2013

**THE BOARD OF DIRECTORS**

The members who served during the year are:

1. Dr. Hanningtone Gaya, PhD., EBS. - Chairman
2. PS, Ministry of Information and Communication (Alt. Mr. Hiram Mucheke)
3. PS, Ministry of Finance/Treasury (Alt. Ms. Anne mugo, MBS)
4. PS, Ministry of Tourism (Alt. Ms. Anne Musau)
5. PS, Ministry of Foreign Affairs (Alt. Amb. Andrew Kihurani)
6. PS, Ministry of Trade (Alt. Mr. Peter Mwaniki)
7. PS, Ministry of State for Public Service (Alt. Mr. Waweru Kamau)
8. Solicitor General, State Law Office (Alt. Ms. Lucy Kagwanja)
9. Ms. Judy Kibaki, CBS - Appointed 24th July, 2012
10. Mr. Chris Diaz - Appointed 24th July, 2012
11. Ms. Angela Nganga Mummo - Appointed 3rd December, 2012
12. Eng. David Mutinda Mutuku - Appointed 3rd December, 2012
13. Ms. Margaret Mwarey Kositany - Appointed 3rd December, 2012
14. Mrs. Mary Kimonye, MBS - CEO & Secretary to the Board

## **CORPORATE GOVERNANCE**

### **Introduction**

Corporate governance is the process by which organisations are directed and controlled. The concept of corporate governance has gained prominence and is enshrined in codes of best practice developed by Organization for Economic Co-operation and Development (OECD), Commonwealth Association of Corporate Governance (CACG) and the Centre for Corporate Governance in Kenya

Brand Kenya Board recognizes the need to conduct its business and operations with integrity and in accordance with generally accepted corporate practice, and endorses internationally developed principles of corporate governance. The Board of Directors will continue to focus their attention on maintaining the highest standards of corporate governance and business ethics in the Brand Kenya Board's operations.

### **The Board of Directors**

The members of the Board of Directors are shown on page 5. The Board is chaired by a non executive chairman appointed by the President. All members of the Board of Directors have extensive business and administrative experience in private and/or public sectors that is applied in the management of the Brand Kenya Board.

Allowances, honoraria and other transactions related to the Board of Directors are disclosed in note 15 to these financial statements.

The Principal responsibility of the Board of Directors is that of establishing the long term goals of the Brand Kenya Board. The Board of Directors also ensures that effective plans are developed and implemented. This entails:

- Providing the vision, mission, strategic direction and upholding core values;
- Putting in place management structures ( organisation, systems and people) 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, governance, accounting and auditing standards;
- Ensuring the preparation of annual financial statements and reports.

The Board of Directors met six (6) times in the period under review

## **CORPORATE GOVERNANCE (CONT.)**

Various committees whose chairpersons report to the Board of Directors supplement its functions. These Committees are described below:

### **1. Human Resources and Administration Committee**

The Human Resources and Administration Committee is chaired by non executive member and meets on quarterly basis.

The committee has oversight of all human resource matters including recruitment of right caliber of staff as well as administrative issues.

The Committee met thirteen (13) times during the financial year.

### **2. Audit Committee**

The Audit Committee is chaired by a non executive member and meets on quarterly basis.

The responsibility of the committee is to help the Board of Directors perform its oversight role in:

- Integrity of financial statements including reviewing the accounting policies and practices adopted in the preparation of financial information;
- Internal control environment;
- Internal and external audit;
- Compliance with applicable laws, regulations, accounting and auditing standards and ethical issues;
- Compliance with good corporate governance principles and other ethical issues.

The Committee met five (5) times during the financial year.

### **3. Technical Committee**

The Technical Committee is chaired by a non executive board member and meets on quarterly basis. The Committee's responsibility is to provide strategic direction in implementation of the mandate of BKB. This covers Country Branding, Marketing and Strategic Communication.

The Committee met four (4) times during the financial year.

### **4. Finance and Procurement Oversight Committee**

The Finance and Procurement Oversight Committee is chaired by a non executive board member and meets on quarterly basis. The Committee's responsibilities are to provide oversight role over Finance and procurement.

The Committee met four (4) times during the financial year.

## **CHAIRMAN'S STATEMENT**

It is with a deep sense of responsibility and national pride that I present to you the Brand Kenya Board's Annual Report for the year ended 30<sup>th</sup> June 2013. The year 2012 – 2013 was unique in that Kenya concluded a peaceful General Election and it also marked the beginning of the country's Golden Jubilee celebrations.

The general elections, the first under the new constitution saw the nation elect leaders at two levels of government. This marked a new dawn for Kenya as the country laid the foundation for a devolved system of government. Under the devolved system of government, it is expected that the various regions will experience accelerated growth and development. This should strengthen the country's positioning as a destination for investment, trade and tourism. Collectively, we must strive to scale greater economic, social and political heights.

In line with its manifesto, the Jubilee Government is focused and committed towards uplifting the living standards of its citizens. This will serve to greatly motivate the citizens to increasingly work hard for more growth and prosperity. The Government has reaffirmed its commitment to the realization of the country's socio-economic goals as captured in the Vision 2030. Towards this end, the Board will play a critical role in giving strategic direction for all initiatives that mobilize the energies of Kenyans towards the achievement of the national goals and in particular those that relate to the country's image and identity.

During the year under review, Kenya's international standing continued to improve as a result of several factors. Among these was the continued success in the mobile money transfer sector which reached an all-time high of Ksh 1.2 trillion in transactions, expansion of the middle class, improved performance of the capital markets, expansion of the financial and real estate sectors and ICT innovations.

This improved confidence in the country, also saw a number of Multinational Corporations choose Nairobi as their regional headquarter and operational hub.

**CHAIRMAN'S STATEMENT (CONT.)**

On the national front, the Board has continued to develop and implement initiatives that instill pride and patriotism in every Kenyan and foster national cohesion. To this end, the Board continued to establish and foster relevant networks and partnerships with individuals and institutions for an integrated and harmonized branding, in line with the National Brand Master developed earlier by the Board.

As the country enters its golden age, the Board commits itself to remain focused in leading Kenya's journey towards becoming a competitive global brand. This journey requires the participation of every single citizen. It is my humble appeal to all citizens to play their rightful role at whatever station they are in life, to make Kenya a better place.

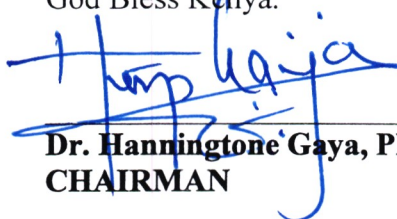
The achievements outlined in the pages of this report reflect a demonstration of the commitment, dynamism and dedication of the Board members in executing their oversight and advisory responsibility to the Chief Executive Officer and management. It is my humble duty to commend them for their excellent service.

I also extend my gratitude to the management and staff, who I wish to remind that they are brand ambassadors of our nation, and they must proudly uphold national values as they carry out their duties.

On behalf of the Board, I congratulate H.E. The President for his election and for giving the country a business friendly government and Public Service. These are essential ingredients for nation branding.

Lastly, let me wish all Kenyans a fruitful Jubilee year.

God Bless Kenya.



27/02/14

**Dr. Hanningtone Gaya, PhD., EBS.  
CHAIRMAN**

## **CHIEF EXECUTIVE OFFICER'S STATEMENT**

It is with great pride that I present the 2013 Annual Report to the citizens of our great nation of Kenya. As in the years past, the Board continued the awesome journey of making Kenya an attractive and preferred destination. We are proud of the progress our country made in the year in all sectors of the economy.

As we approached our work in the year, we did so, with the full realization that a well branded nation enjoys enormous benefits in inbound investments, talent, tourists, global goodwill and a preferred source of export products as well as other goods and services.

The Board remained steadfast in executing its mandate of ensuring that an integrated national brand is created, harnessed and sustained in the long term. Brand reputation is a crucial differentiator in the bid to attract opportunities in investment and tourism.

During the period under review, the country's image remained resilient. We note with pride, that the country's regional and global standing continued to improve. Indeed, the unveiling of the top 10 African Nation Brands, saw Kenya ranked 8<sup>th</sup>, having moved up from 9<sup>th</sup> in the previous year.

This improved rating was as a result of several factors. Among these, the performance of Kenyan athletes in Daegu, South Korea, where Kenya was ranked 3<sup>rd</sup> overall, the performance of the country at the London 2012 Olympics and the "Kenya House" country marketing concept executed on the sidelines of the Olympics.

Other factors were the discovery of oil, natural gas, coal deposits and other minerals, as well as the performance of the banking, finance, real estate sectors, mobile telephony and the ICT sector in general.

On the International front, the Board participated in a number of international branding activities which included; the Kenya Week held in Pretoria, South Africa, the Nation Branding and Investment Expo in the Netherlands and campaigns through electronic, print and social media platforms. The aim of the international programs was to showcase Kenya as a viable investment, trade and tourist destination.

**CHIEF EXECUTIVE OFFICER'S STATEMENT (CONT.)**

The efforts of the Board, coupled with the work of other stakeholders, saw the country receive attention as an investment destination. This is attested by the entrant into the Kenya market by several Multinational Corporations and the positive performance of the foreign desk at the Nairobi Security Exchange.

This year, marks Kenya's golden Jubilee. For the Board, this is a unique and rare opportunity to reaffirm and rededicate itself to greater and better service of branding the Nation. We note with pride that the Country is well positioned to surpass expectations in the political, social and economic aspects of the Kenyan brand. The Constitution and National values have laid a firm foundation for the Kenyan people to exploit their full potential and to achieve prosperity for themselves and the country.

As Kenya enters her golden age, the Board commits to remain steadfast in championing positive projections of our country as well as to actively market Kenya as a preferred destination to live, work, visit and invest in. We humbly invite all Kenyans to walk with us on this awesome journey.

In line with the Board's mandate, we partnered with several individuals and institutions in the year under review. It is as a result of these partnerships, that we were able to achieve the goals we set at the beginning of the year.

We thank the Ministry of Information and Communication for their direction and support, the Board of Directors for their facilitation and encouragement, our stakeholders for their partnership in our activities and our suppliers for their excellent service delivery over the year.

To all we say, Asante Sana.

Let us all journey together, and build Kenya into a premium brand.

God Bless Kenya.

 27/02/14

Mrs. Mary Kimonye, MBS  
**Chief Executive Officer**

**STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES**

It is the responsibility of the Board of Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the organization at the end of the financial period and of its operating results for that period. It is also the Board of Directors' responsibility to ensure that the organization keeps proper accounting records which disclose, with reasonable accuracy, its financial position. The Board of Directors is also responsible for safeguarding the assets of the organization.

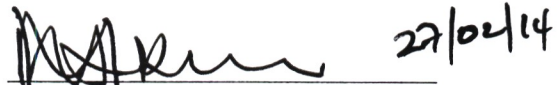
The Board of Directors accepts responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards. The Board of Directors is of the opinion that the financial statements give a true and fair view of the State of the financial affairs of the organization and of its operating results. The Board of Directors further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



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Dr. Hanningtone Gaya, PhD., EBS.  
**Chairman**




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Mrs. Mary Kimonye, MBS  
**Chief Executive Officer**

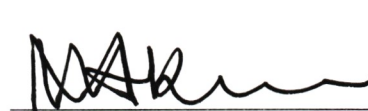
**STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2013**

	Notes	2013 KShs	2012 Restated KShs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2	13,997,334	8,525,179
Intangible Assets	3	2,337,768	-
		<u>16,335,102</u>	<u>8,525,179</u>
<b>Current assets</b>			
Trade & Other Receivables	4	23,335,436	4,608,415
Cash and Bank Balances	5	71,661,864	129,860,059
		<u>94,997,300</u>	<u>134,468,474</u>
<b>TOTAL ASSETS</b>		<u><b>111,332,402</b></u>	<u>142,993,653</u>
<b>EQUITY &amp; LIABILITIES</b>			
<b>Capital and reserves</b>			
Fund Balance		75,339,977	103,023,057
<b>Current liabilities</b>			
Trade and other payables	6	30,349,197	29,755,487
Provisions	7	5,643,228	10,215,109
		<u>35,992,425</u>	<u>40,000,596</u>
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<u><b>111,332,402</b></u>	<u>142,993,653</u>

The Financial Statement were approved by the Board on \_\_\_\_\_ and signed on its behalf by:

 27/02/14

Dr. Hanningtone Gaya, PhD., EBS.  
**Chairman**

 27/02/14

Mrs. Mary Kimonye, MBS  
**Chief Executive Officer**

# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## KENYA NATIONAL AUDIT OFFICE

### REPORT OF THE AUDITOR-GENERAL ON BRAND KENYA BOARD FOR THE YEAR ENDED 30 JUNE 2013

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Brand Kenya Board set out on pages 16 to 27, which comprise the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 14 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International 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**

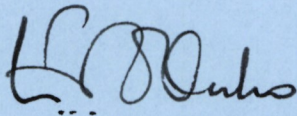
My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 15(2) of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in 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 2013, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the Brand Kenya Board Order, 2008.



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

**Nairobi**

**6 March 2014**

**STATEMENT OF COMPREHENSIVE INCOME**

		<b>2013</b>	2012
	<b>Notes</b>	<b>KShs</b>	Restated KShs
<b><u>INCOME</u></b>			
Government Grant-	<b>9</b>	<b>192,056,000</b>	211,300,000
Other Income	<b>10</b>	<b>453,495</b>	928,450
		<hr/> <b>192,509,495</b>	<hr/> 212,228,450
<b><u>EXPENDITURE</u></b>			
Staff Costs	<b>12</b>	<b>53,149,586</b>	51,695,207
Operating Expenses	<b>13</b>	<b>153,162,805</b>	128,048,575
Board Members Expenses	<b>14</b>	<b>14,573,878</b>	11,652,676
Depreciation	<b>2</b>	<b>2,898,906</b>	4,909,408
Amortization	<b>3</b>	<b>17,400</b>	-
Audit Fee	<b>15</b>	<b>348,000</b>	348,000
Provision for Bad Debt	<b>4</b>	-	43,026,487
Loss on disposal of Fixed Asset	<b>11</b>	<b>222,000</b>	-
<b>TOTAL</b>		<hr/> <b>224,372,575</b>	<hr/> 239,680,353
<b>SURPLUS / (DEFICIT)</b>		<hr/> <b>(31,863,080)</b>	<hr/> <b>(27,451,903)</b>

**STATEMENT OF CHANGES IN FUND BALANCES**

	<b>General</b>	<b>Revaluation Reserve</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
At 1 July 2011	130,474,960	-	130,474,960
During the year	(27,451,904)	-	(27,451,904)
	<hr/>	<hr/>	<hr/>
At 30 June 2012	<u>103,023,057</u>	<u>-</u>	<u>103,023,057</u>
<b>At 1 July 2012</b>	<b>103,023,057</b>	<b>-</b>	<b>103,023,057</b>
<b>During the year</b>	<b>(31,863,080)</b>	<b>4,180,000</b>	<b>(27,683,080)</b>
	<hr/>	<hr/>	<hr/>
<b>At 30 June 2013</b>	<b><u>71,159,977</u></b>	<b><u>4,180,000</u></b>	<b><u>75,339,977</u></b>

**STATEMENT OF CASH FLOWS**

	Notes	2013 KShs	2012 KShs
<b>Net Cash flow from Operating Activities</b>			
Operating Surplus/(Deficit)		(31,863,080)	(27,451,904)
<b>Adjustments for :</b>			
Depreciation	2	2,898,906	4,909,408
Amortization	3	17,400	-
Loss on disposal of Fixed Asset	11	222,000	-
Operating Surplus before working capital changes		<u>(28,724,774)</u>	<u>(22,542,496)</u>
<b>Changes in working capital:</b>			
Decrease/ (Increase) in Debtors and Prepayments		(18,727,022)	40,672,315
Increase / (Decrease) in Creditors and Provisions		(3,978,171)	12,615,554
<b>Net cash from changes in working capital</b>		<u>(22,705,193)</u>	<u>53,287,869</u>
<b>Net cash from operating activities</b>		<u>(51,429,967)</u>	<u>30,745,373</u>
<b>Cash flow from investing activities</b>			
Purchase of Fixed Assets	2	(4,413,061)	(2,020,200)
Purchase of Intangible Assets	3	(2,355,168)	-
Disposal of Fixed Assets		-	78,500
Net cash used in investing activities		<u>(6,768,229)</u>	<u>(1,941,700)</u>
<b>Net cash generated from operating activities</b>		<u>(58,198,196)</u>	<u>28,803,672</u>
<b>Increase in cash and cash equivalents</b>		<u>(58,198,195)</u>	<u>28,803,672</u>
<b>Movement in cash and cash equivalents</b>			
At 1 July		129,860,059	101,056,387
Increase during the year		<u>(58,198,195)</u>	<u>28,803,672</u>
At 30 June	5	<u>71,661,864</u>	<u>129,860,059</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in preparation of financial statements over the years presented unless otherwise stated.

#### 1.1 Basis of Accounting

The financial statements prepared in accordance and comply with International Financial Reporting Standards (IFRS). The measurement basis is the historical cost convention as modified by valuation of motor vehicles. Valuation will be done as explained under property plant and equipment below.

#### 1.2 Property, Plant and equipment

Property, plant and equipment is initially recorded at cost and thereafter stated at historical cost less depreciation. Valuations will be done every five years and the assets stated at valuation less depreciation. 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. Subsequent costs will be included in the asset's carrying amount or recognized as a separate asset, as appropriate when it is probable that future economic benefits will flow to the Board and can be easily measured. The carrying amount of the replaced asset will be derecognized. All other repairs and maintenance are charged to the income and expenditure statement during the period in which they will be incurred.

Increases in the carrying amount arising on revaluation will be credited to a revaluation reserve in the accumulated funds. Decreases that offset previous increases of the same assets will be charged against the revaluation reserve. All other decreases will be charged against the income and expenditure statement. Every period, the difference between depreciation based on the revalued amounts and that based on the asset's historical costs will be transferred from revaluation reserve to accumulated fund.

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 installments at the following rates:-

(a)	Motor vehicles	25%
(b)	Office equipment	12.5%
(c)	Furniture	12.5%
(d)	Computers	33%

#### 1.3 Capitalization

All assets with a cost of more than Kshs. 10,000 and a life that is more than 1 year are capitalized

#### 1.4 Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that assets may be impaired or an impairment loss previously recognized no longer exists or may have decreased. If any such indications exist, the asset's recoverable amount is estimated.

An impairment loss is recognized in the income and expenditure statement whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount of an asset is the higher of its fair value less Cost to sell and value in use

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**1.5 Foreign Currency Transactions**

There were no revenue received in foreign currency in the period under audit. In future, revenue that will be received in foreign currencies will be translated into Kshs. at the rates of exchange prevailing on the transaction dates. Assets and liabilities at the balance sheet date, which are expressed in foreign currency, will be translated into Kshs. at rates ruling at that date. The resulting differences from conversion and translation will be dealt with in the income and expenditure statement in the period in which they arise. Expenditure incurred in foreign currency was translated to KShs at the prevailing transaction rates

**1.6 Financial assets**

The Board's financial assets include cash, cash equivalents and receivables. Cash on hand, balances with financial institutions and receivables are classified as loans and receivables and carried at amortized cost. A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of impairment loss or assets carried at amortized cost is calculated at the difference between the assets carrying amount and the present value of expected cash-flows, discounted at the financial instrument's effective interest rate. Impairment losses are taken into account when determining operating surplus.

**1.7 Inventories**

Stock consists of marketing merchandise, which is valued at cost. Stationery and other supplies which are not material in value are expensed on purchase. There were no significant quantities of marketing merchandise at 30 June 2013.

**1.8 Revenue Recognition**

Grants from the Government of Kenya are recorded when realized. In future grants from partners will be recognized as per disbursement schedule agreed in donor agreements. Miscellaneous receipts are recorded on receipt.

**1.9 Retirement Benefit Costs**

Under the draft Human resources policy, The Brand Kenya Board contributes to a defined contribution pension scheme, at the rate of 7.5% of basic pay and to the National Social Security Fund, (NSSF). Contributions to the NSSF are determined by local statute and are currently limited to Kshs. 200.00 per employee per month. The Board's contributions to the above pension scheme are charged to the income and expenditure account in the period to which they relate.

**1.10 Employee entitlements**

The estimated monetary liability for employees' accrued annual leave entitlement at the Balance Sheet date is recognized as an expense in the income and expenditure statement and an Accrual in the Balance Sheet. Employee entitlements to gratuity are recognized when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

**1.11 Trade and other payables**

Trade and other payables are stated at their nominal values

**1.12 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand and that held at bank

**1.13 Provisions**

A provision is recognized in the balance sheet when there is a present. Legal and constructive obligation as a result of past events and is more likely than not that an outflow of economic benefits will be required to settle the obligation. The obligation should also be reliably estimated.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

2. Property plant and equipment

	Office Equipment Kshs.	Computers Kshs.	Furniture & Fittings Kshs.	Motor Vehicles Kshs.	Total Kshs.
<b><u>Cost</u></b>					
As at 1 July 2011	1,952,608	4,114,013	9,423,945	8,750,857	24,241,423
Additional for the period	244,000	710,476	1,065,724	-	2,020,200
Disposals	(78,500)	-	-	-	(78,500)
<b>As at 30 June 2012</b>	<b>2,118,108</b>	<b>4,824,489</b>	<b>10,489,669</b>	<b>8,750,857</b>	<b>26,183,123</b>
<b><u>Depreciation</u></b>					
As at 1 July 2011	399,039	3,038,033	2,748,325	6,563,142	12,748,538
Charge for the year	264,765	1,155,238	1,311,503	2,187,715	4,909,408
Disposals	(9,813)	-	-	-	(9,813)
<b>As at 30 June 2012</b>	<b>653,990</b>	<b>4,193,271</b>	<b>4,059,828</b>	<b>8,750,856</b>	<b>17,657,944</b>
<b>NBV as at 30 June 2012</b>	<b>1,464,117</b>	<b>631,218</b>	<b>6,429,841</b>	<b>0</b>	<b>8,525,179</b>
<b><u>Cost / Valuation</u></b>					
As at 1 July 2012	2,118,108	4,824,489	10,489,669	8,750,857	26,183,123
Additions for the period	1,052,540	2,068,381	1,292,140	-	4,413,061
Revaluation	-	-	-	4,180,000	4,180,000
Disposals	(434,200)	(243,300)	-	-	(677,500)
<b>As at 30 June 2013</b>	<b>2,736,448</b>	<b>6,649,570</b>	<b>11,781,809</b>	<b>12,930,857</b>	<b>34,098,684</b>
<b><u>Depreciation</u></b>					
As at 1 July 2012	653,990	4,193,271	4,059,828	8,750,856	17,657,945
Charge for the year	342,056	1,083,852	1,472,998	-	2,898,906
Disposals	(212,200)	(243,300)	-	-	(455,500)
<b>As at 30 June 2013</b>	<b>783,846</b>	<b>5,033,823</b>	<b>5,532,826</b>	<b>8,750,855</b>	<b>20,101,350</b>
<b>NBV as at 30 June 2013</b>	<b>1,952,602</b>	<b>1,615,747</b>	<b>6,248,983</b>	<b>4,180,000</b>	<b>13,997,334</b>

Motor Vehicles that were fully depreciated were professionally valued by AA of Kenya and report issued on 2/8/13, however given the minimum period change between the revaluation date and the end of the financial year, the revaluation amounts have been taken as the fair value at the end of the year. The fair values have been recorded in revaluation reserve. No depreciation has been charged on Motor vehicles since the value indicated is as at the end of the financial year.

At the end of the financial year, there were assets with an initial cost of Kshs 3,922,913.00 which were fully depreciated.

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**3 Intangible Assets**

**Intangible assets- Computer software**

	<b>Software Kshs.</b>	<b>Work In Progress Kshs.</b>	<b>Total Kshs.</b>
As at 1 July 2012	52,200	-	52,200
Transfer from Prepayments	-	1,151,484	1,151,484
Additions	52,200	1,151,484	1,203,684
<b>As at 30 June 2013</b>	<b>104,400</b>	<b>2,302,968</b>	<b>2,407,368</b>
<b>Amortization</b>			
As at 1 July 2012	52,200	-	52,200
Charge for the year	17,400	-	17,400
<b>As at 30 June 2013</b>	<b>69,600</b>	<b>-</b>	<b>69,600</b>
<b>NBV as at 30 June 2013</b>	<b>34,800</b>	<b>2,302,968</b>	<b>2,337,768</b>
<b>NBV as at 30 June 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>

Computer software licenses are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful life of three years.

Work in progress relate to implemetition of ERP that had not been concluded.

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

	<b>2013</b>	2012
	<b>KShs</b>	KShs
<b>4. Trade &amp; Other Receivables</b>		
Receivable from Ministry of Information	<b>19,534,000</b>	43,019,019
Staff	<b>237,943</b>	1,733,081
Rent deposit - NHIF	<b>1,731,850</b>	1,723,850
Attain Enterprises - ERP	-	1,151,484
Prepaid Insurance	<b>1,831,643</b>	-
Provision for Bad Debt	-	(43,019,019)
<b>Total</b>	<b><u>23,335,436</u></b>	<u>4,608,415</u>

The amount receivable from Ministry of Information represents the last installments of both the recurrent and development grants for the F/Y 2012/13 outstanding as at the end of the financial year..

**5. Cash and Bank Balances**

Bank	<b>71,627,680</b>	129,852,992
Cash	<b>34,184</b>	7,067
<b>Total</b>	<b><u>71,661,864</u></b>	<u>129,860,059</u>

**6. Trade and other payables**

Payroll Liabilities	<b>66,189</b>	-
Creditors	<b>30,270,939</b>	20,201,261
Pension Contribution	-	9,542,494
Other Payables - Staff	-	11,732
Withholding tax - SBO	<b>12,069</b>	-
<b>Total</b>	<b><u>30,349,197</u></b>	<u>29,755,487</u>

**7. Provisions**

Audit fees	<b>348,000</b>	348,000
Leave	<b>1,693,855</b>	2,470,958
Gratuity	<b>3,601,373</b>	7,396,151
<b>Total</b>	<b><u>5,643,228</u></b>	<u>10,215,109</u>

Gratuity is computed at 31% of basic pay for the period of employment

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**8. Revaluation Reserve**

The revaluation surplus presents solely the surplus on revaluation of Property, Plant and Equipment. Motor Vehicles (3) that were fully depreciated were professionally valued by AA of Kenya at the end of the financial year in order to reflect their current market value.

**9. Government Grants**

This represents funds voted for in the Government budget for the financial period. The expected receipts from the Government are thus well known before the start of the period and the same are released on a quarterly basis.

	<b>2013</b> <b>KShs</b>	2012 KShs
Grants Received during the year	<b>192,056,000</b>	211,300,000
<b>Total</b>	<b><u>192,056,000</u></b>	<u>211,300,000</u>

**10. Other Income**

Other Income	<b>453,495</b>	928,450
	<b><u>453,495</u></b>	<u>928,450</u>

This is income from the sale of tenders

**11. Loss on Disposal of Fixed Asset**

Cost	<b>677,500</b>	78,500
Accumulated Depreciation	<b>(455,500)</b>	(9,813)
Net Book Value	<b><u>222,000</u></b>	<u>68,687</u>
Write off/Compensation	-	68,687
Less: Net Book Value	<b>(222,000)</b>	(68,687)
(Loss)	<b><u>(222,000)</u></b>	<u>-</u>

The assets whose Net Book Value was Kshs. 222,000.00 was donated to a public technical training institution.

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

	<b>2013</b>	2012
	<b>KShs</b>	Restated KShs
<b>12. Staff Costs</b>		
Salaries and Wages	<b>50,221,536</b>	48,249,868
Leave Provision	<b>(777,103)</b>	(164,333)
Pension and NSSF Contribution	<b>2,318,833</b>	2,099,352
Gratuity	<b>1,386,320</b>	1,510,320
<b>Total</b>	<b><u>53,149,586</u></b>	<u>51,695,207</u>

**13. Operating Expenses**

Bank charges	<b>118,261</b>	71,200
Internet connectivity	<b>567,331</b>	554,701
Sanitation and cleaning services	<b>464,365</b>	472,451
Staff training and recruitment	<b>3,393,953</b>	4,261,588
Staff Uniform	<b>57,584</b>	126,578
R & M for Motor Vehicle,	<b>1,131,128</b>	1,460,130
R&M-Office Equip.	<b>479,423</b>	515,277
Office Rent & Deco	<b>9,958,937</b>	10,635,445
Telephone & Postage	<b>2,683,773</b>	1,893,880
Stationery, Publishing and Printing	<b>2,545,606</b>	1,935,900
Entertainment	<b>240,436</b>	249,955
Travelling & Accommodation	<b>5,579,906</b>	8,524,891
Office General Expenses	<b>1,454,016</b>	782,774
Publicity, Advertising and Communication	<b>114,308,065</b>	89,269,045
Subscriptions	<b>1,613,477</b>	942,249
Insurances	<b>5,495,247</b>	4,682,590
Contracted Professional Services	<b>3,071,297</b>	1,669,923
<b>Total</b>	<b><u>153,162,805</u></b>	<u>128,048,575</u>

**14. Board Expenses**

The Board's expenses relate to sitting allowances paid to Board members and other expenses incurred by the Board members in transacting activities relating to the Board.

Allowances	<b>5,070,783</b>	3,344,000
Honoraria	<b>960,837</b>	935,736
Training , Travel & Other Expenses	<b>963,058</b>	468,140
CEO - salary	<b>6,240,000</b>	5,640,000
- Gratuity	<b>1,339,200</b>	1,264,800
<b>Total</b>	<b><u>14,573,878</u></b>	<u>11,652,676</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONT.)**

**15. Audit Fees**

This comprises of the fees expected to be paid to the Auditor General for the audit of the current period.

**16. Contingent Liabilities**

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

**17. Employees**

The average number of employees for the Board during the period was thirty three (33). (June 2012 – 30).

**18. Liquidity Risk**

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents to meet obligations as they fall due. The management ensures that adequate cash reserves are maintained to pay off liabilities as they crystallize.

**19. Capital Commitments**

There was a capital commitments of Kshs. 3.4 million related to acquisition of an ERP at the end of the financial year. By the end of the financial year, the project was in it conclusion phase.

**20. Committed Expenditure**

By the end of the financial year, BKB had approved expenditure of Kshs.28.85 million where services/goods had not been supplied.

**21. Currency**

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

